What’s it worth?
The case for variable graduate contributions
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The case for variable graduate contributions

A Report for Universities UK by Nigel Brown
Introduction

The Higher Education Bill was announced in the Queen's Speech on 26th November. One of the key elements of this Bill will be the introduction of variable fees for full-time undergraduate home and EU students and a new Graduate Contribution Scheme for England from 2006. It's a controversial step, but one which Universities UK believes is necessary and fair.

These proposals stem from the need for increased funding for university teaching. After more than two decades in which the level of public funding per student has been successively reduced, universities across the UK face the prospect of no longer being able to provide our students with the kind of experience they are entitled to expect. We risk losing our international reputation for the quality and effectiveness of our higher education system.

At the same time, universities are opening their doors to greater numbers of students than ever. The drive to widen participation, and offer higher education to those whose parents might never have thought university was for them provides part of the reason for the current expansion of student numbers. Demographic pressure and improved performance at A-level are also leading to a big increase in demand for university places.

Universities UK is therefore asking Members of both Houses of Parliament to support the Government’s plans to introduce a new system of graduate contributions towards the cost of higher education in England.

After more than a decade of debate, the higher sector education across the UK urgently needs a solution to its funding problems. The introduction of variable graduate contributions for England won’t answer all our funding needs - and of course universities will continue to need sustained and increased investment from the public purse. But Universities UK believes that the scheme proposed by Government is fair.

Under the proposed system higher education will be free at the point of use for full-time undergraduate students. Graduates in work and earning over £15,000 will contribute towards the cost of their tuition. Fee repayments will be affordable - only about £5 a week for a graduate earning £18,000. About 42% of students will still benefit from the basic fee waiver and many low-income students will get new grants. The additional income will put universities in a better position to offer further support to students, as well as enhance the learning experience.

This document sets out why we believe the Government’s proposals are right by addressing some of the key questions that have been raised during the past months of debate.

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1 In this document ‘student’ is used to refer to full-time undergraduate home and EU students at English institutions, to whom the new variable fees and the graduate contribution scheme will apply. It does not apply to international, part-time or post-graduate students who already pay variable fees.
Following severe cuts in the level of public funding per student for teaching at a time of rapid expansion in student numbers, substantial investment is now required to maintain current levels of activity, let alone to cater for the new growth in student numbers that the Government is seeking. In this section we look at some of the key questions relating to the need for additional student funding:

Q.1 Why do universities need more money for teaching?

A.1 Public funding per student fell by 37% between 1989 and 2002. During the same period, student numbers increased by 94%. This followed a reduction of funding per student of 20% between 1976 and 1989. In cash terms, nearly £8,000 (in today’s money) was spent per student in 1989/90 compared with just over £5,000 today.

A result of the decline in funding for teaching students, the average student to staff ratio for higher education in England and Northern Ireland continues to deteriorate; it is now around 23:1, exceeding that of further education of 15:1.

A study by the Office of Science and Technology in 2001 showed that publicly funded teaching and research in higher education institutions were both substantially in deficit and supported by deferring investment in the infrastructure. At the same time, expansion of student numbers is adding to the pressure for additional funds.
Q.2 Why do universities need more money for expansion?

A.2 The Government wants to increase participation in higher education in England from its current level (43%) to 50% of 18-30 year olds by 2010 because it judges that those additional graduates will be needed to sustain the growth of the economy through the first half of the 21st Century. Universities cannot afford to expand places at marginal cost as was done in the early 1990s. After a 37% reduction in funding per student place there is no slack in the system and no further economies of scale. Additional funding is needed if this key national objective is to be achieved.

Demand for higher education is growing because there are more young people with the qualifications to apply for university. Even without any growth in participation towards the Government’s target, demand is expected to rise by up to 150,000 places from the demographic increase in the numbers of young people over the next few years. Better school performance and the impact of measures to widen participation mean that between 180,000 and 250,000 extra university places will be needed to meet the demand from qualified students.

Q.3 Surely the 50% target can't be justified?

A.3 Many of our principal international competitors now have participation rates close to, or above, 50%. Furthermore recent research undertaken for DfES (August 2003: Research Brief 465) shows a very high correlation between productivity at regional and national level in manufacturing industry and the employment of graduates with academic qualifications. In addition, every survey of employers shows that it is graduates who are in demand, and in growing numbers. The reason for this lies partly in the way our economy has changed in the last decades so that we are increasingly reliant on high-level skills.

Q.4 How will students be affected if there is no funding for infrastructure?

A.4 Students will suffer. Urgent investment is needed to provide safe laboratories and modern classrooms, well-stocked libraries and up-to-date IT facilities. We need to repair, upgrade or replace buildings that have in many cases exceeded their life-expectancy and are no longer fit for purpose or adequate for contemporary teaching and learning. Without investment - with an overcrowded, crumbling, outdated infrastructure - we cannot hope to safeguard standards and maintain the quality of students’ learning experience nor cater for an expanded student population. In addition, some older buildings need to be modernised to meet the demands of health and safely and disability legislation.
Q.5 Why is more money needed for pay?

A.5 University staff, both academic and support staff, are underpaid. There is an urgent need for a modernised pay structure for university staff that provides rewards in terms of pay levels and opportunities for advancement that will enable universities to recruit and retain the best staff. Without additional funding from both public and private sources, salaries will not be improved and good staff will leave the sector or go and work abroad and students will lose out as a result.

University salaries have not kept up with jobs in the public sector such as school teachers and nurses, or with pay for equivalent posts in the private sector. The Prime Minister called attention to this in November 2002 when he said that lecturers’ pay had increased by 5% in the past 20 years, when the figure for the rest of the economy is 45%. Certain academic posts are now extremely difficult to fill and academia is no longer as attractive a career as it once was. Research for Universities UK suggest that there has been a significant increase in the number of staff leaving the UK higher education sector in order to pursue careers overseas as UK salaries become increasingly uncompetitive.

Universities are keenly aware of the need to address the issue of pay, and recent negotiations have mapped out ways of tackling present recruitment and equal pay problems - for both academic and support staff. But significant progress will depend on Government providing extra money, as it has in the NHS and schools. More money will also be needed to meet additional National Insurance and pension payments imposed by Government.

Q.6 Shouldn’t the taxpayer find all the extra money?

A.6 The taxpayer’s contribution to higher education has already increased recently because the Government has increased public spending in England by £3.7 billion in the spending review period 2002-06. Under the proposed system, the amount contributed by the taxpayer will increase further, both to fund additional student places, and to subsidise loans available to students to pay for fees and maintenance.

The scale of the funding crisis is such that universities will continue to argue strongly for further increases in public investment as we have over the last two decades. But we recognise that we are in competition for public funding not only with other areas of education but with health, pensions and transport. There are compelling arguments for increased investment in all these things and historically universities have lost out in the bid for limited public funds.

There are strong arguments why individuals, as major beneficiaries of higher education, should contribute to the costs of higher education once they have graduated. For all these reasons, Universities UK shares the belief that it is right to adjust the balance in contributions from the taxpayer and individual graduates.
Q.7 Won’t the additional income from higher fees be clawed back by the Treasury within a few years?

A.7 As the table in Question 1 shows, after the introduction of tuition fees in 1998 public funding for teaching per student actually fell. Universities UK is clear that for higher education to be put on a stable footing in the UK public investment must be maintained and increased alongside the introduction of a new graduate contribution. Without this, there can be no improvement in the prospects for the future of higher education and our ability to compete in an increasingly globally competitive environment will be severely compromised. In *The Future of Higher Education* the Government recognised that public spending on higher education lags behind our OECD\(^2\) competitors. On average OECD countries (including France, Germany and the Netherlands) spend 1% of GDP on higher education institutions. The US spends 1%. The UK spends 0.7%.

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\(^2\) Organisation for Economic Co-operation and Development
On average, individuals benefit substantially from possession of higher education qualifications. Society also benefits, both because of the contribution higher education makes to the strength of the economy, and because of the skills of individual graduates such as doctors, nurses and teachers. It is difficult to quantify such benefits, but available evidence suggests that, on average, the benefits to individual graduates outweigh the measurable benefits to society at large. Individual graduates benefit because they earn more. But they also benefit from greater opportunity, social mobility, job satisfaction and even better health. It seems appropriate, therefore, to ask these individuals to contribute to the cost of providing the education that leads to these benefits. However, it also follows that it is much more logical to seek contributions from graduates based on their ability to pay, rather than to charge students up-front fees when they are least financially equipped to pay the fees. The Graduate Contribution Scheme will make higher education in English institutions free at the point of use. This section looks at the arguments in favour of such a scheme:

Q.1 With growing numbers of graduates, won’t these individual benefits be diluted?

A.1 There are a number of ways of looking at the benefits to individuals and society at large of higher education, but all the available evidence suggests that not only are the benefits to individuals high, they have remained so despite growing numbers of graduates. The OECD puts the private rates of return to English males for tertiary qualifications at 17%, the highest amongst the 10 countries for which comparable data are available. A forthcoming study by Elias and Purcell on a large sample of individuals who graduated in the early 1980s will show that, if anything, graduates have, on average, slightly increased their earnings premium over the last decade. The Government estimates that first-degree graduates earn £120,000 more than those with A-levels over the course of their working lives.

Q.2 Everyone in society benefits from the existence of graduates, so shouldn’t everyone pay?

A.2 Yes, but the taxpayer should not have to bear the whole cost, particularly as those costs are rising. In 1997, the Dearing Committee tried to compare the benefits to graduates and society at large of higher education. Everyone benefits from the boost that higher education gives the economy. The Dearing Committee described this “social rate of return” - the return to taxpayers for their investment in higher education measured by the increase in productivity within the economy created by graduates - as being between 7% and 9% compared to a “private rate of return” of 15% for male graduates and over 30% for female graduates.
Q.3 What if you don’t benefit from your higher education because you take a low-paid job eg. in the charitable sector?

A.3 Contributions from individuals should depend, as the Dearing Committee observed, on individuals actually securing the benefit: graduate contributions, especially when linked to income, are therefore much to be preferred to up-front contributions. The latter puts the burden on individuals when they are least able to afford it. However, individuals whose earnings remain only just above the £15,000 repayment threshold will take longer to repay their loans. A further protection for such individuals might be to forgive loans after a certain period, perhaps 15 years. Universities UK believes that this would be a positive move.

Q.4 Don’t graduates already make a higher contribution through the higher taxes they pay on their higher earnings? Why should they pay any more?

A.4 Yes they do, but this still imposes a disproportionate burden of supporting the funding of higher education in general on individuals who have not benefited directly. The proposed scheme is, in effect, a form of progressive taxation. It is like a graduate tax, without some of the disadvantages of a pure graduate tax. Detailed analysis by the Institute of Fiscal Studies (IFS) shows that the White Paper proposals are more progressive than both the current system and the Conservative Party’s proposals, which would benefit the better-off. The IFS report ‘Study Now, Pay Later’ or ‘HE for Free’ demonstrates that the Government’s proposals would redistribute income from richer to poorer households because graduates tend to be higher up the income distribution scale than non-graduates. Graduate repayments from deferred loans – which pay for the increase in funding for tuition – would therefore be drawn more heavily from higher income households than revenue from general taxation.

Q.5 Why not introduce a graduate tax?

A.5 The proposed scheme is very similar to a graduate tax (a continuous additional tax liability), but avoids some of its disadvantages. In the long run a graduate tax might raise more money for higher education, but on any reasonable level for such a tax it would be nearly twenty years before it broke even. It would also have to overcome the twin objections from the Treasury that it would be a new tax and that we do not generally hypothecate UK tax revenue. Without hypothecation there can be no guarantee that the money raised from graduates would flow back to universities. Nor would a graduate tax be so evidently related to the initial contract between the individual and the state as the current student loans system is. Finally, a graduate tax, unlike the proposed contribution scheme, would be open-ended.
However, some of the benefits of a graduate tax are replicated in this scheme. Like a graduate tax, under the proposed scheme graduates rather than students contribute to the costs of higher education. Repayments are made through the tax system, and the less you earn, the less you pay. The more you earn, the more you pay. If you are unable to work or earn very little, you don’t pay.

Q.6 Won’t there be unforeseen consequences on the commercial borrowing market and the mortgage market? Won’t graduates find it more difficult to borrow because of the increased student loan debt?

A.6 It is difficult to disentangle the impact of the introduction of student loans on the housing market from the impact of house prices rising far faster than wages. However, under the Government’s proposals taken as a whole, the level of repayments expected from individuals will fall because of the increased income threshold at which repayments start. The repayment period will, on average, be longer, but the decreased level of repayments should make it easier for graduates to manage financially. Furthermore, the financial institutions will undoubtedly continue to see graduates as relatively low risk clients of the kind they are keen to lend to.
The biggest question for many people in assessing the impact of the Government’s proposals is whether they will put poor people off going to university. Debate over the last few years has focused on how to minimise this risk and the proposed scheme is designed to focus publicly funded financial support on the poorest students through grants, fee waivers and loan subsidies. However, there is no doubt that this is a serious issue, and this section attempts to address some of the most crucial questions in this debate:

Q.1 Does the fear of debt put people from low-income backgrounds off university?

A.1 The Graduate Contribution Scheme should make ability to pay at the point of entry irrelevant with respect to fees since repayments depend on graduate earnings. But evidence, including Universities UK’s publication *Attitudes to Debt*, shows that the prospect of debt affects people differently and that debt aversion is a factor for some people in considering whether to enter higher education.

However the Higher Education Policy Institute paper *Widening Participation and Fair Access* (Feb 2003) says: ‘As far as student debt is concerned, the introduction of fees and maintenance loans in 1998 caused no change in the pattern of student enrolment in higher education, either absolute terms or differentially by social group’. In addition, recent studies in Australia, where a system of deferred payments has existed for a number of years, show that there is no evidence of a general impact on demand by those least likely to enter higher education. Participation by the lowest social groups has stayed steady at around 17.5% of total participation with a massive increase in the actual numbers of students.” Chapman and Ryan, in The Access Implications of Income Contingent Charges for Higher Education: Lessons from Australia (Australian National University 2003), said “we conclude that HECS did not act to discourage university participation in general or among individuals from the lowest wealth groups”.

The overall level of debt in society shows that people understand the risks and benefits of taking on commercial debts to buy cars and houses. When buying a house, levels of debt are far higher than those that any graduate would have to contemplate as a result of fees, and yet the potential returns on the investment in property are seen to justify the risk.

Q.2 Isn’t it true that the higher the cost, the fewer poor students will choose to go to university?

A.2 The biggest factor in determining whether young people from low-income groups go to university is educational achievement at 18. The table, below, shows that nearly all people from the lower socio-economic groups who get 2 or more A-levels go on to higher education.

While aversion to debt may play a part in the decision by some groups whether or not to go to university, there are a number of other factors that play an equally or even more important role. Universities UK’s report *Attitudes to Debt* shows that other factors which put people off include the desire to get a job and earn money, ignorance of the actual costs of higher education and the levels of financial support available, and being unconvinced that higher education will deliver the financial benefits claimed.
Finally, universities have been working hard over a number of years to widen participation and ensure that students from poor backgrounds are not put off. The Government intends to create an Office for Fair Access to build on this work. Universities and Government will work together to ensure that the possible deterrent effects of higher fees are countered where need is greatest.

<table>
<thead>
<tr>
<th>Socio-Economic Classification</th>
<th>Percentage of 16 year olds studying for A/AS levels</th>
<th>Percentage of 18 year olds with 2 or more A levels grades A to E</th>
<th>Percentage of 18 year olds on Level 4 programmes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Professional</td>
<td>66</td>
<td>57</td>
<td>43</td>
</tr>
<tr>
<td>Lower Professional</td>
<td>48</td>
<td>42</td>
<td>31</td>
</tr>
<tr>
<td>Intermediate</td>
<td>35</td>
<td>24</td>
<td>23</td>
</tr>
<tr>
<td>Lower Supervisory</td>
<td>20</td>
<td>16</td>
<td>15</td>
</tr>
<tr>
<td>Routine</td>
<td>18</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Other</td>
<td>21</td>
<td>15</td>
<td>17</td>
</tr>
</tbody>
</table>

A.3 But doesn’t the proposed scheme just ignore the fact that some poor students may be put off by the prospect of higher debt?

A.3 No. The proposals include a series of measures aimed at minimising the impact of the variable fees on individuals from low income backgrounds and in particular to minimise the prospect of increased loan debt for them. These measures include the maintenance of the current means test for the first £1,125 of any fee – which exempts about 42% of students already. The introduction from 2004 of means-tested maintenance grants of up to £1,000 will also help over a third of students. In addition, the additional income from fees will give universities the financial freedom to provide assistance to poor and ‘nearly poor’ students, ensuring that those in the greatest financial difficulty get help with maintenance costs. And the proposed scheme means lower repayments in the early years after graduation. A graduate earning £20,000 a year will repay £450 a year - half the current level.

Q.4 What about students who end up in low-paid jobs, in the charitable sector or public services, for example?

A.4 Graduate Contributions through income contingent loans are a type of mutual insurance in which the risk that the individual will not secure the expected benefit is shared by students and taxpayers in general who meet the costs of those who never earn enough to contribute in full, and have their loans forgiven. The loans also include an interest rate subsidy met by the taxpayer since they attract only a zero real rate of interest. The longer a graduate takes to pay, the greater the value of the loan subsidy. Income contingent loans are quite unlike commercial loans. There is no fixed period of repayment and the level of repayments is linked to how much you earn, rather than how much you owe.
The Government is proposing to raise the salary threshold at which graduates become liable to repay from £10,000 to £15,000 to help graduates on low incomes. The fact that repayments cease if income falls below the £15,000 threshold also protects those who can’t work for periods - for example, women who take time off to have children. A further protection might be to forgive loans after a certain period, perhaps 15 years. Universities UK believes that this would be a positive move.

Q.5 How much will graduates actually have to repay?

A.5 The total amount a graduate has to repay will depend on a number of factors. These include: the cost of their course; whether they are liable for the first £1,125; whether they or their parents have paid any of their fees upfront. The overall level of debt will also depend on the amount of money the student borrowed to meet living costs while at university.

However, the repayment scheme means that the size of the debt determines the length of time it takes to repay the loan, not the level of repayments, which will be fixed by the level of earnings. Table 6 below shows the level of weekly repayments at different levels of graduate earnings.

### Income Contingent Loan Weekly Repayments at Different Earnings Levels

<table>
<thead>
<tr>
<th>Annual Earnings</th>
<th>Weekly Repayments</th>
</tr>
</thead>
<tbody>
<tr>
<td>15,000</td>
<td>0</td>
</tr>
<tr>
<td>16,000</td>
<td>1.73</td>
</tr>
<tr>
<td>18,000</td>
<td>5.19</td>
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<tr>
<td>20,000</td>
<td>8.65</td>
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<tr>
<td>25,000</td>
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<tr>
<td>30,000</td>
<td>25.96</td>
</tr>
<tr>
<td>35,000</td>
<td>34.62</td>
</tr>
</tbody>
</table>

Q.6 Won’t the Graduate Contribution Scheme simply increase the length of time which graduates take to repay their student loans?

A.6 Yes it will. The proposals, including the introduction of the Graduate Contribution Scheme and the increase in the income threshold at which graduates become liable to make repayments, will increase the period over which the student loan is repaid, other things being equal. However, the actual level of annual payments will be lower than under the current system. In fact, a graduate earning £20,000 will repay £450 a year under the proposed system, compared with £900 under the current system. With the lower level of annual repayments (from the higher income threshold) and the removal of the need to find the up-front fee, the increased repayment period would seem an acceptable price.
For many, the central issue in this debate is whether English Higher Education Institutions should have increased freedom to set the level of fees charged for full-time undergraduates? They already have that freedom for part-time undergraduate fees, most postgraduate fees and the fees charged to international students. Much of the debate on this issue centres on the possible impact of variable fee charges on the choices of students from low-income backgrounds, influenced by their concerns about the level of debt they are likely to incur. There has also been considerable debate about the likely impact of variable fees on the structure of higher education in England and in particular concern that the introduction of variable fees might lead to the reintroduction of the binary line that existed before 1993. This section looks at some of the key questions:

Q.1 Don’t the proposals for variable fees set a dangerous precedent?

A.1 Not at all. Institutions already have the freedom to set most of their own fees for international, part-time and postgraduate students. Variability has given universities the freedom to respond flexibly and effectively to the local market for students.

There is also already differentiation of funding of different higher education courses through the Higher Education Funding Council for England (HEFCE) grant, but largely to reflect the different costs of different subject groups and the mix of students. HEFCE also gives additional funding to institutions in recognition of the additional costs of teaching students from under-represented groups, including those from low-income backgrounds, for example through the Widening Participation Premium.

Q.2 Won’t variable fees lead to poor universities for poor students?

A.2 Firstly, it is by no means clear that some universities will charge £3,000 for all their courses, while others charge much less for all theirs. It is much more likely that course fees will vary within institutions, with most charging more for some courses and less for others, depending on factors such as demand and cost of delivery. The new system will give individual universities the freedom to respond to local market conditions and it may be that there is some element of cross-subsidy within institutions. Secondly, all English universities are likely to be better off under the proposed system, with substantial new resources to plough into improving the quality of what they offer students.

It is planned that fees will only be increased above the current level where the Office for Fair Access has reached an Access Agreement with the institution in question. Universities will continue to work to ensure that students from the poorest backgrounds are not deterred from applying to university.

In fact, higher income from fees could give universities more money to spend on providing financial support to ensure that poor students aren’t put off by the price of a course.
Q.3 Why should students pay more for some courses than others?

A.3 Different courses bring different benefits to individuals. This is already clear. If you look at the cost of Masters in Business Administration (MBAs) for example, it is clear that the expectation of increased earning potential is sufficient to encourage individuals to invest relatively large amounts in taking those courses, compared to other Masters courses, for example. In addition, there are already league tables of institutions, and perceptions amongst students and their advisers on the basis of those league tables, of which institutions offer the best package. Price differentials provide the best method of testing out the basis of those perceptions.

Q.4 Won't the proposal for top-up fees simply lead to the demise of important but unpopular subjects like the physical sciences and languages?

A.4 There have been a significant number of closures of departments in subjects like physics, chemistry and languages in recent years. To some extent these have been precipitated by loss of research income as a result of increasing concentration of research funding by HEFCE as well as a shortage of suitably qualified undergraduates. A system of variable fees will allow universities to stimulate demand by pricing courses competitively where demand is weak, while levying higher fees where demand is strong. This opportunity would not be available under a fixed-fee system.

Q.5 If everybody tries to charge £3,000 for all their courses how will that be a market?

A.5 While it is possible that the maximum of £3,000 may be too low to create a market, the outcome remains to be seen. This is uncharted territory for the financing of undergraduate higher education but we expect that there will be some variation in the level of fees both within and between institutions.

Q.6 Why not simply go for a higher flat rate fee as has been proposed in Early Day Motion 994?

A.6 As proposed in EDM 994, the whole of the flat rate fee would be means-tested. That would increase the cost to the Exchequer. Bahram Bekhradnia (Demand for HE to 2010: Some Political and Policy Implications HEP1 2003c.) has estimated the additional cost to the Exchequer of such a scheme to be around £325m. This would serve to increase further the temptation of future Governments to reduce public funding for institutions.

Furthermore, it is not clear what impact a centrally imposed flat rate fee, at a level high enough to bring significant additional resources into universities, would have on some courses. A higher means-tested flat rate fee would leave the full-time undergraduate fee rigidly regulated and do nothing to increase institutional flexibility or autonomy. Institutions are better placed to judge and respond to their own markets than central Government. For these reasons Universities UK believes that the Government's option is the most realistic for bringing much-needed funds into the sector.
The debate about how to fund higher education has been raging for decades. The need to find a new solution has been driven by the desire to make higher education available to all who can benefit, rather than just a privileged few. It has been made more pressing by the long years of under-funding. Some of the alternatives, such as a graduate tax or a fixed fee have been addressed in other sections. This section looks at the solutions which have been proposed by opposition parties:

**Couldn’t you solve the problem by scrapping the 50% target?**

The **Conservatives** would not introduce variable fees and would abolish the current tuition fee (£1,125) a year. They say this would cost universities around £700 million a year in lost income – although Universities UK thinks that the loss of income would be much higher. The income from existing fees currently amounts to about £800 million. We estimate that the introduction of variable fees could increase income to the sector by a maximum extra £1.4 billion.

The Conservatives say that they would compensate for the loss of fee income by not expanding student places and by not introducing the Office for Fair Access.

Universities UK’s primary concern is that the Conservative proposals would do nothing to address the funding needs of the sector. We believe that the Conservatives have overestimated the amount of money they would save by not having to pay for expansion, and underestimated the demand for additional student places due to demographic changes. In effect, the Conservative proposals would lead to a reduction in the proportion of young people who have the opportunity to go to university – and it is likely that potential students from poor backgrounds will be the hardest hit.

**Why not raise taxes?**

The **Liberal Democrats** argue that fees should be abolished and that higher education should be funded from income derived from a 50% top rate of tax on those earning over £100,000. While Universities UK welcomes the Liberal Democrats’ recognition of the funding needs of universities, our view is coloured by the fact that universities have argued for increased public investment for decades, and have experienced more than 20 years of cuts-upon-cuts as other spending priorities squeeze the amount Governments have been willing to spend on higher education.

Universities are asking for a major increase in funding, partly from public funds and partly from individuals. Given the scale of the funding gap, Universities UK thinks it’s fair to ask those who benefit most from higher education – graduates – to contribute proportionally more to its costs. While the higher earnings of graduates mean that the majority of UK taxpayers who earn over £100,000 have benefited from higher education, a significant proportion of this group have not. We therefore consider this solution to be a relatively poorly targeted way of raising the necessary money, compared with the form of progressive taxation offered by the Government proposals which targets only those who have been to university.
Further information

For further information or evidence supporting our views, please contact John Wrathmell, Parliamentary Officer, Universities UK, 020 7419 5409 or email john.wrathmell@UniversitiesUK.ac.uk

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