

Does Augar provide the way forward for HE and FE in England? A CGHE panel



Lorraine Dearden, Simon Marginson, Gareth Parry, Michael Shattock



Distributional Impacts of the Augar proposals: estimates and thoughts

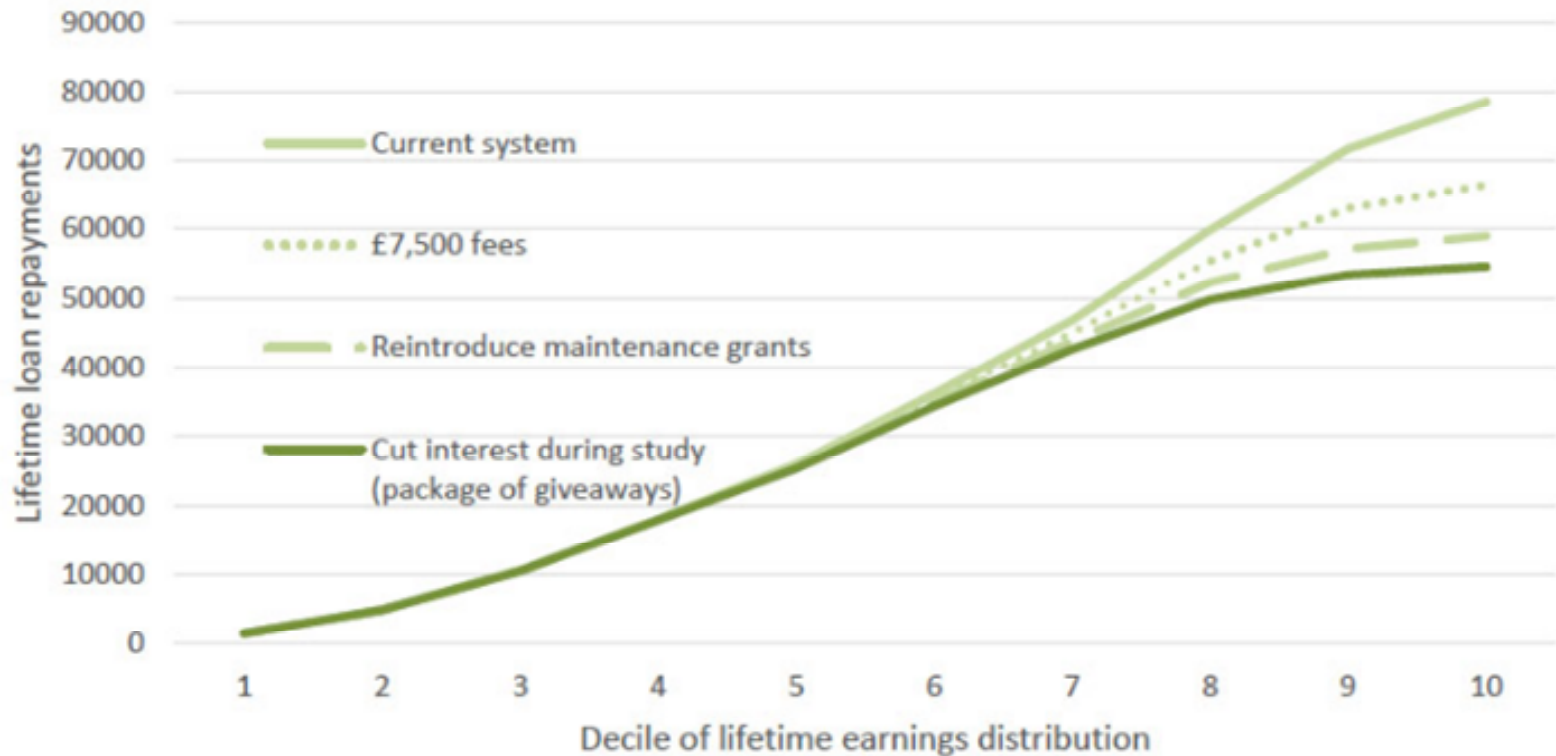
Lorraine Dearden
Institute for Fiscal Studies
University College London

Opening remarks

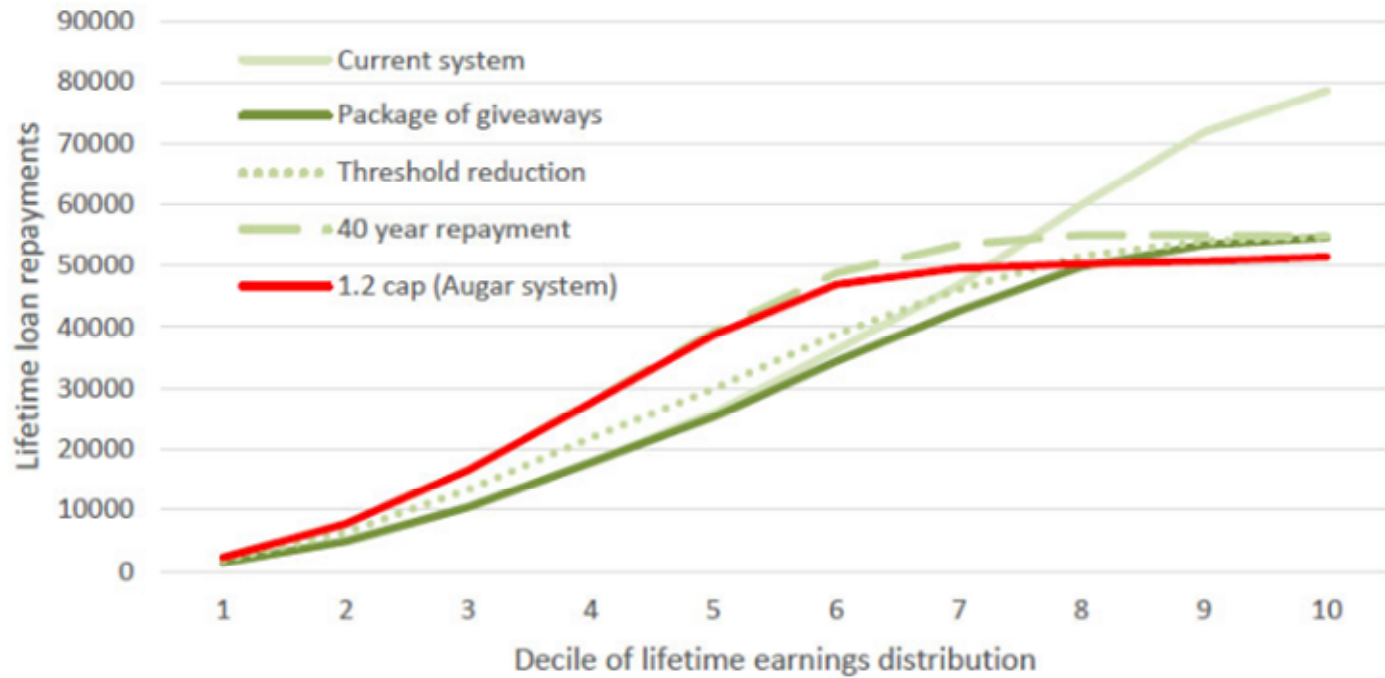
Broadly support the recommendations of Augar

- Proposal to provide support for all post-18 Education in an integrated and modular way a major improvement and long overdue
 - Proposed re-introduction of grants sensible and involves small long-run costs but should improve access to post-18 education
 - avoids those coming from poorest background having largest debts
 - Reverses decision that was made for public accounting reasons and strong evidence that grants help participation of poorest
 - We estimate (IFS HE model) that suggested reforms will cost taxpayers a modest amount of money compared to current system but lots of unknowns
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Distributional Impacts of the Augar 'giveaways' (2019 prices not discounted)



Getting some money back....



Summary of Costs (discounted)

	Current system	£7,500 fees, m-grants, interest cut	Threshold reduction & 40-yr term	1.2*loan repayment cap
Cost per borrower (across degree)				
Total up-front government spend	£52,300	£50,600	£50,600	£50,600
Of which, loans	97%	75%	75%	75%
Long-run graduate contribution	£28,600	£23,700	£28,600	£27,300
Long-run taxpayer subsidy	£23,700	£26,900	£22,000	£23,300
Total costs (including non-borrowers and part-time)				
Total up-front government spend (debt impact)	£18.4bn	£18.2bn	£18.2bn	£18.2bn
<i>Of which, direct grants</i>	<i>£0.7bn</i>	<i>£4.9bn</i>	<i>£4.9bn</i>	<i>£4.9bn</i>
Total long-run government contribution (deficit impact)	£8.4bn	£9.9bn	£8.2bn	£8.7bn

Could there be a simpler way to achieve objectives

- More progressive and transparent and simple to impose 20% administrative charge on loan and have interest rate at government cost of borrowing or just above (reviewed annually e.g. pegged to 10 year bond rate)
 - Ensures maximum repayment never exceeds 120% and reduces incentive for high earning graduates with access to more competitive interest rates to pay back early (which costs government money)
 - High interest rate potentially problematic with longer payback and 3%+RPI not future proof – better ways of extending loan repayments for high earners
 - Main winners are graduates in top 30% of lifetime earnings distribution – and losers those in the middle of the distribution - optimal?
 - Better way to target teachers and nurses e.g. reduce loans for years of service
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Some final thoughts...

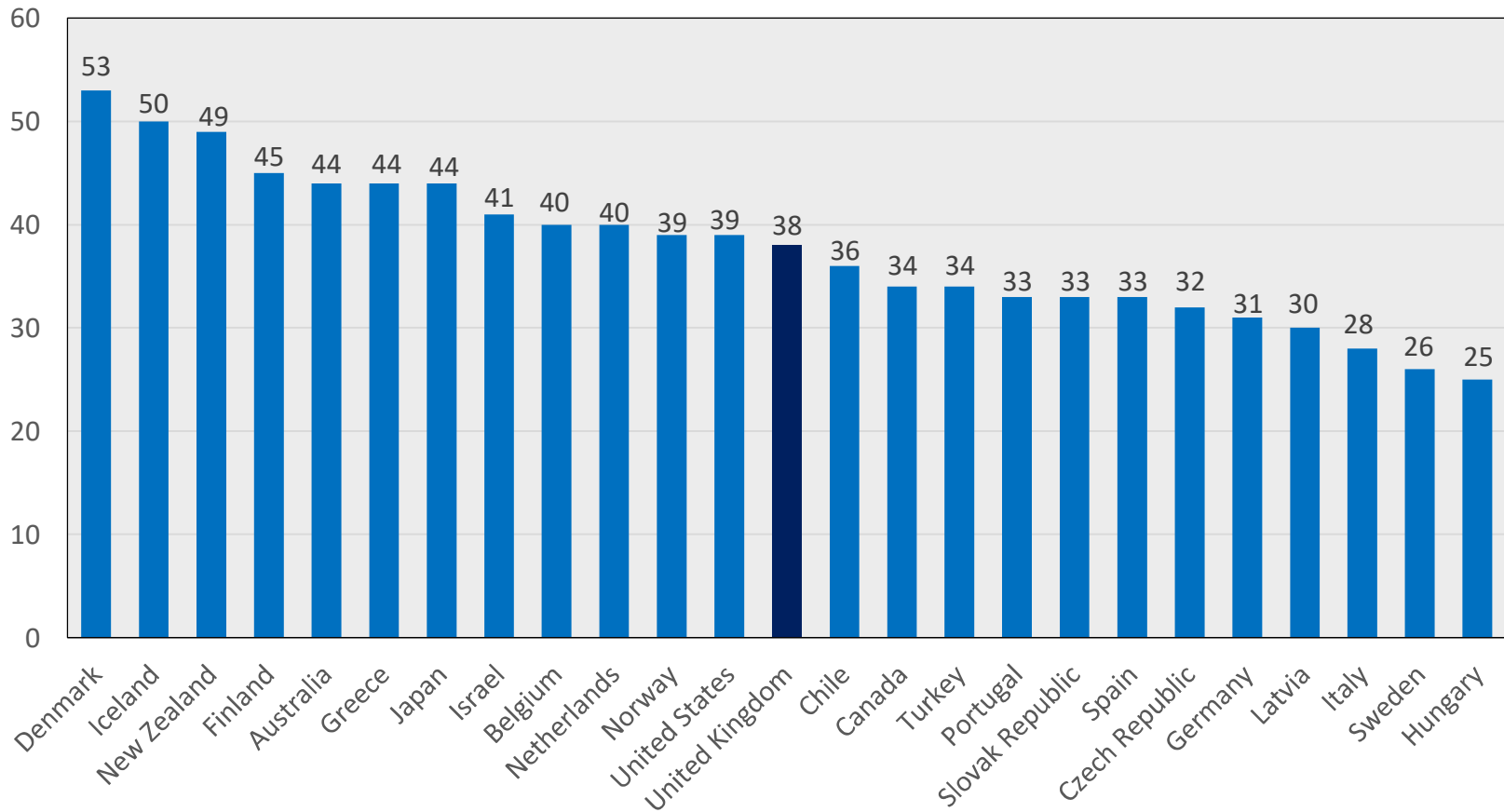
- How are teaching grants going to be determined? –
 - not enough detail to fully understand implications of rebalancing between fees and teaching grants
 - Amount you contribute to your degree should not depend on where you come from but how well you do in the labour market – these are not the same
 - Where you come from should only determine how much upfront support you get for undertaking your degree (to ensure no financial barrier to access)
 - Calls for means-testing fees misplaced and fail to recognise this point (mistake made when implementing Dearing)
 - Linked first repayment threshold to median earnings but why not interest rate?
 - RPI + 3% silly and not future proof
 - CPI + 10 year bond rate (reviewed annually) + small margin above threshold plus loan charge much better (US has this right)
 - **With** guarantee that debt cannot go up by more than inflation
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Simon Marginson

University of Oxford

First time graduation rates at Bachelor level, 2016

excludes international students



London Economics report for the British Academy, 2019

- At both undergraduate and postgraduate levels aggregated AHSS graduates have almost the same employment rates as STEM graduates
- The average hourly pay of AHSS graduates is significantly below that of STEM graduates (though social science is significantly better paid than arts and humanities)
- The decline in the proportion of graduates in manager and senior officer roles is associated with a shift to professional employment among STEM graduates at Bachelor level, but to associated professional and technical employment among AHSS graduates at Bachelor level

“Assessing this wider value is very difficult”

“Value to society

“We have used the available data to consider the economic value for students and the economy of different higher educational routes, for different people. However, we are clear that successful outcomes for both students and society are about more than pay. Higher levels of education are associated with wider participation in politics and civic affairs, and better physical and mental health. We also understand the social value of some lower-earning professions such as nursing and social care, and the cultural value of studying the Arts and Humanities. The earnings data enable us to make economically defined value calculations, not value judgements. Assessing this wider value is very difficult but government should continue to work to ensure that wider considerations are taken into account in its policy and funding decisions.”

- Independent panel report to the Review of Post-18 Education and Funding (Augur report), UK, 30 May 2019, p. 87

The Augar Report: a governance perspective

Michael Shattock

Outline

- Is it a 'bold' Report? (H of C Education Select Committee 2018)
- Driven by short term political and financial considerations?
- The strategic questions for universities left unanswered
- The HE/FE interface—a lost opportunity?

Driven by short term political and financial considerations?

- Treasury influence
- Demography
- The 1985 Green Paper



Figure 2: English 18-year old population 2009-2034



Source: Office for National Statistics (ONS) - Summary of key birth statistics, 1938 to 2016²²

[From: Demand for Higher Education to 2030, HEPI Report 105, Figure 2 p 17]

The strategic questions for universities left unanswered

- Will Government pay the difference between £7,500 and £9,250?
- How will tuition fees be adjusted to degree costs and by whom?
- The Robbins principle that university places should 'be available to all who are qualified for them by ability and attainment'—who decides?

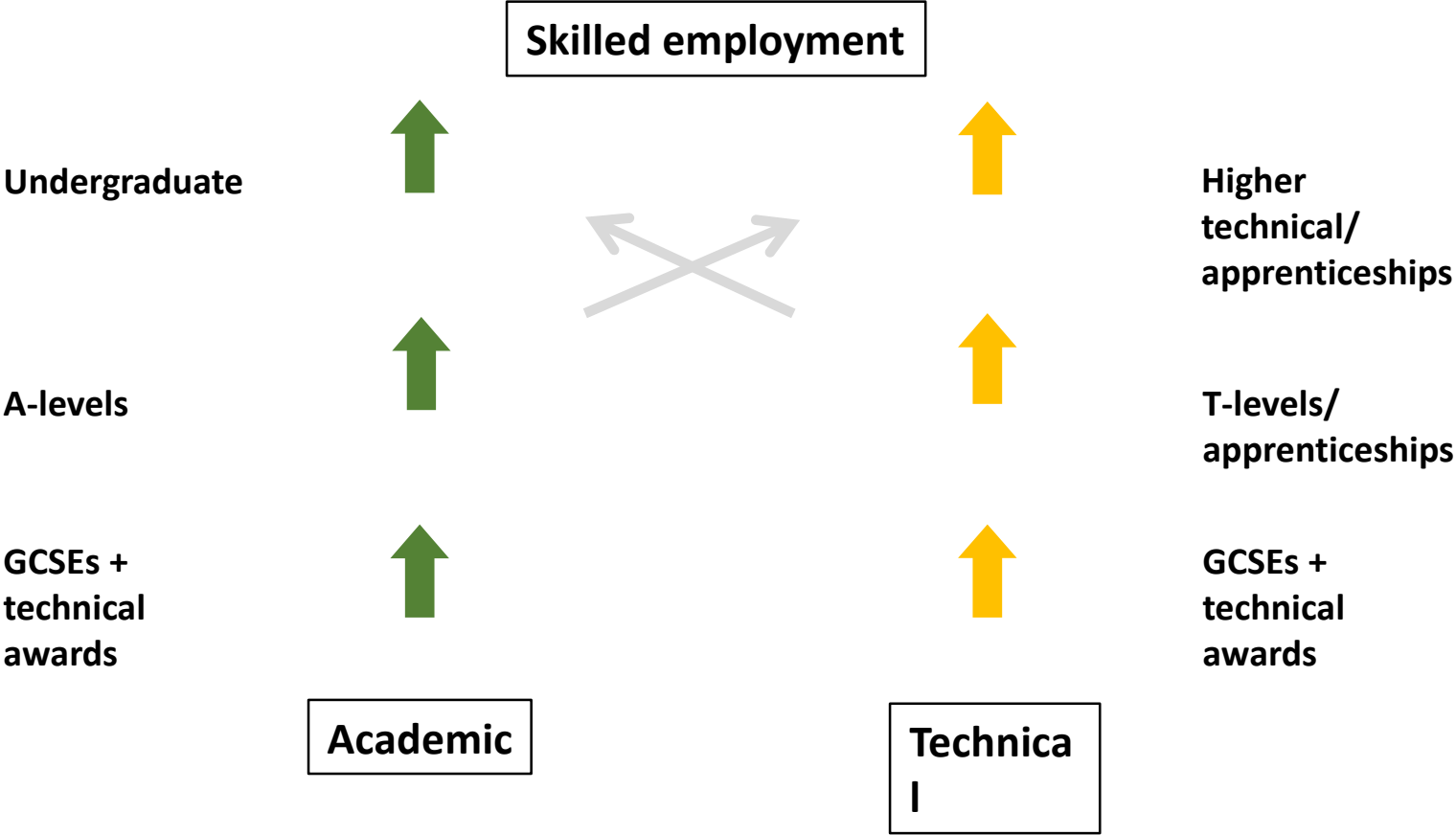
Augur: further, higher, tertiary

Gareth Parry
University of Sheffield
g.w.parry@sheffield.ac.uk

Reminders

1. independent panel, inside government review
2. tight remit, tertiary span
3. separate review, qualifications at sub-bachelor levels (4/5)
4. close alignment, with existing post-16 policy

Post-16 template



Core contentions + proposals

1. oversupply, under-matching



bearing down on low value provision

2. 'missing middle' (L4 + L5)



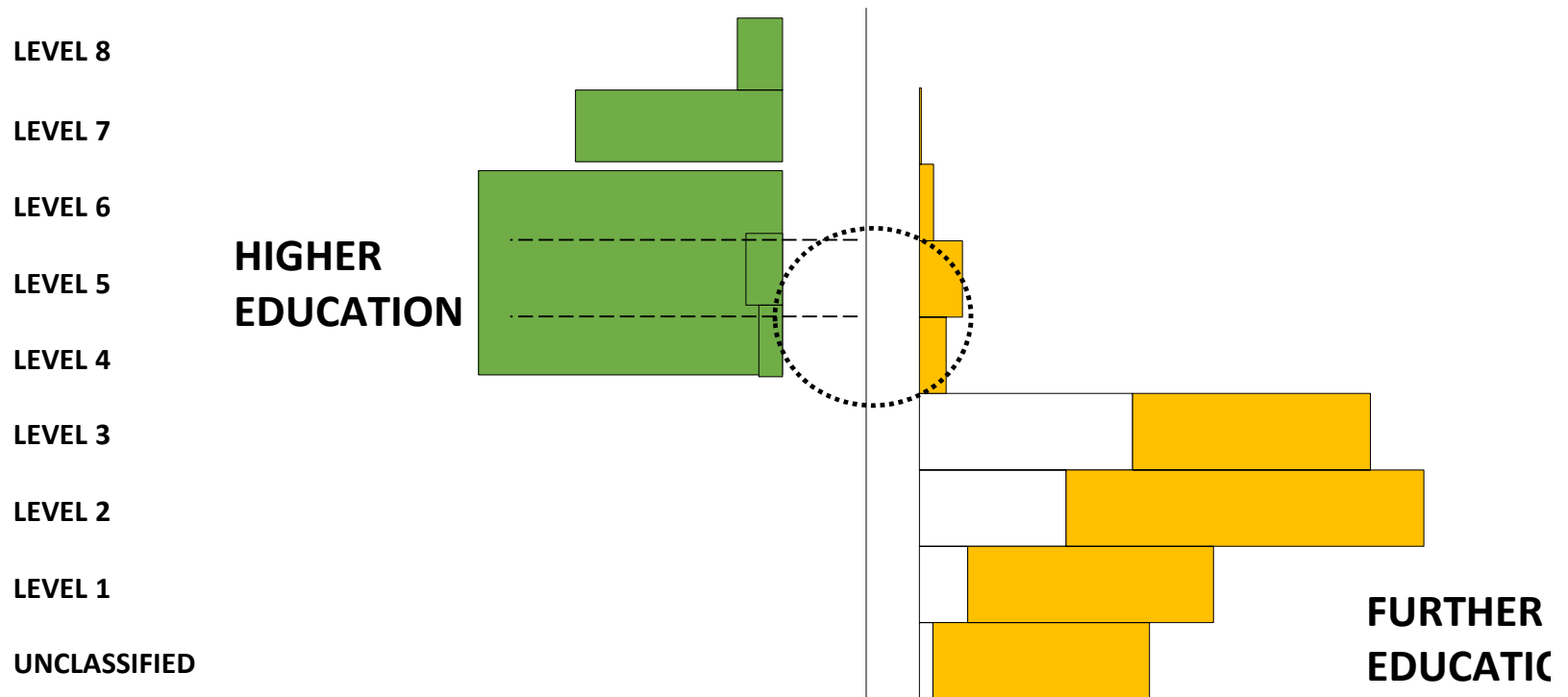
kitemarking + normalisation

3. college under-funding, undermining



refunding + rationalisation + rejuvenation

England: current two-sector post-18 system



Reflections

1. thinking tertiary, *without a coordinating authority?*
2. doing joined up: *largely vertical?*
3. steering demand = *social diversion?*
4. policy learning, *from the home nations?*

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