

Current issues in Labour's economic policy

9. Universities and education

5 December 2024

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‘Support the abolition of tuition fees and invest in lifelong learning.’

- Keir Starmer pledge 2.

‘Labour will continue to **support the aspiration of every person who meets the requirements and wants to go to university....** The current **higher education funding settlement does not work for the taxpayer, universities, staff or students.** Labour will act to create a secure future for higher education and the opportunities it creates across the UK.’

- Manifesto p. 86

‘Labour will open an **additional 3,000 nurseries** through upgrading space in primary schools, **to deliver the extension of government funded hours** families are entitled to.’

- Manifesto p. 81

(1) Pledges – in summary

(a) **Abolish tuition fees**

(b) A **funding settlement that works for taxpayers, universities, staff and students**

(c) **3,000 public nurseries in primary schools**, with government funded hours (15 hours a week from Sept 2024 + 30 hours a week from Sept 2025)

(2) Human rights (3) Legal background (4) International rank, data (5) Reform models (6) Benefits, costs

(2) Human rights

- ‘Everyone has the right to education. Education shall be free... **higher education shall be equally accessible to all on the basis of merit.**’
Universal Declaration of Human Rights 1948 art 26(1).
- Elementary education ‘shall be free’. **‘Higher education shall be made equally accessible to all on the basis of merit’** and **‘in particular by the progressive introduction of free education’**. ICESCR 1966 art 13.
- States should be **‘reducing or abolishing any fees or charges’** and ‘granting financial assistance’. European Social Charter 1961 art 10(5)
- ECHR 1950 Prot 1, art 2, right to education. *Belgian Linguistic case (No 2)* (1968) 1 EHRR 252, no inherent content. *Ponomaryovi v Bulgaria* (2011) 5335/05, no primary school fees allowed. [56] *obiter* universities can charge international student fees.

(3) Legal background

(a) University fees and finance

(b) University governance

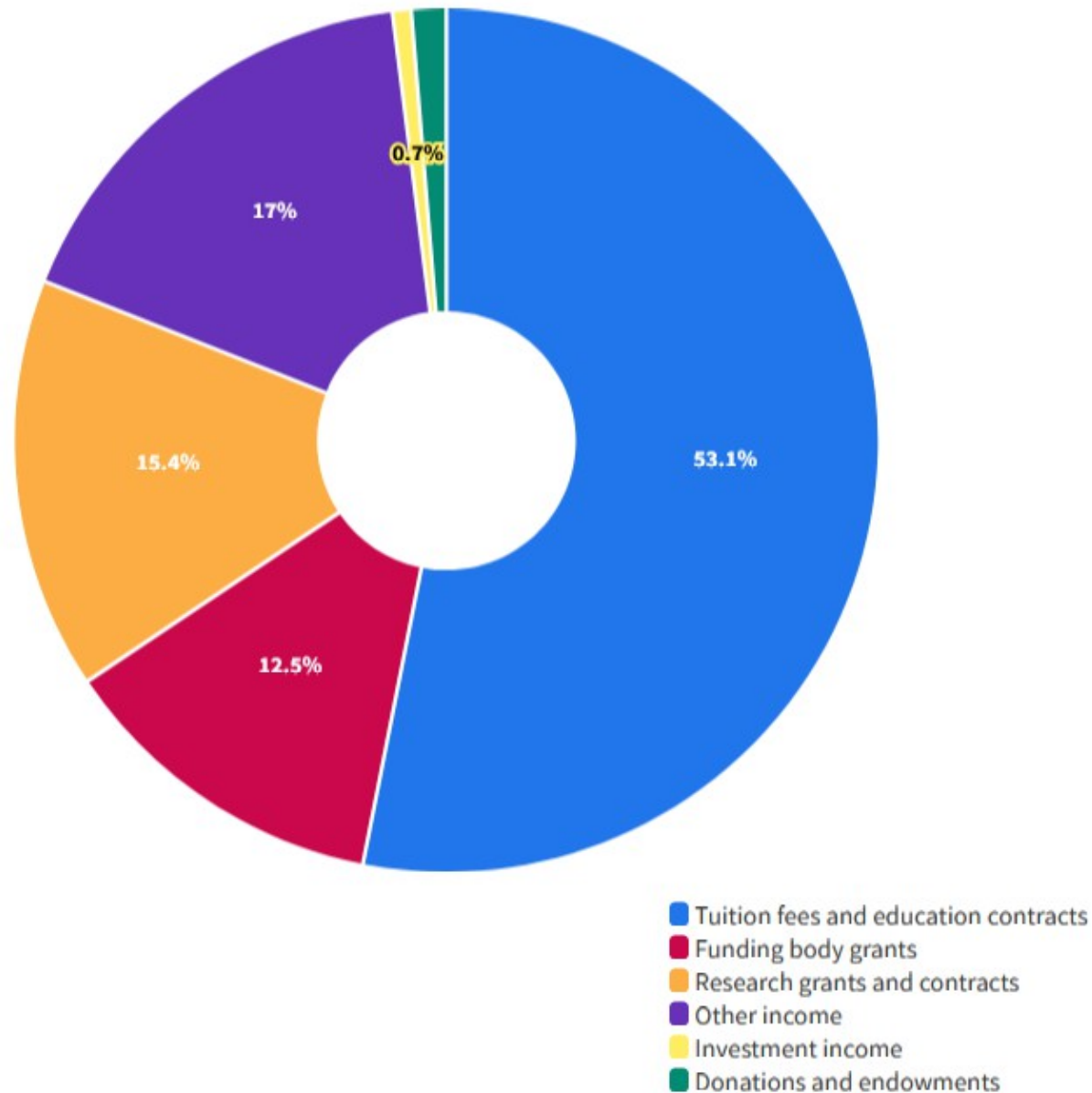
(c) Nurseries: finance and governance

(a) University fees and finance

- (i) **Limitless international student or masters fees**. For home undergraduates, Secretary of State may sets fees up to 'higher amount', currently £9250 - **£9,535 limit from September 2025**: HERA 2017 Sch 2, para 2. HE (Higher Amount) (England) Regs 2016 reg 6.
 - Universities must create '**access and participation plan**' for 'promotion of equality of opportunity' (ie 'widening participation' despite fees) for OfStu: HEA 2004 ss 31-39. HERA 2017 ss 29-32
 - **No fees in Scotland**, devolved: Scotland Act 1998 ss 28-9, Schs 5-6
- (ii) **UK Research & Innovation funds with 9 sub-councils**, e.g. AHRC, ESRC, MRC, 'as the SS considers appropriate', subject to SS directions after evaluation of quality and impact: HERA 2017 ss 91-103
- (iii) **Endowments** in 2023, Cambridge £7.8bn, Oxford £8bn, Edinburgh £559m, KCL £301m, Glasgow £234m, LSE £229, Manchester £221m

Income by source, 2021-22

In 2021-22, the total reported income of UK higher education institutions was £44.1 billion. Around half (£23.4 billion) of this income was sourced through tuition fees.



(b) University governance

- University governing bodies mostly self-selecting, except $\frac{1}{4}$ to $\frac{2}{3}$ staff-elected governors
- Cambridge University Statute A, chs I-IV, since 1856
- Council of 25:
 - 16 staff appointed by Regent House,
 - 3 students,
 - 6 management and the VC
 - VC appointed by Regent House on Council nomination. Chancellor elected by Senate (= Regent House + grads)
 - Regent House = 3800 staff, fellow and above, can pass graces that bind the university.

Oxford

- Oxford University Statute IV and VI, arts 4 and 13.
 - Council of 25:
 - 11 elected by Congregation,
 - 4 approved by Congregation, but external
 - 3 students attend,
 - 7 from management/ex officio.
 - Council Regulations 13 of 2002, regs 4-10.
 - Congregation = academic staff
 - Originally from Ox Uni Act 1854 ss 16 and 21.

London

- KCL Charter and Statutes, art 1.
 - Council of 21: 5 elected by staff on AB, 2 students, 14 appointed by management.
 - King's College London Act 1997 s 15.
- London School of Economics,
 - Council of 25, 6 elected by staff, 2 by students
 - Memorandum and Articles of Association (2006) art 10.5
- UCL, Statutes, arts 3-4.
 - Council of 20: 6 elected by AB (3 profs, 3 non), 2 students, 1 provost, 11 appointed.

Scotland

- Higher Education Governance (Scotland) Act 2016
 - s 10, gov body composed (1)(b) 2 elected by staff (c)-(d) 2 by unions of academics, support staff (e) 2 from students
 - s 15, academic board = principal, heads + over 50% staff and students (+10%).
- Edinburgh, Uni Court of 23 (up to 25) in 2024: 6 elected by staff + union members, 2 by students, 1 by Edinburgh CC, 4 ex officio, 7 'coopted' members (up to 9), 3 general council assessors, appointed by the court.

England and Wales

- Education Reform Act 1988
 - s 124A, Privy Council makes order for HE constitutions
 - s 125, articles of govt set board of governors, principal, and academic board, etc
 - Schs 7 and 7A, para 3, 12 to 24 members, (b) Max 2 teachers and 2 students, (c) 1 to 9 nominated by members who are not co-opted.
- Covers 46, mainly newer universities, e.g. Anglia Ruskin, Nottingham Trent, Lincoln, Oxford Brookes.

(c) Nursery finance and governance

- Local authorities may organise nurseries but don't have to: Education Act 2002 s 153. Limited numbers of public pre-school nurseries; income-linked reimbursement of costs
- 61% of nurseries (and 69% of places) are in the private sector from DfE figures. Total of 20,729 nurseries: Simon et al, *Acquisitions, Mergers and Debt: the new language of childcare* (2022) 23, 52.
- Private nurseries routinely charge (much) higher fees than public and non-profit or charitable nurseries.
- School governing bodies have to include staff (but reduced to 1 in 2011!) and parents: Education Act 2002 s 19
- Paid family leave, limited and unequal: 6 weeks on 90% of pay for maternity, then 33 weeks on £184.03; 2 weeks on £184.03 for paternity.

(4) International rank and data

(a) Fees up but staff pay down

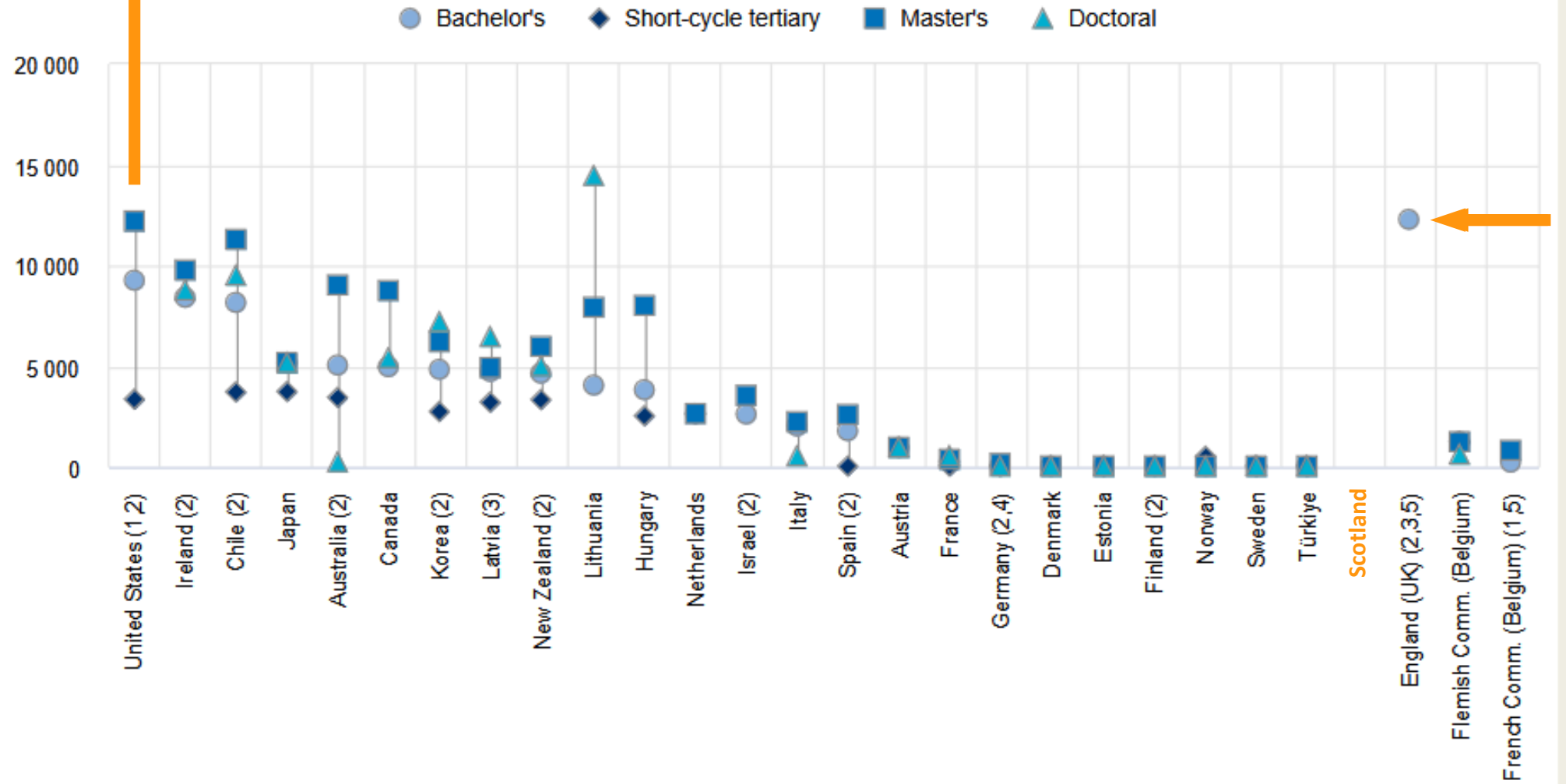
(b) Class and access to university:
international students with lower grades

(c) UK innovation down – patents

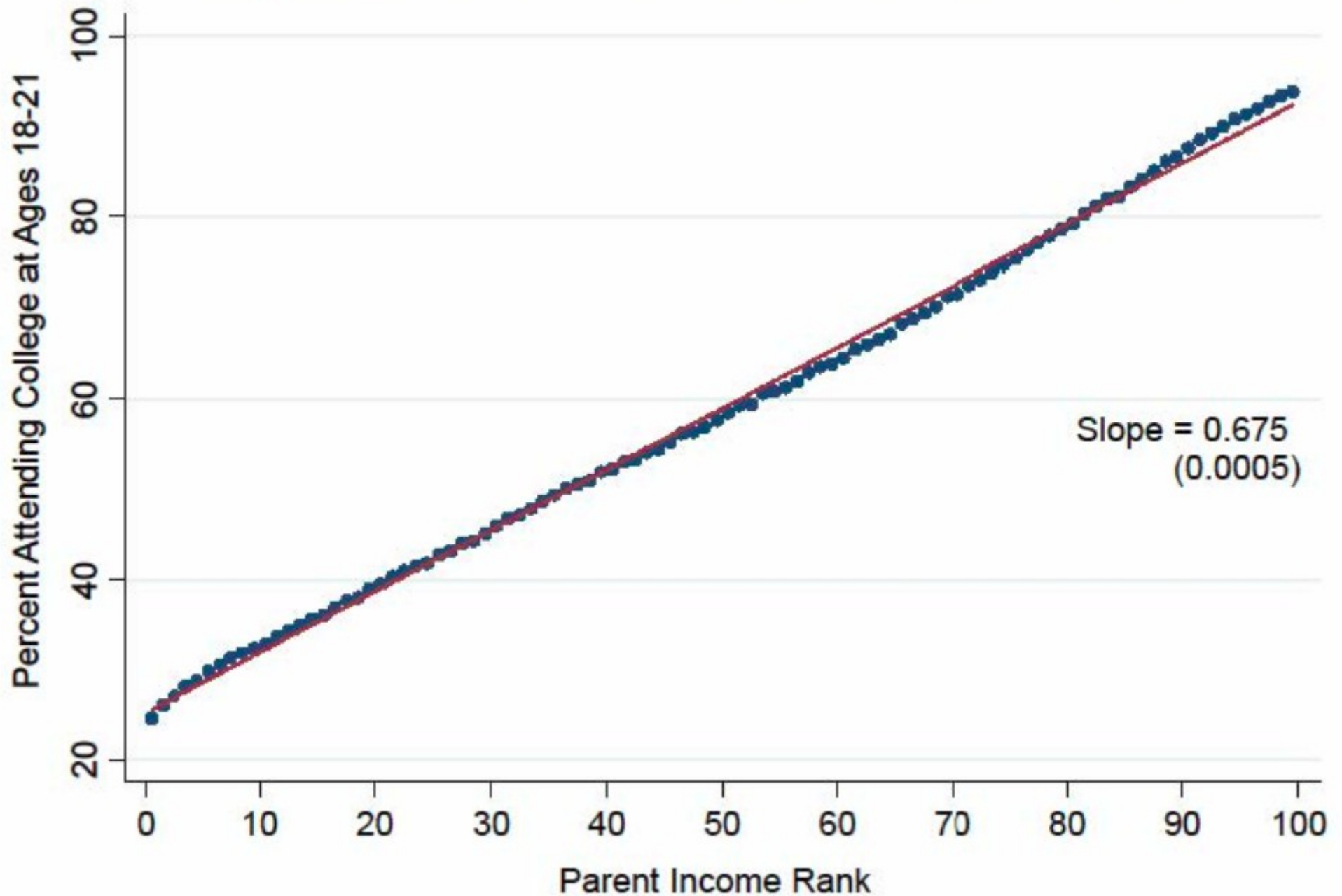
Figure C5.1. Annual average tuition fees charged by public institutions to national students, by level of education (academic year 2019/20)

In USD converted using PPPs

\$31,875 average for US private universities, i.e. many top ones



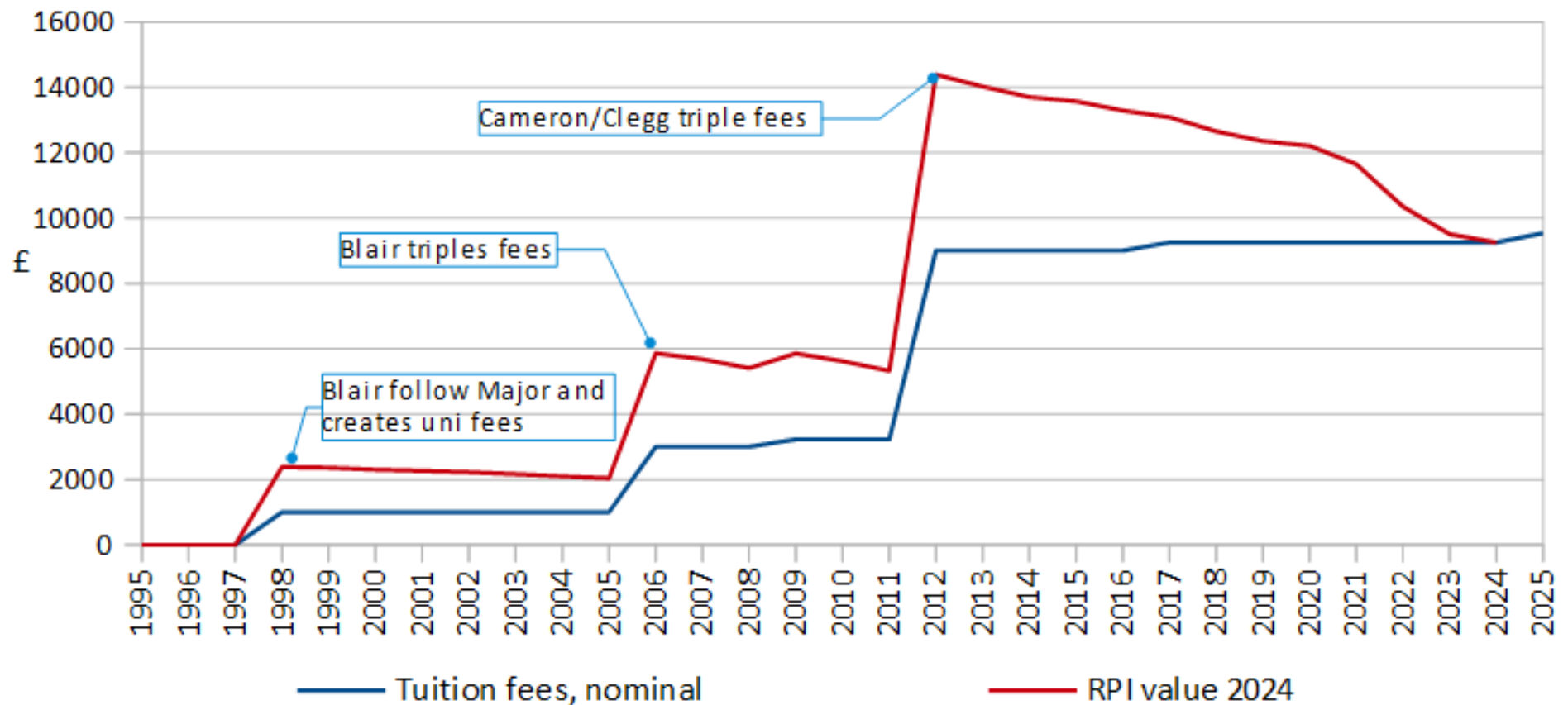
College Attendance Rates vs. Parent Income Rank in the U.S.



R Chetty, E Saez et al, 'Income Segregation and Intergenerational Mobility Across Colleges in the United States' (2020) 135(3) Quarterly Journal of Economics 1567

English home undergraduate tuition fees 1995-2025

Sources: Various Acts and Regulations. Hargreaves Lansdown Inflation calculator.



Where do tuition fees go?

- **‘teaching for undergraduates amounts to just 40%-45% of the current fee**, with most of the **remainder spent on valuable facilities** such as libraries and services including information technology and student support’: R Adams, ‘Less than half’ of tuition fees spent in teaching at English Universities’ (22 Nov 2018) Guardian.

How universities went on a building spree as tuition fees pour in

A spending spree on university buildings is great for research, but students may wonder if there are links to their debt



📷 The new library at Birmingham University has more than 40 miles of shelving and nearly 2,000 work stations. Photograph: David Sillitoe/The Guardian

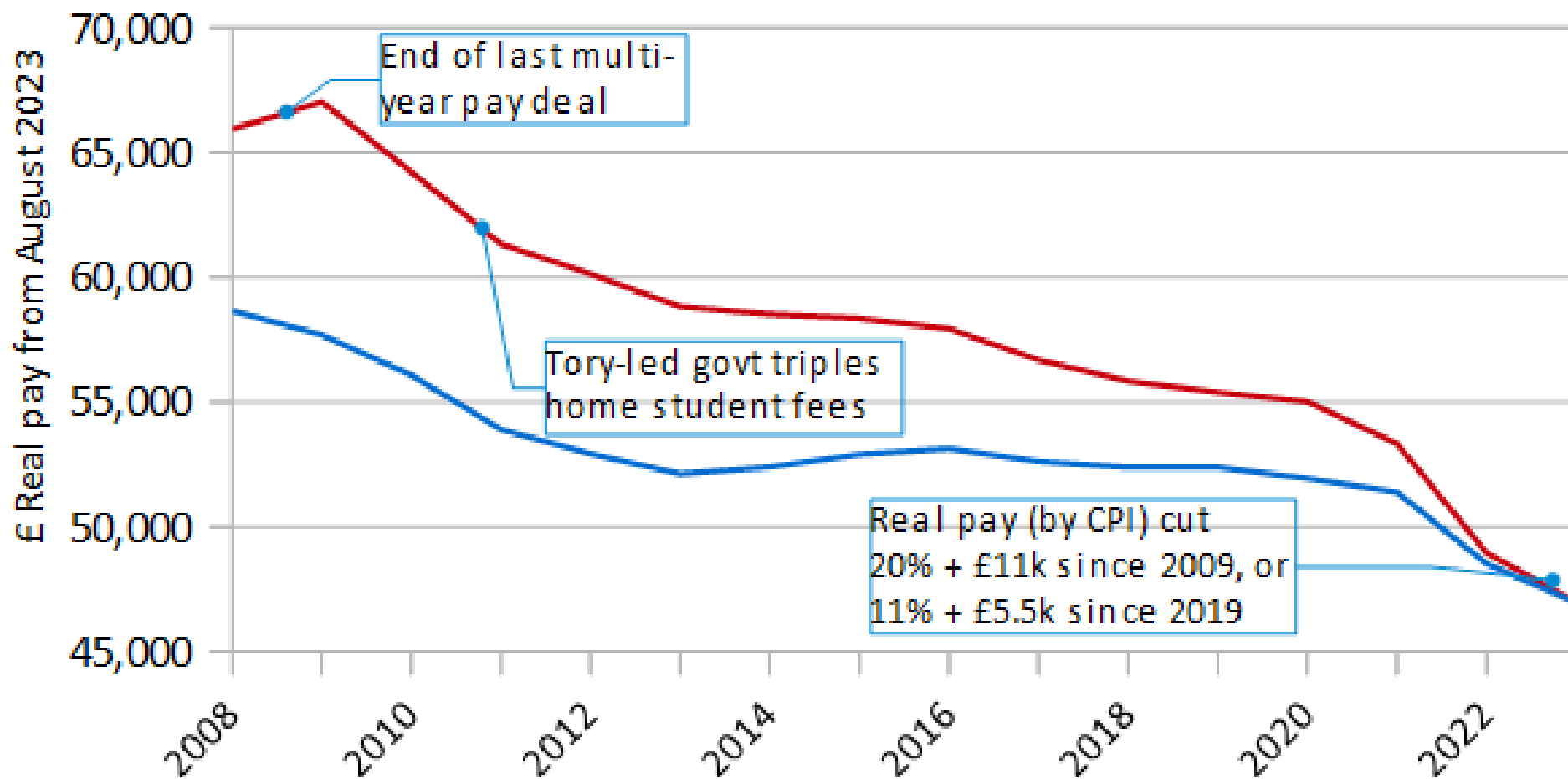
Steven Morris, Richard Adams and Rebecca Ratcliffe

Thu 22 Sep 2016 12.25 BST

University lecturer real pay cuts 2008-2023

Sources: UCEA, 'Previous Pay Settlements'.

Bank of England Inflation Calculator (CPI). Hargreaves Lansdown Inflation Calculator (RPI).



Point 37 on Single Salary Spine, Grade 7.

— Lecturer pay, RPI — Lecturer pay, CPI

University of York to accept some overseas students with lower grades

Staff told to take 'more flexible approach' in move university says will bring rules into line with those for UK offer-holders



Central Hall at the University of York. British universities increasingly rely on international student fees. Photograph: Andrew Briggs/Alamy

Richard Adams Education editor

Thu 11 Jan 2024 15:42 GMT

University of York lowers bar for overseas students after 'financial challenges'

UK universities have become increasingly reliant on international students



Cash for courses: top universities recruit foreign students on low grades

Britons need straight As to get onto prestigious Russell degree courses, their international classmates can buy their way in through secret routes

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UK universities enrolling foreign students with poor English to get higher fees: Report

London • Edited By: Gulshan Parveen • Updated: Dec 03, 2024, 07:26 PM IST



University 'franchise' courses are signing up students with 'very weak' English and low attainment, regulator says

By **ELEANOR HARDING**, EDUCATION EDITOR FOR THE DAILY MAIL

PUBLISHED: 01:04, 4 September 2024 | **UPDATED:** 03:28, 4 September 2024

Innovation down, university finances weak

- **Number of patents in UK halved from 375 per million people in 2000, to 172 in 2021:** Our World in Data (2023)
- The Teachers Pension Scheme, from April 2024, saw a 5% increase in employer contributions: 23.7% to 28.7%. Members also pay 7.4% and 11.7% of their salary. 58,000 members in England Higher Ed.
- 40% of universities in deficit said OfStu next month (May 2024)
- Cuts to the Universities Superannuation Scheme were driven through from April 2022, until reversed in early 2023, after nearly 5 years of strikes.
- Buildings and bureaucracy spending grows, with limited oversight in governance structures from staff, or public officials

(5) Models and options to meet goals

- Replace tuition fees with funding from 0.57% employer NICs as tax receipts grow (Denmark, etc)
- Governing bodies at least $\frac{1}{2}$ staff-elected + 2 elected by alumni/students: (Cambridge, etc)
- Free public nurseries after 6 months, 40 hours a week: School Standards Act 1998 s 117A (France)
- Raise and equalise paid parental leave to 26 weeks, gender neutral, and end leave transfers: Employment Rights Act 1996 ss 71-80E (Finland)

(6) Benefits and costs of reform





- Save over £471m + research diversion, by replacing “REF” with a per-staff/student funding formula
- Save £32m p.a. by replacing Office for Students with enforced equal access rules for all students
- End wealth disadvantage by shifting £11.23bn p.a. from home student fees to +0.57% NICs of employers.

£11.2bn to replace fees = 1.13% NICs on employers of graduates (or 0.57% of all employers) or 3% corporation tax



Scenario 2: Results for all Home Nations

Total Exchequer costs across the UK

	Baseline	No fees	Difference	Required Levy
	£2.006bn	£12.381bn	(£10.376bn)	1.13%
	£0.253bn	£0.826bn	(£0.574bn)	1.06%
	£1.366bn	£1.430bn	(£0.064bn)	0.07%
	£0.172bn	£0.383bn	(£0.211bn)	0.80%
Total	£3.797bn	£15.020bn	(£11.225bn)	-

- As outlined above, the abolition of fees (and corresponding increase in Teaching Grants) would place significant burdens on the Exchequer. Therefore, we modelled the **size of a potential levy** on graduates' employers that would ensure that the additional costs to the Exchequer are compensated for (i.e. so that the fee abolition policy is fiscally neutral from the perspective of the Exchequer).
- As one option for this Levy, we have modelled it to function in a similar way to **employers' National Insurance contributions** and to only apply to organisations employing graduates who commenced their studies in 2023-24 (i.e. focusing only the relevant cohort of students covered throughout the analysis here¹). The resulting required Levy (i.e. contribution rate) for employers of English domiciled students in the cohort was estimated to be **1.13%**². Reflecting the limited additional cost in Scotland of abolishing fees, the corresponding Levy for employers of Scottish domiciled students/graduates was estimated at only **0.07%**. In Wales and Northern Ireland, the Levy was estimated at **1.06%** and **0.80%**, respectively.
- Alternatively, and indicatively, the required additional funding could be raised through an approximately **3 percentage point increase in the Corporation Tax rate** (including both the small profits rate (currently **19%**) and the main rate (currently **25%**)³). Note that this Corporation Tax increase would apply to the profits of *all* UK resident companies (irrespective of whether they employ graduates (or how many)).

¹ Similar to the RAB charge (which is calculated as a proportion of the loan outlay), we estimate the expected Employer Levy contributions as a proportion of the total Exchequer cost 'outlay' including fee and maintenance grants, fee and maintenance loans, and Teaching Grants (where applicable), again for the 2023-24 cohort only (i.e. students who started their qualifications in the 2023-24 academic year). We then apply the resulting proportions to the estimated total grant and loan 'outlay' associated with the cohort, to estimate the potential Employer Levy contributions associated with these students in monetary terms.

² Similar to employers' NI contributions, this relates to the % contribution rate on employees' earnings above the secondary threshold (currently £9,100 per year).

³ For more information on current Corporation Tax rates, see [here](#). The calculation of the required Corporation Tax increase is based on HMRC's 'ready reckoners' on direct effects of illustrative tax changes, available [here](#) (and note that our estimates here are based on information for 2024-25, as data for 2023-24 was not available from the current version of the 'ready reckoners').

Discussion questions

- (1) To what extent should university fees be abolished, to ensure access is based on merit, and if so how? What are the optimal means of funding?
- (2) What are the most effective ways to secure university finances?
- (3) How should university governing bodies be appointed?
- (4) How should nurseries be reformed?

