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*'Have I paid for my degree?' The value and cost of university education*

INTRODUCTION

For those in first year, welcome to university. For those returning, welcome back. Either way, you are about to experience a unique period of your life, both academically and socially. Regardless of the exact nature of your course the skills you will acquire -- critical reading, analysis and writing -- are going to help you negotiate the challenges of a globalizing world in which information is proliferating.

The academic year 2006-07 is a momentous occasion for other reasons too. It is the first year in which those students beginning their university courses are "paying" what have been called "top-up fees" of £3,000 per year. However, as this article will demonstrate -- and contrary to some often expressed public statements -- this change has not transformed universities into providers of goods, nor has it made students into consumers.

WHY EDUCATION IS NOT A COMMODITY AND STUDENTS ARE NOT CONSUMERS (1)

If you go into a car showroom seeking to purchase a new vehicle, you hand over money (or, more likely, arrange a loan promising to pay, after interest is charged, more than the car's cost) in exchange for the desired object. Neither you as the consumer, nor the salesperson as the provider, had any hand in making the car. The commodity you have purchased is something independent of both of you.

Education, by contrast, is an entirely different phenomenon. Education is not a transferable commodity. It is not something provided in a box or on a plate by universities or academic staff. It is not possible to isolate and commodify something called "geographical knowledge" which you can passively receive as an object. In education you as the student are part of the relationship that creates the qualities (understanding, analytical skills, social competence) you are seeking in studying for a degree. Unlike purchasing a material commodity (such as the car), the value of your education depends on your input. Of course, the value of your education also depends on the quality of teaching, research and the associated infrastructure at the university where you are studying. But without your active participation in the relationships that make up your education, even the best teachers and researchers (like those we have here at Durham) won't be able to equip you with knowledge, skills and critical capacities. Education can't be absorbed by a passive or disinterested observer. It requires an engaged, prepared and active student. You can drive a car away from a showroom by handing over money, but you can't leave university with an education simply by paying something towards it.

WHY EDUCATION IS NOT A COMMODITY AND STUDENTS ARE NOT CONSUMERS (2)

While the nature of higher education makes it radically different from a commodity that can be bought, many people maintain the idea that students are consumers.

Education is expensive to provide and it has to be paid for somehow, but a consideration of what it actually costs to provide a quality university education demonstrates that -- even with the increase in fees from 2006 -- students are not consumers. To make this point, let's have a look at what students were asked to pay before 2006, what the new fees mean, and how they contribute to the cost of running Durham University.

Prior to 1998 university education in the UK was "free." That is, students and their families were not asked to pay directly towards the cost of providing universities. That meant students were subsidised to the tune of 100% for the cost of their education. Of course, education was not free for the government, which funded universities through general taxation. That meant all taxpayers, regardless of whether they had been to university or not, and regardless of whether their families were likely to go to university, paid taxes which then subsidised students.

There are good arguments for why a society should provide higher education at no direct cost to students. This education equips people with the specific skills and attitudes -- be they vocational skills like medicine, engineering, science or law, or general skills of analysis, critique and argumentation like the arts, humanities and social sciences -- necessary for a culturally vibrant, socially prosperous democracy. The provision of wholly subsidised education depends, though, on the government's willingness to increase funding for universities in line with rising costs so that quality can be maintained. Prior to 1998 the increased funding that was necessary was not forthcoming. Two social and political realities contributed to this relative decline in university funding. First, although open to all, university education was something that the professional/middle/upper classes pursued more than the unskilled/manual/working classes in society. By the end of the 1990s, about 30% of all social classes went to university, but 72% of young people from professional backgrounds were entering higher education compared with just 13% from unskilled backgrounds (Piatt and Robinson, 2001: 6). Second, the conventional wisdom of electoral politics meant that no political party could win an election by promising to increase direct taxes (like income tax). Together these things meant there was political pressure for those who avail themselves of university education to make a contribution towards the cost of providing that education.

In 1998 the Labour Government introduced fees for higher education. Starting at £1,000 per year they had risen to £1,125 per year by 2005. However, these fees did not meet anything like the total cost of providing higher education. Indeed, they were set at a level which meant they amounted to only 25% of the average degree course. This meant that although those in higher education were now contributing to the cost of providing their education, they were still receiving a state subsidy of 75%.<sup>2</sup> This decision meant that higher education fell into line with the further education sector, where students from less well off homes had been paying fees amounting to one-quarter of the cost of their courses for some time.

One of the rationales for students' paying something towards their education is that although university education has important and general benefits for society as a whole, it also gives students (at least potentially) substantial private benefits over their lifetime. Throughout the 1990s people with degrees earned on average 66% more than people without degrees, even though there was a large increase in the number of

graduates entering the workforce in that period (Piatt and Robinson, 2001: 30) These figures are averages and will not necessarily apply to all graduates in all jobs at all times. Nonetheless, those with degrees generally earn more than those without degrees, making it a principle of social equity that they pay something towards the provision of skills that will increase their private incomes.

The new arrangements for fees in 2006 have increased the level at most universities from £1,125 per year to £3,000 per year. While that looks like it costs students more up front, other parts of the package have eased the burden on individuals and their families. Most importantly, nobody has to pay the fee up front before going to university. The government effectively lends people the money (with no real interest charged) to attend and then asks them to pay it back after graduation. Even then, the repayments are scheduled to minimise the burden. Graduates have to be in a job earning £15,000 per year or more before having to pay anything back. Payments are then calculated on the basis of what you earn, so that someone on an average starting salary of £18,000 per year would pay back just over £5 per week.

The new fee levels mean in effect that the level of state subsidy for university education is coming down from 75%. Although the extent of the subsidy will vary from degree course to degree course it is probably not less than 50-60%. This means that more than half the cost of your university education is coming from sources other than fees. Even though the contribution of students has risen -- although that contribution can be made on advantageous financial terms after graduation -- we are still a long, long way from students being consumers. Leaving aside the qualitatively different nature of education as a relationship rather than a commodity, it is hard to see how people who pay for one-half or less of something can be considered consumers. If you went into the car showroom offering to pay only 40-50% of the cost of the car, no salesperson is going to let you leave with the vehicle!

Because education is not a simple commodity but a relationship requiring your input, it is not something that could ever be achieved simply by paying more money. However, given that the staff and infrastructure of a university have to be paid for, what would fees have to be before it was possible to say that students were covering all the costs of providing their education? That's a very hard sum to compute accurately because it involves a number of assumptions, but here are some indications. In 2004-05 Durham University spent nearly £160 million on all its activities. If we said undergraduates benefited from all aspects of university life and had to contribute to the total cost of all university activities then the fee for each student would have to be about £14,000 per year.<sup>3</sup> If, however, we removed from that total all things not directly related to teaching -- meaning that, even though we regard our work as researchers as benefiting teaching, we removed any research expenditure -- then the university spent nearly £110 million on teaching and each student would have to pay something like £7,300 per year. In between these two figures is what the university charges overseas students for their education -- £9,120 per year for Geography this year. Given that this fee assumes the student receives no subsidy from the UK government for their education, this is a good guide to what higher education would cost if it did not continue to attract a large state subsidy.

At Durham, then, the £3,000 per year fees that students face from 2006 onwards is probably one-third of a full contribution to the teaching costs of the university. A

partial contribution to overall costs is not consistent with being a consumer. But even if a full contribution to costs was required of students, then the nature of education would still mean the label of the ‘consumer’ would not apply. To get value from your education – if, metaphorically speaking, you are going to drive away the vehicle of knowledge and understanding – you will have to be an active partner in its production.

## ENDNOTES

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<sup>1</sup> The views expressed in this article are those of the author, and do not represent the position of the Department or the University.

<sup>2</sup> In fact, this figure over-estimates the contribution of student fees. Because students from low-income families were exempt from fees, only 35% of students at university were paying the full amount. This means that around 90% of the cost of education was drawn from general taxation despite the fees (Piatt and Robinson, 2001: 7).

<sup>3</sup> This would still be less than what most US students pay for a private education equivalent to that provided by Durham University. Annual fees at many US institutions are in the region of US\$41,000 per year (c. £21,500), although many of those institutions have financial aid packages for students too.

## REFERENCES

Piatt, Wendy and Peter Robinson (2001) *Opportunity for Whom? Options for Funding and Structure of post-16 Education*. London: Institute for Public Policy Research.