

The Crisis of Universities

By Christopher George

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Published by: Young Fabians
info@youngfabians.org.uk
www.youngfabians.org.uk
Young Fabians
61 Petty France
London, UK, SW1H 9EU

Contents

Executive summary	3
Part 1 – The Immediate Crisis	6
The Shift to a Private Funding Model	6
The Stagnation of ‘Home’ Tuition Fees	7
The reliance upon unrealistic student numbers	9
Attempts to plug the funding gap: Donations	12
Recommendations	13
Part 2 – The Purpose of Universities	14
The role of universities	14
Californication?	16
Free Tuition	19
Purposefully Diversified System	22
Conclusion	26

Executive Summary

Universities are seen as one of the great success stories of the UK, playing a significant economic, social, and political role. However, the university sector is in the midst of a deep funding crisis. A combination of factors since the introduction of tuition fees has made the sector's economic model critically unstable. Unable to resolve the issue themselves, institutions have been forced to lurch from one short-term solution to another.

The sector also faces a much larger and more fundamental challenge: a crisis of purpose. This crisis is not a reflection of the people who work in, teach at, or support universities. Rather, it is a crisis in the design of the system; institutions are incentivised to compete rather than cooperate, students see themselves as customers, and universities appear at times more like businesses than centres of knowledge and learning. The current university system is not set up to best fulfil its purposes of teaching, research, and the betterment of society.

The immediate funding crisis facing universities can be traced back to five sequential factors.

Factor 1: Reliance upon tuition fees. The roots of the immediate funding crisis facing universities can be traced back to the shift towards a privately funded model based upon tuition fees. This change enabled subsequent decisions that directly led to the crisis.

Factor 2: Real-term decline in income per student for universities due to stagnation of tuition fees for 'home' students. Tuitions fees have remained largely the same since 2012, the increase in tuition fees in 2017 and for 2025/26 does little to make up for the long-term real-terms decline.

Factor 3: Reliance upon an unrealistic continuous increase in the number of home and overseas students. Lifting the cap on the number of students that each institution could take was a decisive moment in creating a funding model based upon an unsustainable growth in student numbers; this would not have been possible if not for a privately funded model.

Factor 4: The stagnation and decline in the number of students. It was only a matter of time before inflation and increased costs outpaced university recruitment. The funding model based upon the ever-continuous growth of

student numbers has been severely imperilled by the stagnation and slight decline in student numbers.

Factor 5: Inadequacy of alternative sources of income to compensate. Suggestions that universities should rely upon philanthropy, as many in the US do, do not account for both the immediacy of the crisis and the inability for donations to fill the gap. Philanthropy is too small a part of the UK university system and too concentrated amongst a handful of institutions to be viable solution. It will continue to have a likely growing role but it is likely to hold the same central position as in the US.

There are two key ways the government can address this immediate crisis:

Recommendation 1: Allow a regular, controlled, and common raising of tuition fees or public funding per student.

Recommendation 2: Reintroduce the cap on the number of students at each institution.

To address the more fundamental crisis of purpose within the university sector it is first necessary to re-establish and recentre what this purpose is. Doing so will not only enable clarity as to necessary reforms but help secure the long-term success of UK universities.

The core purpose of universities is the betterment of society through the sharing and advancement of knowledge. To fulfil these purposes, any reformed university system would have to meet three criteria:

- 1: Enable the transmission and advancement of knowledge.
- 2: Empowering people to be more active members of society.
- 3: Ensure that all people can receive the highest level of education they wish and are able to do so.

It is no small task to build such a system, but the government should take the decisive first step:

Recommendation 3: Convene, produce, and implement a Masterplan for UK Higher Education, following the example of the 1960 California Masterplan.

This is the primary recommendation of this report. All further recommendations present paths that such a plan should consider in order to establish a university system that fulfils its purpose. These recommendations are by no means the end of the conversation, they are intended as the starting point.

Recommendation 4: Abolish tuition fees in favour of a publicly funded model. Only by removing tuition fees can it be assured that financial barriers are not the primary barrier to entry. Furthermore, it is critical to reversing the commercialisation of education.

Recommendation 5: Purposefully diversify the university sector. Rather than universities trying to be all things to all people, a diversified system will allow universities to focus on fulfilling their purposes of sharing and advancing knowledge in their manner that suits them best. Similarly, it would give students greater choice to find which institution and approach that worked for them.

Arguably the UK had a version of this diversified system when polytechnics were still prominent. There are two ways that, in combination, would help establish a diversified system.

The first is a repeat of *Recommendation 2*: Reintroduce the cap on the number of students at each institution. Capping the number of students allows for more consistent planning, removing the competition between institutions, and therefore focus on fulfilling their collective purpose.

Recommendation 6: A set number of student places by institution type and approach. By having a set number of places depending on the type of institutions and approach to education, costs can be better controlled and diversification within the university sector encouraged, particularly in combination with the cap on student numbers at each institution.

Part 1 – The Immediate Crisis

It is neither controversial nor new to say that universities face a funding crisis. Indeed, there were warnings of UK universities potentially going bust in 2017.¹ It is important to note that this crisis is not equal in severity across universities. However, this is a crisis that infects the sector as a whole – what some are feeling now, other will feel soon. The impact of a university going bust will be felt by all. Either we must tackle the root of the issue now, or it will spread to plague every point.

There have been multiple reports concluding that the funding model is broken, but few have sought to understand the origins of this crisis. The result has been recommendations for quick fixes, changes to immigration regulations, or injections of cash. This report takes a different approach, seeking to understand the various aspects of the funding model and how it has evolved. This approach points to two recommendations that address the immediate issues.

The Shift to a Private Funding Model

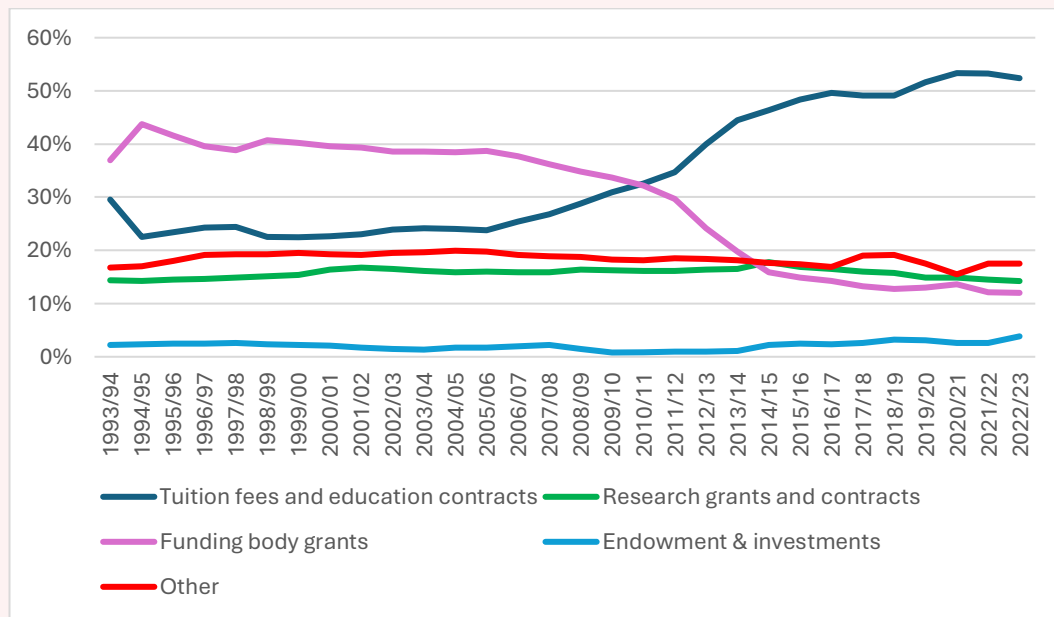
Universities are heavily dependent on tuition fees: these accounted for 53% of the sector's income in 2022/23 compared to 24% in 2002/03 (see Fig.1). This shows how university funding has changed dramatically over the last few decades, transitioning from primarily public to private funding. The introduction of 'topup' fees in 2006 and 'full' fees in 2012 stand as decisive moments in this shift towards a privately funded model.

The shift to a privately funded model directly enabled and kick-started the series of events that led to this immediate crisis. Making the university sector reliant upon tuition fees, in of itself, did not directly cause the funding crisis of today. However, the decisions that led to this crisis were only possible due to this privately funded model. Specifically, if universities were not reliant upon tuition fees, then they could not have based their financial viability upon an unrealistic increase in student numbers.

¹ Fazackerley, A., *What if a UK university goes bust?. The Guardian*, 2017.

Not all universities are equally reliant upon tuition fees for their income. Only 16% of Oxford and Cambridge's income came from tuition fees in 2022/23.² However, all have been detrimentally impacted by this shift – both financially and in a more fundamental way (see Part 2).

Figure 1: Funding Sources of UK Higher Education Providers (%)



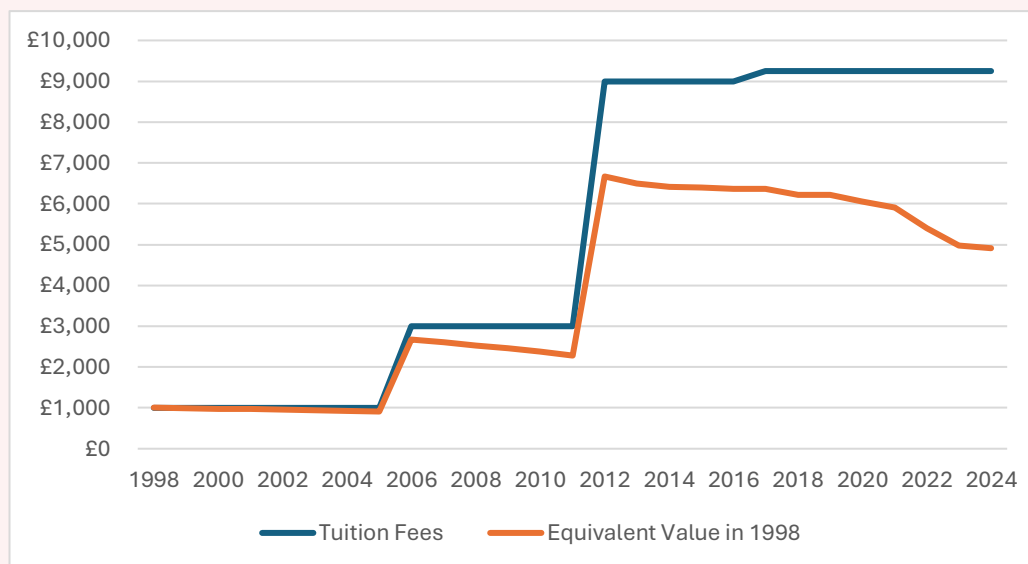
Source: **House of Commons Library**, 2024. *UK higher education providers: Summary of income and expenditure*.

The Stagnation of 'Home' Tuition Fees

The move to a privately funded model left the university sector increasingly reliant upon tuition fees as their primary source of income. As students from the UK make up the largest group of students, 'home' tuition fees make up the most substantive part of their income. However, the stagnation of home tuition fees since their introduction means that universities have faced a real-term decline of income per student over the years (Fig. 2).

² **Higher Education Statistics Agency (HESA)**, *Finance table 1: Summary of income and expenditure for higher education providers*, 2024.

Figure 2: Real-term decline in value of 'home' tuition fees since 1998



The minimal increases in home tuition fees have done little to alter this real-term decline in income for universities. Neither the £250 increase in 2017 nor the announced £315 increase for 2025/26 has or will address the long-term substantive decline in income per student.³ Indeed, while the year-on-year value of tuition fees has declined since their introduction in 2012, the most dramatic decline has occurred since 2017, as seen in Table 1.

Table 1: The Stagnation of 'Home' Tuition Fees

Year	Tuition Fees	Equivalent value in 1998
1998	£1,000	£1,000
2006	£3,000	£2,671
2012	£9,000	£6,668
2017	£9,250	£6,369
2024	£9,250	£4,905

³ Universities UK, *Tuition fee rise: What does it mean?*, 2024.

The reliance upon unrealistic student numbers

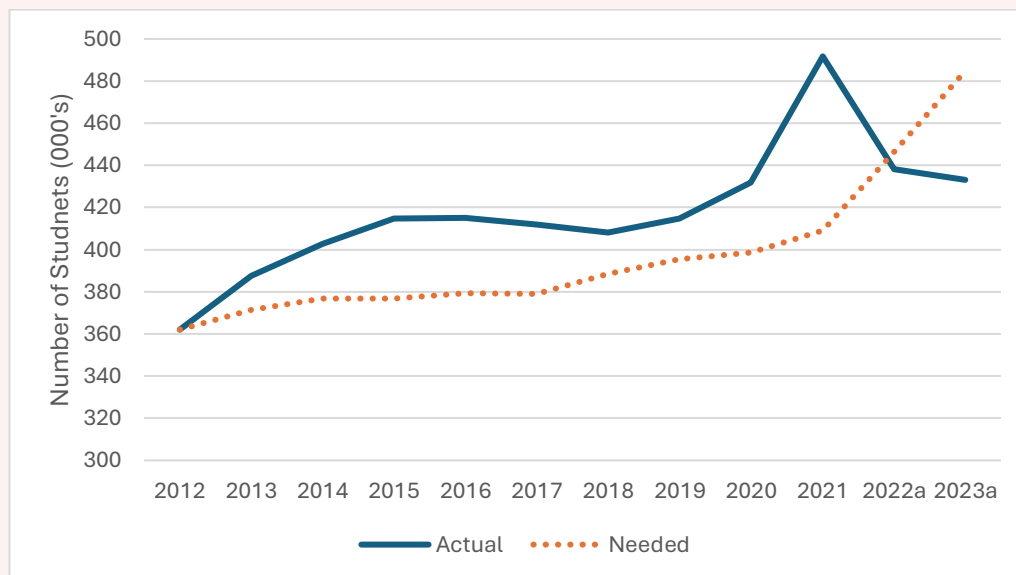
With the decline in value of home tuition fees, universities became reliant upon increasing the number of students to maintain their financial position. This is reliance upon ever growing student numbers is a defining feature of the current, broken, funding model.

Such a model could not have been established without lifting the cap on the number of students each institution could recruit, which occurred between 2014¹⁶. However, recruiting home students at the rate necessary to compensate for the loss of funding was unrealistic in the long-term. Similarly, a reliance upon international students left the sector vulnerable to decline or even just stagnation in the number of this comparatively small proportion students.

Home Students

In the short term, universities have been able to recruit more and more students to make up for the real-terms decline in income per student. However, as seen in Figure 3, this approach is faltering. Universities in England and Wales would have had recruit 5,200 more students in 2023 than they actually did, in order to receive the same amount of funding from home tuition fees as in 2012. The current economic model underpinning the university sector is broken as universities cannot indefinitely increase their number of students at the necessary rate.

Figure 3: The number of undergraduate students accepted from England and Wales, and the number needed to be accepted to maintain 2012 levels of funding from 'home' tuition fees



Note: (a) 2022 and 2023 applicant data excludes around 5,000 applicants with no applications (typically those applying through Clearing who do not submit an application to a provider). They are included in earlier data so the 2022 and 2023 figures are not directly comparable.
Sources: UCAS annual datasets (to 2010), End of cycle data resources 2023, and earlier, UCAS

Universities have had to increase their number of students to maintain their funding levels, with some undertaking massive expansions. The University of Bristol was able to more than double their number of undergraduates from 2010/11 (13,182) to 2022/23 (23,470).⁴ However, not all universities could do the same and nor can any university sustain such a rapid increase indefinitely.

The idea that student recruitment could outpace inflation in the medium and long term was a fool's dream. Demographic trends further indicate that a funding model based upon a growing number of students was never realistic.⁵ Younger age groups are generally smaller, meaning an ever-greater proportion of them would have to attend university to keep student numbers as they are, let alone

⁴ **University of Bristol**, *Review 2012*, 2012.

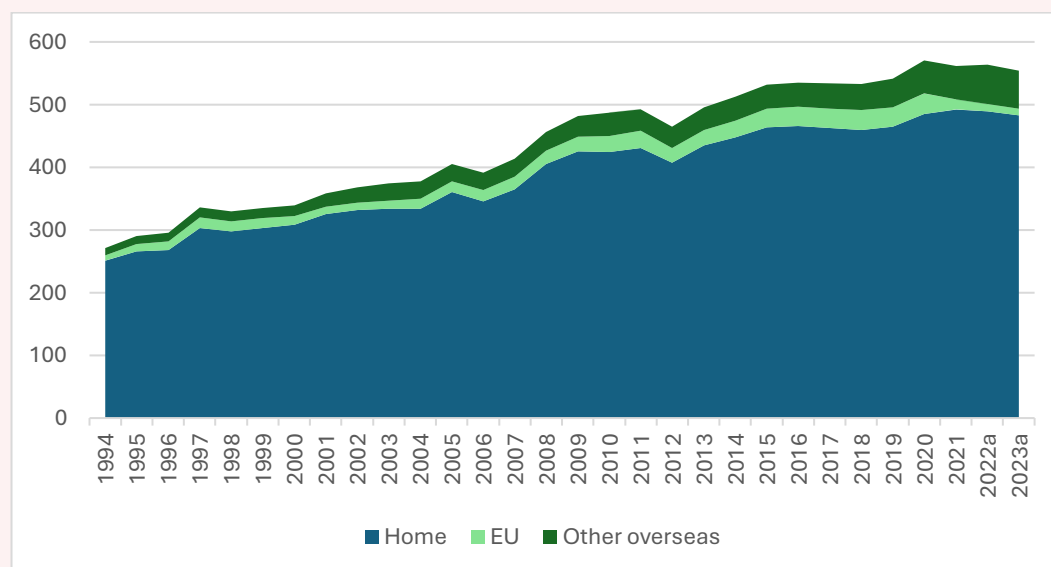
⁵ **Office for National Statistics (ONS)**, *Annual mid-year population estimates: Mid 2022*, 2022

increase them. This would place the sector into further serious financial difficulty.⁶

'Overseas' Students

With an insufficient number of 'home' students to make ends-meet, universities became increasingly reliant upon 'overseas' students to plug the funding gap.⁷ While home students in England and Wales paid £9,250 a year in 2022/23, these overseas students paid on average £22,200 a year.⁸ This approach appeared to have largely worked until the number of overseas students too started to stagnate and, eventually decline.

Figure 4: Number of Undergraduate Students in the UK



Note 1: EU students paid 'home' tuition fees until 2021. Therefore, until that point, they are included in all figures relating to 'home' students.

⁶ Office for Students (OfS), *Financial sustainability of higher education providers in England 2024* (OfS 2024.21), 2024.

⁷ O'Flynn, B., *FactCheck: One in six universities rely on international students for more than a third of income*, Channel 4 News, 2024.

⁸ Lewis, J. and Bolton, P., *Higher education funding trends and challenges*, House of Commons Library, 2024.

Note 2: (a) 2022 and 2023 applicant data excludes around 5,000 applicants with no applications (typically those applying through Clearing who do not submit an application to a provider).

They are included in earlier data so the 2022 and 2023 figures are not directly comparable.

Source: Paul Bolton, *Higher Education Student Numbers*, **House of Commons Library**, 2025.

Arguably Brexit somewhat helped to temporarily mask the impact of stagnating student numbers. The proportion of non-UK students has remained relatively steady since 2010, around 13%; however, until 2020 a significant proportion of them were EU students who paid the same fees as UK students.⁹ With the implementation of Brexit, the number of students paying overseas fees jumped substantially, temporarily compensating for changes in student numbers.

Attempts to plug the funding gap: Donations

Calls have, unsurprisingly, been made for universities to diversify their income streams, including through attracting donations.¹⁰ Private philanthropy has always been a part of UK higher education; perhaps the most famous example being the Rhodes Scholarship at the University of Oxford. In the US it is not uncommon for universities to draw a sizeable share of their income from donations.

Private philanthropy is growing in UK universities. The University of Cambridge recently announced that it had raised over £100 million in the 2022/23 year alone, as well raising over £2 billion from its 'Dear World' campaign.¹⁰ However, this growth is only amongst a handful of institutions. Table 2 shows that nearly two-thirds of funds from donations and endowments went to just five universities; indeed, Oxford and Cambridge alone account for 41% .

Table 2: 2023/24 Academic Year: Distribution of Donations and endowments

	Top 5 Recipients	Top 10 Recipients	Top 20 Recipients
Proportion of funds received	62%	77%	95%

Source: **Higher Education Statistics Agency (HESA)**, 2024. *Finance table 1: Summary of income and expenditure for higher education providers*.

⁹ Bolton, P., *Higher education in the UK – Funding trends*, *House of Commons Library*, 2025. ¹⁰ Laker, B., *The hidden dangers of cost-cutting in UK universities*, *Forbes*, 2024.

¹⁰ **University of Cambridge**, *Annual Reports and Financial Statements for the year ended 31 July 2023: Donations* (No. 6731, Tuesday 27 February 2024, Vol. CLIV, No. 21), 2024. ¹² Bolton, P. and Lewis, J., *Higher education funding in England 2022/23*, *House of Commons Library Research Briefing*, 2024.

While prominent in some areas, in the UK donations make up a very small proportion of overall income in the sector: 3.8% in 2022/23.¹² Raising significant funds in a consistent manner takes time and resources that some universities do not have. It is unlikely that it would provide a sufficient or stable financial base for the sector. Additionally, overreliance upon funding from individuals in the US has raised questions of influence, impropriety, and preferential treatment of donors' children.¹¹

Recommendations

Addressing the immediate crisis in the university sector requires tackling its broken funding mode. There are two major steps that can be taken to address this in the immediate term, however, more fundamental reforms to the university system in the UK are needed.

These two recommendations must be implemented in combination with one another; otherwise they risk destabilising institutions and the system even further.

Recommendation 1: Steady, controlled, increase in either public funding per student or tuition fees. Universities have two options: they can either be funded by constantly increasing their number of students or by a steady increase in the funding per student to keep track with inflation and other costs. The former funding model is the current one and has been found to be broken. So the government must enable either the public funding per student or tuition fees to increase in a steady and controlled manner. Whether this should be public funding or private tuition is discussed in the next section.

Recommendation 2: Re-introduce the cap on the number of students at each institution. Capping the number of students at each institution would help end the zero-sum competition between universities for students. It would also crucially end and prevent a return to a funding model based upon increasing the number of students.¹²

¹¹ Reich, R., *US college donors' influence on Gaza-Israel conflict*, *The Guardian*, 2023.

Newberry, L. and Fry, H., *The legal way the rich get their kids into elite colleges: Huge donations for years*, *The Los Angeles Times*, 2019.

¹² Brandon Wheeler in Leeming, J., *UK university departments on the brink as higher education funding crisis deepens*, *Nature*, 2024.

Part 2 - The Purpose of Universities

It is not enough to merely solve the crisis in universities for now. Efforts must be made to build a system for the future. This is not embarking on a Monty Pythonesque questioning of “what have universities have ever done for us?”. Instead, it is seeking to establish the foundations for building a new system.

There is a fundamental crisis in the university sector: that of purpose. By recentering the purpose of universities, we can see the kind of system that we should seek to build. Three criteria are established to help guide the building of such a system that fulfils its purpose and ensures the long-term flourishing of the sector.

The role of universities

The role of universities as institutions is widely understood and has remained largely consistent for centuries. Clark Kerr, President of the University of California and central architect of the state’s 1960 Masterplan perhaps summarised it best: the role of universities is to “produce” and “transmit” knowledge.¹³

However, there is a difference between a ‘role’ and a ‘purpose’. The former being concerned with ‘what you do’ and the latter with ‘why you do it’. The deep roots of the crisis in the university sector in large part comes from a system based upon what universities do, rather than why they do it. It has led to an unsustainable short-term design, as previous discussed.

The Betterment of Society

Certainly, the transmission, production, and advancement of knowledge is a purpose of universities. It is impossible to list all the societal benefits brought

¹³ **California State Department of Education**, *A Master Plan for Higher Education in California, 1960-1975*, 1960.

about through university-based research, but needless to say any system of higher education must enable the continued realisation of this purpose.

In addition to the intrinsic good of sharing and furthering knowledge, the purpose of universities is the betterment of society through the graduates of such institutions. As Cardinal John Henry Newman wrote, universities should make people “more intelligent, capable, active members of society.”¹⁴ John Dewey, in the 20th century, echoed these points, seeing education as a means of improving both society’s conditions and democracy.¹⁵ The purpose of universities is to transmit knowledge to people, not just for their own benefit, but the betterment of society as a whole. This purpose points towards an expansive and open approach to higher education.

Available to All People

University education should be available to all people who wish and are able. Newman argued that a denial of this education was tantamount to inflicting a “moral disability” upon a person.¹⁶ Limiting university education to a few, rather opening it to the many, is not only detrimental to individuals but to the collective. This is not an argument rooted in notions of social mobility but rather in recognition that people contribute to society in all manner of ways and that university education may better enable them to do so.

3 Criteria for a system of higher education

A system of higher education must address 3 criteria in order for it to fulfil these principles of purpose:

1. Enable the production and advancement of knowledge
2. Empowering people to be more active members of society
3. Ensure that all people can receive the highest level of education they wish and are able to do so.

The rest of this section will explore the kind of system that would fulfil these three criteria. A policy framework that enables the university sector to fulfil its purpose and that achieves a societal ideal. There is no single policy that can do this, but rather a combination that together achieves these things in a financially

¹⁴ Ibid., pp. xxxi.

¹⁵ Chan, R.Y., *Understanding the purpose of higher education: An analysis of the economic and social benefits for completing a college degree*. JEPPA (5), 2016, pp. 6.

¹⁶ Newman, John Henry, *On the Scope and Nature of University Education*, National Institute for Newman Studies (1915), pp. xxxv.

viable manner. Inspiration for this can be found in California's public university system and its 1960 masterplan.

The goal of this section is not to provide a definitive account, but rather start a wider, more ambitious conversation about the university sector. The

recommendations put forward should serve as starting points for what characteristics our new system should contain.

Californication?

The public university system in California, as laid out in its 1960 Masterplan, offers an inspiration for a sector wide approach to fulfilling the purpose of higher education. Its diversified approach was initially coupled with free tuition, to ensure "educational opportunity and in doing so [...] meet the needs of society".¹⁷

Of course, the California public higher education system is not without its issues. High demand for places and tightening budgets has placed additional pressures upon institutions. Although much of these issues can be traced back to the cap placed upon property taxes which had provided much of the funding for this system.¹⁸

1960 Masterplan

The 1960 Masterplan serves as the foundation for California's public higher education system. This was an ambitious project, designed to provide a clear purpose and unified direction for the sector at a time of instability. Much like in the UK today, universities in California were competing in a "turf war for funding and students".¹⁹ In establishing different roles for institutions, all contributing to achieving a common purpose, both quality and access were secured.

¹⁷ **California State Department of Education**, *A Master Plan for Higher Education in California, 1960-1975*, 1960, pp.172.

¹⁸ O'Leary, K., *The legacy of Proposition 13*, Time, 2009.

¹⁹ Thelin, J.R., *California's higher education: From American dream to dilemma*, The Conversation, 2017.

The 1960 Masterplan did not recommend tuition fees for students from California, but did agree with charging for extracurricular activities.²⁰ It recommended this with the explicit acknowledgement that such a set-up was reliant upon the people of California's willingness to pay for such an educational system. Tuition fees were however introduced in 1967 after the aforementioned change in property taxes.

Tripartite Structure

The key element of this plan was to establish a tripartite structure of higher education. Different groups of institutions had a clearly defined purpose and role within the larger system. The three branches offer slightly different things, with different costs, and on different scales. Yet, this diversified system was bound together in the common purpose established by the Masterplan.

This purposeful diversification of higher education ensured the distribution and advancement of knowledge. Moreover, it could do so for more people, in manners that appealed to them, and with greater economic efficiency than making everyone attend the same style of institution or undertake the same form of degree.

University of California: Research Focus

The University of California, with its nine campuses, serves as the “primary statesupported academic agency for research”.²¹ This group was designed to accommodate the academic top 12.5% of California high school students. This is roughly equivalent to the percentage of A Level students in England that received 3 As or more in 2022/23.²²

²⁰ **California State Department of Education**, *A Master Plan for Higher Education in California, 1960-1975*, 1960, pp.173.

²¹ **California State Department of Education**, *A Master Plan for Higher Education in California, 1960-1975*, 1960.

²² Local Government Association & Department for Education, *A levels and other 16 to 18 results: Percentage of students achieving 3 A-A grades or better at A level in England, 2023*.

²⁵ **California State Department of Education**, *A Master Plan for Higher Education in California, 1960-1975*, 1960, pp.2.

California State University: Teaching Focus

With 23 campuses, the “primary function” of California State University “is the provision of instruction”.²⁵ The target group is the top 1/3 of California high school students.

Community Colleges: Associate degrees

With 114 campuses, Community Colleges offer courses up to Associate Degree level (a 2-year qualification ranked below the 4-year Bachelors Degree), as well as other vocational courses. They provide an important part of ensuring higher education is accessible to as many people as possible; with over 900,000 full time students on average only paying \$1,104 a year.²³

Transfers

Demonstrative of the interconnected nature of these institutions, is the ability for students to transfer between them. In 2024 more than 5,000 students transferred from California Community Colleges to the University of California, Berkeley, the state’s flagship institution.²⁴ It is therefore possible for a student to receive an associate’s degree from their local community college and then receive a bachelor’s from one of the best universities in the world all within four years. Ensuring universities can and do operate as part of a wider sector yields greater opportunities for students within the system.

Recommendation 3: Convene, produce, and implement a Masterplan for UK Higher Education, akin to that produced in 1960 in California.

This plan would need to take a whole-sector approach, its long-term projections, and societal role. Universities should be seen as the interrelated institutions they are, with collaboration encouraged, rather than the isolated, competing institutions they are currently treated as. It is not enough to fix one or two struggling universities, the sector as a whole needs to be united in a common cause. Therefore, enacting systemic change requires treating the sector, rather than merely try to address individual parts.

²³ Johnson, H. and Cuellar Mejia, M., *California’s Higher Education System*, PPIC Higher Education Center, 2019

²⁴ **University of California**, *Transfer admit data: Berkeley*, 2024.

Free Tuition

Free tuition is the only means of ensuring that all people can access education at the highest level they wish and are able to do so. Furthermore, a sufficient publicly funded model would provide institutions with a reliable and consistent source of revenue, enabling them to better focus on fulfilling their purpose of transmitting and advancing knowledge, rather than trying to run a business. In terms of fulfilling the three criteria, free tuition is the most important action that can be taken.

Recommendation 4: Tuition free undergraduate study, at least, for UK students

The exact form this takes can be debated, but the principle that no UK student should pay for their education is essential.

The flawed justification for tuition fees

Tuition fees are justified on the idea that only the individuals receiving the education benefit; therefore, individuals should shoulder the financial burden of attaining this education. Individuals do generally benefit financially from a university education, although such benefits are less than they used to be.²⁵

However, a 2018 study by the Institute for Fiscal Studies for the Department of Education found that only 54 institutions were found to have statistically significant positive returns for men, with 110 for women.²⁶ So the diminished benefits received by individuals are perhaps not as widely shared as previously thought.

However, while individuals do benefit from university to varying degrees, society benefits more. Greater productivity, innovation, and capacity, coupled with reduced use of services, are all economically beneficial to society.²⁷ The benefits

²⁵ HM Government **Social Mobility Commission**, *Labour market value of higher and further education qualifications: A summary report*, 2023.

²⁶ Belfield, C., Britton, J., Buscha, F., Dearden, L., Dickson, M., van der Erve, L., Sibiet, L., Vignoles, A., Walker, I. and Zhu, Y., *The impact of undergraduate degrees on early-career earnings. Research report*, Institute for Fiscal Studies, 2018, pp.51.

²⁷ Grant, C., *The contribution of education to economic growth. Helpdesk Report*, K4D, 2017.

Stern, V., *The value of higher education in developed economies*, Higher Education Policy Institute (HEPI), 2024.

of a more educated population are not purely economic, as Newman said it enables people to be more “active members of society”. As a result, the burden of securing this education should not be borne by the individual but be lifted by society. It is a part in building a “healthy, educated, and confident nation”.²⁸

The damaging commercialisation of universities

Tuition fees have had a substantive negative impact on how university education is seen. Students have come to see themselves as customers paying for a service. Universities are reduced to advertising the incomes of recent graduates. Education has come to be seen as a business transaction, divorced from its place as a “social and public good to a personal investment [...] construed mainly in terms of earning capacity.”²⁹

The feeling that students have entered into a contractual arrangement by attending university, paying fees in exchange for a secure high-paying job, is fuelling the surge in disenchantment with university education. When individual benefits are not what they were, it is unsurprising to see a growing discussion around whether degrees are “worth” it.³⁰ This commercialisation of university education can be seen in surveys of students across Europe; those who pay for the education are more likely to see the point of university is to prepare them for the labour market, rather than personal growth and development.³¹³² This is not a one-sided dynamic; universities and their staff are “forced to talk about students like commodities because of the system that society has chosen”.³⁵ Resolving the immediate funding crisis in this ‘system’ has already been discussed, but addressing this more fundamental crisis of commercialisation requires addressing tuition fees.

Berger, N. and Fisher, P., *A well-educated workforce is key to state prosperity*, Economic Policy Institute (EPI), 2013.

²⁸ Benn, T., *Sicko* (directed by Michael Moore), Dog eat dog films, 2007.

²⁹ Brown, W., *Undoing the Demos: Neoliberalism’s Stealth Revolution*, Zone Books, 2015, pp.81.

³⁰ Evans, D., *Forget the ‘red wall’: the ‘graduate without a future’ is the voter politicians need to woo*, *The Guardian*, 2025.

³¹ Rachel Brooks, Achala Gupta, Sazana Jayadeva & Jessie Abrahams, Students’ views about the purpose of higher education: a comparative analysis of six European countries, *Higher Education Research & Development* (40:7, 1375-1388), 2021.

³² Leeming, J., *UK university departments on the brink as higher-education funding crisis deepens*. *Nature*, 2024.

The costs of free tuition

The most common argument against free tuition is the cost. The masterplan should include careful, specific, consideration as to the costs and how they may be covered. One potential source could be through inheritance tax³⁶ – particularly given demographic trends towards smaller generations and historic generational wealth inequality, as well as ensuring a legacy from each generation to future ones.

The Institute for Fiscal Studies estimated that, from 2023, that abolishing tuition fees would cost £9 billion per cohort of undergraduate students in the UK.³³³⁴ This is a significant investment, but it is far from impossible. Indeed, the rewards from this investment would likely outstrip costs, not only in the form of the people attending university but from the stability it would provide to universities to better focus on the distribution and advancement of knowledge.

There is also the potential that a diversified higher education system could reduce costs. As seen below, tuition fees in California vary depending on the type of institution. In a similarly diversified system in the UK, the price would also vary depending on the approach of the institution or course. Therefore, the overall costs of abolishing undergraduate tuition fees for UK students may not be as high as projected.

Table 3: Variation in tuition fees in California

	Average in-state undergraduate fees (2019)
University of California	\$14,070
California State Universities	\$6,742 – 9,742

Source: Johnson, H. and Cuellar Mejia, M., *California's Higher Education System*, PPIC Higher Education Center, 2019.

Public Support

³³ If maintenance grants were also re-introduced, then the cost would be closer to £11 billion per cohort

³⁴ Johnson, H., *What has Keir Starmer said about Labour's tuition fees plan?*, Channel 4 News, 2023.

As California's 1960 Masterplan stated, publicly funded higher education is reliant upon the public's willingness to absorb the costs of it. There is evidence to suggest that the public would support tuition-free university: 70% of Britons according to a 2023 poll.³⁵ Furthermore, a public debate about tuition-free university could also influence public opinion.

Concerns about 'spill over'

It is undeniable that some people will receive an outstanding education in the UK and then immigrate to another country. As a result, their skills, talents, and ideas will not be contributing to our society – higher education policy cannot address this 'spillage'. Although perhaps in knowing that they have been afforded the privilege of such an education by society, rather than running into deep personal debt, they will feel a greater sense of duty towards contributing to that society. There is an argument to be made that even if some people did leave, the UK would still benefit in the form of 'soft power'. Regardless, the benefits of a publicly funded model outweigh any potential 'spillage'.

Purposefully Diversified System

Not all universities need to be or should be the same. Indeed, it should be celebrated that universities and students have different strengths, suit different approaches to teaching, and specialise in different areas. Diversity within and across the university sector is a strength not a weakness.

Following the example set by the 1960 California Masterplan, the UK should pursue a purposefully diversified system of higher education. It is important to note that the term 'higher education' is used purposefully here, as post-18 education should not be confined to nor just thought of as universities. Offering more avenues through which higher education could be pursued is key to ensuring that all people can do so. However, as the focus of this paper is on universities, the discussion and recommendations made will be specific to them.

³⁵ **Wonkhe**, *What do the public think about tuition fees?*, 2023.

Recommendation 5: Purposefully diversify the university system in the UK.

As in the original 1960 plan, different groups of institutions in California have a clear role to play in contributing to the sector, as a whole, fulfilling its purpose. The UK should adopt a similar approach, encouraging institutions to operate as different parts of a complementary network, geared towards the same goal.

Arguably England and Wales had a version of this diversified system when polytechnics were still prominent. These institutions played a significant role in broadening participation, served local populations, and focussed on teaching rather than research. Although there were challenges, the polytechnic era shows the benefits of a diversified approach to higher education.³⁶

Rather than universities trying to be all things to all people, a diversified system will allow universities to focus on fulfilling their purposes of sharing and advancing knowledge in their manner that suits them best. Similarly, it would give students greater choice to find which institution and approach worked for them.

The importance of tuition free education within a diversified system

Within a diversified university sector, it is especially important to have free tuition. The risk is that by making people pay different rates of tuition depending upon the institutions they attend, people may make their decisions based upon their ability to pay, rather than their interests, wishes, and ability. Inequality would predictably increase as a result.

This divergence based upon socio-economic backgrounds can be seen in the California system since it introduced tuition fees. For example, the average family income of a student at University of California, Los Angeles, was \$104,900 in 2017.³⁷ In contrast, the average family income of a student at California State University, Los Angeles, was \$40,300 in 2017.³⁸ Ensuring tuition-free education is

³⁶ Wilson, E., *Learning from the past: What can we learn from polytechnics*, Higher Education Policy Institute, 2022.

Parry, G., *Learning from the past: Polytechnics* (Paper no. 10), Edge Foundation, 2022.

³⁷ **The New York Times**, *College mobility: University of California, Los Angeles*, 2017.

³⁸ **The New York Times**, *College mobility: California State University, Los Angeles*, 2017.

necessary to avoiding a growing divide based upon familial background. It is in the interests of society, as well as the students, for people to apply to the institutions that suit them best, rather than be determined by a price-tag.

Building a diversified system

There are many ways of changing the university sector to increase diversity of student choice and institutional approach. Here are two recommendations that, in combination, could help achieve this. Each would have to be carefully considered within the Masterplan, but they hopefully provide an indication of what could be done.

The first of these is a repetition of Recommendation 2: reimplement the cap on student numbers at each institution. In the context of building a diversified system, this is a critical step to ensuring the sustainability of tuition free education. Without a cap on student numbers, the university system would likely remain unstable, with funding fluctuating depending on what an institution and their 'rivals' do to attract more and more students. The result would be to continue down the path of university education en-masse, rather than mass university education. Capping the number of students allows for more consistent planning, removing the competition between institutions, and therefore more a concentrated focus on fulfilling their collective purpose.

Recommendation 6: A set number of student places by institution type and approach.

This is not wholly dissimilar to the approach taken in Scotland. The Scottish Government divides degrees into six 'price groups' depending on cost of delivery, with a certain number of funded student places allocated to each.³⁹

The UK could adopt a similar approach, with a set number of student places depending on the type of institution, approach to teaching, or other factors. For example, it could be decided that X number of places could be funded at

³⁹ **London Economics**, *Examination of higher education fees and funding in Scotland (Policy Note)*, 2024. Miller, J., *The cost of 'free' higher education: university number controls in Scotland*, King's College London, 2024.

'research-focussed' courses or universities (akin to University of California) and Y number of places at 'teaching-focussed' courses or universities (akin to California State Universities).

By capping the number of students at each institution and controlling the number of overall places depending on approach, the university system would become diversified; as not all institutions or degrees could be 'researchfocussed'. This combination would also crucially help control the cost of public funding. Universities would have to choose what they offered, where they fit into the sector, and how they wished to contribute to the realisation of the overarching purpose of higher education.

The Masterplan would have to give serious additional thought to this recommendation. But an additional aspect worth considering is the ability to transfer between institutions at set points. Being able to move between different types of universities with different focusses or approach, would help ensure student choice and accommodate changing conditions.

Conclusion

As stated, these recommendations are not intended as the definitive last statement on this issue, but rather to offer an idea as to how the university system could change to better fulfil its purpose. Such change is not only good for society and students, but necessary for the sector's future. The recommendation to convene, produce, and implement a Masterplan for UK higher education, in the manner of the 1960 Californian plan, stands above the rest. It would be through the process of constructing such a masterplan that these other recommendations and additional ideas would be given greater attention.

