Tertiary education: The United Kingdom

Abstract

British universities are the best Europe, with two or three regularly among top 10 in the world. After the United States, the United Kingdom has the second largest number of foreign students. These results were achieved with total expenditure on educational institutions of around 6 percent of GDP, nearly equal to the OECD average. So how has the United Kingdom gotten exceptional results with ordinary budget? The answer seems to be that UK schools have done a better job than its neighbors in combining a rich, European heritage with modern knowhow. First, spending per student is higher in the UK than most European countries. Second, universities charge students with high tuition by European standard, supported by student loans. Third, universities in the UK enjoy more independence from government. This creates greater competition for funding and talent and more innovative curricula. The United Kingdom still faces challenges in getting the level of the tuition cap right, supporting part-time students, and ensuring that schools are producing needed skills. But the UK tertiary education system has shown that it is possible to meld the tradition of great European universities with current needs and modern approaches.

In the past, European universities were the center of tertiary education in the world, with few but excellent universities that were the birthplace of the enlightenment, philosophy, modern natural and social sciences. However, with a high dependence on the state, they are now faced with two major constraints: greater demand for higher education and limited capacity of public resources (due to growing expenditure on health and pensions).

European leader

British universities seem to be the exception. British universities were ranked second in the Shanghai Jiao Tong University (SJTU) Academic Ranking of World Universities, after the United States (figure 41). And the UK increased the number of its educational institutions listed in the top 100 SJTU ranking from 9 in 2003 to 11 in 2010. The QS World University Rankings rated Cambridge University first in 2010/2011. At the same time, in the Times Higher Education World University Rankings 2010, 3 out of 10 universities in top 10 where British.

Figure 41: Shanghai Jiao Tong University (China) higher education rankings in 2003 and 2010: Number of universities in the top 100 by region/country

Source: SJTU rankings.
Naturally, being an English speaking country gives the UK a competitive advantage over other European countries. Yet, language alone cannot foster excellence in tertiary education. In 2008 the attainment levels for tertiary education in Britain stood at 33 percent, higher than the OECD average (28 percent). Levels of tertiary education attainment grew at a pace of 3.2 percent between 1997 and 2008. The United Kingdom has the second largest number of foreign students, after the United States. Total expenditure on educational institutions of 5.8 percent of GDP was nearly equal to the OECD average (5.7 percent). How has the UK gotten exceptional results with ordinary budget?

**Rich heritage, modern attitude**

There are several reasons why British universities lead the rest of Europe. First, despite modest total spending on educational institutions as a percentage of GDP, British tertiary educational institutions spend more per student than their European counterparts. In 2007, annual expenditure per student in the UK amounted to US$15,463, in comparison to EU19 average of US$12,084. Moreover, this spending fell by 8 percent between 1995 and 2000 and then surged by 61 percent between 2000 and 2007. Higher spending derives partly from the fact that, in addition to public support, British universities charge students high tuition fees by European standards. The Higher Education Act of 2004 (implemented in 2006) changed the rules for financing higher education; the universities are now able to increase and differentiate tuition fees up to certain ceiling (£9,000 per year from 2012). Students can support their payments with loans funded by the government. Findings by Dearden et al. (2008) indicate that, although the level of tuition fees has risen, the net cost of higher education decreased for lowest levels of parental income distribution. Consequently, the net cost has risen for middle- and high-income households.

Second, British universities enjoy greater independence from the state in terms of funding. The reason for that has deep historical roots. While in the 19th century most European universities lost their independence, with governmental bodies taking control of appointments and salaries, the UK was the only country that did not follow suit. And although in the 19th century, universities in Europe usually charged students for their studies, most European countries (apart from the UK) reigned from tuition fees in the interwar years. Thus, British universities rely much less on the state than their European counterparts. Public funding that is distributed through the Higher Education Funding Councils accounts only for part of university funding; the rest comes from tuition fees, research grants, endowments, and investment income. In the UK more private resources are spent on tertiary education than in any other European country (figure 42). Aghion et al. (2007) indicate that the budgets of the best universities in the UK were twice the average value for all universities in the country.

Third, the British tertiary education system offers a variety of choices for prospective students. Apart from universities and colleges, the system offers Magnet Schools (specialist schools) as well as Charter Schools (academies and City Technology Colleges). The implementation of the Further and Higher Education Act 1992 allowed for greater diversity in higher education; the act abolished the divide between two categories of tertiary education and enabled a unitary approach toward universities and colleges. In 1999 the authorities changed the criteria on granting the distinction “university,” thus allowing for the further development of new educational institutions. Universities are often aligned in mission groups that foster cooperation: for example, out of 20 members of so-called Russell Group, 15 were listed on top 100 universities
in the world. All universities get feedback from their students and therefore are able to improve their services. The National Student Survey agency performs a five minute questionnaire on how students enrolled in undergraduate courses assess their studies.7

**Figure 42: Private expenditure on tertiary educational institutions in 2000 and 2007 as % of total (private and public)**

Source: OECD (2010).

**The right mix**

British universities are the best in Europe and second best in the world. However, they are still not as autonomous as their American counterparts with caps on tuition levels. While recent reform of funding benefits households with the lowest incomes, the support for students has its shortcomings. British students working part-time, unlike their American colleagues, are usually not eligible for loans to support their tuition fees and are required to pay tuition fees upfront. There is also a need for greater accountability; superb performance in teaching is much less generously rewarded as excellence in research. Students lack choices as well as adequate information on courses offered and as a result higher education institutions deliver inconsistent outputs. The World Bank’s Doing Business report suggests inadequacies in workforce education.

All in all, taking into account the long history and rich traditions of British education, its ability to remain among the best over centuries should not be forgotten. From their origins in the 11th century, British universities have undergone several organizational and financial transformations. Naturally, the system faces challenges that need to be managed if higher education institutions want to stay on the top. Yet it seems that in the recent years subsequent governments as well as university authorities have recognized the role tertiary education plays in the British economy. Finally, British universities provide an interesting perspective how to successfully draw from the rich, European academic heritage and, at the same time, benefit from modern approaches in successful governance and management of funding.
Sources


Notes

1 The rankings are made by the number of universities in the top 100 by country. The ranking is conducted by the Center for World-Class Universities and the Institute of Higher Education of Shanghai jiao Tong University, China. Ranking is based on four criteria: quality of education, quality of faculty, research output, and per capita performance. First published in June 2003.

2 The ranking has following criteria: teaching (learning environment), international diversity (staff and students), industry income (innovation), research (volume, income and reputation), and citations (research influence).

3 Others include, in 2003, Australia (2), Canada (4), and Israel (1), and in 2010, Australia (3), Canada (4), Israel (1), and Russia (1).

4 OECD, a percentage of population between 25 and 64 years old.

5 Annual expenditure of tertiary educational institutions per student for all services in 2007, OECD, in USD PPP. EU19 denotes nineteen OECD countries that are members of the European Union.

6 There are three councils that manage the distribution of public funds: The Higher Education Funding Council for England (HEFCE), Scottish Funding Council for Further and Higher Education (SHEFC), and Higher Education Funding Council for Wales (HEFCW).

7 The survey touches upon different issues: teaching, academic support, organization and management, personal development, etc.