

A growing movement in the United States is promoting 'free college' for young people. **Richard Murphy, Judith Scott Clayton and Gill Wyness** ask what can be learned about the likely outcomes from England's move in the opposite direction over the past 20 years – towards steadily increasing tuition fees.



The end of free college in England

Earlier this year, New York became the first US state to offer all but its wealthiest residents free tuition at public four-year institutions. This new 'Excelsior Scholarship' doesn't make college completely free, nor is it without significant restrictions. Still, it demonstrates the growing strength of the free college movement in the United States.

The free college movement is typically associated with liberal and progressive politics, and motivated by concerns about rising inequality and declining investments in public goods such as education. Americans are thus sometimes surprised to hear that the end of free college in England was built on very similar motivations.

Until 1998, full-time students in England could attend public universities completely free of charge. Two decades later, most public universities in England now charge £9,250 – equivalent to about \$11,380, or 18% more than the average sticker price of a US public four-year institution.

Advocates of these reforms argued that a free tuition system was regressive,

since the main beneficiaries were the middle classes, and that without drawing on private resources from those who could afford to pay, the system would be unable to meet rising demand. Instead, universities would have to limit enrolment slots, reduce per student spending or both – with low-income students and less prestigious institutions most likely to bear the consequences, potentially exacerbating educational inequality.

Has this major restructuring of higher education finance over the last 20 years led the system in England to go backwards

Ending free college in England has not stood in the way of rising enrolments

or forwards in terms of improving quality, quantity and equity in higher education?

We find that at a minimum, ending free college in England has not stood in the way of rising enrolments, and institutional resources per student (one measure of quality) have increased substantially since 1998. Moreover, after many years of widening inequality, socioeconomic gaps in college attainment appear to have stabilised or slightly declined.

Prior to 1998, college in England was completely tuition-free for full-time domestic students. Low-income students could apply for grants, and all students could obtain small government loans to be repaid mortgage-style after graduation.

But as demand for college-educated workers increased during the late 1980s and 1990s, college enrolments rose dramatically and the free system began to come under strain. This led the government to impose caps on the number of students who could enrol. Despite these controls, by 1998, funding had fallen to about half the level of per student investment of the 1970s. Of equal concern was the enrolment gap between high-

and low-income students, which was as high as 37 percentage points for those turning 22 in 1998.

It was against this backdrop that the first tuition fees were introduced in 1998, accompanied by a new income-contingent loan system that enabled all students to access significantly more funds while enrolled, to be paid back as a fraction of income only after graduates had begun working.

These reforms fundamentally changed the structure of higher education finance in England, and enabled numerous subsequent increases in tuition fees, to £3,000 in 2006 and £9,000 in 2012 – though beginning in 2006, these fees were not charged ‘upfront’ but were automatically covered for all students via an income-contingent loan.

The progressive arguments for the reforms were threefold:

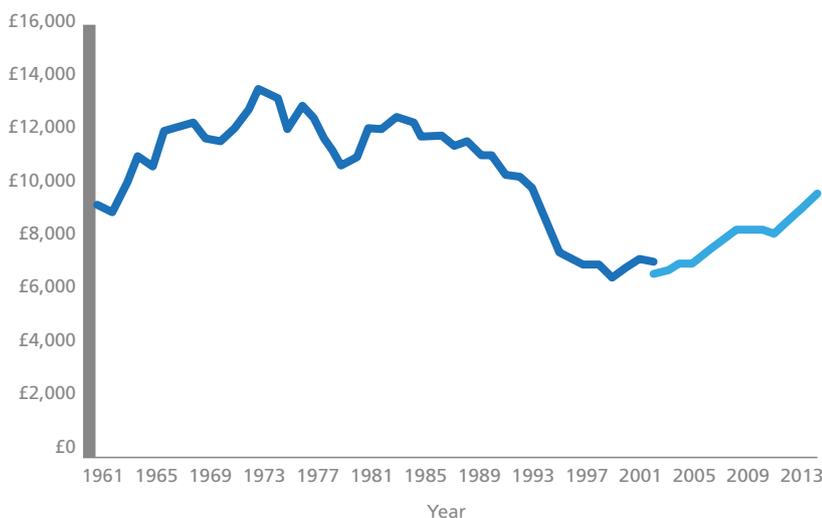
- First, public funding would bring in more money for cash-strapped universities, enabling them to take more students, including the disadvantaged.
- Second, requiring students to pay would make the system fairer since previously the main beneficiaries of free college were students from middle and upper class families.

- Third, increasing resources would enable the government to target assistance to the neediest, who were struggling with living expenses at college. Key to this was the introduction of the income-contingent loan for fees and maintenance, which ensures that no student pays upfront and enables large increases in liquidity at the point of enrolment.

After many years of widening inequality, socioeconomic gaps in college attainment have stabilised



Figure 1:
Average funding per full-time equivalent student



Sources: ‘Historical Statistics on the Funding and Development of the UK University System, 1920-2002’ by Vincent Carpentier (2004); and authors’ calculations using the Higher Education Information Database for Institutions.

Were the progressives right?

Perhaps the most obvious impact of the reforms has been a clear reversal of the trends in per student institutional resources. Figure 1 shows that funding per full-time equivalent student has increased by nearly 50% since reaching a historical low pre-1998.

But was this at the expense of declining enrolments and inequality? No. In fact, enrolment rates have nearly doubled since the 1998 overhaul. And though the gap between income groups remains large, most recent evidence is that it has at least stabilised and may even have shrunk in recent years, with enrolments of students from backgrounds of low socioeconomic status growing at a faster rate than those from higher status backgrounds.

Thus, although it is difficult to know what would have happened in the absence of reform, it does seem as though the new system in England has lived up to its progressive goals.

So what implications does the experience in England hold for the US debate about free college?

First, policy-makers should shift away from focusing solely on net prices to also thinking about net liquidity: the costs students face and the resources they have access to upfront. While college is no longer free in England, it remains free at the point of entry: the full amount can be financed via government loans, deferred until after graduation. And even though tuition has risen, students have access to significantly more resources than previously (see Figure 2).

Second, England's income-contingent loan repayment system makes it possible

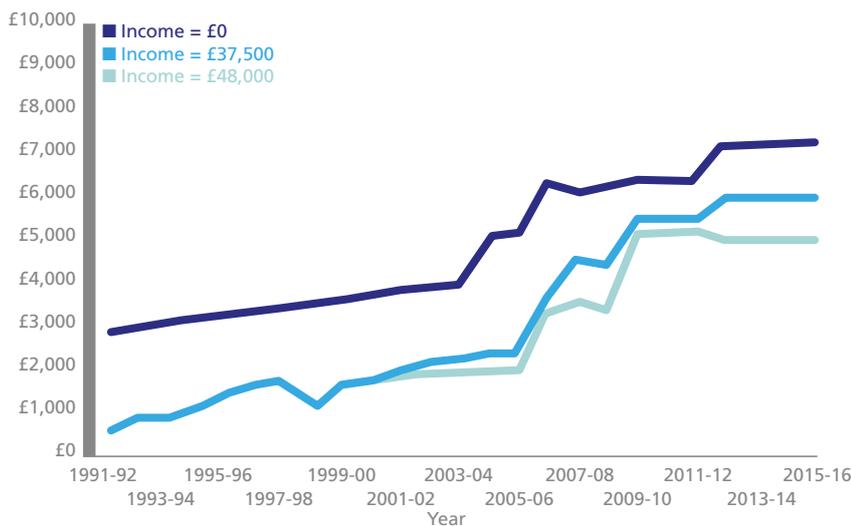
for students to borrow safely for fees and living expenses. Monthly repayments are calculated as a fraction of income earned above a minimum level and collected via the payroll tax system, so payments are manageable, administrative burdens are low, and default risk is minimised. In the United States, student loan limits are too low to cover even tuition at the typical public four-year institution, let alone the non-tuition costs of attendance – and many students default on debts well below the maximum levels.

Finally, the experience in England leading up to the 1998 reforms starkly illustrates the characteristic risks of a free university system: that insufficient public funding will lead to declining

quality, caps on quantity or both; and that prioritising free tuition for all means less money to help the neediest students with additional costs. These may well be the real consequences of the New York plan: for example, no additional funds are promised to institutions, raising the likelihood that per student resources will fall as enrolments increase.

No model is without its challenges. But the experience in England suggests that making college completely free is hardly the only path to increasing quantity, quality and equity in higher education. Indeed, a free system can sometimes work against these goals.

Figure 2:
Net liquidity (grants and loans minus upfront fees) by family income over time



Sources: Student loans company.



Making college free is not the only path to increasing quantity, quality and equity in higher education

This article summarises 'Lessons from the End of Free College in England' by Richard Murphy, Judith Scott-Clayton and Gill Wyness, published by Brookings (https://www.brookings.edu/wp-content/uploads/2017/04/es_20170427_scott-clayton_evidence_speaks.pdf).

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