What price a degree?

Take a random sample of views on higher education in almost any country in the world and you'll find that almost everyone believes that sending as many young people to university as possible is a good thing. What's more difficult to agree on is who should pay. The debate is a controversial one: cuts in higher education funding have sparked unrest in many countries across the world, including Austria, Germany, Chile, Colombia and the UK. Protests in the form of strikes, demonstrations and even riots prove that people are willing to go to great lengths to defend their right to higher education.

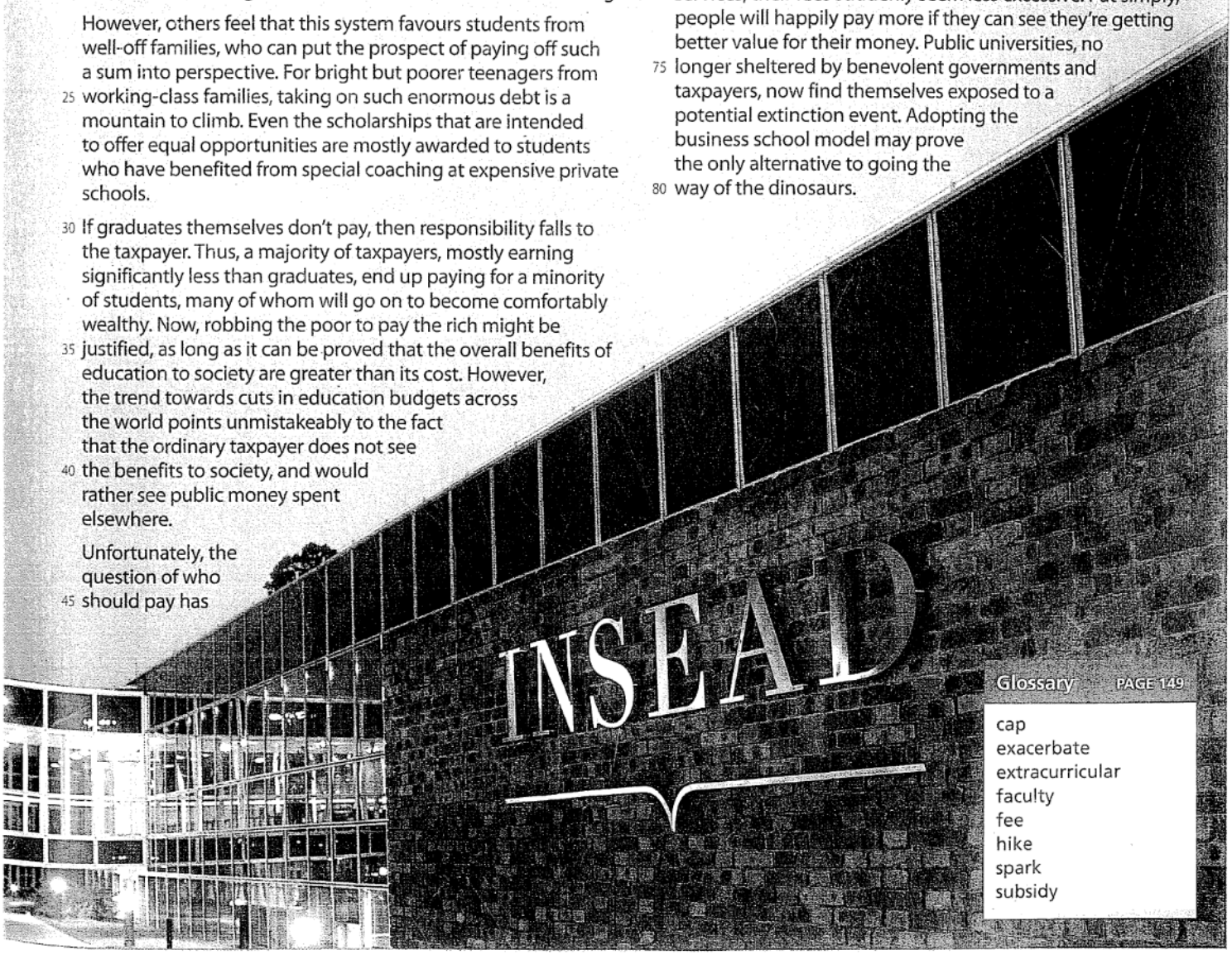
Widening access to a university education is an admirable political goal, but the uncomfortable truth is that governments simply do not have the resources to match their ambitions. Faced with this reality, many believe that universities should be paid for by those who get the most benefit from them: graduates. Certainly, a rough cost-benefit analysis suggests that students get good value for their money. A recent UK report estimates that the real cost of a degree is in the region of £100,000. Under the latest system, the average graduate will pay back no more than half of that, and only start to pay if and when their annual earnings are more than double the minimum wage.

However, others feel that this system favours students from well-off families, who can put the prospect of paying off such a sum into perspective. For bright but poorer teenagers from working-class families, taking on such enormous debt is a mountain to climb. Even the scholarships that are intended to offer equal opportunities are mostly awarded to students who have benefited from special coaching at expensive private schools.

If graduates themselves don't pay, then responsibility falls to the taxpayer. Thus, a majority of taxpayers, mostly earning significantly less than graduates, end up paying for a minority of students, many of whom will go on to become comfortably wealthy. Now, robbing the poor to pay the rich might be justified, as long as it can be proved that the overall benefits of education to society are greater than its cost. However, the trend towards cuts in education budgets across the world points unmistakeably to the fact that the ordinary taxpayer does not see the benefits to society, and would rather see public money spent elsewhere.

Unfortunately, the question of who should pay has been exacerbated by a dramatic rise in the cost of providing higher education. Despite a growing cross-border market for education, competition and new delivery models like e-learning have failed to cap universities' spiralling costs. Whether governments continue to provide subsidies or not, and in spite of massive hikes in student fees, university revenues remain significantly lower than their costs. This presents universities with new dilemmas. Should they try to cut costs by having larger classes and less experienced faculty? Should they increase fees further? And should they offer more places to higher-paying foreign students, at the risk of excluding deserving locals?

Intriguingly, private business schools do not meet the same resistance to price increases, and numbers of for-profit institutions have grown rapidly to meet the increasing demand for higher education. How is it that these businesses continue to be profitable when universities are unable to cope? The essential difference is that private business schools have been willing and able to invest money in improving quality and providing new and better facilities and services. These schools understand that they can only increase their perceived value to the customer by offering top-class conditions for learning and by serving their graduates well beyond their degree ceremonies. When private business schools offer a complete program of study, extracurricular activities, counselling, networking, placement and ongoing professional development services, their fees suddenly seem less excessive. Put simply, people will happily pay more if they can see they're getting better value for their money. Public universities, no longer sheltered by benevolent governments and taxpayers, now find themselves exposed to a potential extinction event. Adopting the business school model may prove the only alternative to going the way of the dinosaurs.



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