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Chapter Four

System differentiation in England: the imposition of supply and demand

Colin McCaig

Introduction

This chapter describes changing state and sector policy in relation to differentiation and how it has emerged in the English HE context: specifically, the attempts to concentrate the highest qualified applicants and the most prestigious institutions in a 'premium' market segment; the significance of the growing involvement of private providers; and the rise of the 'student-as-consumer' and 'value for money' in recent government policy discourse (e.g. the White Papers *Students at the Heart of the System* (DBIS 2011a) and *Success as a Knowledge Economy* (DBIS 2016)). The chapter situates the development of a market hierarchy (in the form of a vertical differentiation of institutions, Archer 2007) following the demise of the university-polytechnic binary system in 1992 (Further and Higher Education Act, HMSO 1992). This co-existed for several years with the institutional diversity often celebrated by the Higher Education Funding Council for England (e.g. HEFCE 1994; 2000) that can be conceptualised as the horizontal differentiation of valued types of higher education provision and provider (e.g. part-time or vocationally orientated). The introduction of market mechanisms, in various stages beginning with the 2004 Higher Education Act (DfES 2004) and the introduction of variable tuition fees, coincided with the publication of institutional league tables from 2005. Taken together, these have reinforced a hierarchical system in which all institutions and courses are henceforth differentiated only by reference to a set of criteria dominated by the entry requirements demanded, and the amount of research carried out by the institution. Given the implications of the most recent legislation – the Higher Education and Research Act (HMSO 2017) this hierarchy is likely to be matched by one signalled by tuition fee levels, as new cheaper 'challenger' institutions come to the market.

Defining differentiation

Differentiation in this chapter refers to the ways that entities, such as goods and services, differ from one another in a marketplace. This can be seen as a natural market phenomenon, created by the needs of producers to offer something unique, or at an advantageous price-point. An example would be when a basic product, such as a small car, is offered for a mass market that cannot afford higher specification or luxury models. Equally, different types of vehicle may be offered that suit different needs, rather than different price-points; competing manufacturers may each offer consumers (of different predilections and incomes) a luxury saloon, a sports model and an environmentally friendly

'hybrid' as well as a basic model; similarly the owners of large hotel companies offer different branded chains pitched at 5*, 4*, 3* and 2* price points.

This sort of market differentiation, designed to attract and supply consumers with competing goods and services, is ubiquitous in the private sector of the economy – from chocolate bars through to financial instruments – and the discourse of choice-driven competition is increasingly present in state policymaking as a key aspect of the concept of neoliberalism (Lynch 2006; Lingard 2010; Bowl and Hughes 2014; Varman et al 2011; Canaan and Shumar 2008; Savage 2013; Sellar 2013).

Differentiation can be designed into being, for example by policymakers influenced by neoliberal ideology wishing to stimulate market-like behaviours. In the case of higher education this may take the form of encouraging a diversity of provision (in its various modes and settings) in response to the differential needs of both students and the labour market.

For example, there are different learning types or modes: academic; vocationally focused; worked based learning; distance learning. These may take place in a diversity of institutional types: universities; specialist institutions; Further Education colleges; or alternative providers offering just one or two subjects (see Chapter Five). From the point of view of policymakers there may be different societal aims, ranging from enabling social mobility (the desire to ensure the 'brightest' young people attend the most prestigious universities and thus enhance their life chances), to encouraging widening participation among all those from groups underrepresented in the HE system, or to better meet the requirements of employers. Policymakers may also want to ensure 'fair access' to HE (that is, avoiding discrimination in admissions), but at the same time create a system that is diverse as well as large enough to satisfy demand.

This kind of system diversity is often termed *horizontal differentiation* (Archer 2007) and has long been an underpinning characteristic of the English HE sector:

A diverse HE service should be able to provide choices of curriculum offer; choices as to the mode, pace and place of delivery; choices regarding the physical and intellectual environment available; and choices between a range of different institutional forms and missions.

(Higher Education Funding Council for England 2000: para 14).

This envisaged a horizontal differentiation featuring institutions and learning modes that were valued for their own sake, depending on the context; if different learning modes and types are seen as alternatives suited to different contexts, there would be no need to compare the 'apples' of full-time attendance at a northern Redbrick to study, for example, English Literature, with the 'oranges' of part-time, work-place learning towards a Higher National Certificate in aeronautical engineering. In both cases the provider is a university and the outcome is highly valued by the eventual employer

of those students; one is different to, but not necessarily better than, the other, given the difference in context.

Until the turn of the century it is relatively easy to find celebrations of system diversity, as least expressed in HEFCE statements; however, after 2000 the language changes. This chapter explores the concept of differentiation in order to highlight how it has been shaped by policies designed to inject market competition into the system. This policy process is argued to have steadily devalued particular types of higher education (and of provider) while favouring the 'traditional' university by celebrating, in the language of league tables, the 'top 5s', 'top 20s' and so on, as the superior version of higher education experience. Such league tables suggest that it is now possible to discern which institutions and courses are 'better than' the rest, hence the conditions of vertical differentiation.

Given the well evidenced link between social class and type of institution attended (HEFCE 2009; 2010; 2013; OFFA 2010; 2011; Social Mobility Commission 2016; DBIS 2011a; Sutton Trust 2004), this verticalisation of differentiation can be seen as actively damaging the project of widening participation (a social process moving towards equality) by devaluing provision offered by less prestigious institutions. As we have seen in Chapter Three, widening participation as a societal project has taken different forms in different institutional types; increasingly, while former Polytechnics and FE colleges have focused on aspiration and attainment-raising outreach activities with local schools, those institutions at the higher end of league tables have focused increasingly on the notion of 'fair access' and social mobility for the 'most able' of the disadvantaged, who are not discriminated against on the basis of their background (and are thus equitably treated), so long as they attain the requisite entry grades (McCaig 2015b, 2016; Bowl and Hughes 2014; Graham 2013; Harrison 2011).

This emphasis reflects the hierarchy of the league tables because, while social background characteristics are taken into account in selecting young people for outreach interventions (e.g. summer schools, visits to HE institutions), attainment, particularly at a young age, is the main determinant since attainment (in the form of accepted grades) is the only criterion for entry to the most selective institutions. In 2011 the Deputy Prime Minister Nick Clegg made it quite clear that this elision of 'fair access' and 'social mobility', and the concept of 'most selective universities' at the top of the league tables, is the favoured variant of WP:

Universities can and should do more to ensure fair access. Today we are setting out our expectations for the action needed to close the gap between aspiration and achievement. Social mobility in this country has stalled. It will only improve if we throw open the doors of

universities, especially the most selective, to more bright students from disadvantaged backgrounds.

(DBIS 2011b)

Such comments tend to overlook the negative impact of relative economic deprivation (alongside a host of other ethnicity, gender and disability factors) on attainment at pre-school, primary and secondary levels; they make it possible to suggest that equality of access can be brought about by equitable treatment alone and that 'social mobility' can be restricted to the very few (Sutton Trust 2004). Students from poor and underrepresented social groups are thus ever more likely to be obliged to attend less prestigious institutions, and have consequently less transformative HE experiences; a differentiated experience for those from differentiated backgrounds.

Widening participation and market positionality

As many have noted (Marginson 2013; Brown and Carrasso 2014; McGettigan 2013) the English HE system does not meet the conditions under which a market could work perfectly. However, such deficiencies have not stopped governments, in England and elsewhere (Agasisti and Catalano 2006; Molesworth, Nixon and Scullion 2010), from making market-like interventions to inject competition into the system, with ramifications for widening participation policy as noted in Chapter Three. This process began with the 2004 Higher Education Act (HMSO 2004) which introduced variable tuition fees and a repayment system contingent on income. This was followed by the 2011 White Paper *Students at the Heart of the System* (DBIS 2011a) which introduced a new variable fee maximum (£9,000), informed choice and incentivised competition between providers for students. A third key element of policy was the 2016 White Paper *Success as a Knowledge Economy: Teaching Excellence, Social Mobility and Student Choice* (DBIS 2016) which proposed a Teaching Excellence Framework that would allow institutions that could demonstrate 'teaching excellence' to charge more than others as well as encouraging new providers to enter the market. The context for all of these policies can be seen to be the perceived need to differentiate what had become (following the 1992 Further and Higher Education Act) a unitary system.

David Robertson (1997) foresaw the breakdown of what he termed the 'old bargain' between universities and the state during the 1990s, by which institutions were funded and left largely alone to pursue their own aims, and its replacement by a 'new bargain' whereby the state reduced student funding, forcing institutions to face increasingly outwards to the public in a policy environment increasingly concerned about national economic needs and education and training targets. Writing before the introduction of tuition fees, variable fees and bursaries, Robertson anticipated the increasing importance of social justice in a learning market that, with the help of the post-1997

Labour government's promotion of widening participation (including the use of WP funding premia and the introduction of national aspiration raising programmes), obliged institutions to think, perhaps for the first time, about WP and its relationship to their 'unique selling point' in the HE marketplace.

The link between institutional diversity and widening participation was made explicit in Strategic Aim J of the HEFCE Strategic Plan 2000-05, which set out the intention to:

Maintain and encourage the development of a wide variety of institutions, with a diversity of missions that build upon their local, regional, national and international strengths and are responsive to change, within a financially healthy sector.

(HEFCE 2000)

This diversity was intended to create "a higher education sector with the capacity to meet the varying needs and aspirations of those it serves: students, employers, purchasers of HE services, and the wider community". Not only was this to "secure the best fit with the needs and wishes of stakeholders, both current and future" but it should also "itself help to shape and raise aspirations and expectations" (HEFCE 2000: para 12).

These aims for the higher education sector presuppose marketing behaviour among institutions manifested by offering differentiation on several levels:

A diverse HE service should be able to provide choices of curriculum offer; choices as to the mode, pace and place of delivery; choices regarding the physical and intellectual environment available; and choices between a range of different institutional forms and missions.

(HEFCE 2000: para 14)

Despite this rhetoric of celebrating diversity, pressures for the introduction of more competition in the system were present, driven by some institutions' desire to increase tuition fees (which had been fixed at £1,000 per year from 1998) (Barr and Crawford 1997) and government's desire for system growth in the face of global competition. Following the White Paper *The future of higher education* (DfES 2003), the 2004 HE Act introduced financial support packages for students from low income backgrounds who may otherwise have been deterred (McCaig and Adnett 2009). Tuition fees were increased to a maximum of £3,000 from 2006-07 with the hope that a market-like variable fee differential would emerge. However, virtually all institutions responded by immediately increasing fees up to the maximum; one decided to set fees at £2,000 but changed its stance after two academic years.

The requirement for institutions to put in place access agreements lodged with the Office for Fair Access (OFFA) created an opportunity for institutions to portray WP and outreach work as key elements of their institutional mission; as Robertson prophesied, WP and social justice were now marketable commodities, an opportunity to present student support strategies in a competitive environment (Temple, Farrant and Shattock 2005: para 4.6). OFFA guidance stated that:

Institutions are required to use some of the money raised through tuition fees to provide bursaries or other financial support for students from under-represented groups, or to fund outreach activities to encourage more applications from under-represented groups. An access agreement will provide the details of bursary support and outreach work.

(OFFA 2004)

The amount or proportion of additional fee income to be spent was not prescribed, but: “institutions whose record suggests that they have further to go in attracting a wider range of applications will be expected to be more ambitious in their access agreement” (OFFA 2004). This reflected the letter from the then Secretary of State, Charles Clarke, who also suggested that widening participation was an overt policy goal:

I would expect.... the most, in terms of outreach and financial support, from institutions whose records suggest that they have the furthest to go in securing a diverse student body.

(DfES 2004b para 2.1)

Such suggested variations in spending proposed in access agreements were not designed primarily to strengthen the market in higher education, though encouraging diversity naturally encourages differentiation. The Secretary of State "hoped that price should not affect student choice of whether to go to university, where to study or what course to take" (Callendar 2009a). However, given the way that institutions chose to apply the requirement to offer bursary support to students, with a large and growing proportion of non-needs based bursaries offered by usually selecting institutions on top of the basic mandatory £300 bursary, the market process was strengthened, even if this was interpreted by some as an unintended consequence (Callendar 2009a, 2009b).

Access agreements are just one marketing tool available to institutions; changes to admissions policy since the Schwartz Report of 2004, (see Adnett et al 2009; Supporting Professionalism in Admissions 2008; McCaig et al 2011) and their WP policy development can also be seen as part of institutions' concerted efforts to portray a social justice, WP focus; in this new marketplace, institutional policy statements became the locus of the sales pitch. The national evaluation of the Aimhigher

programme also demonstrated system-wide variation by institution type in the outreach activities and the social and age groups focused on (HEFCE 2006).

Marketing theory would anticipate such competitive strategies as institutions seek to establish or consolidate their position. Positionality requires institutions to be firmly located in a 'choice set', such as selective research orientated institutions, or as accessible-to-all WP institutions (Gibbs and Knapp 2002). Location within one or another identifiable choice set theoretically makes it easier for consumers to differentiate when making application or acceptance decisions. Therefore, at less prestigious institutions we might expect policymakers to re-engineer processes such as admissions and outreach or WP policies, and seek the continuous development of their student transition and support environment. Other institutions might identify which of their programmes are in 'mature' markets (for example, history, physics) and which are in 'growth' markets (for example social policy, health and social care), and adjust their offers accordingly (Gibbs and Knapp 2002). A selective institution's access agreement may emphasise excellence and high entry standards, but still offer merit-based scholarships to encourage entry to shortage subject areas, such as to engineering (Temple et al 2005).

Comparative analyses of access agreement statements over time in fact confirm that selective institutions have tended to increase their emphasis on excellence, indeed many have (proudly) moved on from being 'internationally' to 'globally' excellent (McCaig 2015a; 2015b). In some cases, this need to maintain global excellence is used as a reason to preclude policies that might actually widen participation:

We aim to increase applications from state schools by five percentage points by 2009. It is worth underlining, however, that we will not increase the intake of students from such groups unless the applicants meet our highly competitive entry criteria.

(University of Bristol Access Agreement 2006)

By 2012 – when the new fee and repayment regime came into operation - the attention has shifted from the efforts the institution had made to the 'wrong decisions' made by applicants: "*we face specific challenges relating to the suitability of A level choices*" (University of Bristol Access Agreement 2012). A similar trajectory over time was evident at Cambridge:

It remains this University's policy to admit UK students of the highest academic calibre and potential irrespective of financial or other non-academic considerations. However, as a leading international university, [this university] attracts high quality applicants from the rest of the EU and further afield. Entry to Cambridge typically requires a minimum of three grade As in

appropriate GCE A Level subjects (or their equivalent). There is a large pool of qualified applicants and competition is rigorous...

(University of Cambridge Access Agreement 2006)

By 2012 this message had been simplified as if the context was no longer necessary: *"The standard A-level offer for entry to [the University] is currently advertised as A*AA. There is a large pool of qualified applicants and competition is rigorous ..."*(University of Cambridge Access Agreement 2012)

Note that in each case the second statement reflected the policy shift represented by the White Paper *'Students at the heart of the system'* (BIS 2011) which featured a complex student number control system designed to ensure that more highly qualified young people attended the most prestigious universities:

We propose to allow unrestrained recruitment of high achieving students, scoring the equivalent of AAB or above at A-Level. Core allocations for all institutions will be adjusted to remove these students. Institutions will then be free to recruit as many of these students as wish to come. This should allow greater competition for places on the more selective courses and create the opportunity for more students to go to their first choice institution if that university wishes to take them.

(BIS 2011a para 4.19)

Prestige is, by its very nature, a virtue restricted to a few institutions, but many more can make use of other qualities such as a reputation for meeting the needs of a diverse student body, serving the needs of local employers, or by focussing on opportunities for locally based under-represented groups. However, the effects of marketisation on less prestigious institutions, and the need for them to demonstrate differentiation, has in many cases led to less emphasis on 'accessibility' and 'inclusivity' among institutions that previously had widening opportunities as their *raison d'être*. The same comparative discourse analysis of 'post-1992' universities' access agreements over time revealed a marked shift of emphasis in discourses:

Where post-1992s once spoke of the institution and what it could do for the student, the labour market and wider society, in the later agreements there is more emphasis on positive outcomes accruing to the individual. Where post-1992s were portrayed as an agent for societal good (because of being welcoming and inclusive places that valued diversity for its own sake) in 2012-13 agreements most post-1992s were more concerned to highlight their role in enhancing individuals' employability, and in some cases employability discourse (always an

implicit part of post-1992s offer) was presented more prestigiously via links to 'the professions'.

(McCaig 2015a: 21)

A further discursive development was the adoption of the notion that widening participation further was becoming a 'challenge' for some post-1992s in the face of competitive pressure - markedly similar to the concerns of more prestigious institutions above. These new concerns are linked to the discourse shift towards 'retention and success', following the publication of new OFFA access agreement guidance (OFFA 2011) introduced alongside the 2011 White Paper (BIS 2011a). This required institutions that already had a 'good access record' (measured against benchmarks of expected access for defined underrepresented groups) to shift some of their expenditure to supporting those thought more likely to drop-out of their studies through to completion and into employability (OFFA 2011). Thus changes to the market regime – the *Students at the Heart of the System* White Paper and the 2011 OFFA guidance that accompanied it – encouraged further differentiation in the form of access agreement discourses.

Research into the impact of the 2011 Student Number Control regime (based on interviews with senior institutional policymakers, HEA 2014) also revealed shifting patterns of institutional behaviour among post-1992s, given the twin effects of the potential loss of their higher-qualified applicants, from their choosing more prestigious institutions, and the increasing exhortations to focus on successful outcomes:

Post-1992 institutions were affected, significantly in some cases, by the longer term effects of choice and competition (rather than directly by [student number controls]): either because they lost [highly qualified] students from their core allocation or because some institutions pre-empted any possible negative impact on allocated numbers by withdrawing modules that had been shown not to recruit strongly, thus freeing up resources for more lucrative activities (i.e. other provision, or for research). Across the sector, this reportedly led to closure and rationalisation of some courses, and increased scrutiny of recruitment and retention, league table positioning, and the National Student Survey.

(HEA 2014: 7)

While, in the event, post-1992 institutions did not lose as many students as the designers of the SNC regime anticipated (the policy was abandoned after two academic years), there was a pervasive fear that this might happen under increasingly competitive conditions in the future. Many post-1992s felt

compelled to raise their entry requirements, reduce their part-time and sub-degree provision, and close programmes that had not recruited as well as they had in previous years, even as their leaders expressed doubts that this would actually make any competitive difference given that their peer institutions were doing the same thing. The adoption of marketised principles in a sector differentiated by market positionality was seen to threaten the wider mission of such institutions in the words of some senior institutional policymakers (HEA 2014):

I think there is a pressure point [around widening participation] there because I know that the governors are very keen on the widening participation, widening access, local community role agenda, versus the fact that of course if you look at our numbers at the moment, we exceed all of our benchmarks on widening access, low participation neighbourhoods, BME, percentage from state schools, mature students ... So losing some of those numbers would not probably make a very big significant impact on that agenda per se, well in terms of those benchmarks anyway.

(Senior Manager for Planning, post-1992, *ibid*: 10)

We go into quite a lot of analysis and get reports from the module leaders. Sometimes it's a one-off, sometimes it's a recurring problem. We've got rid of courses that are not performing, we've got rid of modules that, we refer to them as the 'grim reaper' modules that were tripping up far too many students and damaging their chances of really getting a good degree ... I'm not exaggerating if I said we had probably about 500 undergraduate courses, there were different combinations, we now have 120.

(Pro-Vice Chancellor, post-1992 *ibid*: 11)

The increasing emphasis on 'the brand' has not only threatened the breadth and range of provision; for some respondents it impacts shared understandings of what a university education is for: branding can appear "like an algorithm of components ostensibly derived ... from the indicators within league table algorithms" (Dean, post-1992 *ibid*: 11). This is connected to the raised importance of employability outcomes in institutions' understanding of what applicants want from a university under the more competitive conditions: "in the past [the brand] was more about, 'come here, we're a little bit different, quirky' whereas latterly it had become solely about the immediate satisfaction of applicants' desire to get a job". The mission has been reduced to "recruit, retain, recruit, retain" (Dean, post-1992 *ibid*: 10).

Taken together, these post-1992 policy and discourse shifts can be seen to threaten the notion of WP and the diversity both of provision and of students. They are seen to reflect government policy and its emphasis on providing only social mobility for those with 'good' pre-entry grades in the name

of enhanced differentiation. The corollary is that institutions that resist this discourse, and the behaviour that underpins it, may face being "squeezed out of the squeezed middle" as one Pro-VC noted, losing upwardly mobile students. Such institutions face a stark choice: move upmarket by abandoning provision and raising entry requirements; or move downmarket and attempt to compete for those applicants that want to study sub-degree and part-time qualifications, presumably at a lower price-point, in the face of competition from new alternative providers and further education institutions.

The next level of differentiation: the Higher Education and Research Act 2017

The 2016 White Paper *Success as a Knowledge Economy: Teaching Excellence, Social Mobility and Student Choice* (DBIS 2016) and ensuing Higher Education and Research Act (HMSO 2017) further accelerate market differentiation by overtly encouraging a greater distribution of tuition fee levels. This was envisaged in two main ways, both building on the 2011 White Paper *Students at the Heart of the System* (DBIS 2011a). The first was to incentivise those institutions that could attract the best qualified institutions to expand those numbers, to the detriment of those that could attract less highly qualified entrants (a demand-side intervention); the second was to offer additional student places for those institutions willing to lower tuition fees, thus acting on the supply-side. The 2017 HER Act, and the removal of student number caps from 2015-16, further expanded the supply side by encouraging new providers into the market to compete directly on price with those institutions that could not attract highly qualified applicants. What was implicit in the 2011 White Paper became explicit after 2016.

The underlying assumptions behind the 2011 White Paper were that highly qualified applicants needed more information to make better informed choices about where to study (Sutton Trust 2004), hence the provision of more information about courses and institution in 'Key Information Sets' (DBIS 2011a), and that the 'best' institutions needed an incentive (the ability to expand numbers of high achieving applicants within a fixed overall cap) to offer them:

We will move away from the tight number controls that constrain individual higher education institutions, so that there is a more dynamic sector in which popular institutions can grow. We propose to allow unrestrained recruitment of high achieving students, scoring the equivalent of AAB or above at A-Level.

(DBIS 2011a: para 4.18)

This scarcely addresses what happens to other students who fall below the AAB+ benchmark, and to institutions unable to sustain their share of entrants with AAB and above. For these students and institutions a different incentive applied:

The second element is the creation of a flexible margin of about 20,000 places in 2012/13 to support expansion by providers who combine good quality with value for money and whose average charge (after waivers have been taken into account) is at or below £7,500.

(DBIS 2011a: para 4.20)

The figure of £7,500 is central, as this is the level of average tuition fee that government modelling suggested would make the new variable fee repayment regime affordable in terms of government liability in the event graduates are unable to repay tuition loans (DBIS 2011a). Differentiation – in the name of sorting the highly qualified (and highly demanded) applicants from the lower-qualified – thus needs a tuition fee distribution that matches that of entry requirements, where the distribution of A Level (and equivalent qualification) grades mirrors tuition fees, and only the institutions that can demand the highest tariff can justify the maximum fee. This would in effect create a 'dual price mechanism' with entry tariff and tuition fees in lock-step. As with hotel chains, the consumer would be able to clearly see by price the level of quality on offer. The questions for policymakers are how to incentivise applicants with lower entry qualifications to opt for cheaper options, and how to incentivise HE providers to offer more places at lower price points. Only if these two aims can be achieved would the average tuition fee fall to affordable levels.

The next stage, following on from the removal of the numbers cap at the demise of the SNC regime (HM Treasury 2013; McCaig and Taylor 2015), was to encourage new providers into the market in an attempt to use competition and the lower end of the tariff/price distribution, where 'value for money' has a very specific meaning:

Widening the range of high quality higher education providers stimulates competition and innovation, increases choice for students, and can help to deliver better value for money. Our aspiration is to remove all unnecessary barriers to entry into higher education, and move from parallel systems to a level playing field, with a clearer choice for students...

(DBIS 2015:42)

This could take the form of new providers expanding the supply of places, or outcompeting existing providers on price; that of course meant making it easier for existing providers to fail. Invoking the need to maintain English HE's "excellent global reputation" and reiterating that "we must ensure that reputation is maintained" (DBIS 2015:42) the Green Paper went on to explicitly link price to quality:

Recent reforms to higher education policy are changing the shape of the sector. Prior to 2010, fluctuation in the sector was limited, the sector was very stable, and so the need for a provider

to exit has historically been very low. But the 2011 reforms created a much more open sector, and allowed significant numbers of alternative providers to expand their student cohort and compete directly with other providers for the first time.

The risk of failure – in relative terms by losing some market share; or in absolute terms by having to close down all provision – is an essential component of competitive markets:

In a changing and more competitive sector, providers that innovate and present a more compelling value proposition to students will be able to increase their share of total students – in some cases this may be at the expense of other institutions.

(DBIS 2015:54-55)

Although the ensuing White Paper (DBIS 2016) did not repeat the phrase "compelling value proposition", the rhetoric of fee-driven differentiation was hardly toned down:

Competition between providers in any market incentivises them to raise their game, offering consumers a greater choice of more innovative and better quality products and services at lower cost. Higher education is no exception.

(DBIS 2016:8)

In this view, exit and failure are regrettable, but necessary, aspects of market dynamism; after all, companies go into receivership every day. By somewhat disingenuously linking the reputation of the whole sector and the desire not to prop-up a provider unable to attract sufficient students in the new competitive environment, the reforms anticipate higher quality:

Continuing to support providers that are struggling is undesirable for various reasons. Difficulty attracting students or poor quality provision would not be in the long term interest of students, and could damage the reputation of the sector. Removing provision may indeed lead to it being replaced by higher quality provision.

(DBIS 2015:54)

However, most of the discourse is on the possibility of institutions exiting the market and its consequences; here the White Paper makes it clear that will no longer support institutions that lose out in the newly competitive environment:

As well as ensuring the high quality of the sector, which is in the best interests of all students, we need to confront the possibility of some institutions choosing – or needing – to exit the market. This is a crucial part of a healthy, competitive and well-functioning market, and such exits happen already – although not frequently – in the higher education sector. The

Government should not prevent exit as a matter of policy. Providers themselves are responsible for ensuring their sustainability, and it will remain the provider's decision whether to exit and their responsibility to implement and action any exit plans. The Government's interest is in ensuring that affected students are protected if their provider is not able to deliver their course. (DBIS 2016:para 33)

The policy machinery for replacing failing providers with those demonstrating "higher quality provision" (p.42) that will "deliver better value for money" (p.54) (DBIS 2015) takes the form of relaxed market entry requirements.

We will open up access for providers to be able to award their own degrees by introducing greater flexibility to degree awarding powers (DAPs)...

There will be "options for Bachelors' only and subject-specific DAPs; reduced and more flexible track record requirement for full DAPs". "New high quality institutions will be able to compete on equal terms with quicker entry to the sector" enabled by deregulation:

We will remove the minimum student numbers criterion for university title (UT), whilst retaining the requirement that when taking account of ownership structures more than 55% of full time equivalent students are studying higher education. This will enable wider access to UT for indefinite holders of bachelor level DAPs, and bring together DAPs and UT processes.

We will retain university college title for those who prefer it. We will simplify the granting of DAPs and UT for English institutions by transferring responsibility for the process from the Privy Council to the Office for Students (OfS).

(DBIS 2016 Executive Summary:18)

Despite the emphasis on risk-based quality assurance, which in effect means that the majority of existing providers will experience a less onerous inspection regime, the White Paper continued to link another conception of 'quality' with lower tuition fees: "We will continue to set a high bar on quality to ensure that providers are delivering value for money for students and taxpayers" (DBIS 2016 Executive Summary:18). Chapter Five examines the notion of quality among the new 'challenger' alternative providers (APs) encouraged into the sector, along with the prospects that these institutions will help 'widen participation' among the least advantaged, presumably because they will be cheaper to attend.

A final differential introduced by the Green and White Papers was the Teaching Excellence Framework. Based on the notion that respect for teaching is squeezed out by respect for research (for example in institutional rankings) government would:

...introduce a Teaching Excellence Framework (TEF), to provide clear information to students about where the best provision can be found and to drive up the standard of teaching in all universities. The TEF will provide clear, understandable information to students about where teaching quality is outstanding. It will send powerful signals to prospective students and their future employers, and inform the competitive market.

Echoing the mantra of *Students at the heart of the system* (DBIS 2011a) better informed choice among applicants is the driver of competition:

As well as informing where and what students choose to study, better information will help them make choices about how they choose to study. For some this will be a traditional three- or four-year full time undergraduate degree. For others, it will be through flexible options: a two year accelerated degree; studying part time; in modules; from a distance; or in a Degree Apprenticeship, embedded with an employer.

(DBIS 2016 Executive Summary: para 28)

While subject to 'trial' at institutional level, prior to discipline level pilots and a full roll-out, in its first year of operation the TEF was met with general consternation across the sector, mainly for reasons such as the various threats to academic autonomy and the inherent difficulties in measuring 'quality', dealt with elsewhere in this volume. However, as usual a market incentive was introduced, designed to further differentiate the market: initially those institutions entering the TEF regime were allowed to raise their fees in line with inflation; in subsequent years of TEF, those institutions awarded Silver and Bronze awards would be subject to a lower maximum fee than those awarded Gold.

Conclusion

Taken together, the market incentives introduced since 2004 have changed the nature and structure of system differentiation in English higher education. Driven by the twin needs of expanding the system and maintaining and clarifying the status hierarchy, successive governments have also transposed HE expenditure, and the risks associated with it, from the state to the individual. Moreover, by failing to fully endorse those aspects of the widening participation project most likely to support raising the attainment levels of those from lower socio-economic backgrounds, and by valorising only the social mobility of the relatively few that can be eased into the most prestigious research-intensive institutions, governments have steadily eroded the prospects for social justice via the higher education system.

Differentiation, driven by variable tuition fees, league tables, number control incentives and, more latterly, deregulation, has distorted public perceptions of the HE sector. Vertical differentiation, supported by indices of entry requirement demands, means that formerly valued types of HE provider and provision once seen as 'different-to' are now portrayed as 'worse-than'. Government-sponsored vertical differentiation is largely driven by the potential future burden of unpaid tuition fee loans and the need to achieve an average tuition-fee across the sector close to £7,500 per year. Hence the attraction of creating, by encouraging new low-cost alternative providers to compete at the lower price-point, a real price differential that mirrors the entry requirement differential within the current tuition fee cap. If such a dual-pricing mechanism emerges, consumers will more easily be able to 'make informed choices' on both quality and price, but this could be immensely harmful to equality of opportunity, through access to higher education, for many of those from underrepresented groups, who will therefore be most likely to accumulate at cheaper providers. The following Chapter Five explores the institutional response to this newly differentiated market by testing claims of quality and widening access among those new 'challenger' providers encouraged by supply side reforms to market entry (more easily enabled Degree Awarding Powers and University Title).

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