CENTRE FOR POLICY STUDIES

WHERE NOW FOR UNIVERSITIES?

PRINCIPLE BEFORE PRAGMATISM

Robert Stevens

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CHAPTER ONE
WHERE WE ARE NOW

Higher education in England is in crisis. Although student numbers have increased, funding has not. The staff-student ratio has fallen precipitously, while the salaries of lecturers have fallen dramatically compared with those of their peers. While England could once boast that its universities were the envy of the world, today they are falling behind many of those in other developed societies. Those who have worked in English universities over the last 25 years have witnessed a depressing collapse of quality and morale.

The crisis in higher education is a crisis caused not solely by problems over its funding but by confusion over its purpose. There was a time in the last 50 years when perhaps both Conservative and Labour politicians could have appreciated Michael Oakeshott's view of the purpose of the university. He believed that what is most significant and valuable about university education is that it is:

> …a place where he [the student] has the opportunity of education in conversation with his teachers, his fellows and himself, and where he is not encouraged to confuse education with training for a profession, with learning the tricks of a trade, with preparation for future particular service in society.

That this approach now seems archaic illustrates how far the understanding of what higher education is for has changed. For today, the purpose of universities is discussed in purely utilitarian "outcomes". How useful is its research to industry? How well are the academics working with local industry? How well are graduates prepared for the "world of work"? How related are the courses to what employers want? How can access be widened?

No longer is the primary purpose of universities to transmit cultural values. Today it is either its role in the success of the economy or social justice – or perhaps just providing "a rite of passage" – that prevails.

The uncertainty about the purpose of universities has led to the current debates over how they should be funded, debates which will reach a peak on Wednesday 31 March, when the Higher Education Bill reaches its third reading. As is perhaps natural at such a time of uncertainty, the political battleground is confused. On the one hand, the Labour Government is proposing a degree of denationalisation of higher education. Its proposals to let universities charge fees to students will, albeit to a limited degree, free what were once proudly independent institutions from the hand of central government. Access will be ensured by a much-needed expansion of maintenance grants and bursaries. These sensible policies have been weakened somewhat by the continuing adherence to a target of 50% of young people going to a university; and, as a sop to Labour's left, by the proposed creation of the Office for Fair Access (OFFA). The latter will dilute admissions on merit by setting goals for a percentage either of state school students or of students from underperforming schools. Overall, however, the Bill addresses the crisis in higher education by introducing a degree of privatisation; by applying – albeit modestly – the principles of the market; by fostering the "small battalions" of society; by understanding the importance of international competitiveness; and by encouraging diversity and choice for the citizens of England.

On the other hand, the Conservative Party, despite its belief in those very same principles, is opposing such steps. While it has announced that it will issue a policy statement on higher education in the summer of 2004, should it now be attacking proposals which are based on the principles which between 1979 and 1997 brought the country such prosperity? And should it be attacking proposals that are based on the principles which brought the party such electoral success over the same period?

How have we reached this point? Just as importantly, what are the choices that confront us when we consider where we go from here?

CHAPTER TWO
WHERE HAVE WE COME FROM?

The transformation of English[1] higher education has been, in historical terms, remarkably swift. Until 1944, the higher education sector was minuscule. Some 25 universities and University Colleges served roughly two per cent of the population. They were private institutions, with the same legal status as public schools and operating on the same economic principles. With the exception of a few scholarships, they were open to those who could afford to pay. Government involvement was limited to modest support of scientific research – a programme begun during World War I. The professions and trades were still largely trained through some form of apprenticeship; no one believed business could be taught; the social sciences were largely undeveloped. Meanwhile, more imaginative local authorities were developing technical colleges where trades were taught, normally on the basis of short courses.

The Butler Education Act of 1944 changed all this. State Scholarships for university education – means tested – were dramatically expanded. Fees were abolished at Grammar Schools. The numbers staying on at such schools rapidly expanded and applicants to universities – still, with the exception of law and medicine , teaching the humanities and hard sciences – rapidly increased. By the 1950s new universities were being created and by the 1960s a Conservative Government had commissioned the Robbins Report, designed to shape the future of Higher Education in the United Kingdom.

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1 Since devolution Scotland and Wales have different systems.

While Robbins' call for even more universities was rejected, the Report subtly but firmly changed the direction of Higher Education. There was to be a greater emphasis on applied subjects, especially the natural sciences. Indeed there were to be technological universities. The idea of studying subjects for their own inherent value was questioned. The notion was firmly established that more graduates meant a higher GNP as Britain realised that it had to earn its way in the world. Where Robbins did not ring true was with respect to training of skilled workers. As the industrial base of Britain changed and the old skilled apprenticeship systems collapsed, this defect became a glaring disadvantage compared with other industrial nations.

Most of Robbins' suggestions were accepted by the then Conservative Government. In the early years, money to support the universities flowed, but by the late 1960s and early 1970s, financial crises and the Student Revolution led to cutbacks, both under Labour and the Conservatives. Tony Crosland, the Labour Education Minister, had established a binary divide – the autonomous sector (the universities) and the public sector (the leading technical colleges, colleges of education and colleges of art). When Labour was returned in 1974, this arrangement was finalised with the creation of 28 Polytechnics (by 1992 there were 34).

The Labour Government of 1974 to 1979 presided over other important developments. The budgets of universities continued to be cut, as they had been under the Conservatives. Under pressure from the IMF, Shirley Williams, the Education Minister, was forced to agree to charge overseas students the economic cost of their education. (For reasons that are unclear the Conservatives have always been blamed for this change). As a way of softening this blow, Williams agreed that fees for all English students at universities should be paid irrespective of need. It was a gift to the English middle classes which they thenceforth protected with vigour. When in 1984, Sir Keith Joseph, realizing the universities needed more money, outlined a needs-based fee of up to £4,000 for university students, back-bench Tory MPs were overwhelmed by their constituents' outrage. Mrs Thatcher did one of the few U-turns of her career. What was less clear, at the time, was that the Conservatives then addressed the funding problem by simply cutting the amount of money available for the universities – both for teaching and research. What had been (in 2000 £s) a grant per student of £8,000 in 1985 had shrunk to £4,000 by 2000.

The Conservative administrations from 1979 to 1997 oversaw further developments in higher education. First between 1987 and 1991 it effectively doubled the number of students in the universities by agreeing to pay for any additional students the universities took. After 20 years of cuts in the "unit of resource", the Department of Education's quaint term for students, the universities took the bait, stopped talking about "more means worse" and packed the students in. Whereas previously the universities had been for only the brightest students (normally middle class), after 1991 more ordinary students (again normally middle class) were admitted. For middle England the "Uni" had become a rite of passage at the very moment

when the quality of teaching was patently in decline. The staff-student ratio which, in 1975, had been twice as good as in the United States was now worse than the US.

Second, in 1992, the Conservative Government pushed for the end of the binary divide, and for all polytechnic colleges to be re-designated universities. The number of universities and the number of students once again almost doubled. It looked wonderful in the international statistics; the polytechnics loved it; and it meant that, almost overnight, the social class of students was somewhat more diverse. Most commentators felt, however, that higher education had been dumbed down. Whether the change brought a better level of technological education or not remains unclear. Certainly the purpose of universities became more opaque. For most universities, training was now clearly more important than education, but there was still no clear rationalisation of a stratified system.

As the 1997 election loomed, both major parties agreed to keep the obvious need for better financing of higher education off the political agenda. The Conservative Government appointed the Dearing Commission to report on the future of higher education after the election. Its main purpose was to find a quick financial fix. It recommended that undergraduates should pay roughly a quarter of the cost of their courses through a deferred post-graduation payment scheme – essentially the Australian model. The new Labour Government, taking power in May 1997, seeking to stick with Conservative spending plans, substituted a £1,000 fee up-front, a system which, increased by inflation, survives today. The other significant change which Labour made was, indirectly, to take away the legal right, which universities had, as private charities, to charge fees. (It also abolished college fees at Oxford and Cambridge.) The Government had become so accustomed to its role as monopoly purchaser, that it decided to take away the right of private vendors to sell what they produced. Many saw this as the end of the independence of universities.

While many thought this development less important than Labour's plan to have 50% of the eligible cohort in universities, the truth was that this was but the continuation of the goal set out by Kenneth Baker, the then Education Secretary, in his Lancaster speech in 1987, calling for England to match the US percentage of students in higher education. The EU is now talking about 80% of all jobs requiring a university education by 2010. Since only 50% of English students gain five GCSEs at C or above, and 20% are believed to be functionally illiterate, any such developments would change still further the nature – and definition – of what is meant by higher education.[2]

There are, of course, a wide range of approaches for the future. As a means of stimulating discussion, four possible approaches are examined.

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[2] This section is taken from Part I of Robert Stevens, *University to Uni: The politics of higher education in England since 1944*, Politico's, 2004.

CHAPTER THREE
WHERE DO WE GO FROM HERE?

MODEL 1: THE EGALITARIAN APPROACH IN A GLOBAL ECONOMY

The egalitarian approach is essentially the one that has guided recent English higher education policy. It was basically the policy pursued by the Conservative Party since 1992 and, until lately, the Labour Party. It remains the position of the left of the Labour party. It assumes that all universities are essentially the same and should be funded (or under-funded) in the same way. Some on the Right thought it "snobbery" that some institutions were called universities and others polytechnics; Old Labour insists there must not be a "two-tier" system in what is increasingly regarded as a public service.

"No two-tier system" has become an incantation of the Left. With 130 institutions of higher education, the idea that they should all be doing the same thing and funded to the same level, is, given the history of the funding of English education, tantamount to a process of dumbing down. (It also makes nonsense of the demand that all universities have a mission statement). The mantra is that variable fees are élitist but an increased flat fee is acceptable. If there were a flat fee increase to £3,000 p.a. – whether paid up-front or deferred – it would mean that a Thames Valley University and similar institutions would make a profit on their degrees. An Imperial College or an Oxbridge would still be some £7,000 p.a. short (their real cost is £14,000 p.a. and they would receive an income of £4,000 from the State and £3,000 from students). In the long run, with other fees outlawed, Imperial and Oxbridge would have to cut the costs – and quality – of education in half. The sad thing is that the policy that the current leadership of the

Conservative Party inherited appears committed to the same goal as the left of the Labour Party.

Such policies would entail running down the old universities to bring them in line with the new universities. There is increasing evidence that this meets the desires of voters who seem to prefer to see universities decline rather than having to pay fees for higher education. It also meets the needs of many academics and the Association of University Teachers who fear anything savouring of competition or merit. It scarcely represents a promising future for English universities.

In support of current policies, it can be argued that since the 1960s and the Student Revolution, both France and Germany have run down their universities without, until recently, having seen any decline in their economies. In addition, France has always maintained its Hautes Écoles to provide an élite – funded at five times the *per capita* rate of universities. Germany has always tended to hive off its research institutions from universities. However, both countries are now considering introducing fees and Germany is considering funding two universities at a higher rate so they can compete with Oxford and Cambridge – apparently unaware of the levelling down of England's universities.

The decline in the older universities is increasingly obvious. At Oxford and Cambridge the tutorial or supervision is in retreat, many of the best teachers have left for North America and, in an effort to maintain excellence, both institutions are running ever-increasing deficits.[3] Imperial College, while it is still a leader in scientific education, keeps its position by heavily subsidising its undergraduate programme out of research funds, while the London School of Economics stays solvent and pays its faculty competitive salaries by increasingly excluding domestic students and substituting fee-paying overseas students. (They now represent 60% of the student body.) It would be wrong to focus exclusively on the problems of the better known institutions. The University of Derby could not survive without its activities in Israel. For other institutions, the market is Malaysia, Hong Kong or West Africa. (Whether subsidising English students from the fees paid by students from the developing world is consistent with an ethical foreign

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[3] It has been estimated that it costs an average of £13,800 a year to educate an Oxford undergraduate (£18,600 if a share of research costs is included). The university receives only some £4,000 a year. See David Palfreyman, *The Economics of Higher Education and Affordability and Access; Costing; Pricing and Accountability*, OxCHEPS, 2004. In response, Oxford issued a plan in January 2004 (*Consultation on the Development of an Academic Strategy for the Collegiate University*) which would cut the number of undergraduates and increase the number of graduate students (who pay fees). Within the reduced size of the undergraduate student body there would be far more overseas students (whom it is assumed will pay economic fees) and appreciably fewer English and EU students, who are assumed to pay the already-inadequate top-up fees.

policy is another matter.) These efforts underline the dramatic under-funding of higher education. As news of the declining standards of English higher education reaches the third world, this source of subsidy will gradually dry up. (Numbers may be artificially kept up for a while by the newly-created byzantine visa requirements in the US).

All the evidence supports Michael Howard's estimate of a shortfall of some £11 billion p.a. (including £3 billion to £4 billion in current funding) for the higher education sector. In addition to opposing the top-up fee, the policy inherited by the current Party leadership includes abolishing the current £1,000 plus fee. This is allegedly to be funded by abandoning the 50% target and getting rid of "Mickey Mouse" courses. Unfortunately, to achieve the latter goal would require a regulator at least as insensitive of academic freedom as OFFA. It is difficult to see how such "voodoo economics" would lead to any better funding of the universities and it would, together with the loss of the up-front fee, mean that universities would be more directly under the control of central government. So, as yet, the Conservative Party has not shown how it would make up the shortfall that it has uncovered, let alone how it would give greater freedom to universities, with the exception of abolishing OFFA.

The next question, however, is, does it matter if England has uniform, dumbed-down higher education now that we live in a global economy? The answer is probably not. American recruiters are already active at England's leading secondary schools. Most such schools now report some 10% or more of students are applying to US universities. (At one time it was thought that these were mainly students who could not get into the best English universities; it is now abundantly clear that this is not so.)

The best American universities are now competing for the best English students. Yale now includes UK students in its needs blind admissions policy; Harvard no longer charges tuition fees to students whose families earn $25,000 or less; Stanford has established tuition free arrangements for outstanding students from the European Union. If the present situation continues we can expect to see branches of American universities in Europe. Stanford is in the van in establishing a branch in Europe; other institutions are considering such moves, and the moves will come if the Higher Education Bill fails. The potential could be enormous. The savings for UK taxpayers, who will no longer have to go through the pretence of providing good universities, would however be considerable.

The only drawback to the egalitarian/global solution from the UK point of view is that while, subject to the Higher Education Bill 2004 passing, England has an egalitarian, if declining, teaching system in universities, it has a highly élitist system of research funding based on the Research Assessment Exercises. These determine the variable research element in the block grant. The Treasury has insisted that research funds be concentrated in a limited number of universities. The problem is that with even these élite recipients being increasingly unable to provide first-rate undergraduate

programmes, let alone able to pay world-class salaries, much of the research is likely to drift abroad as the teaching and attractiveness declines at the leading universities. Views differ as to whether that will have a serious impact on English industry, but again with globalisation, the impact may well be minimal. National ego will likely be the most serious casualty. Again, taxpayers will be able to console themselves with the knowledge that they will no longer have to fund such research activities.

MODEL 2: A PLANNED STATE SECTOR

There has been increasing interest – ranging from the Higher Education Funding Council for England to the Liberal Democrats – in a scheme that would emulate the Master Plan in California. In that state, Higher Education is divided into three tiers: the University of California with its nine (shortly to be ten) campuses, the California State University (with some 22 campuses) and the 120 odd Community Colleges. The layers have different responsibilities: only the University is allowed to have professional schools or give Doctorates; the State University gives Bachelor and Masters' degrees and provides training for secondary and primary school teachers, the ancillary medical professions and the social work professions among others; the Community Colleges give two years Associate Degrees both in the basic liberal arts and sciences and various trades. From the students' point of view there is relatively easy transfer between the sectors. From the educational point of view, the formula allows the University of California to compete in facilities, faculty salaries and scholarships with the leading independent and Ivy League institutions.

Recently Alan Ryan has argued that the 130 English universities and higher education institutions also fell neatly, in terms of budgets and research profiles, into three groups. One suspects that some such stratification was behind the thinking of Charles Clarke as he originally developed his White Paper. It rapidly became clear, however, that the old polytechnics, now the new universities, were not about to give up research, which has a remarkable status. Nor would post-1992 universities easily surrender their right to award research degrees which, under the aegis of the Council for National Academic Awards, they had been giving since the 1970s. Similarly, the plan to create teaching-only universities has met with strong hostility.

A variant of this approach, which has been floated, would be to fund half a dozen major university centres at a different level to enable them to compete internationally in terms of staff salaries, graduate fellowships, facilities and the like. The merger of UMIST and the University of Manchester could be a prototype of this kind of institution. The merger of Imperial and University College, London would have provided another. A Warwick-Birmingham axis might provide a third; and Oxford and Cambridge could each form similar centres. France has its élite Haute Écoles, Italy the Pisa Centre. As noted earlier, Germany is considering two universities to be specially funded to compete with Oxford and Cambridge

and Ireland is discussing funding two universities that could compete with North American universities.

Many universities in England would feel threatened by such developments; and if any government were interested in pushing for this solution it would require great courage to face down the vested interests. If, however, any party wished to keep universities within the state sector, while at the same time also enabling some universities to compete internationally, some such solution may be the only hope.

MODEL 3: A MODEST FREEING OF THE FETTERS

The Higher Education Bill, currently before Parliament, marked the first fundamental change in governmental attitudes towards university funding and independence for 50 years. In his original discussion paper Secretary of Education Charles Clark admitted:

> It is hopeless to pretend that all universities are the same or even similar, since they are manifestly not. This should be recognised, even celebrated… Government should acknowledge this in the way universities are funded… [and] should try and offer universities the opportunity to define their own vision and then carry through with minimum central government interference… Academic independence is a genuine value which should not be jeopardised.

In the White Paper which followed Charles Clarke noted:

> The Government is making an unprecedented investment in the universities and will stand by them in future spending reviews. But to be really successful, universities must be free to take responsibility for their own strategic and financial future. Strong leadership and management, freed from excessive red tape, will help them not just to respond to change, but to drive it. And more financial freedom will allow them to fund these plans, and unleash their power to drive world-class research, innovative knowledge transfer, excellent teaching … and fair access.

It was this approach which led to the idea of the top-up fee: a system in which variable fees of up to £3,000 p.a. were deferred and only repaid when a student's income reaches a specific point. The Secretary of State might well have preferred a higher figure than £3,000, but the very issue of variability was at stake. The Chancellor of the Exchequer, Gordon Brown, would have preferred a Graduate Tax which would have kept the universities under strong central control. It was believed that it was he who insisted on the OFFA to ensure that the leading universities were no longer centres for middle class education.

The left of the Labour Party, as we have seen, hated the idea of what they saw as a "two-tier" system of universities. They made it clear that they

would prefer – indeed might rather enjoy – seeing Imperial College and Oxbridge decline rather than letting each university develop its own potential. As the Higher Education Bill slowly battled its way through the Commons, concessions were made to weaken independence and undercut the modest experiment in privatisation. Sadly the Conservative Party failed to offer either support or a credible alternative to the Government's proposals. If the Bill succeeds, the Government will deserve great credit for facing down opposition to its principled stand. However, its current proposals seem to have been so diluted that much of possible value has been lost.

One good thing to come out of these debates was the slow realisation that it is the absence of maintenance support, and not the imposition of fees, that is the chief barrier to access. In many ways, the most thoughtful reaction to all these developments was the Report of the House of Commons Select Committee on Education, *The Future of Higher Education*. This allowed the possibility of a £5,000 p.a. top-up fee and the absence of OFFA. The Report was supported unanimously by the Labour, Conservative and Liberal Democrat members. (The official Liberal Democrat policy is similar to the earlier Conservative one: to abolish fees, but also, in acknowledgement of the parlous state of higher education, to increase general taxation to fund the institutions adequately.)

MODEL 4: THE MARKET MODEL

The market solution would assume that, eventually, all universities would return to being independent private institutions, relying on a range of sources of income. The state's primary roles would be to provide funds for fundamental research and development, to provide funds for scholarships and to underwrite loans to students so that all could afford the university education of their choice.

This model would be similar to the approach adopted in the US, at least superficially. There, the majority of students go to public institutions. These are mainly tax-supported universities and colleges, although the leading State universities like Michigan and California have been heavily privatised, and virtually all State universities charge some fees. England, before 1992, had a somewhat similar system. The polytechnics were treated as public sector bodies, fully supported by central and local taxation, while the universities were treated as independent sector organisations, although they had of course grown into dependency by having become accustomed to living on state funds.

Whether the clock can be turned back is dubious, particularly with respect to some areas of the sector like those providing, in effect, industrial and mechanical training. Support of fundamental research and development, if it continues to be the province of universities, will need to look to government for its basic support. For this the State's role is similar to Adam Smith's

"public works". So too justice and social cohesion, not to mention equity, demand that government provide extensive scholarships and maintenance grants for those unable to afford universities. Wisdom would also suggest that government provide loan funds (or guarantee loans from commercial banks) for middle income families. Affluent families should be expected to pay the real cost of universities (to be supplemented by loans at real interest rates for students from such families whose parents refuse to contribute).

With this infrastructure, universities could be truly independent, living off the charges they receive. It would be an important step towards Michael Howard's goal of "big citizen, small state". Of course any such change of direction would need to be phased in over an extensive period – say ten years. During that period the State would need to retain residual responsibility for the health of universities and other parts of the higher education sector. After years of under-funding, current funding will need to be maintained for long enough for years of inadequate salaries to be remedied. Indeed, there should be a fund of some £15 billion to cope with deferred maintenance and to provide core endowments for those institutions which currently have no or small endowments.

This approach would allow universities to choose their own future. If they wished to educate and pass on cultural values – the original goal of universities which is anathema to today's political parties – then of course, they would be free to do that. If people did not want that kind of education, they would not borrow the money to fund their education. Similarly, if, as the Government suggests, employers are demanding specific skills, then those universities which teach specific skills (as the older universities teach medicine and law) would do exactly that. And people would flock to them, perhaps partially funded by potential employers. People would be free to choose. The market would decide.

CONCLUSION

English universities are in serious decline. This is true of all types of universities, so under-funded they have become. There is increasing doubt that any English university can, overall, compete on the international scene – although individual departments probably can. The future for all of higher education is, however, grim unless some party is willing to address the issue from the point of view of what kind of higher education England needs and then to put principle ahead of short term political gain.