

DINNER/DISCUSSION SUMMARY

The Funding of UK Universities – Increased Fees or Grant-In-Aid?

Held at The Royal Society, 6-9 Carlton House Terrace, London SW1Y 5AG
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In the Chair: Dr Robert Hawley CBE DSc FRSE FREng

Speakers: Mr Nick Sanders

Director, Higher Education Group, Department for Education and Skills

Sir Richard Sykes DSc FRS FMedSci

Rector, Imperial College

The Lord Oxburgh KBE FRS

Chairman, House of Lords Select Committee on Science and Technology

Mr Peter Johnson

Chief Executive, George Wimpey and Member, CIHE Council

MR. SANDERS outlined the salient features of the Education White Paper¹. He illustrated the decline in unit funding; emphasized the principle that those who benefited most from Higher Education (HE) should pay more; and said that not all HE Institutions (HEIs) need pursue the three principle aims of HE – delivering excellence in research, teaching, and knowledge transfer. Research policies based on generous funding, particularly for emerging research, pressed for concentration and selectivity, and improved assessment. Teaching policies aimed to give students better information, so that they could make better choices, and to improve the status of teachers by, inter alia, not restricting the title of university to only those HEIs engaged in active research. Knowledge transfer must serve both national and regional needs, and HE/business links must be strengthened and developed with the Regional Development Agencies (RDAs). The 50% target for students in HE was essential for the economy, but growth would come largely from the 2 year Foundation Degrees, with work related qualifications. Improving schools and raising aspirations were key to achieving Fair Access, but there also needed to be proactive admissions procedures, which the Access Regulator would consider. The student fee and grant arrangements, under which HEIs would get early funding, while students did not have to meet up-front costs, should not impede wider access. HEIs themselves should look for extra funding through endowments, and ensure they had strong leadership and management.

SIR RICHARD SYKES said HE should maximize the individual's potential; create benefits for society; and deliver the skills necessary for the economy. There was differentiation between HEIs on excellence and effort on

research (and its costs), but not on teaching. Here costs and benefits were assumed to be equal across the board, and creating excellence was tarnished with the name of elitism. It was essential to create a market in teaching, and only by charging differential fees to reflect different products could it do that. £5,000, not £3,000, was the minimum which would allow a meaningful market to develop. At £3,000, the additional income was trivial to an HEI with the turnover of Imperial, and did not reflect the value of the investment to the student. The Government's assumption that endowments would be significant was fanciful: there was no culture in the UK of alumni gifting, and, in any case, who would give money to HEIs when they were so tightly regulated, that any gift would be seen as letting the Treasury off the hook?

LORD OXBURGH described the HEI world in which the Government decided what it paid for each student; what it paid to him; how much the student paid; the number of students; and the capital spend, as something Stalin would have been proud of. It ensured funding crises, depressed standards, and overlooked vital differences in missions and objectives. Research had, to some extent been rescued because there was an international market in researchers and the government had – belatedly – seen that if it wanted to keep them in the UK, it had to pay more. But there was no market for teachers, and the unit of resource for teaching had halved in 25 years. HEIs had coped by deferring maintenance, and dropping staff/students ratios from 1:10 to 1:18. The real choice now was between central decisions on the missions and funding of individual HEIs, or developing a moderated market, in which, subject to blind admissions procedures, and means guarantee, HEIs could decide their own fees. The White Paper was moving down the latter path. But the proposal for an Access Regulator was pernicious: it could

¹ <http://www.dfes.gov.uk/highereducation/hstrategy/>

be interpreted to mean that each HEI should achieve the "right" social mix, and would be fined if it did not. This would conflict with admitting students on the basis of merit, frustrate teachers, and ride roughshod over the wishes of individual students. The White Paper got only two cheers.

MR. JOHNSON said that the objectives of HE were to raise the country's skill base; to develop the individual's potential; and to meet society's employment needs. To achieve these you needed intellectually rigorous courses, which were relevant to industry's needs; substantial numbers of graduates able to exercise the more widespread management functions of modern business; and to recognize that the potential of individuals, and the economic needs of different regions, differed widely. These aims could only, therefore, be met by substantially increasing the percentage of GDP devoted to education. We were out of step with our competitors: in 2000 only 4 OECD countries had a worse staff/student ratio than the UK, but UK graduates outperformed all OECD rivals in return on tertiary education – 17.3% for men compared with an OECD mean of 11.8%. So the increase in GDP spend should come from those who so greatly benefited. The increase in their value would be reflected in salaries paid to them, particularly where there are skill shortages. His caveats were that repayments should begin only when earnings were above average; £3,000 was too low; and that HEIs must provide good information about the value added by individual courses; and restructure their courses so as to provide more which do give high added value. So, like Lord Oxburgh, only two cheers for the White Paper

A number of speakers shared the lecturers' concerns about the Access Regulator. No one disputed that HEIs aimed to admit students on the basis of their ability or potential, but why were the present procedures thought to be so inadequate as to need an enforcer? Of course, a much higher proportion of those admitted came from the A and B social strata, but this was because they showed achievement in GCSE: where equal achievements were shown by those from other strata, they stood as good a chance of being admitted, and, experience showed, did as well in final degrees. There was no evidence that HEIs did not use blind admission procedures, and considerable concern if they were to be pressured individually to move away from them. None of this meant, however, that all HEIs, particularly perhaps the elite, should draw back from their efforts to make their courses and opportunities known to schools, although whether these needed to be enhanced, at the cost of other priorities, was doubtful. The schools themselves, however, could, and should, make greater efforts to find out about different priorities and qualities of individual HEIs and give their pupils a better understanding about where they could succeed. The US procedure of a first year cull allowed an HEI to see how a student was doing before deciding whether to accept him/her for a final degree. But it was expensive, and meant accepting high drop out rates. These were traditionally thought to be indications of inadequate admission procedures, or poor teaching, but they could also be a sign that an HEI was being adventurous and innovative in its admissions. Student preferences were also important. High living costs might mean that an increasing number of students wanted to live at home, or at any rate, within a reasonable distance of their friends and families. This could significantly affect the input to local or regional HEIs. Should this be encouraged, or recognized, (or possibly discouraged, as one speaker thought it did students good to get as far away as possible from their friends and families)?

While speakers generally recognized the beneficial effects of the government's funding, and other policies on research, there was doubt about whether they would succeed in enlarging the number of postgraduates who wanted to continue working in research in HEIs. Pay levels in academia would have to rise much further than seemed likely in order to close the gap between academic and non-academic salaries. But the deferred loan – particularly if it could be combined with write-offs in areas where there were vital skill shortages – would help. More important would be the ability to show to the graduate that there was a reasonable chance of a satisfying career path leading to the professoriat. Many were put off by the temporary nature of junior research appointments, and were unable to see where they might go next.

There was considerable concern about the comparatively small additional funding for teaching: indeed, it was confirmed that the increase in funding for teaching would be flat over the next three years. This would affect, in particular, those middle ranking HEIs who would be squeezed out of research, because of the emphasis on concentration, but whose contribution to the development of a well-educated population was essential. Lecturers in such HEIs find themselves being paid less than 6th form teachers. Why should they stay? Why should they seek to develop their scholarship to high levels, so valuable for good teaching? It was pointed out that the White Paper explicitly accepted that not all HEIs could do everything, and there was a need for such HEIs to decide where they were going; it might well be that collaboration with other HEIs would ease their tasks. But the pay issue for teaching lecturers would not go away. It was important that it was recognized that teaching excellence was not restricted, or even principally found at, the elite research HEIs. There was no evidence (unlike that for research) that excellence in teaching improved with concentration. It should be assessed on the added value that it produced, and it might frequently be found that the best teaching happened at very different types of institutions. If good information were available to students about the value added by such teaching, these institutions would benefit substantially from differential fees – which even those from poor backgrounds would be willing to pay.

Speakers were sceptical about the prospect of HEIs attracting substantial endowments. As an example of the cultural differences between US and UK citizens, 40% of gifting to Oxbridge came from US alumni, but they formed only 5% of the alumnus body. There was also concern about the precise role and function of Regional Development Agencies (RDAs). While it was important to collaborate with them in ensuring that their resources were well spent in helping HEIs to meet regional needs, RDAs themselves needed to recognize that the aims and priorities of individual HEIs would differ and must be respected.

Finally, while there was sympathy for the Scottish HEIs, who might now find themselves at a disadvantage compared with their English confreres, the prospect of very bright Scottish students deciding to come south was not unwelcome to some southern vice-chancellors. The sympathy was ironically acknowledged.

Sir Geoffrey Chipperfield KBE

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