

# **Review of Higher Education**

A report by the Higher Education Policy Institute  
for the Hong Kong University Grants Committee

April 2009



Higher Education Policy Institute

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## Introduction

1. This note is drawn from the author's knowledge and experience of higher education in England, though it draws more widely where possible and appropriate. It briefly describes the current higher education scene in England, and some of the key policy issues that arise and which relate to the questions posed in the UGC's briefing note. The report is in five parts – treated discretely, but with some inevitable overlap:

- The purposes of higher education and how these are viewed
- The financial environment, how that has developed, and future prospects
- Students, student demand and related questions
- The outcomes of higher education: teaching and learning, research, business interaction and, for convenience considered here, a brief discussion of the impact of internationalisation
- Governance – both internal institutional governance and sector level governance, including relations between universities and the state.

2. At the end of each section, under the heading 'Issues Arising', some lessons are drawn from the United Kingdom (UK) experience outlined in that section, in response to the questions in the ToR. In effect, the discussion that precedes each 'Issues Arising' section provides the evidence for the ensuing conclusions; and in some senses the 'Issues Arising' section is an executive summary of discussion that precedes it.

3. In general, the discussion concerns the English university system and English institutions, but where convenient, or where data are only available for the UK as a whole, the discussion extends beyond England to the United Kingdom. Where that is so, that is made clear in the text.

## The purposes of Higher Education

4. Nearly 50 years ago the Robbins Committee, which was established by the government to review the development of higher education, identified four aims and objectives of higher education which can be summarised as:

- instruction in skills for employment
- promoting the general powers of the mind
- advancing learning
- transmitting a common culture and common standards of citizenship

5. It will be noted that only one of these related to economic considerations.

6. 30 years later, the National Committee of Inquiry into Higher Education (1997), the 'Dearing report', suggested four basic aims of higher education:

- to develop individuals' potential to be well equipped for work and to contribute to society
- to increase knowledge and understanding for their own sake and for the economy
- to serve the needs of the economy at all levels; and
- to shape a democratic, civilised, and inclusive society.

7. This to a large extent mirrored the purposes identified by Robbins, but it is notable that reference to 'the economy' or 'work' was made in three of the four purposes, and in truth the economic imperative is at the heart of the Dearing report's case for modernising, developing and extending higher education. Dearing argued that in the United Kingdom the future purpose of Higher Education should be to create and sustain a learning society because: 'In the next century, the economically successful nations will be those which become learning societies: where all are committed, through effective education and training, to lifelong learning'. The justification for educating students was to produce highly qualified manpower, and for undertaking research was to develop knowledge and produce inventions that would be of service to society (including industry).

8. Dearing, himself a distinguished former civil servant, was producing a report that needed to be persuasive to politicians and civil servants, and he couched his report in terms that he thought would persuade. Taking their cue from Dearing, in the minds of many UK politicians the purpose of universities is as the engine of economic growth. A 'learning society', a 'knowledge economy', is globally interconnected and to be internationally competitive a nation such as the UK must have a higher education sector that is academically competitive internationally and bestows quantifiable economic benefits to the nation. Whether Dearing took his cue from politicians or vice versa, the economic view has framed the terms of discussions about HE.

9. However, ten years after publishing his report Lord Dearing was clearly concerned that the focus on the economic benefits had gone too far, and warned that educational policy should not focus solely on economic competitiveness. Instead, UK higher education should undergo “a renaissance of the concern of Cardinal Newman for the development of the good and sensible human being, and in addition the university engaging actively with society to mend its growing state of disrepair”. The tension between the Dearing report’s economy-centric university and Newman’s traditional understanding of the university as societal or civic-centric is the major philosophical debate underpinning discussions of higher education policy in the UK and beyond. The reference back to Cardinal Newman was deliberate and meaningful.

10. In 1852 John Henry Newman – educated at Oxford, a former Anglican vicar and then a Roman Catholic clergyman - delivered five lectures in Dublin, Ireland, on the character of a university. Newman’s *The Idea of a University* has exerted extraordinary influence over the discussion and conceptualisation of higher education throughout the English-speaking world. In the preface to the book Newman defines a university as ‘a place of teaching universal knowledge... [its object] is the diffusion and extension of knowledge rather than the advancement. If its object were scientific and philosophical discovery, I do not see why a University should have students; if religious training, I do not see how it can be the seat of literature and learning.’ Throughout the book Newman’s thesis is that in a university knowledge should be pursued as an end in itself rather than for utilitarian or professional purposes. Consequently *The Idea of a University* has frequently served as a foundational document in considerations of an ideal framework for higher education. However, as one commentator has argued the continued reference within the academy to Newman’s purpose of a university is particularly ironic when a great deal of higher education is financed directly or indirectly from moneys earned either in the past or present through the application of useful knowledge.

11. Contemporary debates on higher education in Britain are framed by the dramatic increase in participation rate from an elite 5 per cent in the early 1960s to a mass thirty per cent by the mid 1990s. Major change in UK higher education began in earnest in 1956 when colleges of advanced technology were designated, creating a number of new degree-awarding universities from existing technological colleges. This trend continued with the Robbins report (1963), more than 30 years before Dearing, which advocated change towards a national co-ordinated system of higher education rather than disparate local institutions. The localisation of higher education that had persisted in all but the elite institutions was dismantled further by introducing universal student grants: students were no longer tied to a geographical area because of financial limitations. The severing of traditional ties between the local community and the university reflected wider phenomena – the nationalisation of politics, the strengthening of national institutions, and the triumph of a ‘knowledge society’ in which professional expertise and scientific knowledge held unchallenged sway.

12. The importance attached to professional and scientific expertise in the latter half of the twentieth century increased the demand for higher education which in turn shaped government perception of the university and a university degree as an indicator of socio-economic progress. Consequently, the current Labour government and the Department for Innovation, Universities and Skills have implemented policies designed to ‘increase participation in higher education towards 50 per cent of those aged 18-30’. In 2006-7 participation was above forty per cent. Higher education is increasingly close to being a universal entitlement for young adults from middle-class backgrounds.

13. Moreover, British politicians and university administrators are committed to widening participation as well as increasing it: widening participation means increasing the number of students attending university from previously underrepresented – mainly low socio-economic - groups. Consequently the contemporary purpose of higher education has to assimilate the economic justifications for an increase in the allocation of funding to higher education and the socio-political role of a vehicle for improving equality and diversity in British society. Without progress towards the latter it will be difficult to justify some of the very large subsidies provided by the taxpayer to students.

### **The economic purpose of higher education**

14. Although the Dearing report was especially emphatic about the economic purposes of HE, these were not absent from the Robbins report, which argued that Britain's relative decline in international stature could only be averted by a great expansion of higher education, funded by additional public spending. Lord Robbins' report confirmed in political discourse the questionable notion that there is direct linkage between a state's economic performance and its provision for higher education. Forty years later, as the Dearing report testifies, the relationship between higher education and economic output is the single most powerful influence on UK government policy towards higher education.

15. Any report that examines British universities today inevitably makes reference to the impact that higher education has on the economy: in the words of the English Funding Council 'the breadth of universities' research and the work they do with business and local communities have huge implications for the economy and society'. In many British cities the university (commonly more than one) can be the largest single employer and the largest single component of economic activity through its own purchasing power of goods and services and the spending power of its students and staff. In 2009 it is estimated that the higher education sector contributes £45bn to the UK economy. The higher education institution occupies a more powerful and recognisable place in the life of the non-university public which, one could argue, has helped shape modern arguments that the university should contribute more than scholarship for its own end.

16. Many claims are made concerning the economic purpose of contemporary UK higher education, including: to train sufficient doctors, lawyers, teachers, and other experts to meet the demands of the state and industry; more generally to produce graduates who are internationally competitive within whatsoever field they operate; to train scientists, engineers and other technical experts to a standard high enough to engage in economically beneficial research; to undertake research that produces discoveries that can be exploited by business; and to put their knowledge, facilities and expertise to the service of business and society more widely.

17. Broadly conceived, politicians and other interest groups want higher education institutions to give 'value for money' by producing people who generate wealth. Consequently the purpose of higher education in Britain has undergone a revolution away from Newman's traditional and customary values to be replaced by secular, utilitarian rationality in which respect for science plays an important role.

18. British politicians and social commentators have given universities the mandate to inculcate generic 'graduate' qualities, in the form of skills and abilities that are meant to be transferable between the academy and employment. As a result of this pressure

'transferable skills' and personal development outside of the academic discipline are given extraordinary attention by policy-makers and within higher education institutions.

19. Rather than knowledge for its own end, politicians and those with a socio-economic interest in the UK now demand that every university programme should determine and outline the relevance of its curricula to the transferable skills agenda. Not only do most university course handbooks contain an obligatory statement of the academic 'learning outcomes' but they also list the 'transferable skills' that a student should have learnt by the end of the course. For example, a political history course at a respected UK institution lists under 'transferable skills':

- "Students have the opportunity of developing, practising and testing a wide range of subject-specific skills which help them to understand, conceptualize and evaluate examples and ideas arising in this module. These subject-specific skills include: collecting and understanding a wide range of information relating to the module; the ability to evaluate competing perspectives; demonstrating subject-specific research techniques; and applying a range of methodologies to complex political problems."

20. Nor is the generation of knowledge for its own sake an acceptable reason to undertake research – not to politicians nor even increasingly to the university representatives whose role it is to defend the universities' interests. A remarkable recent example of this is the remarks of the President-elect of UniversitiesUK - the umbrella body for UK universities - a historian, who said about the case for funding the humanities "That's a key question: what impact does research in the arts and humanities have?", and regretted that academics in the humanities failed "to co-operate with the government's demands for researchers to demonstrate the social and economic impact of their work". And that is despite the huge emphasis placed on 'utility' by the Arts and Humanities Research Council, who require the projects that they fund as a matter of course to demonstrate how they will have economic and social impact. But academics do not always help themselves by sometimes pushing unreasonably hard in the opposite direction, many of them objecting for example when the Research Councils introduced a multi-disciplinary programme on 'Countering Terrorism'. Their objection was not just that utility should not be a necessary condition, but actually that it was an illegitimate thing for university research to be engaged by the state to help protect society in this way. Cardinal Newman would have agreed.

### **The socio-political purpose of higher education**

21. As the widening participation agenda indicates, British universities are seen as an instrument for promoting social mobility and social inclusion in the UK, and for integrating and empowering ethnic minority and immigrant populations. Crucially, the students are no longer expected to integrate into the traditional university environment; rather, it is the university that is expected to adapt to and accommodate new student populations.

22. Theoretically, admissions to UK universities are the sole responsibility of each institution – each university sets independent criteria and selects its own students without direct government interference. However, if a university wishes to charge students under the variable tuition fees arrangement (up to a maximum of £3,000 per annum) it is required to submit an 'access agreement' to the Office for Fair Access (OFFA) in line with government commitments to widening participation in higher education. Such an agreement is an assurance that the university will use some of the additional

income from tuition fees to support students from low-income groups in the form of bursaries and outreach work. As discussed later in this report, widening participation is an important political issue.

### **Criticisms of the contemporary purpose**

23. Market share, employability, transferable skills and economic output do not go unchallenged in discussions of higher education policy in the UK. Universities in the UK are committed to upholding civic virtues and to impart to their students an understanding of the values needed in a democratic society. The Dearing report itself proposed that students at university should develop a capacity 'to debate issues rationally and openly' in the context of a 'commitment to a pluralistic society, the rule of law and the protection of individual liberties' and the earlier Robbins report also argued that a university should transmit to the student 'a common culture and common standards of citizenship'. This falls far short of the civic role that universities are expected to play in some countries – for example in Indonesia, where the basic higher education law describes universities as "a moral force" in society. But even this more modest role is rarely discussed.

24. Nor are all the traditional values associated with Newman's idea of a university detached from government policy. A commitment to and recognition of the importance of internationally-recognised research and scholarship is still sympathetic to liberal educational values even if it is justified by measurements and economic terms: speaking in 2009 John Denham noted that 'The UK is second in the world in research, with 12 per cent of all citations despite having only 1 per cent of the world's population. We are the most productive research nation in the G8, measured by citations per researcher'. However, much of the official rhetoric receives heavy criticism from academics and commentators who warn against the short-sightedness of reshaping educational institutions to meet the immediate economic demands of the state.

25. There is concern, for example, that focusing research funding on applied projects or research that is designed to yield a specific advance will be to the detriment of pure and theoretical advances in science, where there is often no certainty about the possible outcomes of or even the motivations for the investigation. This is not a new concern. In 1927 the Nobel laureate and pioneering chemist Ernest Rutherford remarked that "I should view as an unmitigated disaster the utilisation of our university laboratories mainly for research bearing on industry": closer co-operation with industry, while it yields favourable financial rewards, carries with it the danger that only research commissioned with commercial interests in mind will be undertaken. Nor is it just academics that are concerned to avoid a utilitarian focus for higher education. The most enlightened leaders of industry are often quoted as saying that without the pure scientific discoveries made in universities – which universities are uniquely placed to make – the subsequent applications exploited by industry would not be possible. Similarly, a focus on largely pre-determined transferable skills is criticised as placing artificial limitations on university scholarship.

### **Issues Arising**

#### General Issues

26. Increasingly, Higher Education is seen as having strong utilitarian purposes, as governments see universities as central to their ambitions to develop their economies and their societies more generally. In addition, employers often state that they wish



graduates to be ready for employment on graduating, and can be very specific about the skills they wish graduates to have (but, in contrast, they can also be very general in their statements). This is not new – in England, the report of the Committee of Inquiry chaired by Sir Ron Dearing (later Lord Dearing) repeatedly referred to the economic imperative to develop higher education. However, 10 years later he was sufficiently concerned about the emphasis that was being given to this to warn that educational policy should not rely solely on economic competitiveness.

27. The other major pressure on universities, in England at any rate though perhaps not elsewhere, is to contribute to social mobility and social justice. The problem with this second requirement – even more than the first – is that it is not in the hands of higher education to deliver, and disappointed expectations could unfairly damage the way universities are regarded.

28. Although Governments from time to time pay lip service to the other core and less tangible functions of higher education – such as their role in developing Civil Society, in promoting culture and in developing knowledge – that is relatively rare and not as clearly articulated as the economic and social purposes, and so those are clearly for higher education institutions and academics themselves primarily to articulate and insist upon.

### Specific Issues

*What is the economic impact of higher education?*

*Does the government have a firm view of what it wants? Is there scope for significant potential changes in the government's objectives?*

29. As has been itemised above, there is strong belief both in England and in every other country studied that higher education has an enormous impact on the economy and society more generally, but there is very little proof about this. To some extent, countries are involved in an arms race, and none feel that they can afford to buck the trend of investment in higher education. For the time being, universities are benefiting from this, but there is a danger that too much is being asked of universities and that they are the subject of unrealistic expectations – though it has to be admitted that those expectations are in part fed by universities themselves. If these expectations are not realised, then there could be a backlash.

30. It will be apparent from what has been said above, that the two main things that are required of universities are to deliver economic development and achieve social integration. From time to time reference is made by governments to some of their other functions – in terms of their contribution to cultural life and civic engagement, and so on – but generally these are afterthoughts and the focus changes quickly back to economics or social change. That may be inevitable, and so far universities have broadly withstood this heavy utilitarian emphasis (which is not entirely realistic either). There is no sign that the government's views about this are likely to change – and this is not even an issue between political parties. Indeed, if anything the economic focus is increasing, as evidenced recently by the UK government's determination to put offshoots of universities into 20 towns and cities that do not already contain higher education institutions precisely because of the economic benefit that they bring.

31. It is very difficult to see the government changing its attitude. Part of the problem is the compartmentalised nature of public funding in the UK. Although it can

undoubtedly be shown that more higher education will bring benefits beyond any economic benefits – for example better educated people need less healthcare and so on – the sort of investment decision that would recognise that is very difficult to achieve.

32. There is a danger, though, and that is that too much is being asked of universities – that unrealistic demands are being made of them. A specific recent example of this is how universities are seen as a vehicle to extricate a country from the current economic downturn. If they fail to deliver, then it is possible that disillusioned governments will turn against them.

## Financing of higher education

33. In a recent report the Higher Education Policy Institute (HEPI) suggested that universities in England were going through years of relative plenty, and predicted that there will have been a strong increase in the income of English universities and colleges between 2003-04 and 2010-11. That increase is estimated at £5.4 billion per year in real terms (equivalent to 39 per cent). Nothing that has happened since that report was produced to undermine that conclusion – though of course the future beyond next year looks highly uncertain. Table 1 shows the projected increases in greater detail.

Table 1: Projected university revenues 2003-04 to 2010-11 (£millions, 2003-04 values)

	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	% growth 03-04 to 10-11
Public (science)	2,266	2,341	2,555	2,651	2,773	2,900	3,034	3,173	40
Public (nonscience excluding fees)	4,568	4,916	4,987	5,129	5,216	5,268	5,321	5,374	18
Total public (excl fees)	6,834	7,257	7,543	7,780	7,989	8,168	8,354	8,547	25
Regulated FT fees	1,090	1,112	1,143	1,485	1,803	2,094	2,100	2,164	99
Total public (incl reg fees)	7,924	8,369	8,686	9,265	9,791	10,263	10,454	10,711	35
Total non-public	5,967	6,283	6,616	6,967	7,336	7,725	8,134	8,565	44
Grand total	13,891	14,652	15,302	16,231	17,127	17,987	18,589	19,277	39

Source: HEPI

34. That report was somewhat unwelcome to many in the higher education sector, who pointed out that most of the additional monies are either earmarked for specific purposes or likely to be absorbed by exceptional cost increases. Indeed, that report itself identified factors sufficient to account for the majority of the increase, most notably additional salary costs and earmarked research funding, and indeed student:staff ratios have risen consistently for many years. In 1994 (just after the admission of the former polytechnics to the university system) they stood at 16.5. The most recent figure is 18.2 and rising – at a time when university finances are getting better. There have, of course been developments in teaching practice and in facilities over the same period and it is arguable that these might in part offset increases in staff ratios; but many would see an improvement in student:staff ratios as a highly desirable contribution to an improvement in teaching provision.

35. When compared with its own recent historic levels of income, the UK Higher Education sector is relatively well funded; but when compared to its main international competitors it is poorly funded. The OECD gives the figure of 1.1 per cent of GDP for UK spend on tertiary education, though recent increases in student fees will increase that to

1.3 per cent. This is much lower than the figures given for the US (2.6 per cent) and Scandinavian countries (1.8 per cent).

36. This matters not just to universities but to society as a whole for two reasons. Firstly because the outputs of English Higher Education – graduates and research - have to be of high quality if England is to compete internationally; and secondly because the sector itself has rapidly become a major export earner – a status it will lose if it is seen to fail to invest as much as other countries. In recognition of this, the former Chancellor of the Exchequer (and present Prime Minister) has been reported as saying that he regards the current proportion of GDP devoted to higher education as inadequate, when compared to other countries and that there is a need for a debate as to how it can be increased.

37. Putting on one side the comparison with other countries' GDP, one result of this impressive increase in the income and the concomitant growth in activity in recent years has been concern about the sustainability of the sector – in effect a concern about whether universities may be over-trading. That gave rise to the creation of a process initially called the 'Transparent Approach to Costing (TRAC)', and now led by the Financial Sustainability Strategy Group (FSSG), created by the Funding Councils but effectively in the hands of sector representatives. This has concluded that as regards both their research and now their teaching, universities' activities cost more than the income they receive for delivering them, and that in the medium to long term this will give rise to serious consequences.

38. It might be thought of as self serving for institutional representatives to come to such conclusions, but in fact the government had earlier come to a similar conclusion about the research funded by the Research Councils through their project grants, and as a matter of policy now Research Councils are required to take into account the full economic costs of the research that they support, institutions are required to show where the funds will come from to meet these full costs (to the extent that they are not met by the Research Councils), and at the time this process was introduced the Research Councils were required to cut back on the volume of research they supported – effectively they were required to fund fewer projects and provide a higher value of grant for each.

39. The FSSG has recently produced a report about the sustainability of universities' teaching activity, and the conclusions are the same. It concludes that the near tripling of student numbers over the past 20 years – not matched by anything like an equivalent funding increase, despite the recent increases discussed above – has put unsustainable pressure on the system. Some of the resulting resource pressures have been absorbed through improvements in efficiency and productivity (including new methods of teaching and learning), helped by an exceptional increase in numbers of international students paying full tuition fees. But there has also been significant deferral of necessary investment

40. The report recognises that recent increases in funding – mainly student fees - will help (though it was written before the consequences of the present global financial problems were known) but that recovery towards a position of sustainability will take time, and meanwhile new costs and pressures are impacting on the sector. The report finds that the threats to sustainability are being felt particularly in three aspects of the student learning experience: accessibility of staff to students; physical infrastructure for teaching and learning; and student support services.

41. It concludes that while institutions have developed some “coping strategies” to manage these pressures, and to protect the quality of the student experience, the present situation is unsustainable, and that there is a real risk to the system and its outputs.

42. One thing that will undoubtedly help English universities is that they have multiple sources of income, and that their reliance on government funding is not complete. That is not new, and indeed one marked feature of the English higher education system over the past 20 years or so has been the extent to which government funding has been supplemented by other sources of income. This is an important fact, but nevertheless its extent should not be overstated. Three pie charts (Figures 2, 3 and 4) are shown below, from three different years 10 years apart, demonstrating the extent to which universities have received their income from different sources. Unfortunately, the earliest chart, from 1996-97, has a slightly different breakdown to the other two. Nevertheless, it will be seen that, for example, the proportion of income received from the Funding Council over 10 years remained unchanged. This is slightly surprising in view of the developments meanwhile, with a much heralded focus on universities securing funds from industry and other private sources, and, of course, the introduction of tuition fees.

Figure 2: Sources of finance for HEIs in 1996-97

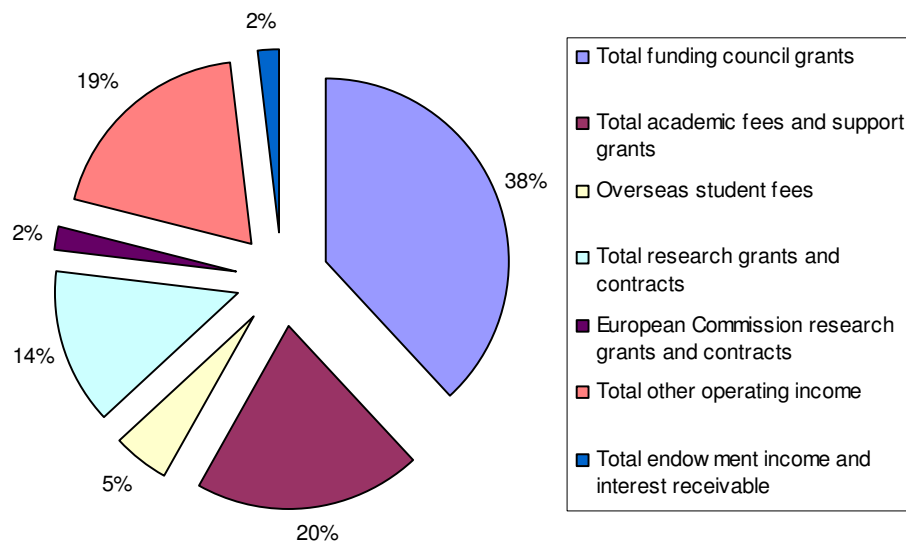
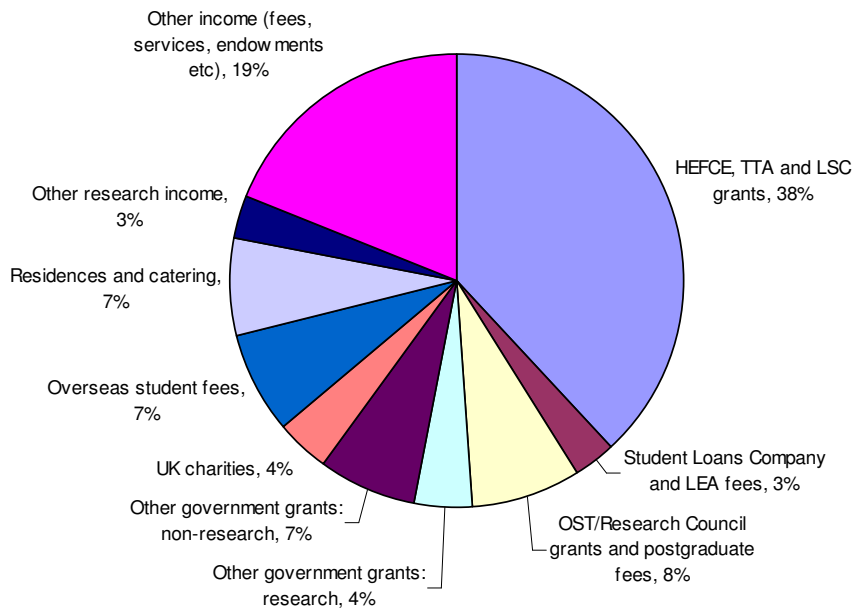
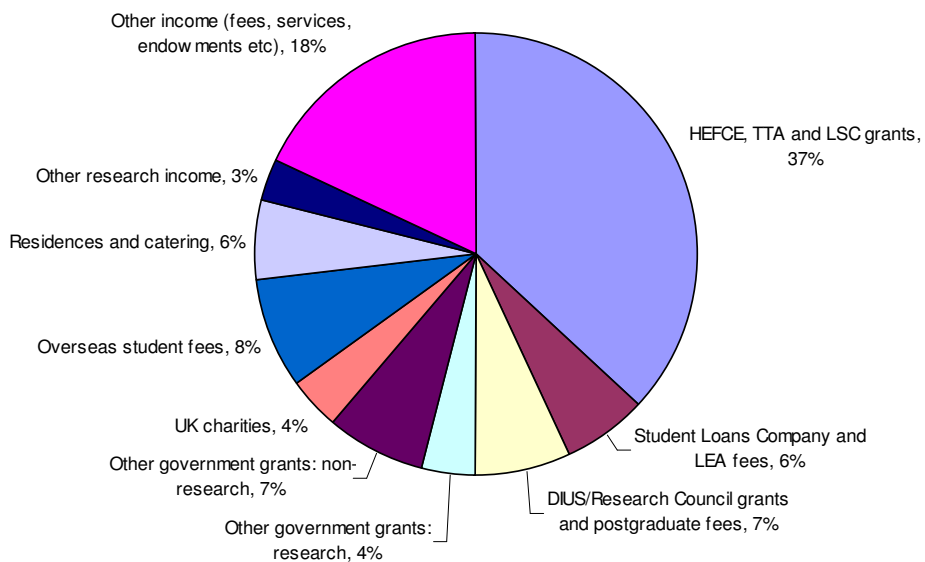


Figure 3: Sources of finance for HEIs in 2002-03



Source: HESA Finance Statistics Return 2002-03, HEFCE-funded HEIs (Total income £12,723 million)

Figure 4: Sources of finance for HEIs in 2006-07

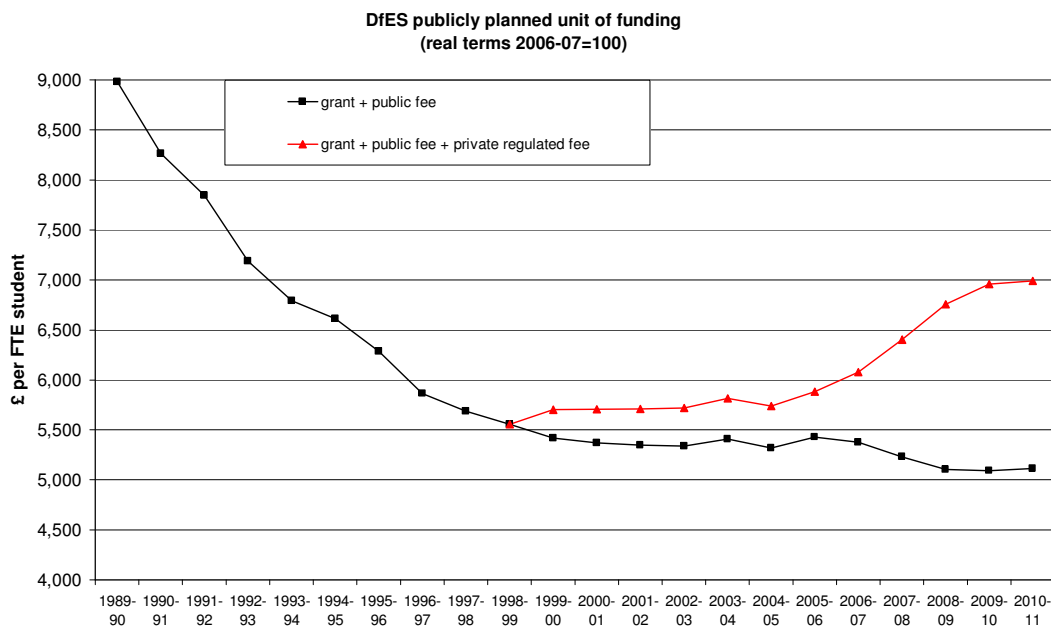


Source: HESA finance record 2006-07 amended data, HEFCE-funded HEIs (Total income £17.6 billion)

43. Looking at a number of these income streams in more detail, government funding for teaching remains the single most significant income source. After a dramatic drop

during the early 1990s, when there was no alternative source of funding for teaching in the shape of fees, this stabilised when fees were first introduced in 1998, and the total funding per student increased. This is illustrated clearly in Figure 5 below. However, as will also be apparent from Figure 5, in the last year or two, and projected for the immediate future, government funding for teaching is declining, but because of the sharp increase in tuition fees, the total funding per student available to universities is increasing significantly. The equation is complicated by the fact that tuition fees are initially paid by the government on behalf of students through a loan, with repayments made subsequently when the student has graduated and is in employment. So in part the apparent reduction in government funding per student is due to the significant cash that the government is required to provide upfront, not reflected in the figures shown here. And nor does this show the significantly increased funding that the government provides for student support – this chart only shows the funds at the disposal of universities to spend on learning and teaching.

Figure 5: DfES publicly planned unit of funding



44. A great deal of the political discourse surrounding higher education recently has focused on the question of fees. Yet in terms of the financial health of the English HE sector fees, while important, nevertheless play a limited role. Net regulated (i.e. for Home and EU undergraduates) fee income (discounting bursaries), is responsible for only 12 per cent of projected 2010-11 revenues in those institutions for which estimates are available – as Table 6 shows. What is more, a growing proportion of the government’s Higher Education budget is absorbed by student support payments and by subsidising the rate of interest on student loans – meaning that the student contribution to the costs of Higher Education is partially offset by what is, in effect, a substantial contribution by Government (in part via the universities) to student maintenance.

Table 6: Fee revenue and total income by type of institution (2008-09) in £000s

	Total income	Gross additional income from regulated fees	Estimated Total fee revenue	Fee revenue as % of total income
'New, new' university <sup>1</sup> or HE college	785,531	113,908	189,846	24.2
Post-1992 university	4,463,604	494,629	824,381	18.5
Specialist institution	575,251	43,564	72,607	12.6
Pre 92 university (excl Russell Group)	3,599,464	251,308	418,847	11.6
Russell Group	7,178,024	295,381	492,302	6.9
English HEIs for whom data available	16,601,874	1,198,790	1,997,983	12.0

Source: HEFCE/OFFA

45. So fees are very important to some universities, but far less so to others. In general the more prestigious and research intensive the university (and therefore the more income it has from other sources) the less significant is the income that it obtains from fees. For the former colleges of higher education they represent an average of 24 per cent of income – for the most research intensive universities only 6.9 per cent.

46. Given this fact, it is curious that pretty well all of the agitation that there has been recently for the level of fees to be increased (at the moment fees are in principle variable up to a limit of just over £3000, but in practice almost all universities charge the maximum) has come from the elite universities for whom fees are the least important component of income (less important, for example, than the income they receive from international student fees, and far less important than the income they receive for research).

47. Separate mention needs to be made of the income that universities receive from international students, who in general pay very much higher fees than those from the UK and EU. The last decade has seen a huge increase in such students, and the income that they bring has become extremely important to the financial health of universities in England. International student fees represent over 8 per cent of the total income of English universities, and whereas such income is extremely welcome, there is nevertheless a degree of risk attached to this, if universities treat such income as part of their core budgets. The 8 per cent of income represented by international fees, for example, is two thirds of the amount received from home and EU student fees, more than the amount received from HEFCE for research and four times the amount of surpluses of income over expenditure that universities generate each year. Universities in England are extremely vulnerable to a loss of international student fees, and given that England is the most expensive country in the world to study (or at least it was until the recent reduction in the value of the pound) this vulnerability is real. Some universities are at greater risk than others, as is illustrated in Table 7 below.

<sup>1</sup> Universities created after 1992.



Table 7: Dependence on international fee income (fee income as % of total) in £000s

	Total income (2006-07)	Income from non-EU fees	Income from non-EU fees, %
LSE	168717	55514	33
School of Oriental and African Studies	47596	14436	30
London Business School	85727	21354	25
The City University	148485	29231	20
The University of Bradford	105689	19810	19
Royal Holloway	104912	18753	18
Aston University	87085	14222	16
Middlesex University	138171	20560	15
The University of Westminster	146352	20907	14
The University of Essex	107161	14818	14
The University of East London	108206	14850	14
London Metropolitan University	156591	21413	14
The University of Sunderland	96232	13112	14
The University of Nottingham	382403	50367	13
The University of Bath	149458	19505	13
The University of Greenwich	144589	18765	13
Oxford Brookes University	134510	17096	13
Goldsmiths College	64405	8019	12
University of Bedfordshire	81375	9975	12
Queen Mary and Westfield College	215678	25370	12
The University of Warwick	330667	38086	12
The University of Leicester	185495	21355	12

48. Because of the strength of their brand, some of these universities – the London School of Economics, for example – cannot be regarded as being at risk. However, for others their dependence on international student income must be a source for concern.

49. It is difficult to tell from the published sources exactly how much income is generated from entrepreneurial activity, but as is apparent from Figures 2-4 above, it is substantial and has increased greatly in volume over the years. Nevertheless, it may appear surprising that as a proportion of total university income it does not appear to have increased. It needs to be borne in mind, though, that that is in the context of significant increases in government and student funding (through the tuition fee). The fact that the proportions have not changed significantly over the years actually means a far better than trend increase in the income from entrepreneurial and commercial type activity by universities.

50. Finally, on the question of sources of income, some mention needs to be made of endowments. The government has for several years been saying that endowments and charitable giving are the way forward, drawing on the United States as its example. However, a recently published report from Standard and Poors points out that endowments only accounted for an average 4.3 per cent of US publicly funded institutional income in 2007, and hardly any universities had an endowment fund of more than \$1 billion. Although there has been a significant recent effort put into fund-raising by English universities, and some have succeeded in raising many millions of pounds, the endowment funds that these create, and the subsequent income, are tiny

compared with the overall income of the sector, and as a proportion of total income endowment income has barely make any impact. The two exceptions to this statement are, of course, Oxford and Cambridge, but even in these cases the amount of endowment income is not great compared with their American counterparts.

51. Reference has been made to the question of fees and the importance of fee income to English universities. The present fee arrangements were introduced in the 2004 Higher Education Act and took effect from September 2006. They were enormously controversial, and passed through Parliament with a majority of just six votes despite a Government majority in the House of Commons of over 160, and despite being among the most progressive arrangements for student finance in the world. Essentially, the arrangements are as follows.

52. Universities are permitted to charge a tuition fee up to the maximum set by the government (£3,000 when the arrangements were introduced in 2006, and subject to an inflation-based increase each year subsequently). However, students are not required to pay the fee themselves – they effectively receive a loan from the government that pays the fee direct to the university on the student's behalf, and so education is free at the point of use. The loan attracts interest only at the rate of inflation, from the date that the government pays the fee to the university, but it is not repayable until the student is in employment, and the rate at which it is paid back is related to the income of the student – it is it, in effect, a payroll tax but because the government was afraid of the political implications of the imposition of any new tax it was careful not to describe it as such. That short-term political consideration has led to long-term problems, as the language of loans and debts now surrounds the debate on the fee arrangements, and has proved enormously emotive and difficult to overcome.

53. As part of the political settlement that enabled the government to win the Parliamentary battle for the new arrangements, a range of measures were put in place to ensure that students from economically deprived backgrounds should not be deflected from higher education – non-repayable grants, for example, and the requirement on universities to provide bursaries for poor students. One such compromise that the government conceded was that the maximum fee level that universities could charge (the fee cap) should not be raised until a review had been carried out of the first three years of the new fee arrangements and that this should be subject to a further Parliamentary vote. Those three years expire at the end of 2009, and universities and others are already positioning themselves to influence the outcome of the promised review (universities, particularly elite universities, arguing for a significant increase and students and some politicians arguing against). A number of studies recently – most notably by Universities UK and HEPI – have argued in favour, and have analysed the implications of an increase in the fee cap.

54. The problem for the government is not only that any increase in fee will be unpopular, but that it will probably not be cost-neutral either in terms of public finance, because of the very significant Government subsidy for the present arrangements. Because interest is charged only at the rate of inflation, and because of other concessions like the fact that any outstanding fee is written off after 25 years, the government has calculated that the present arrangements impose a cost to the public purse equivalent to about 33 per cent of the loans that are made. So any increase in fee levels requires economic as well as political decisions by the government, and at present both Government and Opposition parties are doing whatever they can to avoid a debate on the issue until after the next election. This is unfortunate, because the prospects for the public funding of universities in the foreseeable future are not good.

55. However, realistically, it will be at least 18 months before the question of fees is considered by the government – well after the next election that is due in the summer of 2010 – and the earliest date at which any increase (and it is a far from foregone conclusion that any government will permit an increase in fees) will be implemented is September 2013.

56. Finally, any consideration of the financial situation of universities has to address the present extraordinary financial environment. So far, universities have not been badly hit, and indeed, given that the government plans to spend its way out of the crisis, it is conceivable that universities will not suffer all. However, that is unlikely. The government is at the very limits of what is able to spend, and higher education is not a priority for public spending. Although statements have been made about the important role universities will play in creating the knowledge environment in which the economy can flourish again, there is no indication that such sentiments will be backed by money, except in one important respect: scientific research is an area in which it is likely that the government will put its money where its mouth is and continue to invest.

57. There are already straws in the wind that the government will cut back on higher education funding. Each year, with the grant that the government provides the Higher Education Funding Council for England, it gives "guidance" on what it expects the grant to be used for, at a high level. In general and in the recent past this has always included an element for further growth in student numbers. This year for the first time it stipulated that there was to be no growth – partly because the government was concerned about the implications of any growth for the student maintenance budget. That is a politically brave decision. The government could have required continuing growth in student intakes but with no further funding, with disastrous consequences for quality, but with easier political consequences for itself.

58. If there is to be no increase in public funding, and indeed if there is a risk that public funding may be curtailed, and if there is to be no increase in student fees in the foreseeable future, then that leaves universities in a very difficult position. If anything, their scope for income from entrepreneurial activity is likely to be limited in an economic downturn, and the value of endowments, such as they are, has also reduced (though in this respect English universities are in a more fortunate position than their better endowed American counterparts). The one bright spot at the moment for universities is that demand from international students has held up extraordinary well, and indications from the Universities and Colleges Admissions Service (UCAS) is that demand from non-EU students is more than 9 per cent higher than at the same time last year – perhaps the silver lining to the reduction of the value of the pound.

59. The recession will undoubtedly have other consequences, most of which cannot be foreseen. The impact on pensions, for example, where the investment that provides the funds for the pension scheme have reduced so much in value, has yet to be assessed. The ability of universities to borrow for capital investment (and indeed the wisdom of doing so in present circumstances) has yet to be worked through – although in many ways current rates of interest make this a particularly attractive time to be borrowing. Banks may or may not regard universities as particularly attractive prospects at a time when they are cutting back lending on anything that has risk attached to it. And if Governments cannot provide sufficient funding, they may be inclined to increase student fees to take the strain. For those jurisdictions that charge low fees at present, or none at all, this may provide a convenient political opportunity. In the USA past experience has been that during a recession public funding reduces, but private tuition fees increase,

and stay at the higher level when the recession ends. But there is no sign, in England at any rate, of such political opportunism by any political party.

## **Issues Arising**

### General Issues

60. Although it may not feel like it to many within the sector, recent years have been years of relative plenty as far as the financing of higher education is concerned in England, with a 39 per cent real terms increase in just seven years to 2010. It is highly likely that this rate of growth will slow substantially, and may indeed go into reverse.

61. This growth in income has been matched – and may have been exceeded – by an increase in activity (both additional students, research and services to businesses and the community), to the extent that recent studies have shown conclusively that the sector is "over trading", and there is concern about the financial sustainability of the sector. Although having multiple sources of income is a strength, if income is achieved regardless of the associated costs, that can equally be a source of real danger. The problems are manifold – more students than the infrastructure could support, under-priced research contracts and even research grants that did not cover the full cost of the project they were supposed to support. There is no evidence at present that quality has suffered to enable this, but this over trading has been at the expense of maintenance of the capital base, effectively utilising reserves for running costs and until recently allowing staff salaries to atrophy. The remedies for these problems are partly in the hands of the government and the Funding Council – who need to ensure that their funding arrangements do not encourage over trading (and indeed Research Councils in the UK have recently recognised this by using the money at their disposal to provide fewer, better funded, project grants) – but mainly in the hands of universities themselves to take a responsible approach to the volume of activity they undertake.

62. The balance between public and private funding has been an issue that has greatly exercised politicians and universities themselves in the past few years in the UK. The new arrangements, introduced in 2006, are highly progressive – in as far as they mean that education is free of the point of use and that it is graduates that repay the cost and not students, and they do so when they are in employment and at a variable rate depending on their income. They have also provided universities with a very necessary source of additional income just when they were needed. However, the way the system will evolve remains to be seen, and will put both politicians and universities themselves under great strain while the decisions are being taken. These are issues that have been faced in the UK before other systems in Europe and before many other systems in the world, but the issues are similar elsewhere.

63. The resolution of these issues is partly in the hands of universities themselves and partly in the hands of government. It is for universities to seek out and exploit new sources of funds and also to ensure that they achieve an appropriate balance between the pursuit of income and the maintenance of profitability; and it is for the government to put in place the necessary incentives and regulatory infrastructure to encourage and enable this. It is certainly for governments and politicians – in dialogue with universities and society more generally – to determine the appropriate balance between public and private contributions to the cost of higher education. In doing so, it is essential that they have the courage to take the necessary decisions, and not to shy away from politically difficult actions.

64. The effect of the recession has yet to be played out, and is uncertain. It is too early to tell how the effects will impact on universities. There are some obvious and immediate downsides: endowments have reduced substantially, private giving has reduced and industry is less able to purchase research and other services. On the other hand, some countries – for example the USA, that is spending its way out of recession with its economic stimulus package – are proposing to spend very substantial amounts more, mainly on scientific research, and the UK is among those that views expenditure on research as an investment that will help overcome the economic difficulties. In the short-term also the cost of borrowing will be cheaper (for those who can access it) and students may be more inclined to pursue higher education qualifications. So in some ways some universities in some administrations may benefit. But more generally – and certainly beyond the short-term stimulus – government funding is likely to be increasingly constrained, and life for universities will become more difficult.

### Specific Issues

*Will the proportion of fees being paid by students at their own expense increase significantly in future?*

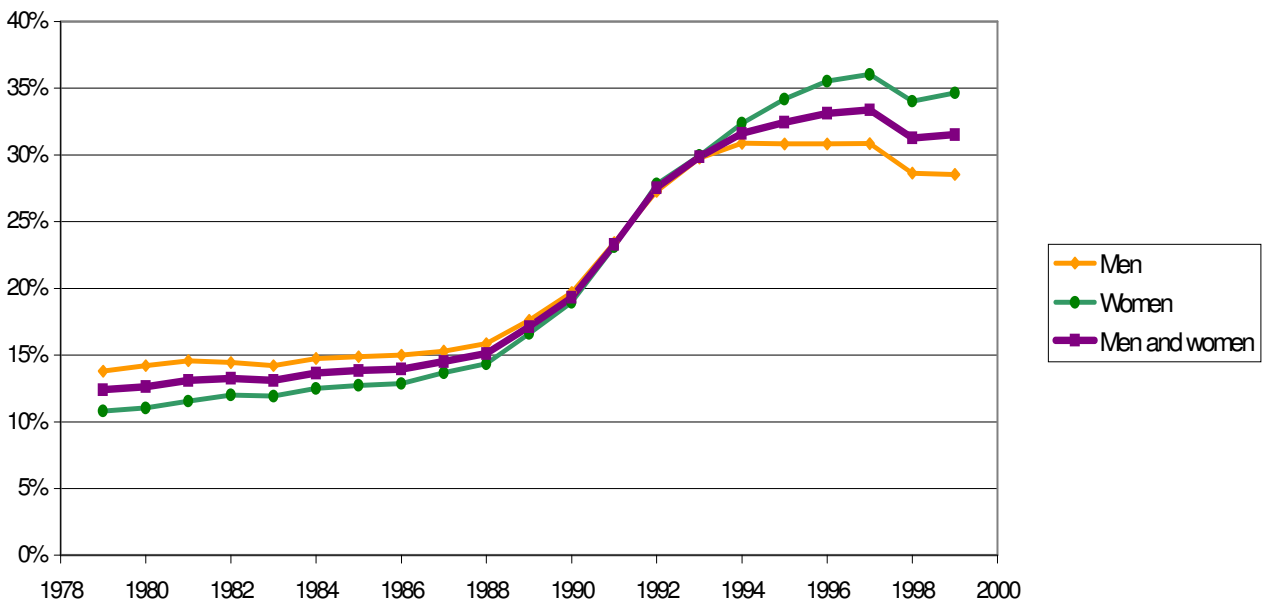
*Do you have a view about how far other sources of funding not originating from tax revenues will contribute to the income of universities?*

65. The strong tendency all over the world, among those countries where students have not paid fees previously, is to require them to do so. Demand for higher education has increased greatly and the signs are that it will continue to increase. And as government funding becomes tighter then it will become all the more difficult for governments to maintain funding, let alone increase it. If other sources of funding are not brought to bear, then quality will suffer or demand will have to be suppressed. The English experience shows that when fees are introduced as part of a package that includes a progressive mechanism for repayment and adequate support for poor students, the introduction of fees need not have any impact on demand, nor need it impact on students from poor backgrounds. It is politically difficult, but there are signs that other countries in Western Europe are grasping that political nettle and introducing fees. One problem for governments is that an arrangement such as has been introduced in England, which has proved progressive and has not damaged participation, is relatively expensive for the government (because of deferred repayments and so on). But if governments were to reduce the subsidy as fees increase, then that might create problems. At present the net contribution by students amounts to approximately one third of the cost of their higher education on average. Given the fact that there is both private and public benefit, and that there is great variation around the average private benefit, that seems a reasonable figure.

## Student Demand

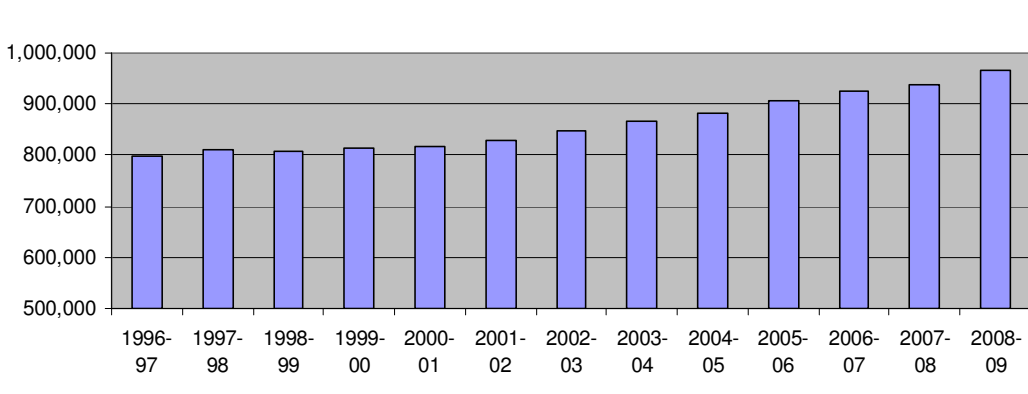
66. Student numbers in England have gone through an extraordinary period of sustained increase. In the early 1990s this increase was driven by an increase in the participation of young people in higher education – the participation rate doubling from 15 per cent to 30 per cent in no more than six or seven years. Since then the participation rate – the proportion of young people entering higher education – has stabilised, but numbers have continued to increase because of an increase in the 18-year-old population. In addition, there have been increases in the number of EU students and international students from beyond the EU, and there have also been increases in both taught and research postgraduates. Figure 8 below shows the increase and then the stabilisation in the young participation rate, and Figure 9 shows how this has translated into student numbers in recent years.

Figure 8: Age participation index (API) 1978-2000<sup>2</sup>



<sup>2</sup> The time series ends in 2000, when the government stopped producing the API on this basis.

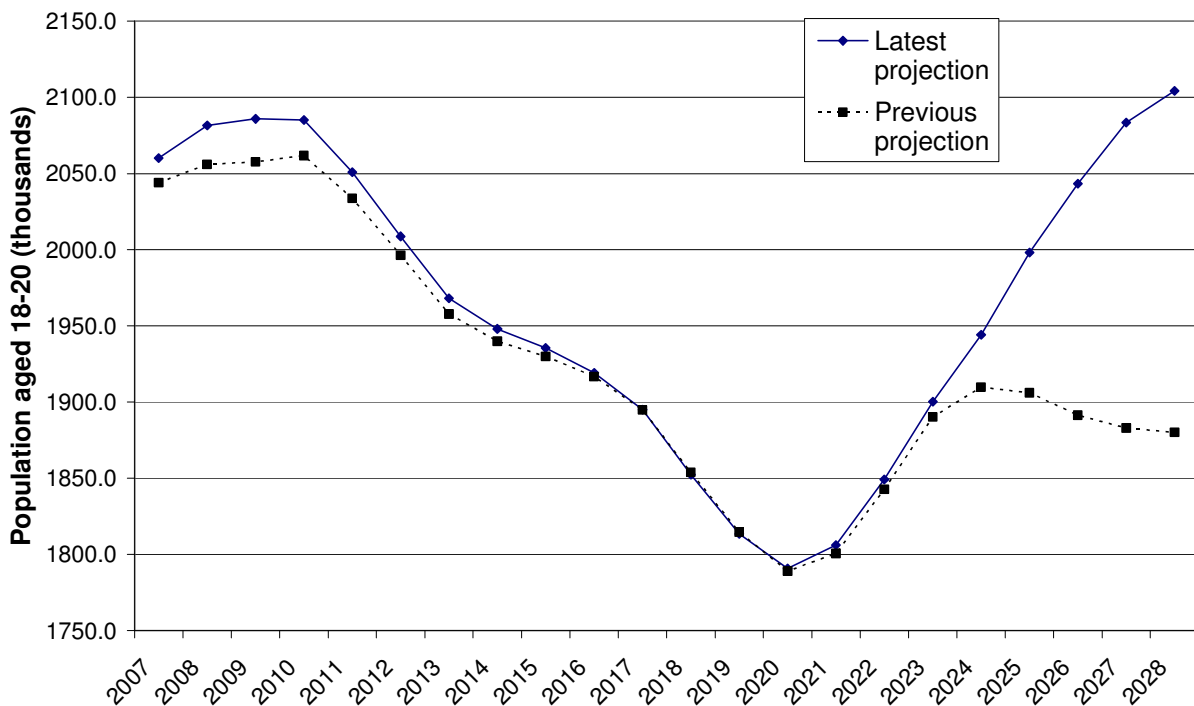
Figure 9: Full time and sandwich undergraduate students (Home and EU)



67. As far as home and EU undergraduates are concerned, it is highly unlikely that the coming few years will see anything other than very modest increases – and a decline is quite possible. Beyond the effect of Government cutbacks, referred to above, the demographic increase in 18-year-olds – who continue to be by far the most significant group as far as higher education participation is concerned – ends in 2010, and in fact goes into reverse for a decade. That might not in itself lead to reductions in demand because, as has been shown in report by HEPI, those social groups whose children are most likely to go to university have continued to have children and so will not experienced anything like the reductions experienced by the population as a whole.

68. Figure 10 below shows the overall reduction and subsequent increase in the 18-20-year-old population in the coming period. It also incidentally shows how from one year to the next official projections – from the Office for National Statistics – have varied wildly, not only about the number of 18 year olds there will be in the population in future, but actually how many there are at present! The changes in future projections are as a result of changes in assumptions about immigration, and are understandable, but this does make planning extremely uncertain.

Figure 10: 18-20 year olds from 2007 to 2029<sup>3</sup>



69. Beyond the immediate demographic downturn, there is likely to be strong demand for higher education in the medium term. After 2020 the 18-year-old population is forecast to increase again and before the end of the following decade (2020-2030) the population will have increased beyond the 2010 level. And in addition, there is very likely to be a substantial suppressed demand from population groups that at present participate in higher education less than the average. Economically disadvantaged groups have already been mentioned. But the biggest potential group is the population of males, who in recent years have been falling increasingly behind females in their appetite for higher education – or indeed for education at all, since there is already a significant gap between boys' and girls' achievement at the ages of 16 and 18, and earlier.

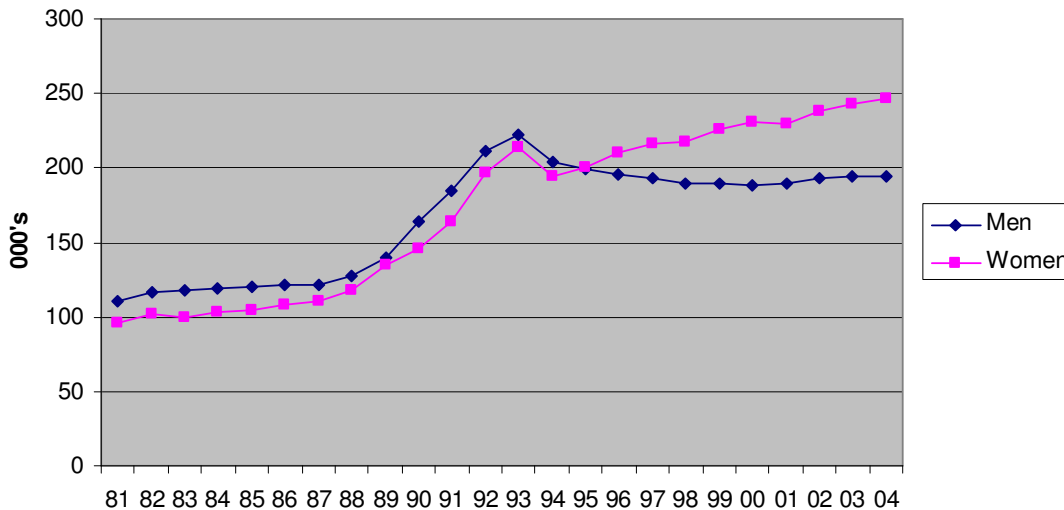
70. Figure 11 below shows the extent of the difference in participation between boys and girls, and how it has been getting worse. This discrepancy is worldwide, and not limited to England or even Western Europe. But unless there are intrinsic reasons why boys should perform less well than girls, it does suggest that there will possibly be a very substantial increase in demand for higher education in due course. If and when that arises, that will give rise to serious embarrassment for the government of the day, given present restrictions on participation (which have not at present led to any noticeable problems, but are likely to manifest themselves in the next year or two). HEPI has estimated that if boys were to participate at the same rate as girls today that would give rise to 130,000, or 15 per cent, more students. By 2028 – 2029, taking into account gender discrepancies and demographic growth, there could be nearly 300,000, or more than 25 per cent, more students than there are today – or at least there would

<sup>3</sup> For the source of this and other tables and figures, please refer to the full report on the HEPI website at [www.hepi.ac.uk](http://www.hepi.ac.uk).



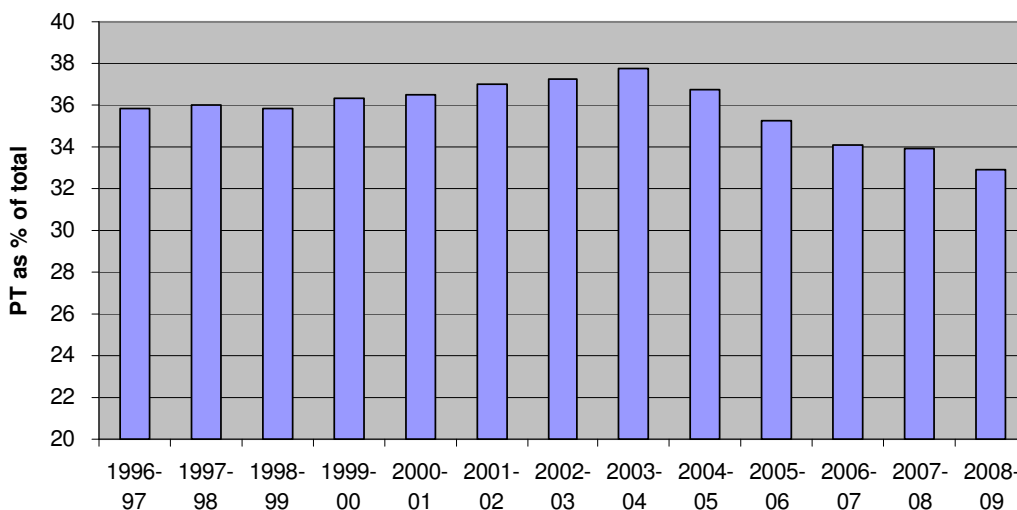
be that level of demand, but whether that level of demand would be met would depend on political decisions.

Figure 11: first year full-time home students by gender



71. Part-time higher education remains to some extent the Cinderella of the system – under-regarded, underfunded and underprivileged when it comes to things like the support available to students and so on. Nevertheless, there are many who have been arguing for many years that part-time HE is the future, and that the policy focus on full-time young students is misguided. Such rhetoric has existed for 20 years or more, but the growth in part-time numbers remains disappointing relative to full-time, as is illustrated by Figure 12 below.

Figure 12: Part-time undergraduates relative to full-time



72. For ideological reasons, but undoubtedly also financial, the government too has been encouraging part-time higher education. However, at the same time as it has been doing so, it has implemented a policy that will severely restrict opportunities for part-

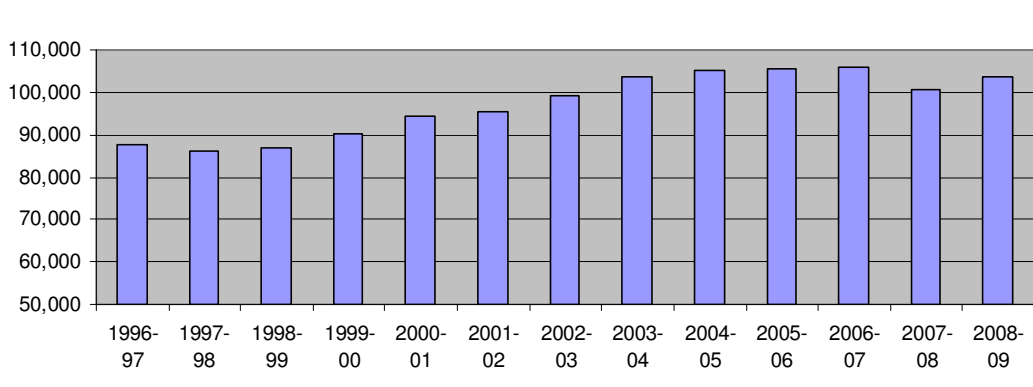
timers: the government has ruled that it will no longer fund students taking a second qualification at the equivalent or lower-level than any qualification they already hold (which such students tend to pursue part-time). This policy has been heavily criticized for obvious reasons – it does nothing to promote the government's flagship policy of widening participation, and if anything runs counter to it; and nor does it promote the policy of lifelong learning and of re-skilling the workforce.

73. A recent policy development, related to the question of part-time higher education, is the encouragement by the government of "employer co-funded" provision. The suggestion here is that universities should negotiate with local employers the development of programmes specifically tailored to their needs, and that employers would pay part of the cost of the provision of such programmes. This is distinct from training courses that universities have long run for employers in return for full funding – universities in effect run these for profit, and they are open only to the employees of the employer concerned. These new courses by contrast are public courses provided by the university, but with employers paying part of the core cost. There has been considerable scepticism about the appetite of employers for such a development, and although some such places have been provided by the Higher Education Funding Council for England, there is a strong suspicion that most of the "co-funding" has been provision in kind and that little cash has actually changed hands.

74. As part of its policy of making higher education more "relevant" to economic needs, but also because it believes that shorter vocationally oriented courses will be more accessible and attractive to young people who have not traditionally participated in higher education, the government introduced and has been strongly promoting two-year "foundation degrees". These are sub-degree programmes, in as far as they take only two years and do not achieve the standard of a full first degree, are normally taken part-time, are generally designed jointly between universities (or colleges) and specific businesses, and are explicitly designed to articulate with a full first degree. The government has stated its intention that there should be 100,000 students on foundation degree courses, and at present there are around 60,000. This is a reasonable achievement given that the Higher National Diploma, which was the main sub-degree qualification previously available in higher education, was on a fast declining track – the Foundation Degrees appear to have halted the decline in diploma level provision, but there is no sign either that there is very great appetite for these other than in rather niche markets (such as healthcare and teaching assistants, for example).

75. Finally as far as student numbers are concerned, as will be seen from Figure 13 below, there has been rapid growth in postgraduate numbers that has stalled in recent years.

Figure 13: Full-time postgraduates



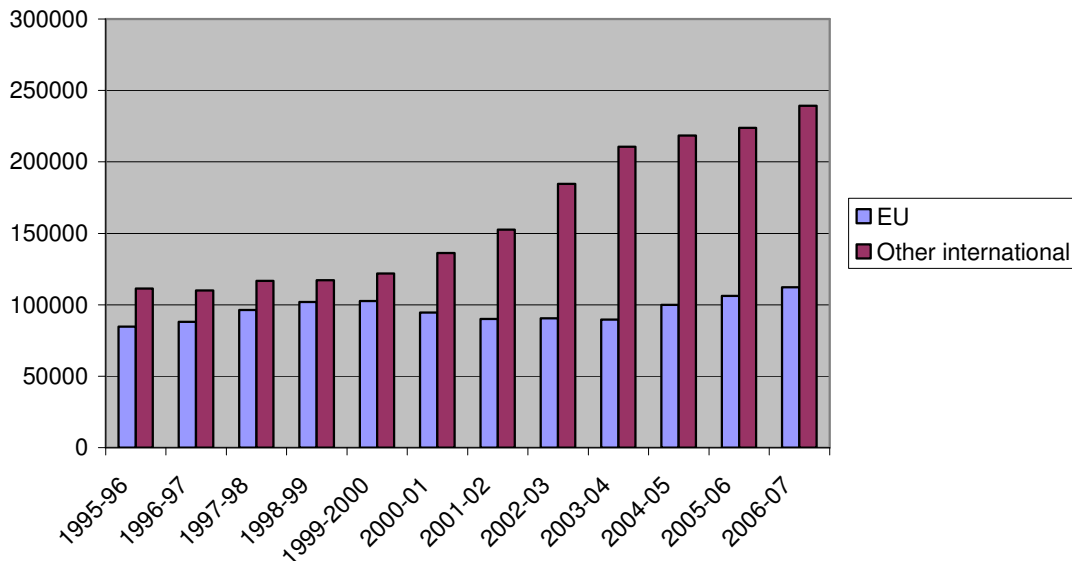
76. Beneath these figures lie two interesting details. First, there has been far more rapid growth in postgraduate taught than postgraduate research students – generally the taught courses are one-year masters, often preparing graduates with career-specific skills and knowledge.

77. One year taught masters courses have proved extremely popular particularly among international students, and the demand for these remains quite robust. However, they are also controversial, since questions are raised about the extent to which one year Masters courses are compliant with the "Bologna" system, where generally Masters courses are of two years duration. So far the line has been held, and in strict terms there seems little doubt that one year Masters courses can be Bologna-compliant. It remains to be seen whether the popularity of these courses can withstand some of the negative publicity that now surrounds them. For example, the Chinese Education Ministry has said that it will no longer support students on one year Masters courses. Although that is in the context of a decision to focus on research postgraduates, it has also privately been said that part of the reason is because employers in China have expressed themselves dissatisfied with the knowledge and skills that one year Masters students emerge with.

78. In contrast to the relative popularity of taught Masters courses, demand for research postgraduate places is fragile, particularly among UK students. A recent report by the International Unit found that the number of international postgraduate research students was growing at about 4 per cent per year and now stands at 42 per cent of the total. In contrast, the growth in the number of home postgraduate research students was less than 1 per cent per year, and was declining in some subjects.

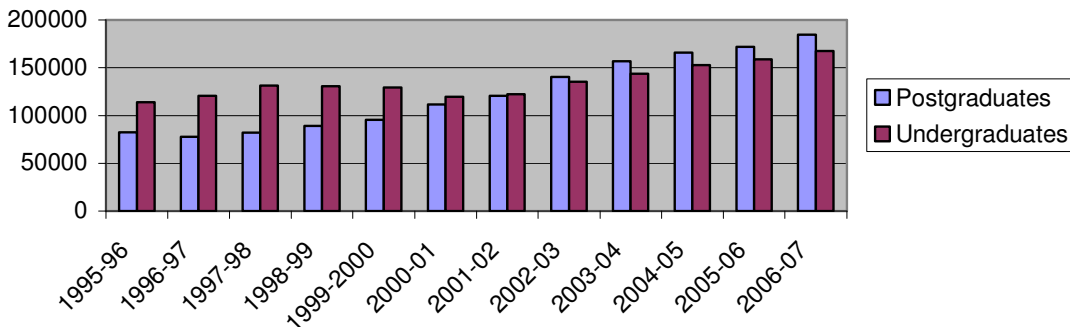
79. The UK has done remarkably well when it comes to recruiting international students. Figure 14 below shows that the growth has been steep and consistent.

Figure 14: International students in UK universities, 1995-2007



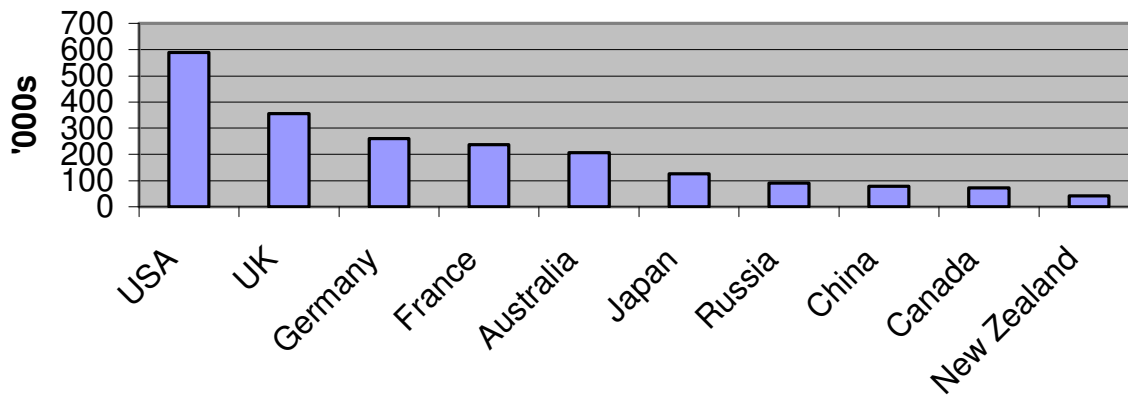
80. And Figure 15 below shows that the growth embraces both undergraduate and postgraduate students. Estimates suggest that the UK has something like 12 per cent of the worldwide student market, including over 16 per cent of the research postgraduates, proportions that have been reasonably stable in recent years despite increasing competition.

Figure 15: International students in UK universities, 1995-2007 – by level



81. Figure 16 below shows that the UK has over one third more international students than Germany, and if size is taken into account, it outperforms the USA.

Figure 16: Number of international students (all years of study)



82. It is remarkable that the UK succeeds in attracting international students in such large numbers, considering how relatively expensive it is for an international student to study here. Indeed, taking the availability of scholarships, living costs and tuition fees into account, the UK is probably the most expensive country in the world for an international student to study. It contrasts with Germany or France, for example, where – still – international students pay no more in fees than domestic students – and generally nothing at all, and where there are extensive financial inducements. Considering that, the UK’s success is nothing short of remarkable. In passing, it is worth speculating why the German and French governments are willing to subsidise international students to the extent that they do – in a recent study HEPI calculated that Germany subsidises international students by more than £1 billion per year. Clearly, they see national benefit from doing so – they regard the £1 billion as a worthwhile investment in order to reap the other benefits that international students bring. But the question arises why so many students are willing to spend so much money studying in this country, despite the cost.

83. Surveys of students – both those who have already begun their studies in this country and those still overseas – consistently put the UK’s reputation for high quality higher education at the top. Most recently a survey of 20,000 students by i-Graduate found UK HE was perceived as the highest quality, slightly behind the USA and slightly ahead of Germany. To all intents and purposes these three are seen as of the highest quality.

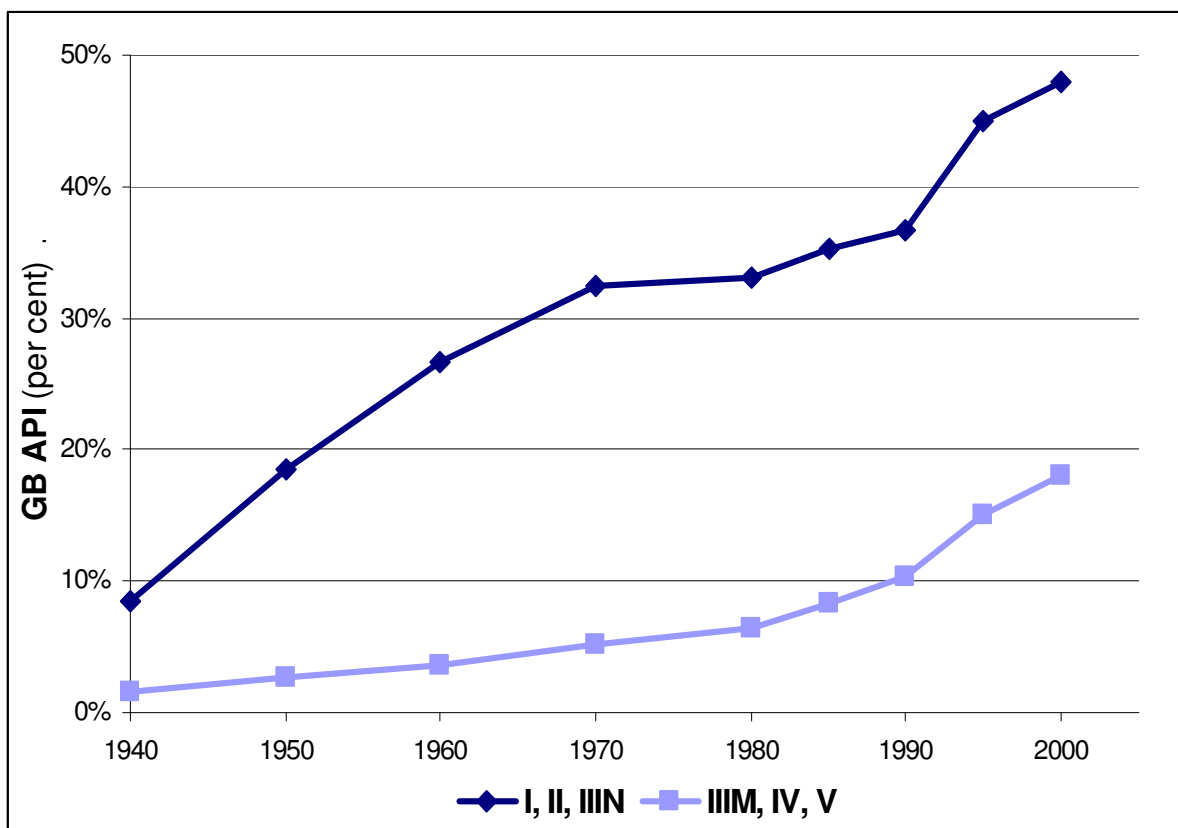
84. Other factors undoubtedly play a part – such as the fact that the UK is Anglophone – but the UK’s reputation for quality is the primary reason for its success, but therein also lies the UK’s vulnerability. If its reputation for high quality is undermined (and the discussion of Teaching in the next section suggests why it may be), that, coupled with the expense of studying in the UK, may erode her attraction to international students.

85. As has been mentioned already, one of the key higher education policies of the government is that of widening participation and fair access. These are two distinct concepts, but often conflated. Broadly, widening participation is about expanding the intake to higher education among those socially disadvantaged groups that historically have not participated as much as others; and fair access concerns ensuring that entry to the most prestigious universities is fair and accessible to the students from the poorest

backgrounds. Although the former is the more important in terms of public policy, much of the attention of the government and the press has been on the latter – no doubt in part because the widening participation question is intractable and proving difficult to influence; whereas with the latter the elite universities provide a convenient and perhaps even popular target for Government and press.

86. With respect to widening participation, it is true that there are huge differences in participation in higher education between different social groups. Every country has its own definition of disadvantaged group. In England, typically, it is social class that determines disadvantage. Figure 17 below shows the difference in participation between social groups over time (the definition of social groups changed in 2000, so the series stops then). It will be seen that the gap between social groups has actually got wider over time, although from a very low base of participation for the least advantaged, so the lower social groups have done better than the higher in relative terms.

Figure 17: Relative participation by different social groups, 1940-2000

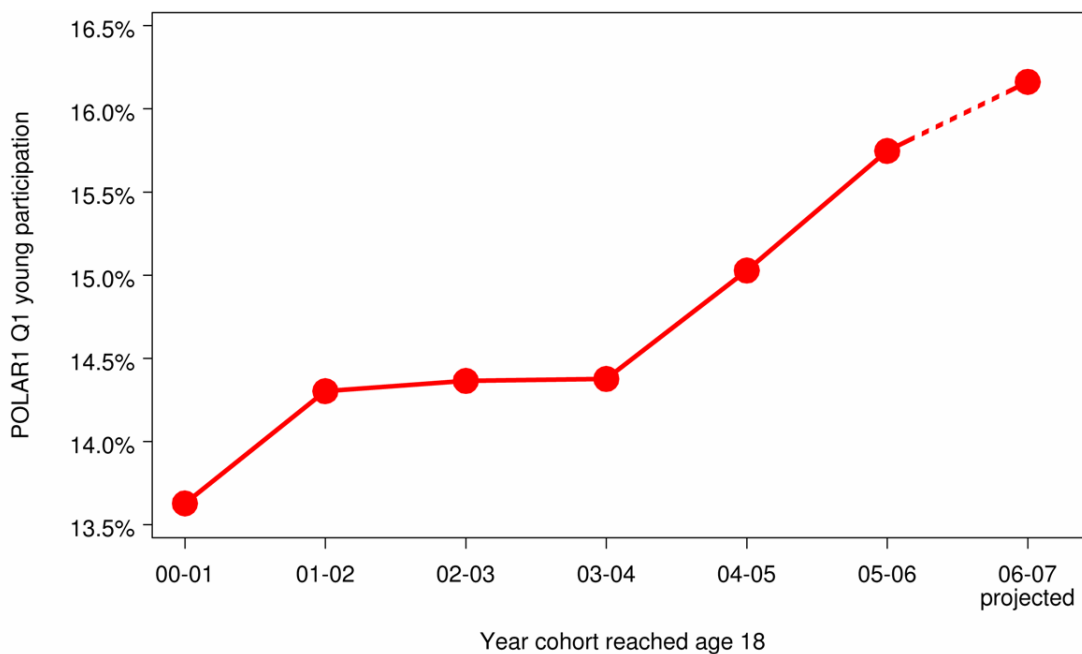


87. In its funding allocations, HEFCE provides a "premium" in respect of each student from a disadvantaged background recruited by a university; but this is primarily in recognition that such students are more likely to drop out than others, and is to improve the likelihood of retention and completion. The largest effort in respect of widening participation is through government funding. The government has put large sums of money into its policy of encouraging young people from disadvantaged groups to raise their aspirations and aspire to university. The principal vehicle for this is the "AimHigher" programme, which has received nearly £450 million for locally administered programmes – most of it spent in schools, sometimes even primary schools, in

recognition that the problem is not primarily a higher education one, but has deep-rooted social and educational causes. AimHigher has been widely criticised, and a recent evaluation concluded that had not been particularly successful, but given the lead times for improving participation that is not a surprise. The government remains convinced that it is a worthwhile investment.

88. Despite these criticisms, and some disappointing results so far, there is some unpublished evidence from HEFCE that suggests that in recent years the poorest sections of society have begun rapidly to catch up – though there remains a huge gap. Figure 18 below shows the extent of this. The HEFCE research is based not on social class but on geographic data (based on the socio-demographic characteristics of Parliamentary wards), and this suggests that those in the poorest areas have begun to go to university in greater numbers in recent years. However, it is too early to say whether a real trend has been created, but it will be a remarkable development if that proves to be the case.

**Figure 18: increase in participation by 18-year olds from the most disadvantaged areas**

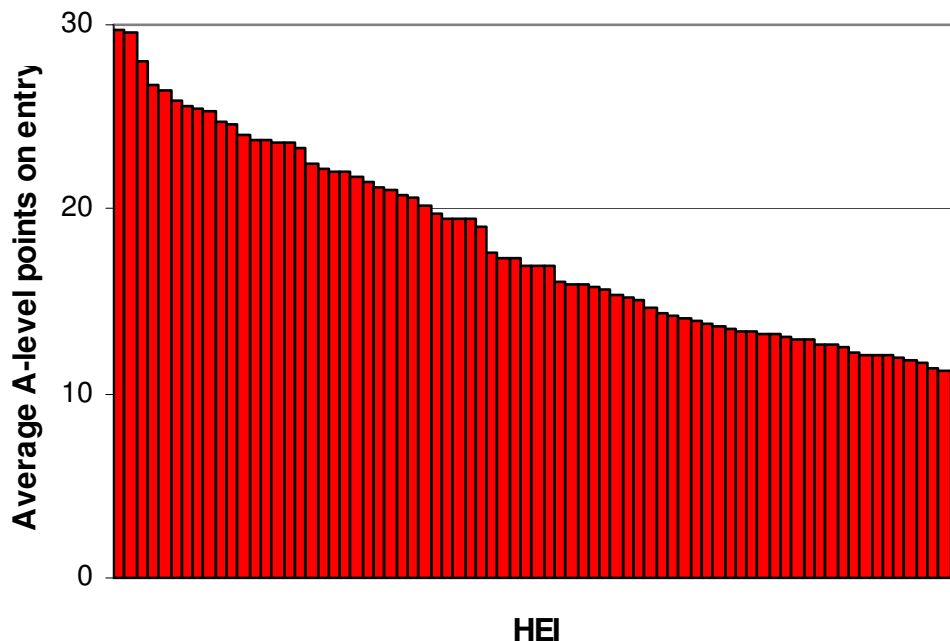


89. As far as fair access is concerned, there is a strong suspicion that the government has created an issue for political reasons, seizing on the fact that that the elite universities provide significant advantage to their graduates, but that students from poor backgrounds are seriously underrepresented in such universities. For example, whereas students from the poorest social groups represent nearly 30 per cent of all students in UK higher education, they represent less than 10 per cent at Oxford and little more than that at Cambridge. However, there is no evidence whatsoever that these universities are exercising some form of social discrimination or bias in their admissions processes in order to exclude such students, as has been implied by politicians from time to time.

90. The truth is that such universities are extremely selective in their intakes, and demand the highest A-level grades. Figure 19 below shows the stratified nature of the university system in England, with regard to entry qualifications. It will be seen that

some universities admit students only with the maximum number of A-level points and there is a linear descent to a number of universities with very low requirements. By and large those from the poorest social groups do not achieve entry qualifications sufficient to gain entry to these universities. As it happens, and because of the poor performance at school of students from poor backgrounds on average, those universities with the most demanding entry requirements are also – necessarily because of this very fact – those likely to admit students from better off backgrounds.

Figure 19: English universities by qualifications of entrants



91. The question of fair access has not really proved susceptible to rational argument. And although vice-chancellors and admissions directors from Oxford and Cambridge in particular have argued that the reason they admit relatively few students from poor backgrounds is because relatively few such students have the requisite entry qualifications, that has not prevented ministers and the press from time to time recently from attacking these universities on the grounds of social exclusivity.

92. It has to be said also that these universities do not always help themselves. For example, there is research that establishes that students who were educated in independent schools do less well at university (including the top universities) than students from state schools, when students with equivalent A-level qualifications are considered. Despite that, applicants from independent schools are on average slightly more likely to achieve entry to such universities. And these universities continue to insist that they will not take social considerations into account in making decisions on whom to admit – in contrast, for example, to Princeton and Harvard – but that they will only take academic considerations into account. To do so, they say, would be social engineering, as if that was self-evidently a bad thing. Yet when challenged they will generally admit that the basis for making very fine distinctions between the academic quality of outstanding applicants is often tenuous at best.



## Issues Arising

### General Issues

93. Universities in different countries are likely to have very different experiences as regards student demand in the next few years. The UK, in line with the rest of Europe, is about to experience a sharp downturn in the 18-year-old population. There are other countries – notably in the Middle East – with sharply rising young populations. However, even those with declining populations may not see a commensurate reduction in higher education demand – in the UK, the population decline is concentrated among those social groups least likely to attend higher education, and the very different rates of participation between social groups and also between males and females offers considerable scope for increased student numbers from those groups that participate least. The fact that these underrepresented groups may in due course increase their participation, together with the eventual upturn in the number of 18-20 year olds (in about 10 years in England), means that beyond the short-term there could be some very substantial additional demand for higher education that will create considerable difficulty for the government and providers of higher education.

94. There is strong pressure to increase part-time higher education, but contradictory Government policies in this respect. Universities in the past have displayed a strong preference for conventional full-time young students, and there seems no reason why if such students are available and if their resources are limited they would not continue to do so. Nevertheless, as it becomes harder to recruit traditional students universities may be more inclined to look to part-time students, although in the United Kingdom a much larger proportion of the student body is made up of part-timers, and so the scope for this may be less than elsewhere – certainly in most European countries part-time higher education is almost unknown.

95. One area where there has been strong growth in demand recently is in short taught Masters courses, often intended to provide preparation for a specific career. The UK has benefited greatly from these, and although there are some doubts about the academic viability of one-year Masters courses they have proved extremely popular with students, and they have proved very valuable for the universities that provide them. If, as is expected, Universities in other countries begin to make substantial provision of taught Masters courses then those that have benefited hitherto may find their markets eroded.

96. Similarly, the UK and a small number of other countries have benefited greatly from the market in international students. The unique factors (in particular the fact that they teach in the English language, and their reputation for quality) that have enabled those countries to succeed may be eroded, as other countries increasingly make their provision in English and as better information is available about relative quality.

97. As has been mentioned earlier, one of the things that is required of higher education institutions is to contribute towards social mobility and social justice. However, it is difficult for them to do that when school achievement varies so much and is so dependent upon social and economic background. Universities certainly have their role to play, but it is a limited one and the solution to social problems is generally not in their hands. Nevertheless, for their own sakes universities need to be sensitive to their wider social role in a way that has not always been apparent in the past.

## Specific Issues

*What will be the evolving relationship between undergraduate and postgraduate education?*

98. Hitherto there has been little change in the balance between undergraduate and postgraduate places, nor in the balance between part-time and full-time provision – despite regular predictions over the past two decades that changes were afoot. However, this is in a context where the UK has a far higher incidence of part-time higher education than other countries in Europe, and possibly in the world outside the USA. So there is undoubtedly scope in other countries for greater part-time higher education.

99. As far as both part-time and postgraduate higher education is concerned, it remains to be seen whether the economic downturn increases the appetite of the population for these forms of higher education. Some of the drivers may be the same – the need to gain competitive advantage by increasing and updating skills may encourage those already in, and those about to join, the workforce to seek further qualifications – but there is no evidence about this at present, though much conjecture.

100. For part-time higher education, there may be an incentive for people to prefer this mode of study that enables them to continue earning while learning, and there is strong government encouragement of employers to support part-time higher education in one way or another. It has to be said though that in England some of the government's other policies are tending in the opposite direction, and it is not at all clear that the balance of the conflicting tendencies will result in any significant change.

101. For postgraduate higher education, it is possible that amid signs that funding for undergraduate provision will be held down, universities will seek other markets – and they have proved remarkably adept in the past at creating new markets as old ones decline. But this is not a generalisable conclusion, and so one is obliged to surmise on likely future trends without much evidence at present. Indeed, the evidence so far from England has been that there will not be any great change.

102. Across Europe, in response to the Bologna process, there has been a strong trend towards shorter degrees, to bring them into line with the Bachelors/Masters/PhD system that operates elsewhere in the world. In England, there has been no such reduction in course length – indeed, some of the pressures are in the other direction as it becomes increasingly difficult to achieve required outcomes in the three-year first degree, particularly in technical and scientific subjects. Nor has there been any great take-up of accelerated, two year, degrees. And the two year "Foundation Degree", while successful in terms of numbers, has not in fact led to any increase in the number of sub-degree (diploma equivalent) students in total because the number of Higher National Diploma (HND) students has declined more or less in step. Again, from the UK it is difficult to generalise, but the tendency in the UK does seem to be towards higher and increasing qualifications rather than lower and reducing. But that is from a base situation where the UK has shorter courses than others. The pressure elsewhere may be to shorten their courses, but everywhere the tendency will be to acquire more and higher qualifications.

*What will be the role and significance of higher education institutions not directly funded by tax revenues?*

103. There is very little experience in England or other countries in Western Europe of private higher education institutions. In England private universities are free to operate but without any of the benefits of the public universities (which are not actually public, since they have independent status, but they receive varying degrees of their funds from the state, and so are subject to accountability to the state), but few have taken up that freedom and those that do operate here tend to be offshoots of American universities generally providing for American students or students from other countries. However, what the state does control is the ability to award "English" degrees. The rules have been relaxed recently, and while private providers who wish to offer English degrees have to go through the same accreditation process as public institutions, that is now open to them. Few have taken advantage of that, but perhaps few see advantage in that, since public funding will still not be available to them.

104. Looking beyond England and Western Europe, however, there are a large number of countries where the demand for higher education has outstripped the ability of the state to make provision, and in those circumstances private higher education has often stepped in to fill the gap (the gap is in part also made good by students travelling overseas). The official view of such universities is often ambiguous. On the one hand, they are seen as satisfying a very real social need, and at no cost to the state. On the other hand, there is suspicion about the motives of such institutions (particularly where they are for profit), and of their quality. Where such universities are encouraged and are the subject of proper quality assurance then they are often among the best universities in the country. However, they tend to be reserved for a social and economic elite, which creates other problems. In a country like England where supply and demand for places is roughly in balance, there is unlikely to be a big demand for such universities.

*Will the number of university places continue to increase?*

*Do you have a view on what "should be" the percentage of population to receive higher education in an advanced economy?*

105. There have been a number of drivers of the massification of higher education, and whether in a country like England that has been a cause or a result of increasing economic wealth is debatable. What is undoubtedly the case now though is that the best jobs are reserved for those who have been to university and that in itself is a driver to go to university. For that and a number of other reasons rehearsed here, demand will continue to increase. Whether that results in an increasing number places will depend on economic and political judgements.

106. The question of what "should be" the percentage of the population to receive higher education in an advanced economy depends entirely on the view that is taken of the purpose and benefits of higher education. If an entirely utilitarian view is taken – the purpose of higher education is to provide the economy with the right number of graduates, educated in the right subjects – then that would give rise to one answer and a very much smaller one than the alternative<sup>4</sup>. The more enlightened view is that it is

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<sup>4</sup> Though not necessarily so. There is an unresolved argument about whether there is a limit to the extent to which a better educated workforce itself leads to economic growth, thereby providing a utilitarian case for ever-expanding HE.

not possible to have too much education and that everyone should be encouraged to study to the maximum of their potential. That does not, of course, mean that everyone should go to university, since the whole point of higher education is that it is elite and is "higher" than other forms of education. But it does suggest that we are nowhere near that limit at the moment. As noted previously, there are large groups – the socially and economically deprived, for example, and males – that participate far less than others, and there is no reason why those at least should not increase their participation substantially.

## Activities and Outcomes of Universities

### Teaching

107. The English university system, like others all over the world, struggles to ensure that the business of teaching students, and undergraduate students in particular, is given the weight that is needed and the attention that it deserves in the face of the many incentives and pressures on universities and their staff to excel in research. This pressure is particularly acutely felt in England given the extremely selective nature of research funding coupled with the rigours of the Research Assessment Exercise.

108. Despite these pressures – or perhaps because of them – there is considerable focus on teaching and numerous initiatives in play to improve the quality of teaching and to raise its status. However, despite calls from time to time for teaching quality to influence the allocation of resources, in the same way as research quality determines funding for research, no such processes are in place, and for sound philosophical reasons. In research, the authorities are largely indifferent to how widely research is carried out and by whom: the government's only concern is to ensure that the public money that is invested in research is best used to produce research that is of the highest quality.

109. In teaching, so the argument goes, the imperative is exactly the opposite: the government's and HEFCE's concern is to ensure that students wherever they study benefit from the best possible teaching. It would not serve this purpose – and would be unfair on students – if teaching funding were concentrated and a student attending an already good university benefited from a better staff: student ratio and more books in the library than his or her counterpart attending a university that was deemed less good in that subject. In the case of funding for teaching the benefits of competition are foregone in the interests of equity, and the wider distribution of high quality is an explicit aim, which is not the case as regards research.

110. Among the measures that are in place nationally to improve teaching and ensure high quality throughout the sector are the following:

- The creation of the Higher Education Academy (HEA), whose mission is to improve all aspects of the student experience, and focuses very largely on improvements in the teaching process. The HEA runs a series of 24 subject centres as part of a "Learning and Teaching Support Network", whose remit is to keep abreast of good teaching practice and disseminate this among practitioners in their discipline.
- The appointment by the HEA each year of National Teaching Fellows, nominated and selected by their peers for outstanding teaching. These are appointed with a great deal of fanfare and the intention is to give kudos and prestige to teaching to match that of research.
- The identification and funding by HEFCE of Centres of Excellence in Teaching and Learning – subject based centres in 74 universities identified and rewarded for their excellence in teaching. The intention behind this development is unclear – whether as a means of rewarding excellent teaching (in which case it is rather pointless because it is on such a small scale – although it is not a cheap initiative, costing £315 million over five years) or whether to recognise excellence and

therefore raise the profile of teaching at the same time as enabling the centres to undertake the development of materials and processes, and share their experiences.

- The establishment by HEFCE of the National Student Survey (NSS), which surveys all final year students and, university by university and subject by subject, establishes how satisfied students are with various aspects of the teaching that they have received. Despite initial resistance to the survey on the part of many universities, it is now an established, if not welcome, part of the system. There are numerous documented cases (and doubtless many others undocumented) where universities have changed their practices in response to the NSS.
- Funding by HEFCE provided to each university to improve its teaching (Fund for the Development of Teaching and Learning). This funding has become victim of the policy imperative under which HEFCE now operates to reduce direct funding of initiatives, but it was a highly appreciated and successful stream of funding whereby each university had entitlement to a certain amount of money (calculated on the basis of its size) and the money was released to the university on production of an acceptable plan for the use of the money to improve learning and teaching at the university.

111. Within universities themselves there have been strenuous efforts to improve and focus on teaching. For example, it is almost universal now that newly appointed staff who undertake teaching are required to undergo some form of training in teaching technique – and a number of universities offer qualifications for this. And whereas the rank of Professor has traditionally only been available to staff in recognition of their research achievements, the majority of universities now have chairs that take teaching excellence into account as well, and in many cases appointments can be made purely on the basis of teaching criteria.

112. Probably the most significant instrument for promoting teaching and enhancing its quality remains the quality assurance process, now in the hands of the Quality Assurance Agency. The first quality assurance process for higher education was put in place following the 1992 Education Act, which requires HEFCE to ensure that the provision made by higher education institutions is assessed for its quality. For the first few years the process was run in-house by HEFCE and involved an intrusive process of programme review. It is now in the hands of the semi-independent Quality Assurance Agency for Higher Education, which is owned by sector bodies, but which conducts quality assurance on behalf of the funding bodies and following their specification. The process itself has moved from the somewhat intrusive programme review to a lighter touch institutional audit, whereby institutional processes for assuring quality are scrutinised and tested for resilience and effectiveness.

113. It is fair to say that the teaching quality assurance process remains unpopular (but then so is the research assessment process), but far less so than it was previously. Indeed, the criticism that is now levelled against the process – a constant refrain in the evidence provided to the Innovation, Universities, Science and Skills Select Committee of the House of Commons, for example – is precisely that the QAA does not have teeth and is entirely process driven, and that no one takes it seriously. However, the institutional leaders appearing before the Select Committee were dismissive of the suggestion that the QAA is not taken seriously – and most of those involved in QAA

assessments complain about how seriously they have to take QAA assessments and the time and effort put into preparing for them.

114. A more valid criticism of the present quality assurance arrangements is that there is no process in place for considering standards in English universities. At the same time, there is increasing concern about the different standards that apply to degrees in different universities. That is particularly acutely felt because of the degree classification system that still operates in the UK whereby degrees are divided into first, second (upper and lower) and third class. Whereas the external examiner system was intended to ensure some degree of comparability between degree classes in different universities, this is widely felt to have broken down and despite recommendations from time to time to amend the system (most notably in the report of the Dearing Committee) no reform has yet been undertaken.

115. Recent surveys by the Higher Education Policy Institute have shown that there is great variation in the number of hours of study that students are required to undertake, between subjects but also within the same subject between universities. This has led to questions about the comparability of degree standards, and what it means to have a qualification from an English university if the same qualification can be obtained with such very different degrees of effort.

116. The same studies also showed large differences in contact time – differences between subjects and also between universities - but those might be explained away by reference to the possibility of different pedagogic approaches requiring a different mix between formal teaching and private study. That is a reasonable hypothesis – and indeed it is notable that in almost all subjects students at Oxford and Cambridge study overall very much longer than students at other universities, yet the amount of formal contact that they receive is not very different – but so far none of the official bodies like the HEA or QAA have investigated the issue to establish in what circumstances differing balances between contact and private study are acceptable. And the question of overall study time is an embarrassment that has not been addressed at all.

117. Coupled with the fact that English degrees are shorter than those elsewhere in Europe (an average of 3.3 years, which is considerably shorter than any other at present), and that a number of surveys have shown that students in England study for fewer hours each week than students elsewhere in Europe, awkward questions are raised about the comparability of degrees in England with those elsewhere in Europe, which need to be addressed if the reputation of the English higher education system is not to suffer. Although surveys such as the NSS indicate that students are generally very satisfied with the quality of what they receive, when value for money is assessed international students have expressed a worrying degree of dissatisfaction, with around 30 per cent of those surveyed in the HEPI survey expressing themselves dissatisfied.

118. Responses to those reports have varied considerably between institutions, but more particularly between bodies with national level responsibility and individual universities. At the individual university level there has been substantial take-up of the offer that HEPI made to share the raw data with universities who wished to investigate further the findings for their own institution. It is clear that many universities have taken the findings seriously and have sought to identify where they are out of step with other institutions and why; and in several cases have adjusted what they offer accordingly. Whether in response to the HEPI survey directly or because the issue has arisen in other ways, there are well-publicized examples of universities that have shown

how seriously they now take the issue of what they provide students on the one hand and what they demand of students on the other:

- The University of Lancaster, for example, since 2008 has made a commitment to students about matters like the minimum contact hours that they may expect, and the maximum number of other students they can expect in seminars.
- The London School of Economics now makes a similar commitment, and in addition has stated that it aims to limit the number of seminars led by graduate students.
- The University of Manchester too has stated that it intends to review what it provides to students by way of contact with their staff.
- And others have stated that they intend to enter into quasi-contractual relations with students covering the university's commitment to them and their commitment to the University.

119. But the response of the national bodies and those that represent universities collectively has been disappointingly defensive. Instead of acknowledging that on the face of it the findings of these surveys raise pedagogic questions, as well as questions about relative standards, that need to be explored and reassurance provided – or where reassurance is unavailable then lessons drawn and corrective action taken – the issues appear to have been avoided.

120. Mention was made earlier of the degree classification system in the UK, which is an enduring and singular feature of the UK's arrangements. For various reasons – concerns about grade inflation on the one hand, and concern that a single summative score does not adequately reflect the achievements of students on the other – the system has been reviewed and the review committee (the Burgess committee) has recommended moving away from degree classifications and replacing them with a "Higher Education Achievement Record (HEAR)", which has the additional merit of being Bologna-compliant (the Bologna process requires a student transcript (Diploma Supplement) to be provided to students as they leave university, covering their various achievements in some detail).

121. Despite widespread agreement that the present degree classification system is broken, and reasonably widespread agreement that a record of achievement of some sort would be a helpful development, there is by no means agreement that the degree classification system should be abandoned in favour of a HEAR. For a start, employers are deeply unhappy at the prospect of losing a summative assessment of the intellectual ability and achievement of potential employees and being confronted instead with a multipart record. And there are many who think that rather than simply abandon the degree classification system it would be far better to try to address its current failings, most notably, as has been mentioned, by repairing the external examiner system. For the time being, universities have agreed to accept the recommendation to introduce the HEAR, but to run that in parallel to the current classification system, but without yet having agreed to take steps to improve the way the classification system operates.

122. A final point that is worth making is that although, as has been mentioned, considerable attention is paid to the questions of widening participation and fair access, there is also a perennial concern about the success of students once in higher



education – their employment outcomes, and more particularly whether they complete their course or drop out.

123. As has been mentioned, HEFCE provides a premium to universities in respect of each student recruited from a disadvantaged background, explicitly to recognise the need to invest more in such students to help them succeed. And the HEFCE funding method has in the past only counted students who completed their year (whether or not they passed their exams – the issue was that they should not have dropped out), providing an incentive to universities to do what they could to ensure that students did not drop out.

124. As a result drop out rates appear to be relatively low in England. Projected at around 14 per cent, they have barely changed despite the pressures of recent years. This is taken to be a major achievement of the system as it has transformed from an elite to a mass system. While there are some who believe this is partly because standards have fallen, that is unlikely to account for this, as most drop-out is not – and has never been – the result of examination failure.

## **Research**

125. Reference to "research" in England is generally shorthand for "scientific research", and although the humanities are relatively well supported, and lip service paid to their importance to the country, all focus in policy and political discussion is on scientific research.

126. Even preceding the global economic crisis governments around the world have been focusing on science as a mechanism for achieving competitive advantage, and as a way of helping to develop their economies. In a recent speech Michael Gallagher, executive director of the Group of Eight Research Universities in Australia, reviewed how governments across the world were investing massively in research. Over and above their previous plans, he referred to Germany increasing investment by €900,000,000 in 2009 and 2010, to China investing a significant part of its 10 trillion Yuan (\$1.5 billion US) stimulus package in research and to the USA, in President Obama's stimulus package of US \$15.6 billion (mainly research investment).

127. The UK has been no exception. Well before the global crisis, government funding for research had been increasing rapidly, alongside its expenditure on higher education more generally, HEFCE research funding doubling in the 10 years after 1997. It has been part of the creed of this Government that investment in science is investment in the future of the country and is justified in those terms.

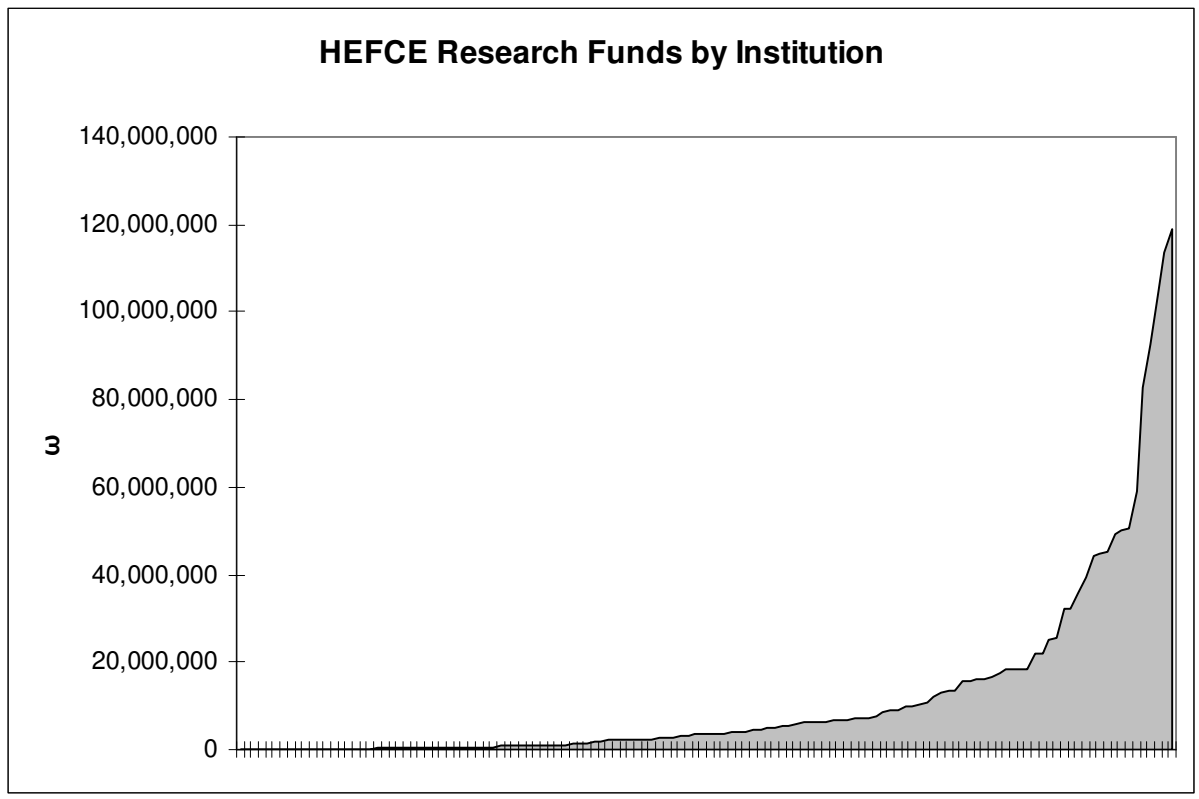
128. Such is the importance that the government attaches to science that the Prime Minister devoted an entire speech to the topic recently, saying among other things that his vision was "to move away from an economy centred so heavily on financial services to one that is broader based with a new focus on science and innovation".

129. Even more notable than this commitment to science as a driver of economic progress – survival even – is a commitment to maintain the increased levels of investment that there have been in recent years. In the same speech the Prime Minister said that he intended to "entrench investment in science as a national priority". In 2004 the government committed to a 10-year investment in science which involved, among other things, nearly doubling in real terms the spend on science between 1997-98 and

2010-11, and the government is committed, despite the global downturn, to meet the 10-year commitment, "with investment focusing on pure fundamental science as well as applied science". He also committed to "maintain the ring fence placed around science funding – protecting money for science from competing demands in the short-term". He said that the government would not "allow science to become a victim of the recession – but rather focus on developing it as a key element of our path to recovery". So there is no doubting the government's belief that scientific research will be a key not only to recovering from the recession but also to developing the direction of the economy in the future, and the signs are at present that the government is putting its money where its mouth is despite current financial limitations.

130. An important characteristic of the arrangements for research funding in England is that funding is highly selectively allocated, with a relatively small number of universities receiving the lion's share of research funds and a large number of institutions receiving very little if any at all. How selectively research is funded is demonstrated in Figure 20 below, which shows the distribution of HEFCE research grant. Each point on the horizontal axis represents a university, and the graph shows that there are a very small number of universities – at the right – that receive large sums of HEFCE research grant, and a long tail of universities that receive very little at all. Although this graph relates to the funding that HEFCE provides for research, funding from the Research Councils is allocated even more selectively – 23 universities (out of the 130 higher education institutions that it funds) receive 75 per cent of the HECFE research grant, but just 18 universities receive 75 per cent of Research Council grants.

Figure 20: Distribution of HEFCE research funds



131. This policy of extremely selective funding is now well established, and dates back to the time when the polytechnics became universities in 1992, and a mechanism was required to ensure that the funding provided by the Funding Councils for research was not dissipated widely across the new university sector. The Research Assessment Exercise (which already existed in embryonic form) was the mechanism for identifying the best research and enabling it to be funded selectively, and subsequent iterations of the RAE have ratcheted up the degree of selectivity. That is, until the most recent (2008) RAE.

132. It has always been an article of faith – of policy even – that good research would be funded wherever it was found, and that research funding policy should be based on selectivity, not concentration – i.e. it is not universities that are funded but research departments, if they are of sufficient quality, even if they are in otherwise poorly performing universities. However, until the 2008 exercise an entire department would need to be identified as being of high-quality in order to receive funding – outstanding groups in mediocre departments would not be separately identified. The scoring method of the 2008 RAE was different to that of previous exercises, in that it enabled outstanding research to be identified even in poorly performing departments, and that has led to a far wider distribution of funding than previously, with some erosion of the funding of the very best departments (not because their quality has deteriorated but because they are playing a zero sum game and others have improved their funding). So for the first time in 2008 after nearly two decades, research funding may have become a little more widely spread, but the effect of that should not be exaggerated – that is at the margins. Funding for research, as Figure 20 above shows, is still highly concentrated.

133. The policy of selective funding is surprisingly uncontroversial. Nevertheless, there are critics who argue that research funds should be more widely distributed, not because that would lead to better research and better research outcomes for the country, but because, it is argued, by depriving many academics of the opportunity to do very much by way of research, this reduces the quality of their teaching and effectively disadvantages students who are taught by academic staff that do not do research. Effectively, that argument is about the relationship between teaching and research and is based on assertion rather than evidence. But there is little doubt that those universities with most funding for research do benefit, not only because they are enabled to undertake more research, but also because they are able to recruit better staff, because they have better staff student: ratios and so are able offer their students a wider range of choice.

134. The policy of selectivity is being called into question for another reason. Citation analysis undertaken by the independent research company Evidence Limited has confirmed that the United Kingdom is second only to the United States in terms of the quality of its research (to the extent that citations are a measure of research quality), and in some respects – taking size and spending into account – the UK outperforms even the United States. However, more detailed analysis shows that this outstanding performance is the result of a relatively small number of truly outstanding researchers, which has a disproportionate effect on the overall performance of the country. But looking beyond those, the United Kingdom also has a larger than average proportion of research that is never cited at all, and the average impact of the average researcher is actually below the world average. What to make of this in policy terms is unclear, and these results have largely been ignored in policy discussions, but they suggest that perhaps a bipolar approach would be justified, with even more selective funding at the top of the range, but a greater spread of funding beneath that.

135. As mentioned above, the mechanism by which the best research is identified, that allows selective funding, is the Research Assessment Exercise which in one form or another has existed for over 20 years. While the results of the RAE are generally respected, the process remains unpopular and controversial, and there are suggestions that it has a distorting effect on academic behaviour – for example influencing the nature of research undertaken by academics, and recruitment behaviour by universities. For reasons that are not properly understood, three years ago the then Chancellor of the Exchequer (the present Prime Minister) announced in his budget statement that the RAE was to be abolished and replaced by an evaluation mechanism that would be based on the amount of research income (whether from industry, research councils or charities) that universities earned.

136. These proposals were widely ridiculed and have been modified over time to the extent that the current proposal is to replace the RAE with a process that looks very much like the RAE, with financial and other data provided to the evaluation panels in addition to the information about the research that has been published. It is interesting that when confronted with alternatives to the RAE the academic community appears to prefer the process has been developed over 20 years than the new metrics-based system that was proposed. The crucial element that appears to have swung most opinion is that the present arrangements depend upon peer review at their heart – a system that is familiar to and accepted by academics - whereas the alternatives proposed dispensed with the use of review panels. Panels have now been reinstated, and with those, the exercise will once again have judgments about quality at its heart.

## Relations with business and the community

137. It is not just that universities, and scientific research, in general are seen as the drivers of a knowledge economy. Universities are also seen directly as contributing to the national wealth, both through the services that they can provide to industry but also through their own entrepreneurial activities, arising from their research and innovation. There has long been concern that the UK is good at basic science but poor at exploiting the benefits of that science. Partly in response to that, but partly also in order to encourage universities more generally to improve their performance in this respect, the funding bodies, together with the government, have for nearly a decade provided funds directly and explicitly to universities to encourage and enable them to exploit their research and other activities, and in 2010-11 about £150 million will be provided to universities through the Higher Education Innovation Fund (HEIF) for this purpose.

138. A measure of the success of universities in their interactions with the wider world and their exploitation of their intellectual assets is provided by the annual Business and Community Interaction Survey. These measures, over time, the extent and nature of the interactions that universities have with business and the wider community. The most recent of these, which shows data from the academic year 2006-2007, reveals that the total income received from higher education institutions from such activities stands at £2.64 billion, an increase of over 20 per cent since 2003-04. The biggest single category of activity, by a long way, is contract research, though consultancy and continuing professional development (training) are also significant. The smallest group of activities is under the head of "IP exploitation", and income from that source is not increasing as fast as income from other sources, though that has the highest profile. The latest survey compared information for IP-related activity in the UK and USA, and found a far higher rate of spin-offs from the UK than the equivalent USA institutions (taking size and expenditure into account), but far lower levels of income from spin-offs, and less than half the rate of return. Table 21 below is taken from Annex D of the report.

Table 21: Commercialisation activity in the UK and US, 2006-07

	US universities AUTM survey	UK HEIs HE-BCI survey
Number of institutions	156	160
Total research expenditure (£ million)	21,276	4,509
IP income including sales of shares in spin-offs (£ million)	678	58
IP income as percentage of total research expenditure	3.2%	1.3%
Spin-off companies formed	484	226
Research expenditure per spin-off (£ million)	44	20

139. There is growing realisation that interactions with business, and IP activity in particular, while important and contributing substantially to university income, are unlikely to be able to grow fast enough to offset reductions that may take place in core income. That does not diminish their importance, however, and such activity will continue to be encouraged by the government.

140. As far as research students are concerned, mention has already been made that numbers are far less resilient than for other postgraduate students, which poses potential problems for the future academic workforce. Indeed, making a virtue of necessity, a significant proportion of appointments that are made to university posts – particularly research oriented appointments – are from overseas. The UK is highly dependent on international students for its postgraduate research effort. In 2006-07, of 118,660 postgraduate research students in total in UK higher education institutions international research students accounted for 42.4 per cent, and the number has been growing at about 4 per cent per annum in recent years. This is a far higher percentage than any other country – in the USA, for example, international students account for 33 per cent of the total, and in France 35 per cent.

141. In many ways that is a success – per capita the UK is the most successful recruiting country for research students – but it means that the country is highly dependent on such students for its research effort and indeed for the survival of many of its departments. In passing, it is interesting to note, as revealed in the report by the International Unit "The Market for International Research Students", one third of postgraduate research students studying in the UK had previously studied there as undergraduates. This highlights the importance of the undergraduate international student market for UK universities well beyond the income that they generate.

## **Internationalisation**

142. It is convenient to include a brief discussion of globalisation and internationalization of HE in the context of this treatment of the activities and outcomes of universities. Much of the focus on internationalization in the UK concerns international students. In terms of absolute numbers there are more international students studying in the UK than in any other country aside from the USA, and as a proportion of total students international students account for a higher percentage in the UK (16 per cent) than any other country apart from Australia. However, the impact of globalisation goes far wider, and there is a danger that because of the income they bring, discussion of globalisation will continue to be dominated by such considerations, and the bigger picture will be lost. Nevertheless, there is growing realisation that globalisation as a concept goes well beyond concern with international students, and in discussion, but also in reality, an increasing understanding that globalisation and the internationalization of higher education that accompanies it, require deep partnerships between universities in order to enable them to take advantage of the benefits of global developments.

143. Although it is on only a small scale so far, private and particularly overseas universities are opening in the UK, and while in general these are providing for non-UK students, that is a development that mirrors the small number of universities from the UK that have opened branches overseas – most notably in China, Malaysia and on a smaller scale in Dubai. So to the extent that the question of higher education as a tradable commodity arises, universities in the UK are slightly nervous, but nevertheless reasonably committed, believers in free trade and the UK has supported the extension of the General Agreement on Trade in Services (GATS) to higher education.

144. Mention has already been made of the fact that the UK is highly internationalized as far as its research effort is concerned. A significant proportion of staff that are now appointed are from overseas and international research students account for nearly half of all research students. But there is significant movement in the other direction as well,

and in a recent report HEPI found that although most return to this country, significant numbers of the most able academics from the UK go overseas for significant periods, and generally at the beginning of their careers. Whereas at an earlier time there was concern about "brain drain", the reality is one of brain circulation from which the UK benefits significantly.

145. Looking beyond staff and students, the most revealing indication that international collaborations are taken seriously is from the evidence about research collaborations. From an analysis of citations and joint publications, repeated at Table 22 below, Evidence Limited was able to establish the extent of collaborative activity in research by different countries over the last decade or so.

Table 22: Extent of international collaborations

	% of world output	Collaboration as % of output	% collaboration increase 1996-00 to 2001-05
UK	9	40	11.4
USA	34	25	5.3
Canada	5	41	7.9
France	6	44	8.3
Germany	8	43	8.6
Japan	9	21	4.9
Australia	3	40	9.2
China	5	26	0.5

Source: Evidence Ltd, 2007

146. The first column indicates that the UK is second to the USA in terms of output, the second column that UK academics roughly collaborate as much as most others and – in the final column – that the UK's collaborations are increasing faster than others.

147. Further analysis – in Table 23 below – shows in the bottom line that the UK was the country of choice for collaboration, after the USA, and for example, from the line above, that Chinese academics collaborated more with colleagues in the UK than with any other country except the USA and Japan. It would appear that, as in other aspects of research, in terms of collaborations the UK is second only to the United States, and in many respects improving its situation. Most encouragingly it appears that the lesson that collaboration and partnership is the way to benefit from globalisation is being taken seriously, at least as far as research is concerned.

Table 23: Shares of international collaborations

	UK	USA	Canada	France	Germany	Japan	Australia	China
UK		30	6.4	10.7	14	4.6	6.6	3.8
USA	12.9		11.6	8.1	13.1	9.3	4.8	6.1
Canada	12.2	51.4		8.5	8.5	5.2	4.9	4.9
France	14.4	25.2	6		15.4	4.3	2.6	2.6
Germany	13.8	30	4.4	11.3		5.1	3	3.7
Japan	8.6	40.3	5.1	6	9.7		3.8	11.2
Australia	20.6	34.4	7.9	5.9	9.4	6.4		7.9
China	10.1	37.7	6.8	5.1	9.9	15.8	6.1	
<i>Average</i>	<i>13.2</i>	<i>35.6</i>	<i>6.9</i>	<i>8</i>	<i>11.4</i>	<i>7.2</i>	<i>4.6</i>	<i>5.7</i>

## Issues Arising

### General Issues

148. Universities all over the world struggle to ensure that the teaching of students – particularly undergraduate students – has attached to it the importance that it deserves, bearing in mind that for most universities that is their major activity. That is particularly the case given the funding and prestige that attaches to research. In England there are numerous – it has to be said relatively recent – initiatives in place at both national and institutional level to focus on teaching and to improve its quality, and indications are that those have been successful to some extent. It remains a challenge in England – and undoubtedly will in other countries too – to maintain this.

149. Whereas in England there is a reasonably well developed process for ensuring quality, there is no such process for ensuring standards, and in particular the comparability of standards between universities. That is in some respects a more intractable problem, but one that needs to be addressed if public confidence in the system – and particularly political confidence – is to be maintained.

150. As far as research is concerned, there appears widespread belief that investment in scientific research is one that will help the country develop economically, and in present circumstances will help to overcome the recession. Investment in scientific research therefore looks as though it is likely to be widely maintained, which while welcome in most respects, risks having a distorting effect on institutions and their activities.

151. The way that research funds are allocated, and in particular whether they are evenly distributed or selectively provided, varies between countries. In England research funds are highly selectively allocated and the consequences for the quality of the research base appear to be positive. But that policy does mean that there are many institutions where research funding is absent and where, if as is often suggested there is a connection between research activity and good teaching, the quality of teaching must therefore suffer too. It has to be said that despite assertions that are often made about the relationship between teaching and research, there seems little good evidence about this.

152. Universities are increasingly required to provide services to industry and the wider world, and to put to practical and commercial use the knowledge that they have generated. That is certainly happening to an increasing extent in England, but is important that unrealistic expectations are not created about this. While it is certainly important that universities share their knowledge and experience – and also their facilities – for the benefit of society and the country more widely, any suggestion that commercial and spin-off activities will provide a major source of income for universities is misguided. Even in the most successful American universities such activity accounts only for a fraction of their income.

153. For convenience, the question of internationalisation is considered here. Whereas until the recent past 'internationalisation' has been regarded as synonymous with the recruitment of international students, and the activities that are associated with that, there is increasing understanding that it is a far broader concept that reaches deep into the activities of a university – not just in relation to students, but to staff, research activity and even joint degrees and other collaborative activity as well.



## Specific Issues

*What will be the evolving relationship between research and teaching?*

154. The strong incentives to which universities respond – both incentives from the government but also incentives internal to the academic community – are to focus on research, and to counter this a very great deal of effort is put by the government and Government-related bodies to increase the incentives to focus on teaching and to improve its quality. To some extent, governments are in a cleft stick. On the one hand, there is increasing clarity that concentration of research funds and their selective allocation will lead to a better outcome for the country in terms of the quality of the research that is funded. On the other hand, that is likely to lead to increased incentives to concentrate on research. In addition, there is an unresolved question about the relationship between good teaching and research – it is asserted but not proved that academics that do research are the best teachers, and if that is the case then research policy may require a greater concentration of research, but teaching policy a greater spread in research activity. What seems certain is that all academics have a duty to engage in scholarship, in the sense that they must be abreast of their subject and the latest developments in research in their subject, even if they themselves are not engaged in pushing back the frontiers of knowledge; and all staff must be enabled – and funded – to engage in such scholarship.

*What are the necessary components of internationalization?*

155. At one level, internationalisation has been seen very largely in England as synonymous with recruiting international students – something that this country has been outstandingly successful at doing – and arguably that is how government and society more widely still see it. However, as will also be apparent from what has been written above, universities are increasingly conscious of the benefits of internationalisation viewed more widely. Collaboration and partnership are increasingly discussed in the context of internationalisation, and the UK is particularly active as regards research collaboration – but all countries are increasing their research collaborations. Where there is little understanding – not just in this country – is what a truly globalised higher education system might appear like, with students moving between universities for different components of their programmes – either physically or virtually – curricula modified to recognise the global environment and the international character of the student body, and academic staff operating beyond the borders.

156. What is certain is that the model of bringing international students to a small number of exporting countries is an inadequate description of internationalisation. To the extent that that is relevant to internationalisation – and it undoubtedly is – then the main reasons that some countries have been successful have to do with perceived quality on the one hand (and the branding that goes with it that enables students with a degree from a particular university from a particular country to benefit in the employment market in their home country); the English language as a medium of instruction; and cost. However, as is demonstrated by the English experience, where despite very much higher levels of cost, numbers of students numbers of international students are higher than in Germany that is regarded as having a higher education system of equivalent quality – cost so far may be a second order consideration.

*Is the system moving towards differentiation or homogenisation?*

157. The English experience does not suggest any trend towards homogenisation of institutions within the higher education sector. Essentially, universities are extremely adept at responding to the market, and as market demands change and as universities see niches, they fill them. The one respect in which there has been a tendency towards uniformity is the inclination to focus on research and the value placed on research activity – but even here the picture is varied. None has said that it is research free, but those that are least research active describe themselves as "research informed", as distinct from research led or research intensive. Yet others are "teaching led" and some are "business facing". And scholarship, of course, is a duty of all academics so that is not in question.

158. Within the strongly market system in the UK, universities do tend to concentrate and focus on their strengths. An interesting example of this tendency is how following each Research Assessment Exercise the research strong universities identify areas of strength, but more particularly areas of weakness, which they explicitly either run down and close or invest in to strengthen. Liverpool provides an example of that in England recently were following the RAE the university is considering the closure of those departments that performed badly, with the inevitable consequential outcry that such a move is bound to generate.

*The role of technology*

159. Despite extravagant claims that have been made for the likelihood that technology will revolutionise higher education, other than in a very small number of dramatic, and sui generis, examples like the Open University and the University of Phoenix, the progress that has been made in the use of technology has been, for most part, incremental and relatively modest. Claims are still being made for technology to overturn higher education, and the truth is that nobody knows the extent to which this will happen, but the likelihood is that, as so far, technology will be used to improve what universities, and the academics within them, have always done, but will enable them to do it better and more effectively.

## Governance

160. In the context of higher education, governance refers to the constitutional forms and processes through which universities govern their affairs, and also covers the mechanisms by which they relate to the state. Conceptually, as well as in fact, governance arrangements are quite distinct from and need have no bearing on the question of academic freedom. Academic freedom is central to the role of universities in advancing knowledge and critical education, and may flourish -- and indeed does flourish -- in quite different forms of governance arrangements. That is not an issue that is considered here.

161. Theoretically there has long been a divide in British universities between corporate governance which is primarily concerned with legal and financial standing, and academic governance which presides over the university's core activities of teaching and research. However, the complicated status, organisational structure and commonly overlapping hierarchies in the modern British university (not to mention ancient universities) produce interrelationships between corporate and academic governance that create different problems than those experienced in the commercial world. Through much of the twentieth century British university constitutional change was typified by a shift of power from politicians to academics, giving rise to the 'democratic university' of the 1960s. However, further trends in the late twentieth and early twenty-first centuries has seen the power of academics challenged by managers and professional administrators, most likely as a response to similar drives in UK government agencies.

162. Governance of universities in the United Kingdom is complicated by the number of institutions and the period in which they were incorporated as universities. The 'post-1992' universities, formerly polytechnics, were afforded status as universities by government legislation that required their constitution to establish specific forms of governance. Responding to suggestions made by the Jarrett Committee (1985) the constitutions of the new universities specified a more powerful role for the vice-chancellor as chief executive, mandated for a larger majority of external members on the university's governing body, and limited the role of the academic board, staff, and students in governance. These moves were a demarcation from the collegial academic decision-making models that had persisted in the UK for most of the twentieth century. In future HE institutions in the UK were required to create similar arrangements for governance.

163. In contrast, and for a short while, previously incorporated universities retained their existing structures of governance and any changes to that structure remain the responsibility of the university's governing body, though these too for the most part have now reformed their governance arrangements (see below). A great deal of tension exists, and many fierce debates have been held, over the power of external governors in relation to their academic counterparts. Academics, commentators, and politicians are divided as to the extent of control that corporate governors should have over the educational character of an institution.

164. In post-1992 institutions the governing body, independent of the academic board, is given the authority to determine the educational character and mission of the university and to generally oversee its activities. The corporate governors have authority over the institution's resources and review its income and expenditure, including the salaries of those employed by the university. Moreover, the corporate governors are

generally given authority to appoint, appraise, and dismiss the senior governing posts of the institution, such as the vice-chancellors and deputies. The vice-chancellor, acting as the chief executive, is given considerable authority to manage the university – an activity separate from the ‘governing’ mandate of the corporate governors. At present, there is even a call to decrease the size of university governing bodies and remove most, if not all, of the academic and student representatives. A recent report by the semi-official Leadership Foundation for Higher Education argued that some post-1992 institutions were deliberately moving towards a model “quite close in operation to the boards of private-sector companies”.

165. Most pre-1992 institutions (with the exception of the universities of Oxford and Cambridge) began in the late 1980s and throughout the 1990s to alter their constitutional framework towards the model required of post-1992 universities, primarily in response to a number of government-sponsored studies and reports on good governance in higher education. Consequently, in 1996 the Committee on Standards in Public Life (Nolan Committee) claimed that university governance in the UK had been effectively reformed. This has not lessened calls for further changes in governance toward models adapted from the business community.

166. Any encroachment of the corporate governors into the traditional remit of the academic governing body can be met with strong resistance from academic staff and students because it may be seen as both a threat to traditional modes of collective and collegial decision-making and a threat to the academic integrity of the institution. Notions of academic governance vary within and between post- and pre-1992 institutions from a very limited mandate for participation in governance from academics to the academic governing body retaining a traditionally dominant position in substantive decision-making, albeit in a limited sphere. In many pre-1992 institutions, including Oxford and Cambridge, academic governance includes all aspects of university administration that relate to the academic life of the university. In post-1992 institutions academic governance includes only responsibility for directly academic issues such as the curricula, course approval, and academic standards. However, Oxford and Cambridge which are themselves anomalies amongst the pre-1992 institutions, are almost alone in the level of control afforded to academics above the executive. Consequently, the models of governance in old universities in the UK are *de facto* indistinguishable from their newer colleagues.

167. The collegial styles of governance have been widely criticised by politicians and government agencies. The dangers of collegial governance were illustrated recently when an Oxford college sold some land that it had owned for many centuries, and the College Fellows voted to pay themselves a bonus of tens of thousands of pounds with the proceeds. In 2009 the University of Cambridge was criticised by a government agency for allowing professors – with vested interests in their research areas – to determine the application of research funds. In response one Cambridge professor called the attack “completely misguided” and argued that attempts to impose commercial models of governance on the University would significantly harm scholarship. The government agency later reached a compromise where a Cambridge representative would regularly meet to discuss funding allocation. The Dearing (1997) report itself argued that the old universities should bring their governance in line with their post-1992 counterparts and decrease the size of their governing bodies, limit the involvement of academic staff, and have the governing body draw up performance indicators to assess institutional effectiveness, upon which the allocation of public funds would be based. For many these proposals – that many saw simply as common sense and in line with good governance practice – were seen as a step too far.

168. Similarly, some have argued that the shift towards allowing the vice-chancellor greater authority as chief executive has created problems in itself, even when vice-chancellors are typically academics. In response to the modern role of the vice-chancellor the present professor of government at the University of Oxford, Vernon Bogdanor, commented that:

- “Leaders of higher education have been co-opted too strongly into Government. Instead of speaking for universities to the government, they speak for Government to universities. There are too many people of a managerial bent running universities and too few who understand very much about academic values.”

169. Professor Bogdanor’s sentiment is one shared by many academics in the UK, who feel discomfited and dissatisfied with perceived changes towards a management culture rather than an academic culture. Moreover, it is not beyond imagination to assume that university administration in the UK is moving to a point where vice-chancellors will typically be appointed from the business community rather than from within the academy, and indeed this has occurred in the past, not always – but sometimes – successfully: the present Principal of Glasgow, for example, was a permanent secretary in the government, and the newly appointed Vice-Chancellor of the Open University is currently a senior employee of Microsoft.

170. Whilst the fiercest debates in UK universities may be about internal governance, most acrimonious sentiment is put aside to defend the institutional autonomy of the university against moves to place more control of universities in the hands of the British government. Such is the importance attached to this debate that the incoming chief executive of the Higher Education Funding Council said in his first public speech on taking office in April 2009, “I will always respect the autonomy of universities and colleges”. However, in a neoliberal state such as the UK the university has not escaped trends towards utilitarianism and accountability: the same HEFCE chief executive remarked that institutions have “clear responsibilities and accountabilities”, including a responsibility to teach the “knowledge and skills required to help the professions, businesses and public services innovate and prosper, and to ensure that the research undertaken in universities continues to have relevance and impact”.

171. Increased government awareness of the importance of higher education in the UK does not necessarily mean a move to curtail the autonomy of institutions. The Educational Reform Act 1988, which began the creation of the post-1992 institutions, explicitly set out to remove the new universities from the control of local authorities in recognition that autonomous institutions were generally more effective. Nor, in prescribing the constitutional governance of new institutions to comprise a majority of lay people rather than academics, was the government attacking institutional autonomy per se so much as altering the locus of power and the autonomy of academics. Consequently British governments have created and upheld institutional autonomy precisely by creating governing boards, establishing performance contracts with the institutions, and providing universities with strategic objectives.

172. While the government may not exercise direct control over universities, some of its processes, accountability requirements and funding mechanisms have the effect of curtailing the ability of universities to do what they might have otherwise decided to do. An example of this is the Research Assessment Exercise (RAE). Unique to the UK and a small number of other jurisdictions (including Hong Kong), the RAE occurs periodically

(recently approximately every five to seven years) and is a process for evaluating the quality of research undertaken by British institutions during that period, in order to determine the distribution of the HEFCE research allocations. Subject panels of academics judge how well institutions are performing in that subject. The results of the RAE, published as a numerical ranking system, not only determine the HEFCE research allocations, but are often taken into account by Research Councils in the decisions they make between competing project proposals.

173. However, UK universities do not receive funds directly from a government department subject to political control, but instead from the semi-independent and autonomous non-departmental public bodies that are governed by councils comprised of academics and non-academics, who are appointed by the Secretary of State. The HE Funding Councils (each of the countries within Great Britain has its own Funding Council) – and to a lesser extent the Research Councils – act as a buffer between the UK government and the universities in an effort to ensure that the allocation of funding is detached from direct political interference. The budgets of the councils (£7.8 billion for HEFCE in 2009-10 and £3.5bn for the Research Councils in 2008) are set by central government but allocated independently to institutions, projects, postgraduate scholarships and infrastructure by the Funding and Research Councils themselves. While the level of direct government control is mitigated by the autonomy of the funding and research councils, in setting the totals, and setting the broad framework for the distribution of the funds, the British Government does exercise a very high level of influence, if not control (as is right in a democratic society – the difficult thing is to get the balance right between democratic accountability and counterproductive interference).

174. It is true that the increasing number of conditions attached to public funding, or funds allocated for specific types of student or programmes of research, has altered the relationship between UK universities and the government. But, as recognised by Gordon Graham in *Universities: The Recovery of an Idea*, (Exeter: Imprint Academic, p. 17) “Whatever university autonomy may mean... it does not mean, and never meant, freedom from state interference”, precisely because universities are considered by the government to be institutions of social and cultural importance.

175. The government exercises a subtle form of influence, if not control – the power of the purse – insisting, in the words of a former Education Secretary on “something for something” in return for the funds that it provides. But the government is schizophrenic about this. It knows that autonomous universities are the most successful ones, but given the importance that it attaches to universities for the future development of the country, while expressing good intentions – and often delivering them – it is sometimes unable to help itself. While UK institutions have a considerable amount of institutional autonomy they operate clearly within a higher education system constructed and regulated by extensive government influence if not direct control.

## **Issues Arising**

### General Issues

176. All over the world governments are identifying universities as key to the development of their economies and their societies, and more recently as essential elements to help extricate them from the economic problems that they face. As a consequence, there is a strong inclination on the part of governments to intervene in universities and what they do to a greater extent than previously. That counters a recent tendency in many countries, recognising that the best universities are

autonomous universities, to give them greater freedom and to avoid government intervention in their direction and running . In England, at any rate, where there has been a tradition of autonomous universities in the past, there has probably been no significant erosion of that autonomy, but the tension is clear.

177. There is also tendency in those systems where universities are autonomous to introduce corporate-style governance, where the ultimate authority of a university is in the hands of a governing board of some kind with the majority of its members external to the university. That is thought to be important where universities run themselves, because the alternative would be to create conflicts of interest with those who benefit from a decision also taking that decision.

### Specific Issues

#### *How will management, governance and infrastructure provision in universities change?*

178. As governments increasingly view universities as fundamental to their ambitions to develop their economies and their societies is more generally, it becomes increasingly difficult for them to stand aside and avoid imposing their wills to a greater or lesser extent on universities. On the other hand, the most enlightened governments also understand that autonomous universities have been the most successful. This can create a gap between rhetoric and reality.

179. As far as internal University governance is concerned, there has been a strong tendency towards corporate-style governing boards, and in almost all universities in England the majority of members of those boards are from outside the university. At the same time, universities are "managed" by the Vice-Chancellor who in effect has the role of the chief executive of a corporation. The autonomy of individual academics has undoubtedly been eroded, but it is disputable whether institutional autonomy – and certainly the autonomy of university management – has increased or not.

180. Despite the pressures in both directions, there is no sign yet that university autonomy is being eroded in England. It is true that accountability measures have increased and in some cases (for example how universities receive research funding) the processes they have to go through to obtain their funding can be onerous, but that is not the same as greater government control and a reduction in autonomy.

181. It remains to be seen whether the recent economic difficulties and the new economic order have any knock-on effects on the present balance between regulation and autonomy. There is some fear that the general feeling that self governance in the banking and financial sectors has led to the present difficulties, and that that needs to be replaced with a different balance between regulation and self-governance, may extend to higher education. There is no sign of that yet. Nor is there any sign that changing proportions of university income from taxpayers and others impacts upon the regulatory arrangements. In England the extent of dependence on government funding varies enormously (the lower decile receives only 30 per cent of its funding from the Funding Council, whereas the upper decile depends on the Funding Council for 60 per cent of its income), but the regulations to which they are subject are identical – and arguably those that depend most on non-Funding Council sources are subject to a higher regulatory burden because they have to seek funds and satisfy the requirements of a larger number of funding bodies.

*Do you see the government's policy in higher education moving towards further regulation of deregulation? What will the government's regulatory role be?*

*What are the policy or funding tools the government has?*

182. The process described here is one of accountability and financial incentives, but little direct government control. That is likely to continue. Universities receive a block grant that covers the great majority of the government funding they receive, and the government holds back relatively small sums to pursue its own policies at a relatively micro level. That seems a reasonable balance. There are some controls that the government operates that some universities find particularly irksome. Which ones depends upon how they are affected by them. Some universities, for example, object to the fact that the government effectively sets maximum numbers that they can recruit. In fact, the government control only really bites on the number of full-time domestic students individual universities can recruit, and that results from its duty to have regard to the financial and academic health of the system as a whole (because one university recruiting more means another university recruiting fewer). In a purely free market driven environment, where the government had no such concern, that control could be dispensed with. Some universities (in fact often the same universities) find it irksome to have to compete for research funds through the Research Assessment Exercise. In general though the balance between accountability, central control and institutional autonomy seems reasonably to balance the public interest with that of individual universities and a market driven arrangement with that of a national system satisfying national priorities.