

COMMITTEE OF VICE-CHANCELLORS AND PRINCIPALS:

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SPEECH BY KENNETH BAKER, EDUCATION SECRETARY

1. You represent the top of the academic ladder. For too long the whole of the education system revolved around the small proportion of school pupils that were going to get to university, so that from their earliest years the majority of children were regarded as below the salt by those who set the tone of the system: their fate was of minor importance since by definition they were not destined to succeed. Much of that has changed, and should change further. But what the universities - and higher education generally - does and thinks, and the signals you send, wittingly or unwittingly, have a very important effect on the attitudes and perceptions of others. So I want to begin by asking you to consider how higher education should be reacting to the changes that are taking place in the rest of the education system at present, and to think about the wider implications for higher education of demographic change.

Access to Higher Education, and the Demand for Qualified Manpower

2. The 18-19 year old population is going to decline sharply - a fall of about 33% over little more than a decade. But the needs of employers are not going to decline. As technology develops, so do the demands on the labour force. Employers will be looking for more newly qualified staff, not fewer. British industry and commerce will not suddenly in the 1990s cut its demand by one third for trained people from our schools

and colleges of further education, or our polytechnics or our universities. Indeed, they will want more. If they don't get more, then our country's economic growth is at risk. If we want to maintain the conditions for economic growth, we must try to increase the general level of education in the population, as well as trying to meet specific manpower needs. That aim underlies all the Government's education policies.

3. Access should therefore be the password throughout the education system: we must have a system that allows and encourages everyone who wants to to improve their education and their career opportunities. I want to encourage all young people to see the 16 to 19 period as primarily an opportunity to improve their education and qualifications. Since 1979 the proportion of young people continuing in full-time study after 16 has increased from 42% to 45%. The proportion of the 18-19 age group entering full-time higher education has increased from 12.4% to 14.0%. The number of home students in full-time higher education has increased by 78,000, the number in all higher education by 138,000.

4. I want to see more young people staying on in education and training after 16, which will also increase the output of qualified students at 18. That will increase demand for higher education, and we must aim to increase demand and access if we are to meet the manpower needs of the future.

5. We are aiming for higher standards at all levels by improving both the school curriculum and the way it is taught.

This is crucial, because the main single source of entrants to higher education will continue to be the 18 or 19 year old school leaver. One of our major aims is to establish a broader school curriculum to provide a better preparation for adult life and to prevent opportunities being closed too early by premature specialisation. Specialisation at 16 is one of the most unappealing characteristics of our education system. You will know that this month I have published a further paper about the new AS exam at the age of 18. This very broadly is about half an A-level. It will be introduced next year. I expect that over the next few years many sixth formers will take a combination of full As and some AS. This means that it would be possible for a humanities student to keep up maths or a science, with AS levels, or a scientist to keep up English, History or a modern language. I look to the institutions of higher education to support this by not only welcoming AS levels - thank you for that - but also seeing them as positive requirements for entry, so that sixth form students can have tangible proof that higher education values such a broader curriculum.

6. The GCSE, too, will help towards our objectives by improving the curriculum of all pupils, developing skills of reasoning and application. The same objective will be advanced by the national extension of the TVEI which starts next year. By making their studies more practical and relevant to the world we live in both initiatives will help to create a positive attitude to continuing study and training beyond the age of sixteen.

7. Increasing access to higher education is not just a matter

of increasing output from the schools and colleges. The universities will have to be ready to spread their net more widely than at present. To send the right signals to the rest of the education system and, most important, to the students in the system, you will have to go out and sell yourselves to a new clientele, not just wait for the A-level candidates to come banging on your door. You must not only be ready to admit, but must be ready positively to encourage young people with non-traditional qualifications and older people who may lack formal qualifications at all.

8. More young people are continuing with part-time study after school, and the two-year YTS will further increase the demand for qualifications like BTEC, which are primarily intended to provide vocational preparation for industry and commerce.

We need far more people who are qualified at that level, but able youngsters will not be attracted to BTEC qualifications if they are thought to close off the route to higher education.

I know that you are working with the Business and Technician Education Council to clarify the relationship between BTEC and university entrance requirements, but for too long the range of post-16 qualifications and training has been complex and incomprehensible. But now the new National Council will set up a framework accrediting vocational qualifications which attest to particular levels of competence: it will be vital to establish early on that such qualifications are recognised for entry into higher education, with the minimum of barriers to access, progression and interchange. The Standing Conference on University Entrance will have an important part to play.

9. Readiness to consider young people with such qualifi-

cations will not be enough in itself. Selection procedures and admissions literature may need to change, and not just in the small print about A-level equivalents. There is also a big job to do in teaching school and college students, and particularly those without a traditional academic background, what higher education can offer them. I do not know how many of you invite on to the campus, or go out to meet, school and further education students except those actually applying for admission, but by doing so you can help yourselves, help the schools and colleges, and help to broaden the field of recruitment for higher education.

10. Some of you already have such schemes. At Exeter, which I visited recently, A-level maths students can come into the university to take short residential courses which both help their mathematics and give them an introduction to university life. This is opening the doors of the ivory tower and showing to young people not only the facilities that universities have but the excitement of further study, the stimulation of being among people who are stretching their abilities to the full. Universities must be in Browning's phrase 'Outward Bound'. And as well as sixth-formers, it may be possible to think of schemes directed at younger pupils, before their educational and career ideas are formed. Of course it is not easy to organise or to finance such schemes. But whenever I have mentioned the idea I have received a positive response and I hope that many of you will be prepared to take it further, and to talk to your neighbouring local education authorities about it.

11. Since 1979 the number of mature entrants to higher education has increased from 34,000 to over 39,000. We need to be even more willing to encourage mature students and to provide opportunities for updating. Universities have an important missionary job to get industry to understand the importance of this.

You have already made great strides in developing your PICKUP work, and in the marketing and selling that goes with it. For the Government, I have been putting money into the PICKUP in Universities Scheme and already 26 universities are being funded to increase their PICKUP activity. That is not enough: we must do more, and I judge that the time is ripe for a real push.

12. I hope that I have now made my commitment absolutely clear. I want to see a higher proportion of our young people and more older students going into higher education of all kinds. The alternative - of contraction of the system and closure of institutions - simply does not square with the country's need for highly qualified manpower. I have read articles about the possible closure of a university. I want to make it absolutely clear that I will not even consider any such proposal. That does not mean to say that there will not have to be change, but closure - no. The financial consequences of this cannot be ducked and I shall say more about that in a minute. But the universities in particular, if they are going to play their part in the future, will have to study their market. I have no doubt that you could rely on your historical attractiveness to young people to continue creaming the best of the 18 and 19 year olds as the total population declines. But that would be to cut yourself off from some of the most important developments in higher education.

I hope that you will resist the temptation and begin to look more and more to non-traditional students and non-traditional markets for your intakes.

### Paying for Higher Education

13. So far I have talked only about expanding opportunities, not about how to pay for them. Some people will argue that the taxpayer and the ratepayer ought to pick up the bill. I do not agree. The pressures on public expenditure in the medium term will be severe. Some demographic changes will necessarily cause expenditure to increase. The cost of health care for those in the 65 to 75 age group are about four times as much per head as for those of working age, and for the 75 and over age group about nine times as much. Until the early 1990s and again from the early years of the next century, the proportion of the elderly in the population is forecast to rise. Spending on the health service needs to rise by about 1% a year simply to keep pace with demographic change, without regard to the costs of medical advance. The numbers of those entitled to pensions is also going to rise and, in fact, will rise even more dramatically after the middle of the next decade when the size of the 18-19 population starts rising too.

14. So unless there is change, the tax burden on the proportion of the population in work will continue to rise, a prospect that is not calculated to encourage economic growth. Nor would higher taxes in Britain make it more attractive for scientists and university teachers to stay here. Indeed, if the most powerful economy in the world decides to follow a low tax policy then it will probably set the pace for the rest of the developed

world. Quite apart from this it is simply not reasonable to expect the taxpayer to pay more for programmes like health, which demographic pressures are increasing, and also for other programmes such as higher education, where the demographic pressures are easing.

15. Public expenditure on higher education in this country costs the taxpayer around £3,000 million for tuition and research and over £500 million for students' maintenance. To put this in an individual context, in 1986-87 the full cost of tuition for an arts course will be about £3,500; for science courses it will be around £4,600; and for clinical courses it will approach £8,500. This means that someone studying on a three year arts course will have his tuition and maintenance subsidised by the taxpayer by a total of £14,100 (10,500 + 3,600) while a student on a six year medical course will receive £46,200 (39,000 + 7,200) in public support. These are very sizeable subsidies and are distributed among only one person in seven in the 18-21 age group in England and Wales.

16. The conclusion I reach is that we need to find new ways of financing higher education and continuing education. More private money must be channelled into this purpose so as to avoid adding to the burdens on the taxpayer and the ratepayer. This has educational as well as fiscal advantages. Looking at the present system for financing higher education and speaking as a newcomer, I worry about the present extent of central control. I want more decisions to be taken at the rim of the wheel and fewer at the hub. Certainly we need more effective systems than we have now to maintain standards in higher education. We need to develop peer review, performance indicators,

arrangements for external examiners, effective arrangements for staff appraisal and, in the public sector, more inspections by HMI. But I would prefer to see rather more of the money allocated as a result of decisions by students and employers and rather less allocated by bodies like the UGC and NAB.

17. There are several ways in which this could be achieved. One is to channel public funding for higher education through fees paid by individual students rather than through grants to institutions on the advice of the UGC and the NAB. This is an interesting and important idea which deserves more discussion, but a change on these lines would have major implications and would take a long time to bring about. Today I want to concentrate more on the two possible sources of private finance for higher education - employers and students - and the ways in which funding from these sources could influence their decisions.

18. The funding of student support is at present shared mainly between the taxpayer and the parent, with little contribution from the student or his ultimate employer, and therefore little scope for students and employers to exercise choice, judgment or influence.

19. I am not overlooking the sponsorship of students by employers; so far as it goes it provides valuable signals from the employment market to higher education. But it does not at present go very far. We need to consider how employers might be given a more fundamental stake in the education and professional development of their future employees.

20. For example, would employers be willing to ease the tran-

sition to some kind of combined grant/loan scheme by paying off loans that students took out in order to finance their education? This new kind of sponsorship might mean that employers will not be able to pay graduates so much as otherwise at least in their early years. We ought not to turn aside from an examination of this problem. No one can pretend that the pattern of graduate remuneration makes sense. There are some parts of the economy - notably in the City - where young graduates are clearly paid too much and other parts of the economy - such as in engineering - where they are often paid too little. It's no good employers complaining to me about the status of engineers in our society if they are themselves not prepared to give them recognition above their financial and legal advisers. Employers need to rethink their policies, taking into account the need to encourage more education and more training.

21. Then the students; why should they not make a real contribution to their own support, by repaying later some of the costs? They will benefit materially as well as intellectually from their studies, and it seems paradoxical that they should be so highly subsidised by the average taxpayer, whose earnings they will soon overtake and leave behind. A system of loans to supplement grant would on the face of it be more equitable. It would also give students a degree of independence from their parents more appropriate to their age. And it would be a real test of motivation and maturity, forcing them to think through the economic consequences of their choices. With such a financial stake in their future, students would become customers with clearer objectives in mind, and institutions would have to compete for their custom.

22. Seeking a higher contribution from students rather than from their parents would of course mean that there would be no immediate savings in public expenditure - parents make their contributions now, students cannot repay their loans until later. Any Government seeking to introduce loans would therefore need to be convinced it was right to do so. And because loan schemes are many and various it would also need to study the various options carefully. It would, for example, be important to consider the effect on young people of the prospect of borrowing money; whether this effect operated differently with respect to different student groups; and what might be done to counteract any disincentive effect on entry into higher education.

23. The student support Review which is being chaired by George Walden will look carefully at the case for a system involving loans as well as to the contribution of sponsorship. Evidence has been invited to reach the Department by the end of November. I hope to receive an incisive response from the CVCP.

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#### The Prospects for Extra Funding

24. I have been talking so far about the longer term. But I must also say something about the prospects of extra money for next year, and the implications for the universities of the conditions for that extra money identified in Keith Joseph's statement of 20 May.

25. I have already said something about the pressures on public expenditure, and you know that funding for the universities continues to have to compete with everything else. That process

I shall not be able to announce the outcome for a few weeks yet - and the question of extra funding is high on the agenda.

26. When I came into this job and asked about the reception that last year's Green Paper had received I was depressed that we seemed to have failed to communicate the enthusiasm that I certainly feel for higher education and for the contribution it is making to enriching the lives of individuals and of the nation. I was told that the Secretary of the UGC had described the Green Paper, at a THES conference, as offering only "more prep and less pocket money". Well we have taken the point about the pocket money, but I am not apologetic about the prep, and that is what the proposed conditions are about.

27. Government has to set the policy and financial framework for higher education, and to establish the conditions of accountability to the taxpayer under which the universities and other institutions should be expected to operate. But the use of the word "accountability" sounds negative and grudging, and I am not surprised that it has produced reactions ranging from negative to defensive or superficial and dismissive. We have to achieve a better understanding of our different roles and agreement on common objectives. The terms on which extra funding is provided, and the joint commitment to monitor the delivery of what is agreed, will, I hope, help to establish that mutual confidence.

28. As to the conditions themselves, Maurice Shock will, I am sure, have briefed you in detail. What I am looking for are outward and visible signs of your commitment. This means asking you more and more to welcome public scrutiny - with

the opportunity it also brings to create public support - building on the significant developments of recent years. In that context, let me say a brief word about each of the "conditions".

29. Greater selectivity in research funding is here to stay. There is room for debate about the balance between one approach and another to the process of selectivity, but the principle is now established and the Government is looking not to change that but to see how the universities follow up the UGC's lead by concentrating effort in stronger departments.

30. The rationalisation of small departments, too, is already under way. If it is to be successful it is clear, first, that it must, as far as possible, be a consensual process and, second, that it needs some money to lubricate it. Achievement of the first condition depends in practice on the UGC, and achievement of the second on me. The UGC is preparing to tackle rationalisation, so far as its own staffing and resources allow, in a systematic and businesslike way. Much can be achieved by consensus. But there will still be painful consequences for institutions and for individuals and the UGC will need our support - in the interests of the system as a whole - in those cases where the temperature unproductively rises.

31. Better management depends upon you. I and the UGC can exhort, and in limited cases like accounting practice we can, in the end, impose. But financial management of high quality depends on active commitment at all levels of management as well as on the quality of the systems that are installed. The CVCP has made a start and can do much more to identify and disseminate good practice and to organise training courses

and seminars. I particularly welcome the work of Mark Richmond's group on performance indicators. Regular publication and analysis of data of this kind can help institutions to review their own practice and performance and can help all of us better to understand what is happening in the system and what is being achieved. On management issues generally, I am happy to accept that there may be a multiplicity of responses to the Jarratt Report. But I shall be looking for reasoned and constructive responses. And I do expect you to accept that responding to Jarratt is not just a question of writing a letter to the UGC in the autumn, but of continuing to seek year-on-year gains in efficiency because doing so helps you to achieve your objectives, too.

32. Teaching quality, too, must be a matter of continuing concern. My concern with systems and codes of practice, including arrangements for staff appraisal and development, has to stand proxy for a more general concern that institutions and departments should have policies for teaching to which such systems relate. To ask that universities should have systematic policies towards teaching is not to deny the scope for diversity in subject matter, emphasis and teaching method between and within institutions that is a desirable part of a healthy pluralism and diversity. Nor do I want to reassure myself directly that universities take their teaching responsibilities seriously. But I can hope to reassure myself that systems are in place and operating that make it possible for them to do so.

33. I am also concerned about tenure, which is a continuing problem. I am glad that you are reviewing the nature of appointments currently being made and I hope that is a

legislation can be enacted universities will cooperate in keeping the number of new tenured appointments to the minimum. I do beg of you to appreciate how this practice is not understood or when it is understood is not found to be acceptable outside the groves of academe. People outside who don't have such a privilege find it utterly incomprehensible.

34. On all of these matters we are, I hope, close to agreement on a programme of work and on how its success is to be monitored. On pay, I shall say only that you have negotiated a new structure that seems to me attractive in terms of the Government's objectives of flexibility, in pursuit of the recruitment and retention of staff of the required quality, in particular in shortage subjects. What remains to be seen is whether such a structure can be obtained at a price that seems reasonable.

#### Conclusion

35. The outcome for next year will be known in a few weeks' time. You are all obviously concerned about that. But I hope we can also discuss today my concerns for the longer term - how to expand access and how to pay for it - and I hope I shall have your support in pursuing that agenda.

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TVEI	Television Education Initiative
BTEC	Business and Technician Education Council
UGC	University Grants Committee
NAB	National Advisory Board (for Local Authority - Tertiary Education)
CVCP	Committee of Vice-Chancellors and Principals (of UK Universities)
THES	Times Higher Education Supplement