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A NEW CYCLE OF UK HIGHER EDUCATION REFORMS: NEW LABOUR AND NEW FEES MAY FOSTER FURTHER MISSION DIFFERENTIATION *

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John Aubrey Douglass †

Senior Research Fellow

Center for Studies in Higher Education, UC Berkeley

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ABSTRACT

A White Paper issued by the Labour government—under Prime Minister Tony Blair—in January 2003 outlines potentially sweeping changes in how British universities might be funded and regulated. These changes would build on three major paradigm shifts and experiments in system building in higher education in the United Kingdom since World War II: the creation and subsequent collapse of a binary system of higher education that included both universities and polytechnics; a decrease in governmental funding and an increase in regulations; and the introduction of student fees into the previously exclusively government-funded higher education sector. The Labour government's new White Paper proposes both to increase funding and to diversify the sources, and, more controversially, to allow universities to set their own fees. At the same time, it continues to rely on an accountability and regulatory bureaucracy, and incentive funding, to encourage enrollment growth and to expand access to underserved populations.

In January 2003, the Labour government—under Prime Minister Tony Blair—issued a significant White Paper outlining potentially sweeping changes in how British universities might be funded and regulated. If embraced by lawmakers, this treatise will mark a continuation of a reform compulsion that has included, thus far, three major paradigm shifts and experiments in system building since World War II.

* An earlier version of this summary of HE reforms in England appeared in *International Higher Education*.

† John Douglass is a Senior Research Fellow at the Center for Studies in Higher Education - University of California, Berkeley, and recently was a Visiting Fellow, Oxford Center for Higher Education Policy Studies, University of Oxford.

A Binary System and its Collapse

Beginning in earnest with the 1963 Robbins Report, higher education in the UK has undergone a series of dramatic reforms. While one sees similarities in system building in the European Union, the UK has had its own breed of experimentation, linked to an attempt to alter its deep-seated class structure, while remaining devoted to the collegiate tradition.

The Robbins Report offered a model for significantly expanding access to higher education institutions (HEI's). It clearly set a national goal to shift UK higher education from a small collection of elite institutions to a broad and geographically dispersed set of universities and colleges. This included the proliferation of "greenfield" universities and a grouping of new polytechnics ("greenfield" meaning that these institutions were often placed just outside urban areas in relatively open land).

In England, this structural approach created a binary structure of universities and polytechnics, built upon the promise of a reformed secondary school system and the proliferation of Further Education colleges – essentially vocational institutions with a university preparatory function as well. And for over twenty years this model gave a sense of order, part and parcel of a drive by government ministers to elevate the role of higher education in British life.

By the 1980s and the rise of Thatcherism, however, a series of changes collapsed this binary vision, launched the beginning of the end of rather liberal allocations of public funds for university building, and created an increasing array of bureaucratic accountability models.

There are many ironies in this story of government policymaking, increasingly driven by ministerial visions in Whitehall. One is that governments under Prime Ministers Margaret Thatcher and later John Major professed their love for market solutions. Yet they launched a collapse of the binary structure, essentially making all universities in England the same in their mission, and with an equal claim on public funding. In this case, the rhetoric of market solutions gave way to staunchly egalitarian reforms, coupled with distinctly centralized bureaucratic controls.

By 1992, in part influenced by Thatcher's clear dislike for the liberal elitism of Oxbridge (accentuated by the political blunder of Oxford faculty voting to deny her the usually pro forma honorary degree offered prime ministers) and in part by the natural desire for mission creep seen in virtually all mature systems of higher education, England now had a vast network of approximately 143 self-proclaimed and independent "research" universities. With no formal governing board (as in the American model) and only the Ministry of Education and Skills to coordinate their activities, these institutions found themselves confronted by severely shrinking government allocations.

HEI's also faced a revised funding and accountability system, tied to an ambitious, invasive, and yearly process of assessing research quality (the Research Assessment Exercise), and the quality of teaching (the Quality Assurance Assessment). The first, the RAE, now provides a rather elaborate ranking system for government allocations for research—with the majority of funding still largely going to a small group of ten or so universities. The second, the QAA, has thus far no link to university budgets, but it

requires intrusions into the activities of departments and faculties in the preparation of courses and review of grading that would be seen as dramatic violations of academic freedom in the United States.

Collectively, these reforms—peaking in 1992 under Major with the official collapse of the binary system—mark the second major period of reform. Perhaps most importantly, they established the end of a consensual and collaborative relationship between the national government and the HE community, and its replacement with a combative environment.

The Promise of New Labour

With the election of “New Labour” in 1997, many within England’s higher education sector pined for a major shift away from the Thatcher model. They had tired of demands for growing access and enrollments, shrinking budgets on a per student basis, and the growing structure of burdensome accountability reviews—measures that arguably have had a marginal impact on quality and on the actual distribution of funds.

Yet with the arrival of New Labour under Blair, the Thatcher model was not challenged. The third major reform came instead as a result of the 1997 Dearing Report, a commissioned study under the Major government and issued during the last days of the Conservative Party’s rule before the transition to Blair. Named after the commission’s chair, Robert Dearing, the report cited the need for financial stability and increasing access. An oft-cited figure in an increasingly demoralized HE community was that while enrollment in England had exploded between 1989 to 1997, public funding per student declined by some 36%.

In the generalizations and listing of vague recommendations offered by the typical government commission, the Dearing Report was entirely ordinary. On one count, though, it was exceptional: it argued for the introduction of a tuition fee of 1,000 pounds per year at all HEI’s in England (approximately \$1580 in today’s dollars) with any increases tied simply to inflation. To the surprise of many, the Labour government embraced this quick fix source of additional funding for HE. Within the landscape of most public higher education systems, this transition is hugely significant, arduous, and linked to an unfinished debate regarding the proper role of government subsidization versus individual responsibility for funding a portion or all of their HE.

Enter a potentially fourth major period of reform in England’s higher education system, the recent blueprint offered by the Department for Education and Skills, and largely shaped by its new Secretary, Charles Clark. Previously, the Labour government had set a goal of increasing access to higher education to 50 percent of the 18-30 year old population by 2010 (a curious age cohort not used previously by, for example, the OECD). In 1960, less than 6 percent of this cohort went to a university; now participation stands at about 43 percent, thanks to large increases in enrollment over the last decade. But the composition of that cohort remains heavily populated by middle-class (equivalent to upper middle-class professional, in US parlance) and high income groups.

For the Labour government, expanding access remains a high priority. Their other major goal is to reverse what is now widely recognized as the long-term under-funding of the HE sector. The adoption of up-front fees in 1998 was based on the hope of initiating a shift in this tide. But competing funding priorities meant that Labour could not implement,

or was not interested in, large scale increases in public per-student funding to HE. Indeed, the establishment of fees—capped at 1,000 pounds, plus inflation, and not applicable to low income students—simply provided a stop-gap in the downward spiral in per-student funding levels, but it failed to generate significant increases in funding. This has meant the continuation of a number of maladies. For one, salary rates for faculty, still based largely on a national system, are declining in purchasing power. Many faculty make less than school teachers.

Yet another goal of Labour is to force England's HEI's to become more progressive, more efficient, and more interested in serving the broad interests of the nation (as defined by the government). The adversarial relationship with the HE sector remains colored by two different world-views. To summarize, the university sector sees itself as a victim of unreasonable demands for enrollment increases without additional funds. Government seems infatuated with invasive and mind-numbing regulatory measures, while lacking much if any concern with quality and the morale of the HE community.

New Labour sees a sector that has no collective sense of its responsibilities to expand access. It has been inefficient in how it goes about its business, parochial in its interests, and for the most part staunchly against any and all necessary reforms. With a nationwide view, government ministries remain worried over the ability to fund and manage an undifferentiated network of research universities. Yet Blair and others are also deeply enamored by the glow of the knowledge economy, by the essential role of HE for economic competitiveness, and its centrality for expanding social economic mobility and further eroding England's class structure—a goal of seemingly minimal interest to the vast majority of the HE sector.

Hence, New Labour remains wedded to the Thatcherite accountability structures of the REA and QAA. These and other tools of government funding and regulation are seen as the major means to force a decentralized network of HEI's toward the greater good. But they recognize that the era of squeezing out more productivity (e.g., increasing student enrollment as well as graduation rates, which remain among the highest in the OECD) without more money is over.

The Shape of the New White Paper

As noted above, the White Paper issued in early 2003 the Department of Education and Skills promises potentially important reforms. Entitled "The Future of Higher Education," it was released following much speculation on its content. It outlined a rather generic set of problems. Clark and his policy analysts insist that higher education must expand to meet rising skill needs, and they reiterate the government's goal of 50 percent participation among the magical 18-30 age cohort. New strategies are needed, they say, to address the social class gap among students entering universities. The paper laments that most "economic competitors invest more in higher education." Universities are openly recognized as underfunded by the government, with resulting difficulties in employing and retaining the best academics; existing HE facilities need substantial upgrading; and universities need stronger links with business and the economy.

The solution? There are a number of new initiatives offered by New Labour, but most fall into two general categories. First is a desire to both increase funding and to diversify the sources. This includes not only a substantial promised boost in funds from Whitehall—6

percent per year increases over the next three years for both teaching and research, representing a total three year commitment of 2.3 billion pounds (or approximately \$3.6 billion). This influx of monies will “boost access and enable universities to tackle many of their immediate problems.”

To a large degree, this is a sweetener to induce acceptance of a more controversial proposal. Much debate has been generated by the noted interest of some UK universities—largely a few of the elites such as Imperial College, the MIT of Britain—in being able to substantially boost their fees. Unlike his predecessor, Estelle Morris, Secretary Clark has expressed great interest in this policy shift, with the tacit approval of Blair.

Under the rubric of open markets, the idea of having each institution charge fees of its own choosing and by field has been floated as a major salvation for English HE. Yet this idea also runs deeply against the grain of many in the Labour party (and its current platform), and indeed many in the Conservative party as well. Fears range from worries over the impact on access and student debt, even if increases are accompanied by generous expansion of financial aid, to the distribution of wealth among the existing HEI's. Oxford might be able to charge American private university rates, but could the University of Bath?

The White Paper offers a daring plan: by 2006, fees may be set by each institution, but capped at a maximum of 3,000 pounds. Further, and borrowing from the Australian experiment in fees, students would not pay this fee upfront. Rather they would pay through the national tax system only after graduation (a continued institutional incentive for maintaining high persistence rates) at an interest rate pegged only to inflation. And the student would do so only after achieving an annual income of 15,000 pounds. In Australia, this has led to a problematic scenario, i.e., the promise of a new funding infusion but the reality of a continued decline in public funding. But Labour has promised to expand funding from government coffers *and* to provide all fee-derived funds upfront—to essentially pay the fee for the student and then to take on the burden of collecting at a later date.

The White Paper also promises a scheme to boost garnering gifts and expanding HEI endowments, including offering matching funding for any new funds raised for institutional endowments. Hence, the financial model offered projects a much more diversified income portfolio—although in typical English fashion, there are no analytical models thus far generated to see how this bold experiment might actually work, or what its impact might be on either access or long-term HE funding.

The second major component of the White Paper is continued reliance on an accountability and regulatory bureaucracy, and incentive funding, to encourage enrollment growth and expanding access to underserved populations. Indeed, the government now desires a new regulatory agency under a sort of Czar for access. The new “Independent Access Regulator” will require all universities to submit “Access Agreements.” At least as indicated by policy administrators in the ministry, access goals will be set by the government, built around the desired performance of a given region—an approach long brewing but now en route to a formalized strategy. Funding incentives will be tied to attracting students from “non-traditional backgrounds”—which is also code for saying that there will be penalties for low institutional performance.

This mix includes not only the universities. There is also the vast network of Further Education colleges. They are explicitly asked to bear the largest burden in increasing enrollments by offering an increasing number of higher education courses and a relatively new, largely terminal, and largely vocational two-year HE degree: the Foundation Degree.

Thus, the ideals of a more open market and innovative HE sector are balanced (or perhaps burdened) by yet another regulatory structure tied to incentive funding—essentially, the only tools available to government.

Another Agenda?

What is missing in this expansive proposal? Perhaps most apparent is the need for formal mission differentiation. In the discussion of increasing research funding to “top” departments and institutions, and a vague reference to restricting the title of “university,” there are faint indicators of this desire in the White Paper. In good British style, there is no overt indicator of intentions, and certainly no formal commitment or plan. Yet England’s HE sector is speculating on this intention.

Can the UK afford 143 research universities all competing for the same pound? The bulk of the HE sector thinks it can—and they have an inherent interest in keeping it that way. An advocacy group for the HE sector, Universities UK, recently insisted that, “whatever solution is reached to address the higher education sector’s investment needs, it must address the needs of the whole of the higher education sector and not lead to fragmentation and a ‘tiered’ system.” But Clark clearly thinks this current paradigm spreads too little money to too many institutions, and results in unacceptable levels of mediocrity.

Governments generally desire differentiation because it promises cost containment and a coherent strategy for building high-quality institutions. But clearly the English HE sector remains largely antagonistic. With already enough to contemplate, apparently Charles Clark sees this as a battle best fought covertly and slowly. The prospect of the fee structure alone creates great uncertainty for a majority of England’s HEI’s—what to charge? Many oppose the proposal, including a substantial and vocal portion of Blair’s cabinet, some of whom have offered blustery threats of resignation if the scheme is adopted.

And in this tension lies the rub. A major and vocal opponent of the fee scheme is the Exchequer, Gordon Brown. In the realm of parliamentary politics, Brown is an appointment of Blair’s, and is also a political rival with substantial powers regarding budgeting. Add to this the instability of Blair’s government because of the onset of war with Iraq—at least at the time of this writing. The fate of the White Paper was not entirely clear until Blair won an extremely close vote in the House of Commons in January 2004. The mere fact that the prime minister was willing to risk a defeat on the education bill, and hence his leadership position within the Labour Party, points to the saliency of higher education within England’s contemporary political discourse.

With all its warts and problems, including the typical vagueness of British policy pronouncements, Charles Clark’s initial salvo elevates a major issue for England’s HE system: how can public higher education expand and diversify its funding sources? And

how can England address the political and practical issue of assessing the appropriate contribution of students for their university and college education?

The issue of top-up fees, and the current Labour Government proposal for financing UK higher education, will prove an important benchmark. Charles Clark's plan will encourage more resource differentiation (but not program differentiation) by advocating open market pricing by individual institutions (those with the best market position). On the one hand, the proposal offers a framework focused on financing, promising to encourage greater access through institutional collaborations. It is an important step intended to provide some form of financial stability. One might argue that this is a prerequisite for encouraging innovation. On the other hand, there is a studious avoidance of the difficult goal of seeking overt mission differentiation—arguably the key for focusing institutional activity, improving quality, and containing costs.

There also remain the difficulties posed by a network of HEI's that have little understanding of their role in England's HE system, beyond their own personal development. The anointed role of FE colleges and expansion of Foundation Degrees seems problematic. The FE sector includes institutions that arguably already have too many missions. They may be an impractical or perhaps poor provider of mass higher education, and may prove for some time a marginal route to a higher degree.

In the void of a more coherent network of HEI's, Whitehall has increasingly relied on two levers to encourage national goals: incentive funding and an expanding cadre of regulatory tools. While the language of current and recent governments espouses the ideals of market models, it is in fact highly interventionist, at least in contrast to the model offered in a state like California where institutional and segmental mission provides a buffer to regulatory constructs. There is continued reliance on regulatory efforts to monitor teaching and research quality, the latter determining research funding for departments and universities. And the proposal of new Labour as outlined in the White Paper is not only to provide for increases in student fees, and a promise of additional government funding. Rather, there is also the specter of a new regulatory agency to induce institutions (through the threat of financial penalties) to expand enrolment of lower income groups. How else to push English HE toward meeting nationwide needs?

In other words, the lack of differentiation and focused mission, and multi-campus governance structures, invites greater and in some ways more elaborate and subversive government schemes. As higher education grows in its importance to national development and economic competitiveness, one can imagine increasing efforts by government to shape and intervene in the activities of UK HEI's. New Labour may espouse simplification of accountability measures, but as the recent White Paper shows, there are new and added regulatory measures in the works.