

UK government policy, higher education (HE) and business: The future direction of HE in the UK.

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Abstract:

This is not intended to be an academic presentation as such. The purpose is to set a policy context for the development of UK higher education over the next decade. Emphasis will be given to areas of change, with commentary on their potential and likely implication. I am interested to know whether what is happening in the UK is mirrored elsewhere in the world.

In January, 2003, the UK government published its long awaited White Paper on the future of Higher Education in the UK (www.dfes.gov.uk). This followed persistent delays reflecting debate and difficulties surrounding the content. In summary, the inference of this Paper is a fundamental shift in the structure and organisation of UK Universities, and other Higher Education Institutes (HEI's). This is likely to have major ramifications on the mission and purpose of individual institutions and their constituent parts. There could be clear messages for education providers across Europe, and indeed the world relating to the organisation and structure of higher education.

Further post White Paper consultation has, and is, now taking place; The Gareth Roberts review into the organisation of research in HEI's reported back at the end of May, and Richard Lambert's review of University / Business relationships is due to report in September 2003 (www.hefce.ac.uk). The Office for Science and Technology (OST) recently launched their paper on 'Investing for Innovation' (www.ost.gov.uk). These give further detail and future sense of policy direction.

The White Paper in the Future of UK Higher Education:

Taken together, the White Paper, the OST Paper and various Reviews, mark a watershed for the HE sector in the UK. Over the past ten years, following the ending of the so-called binary divide, much has been said about widening access, diversity in provision, client / learner focus, flexible provision and closer links between higher education and wealth creating processes. There is no doubt that many changes have taken place. Volumes of learners studying for degrees have doubled, the number of courses and awards have proliferated and there are signs that some innovative partnerships both with industry and other HE suppliers have occurred. However, it could be argued that what has really characterised the period is not divergence, but convergence, with ex-Polytechnics often imitating the mission and purpose of pre 1992 Universities. The motives for so-doing have been powerful, in no small part being driven by funding methodology, the Research Assessment Exercises, the publication of league tables (with the underlying formulaic, quantitative approach to determine score / position) and the implications of this in a regulated, yet competitive environment. The rhetoric required diversity, but the business models, it could be argued, have been driven by conformity, and that the lack of coherence between policy and practice has culminated in many increasingly critical issues. The latest round of policy making has been cognisant of this, but has not found acceptable solutions easy to find.

"The drive to increase student numbers and research performance and volume without a satisfactory business model has taken a significant number of universities and other HEI's beyond 'sweating the assets' and has resulted

in a high exposure to risk and a collapse in investment for the future that is clearly not sustainable in the long run. These same incentives have not enabled a satisfactory balance between research and teaching to be achieved, nor have they encouraged a focus on customer and client needs". (KPMG, 2003)

It was clear that new, and radical policy initiatives were required, a perspective that was shared by government, employers and employees organisations. To describe the system as in meltdown would be extreme, but there is little doubt that on a macro basis, this position was getting ever-closer, and on a micro basis, had been reached. Manifestations of this include the (forced) merger of some organisations, many HEI's operating in the red (including Oxbridge), most having dangerously low liquidity levels, buildings and laboratories in need of urgent upgrading / refurbishment, rising SSR's, increasing student debt / drop-out and customer led litigation against institutions.

Centrally funded resource is, as always, finite. The government have accepted that greater taxpayer contribution, in the short term at least, needs to be made. They have also accepted that gaining efficiency and effectiveness benefits is not possible on the scale that is required to make a sustainable difference. There is recognition that on their own, neither of these will be sufficient. New money is needed in the system, and that begs the question 'from whom?'. And that infers the need for a much more radical approach, which creates winners and losers, and with that go political ramifications. This helps to contextualise why the White Paper was repeatedly delayed!

A 'New' Approach

An effort has been made to redress the balance of incentives within the sector, and to promote and encourage mission diversity, allowing individual HEI's to make strategic choices about their own priorities, and factors that drive / determine these. It is expected that local, regional, national and global factors will all influence the mission intent, and give individual organisations the real opportunity to establish a market niche that will allow them to operate effectively, and ultimately to make a significant difference at many levels.

Four areas of 'excellence' have been established, and HEI's are not expected to excel in all. These are:

- Teaching and Learning
- Research
- Knowledge Transfer / Outreach
- Social Diversity

As one might anticipate and indeed welcome and expect, much debate is now taking place about just how these can be separated. Often, there is an inter-relationship between these aspects that is difficult to disaggregate. The counter argument is that choice will not be seen as extremes on a continuum. More, it will be about primary and secondary focus, and the allocation of resource will reflect the established priorities that an individual institution makes.

The result of this model is likely to be explicit segmentation, by market and activity, with, for example, some organisations committing themselves to sustaining internationally competitive research throughout, others specialising on specific

disciplines, whilst some disengage with this activity all together and focus on Teaching and Learning, or so-called 'third-stream' activity, or developing new markets to widen participation amongst those who are statistically under-represented in the system, usually based on social class / background. Whatever the choices that are made, the implication is that they will have to excel to compete in a deregulated and highly competitive global marketplace. This paper will confine itself to two of these areas, research and third stream activity.

Research:

The White Paper's proposals vis a vis research are far reaching. The government has sent clear signals that central funding for research, which is finite, is spread too thinly under the current allocation model. Improved ratings across the sector, and in most disciplines, as has happened in the most recent RAE exercise, would lead to further dilution if the same funding methodology were to be used in the future. This would be politically unacceptable. The Roberts Review was commissioned to look for ways to change this, and the consultation process has ended, and preliminary recommendations made. The key outcome is that nearly 80% of the £1.1bn research fund will now be spent / invested in not much more than 10% of universities. A corresponding new quality assessment model has also been proposed, and this effectively rules 40 HEI's out of future formal quality research reviews. This is all very controversial. All universities understandably argue that research is one of the defining characteristics of what makes a university, and that to effectively rule a large number out in what is not far off an arbitrary percentage cut off, will negatively impact on many areas of activity. Significantly, there are also a significant number of universities somewhere in the middle, who are also significant net losers under this model.

The counter argument, and the debate is still going on, is that all universities can, and should continue to do research. They will have to make their own choices about how this is to be funded, but there are clear indications that the government want to see greater commercialisation of research activity, so that it becomes self-financing. There is a clear policy link with third stream activity, through the creation of knowledge exchanges and knowledge transfer partnerships, which the White Paper advocates. Additional resources will be put into these through the Higher Education Innovation Fund (HEIF), and the intention is that the non-research intensive universities will lead on these, working closely with Regional Development Agencies to ensure that the money is invested in the promotion and support of regional development plans.

The importance, in terms of the objectives of this paper, are to highlight the changes that are taking place, and to emphasise that these are fundamental in nature, and they will impact not only on the research capabilities of all UK HEI's, one way or the other, but the reverberations will possibly go much further, both in terms of philosophy, but also relative capacity and capability. If some UK research rich institutions do receive disproportionate investment, then those researching in similar fields elsewhere in the world might also find issues and competition arising that they had not contemplated.

Third Stream Activity:

The White paper addresses the important issue of the relationships between Universities and Business, and on a wider remit, their regional economic impact. A similar consultation process was set up to investigate just what type of activity takes place, in what volumes and perspectives from all stakeholders as to the impact of

this. Richard Lambert, a former editor of the Financial Times was given the task of leading this Review, which will report back in September 2003. Cynics thought that his brief was to identify that university / industry links were generally under-developed, and that this would indicate a significant flaw in the strategy to develop a knowledge economy, with Universities playing a leading role in technology and knowledge transfer.

The formal consultation period closed a month ago, and Lambert has received over three hundred detailed responses to a list of questions that he asked both Universities and the business community to address. As recently as last week (11/6/03) Lambert gave an interview that indicated that the perspective of the cynics was in fact, ill founded, and that much good work was going on, with strong HEI / industry partnerships developing. A number of recurrent issues are emerging related to the complexities of intellectual property rights, their valuation etc.; that regional variation exists; that within universities, there is often a fragmented approach to engaging with businesses, and that initial entry was often over-complicated; that business had to recognise that they should expect to pay a commercial rate for university expertise and services, which many were reluctant to accede to. There also appears to be good evidence emerging that Universities are integrally involved with Regional Development Agencies (RDA's) (eg. www.advantagewm.co.uk) and consequently playing an active part in the many regeneration initiatives that are taking place across the UK.

A key part of the White Paper relates to the creation of twenty Knowledge Exchanges. The Paper indicates that these are aimed at 'less research intensive' universities. They are an attempt to further enhance knowledge / technology transfer, and will be regional in focus. Their role will be as much about sharing good practice and process innovation as product invention, and 'blue sky' breakthroughs. An alternative organisational / operational model is that Knowledge Exchanges could be managed by a consortium of universities, working in partnership for the benefit of the region. This would be complex, but the potential synergy gain huge, and many RDA's are now looking at ways of making such a model work.

The government remain committed to the national skills development programme, and again, RDA's, working with Learning and Skills Councils (LSC) are charged with the responsibility to map regional training / development needs, and to ensure that there is an adequate supply of appropriate provision available. Clear signals are also sent that universities will be expected to take a demand-led approach to curriculum development, with diversity in delivery to ensure that access is not only theoretically possible, but that it matches the needs of the market. This implies a significant shift for many universities.

Much is said / implied about the need of all universities to diversify income streams, and to use their resource to better commercial effect. Within my own university, we are planning (strategically and tactically) how we can double our own commercial income over the next five years. This will be a challenge, and in-keeping with the main theme of the conference, the key to success will lie in changing attitude and culture within a £multi-million, highly complex, organisation.