The future is more than just tomorrow: Higher education, the economy and the longer term

Professor Geoffrey Crossick
Preface

The future is more than just tomorrow: Higher education, the economy and the longer term is published as part of the second strand of Universities UK’s From Recession to Recovery project, supported by the Higher Education Funding Council for England (HEFCE), which examines the consequences of the recession, and subsequent cuts in public funding, for the higher education (HE) sector.

This report is published alongside three mini-reports, commissioned by Universities UK to consider some of the key consequences of the current economic climate: Adapting Business Models in a Changing Environment, Changes in Student Choice and Graduate Employment, and The Global Picture.

All three reports are now available on Universities UK’s website at www.universitiesuk.ac.uk/Publications/Pages/FromRecessionToRecovery2010.aspx

This commentary, which has been written by Professor Geoffrey Crossick at the invitation of Universities UK, draws on the themes presented in the three mini-reports to reflect on longer-term issues facing higher education in the context of recession and crisis in public finance. Whilst the views expressed are written from a personal perspective and not reflective of current Universities UK policy, we are very grateful to the author for analysing and articulating these issues so clearly and helping to stimulate and encourage a wider and ongoing debate around the themes presented.

Universities UK would also like to thank members of the Recession to Recovery steering group, chaired by Professor Christopher Snowden (Vice-Chancellor, University of Surrey) for their valuable input and advice.

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1 From Recession to Recovery: part one was published in July 2009 and is available at www.universitiesuk.ac.uk/Publications/Pages/FromRecessionToRecovery.aspx

The report demonstrates how universities have responded to the pressures created by the recession providing extra help for this year’s graduates, making it easier for companies to access university expertise, and providing support for industries which are in difficulty, helping them innovate to survive.

Contents

Introduction 1
The distinctive UK graduate and the challenge of sustainability 3
Economic crisis and longer-term change 5
Rebalancing the economy: the centrality of higher education 7
Diversity and flexibility of access to higher learning 11
Efficiency, partnerships and new business models 13
Conclusion 16

This series of Research reports published by Universities UK (UUK) will present the results of research we have commissioned or undertaken in support of our policy development function. The series aims to disseminate project results in an accessible form and there will normally be a discussion of policy options arising from the work.

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Universities in the UK are already being seriously affected by the short-term impact of both economic recession and the crisis in public finances. They were hit early and hard by cuts, more so than many other major recipients of public funding. The more substantial reductions in expenditure now awaited are likely to increase those existing planned cuts to create major challenges to which the sector must respond. The recession and the public funding crisis are closely related, but they are not the same. The economy is emerging from recession because economies do, though we still do not know whether this will be achieved without a double dip. The consequences of the public funding crisis, on the other hand, will continue as both financial imperatives and public policy choices reduce it to a very different level.

Universities UK has commissioned three studies to explore some short-term dimensions of this dual challenge. It is early days, however, and we are only beginning to grasp how the world in which higher education operates might be different as a result of the changing economic and public funding landscape, and of the varying global responses to it. Changes in Student Choices and Graduate Employment identifies some of the immediate consequences of recession, but it is difficult to distinguish existing longer-term trends from immediate responses to economic downturn. And it is far too early to feel confidence about how the subjects that students wish to study and the kind of employment they will find on leaving higher education will be configured in the future. This will be closely bound up with the way in which the economy changes in the post-recession world, as well as with the changes in student support and graduate contributions that will follow the Browne Review.

The changed context for public funding will require universities to shift the balance of their sources of income if they are to restructure their portfolio of activities to achieve sustainability in a more difficult environment. The proportion of an institution’s income coming from funding councils varies greatly between institutions. It currently ranges from eight per cent at one end of the scale to over 70 per cent at the other.
The Global Picture presents a worrying picture of what is happening in the global competition for students, researchers and the UK’s position in the knowledge economy. How other governments and other higher education systems have responded to recession in the short-term provides a clearer idea of the present and future environment within which the UK’s knowledge economy and universities will be competing. The picture that emerges is not encouraging for the UK. Whether as part of a long-term strategy to build intellectual capital and skills, as a short-term stimulus package, or as a combination of the two, some of our most important current and future competitor economies have been increasing investment in higher education and research during the recession. We’re encountering different responses to economic recession, for sure, but we’re also seeing a commitment to investment in the very areas that have already been seriously cut in the UK and which are threatened with even more severe reductions in public spending. And these are areas that have been of critical importance to the economy.

Universities in the UK are emerging from a relatively good period of funding. The last decade has seen significant increases in funding for research, a stabilisation of the per capita teaching grant, and the introduction of higher and deferred fees for undergraduates. Universities have delivered a great deal in return for this increased confidence in the contribution they make to economy and society. We now have a far more sustainable research base producing world-class research that maintains the UK’s position as second only to the USA and punching well above its weight. Home/EU student numbers have grown from 1.8m in 2000/01 to 2.1m in 2008/09. Learning and teaching has become more student-focused and flexible, with much greater attention to skills and employability. Universities’ work to widen participation, constrained as this is by differential rates of staying in education after the age of 16, has nonetheless seen the proportion of young people living in the most disadvantaged areas who enter higher education increase by around 30 per cent over the past five years, and by 50 per cent over the past 15 years. These increases are higher than those for young people from advantaged areas, and the gap between the two has narrowed over the period. Universities have risen to the challenge of engaging with business in knowledge transfer, skills and internships. And they have engaged in a more focused and positive way with their local communities by activities ranging from student volunteering to sports facilities, from media support for local charities to artistic performances.
The distinctive UK graduate and the challenge of sustainability

Universities have come far in this period of improved and more stable funding. Increased public investment primarily went into sustainable research, expanding student numbers, and the expensive student support system that accompanied the move to variable fees. The challenge of delivering high-quality teaching on a similar sustainable basis to research was still waiting to be addressed when the economic and financial crisis hit. If we wish the UK to remain a world leader in the quality of its university education, then the problematic baseline that already existed must be recognised when targeting expenditure cuts.

During the period in which a university education moved from being a privilege enjoyed by less than 10 per cent of the age group to an expectation for over 40 per cent, the basic features of the model by which it was funded have not altered in fundamental ways. The introduction of variable fees reinforced the model by not, in the event, varying across the vast majority of institutions. This huge growth in numbers, with few significant changes to the basic models that defined the system, is one reason for the challenge of sustainability. We were trapped by a model that took as its starting point full-time study when an increasing proportion of students were not even formally that; by expectations on the part of employers as well as universities that inhibited the growth of more flexible learning; and by funding systems that assumed in the distribution of the great bulk of its funding that higher education (and its costs) were the same wherever and however it was delivered.

The pressures to change this were being recognised long before the current crisis. In 2007, I agreed to chair a national working group on the sustainability of learning and teaching in English higher education (Financial Sustainability Strategy Group [FSSG] 2008). By the time that it reported towards the end of the following year the global financial crisis had struck. The timing might have been unpropitious, but the story that it told in a long and carefully-researched report was convincing. It showed that the country had moved to a mass system of higher education whose much more diverse student population also had a wider range of needs; that universities were offering a far more student-focused education system embracing more flexible modes of study and new learning technologies; that this led to a range of new skills and qualifications relevant to national priorities; that teaching staff were more professional in their approach to teaching and more accountable to student feedback; and that learning resources and student support services had become more intensive and sophisticated. Yet this emergence of a greatly enhanced mass system of higher education had happened in a way that was largely unplanned, certainly in its costs and implications. As far as research activity was concerned, sustainability had come to be seen as an essential pre-requisite of success, and through the Transparent Approach to Costing (TRAC) and Full Economic Costs for research grants the journey towards sustainability and accountability was undertaken. The sustainability of teaching, on the other hand, had not been on anyone’s agenda. Universities had maintained quality and overall student satisfaction through a variety of coping mechanisms, but these stretched resources of all kinds to a point where it constituted a threat to the quality and sustainability of higher education, and hence to its outstanding contribution to the national economy and reputation of the UK.
There are many reasons why this should concern us and concern government, but let me highlight two, both linked to the international competitiveness of UK graduates. The global competition for international students will become ever more intense. UK universities maintained their share of the global market for international students (11.7 per cent in 2000, 11.6 per cent in 2007) at a time when the number of international students rose from 1.9m to 3.0m. Over the same period the US share fell from 25.0 per cent to 19.7 per cent. The UK’s position was maintained in an increasingly competitive market with all the benefits that accompanied these students: their fees helped keep universities financially stable and able to invest for the benefit of all students, while international students also brought huge spending power to the UK economy (£5.2bn in 2007/08); enhanced the intellectual and cultural vibrancy of our universities; and created a talent pool on which UK business and research could draw. If the quality of provision in our universities were to decline then these students would, in increasing numbers, go elsewhere. And the markets to which they would turn during their later careers would also be elsewhere.

International students come to this country in spite of fees at a level exceeded only by the USA, while study through English is ever-more common in our European and Asian competitor countries. The unique selling point of our higher education is the character of its graduates, something we take for granted until we see how much other countries envy it. It is critical to international businesses locating here and employing those educated in this country, and it is one reason why we are well-placed to exploit the opportunities of a rapidly-changing knowledge economy. UK graduates are far more likely to be creative, to challenge received wisdom and to be imaginative and innovative in ways that are not constrained by rigid disciplinary or cultural frames of reference. It is recognised by both employers and by students who come from other countries to study here. Anyone who has taught in many other European systems, as I have in France, will recognise the difference. It is even more striking in comparison with the educational approaches in the Middle and Far East. It emerges from an overall educational culture, certainly, but it is developed by personal contact between students and academic staff, by research-led and research-informed teaching, by social learning environments, and by a curriculum and forms of assessment that encourage a critical engagement with established knowledge and a willingness to question it. This partly defines the benefits that graduates bring to our own economy, and it attracts international students to study here. The problem we face is that it rests on a model of teaching and learning that is resource-intensive. And it was becoming difficult to sustain even before the current crisis of funding.
Economic crisis and longer-term change

If funding is to be severely restrained, and if resources are not to appear from elsewhere both to replace that funding and to meet the challenge of sustainability, can we maintain the current model? If we were to abandon it then we would lose one of the distinctive features supporting our economy and attracting international business as well as international students. As provision becomes more flexible we must ask how we can maintain the characteristics that make study in this country so special without requiring the same, expensive modes of learning across the system as a whole.

Long before the current crisis, universities and their funders were thinking about this as they were about many other aspects of policy now high on the agenda. As far as learning and teaching is concerned, this means work-based, flexible and distance learning, and how universities can effectively address the question of skills and employability. As far as structures are concerned, how the growth of private (especially commercial for-profit) providers might serve to enhance rather than undermine the strength of the UK’s higher education provision. And for research, how the benefits to economy and society are identified to justify the level of public investment, as well as how research priorities are best set and how engagement with users best configured and incentivised. And all of these, alongside the resourcing conundrum, compelled reflection on whether the diversifying sector was being stretched beyond the point at which we could talk of an even broadly homogeneous world of universities.

All of these are firmly on the agenda, but they’re not new. What is new are the conjunctural forces of global financial crisis, unsustainable levels of public debt, economic recession and debate about rebalancing the economy. To this we must add the arrival of a new government whose thinking about the role of government and the market gives a distinctive edge to considerations of these issues. At moments such as this, a historian like myself reaches for the distinction between structural change and conjunctural events. We must ensure that the longer-term processes of innovation and change, underway long before the funding and economic crises hit us, are not forgotten when we face up to the short-term conjunctural crisis. We also need to ensure that the important changes of the former are reinforced by the ways government and universities respond to the crisis, rather than being overwhelmed by them. Government and the sector must ensure that the responses to the immediate conjuncture facilitate, rather than undermine, the powerful good that higher education can do for the economy and society in the future. We must follow the title of this piece and think of higher education in the longer term.

Therein lies the challenge for us all, in universities and in government. If we are to shift to a new and more diversified framework for higher education, if we are to establish far more differentiated models for the delivery of learning and teaching, if we are to seek new ways for society both to support and to benefit from research, then we should do this not because it is cheaper but because it better meets the needs of the economy and society as it has been evolving over the last decade, and as it will develop over the next. We know that it has to be less costly, certainly to the taxpayer and probably overall, but if cost is the determining driver then we may well, in ten years’ time, deeply regret the wasted opportunity to produce a higher education system that was appropriate both for the knowledge economy in which the UK must find its global position and for the reflective and stable society in which a richly diverse citizenry must live. The need to reconfigure public spending is irrefutable, but it must be done in a way that makes this country stronger in the future. Higher education is absolutely critical to that future.
Taking a longer-term view does not mean shirking tough decisions. Higher education institutions can be excused if they find it easier to rein in expenditure, grow existing income streams and struggle on expecting things in the end to sort themselves out. Getting by until the crisis has passed is not an option. That short-term approach is as unwise for the sector as it is for government. Radical change will be needed, not simply or even primarily because there will be less money to spend, but also because the needs of the knowledge economy and the pressures of global competition cannot easily be met within the current ostensibly homogeneous model of higher education and research.

What, then, are the big issues that the sector and government need to address? We must start by recognising the economic indispensability of higher education and that it requires sustained public investment. The sector will need to demonstrate even more effectively in the future how the country benefits from what the taxpayer puts in, and the resources that others contribute. The UK must secure its future as one of the world’s most innovative and successful knowledge economies, which in terms of global economic competition is surely the card that has to be played. Universities – whose mission is the creation and transmission of knowledge – are indispensable to this future.

None of the issues facing higher education that I shall highlight here are new. Universities’ role in rebalancing the economy, the structural consequences for the sector of ever-more diverse modes of learning and teaching, and the challenge of achieving efficiency and of building partnerships, have all figured increasingly prominently on the agendas of universities and their organisations. The current conjuncture has, however, given each a tighter and more urgent focus. The way these issues of long-term importance are handled by universities, government and other stakeholders will have consequences far beyond the current crisis. That is why we need to think about them in a measured way, to remember that there are more futures than tomorrow alone.
Rebalancing the economy: the centrality of higher education

Universities have a key role to play in the government’s plans for rebalancing the economy away from finance and towards high-end manufacturing, the creative and digital industries and high-margin services. The economy of the future will be founded on the generation, transmission and exploitation of knowledge of many kinds, much of it dependent on the coming together of disciplines in innovative ways. Universities will be central to the success of this rebalancing, and a real disciplinary breadth will be needed in what is taught and researched, and in how that is connected to business and to the third and public sectors. As the Higher Education Minister, David Willetts, said in the House of Commons last year, ‘a dynamic and well-balanced economy needs to draw on the dynamism and research capacity of university departments in the arts and humanities as well as those in STEM [science, technology, engineering and mathematics] subjects.’

The creative and digital economy (which accounts for a proportion of gross domestic product [GDP] in the UK larger than anywhere else in the world and employs 1.3 million graduates in the UK as one of the most knowledge-intensive sectors in the wider economy) is the most striking example of this. Technological advances in the creative and digital economy are often driven by the generation of content, and the co-production of knowledge through the coming together of the creative and performing arts, humanities, computing and engineering. The world of science and knowledge is in reality undivided, with innovation and ideas drawn from across disciplines and from the ways in which they intersect. Now is not the time to erect artificial divisions between disciplines.

Higher education is the key provider of the skills needed by the ever-evolving knowledge economy, and employers rightly press for programmes appropriate to their needs. It is essential, nonetheless, that in thinking about the relationship between the education process and the needs of employers, we keep our eyes up and look to the future, and not focus solely on the immediate present. That may be harder to do when times are tough, but it is when times are tough that we most need to do it. It is, of course, essential that universities respond to employers’ descriptions of the skills they now need, because without that universities would be failing both their graduating students and the country. But if we make that our sole focus then we shall be failing employers of the future and our graduates who need to feel that they have been prepared for that future.

In a fast-changing knowledge economy, skills become rapidly outdated. Employers tell us that they cannot predict the skills that they will need in five, let alone ten, years’ time, which is why manpower planning doesn’t work and why excessive supply-side manipulation distorts but rarely succeeds. Geoff Scott, Director of Research and Venturing at BT, said recently of the IT sector that it ‘is characterised by rapidly changing skills requirements. Particular technologies may well be defunct within a relatively short period of time. HE’s focus should be on developing young people with the ability to rapidly assimilate knowledge and develop competence on what will be an ever-changing suite of technologies that they will encounter during their careers.’ Comments such as these could be made right across the knowledge economy. Universities are educating students for jobs that haven’t yet been invented. Skills seems too narrow a word for what is being described here, but I’m content to use it so long as we understand the term to embrace the knowledge, imagination, and analytical ability to adapt and to learn new things over and over again in the years to come. In other words, to be a valuable employee or small entrepreneur in the future and not just tomorrow. The special character of the UK graduate is a key dimension of this. Of course it is important that graduates are ready for work, with all that that means, and universities must do their best to ensure that that is the case. They must also ensure that graduates are prepared for the world of self-employment, micro-enterprise and networked production that an increasing proportion will enter. But this is only one dimension of what universities can offer.
Postgraduate education will be increasingly important in an economy that will need the more specialist and often cross-disciplinary skills that come from cutting-edge postgraduate courses [Smith et al 2010]. We know that many employers already value what postgraduates bring [CIHE 2010]. A debate is beginning about the balance between generic undergraduate courses and more specialised postgraduate ones. Might we find ourselves drawn towards the US pattern and resist increasing specialisation at the undergraduate level? It’s an approach at odds with current pressure for precision of undergraduate vocational skills, but in a fast-moving economy more agile postgraduate provision might be the better way forward. Whatever that balance, we shall need to get right the supply and funding of postgraduate study, and to ensure that able graduates from whatever background can access it. This will pose a policy challenge: to universities who will need to think about modes and methods of delivery, and to government and universities who will need to think together about forms of financial support. The danger is that we shall end up reinforcing inequalities at the postgraduate level that we’re slowly breaking down for undergraduates. If postgraduate study becomes an increasingly important component of career success, as it will in many more sectors than now, then it could well further serve to constrain social mobility.

New knowledge is critical to the UK’s economic future and plans to rebalance the economy make it essential to develop a strategic approach to research for the next decade as the last government’s Science and Innovation Investment Framework 2004–14 approaches its final phase. Such a strategy will offer far more than rebalancing the economy, of course, enabling us to understand the complex social and cultural world in which we live, shaping the cultural experiences fundamental to a thoughtful and engaged society, and providing the knowledge base for good public policy. The UK’s strength in research – ranking first, for example, amongst G8 countries in the number of citations in relation to public spend on R&D – must not be taken for granted. It has come from sustained commitment by governments, universities, and researchers. In tough financial times, strategy will need to be more focused while still looking to the longer-term. We need to recognise the value of research conducted in a university environment as opposed to specialist organisations: innovation and interdisciplinarity both appear to benefit. Just as important is the way an undergraduate and postgraduate teaching context helps prepare the researchers of the future, as well as the absorptive capacity of the economy, by producing research-responsive employees. Remember that if the UK universities’ research achievements stand out in global comparison, those of the country’s industry do not. Industrial R&D spend is actually falling as a proportion of GDP. Research-aware graduates will be essential to overcoming that deficit.

If the focus of research strategy is to be long-term it won’t be helped by simplistic binary divides. Thus, we do not need one to be erected between STEM and other subjects, with the former deemed economically useful and the latter a luxury. So many of the areas of most rapid growth in the economy are ones that are fuelled by the arts, humanities and social sciences, not least the content that drives forward the digital economy, while the power to reach across disciplinary borders is rightly seen as a key driver in a dynamic knowledge economy. For two examples, just think about how creative and performing arts connect with technological approaches in post-production to innovate in computer games development or in film: the digital economy will seem a strange term in years to come, when the technology is normal and it is the quality of content that drives profits. While ethnographic sociological approaches linked to design create a research base that enables industry to understand the relationship between users and technological opportunities and thus create new products.
A second binary divide that is unhelpful separates useful from basic research. Universities should be proud of the ways in which applied and close-to-market research has become responsive to the needs of industry and others in recent years, and that must continue. But some of the most apparently basic research turns out to be the most transformative in its long-term impact. As a recent report for Universities UK (2010) concluded, ‘there is no stark choice between either academic/discovery research or economic/development research, but a conceptual adjustment is needed to promote the balance and feedback between them’. A longer-term strategy must resist the temptation in difficult times to shift the balance to research that seems to promise quick returns.

As Martin Rees reminded us in his recent Reith Lectures, discovery research is unpredictable and its most striking benefits are often not manifest for a very long time. In the well-known words of Samuel Broder, sometime Director of the US National Cancer Institute, ‘if you had demanded that the NIH [National Institutes for Health] solve the problem of polio not through independent, investigator-driven discovery research, but by means of a centrally-directed program, the odds are very strong that you would get the very best iron lungs in the world – portable iron lungs, transistorised iron lungs – but you wouldn’t have got a vaccine that eradicated polio.’
Finally, we must set aside some kind of binary competition between project-based research council funding and the Quality Related (QR) funding based on the Research Assessment Exercise (RAE)/Research Excellence Framework (REF) and distributed to universities by funding councils. It is important that short-term expediency is not allowed to weaken the dual support system (research council funding and QR funding) that has underpinned the international standing of UK research. An influential recent econometric study by Haskel and Wallis (2010) has established the strong returns from public investment in research council research in comparison with other project-based funding. Their model is less clear on the impact of funding council research funds to universities, though they note other economic studies showing its importance. A critical issue is that funding council research funding for universities, while providing the continuing infrastructure and underpinnings of research across all disciplines, importantly provides the overwhelming bulk of funding for the arts, humanities and social sciences whose economic (and other) contribution is so important. It is through the interactions within the dual support system that the particular flexibility, responsiveness and long-term imagination of the UK’s research base has developed, and with it the wider absorptive capacity that is essential to rebalancing the economy.

There is likely to be some re-concentration of research resources towards the research-intensive part of the sector following a widening of distribution that followed RAE 2008, and that has already begun. The appropriate level of concentration should be guided not by the relative vigour of different mission groups of universities, but by the two key desiderata of a world-class and productive research base on the one hand, and research-informed teaching to produce the kind of graduates we need on the other. If the process of fragmentation and diversification of modes of teaching that is underway advances at the speed I’ve anticipated, then addressing these questions will be a key part of any future strategy that is not purely market-driven. And, with significant public funding for research, this cannot be purely market-driven. A major reason for the wider distribution of QR after RAE 2008 was the fact that the expansion of student numbers had driven the expansion of teaching staff who expected to be research-active and to be submitted to the RAE. Volume growth of researchers was driven by volume growth of students. These issues will have to be addressed as longer-term strategies for teaching and research are shaped.
Diversity and flexibility of access to higher learning

More varied and flexible ways of accessing higher education have been growing over the last decade. It is the second of my longer-term issues facing universities and government and one whose importance will grow. The knowledge economy will need increasing numbers of people with higher learning and skills, but it will make less and less sense to articulate that in terms of the proportion of an age-group going to university. The very concept of ‘going to university’, with the implications of full-time study at a residential institution, will come to describe the experience of only some of those involved in higher learning at any one time even more than it does now.

As I’ve argued above, the model for delivering higher education that has been inherited from a past when it was available to very few is one that is no longer financially sustainable. Nor is it educationally sustainable, as flexible models of part-time study and work-based learning will be ever more appropriate to the kinds of skilling and re-skilling needed in a rapidly-changing economy. Distance learning will be a part of the solution, though any major expansion of that will need to accommodate the distinctive and very marketable qualities of the UK graduate. Most higher education will be experienced outside traditional comprehensive and primarily residential universities as a great deal of it already is, and the growth of private providers of higher learning will introduce a new dynamic to the process of change.

If mass higher education is too costly for it all to be delivered in traditional ways and with traditional funding, and if the changing demands of the economy require far more flexibility, then a much more diverse system will emerge. This complexity of provision will itself drive an increasing clarity of information about what students can expect as they enter a more diverse, fragmented and market-oriented system. We must ensure that the new modes of delivery are not sought simply because they are less expensive than others, but because they constitute a cost-effective way of meeting these more varied objectives. We don’t want to end up in a position where a purchaser of higher education knows the cost of everything but the value of nothing. This might throw doubts on attempts to compress a three-year degree into two years, something that is likely to undermine the standing of UK degrees not only in the rest of Europe, where it could undermine our standing in the Erasmus process, but also in wider international markets for students and labour.

The challenges of moving to this more flexible and varied system will be many. Employers as much as universities have been reluctant to commit themselves fully to effective systems of credit accumulation and transfer, but the principles are in place and will be essential to making a new system work. Fundamental rethinking will be needed in a world where the proportion of those who experience higher education in the traditional fashion will decline, where the range of alternatives will explode, and where the variety of providers will grow with it. Three fundamental changes will ensue. First, the framework and boundaries of higher education will break and it may be increasingly difficult to talk about this phenomenon we call a ‘higher education sector’. There will remain a core of comprehensive, primarily residential and (most of them) research-based universities, but for the rest new markets and new business models will make them seem increasingly different. Second, government will have to abandon controls on the numbers entering higher education, and the ways in which the funding of universities and the support for students changes in the aftermath of the Browne Review will have to take account of this longer-term future.
Third, higher education as a life-course stage will narrow to just one part of the population who experience it. With the rest obtaining advanced learning in various ways, we need to ask how we can ensure that the distinctiveness of the UK graduate, the distinctiveness that goes beyond subject or vocational knowledge, does not become the preserve of the minority whose education comes through traditional primarily residential universities in which research may be increasingly concentrated. The experience of newer universities which have addressed just this challenge will be important in finding imaginative solutions. That will not be enough, because there have to be real concerns about the consequences of these changes for social mobility, as opposed to the more narrowly-conceived widening participation. The division may no longer be between those who get a higher education and those who don’t, but between those who get a higher education in a comprehensive traditional university and those who access it through a myriad of providers in often small learning modules. Both will be needed by the economy and society, both will be of major benefit to the student and graduate. But unless we think about the issues now as we imagine the new system, we might end up with a clear social dividing line between the two forms of receiving higher education. With that will go a reinforcement of the barriers to social mobility that are already seeming frustratingly intractable. Those who point to the ability of talented students from poorer backgrounds to progress through the system in the United States need to remember that they’re able to do so precisely because it does exist in practice, albeit in imperfect practice, as a structured system. We are currently far from that position in the UK.
Universities UK – The future is more than just tomorrow

Efficiency, partnerships and new business models

The third major challenge facing the sector is the one that might seem the most crisis-driven, and that is efficiency, partnerships and business models. A short-term perspective on cutting costs could, here too, inhibit institutions’ ability to respond to the opportunities identified in this paper. Universities have become increasingly efficient in their use of resources and, with the help of TRAC and other accounting approaches, have improved their understanding of the costs associated with the income earned. That pressure will increase and with it the need to make better use of TRAC and other measures of sustainability. Universities will need to keep a very tight control of expenditure on salaries and pensions, and they will need to use their infrastructure more intensively. None of this is new, even if the new funding environment will make it more urgent. Those institutions with a financial cushion, provided by surpluses accumulated for reasons of which managing risk was always one, are more likely to be able to plan for the transition and thus to emerge stronger for having adapted over a number of years to the new business environment. For others it will be far more difficult, and there is a danger that we shall emerge from the short-term crisis with a structure of higher education provision that is less fit-for-purpose than the one that entered it.

Universities need to be able to plan for the new future and they must take a lead in shaping it. Diversification of income, the subject of one of Universities UK’s mini-reviews, will be an important part of that, as will be the associated new business models, something that Universities UK’s Longer-Term Strategy Group explored in a thought-provoking residential seminar three years ago. Specialisation will take place across the sector, to an even greater degree than exists now, when the concept of the university pretends to a uniformity of activity and mission that does not match the reality. Indeed, the consequences in the past of funding models, the RAE and the standards debate may have been to work against a greater process of diversification. Refocusing of institutional missions, concentrating on what they do well and on what the market wants, will in the future be the order of the day. There could be specialisation in different modes of provision – in different forms of research activity or none, in engagement with business that will concentrate on consultancy more than the exploitation of intellectual property, and in the geographical focus of an institution’s activities. We shall also see universities finding new and non-traditional ways of using their assets, building hotels, sports facilities, performance venues and residential property. All of this will require more risk-taking at just the time when less stable funding could make institutions more wary of risk. This paradoxical situation could be very destabilising and needs to be managed across the sector.

New forms of partnership and new forms of competition will be important determinants of how higher education evolves in the next decade. Partnerships between higher education institutions, including that provided within the long-standing federal framework of the University of London and that planned in the new approach being taken by the Confederal University of Wales, offer one way forward. Where there are not well-established relationships, and even where there are, academic collaborations can eat up considerable resources in opportunity and transaction costs. Nonetheless, where complementarity or specialisation allows major new academic provision that no institution would have been able to provide on its own, then it has to be seriously considered by universities seeking to be both innovative and efficient. The potential for shared support services, on the other hand, would seem at first glance to be far less problematic, especially where physical proximity of service to clients is not essential. It would, indeed, be far less problematic were it not for the 20 per cent savings that would have to be achieved by efficiencies to cover VAT charges before any financial benefit was achieved. The will is there, but until that problem is addressed by government it will be difficult to see shared services becoming a major way for universities to reduce their expenditure.
Partnerships such as these, between autonomous institutions, are the most straightforward. Mergers are more difficult because they are generally (there are significant exceptions) associated with the failure of one of the institutions. It is clear that not all institutions will have the capacity to change at the speed that is needed to remain sustainable, and funding councils and governments will need to seek more imaginative and less reactive approaches than those of the past if any reconfiguration of the sector is to be handled strategically. One could argue that doing so will be part and parcel of the diversification of the sector that has been a recurrent thread of this piece. The models of merger will have to change in ways that might involve more complex patterns of ownership and partnership in a sector that has been rather conservative in its business structures. New relationships between universities and a range of potential partners – private providers, further education colleges, academy schools, professional accrediting bodies, health trusts, property companies, commercial services and so on – may well require forms of legal and company structures that go way beyond what is currently used within the sector. Those same structures could, of course, become a source of business vulnerability and mission vulnerability, as well as of strength.
Although most of the attention that is given to new forms of competition might be directed towards private providers, it is the international competition that could come, in the longer term, to be the more important. The number of higher education students worldwide will continue to grow at a remarkable rate, as will the number of those moving between countries for their higher education, with an increasing proportion doing so at the postgraduate level. So too, however, will the number of institutions and the proportion of those teaching high-level courses in the English language. The competition of these institutions in the global market for international students will become ever stronger, as will their ability to attract the best UK students if our own system does not maintain its standing and quality. There will be increasing international collaboration between institutions, such as already happens extensively in research. The ability to overcome the significant transaction costs of international collaboration means that there will be greater problems in achieving it at the teaching level, but students’ ability to move between leading global universities will position those institutions well in the international market for talent.

Increasing numbers of private providers will be a more destabilising element. Many US universities already have the powers to deliver their degree courses in this country. BPP (owned by the Apollo Group in the USA) has just become the first for-profit private provider to be awarded university college status. International trade agreements, the availability of online learning, and the rise of very large global commercial providers of higher education means that it is a form of provision that would grow even without the commitment of government that now exists in England. Serious challenges are associated with the entry of for-profit providers. Those for government include the issue of how to regulate the quality and standards of private providers, whether they and/or their students can access public funding and on what basis. Private for-profit and not-for-profit providers frequently point in just these terms to the need for ‘a level playing field’, and the issues are real ones. But the playing field slopes the other way as well. The UK’s universities have a public good role that is fundamental to the benefits they bring to the economy and society. They discharge it in many ways, through teaching subjects that are unprofitable but important, widening participation, research, business engagement, having a role in local communities, and much more. Any expansion of provision to new kinds of organisation must ensure that a balance is maintained that allows public universities to continue to respond to the wider responsibilities that are part of what motivates them, lest the de-motivating impact of financial imperatives prevails.

The mistake is to see private providers as pitted against public universities. There will indeed be competition, but universities are used to competition, amongst themselves and with international institutions. Private providers have worked with universities for many years and that engagement has grown. A report published by Universities UK (2010) earlier this year set out not only the issues that need to be addressed were private provision to become a more prominent part of the structure of higher education, but also the rich complexity of existing relationships. Through recruitment routes, accreditation, the supply of language training and study skills, joint continuing professional development programmes, curriculum development and much else, public sector universities are already working in close partnership with private providers. Universities draw on the specialist skills of other organisations, while at the same time reducing the likelihood of a private sector developing whose outcome would be to undermine the quality of what goes on in public institutions, if only by creaming off the most viable and profitable of activities. The danger of the latter is something of which policy-makers need to remain vigilant.
Conclusion

In offering these reflections on some of the most urgent issues being debated today – rebalancing the economy and the skills and research that that requires, new and more flexible ways of delivering higher education, and the role of partnerships and efficiencies in building a new pattern of higher education – I stress the continuity of thinking about the future of universities in this country. Innovation and discussion were underway in all these areas long before crises struck, and they will continue to be important after those crises have abated. Historians know that they have to ensure that they’re not diverted from the importance of longer-term structural change by the excitement of conjunctural events. Similarly, governments and universities have to ensure that the current crises in the economy and public finances do not provoke policy and management responses that undermine the long-term contribution that higher education will bring to this country. That future is more than tomorrow, even if at times of crisis it might be hard to believe it. If we are to secure the huge contribution that higher education can make to the economy and society of this country in the future, then it is essential that universities and government think about it as a longer-term challenge.

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