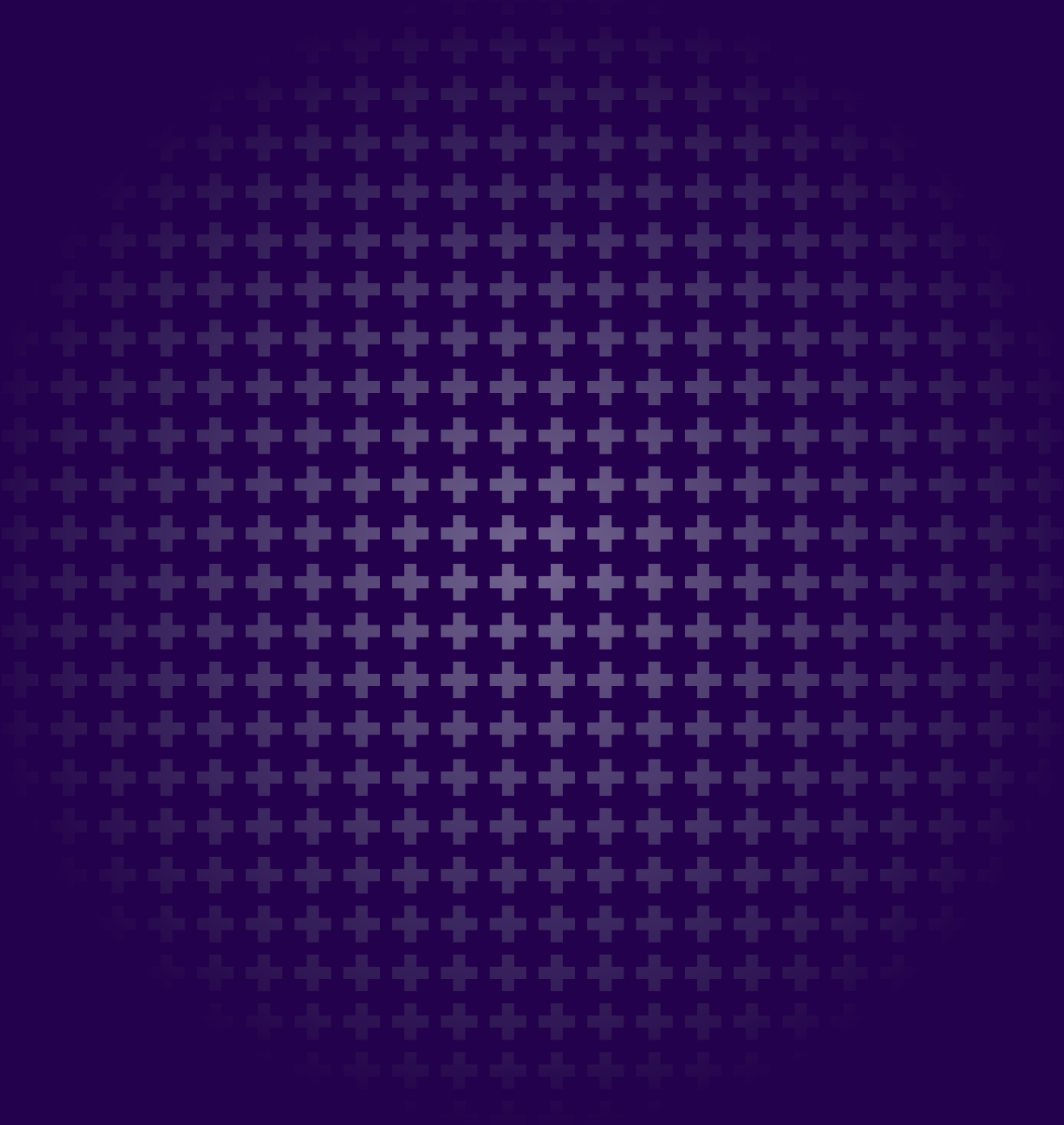


Universities and education in the post-recession economy

Report of a seminar organised by Universities UK

15–16 April 2010



This report has been prepared for Universities UK by Conor Ryan.

Universities UK acknowledges with thanks the contributions of the speakers and delegates at the seminar.

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The seminar

Universities UK organised a seminar in Brighton in April 2010, bringing together vice-chancellors, researchers and policymakers to take a close look at the implications of the global and national economic crisis for both the UK economy and higher education. It also examined the changing nature of student demand in a post-recession economy. This seminar is part of ongoing discussions around these issues, and these themes will also be explored within the context of Universities UK's soon-to-be published *Recession to Recovery* project.

The seminar was organised by the Universities UK Longer-Term Strategy Group chaired by Professor Geoffrey Crossick, then Warden of Goldsmiths, University of London. Its proceedings were conducted under the Chatham House rule, so this synthesis avoids attribution. This report presents the main discussions that took place during the seminar, and should not be seen as representing the views of Universities UK.

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Summary

The current fiscal and economic situation will have a significant impact on higher education. It has already led to cuts for universities and these are likely to increase. The recovery will demand new skills and innovations. However, many recent graduates are experiencing unemployment, which could have lasting impacts on their lives.

The skills required are changing, with strong demand likely for corporate managers, managers with IT skills and professionals in health, education, science and technology. Graduate employment is more competitive: in 2009, there were 80 people competing for each 'graduate job'. Graduates face more hoops than ever in applying for jobs – including internships – and intensive online application processes.

Demand for undergraduate places is at a record high, with increasing applications from European and mature students as well as growth from UK school and college leavers. There has been a big increase in demand for 'people-related courses' such as nursing, psychology and social work. In 2010, there are big increases in re-applicants and at the postgraduate level, more Postgraduate Certificate in Education (PGCE) teaching applications.

Students choose a university primarily for facilities, location and reputation. Except for non-traditional students, cost concerns only affect how and where to study. Students might be willing to commit themselves to a higher graduate contribution if they thought the longer-term returns were higher.

A big issue facing the Browne fees review is that 25 per cent of higher education funding now goes into student support – if fees linked to loans are increased on the current basis, the amount available to universities would be less. Universities may need to find ways to increase their exposure to risk by themselves supporting student loans. More courses may also be delivered flexibly and in further education colleges, with improved provision for credit transfer.

Universities are expected to be everything, from civic leaders to promoters of social mobility and school sponsors. Many are also property developers and cultural beacons in areas with few independent cinemas or fringe theatres. Today's university actively seeks media contributions by staff experts and is also more involved with business or developing spin-out companies. Is this enormous range of demands appropriate for universities at a time of increased financial pressure?

Quality and standards will become more important for the higher education sector, just as the Research Assessment Exercise has become for research. The quality of student experience is not always the same as the standard of achievement or of the education received. Universities need to be clearer that students must work hard as their own contribution to their experience. A tougher focus on standards might mean less flexible learning methods and self-assessment, with a return to exams.

There may be more fully private institutions in the future as 'free schools' and academies grow in the compulsory education sector. The involvement of the private sector is currently largely through partnerships with existing universities. In a more competitive environment, universities that outsource to private providers will have greater agility and the ability to respond quickly to changing demand.

There is a great deal of uncertainty about the future character of higher education. In this context, it is vital that universities seize the future rather than allowing others to dictate it.

1. Introduction

The financial and economic crisis has had a significant effect both on public finances and the labour market in the UK. Higher education has already had to face its first cuts in funding per student in a decade. The Independent Review of Higher Education Funding and Student Finance, chaired by Lord Browne, is expected to report in autumn 2010. Both the Conservatives and Labour have similar policies on higher education, ahead of the May election [which took place a few weeks after the seminar]. The outcome may see some differences in fiscal policy, but these are expected to be minor.

Universities need to grapple with the full implications of the economic crisis and to gain an understanding of the implications of any new financial and economic order that may emerge with the recovery. Public funding levels may be lower than in recent years overall. Internationally, the global balance may change between the US, Europe and the emerging economies like China and India. The UK economy may shift its focus again, with demands for new skills.

All of this could have important implications for the labour market and the demand for particular types of degree and competencies in graduates. With higher fees come higher expectations from students and parents. Public sector employment may be lower but more attractive. Students may choose new subjects and may be tempted to seek safer employment. The argument for higher student contributions to fees could be affected by a more debt-averse culture and changes in the rate of return of graduate employment. Today's graduates face a tougher time finding work and this may have longer-term implications, both for this generation of graduates and for perceptions about the value of going to university or gaining a higher education. It may be that students are, or become, risk-averse rather than debt-averse.

This could change the role of universities. Individual institutions could be expected to become more specialised or may choose to do so. Private providers may seek to take on more higher education courses, in both collaboration and competition with universities. At the same time, the question of what universities are for may become more acute, as there may be growing expectations that they maintain their wider educational roles and their public value, including as agents of regeneration and sponsors of schools. But the counter-pressures of tighter public funding may make it harder than ever to meet these expectations. Meanwhile, the growing demand for higher education from emerging economies is likely to continue, but in ways that provide stronger global competition than before.

Universities are likely to be vital to the recovery. But the nature of their contribution has yet to be defined, just as the nature of their relationship with students and graduates is likely to evolve. Higher education faces real challenges – and opportunities – in the post-recession economy.

2. A new economic order

The shape of the recession

The UK is in the deepest recession since 1929. There has been a six per cent fall in output and national debt is growing. The public sector deficit may be the largest in the Organisation for Economic Cooperation and Development in 2011. The Treasury, through the Fiscal Responsibility Act, has committed to halving the budget deficit by 2013/14. This will involve an increased tax burden – much of it for the top earners – and public spending cuts which the Institute of Fiscal Studies (IFS) estimates will amount to 25 per cent in budgets not protected from real term cuts (such as schools, health and aid), backed by a virtual pay freeze. At the same time, the IFS calculates that between 2011/12 and 2014/15 the average annual increase in debt interest payments will be 12.7 per cent, while average departmental expenditure will fall by 3.1 per cent. Higher education is already facing cuts of £915 million over three years, with the likelihood of more after the election. Unemployment has risen among non-graduates from five per cent to over nine per cent since 2005, and from 2.5 to four per cent among graduates.

Reasons for recession

The credit crunch and subsequent recession showed the extent to which capital markets are global. Mistakes were made by not cutting interest rates soon enough. The economy is still fragile, so there should be more quantitative easing – the release of money into the economy by the Bank of England – and interest rates should remain low. However, it is still unlikely that the economy will recover in a 'V' shape: instead there may be more quarters when the economy is in recession. While some economists predicted the credit crunch, many did not. Some were too focused on the theory rather than the reality. Nobel laureate Robert Solow argues that there is nothing in modern macro-economic models that comes close to 'overcoming a modest scepticism'. At the same time, the number of students applying to study economics is falling: applications for economics degrees are down 0.6 per cent according to Universities and Colleges Admissions Service (UCAS), with fewer applications to do economics than drama or English.

A shaky recovery

Other European countries have had a mixed experience in recovery. Germany, having grown at 1.8 per cent in the second quarter of 2009 and 2.9 per cent in the third quarter, has since experienced a dip back into recession, with its economy declining by 0.4 per cent in the first quarter of 2010. While the UK economy has been growing again, this growth could be threatened by significant cuts in public spending during 2010. This recession differs from any in the late 20th century because of the failure of the banking system and the constraint on credit and lending. John Maynard Keynes argued in 1931 that the duration of the slump which followed the stock market crash of 1929 could be 'much more prolonged than most people [were] expecting' and that the economy would experience 'long, dragging conditions of semi-slump'. This could resemble today's experience.

Recessions driven by financial shocks are longer and deeper, with housing price declines averaging 35 per cent over six years and a seven percentage point increase in unemployment during the four year 'down phase' of the cycle.¹ In the current UK economy, there is a real danger of deflation if cuts come too soon. We need to restore the fiscal situation, but much can be done through growth and increased tax revenues that result from growth.

The impact of youth unemployment

Unemployment may not have risen as much as expected in the recent recession. But people are working fewer hours and many immigrants have left. Wages have also been kept down. Firms that have hoarded labour during the recession, often by reducing hours, have stopped hiring new young workers. Nineteen per cent of under-25s are unemployed, and this includes 14 per cent of under-25s with a degree. Forty-six per cent of Black young people and 31 per cent of Asians under 25 are unemployed, including some 30 per cent with a degree. Unemployment is unusual in the extent to which it is affecting all classes. Evidence from past studies shows that unemployment among people in their twenties creates permanent scars: it raises unemployment, lowers wages and reduces job satisfaction 25 years after the experience.

No such pattern appears among those with a spell of unemployment in their thirties.² Lisa Kahn has shown that graduates in a bad economy have substantially lower lifetime earnings than graduates entering the labour market in good times.³

3. Jobs and students

New skills and graduate jobs

The first National Strategic Skills Audit for England has looked at trends in demands for skills during the first decade of the 21st century.⁴ The fastest growing occupations include conservation/environmental protection, paramedics, legal associates and teaching assistants. These are typically paraprofessional roles demanding level 4+ skills, as the number of low skill occupations declines. Skill shortages are biggest in construction as a sector, while the sectors with skills gaps in more than 25 per cent of firms or employers include utilities, hotels/catering and education. The skills gaps are not huge but they are significant, particularly in Science, Technology, Engineering and Mathematics (STEM) subjects⁵ and some service sectors. The issue is not that there are too many graduates but rather the way employers use them and a labour market mismatch. There is also a question about whether young people are doing the right subjects to meet skills needs.

The audit measured skills deficits according to the economic significance of particular sectors. Several sectors of high economic significance have high skills deficits, including computing, hospitality, retail, utilities, construction and transport equipment. The audit looked at where demand for new skills is likely to come in areas of high economic significance with significant skills deficits. Areas identified include business services, health and social care and retail trade, with education and financial services not far behind. Increased demand for professionals, associate professionals and managers is an expectation not matched in industry. Demographic pressures will require up to 800,000 replacement people in construction and skilled trades, where half the workers are over 55. Such occupations include chartered engineers, engineering technicians and other STEM roles. While we can't predict, we can measure trends and the skills audit has identified these in key sectors. It has prioritised a range of occupations and skills drawing on those trends. The top five are shown in the following chart.

Occupation/skills	Key sectors, industries or specialisation
Corporate managers across many sectors	Retail, business services, computing, digital media, finance and professional services, health and social care, education, public administration and hospitality.
Managers and professionals with computing and software skills	Especially in harnessing the potential of new media, effectively delivering multi-platform content, successful operation of networks, exploitation of broader ICTs in manufacturing, and in the service sectors.
Health and social care professionals	Medical specialisms such as audiological medicine, genitourinary medicine, haematology, paediatric surgery. Pharmacists. Qualified social workers.
Science and technology professionals	Pharmaceutical and medical technology industries. Traditional and advanced manufacturing. Low carbon and environmental sciences with a wide range of specialisms – including biology, chemistry, physics, mathematics and statistics.
Teaching and research professionals	Across further and higher education, especially teacher educators. Major requirements in all science, technology, engineering and maths areas, and an emerging need for multi-disciplinary teachers and researchers across scientific, technical and business areas.
Source: UKCES Skills Audit	

The audit showed the need for intelligent markets that better anticipate needs, the importance of high-level, intermediate and economically valuable skills, the role of demand for skills and the need for people to have generic, employability and basic skills. Germany has shown in its support for green skills 10 years ago, how targeted support for skills can lead to economic success; it now has a significant green industry. Contrary to the emphasis of the Leitch Report, there are still predicted to be six million jobs requiring only low skills in 2020, the equivalent of 20 per cent of all jobs – though their number and proportion will continue to decline as the skills expected by employers grow for all jobs. Also contrary to the expectations of some, there has been no significant change in the numbers of micro-businesses, though self-employment has grown in the recession. Employment in small and medium enterprises (SMEs) has continued to decline. However, high-growth SMEs, especially in the knowledge economy, do create jobs.

Where are the graduate jobs?

The graduate jobs' market is becoming tighter in the recession. Four hundred thousand students graduated in the UK in 2009 and there were fewer than 20,000 vacancies defined as 'graduate jobs', suggesting 80 people competing for each job. There are problems with the definition of graduate jobs – self-started small businesses and many SMEs are excluded, for example – but it does suggest a highly competitive jobs' market. This places a premium on graduates who have not only good qualifications but also relevant work experience or internships and a good extra-curricular range of interests. Seven out of 10 recruiters said that a student with a first-class degree would be no more attractive than a student with a 2:2 who had relevant work experience as well. However, it is also the case that an Oxbridge graduate is 30 times more likely to get a top job than a graduate from a new university.

For 2010, graduate recruiters expected to see an 11.8 per cent growth in vacancies, with city banks among those hiring again. However, starting salaries have been frozen for the first time. Internships are becoming vital and much harder to get than training places and there are concerns about expectations that graduates will be able to afford to take unpaid internships. Skillset, the Sector Skills Council for Creative Media, has introduced a code of practice for internships in its sector, recommending proper goals and mentoring as well payment of the national minimum wage. Some Regional Development Agencies are paying Jobseeker's Allowance to interns in the private sector to keep skilled graduates in their region. Internships can also be a good way for small firms to see the value of employing graduates if they don't know what to expect: it is often a pleasant surprise.

This year's graduate jobs' market is also skewed by many of last year's graduates who took postgraduate courses in the absence of jobs. A quarter of vacancies have already been filled by deferred graduates or work experience interns. The big graduate recruiters in 2008 and 2009 were the NHS, civil service and the UK Government Communications Headquarters (GCHQ). There is a big growth in media, banking, IT telecoms, retail and accountancy jobs in 2010.

These are areas, along with the armed forces and oil industry, where growth is expected in future years. But graduates will in future be part of a changing jobs' market. The internet has intensified global competition for good jobs and made transnational recruitment easier: HSBC receives 100,000 applications for 1,500 graduate jobs globally. Graduates are expected to take part in intensive online application processes with telephone screening and online testing: with internships of up to six months often expected, they face more hoops than ever. However, there is no pay premium for those with postgraduate degrees. Sixty-four per cent of employers rated employability skills above academic performance. These are skills that can be taught: if universities are not teaching them, they are letting students down. Employers now call the shots: they have won the 'war for talent'.

Who wants to go to university?

Demand for undergraduate places is at a record high, according to UCAS data. With places limited, this meant that 2009 saw the lowest acceptance rate of the last decade. In 2003, 16 out of 20 applicants secured a university place; by 2009, this had fallen to 15 in 20. The proportion of applicants from other European Union countries has doubled to 32,000 over the decade. The number of applicants aged 40 or over has also doubled to 6,000 and there have been big increases in applicants aged 21–40. More applicants have diplomas or vocational qualifications rather than A-levels. Increased GCSE achievement seems also to be driving ambition. There has been a big increase in demand for 'people-related courses' such as nursing, psychology or social work. Other big increases have occurred in business and management courses, design studies, law and sports science. Demand for computer science has fallen by 29 per cent, returning it to approximately the level of a decade ago.

In 2010, January data shows big increases in re-appliers (those unhappy with their original course) and students aged 21 or over. There has been a large rise of over 18 per cent in PGCE applications from would-be teachers. There is also a big drop in the number of deferred places by young students this year. These may all be a result of concerns about unemployment, and may also reflect a belief that higher fees could be introduced rapidly after the Browne review. Nursing, social work and pre-clinical medicine are the biggest growth areas in applications, reflecting a move towards study in more vocational courses with clearer career paths. Indications are that these trends may continue beyond 2010.

Undergraduate expectations

Research by the Institute for Employment Studies has identified factors that influence decisions about choice of university and course. Finance is not the most important and is only a key consideration for non-traditional students. The three most important issues relate to a university's facilities and student experience, its location and setting, and its reputation and status. Finance can play a part in choice of location, with students either avoiding expensive cities or being based closer to home. Students go through a phased decision-making process. They need to aspire early to go to university. Their choices are refined over time. Choice of subject tends to come ahead of choice of university. Most applicants read university information to help them make choices, but it is at a stage when it reinforces existing selections and helps narrow options.

Loans, fees and debt

Applicants know about student loans and regard them relatively favourably. There is low awareness of grants, bursaries and scholarships. Information on finance is available, but is rarely accessed by applicants; often this information, particularly on bursaries, is seen as poorly timed, impersonal and too complex. As a result, undergraduates arrive ill-prepared financially: many wish they had been better prepared. However, applicants often over-estimate living costs and loan repayments; even so, they are keen to go to university. They expect to fall back on family and part-time work while a student.

Applicants have a grudging acceptance of fees, though non-traditional students are less accepting. They want to do a degree despite the costs, preferring repayment of loans after graduation to upfront payments. Cost concerns currently have little influence on choices, except how and where to study. Students might be more willing to commit themselves to higher fees if they thought the longer-term investment results from particular courses were higher. However, students are still concerned by the size of the headline debt even if they see loan repayments as reasonable. And while they expect higher education to provide a payback in the longer term, they worry about the time it might take to see a return on their investment. They expect value for money, with a good student experience including good learning resources and contact time, though it is interesting to see that this only emerges as a significant issue once they are at university.

4. Tomorrow's universities

Multiple expectations facing the sector

Any social or economic strategy today would have a place within it for higher education, unlike equivalent strategies 30 years ago. But with this growing prominence for higher education comes growing expectations. These can be paradoxical: universities are expected simultaneously to be traditional and innovative, autonomous and accountable, or charitable and commercial. People like the ceremonial aspects of universities but want students to be cutting-edge. Politicians like evidence-based policy until the evidence suggests other than their policies. Academics are often more confident to express views the further they are from their area of expertise. The boundaries between the public and private sectors are no longer as clear as they once were: no complex organisation is entirely public or private. A public sector organisation such as the Army contracts out its catering and healthcare, while a private sector company such as British Aerospace has a slew of public sector contracts. Universities similarly have many public contracts, each with its own accountability and obligations. This means that a squeeze in the public sector affects universities in many ways beyond Higher Education Funding Council for England (HEFCE) grants.

The higher education sector survived the financial constraints of the 1970s. Indeed, this was an era of innovation with the growth of polytechnics. The arts and technology colleges that emerged during difficult times in the 1980s are now significant players. In the US, there is panic about a 25 per cent decline in the value of Harvard's endowment fund, yet it fell by 17 per cent in the first half of the 1970s and subsequently recovered. There is a survivability gene in the sector. However, it is also the case that higher education had many fewer students in the 1970s – a quarter of today's numbers – and was a less significant economic player. Moreover, the likely public spending reductions after the May election look set to be much greater than anything previously seen.

Given these changes, the sector underestimates the extent to which the student market moulds higher education. Students are shaping their own higher education. Media studies courses attract criticism in the press, yet they are also a product of Alison Wolf's 'rational teenager': many courses provide the right mix of IT, design and business studies to support graduate employment. Such rational choices have led to declines in science courses, many of which are kept open by international students: the returns were not high enough. In Germany in the 1970s, students used funding and regulatory changes to elongate what should have been four-year courses, to six and seven years and the government has been trying to prevent this by changing the rules. In the future, students may demand more liberal education as undergraduates, followed by more instrumental career-focused postgraduate courses. Some industries may choose to put more resource into training their employees during the recession, as construction did in the 1970s.

New approaches to higher education

Changing expectations could also change attitudes to university autonomy. UK universities are unusual in the extent to which they enjoy institutional autonomy in owning their own assets and employing their own staff. Coming out of a well-funded era, many universities have become dangerously addicted to earmarked funding. In future, they may have to prioritise their core funding more, particularly if politicians delay decisions about higher fees. Universities will also face new competition from the for-profit sector which could undercut them, though high entry costs in the UK have meant that much private sector activity is in partnership with existing universities. Reduced funds may also provide opportunities to restructure staffing and the recession may widen the pool of applicants. A big issue facing the Browne review is that 25 per cent of higher education funding now goes into student support – if fees linked to loans are increased on the current basis, the amount available to universities would be less. These challenges may lead us closer to many less familiar US universities which mix student earning with learning, credits and studying at several institutions in succession. Those who point to the flexibility of the US system need to recognise that the UK does not have a structure for moving up the higher education hierarchy such as the one which exists in the US.

The role of league tables in determining ‘world-class’ status could change too. The tables rarely reflect government goals such as business links or regeneration. International students may expect to study closer to home, not least with the World Bank recognising that without strong indigenous higher education (to train teachers), it is not possible to achieve primary education goals.

All this suggests that we need a more cooperative (rather than collaborative) system in areas such as research and development. University leaders have a key role, as have external incentives. We must not repeat the mistakes of the late 1980s and early 1990s when the UK’s advantage in computer games, for example, was surrendered because of prejudices against new universities that were leading the development of these technologies. But no university should wholly bet on any single specialism. Those that succeed have enough disposable resources to invest in areas that sit with their wider strategy or mission.

The public value of universities

The days of ‘learning for its own sake’ have been replaced by a strong focus in higher education on teaching and research. Universities are expected to be everything from civic leaders to promoters of social mobility and school sponsors. Not all of this wider role is new: many universities were founded by city councils and local industrialists. But their contribution to economic development and regeneration is now greater. In Liverpool for example, the city centre has in many ways been rebuilt by the university. Public institutions are now expected to deliver social mobility and more equal incomes where taxes and benefits can’t. Higher education is expected to drive the latest incarnation of the ‘new economy’ to give Britain a leading edge, a role that may conflict with student demand. Universities must also have a ‘mission to explain’: their academic experts can say things that politicians can’t. And they are now sponsoring academies.

Not all of these are areas in which universities would choose to be involved without outside pressures. Beyond their traditional functions, many are keen to be civic participants. Many are also property developers. They can be cultural beacons in areas with few independent cinemas or fringe theatres. Today's university actively seeks media interviews for staff experts and is also more involved with business or developing spin-out companies. The future may mean decreased public funding but it is unlikely to see reduced public expectations. Co-payments are likely to increase, with higher fees, making the sector closer to the railways or social housing in structure. There may be more fully private institutions as 'free schools' and academies grow in the compulsory education sector. Universities will still be expected to provide the innovation that drives the new 'new economy' and to analyse an ever more complex society. All this could occur within a very different post-school education system with a significant change in the role of further education. These changes will occur in the context of social expectations that universities adopt even less hierarchical attitudes to knowledge and that their institutions are more publicly accessible, as museums have become. In a sense, museums are like a cross between Alton Towers and universities in their mix of high-brow exhibits and interactive accessibility.

Universities will be expected to deliver an economy that helps Britain to survive the political and economic changes that are likely over the next decade. After the recent parliamentary expenses scandals, that decade could be as important in transforming government and politics as the 1960s were to social reform and the 1980s to economic change. The changing attitudes to politicians also reflect a less deferential attitude to authority, as shown by the recent climate science debate. If academics cease to have public trust, this could undermine a unique selling point of universities.

Meanwhile, UK students facing a tougher graduate recruitment market may look increasingly for novelty and differentiation, perhaps to overseas universities. Economically, public sector job cuts could be as great as 300,000, with a more severe impact in some areas, leading to greater expectations that universities will support local economies. Universities need to think in a corporate way about how they shape this destiny rather than to have it happen by chance. In doing so, they should also demonstrate their own wider value more clearly: it is important that the marketisation discourse doesn't stop universities talking about public-good programmes such as widening participation and the protection of strategic subjects. In this context, universities will need to emulate the private sector in differentiating their brands in a sector where pressure to conform to a norm is particularly strong.

5. Tomorrow's competition

Universities should seize the standards agenda

Quality and standards will become more important for the higher education sector as far as teaching and learning are concerned, just as the Research Assessment Exercise (RAE) has become for research. UK universities are regarded as world leaders for quality. However, the Universities Select Committee last year raised questions about standards and also rejected the idea that market attractiveness was a reasonable measure of quality. Yet it is one. Indeed, many sectors would kill for the levels of satisfaction (among students) with higher education – there were just 90 complaints to the Office of the Independent Adjudicator from 2.4 million students last year. Yet, despite the lack of evidence of a real problem with quality and standards, these are growing in importance in the political debate. The assumption has reappeared that 'more means worse' and there is a critique of the diversity of courses. Fees have added to the dynamic, particularly with parents. And the sector has not caught up with the need to give people confidence in quality

Much of the concern is about perception. The RAE is not replicable in teaching, not least its link to funding. However, the Quality Assurance Agency has a new duty to instil public confidence, which should help. In any case, universities need to have more of a service ethos. But there is a difference between quality and standards. The quality of student experience is not always the same as the standard of achievement or qualification. Universities need to be clearer that students must work hard to do very well, and about what is needed to guarantee standards. At the same time, they have to manage the expectations of students and parents. It will be a lot easier for vice-chancellors to get staff onside if this commitment to standards is articulated publicly and internally.

A stronger role for exams

This tougher focus on standards might mean slaughtering some sacred cows of learning innovation in recent decades, such as flexible learning and self-assessment. There may need to be a return to a strong emphasis on exams. This would also help tackle plagiarism accusations and could lead to clearer admission standards. The role of the external examiner needs to be better paid and more prestigious if the position is to retain its importance as a guarantor of standards across the sector. Meanwhile, better public information about class sizes, contact time and other matters will help address parental and student concerns. Employability must be seen as part of this agenda. There must be a more systematic way to measure standards, though there should also be honesty about the lack of comparability between universities with very different missions. Reputation may shape perceptions of quality for some students, though they will make rational choices even if these are not the top universities as defined by organisations like the Sutton Trust. But it is up to universities to seize this agenda and make it their own.

New competitors – overseas and private

Teaching in the English language may no longer be a unique selling point for UK universities, as European universities teach more courses in English. There is still a mother tongue premium, but it could become harder to attract international students. At the same time, more UK students may choose to study abroad. The international market is not highly fee-sensitive, but competition between UK universities has kept fees down. Competition is affected increasingly by reputation as much as league table rankings: student blogs and critiques have a growing audience. Site, situation and location are also important in student choices. Rising fees may heighten these choice factors. Where students are concerned about standards, they focus on centres of excellence in chosen subjects and worldwide ranking. Today's graduates are informing tomorrow's students: they will make them savvier in their choices.

The Master's qualification is seen as the ticket to employment for many students exiting from undergraduate degrees and UK universities have driven supply and demand for these awards. But universities should look more closely at the value of their first degrees and whether they might be strengthened so that graduates are more employable. Another important driver of competition is the post-recession housing situation: cost could drive UK students to consider courses taught in English in overseas universities. Private competition is growing, but the involvement of the private sector is largely through partnerships with existing universities. In a more competitive environment, universities that outsource some of their activities to private providers will have greater agility and the ability to respond quickly to changing demand.

6. Longer-term reflections

The seminar ended with some concluding reflections.

- We need to think a lot more about the disparity between the number of graduates entering the employment market each year and the number of what are seen as 'graduate-level' jobs. This could impact on aspiration and expectations and affect demand in the future.
- The lasting impact of unemployment on people in their twenties should lead to a renewed emphasis on support for graduates and the development of employability skills.
- With the Browne review of fees, universities need to be clear about the extent to which they are willing to take on risk in supporting additional student loans if fees are to be increased. Fees may require a new approach to loans and risk, and stronger partnerships with banks.
- Universities need to respond to demands to improve the student experience, including the need to improve the application process and to address student employability.
- We need to protect public trust in higher education as a sector as well as individual institutions, during what may turn out to be what has been called a 'long dragging semi-slump'.
- More public sector efficiencies or cuts will affect the sector: even the 'protected' NHS is expected to make £15 billion in efficiency savings away from the 'frontline'.
- There should be a reality check about diversification: after all, the trend has been away from specialisation over the last 20 years, driven by funding, the RAE and concerns about standards.
- Universities are too inward-looking. They need to connect even more with further education (FE) colleges, schools, research and development and businesses in a world where partnership will be increasingly important. Universities need to do more to explain their public-value contribution.
- Restoring public trust means nailing concerns about degree standards and the simplest way to do so. The private sector remains an unknown: will its quality be assessed or assumed?

- The regions have an important role in working with universities, and universities need to work together in their regions to address local issues and challenges.
- If fees genuinely become variable, it will be important to consider the impact on different universities and on the concept of minimum standards.
- Further education colleges may deliver lower-cost degree courses, which will require better credit accumulation and transfer systems; 9.5 per cent of higher education is already delivered in FE in England and 30 per cent in Scotland, which has a more flexible system.
- HEFCE's role is likely to change so that it becomes more a purchaser and regulator, rather than a funder.
- There is a great deal of uncertainty about the future character of higher education. In this context, it is vital that universities seize the future rather than allowing others to dictate it. Universities and their organisations must now set the agenda.

- ¹ Reinhart C M, Rogoff K S (2009) 'The aftermath of financial crises', National Bureau of Economic Research working paper no 14656
- ² Bell D N F, Blanchflower D G (2009) 'What to do about rising unemployment in the UK?' IZA discussion paper no 4040
- ³ Kahn L B (2010) 'The long-term labour market consequences of graduating from college in a bad economy', forthcoming in Labour Economics
- ⁴ The Audit was prepared by the UK Commission for Employment and Skills (UKCES). The full report 'Skills for jobs – today and tomorrow: the National Strategic Skills Audit for England' is available at <http://www.ukces.org.uk/our-work/research-and-policy/national-strategic-skills-audit/>
- ⁵ Science, technology, engineering and mathematics



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