Boosting higher education while cutting public spending

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The end of 2021 is going to be crucial for post-16 education in England. The Comprehensive Spending Review (CSR) will determine its funding. The Skills and Post-16 Education Bill going through Parliament will shape its structure. The new Secretary of State has an opportunity to review and revise the Department for Education's strategy. These big decisions are being taken against a political and media backdrop more hostile to universities than for a long time.

The scepticism is partly down to a lively debate about whether economic returns to higher education have fallen. A lot of student debt looks unlikely to be repaid and this is taken as evidence something has gone wrong. The Treasury cast their beady eye over the evidence and worry universities are not delivering the earnings boost which they used to. The Spending Review is the moment of reckoning. It is still the case that most graduates earn more than most non-graduates. But I fought a long battle as Minister to get access for researchers to HMRC data to enable them to investigate graduate earnings in more detail than ever before and now much more sophisticated and granular analysis is becoming available. Figures from the Institute for Fiscal Studies (IFS) show that 80% of graduates are set to derive a net financial benefit from higher education (excluding wider benefits such as increased life expectancy or greater civic engagement). This is evidence for a cohort in the first decade of their career during a period of historically low pay.

There is an obvious appeal in trying to stop the 20% whose courses do not apparently yield a net financial benefit. But this is not straightforward. How reliably can we predict who these people are in advance? This is all based on a dataset to which one think tank has had pretty much exclusive access: is that robust enough for potentially draconian interventions? Self-employed earnings are excluded and these may be unusually high in the performing arts, which appear to do badly for employee earnings. It penalises universities in parts of the country where graduate earnings are lower and favours universities in the South East. Returns for women tend to be higher than for men – do we try to cut courses which do not benefit men even though they benefit women? Would we apply the same approach to earlier stages of education such as A-Levels – revealing the subjects with a low earnings return? Moreover, our universities have flourished because they are still relatively autonomous compared with Continental systems, with no role for Government in specifying what should be studied provided it meets regulatory standards to count as higher education. Are we willing to end that distinctive and long-standing English model in the interests of closing apparently underperforming courses?

Analysis of earnings excludes the wider benefits to the graduates and to wider society such as improved life expectancy and lower crime. These benefits arise after researchers have allowed for selection effects so they are impacts from their time at university compared with someone similar who does not go. That is why the many speeches and articles criticising universities usually have an obligatory paragraph that, for most young people, going to university is a fantastic and worthwhile experience.

These questions about the benefits of higher education are tricky enough, but in addition there are important issues about politics and attitudes which are the focus of this chapter. The Conservative Party's electoral base has shifted away from younger Remainers towards older Brexiteers. Universities in particular look like the place where young people go to be vaccinated against Conservatism. James Forsyth, one of the best-informed commentators on Conservative thinking, set out the argument very clearly:

> *Then there's the politics: graduates tend not to vote Tory. At the last election, the Tories beat Labour 44 per cent to 32 per cent. But among graduates, not students, the Tories trailed Labour by 14 points, polling a mere 29 per cent. In this context, Williamson's abandonment of Tony Blair's target of half of youngsters going to university looks like an act of Tory self-preservation as much as a shift in educational priorities.*[1]

President Trump's remark that 'I love the poorly-educated' hovers over the Tory debate – which is not new. There was a similar Tory reaction against universities after the Civil War. Hobbes thought 'The universities have been as mischievous to this nation as the wooden horse was to the Trojans'. The Cromwellians by contrast favoured expansion with one arguing:

> *Why universities and colleges should only be at Oxford and Cambridge I know no reason. It would be more advantageous to the good of all the people, to have Universities or Colledges, one at least in every great town or city in the nation as in London, York, Bristow, Exceter, Norwich and the like.*[2]

There was no expansion either in universities or in the colleges of Oxbridge for the next 200 years and the proportion of young people going to university declined. That list of universities proposed in 1643 was finally achieved 320 years later in 1963. The British Enlightenment happened not in England where Oxford and Cambridge were a duopoly and at their low point but in Scotland with its four universities. Adam Smith's unhappy year at Oxford before returning to Glasgow is the basis for a chapter in *The Wealth of Nations* with a very acute analysis of higher education where producer power is too great.[3]

This long period of Oxbridge dominance was unlike other European countries which established networks of civic universities long before England. The Oxbridge duopoly lasted for 600 years and shaped our elite's view of what a university should be like. It was for gentlemen to study the liberal arts not for vocational study. So if you were pursuing vocational or technical education you travelled to Edinburgh or Leiden, studied law at the Inns of Court or did a kind of apprenticeship with a medical guild like the barber-surgeons. The English model was that vocational education could not possibly happen in a proper university. This ambivalence about vocational education in university persists to this day amongst commentators and politicians and we look at it in the next chapter.

The 50% target

One explanation for so many people going to university offered by Gavin Williamson and reported by James Forsyth is Tony Blair's 50% target for young adults in higher education

set in his 1999 party conference speech. I was surprised to read that the Government had now ended the 50% target as we have not had any such target since 2010. I do not believe in such targets. Claiming we have had one however provides a comforting explanation of the growth of student numbers – it must be because of a target not because of choices by young people. Moreover, the target was for higher education (a level of education) not for university (a type of institution where much but not all higher education is delivered.) Ministers and their advisers said they were abandoning the 50% target and instead boosting higher technical education and degree apprenticeships. But those are forms of higher education and would count towards the Blair target: indeed they are mostly delivered by universities. So we abandoned a target we have not had for a decade while announcing new priorities which would actually fall within it. It was all very confusing.

The awkward truth might be that the increase in young people going to university is not because of a Government target long since abandoned but because of real choices made by many young people and their parents. But is the tide turning? Recent polling did indeed find that more people say they want the proportion of people going to university to fall (27%) than increase (17%). But when asked in the same survey if they were leaving school would they want to go to university, 46% think they would and only 26% that they would not. Moreover most parents want university for their children: 65% of parents with children under 10, and 70% of parents with children 11 to 15.[4]

These aspirations matter. The media narrative may be that too many go but the reality is that applications continue to surge. UCAS received 311,000 applications from 18 to 19-year olds

in 2020/21, up 10% from 281,000 the year before, which was itself a record. Applicants do not all get a place but the entry rate is also rising from 34% of school and college leavers in 2019 to 36% in 2020 and 39% in 2021. Media outlets which spend 11 months of the year complaining too many people go to university then devote August, the month that really matters for admission, to identifying any risk of young people not getting a place at the university of their choice. It is hard to stand in the way of the university aspiration of many young people and their families.

A breakdown of 18/19-year old participation by parliamentary constituency shows which areas have the worst apparent problem of too many people going to university. There are 39 notorious trouble spots where over 60% of school and college leavers go to university as against a national average for school and college leavers of 40%.[5] The constituencies with the worst problem include Wimbledon, Richmond Park, Chelsea and Fulham, Battersea, Hitchin and Harpenden, Kensington, Chesham and Amersham, Enfield Southgate, North Hertsmere, Chipping Barnet, Esher and Walton, Tatton, Mole Valley, Altrincham and Sale West, Cheadle, Sheffield Hallam, Rushcliffe, Beckenham, Beaconsfield, and Kenilworth and Southam. If we are to cut numbers going to university this is the front line where the battle must be fought – but it is not going to happen there. If it happens at all it will affect marginal students in low participation areas, the opposite of levelling up. The battle would be on the wrong side of the red wall.

Conservatives now however represent places which have never previously had a Tory MP and where participation is much lower as the table that follows shows.

Table 1: University cohort entry rates for three traditional Conservative parliamentary seats and three 'red wall' seats that before 2019 had never previously elected a Conservative MP

Wimbledon	80.6%
Chelsea and Fulham	74.7%
Kensington	68.9%
Bolsover	28.6%
Great Grimsby	28.2%
Ashfield	26.4%

Source: Data table for Figure 4.11 'Cohort entry rates by parliamentary constituency', UCAS 'End of Cycle Report 2017: Patterns by geography' and 'The 24 Labour heartland seats lost to the Tories for the first time in decades' Telegraph 14 Dec 2019.

Historically Tories represent areas with lots of graduates. Indeed, if too many people are going to university it is Tory areas which are the worst offenders. Red wall seats are different as many of them have lower rates of participation. This is driving a necessary and desirable change in attitudes – nobody likes the snobbish assumptions that graduates are somehow better people than non-graduates and there have to be better education and training options for young people who do not go into higher education. But equally repellent is the assumption that low participation groups should know their place and not aspire to go into higher education. That takes us back to the notorious letter to Thomas Hardy's Jude the Obscure rejecting his application to Oxford:

> *Sir, I have read your letter with interest and judging from your description of yourself as a working man, I venture to think you will have a much better chance of success in life by remaining in your own sphere and sticking to your trade than by adopting any other course.*

It is hard to say that people from the poorest areas should settle for participation below 30% while it is over 60% for the most affluent. That is hardly levelling up. And it is not just the South East versus the rest. Levelling up must mean that higher education participation in Hull moves rather closer to Sheffield Hallam for example. Spreading opportunity means increasing participation for the groups that are missing out. But if participation overall is to be limited or cut, it becomes a zero-sum game. When I was the MP for a low participation constituency, Havant now on 27%, I concluded that if every extra participant from Havant meant one less from Winchester (53%) or Guildford (54%) then it would be a hard battle to win. Overall growth in numbers is the only feasible means of levelling up.

Across parliamentary constituencies, the level of higher education qualifications (Level 4 and above) held by the working-age population is strongly correlated with greater earnings. The prevalence of higher education qualifications in the working-age population ranges from 18.6% in Great Yarmouth (where median weekly full-time earnings are £473) to four times this at 77.3% in Tooting (where those earnings are £767). For every one percentage point increase in the proportion of the working-age population with higher education qualifications, median full-time earnings in a constituency rise on average by £4.86 per week (or over £250 per year). Overall, 45.8% of the variation in earnings between parliamentary constituencies is statistically associated with variation in the prevalence of higher education qualifications in the working-age population.[6] The pattern of cause and effect is intricate. But part of it must be higher education and

qualifications driving up earnings: it would be very odd indeed if that were not an important factor. Trying to deter people from higher education is likely to keep low participation constituencies poor. Boosting participation is one of the most powerful tools we have for boosting their earnings.

The participation figures in Table 1 above are for 18 and 19-year olds who go straight on to higher education from school or college. They are lower than the classic measure for participation which is for 17 to 30-year olds. That went over 50% in 2018/19. It was already well above 50% for women but offset by being much below that for men. The 51% in 2018/19 was the average of 57% for women and 44% for men. It is 58% for people from the quintile of most advantaged backgrounds as against 27% for people from the least advantaged backgrounds, the bottom quintile. Ten years earlier that social breakdown was 51% compared with 17% so in the past decade a lot but not all of the growth has been young people from disadvantaged backgrounds catching up – I hope that is not why it is proving more controversial than the earlier surge taking the more affluent above 50%.[7]

The numbers going into higher education have been rising for over fifty years. This is not some eccentric British experiment. Most OECD countries record growth in tertiary education participation most years.[8] The OECD shows UK participation on 55.8% close to the USA on 51.9% and Australia on 54.6% – which is where in many strategic areas the Government is happy for us to be. We are way below Japan (61%) and Korea (70%). We have surged from 51.8% in the past year and so show high participation but not exceptional – there are twelve OECD countries above 50%. The important outlier is Germany

on 35% together with Italy which is even lower on 27%. They pull the OECD average down to 46%.[9] Germany's economic model is very different from ours – not least with a much bigger manufacturing sector and many more apprenticeships than other advanced Western countries. Gavin Williamson announced he wanted us to have a 'German-style further education system'.[10] He was the latest in a series of Ministers who regularly announce that we are going to have a training system based on the German model. For some reason they rarely explain the support for key industrial sectors, soft regional banking to fund them, aversion to competitive takeovers, lower labour market flexibility, higher contributory unemployment benefits to help keep people in the same sector, role of trade unions on company supervisory boards, legal powers of Chambers of Commerce with compulsory membership and the much more extensive regulation of jobs through licenses to practice which are all part of it. Britain is not Germany.

What people think about higher participation

The people who have lower opportunities for going into higher education clearly want to see more university places. If anything it is graduates who think too many go. That is a rational strategy for incumbents who do not want more competition. They want to pull up the drawbridge after them. It is the outsiders who wish to see more places. The *British Social Attitudes Survey* has been tracking that gap which has declined but is still there:

> *graduates remain more likely than those with no qualifications to say that the opportunities available to*

> *young people to study in higher education ought to be reduced (18% for those with a degree compared with 6% with no qualifications).*

Overall, increasing higher education participation is much more supported than reducing it. (39% are pro growth, 47% think it is about right and 12% want it to reduce.) The number backing a reduction in places has been falling both for graduates and non-graduates.

There is an age element to all this which the *British Social Attitudes Survey* summarises as follows:

> *young people are nonetheless more likely to want higher education opportunities to be increased. Almost half (47%) of those aged under 40 think the opportunities for young people to go to higher education should be increased, compared with 24-33% of those aged over 50, who are more likely to feel the current level of higher education provision is about right … This difference in attitudes might reflect older people's awareness of the massive expansion in university places over their lifetimes. Alternatively, perhaps it simply reflects the fact that older people are less likely than younger people to benefit directly from any further expansion of places.*[11]

Even though graduates are somewhat more likely than non-graduates to support reducing places, that does not mean students regret going themselves. The HEPI / Advance HE *2021 Student Academic Experience Survey* reports that only 8% to 9% of those surveyed across 2019-21 would have chosen a non-university option (apprenticeship, a job or 'something else'). On average 58% to 64% endorsed their decision. A further

25% would have changed course or university or both.[12] The vast majority looking back are pleased they went to university. Their regrets are more about choice of course than about going at all. That arises from England's real education problem – early specialisation – which we turn to in Chapter 5.

Have returns to higher education fallen?

Even if you are persuaded by the evidence that the aspiration to get to university is widespread, you might think it misplaced and that the Government should still try to stop so many going. As we are over 50%, even Blair's target would now be a negative one to reduce student numbers. If Ministers really wanted to reduce numbers then instead of proudly announcing that they were rejecting his target they could have done the opposite – introduced it and said policy was to keep to that proportion.

One argument for such an approach is that the economic benefit of university is apparently declining. Another is that graduates are over-educated relative to their work which is not just a waste but also unsatisfying for them – they become like moody rebels in a Dostoevsky novel. Behind this there is the crudest consideration of all – maybe universities move young people leftwards so the last thing the Tory Party needs is an electorate full of graduates.

We have already seen there is a strand of Tory concern about mischief done by the over-educated which goes back to the Civil War. But that was not the only time this argument surfaced. Andrew Roberts records the Marquess of Salisbury's scepticism:

> *Salisbury never believed in over-educating the working classes. In the Quarterly Review in October 1860, he wrote that it was hard to induce the workingman to send his children to school because, 'though his neighbours child has learned the heights of all the mountains, and the length of all the rivers, and the breath of the straits of the world, these acquirements have not helped the boy much, for he is now above his work and objects to scaring crows'. Although it meant that occasionally a child might get a clerkship, nonetheless 'in ninety-nine cases out of one hundred the boys must fail and return sullen and discontented men to the plough tail'.*[13]

This may be the thinking behind the Government's plans to monitor numbers of graduates in non-graduate jobs and use it as a metric of university performance. But there are risks here. It is measured only 15 months after graduation, so it favours courses which get you quickly onto a plateau as against those where the career route is longer and less straightforward. Indeed, most of our measures of graduate outcomes are short-term whereas the research suggests that one of the advantages of a university education is that a graduate's long-term career trajectory is better and their earnings and job opportunities keep on improving for far longer – we will investigate this point further in the next chapter.

Moreover, it is hard to define a non-graduate job. Job content changes over time. Some jobs require a university degree even though they are officially categorised as non-graduate. An increasing number of teachers were graduates before it became a graduate profession. And graduates may do jobs differently. For example, there are worries that graduate nurses

are 'too posh to wash and too clever to care'. But research on nurse education across ten European countries shows patient mortality is 7% lower in hospitals for every 10% increase in graduate nurses.[14] Non-graduate nurses do wonderful work too but this evidence suggests we need routes to enable them to get access to higher education – the kind of opportunity which the lifelong learning entitlement may help with.

Even graduates who appear to be in non-graduate jobs do enjoy benefits of higher education which are distinct from labour market returns. Graduates in apparently non-graduate jobs report better health and greater social engagement. A ComRes poll of recent graduates for Universities UK found only 34% decided to go to university to get a higher salary.[15] So Ministers are not quite in touch with how young people see things when they talk as if the sole purpose of going to university is to get a well-paid job.

Overall more graduates drive change in the structure of an economy. We must not have a static picture of the type of jobs an economy can generate and the jobs and skills employers need. Increasing graduate numbers changes the potential of an economy. When as Minister for Universities and Science I discussed with George Osborne as Chancellor the case for removing student number controls, he said that measure scored highest of any budget candidate for raising long-term productivity. Indeed one element in our poor productivity performance since the crash of 2008 may be the more modest growth of graduate numbers over that period**.** One European study suggested that increasing the number of graduates changes the structure of the economy and the type of jobs that can be done so much that it actually reduces so called 'over-education':

> *We find that tertiary education expanded rapidly across our sample, while the proportion of young people with lower levels of education fell gradually throughout the period. Despite the significant increases in the percentage of young people educated to tertiary level, overeducation among new tertiary graduates fell. The descriptive evidence also suggests that some of the greatest declines in overeducation of young tertiary graduates occurred in the countries experiencing the most significant expansion in tertiary education. … Our results confirm the negative relationship between educational expansion and overeducation for both tertiary and post-secondary graduates.*[16]

Is age or education the new political divide?

These kinds of argument will not wash however if direct party-political interests are involved.

Does going to university make people left wing? Robert Colvile of the Centre for Policy Studies put the point very vividly in *The Sunday Times:*

> *there is good evidence that going to university pushes people to the left, especially on social and cultural issues. An extremely powerful predictor of someone having voted Remain is whether they have a degree. And the indoctrinating effect will be all the more powerful now that academia, especially in the humanities, has become a left-wing echo chamber … the government is writing off billions of pounds to pay for a lot of young people to take degrees … will certainly give them a first-class education in Tory-hatred.*[17]

One group of sceptics think going to university is just signalling you are smart but not really teaching stuff or changing people. But the concern expressed by critics like Robert Colvile is very different. It accepts that the university years are real and life-changing. The worry is that the changes are, from a Conservative perspective, in the wrong political direction. There is evidence that graduates are broadly more liberal – that is more tolerant of diversity, more politically engaged, less authoritarian. And they were likely to vote Remain, which Robert Colvile slips into his account of left-wing views, a move which may be neither accurate nor politically prudent. But many of these trends, including how they voted in the Referendum, apply to younger people as a whole. As young people are more likely to be graduates than older people, we need to disentangle any education effect from the age effect. And the voting gap between young and old is much greater than between graduates and non-graduates.

Our work at the Resolution Foundation shows that by 2017 a 30-year old was twice as likely to back Labour as the Tories and a 70-year old was likely to prefer the Conservatives by the same margin. The Tory problem is with young people as a whole not just graduates. This is how John Curtice and Ian Simpson summarise the evidence from the 2017 Election:

> *there is now an enormous difference between the voting preferences of younger voters and those of their older counterparts, a difference that has been dubbed a 'youthquake' … Those aged 18-34 are no less than 32 points more likely to vote Labour than those aged 65 and over, while they are 33 points less likely to vote Conservative. Never before has there been so big an age*

> *divide in British electoral politics … the differences in voting behaviour between those of different educational backgrounds are nothing like as large as those between older and younger voters.*[18]

However it does look as if the education gap widened at the 2019 Election:

> *while the Conservatives won clearly among non-graduates, graduates themselves were more split. There was a 9.5 point swing from Labour to the Conservatives among those with no qualifications (this will partly reflect their older age profile, although this may not be the only factor). Among graduates, 39% said they voted Labour, 34% the Conservatives, and 17% the Liberal Democrats.*[19]

Young people are becoming more liberal on all dimensions - economic, social, cultural and sexual. That means they are more tolerant but also less collectivist and more sceptical of the state and big Government. It does not automatically feed through into voting Labour or Conservative. Both main parties have a mix of policies and attitudes on the libertarian / authoritarian divide. It would be perfectly possible for a Conservative party to appeal to these more liberal views. John Curtice's study of the 2017 Election shows Brexit has strengthened Tory support on the authoritarian side and weakened it on the libertarian side.[20] This may in turn be associated with the decline in Tory support among young people.

The Conservative Party could easily appeal to the instincts of younger voters and the hopes their parents have for them if it wished to take that strategic direction. Many Tory canvassers observe the photograph of the child or grandchild

in graduation robes proudly on display on the mantlepiece. It is an aspiration bundled up with hopes of forming a family, having kids and owning a home. Is it really a sensible political strategy to oppose that? It would seem to be more prudent to try to understand and appeal to the aspirations of young people rather than frustrate them. And it is hard to think of a worse political message than trying to limit their opportunity of going to university because of a fear that means they will not vote Tory.

2. What about vocational education?

It is widely believed that Britain has a problem with vocational education and hence skills. So it appears to make sense to shift attention – and money – away from universities to vocational education. A recent survey for the Social Market Foundation (SMF) suggests that is what people want. They were asked:

Please imagine you were leaving school and deciding what to do next in life. Which ONE of the following do you think you would choose to do?

- *Get a vocational qualification*
- *Go to university*
- *Get a job*
- *None of these*

43% of young people went for a vocational qualification against 34% for university. When older people were asked what they thought would be best for an 18-year old, it was 48% for vocational education and 37% for university. But what is most revealing about the survey is not the answer but the question. The choice in that SMF question was a false one. Many university courses are vocational. A degree is often a license to practice. What is the right answer to that SMF question if you want to be a vet or a nurse or a lawyer? One university vice-chancellor estimated that 70% of their degrees were vocational. The Alliance Group of universities estimate that a third of their members' provision – and in some cases over a half – is vocational in that it is accredited by a Professional Statutory and Regulatory Body, which is necessary if people are to get jobs within key professions.[21]

Vocational university courses are not just for the classic professions. The universities of Sunderland and Oxford Brookes, for example, run automotive Engineering courses strongly linked to their local motor companies. Northampton was the centre of Britain's shoe industry and the University of Northampton keeps the tradition going with its Institute for Creative Leather Technologies (ICLT) – students even come from Italy to study there. The University of the Arts London trains some of the world's leading fashion designers.

The SMF question reveals a confusion at the heart of Britain's failures in skills policy because it fails to recognise there is no neat divide between vocational and academic education. We often get the most exciting learning and the most valuable innovation at that sweet spot of interaction between theory and practice, science and technology, reflection and craft. Universities can deliver this but they can fall short. One reason for the scepticism about vocational education in universities is that it can be all theory and no experience. I used to get complaints, for example, from the pharmaceutical industry that life sciences graduates from some of our universities did not have the wet lab skills which were needed and after recruiting them it took an extra year to train them up so they could work productively. The Royal Society of Biology stepped in and introduced a scheme for accrediting university courses which were good at training in laboratory skills. Accreditation by employer groups is a key way of keeping these courses grounded in practice.

The German CEO of an international power company told me that British Engineering graduates were as well educated as their German counterparts. But he would put a recent German

Engineering graduate in charge of a power station overnight and not a British one. The reason was that the Germans would have had more training on up-to-date kit as part of their university course. One of our guilty secrets is that we save money by making courses more theoretical. If we save money on Engineering kit, we end up training engineers as systems analysts who then go and work in the City.

Why do these courses at university?

But should vocational courses be studied at university? What is the point? The answer is that some reflection on practice is of value not least because it helps us to respond to future innovations during a long working life. So you could be trained in Fortran but you were also developing the capacity to learn future computer languages. And if that education moves up to levels beyond A-Level then it becomes higher education. It is what Lionel Robbins may have meant when he talked of higher education promoting the 'general powers of the mind.' This is one reason why, as we observed in the previous chapter, research into returns from higher education shows clearly that it puts graduates on a higher long-term pay trajectory. Graduate earnings do not reach a plateau early on. The IFS have recently extended their work out to adults aged over thirty and this is what they find:

> *Median earnings of male graduates grow strongly throughout their 30s, and this earnings growth far outstrips that of non-graduates. For male graduates who were 30 in 2016, we predict earnings to rise by £15k from age 30 to age 40, compared with a rise of just £5k in the median earnings of non-graduate men. The gap in*

median earnings between graduate and non-graduate men continues to grow strongly until individuals' mid-40s.

Median earnings growth for female graduates in their 30s is moderate, but still higher than that of non-graduates. We predict median real earnings of female graduates who were 30 in 2016 to rise by around £5k from age 30 to age 40, compared with no growth for non-graduate women. Among degree subjects, law and medicine stand out in that their female graduates do see large growth in median earnings between ages 35 and 40.

Accordingly, the causal effect of undergraduate degrees on earnings grows after age 30 for both men and women, but much more strongly for men.[22]

That comes from a 2020 report which has the Department for Education (DfE) logo on it but, instead of applying that finding, they are proposing that one of the key metrics for the Office for Students (OfS) to assess university performance should be graduate outcomes after fifteen months. This is potentially a serious distortion of policy. Imagine if other forms of capital investment were only appraised on returns over such a timescale. The Department for Business, Energy & Industrial Strategy (BEIS) would not dream of assessing the value of research fifteen months after it had been completed and the Department for Work and Pensions (DWP) will not measure the success of auto-enrolment in pensions by the amount saved by people fifteen months after they had opened an account. The DfE's focus brings a further distortion: prior student characteristics are more important for initial earnings than for the long-term, so any focus on quick returns

favours universities which tend to select the most advantaged students.[23]

This long-term return is particularly important in countries with liberal labour markets and higher rates of job mobility. That is why higher education participation is a bit above average in the UK and the US with our relatively innovative economies and flexible labour markets. By contrast if there are a lot of highly regulated craft-based jobs in sectors more protected from international competition, then there may be less labour mobility, less innovation and less need for higher education.

A further challenge from the sceptics is that these post A-Level vocational courses do not need to take a full three years and result in an honours degree. Education is categorised rather like a multi-storey car park: A-Levels are Level 3 and an honours degree is Level 6. England is light on Levels 4 and 5. While we are not an outlier for participation in higher or tertiary education – education above Level 3 – we do have a distribution skewed more towards Level 6 relative to Levels 4 and 5. These are referred to by the Government as 'higher technical qualifications' though there is no requirement that a Level 4 or 5 qualification should be in a technical subject. It could be in History. It could be in Philosophy. It could be a broad-ranging Foundation Degree as introduced by the last Labour Government. Being more flexible about a higher education course before a full honours degree would bring us more into line with other countries.

There are a few specific Level 4 and 5 technical qualifications, such as the Higher National Certificate (HNC) and Higher

National Diploma (HND) which do show excellent returns. They are much in favour at present. The *Case for Change* at the opening of the White Paper *Skills for Jobs*, published in January 2021 criticises returns to graduates and then states:

> *In contrast, recent analysis shows that technical courses can lead to better career outcomes for those who follow them, with men with a higher technical level (level 4) qualification earning on average £5,100 more at age 30 and women with a higher technical level (level 5) qualification earning £2,700 more at age 30 than those with a degree (level 6).*[24]

This statistic is frequently cited and is guiding policy so it is worth going back to the original research from which this result comes. It is an excellent piece of work by highly regarded academics. They report the high returns to Level 4 and 5 qualifications and then state:

> *Around 38% of the Level 4 learners in our sample have HNCs in engineering (25%) or building/construction (13%), and the majority of these learners are male. Around 50% of those who complete Level 5 qualifications take a DipHE in nursing, and the majority of these learners are female. Both sets of qualifications are likely to lead to occupations with high returns relative to occupations that are available to learners stopping at Level 3. Therefore, as well as labour market attachment and individual characteristics, the subject choices made within Level 4 and Level 5 qualifications play a big part in explaining our observed pattern of estimates. As a result, one should not assume that the same outcomes would be achieved*

> *for people studying at the same qualification level but in different fields. Moreover, one should bear in mind that the number of individuals with these qualifications is extremely small and one would expect the earnings outcomes to change if the inflow greatly increased.*[25]

The result which the DfE attaches such weight to is for an HNC in Engineering and a DipHE in Nursing. Both are good qualifications. But the numbers are very small indeed. The research results are for approximately 8,000 men doing Level 4 and 5 Engineering and Construction and 10,000 women doing Subjects Allied to Medicine over a five-year period out of a total sample size of 800,000 young people.[26] They are doing valuable courses with good returns. We must hope that Levels 4 and 5 can scale up across a wider range of qualifications but the researchers warn that returns might fall as provision expands.

Critics might be right that we produce too few people with Level 4 and Level 5 technical qualifications. But if this is true, it is so because too few people get beyond Level 3. Levelling up requires that we change their lives by supporting them to Levels 4 and 5. Shifting some of those with Level 6 – or degree-level – qualifications to Level 4 or Level 5 is the opposite. It should be an extension of opportunity not a reduction, enabling more people to move up from Level 3 without doing a full honours degree.

The critics, such as James Kirkup of the SMF, praise these Level 4 and 5 courses as an alternative to Blair's 50% target.

> *17 per cent of Hartlepool's 18-year-olds go on to what Whitehall calls 'higher technical' qualifications: advanced*

> *apprenticeships, Higher National Diplomas and other vocational training that delivers serious workplace skills. The figure for England as a whole is just 3 per cent … Hartlepool and its FE college are actually doing what a few politicians and a lot of policy wonks have talked about for years: delivering high-level vocational training to large numbers of people from that other 50 per cent.*[27]

He is right to advocate such courses – but they are forms of higher education. If there were a 50% participation target (which, of course there is not!) they would count towards it. They are a means of broadening access to higher education not an alternative to it.

Who are the snobs?

Our education system is closely tied to social class**.** That is why everyone is so aware of snobbery in education and skills. It affects universities. So, for example, a parent's instinctive ranking of our universities from Oxbridge to London Met via the Russell Group and then the former polytechnics matches exactly the class composition of their student bodies – it aligns pretty closely with ethnic mix as well.[28] It is not based on any objective measure of teaching standards. Nor is it based on any measure of value added by the university given the starting point of their students. It does however reflect research excellence which is really what makes our top universities top. As that is the real basis for these rankings, it has perverse effects. It is rational for a student to accept a diversion of resources away from teaching into research as that pushes her university up the rankings and makes her degree more prestigious and valued by employers. Universities which focus

more on teaching and less on globally significant research do less well in most ranking systems and will conventionally be regarded as 'bad'.

The universities with strong links to business and delivering more vocational courses are dismissed with outrageous assumptions about 'top' universities versus 'ex-polys'. It is implied that they are not real universities and that their courses do not really belong in a university at all. But a top university as indicated by prior attainment, the class mix of students and research excellence is not the same as a university serving predominantly disadvantaged groups with possibly more focus on teaching quality and doing applied research for local employers. We dismiss the latter as 'bad' universities when actually they might be very good indeed but with a rather different higher education mission than Oxbridge or the Russell Group. This is a deep-seated and particularly English problem. The great civic universities founded to deliver courses relevant to the local economy were mocked a century ago:

He gets a degree in courses in making jam
At Liverpool and Birmingham.

The origins of these assumptions lie in Oxbridge's exclusive duopoly dominating English education for centuries, long after other countries had established a much wider network of universities. Oxbridge held on to a distinction made by Aristotle between liberal and mechanical education. Liberal education was for a free man who could study what was of intellectual interest without worrying about employment. That meant he was a gentleman, hence all the class associations. Mechanical education was to train you to do a job to earn an income and

anything needed to earn an income was not liberal. Newman's idea of a university makes the same distinction. It appears to be the basis of DfE policy of dividing young people up as early as possible into two groups – vocational or academic students. Buried away at the back of their *Skills for Jobs* White Paper in the Glossary is the key explanation which shows today's DfE is a true heir to Aristotle and Newman: 'Technical education … differs from A-Levels and other academic options in that it draws its purpose from the workplace rather than an academic discipline'.[29]

The belief that universities cannot deliver vocational or technical education because it is not 'academic' is as strong in the DfE now as it was in the English establishment a hundred years ago. It is the very snobbery we are supposed to be fighting. When the new universities first applied for Exchequer support at the end of the nineteenth century, the Treasury consulted Oxbridge of course and they argued that if these newcomers were to be proper universities, they should not do vocational subjects so there should be no public subsidy for such courses which should be studied elsewhere. Like today's critics, they were applying the mischievous definition of a university as a place where nothing useful is taught. That is the origin of the peculiar formulation of the SMF question which would be incomprehensible in almost any other advanced western country. The young man I met at the University of Surrey at his workbench making kit for a satellite as part of his doctorate would find the SMF question pretty baffling.

Meanwhile, other parts of Government are trying to promote links between universities and business and make us better at applying our research. That is a crucial agenda which they

are trying to deliver despite the DfE thinking that universities should not be engaged in anything 'drawing its purpose from the workplace.' Indeed one of the biggest single threats to the Government's admirable aim of boosting research and development (R&D) spending to 2.4% of GDP is the DfE's attempt to drive technical education out of universities.

One of the most promising current innovations for linking universities and vocational training is degree apprenticeships, which combine higher education and workplace experience. There are relatively few of them and we are told one reason is snobbery about apprenticeships. Here is Robert Colvile in *The Sunday Times*:

> *middle-class children turn up their noses at degree apprenticeships, technical courses that often do far more to give people the skills that businesses need and reward.*[30]

I hope there is no such snobbery about apprenticeships. I have strong personal reasons for this. My father was an engineer who spent much of his career running the apprenticeship programme of IMI, a Midlands engineering company. He was very proud that one of his apprentices went on to become the CEO of the company.

Apprenticeships require an employer voluntarily to employ someone. Employers' recruitment practices are not scrutinised in the way that university recruitment is, so we know less about the social backgrounds of their recruits. But degree apprenticeships are monitored as part of the higher education system, so we can therefore test Robert Colvile's claim that the problem is snobbery. The evidence is that the social backgrounds of degree apprentices are actually higher than

the average for university students. A recent study found that compared with mainstream students doing a similar subject higher level apprentices were more white, more male, less likely to be disabled and less likely to be from a deprived area.[31] Indeed social barriers to apprenticeships may be one reason why disadvantaged groups have rapidly increasing levels of participation in higher education, which has more diverse and open recruitment. The situation is the opposite of the one assumed in the conventional denunciations of snobbery.

The German model

What about Germany? Every reformer says we need technical education like theirs as Gavin Williamson did in a major speech in July 2020:

> *That's why this autumn I will be publishing a White Paper that will set out our plans to build a world-class, German-style further education system in Britain, and level up skills and opportunities.*[32]

Their Technische Hochschule is often cited as the model for good vocational education. But a lot of the confusion in the English debate come from assuming a German 'Hochschule' means 'high school'. It is not a high school. A Technische Hochschule is a university of applied science. We have our own universities in this tradition – our former Colleges of Addvanced Technology for example. One of them, Aston, came together recently with London South Bank University, a former polytechnic, to produce an excellent paper on their role as Universities of Technology.[33]

The Oxbridge snobs think such institutions cannot possibly be real universities if they are true to their origins. So they assume

that when they got University Title they shut their applied technology courses in order to devote their efforts to medieval Philosophy. Such institutions are caught in a trap. Either they stay true to their traditions in which case they are told they are not any good as universities; they are 'bad' ones. Or they try to ape the prestigious research intensives but they may not do it very well and we lose the applied disciplines which were their key strength. The answer is to recognise them as legitimate universities but with a rather different mission than Oxbridge or the Russell Group. That is what most Western countries do and our deep ambivalence about this is a key reason for our weaknesses in vocational education.

The argument is that the prestige system drives them to behave like that. Sometimes the same critics both reinforce the prestige system and then complain about it shaping the behaviour of universities which historically focussed on applied learning. I have asked such universities if they should opt out of this university monoculture and take a new name – they could copy the Germans and become universities of applied science. Sometimes one thinks that if only they changed their name then the critics would love them again. But many of them have kept their original missions and rightly argue it is a legitimate way of being a university. Is it for them to pander to our elite's narrow view of what makes a proper university? If they were to take the title say of 'technology university' would that seem like a demotion? And anyway, they would argue that a wider mix of courses is good for students – do we really want to see English and History retreat to the Russell Group so that the humanities are reserved for rich kids? It would also be a betrayal of part of their own history. Some of them began as

Anglican teacher training colleges and are proud of teaching the humanities. Others began as mechanics institutes serving working men who were hungry for education which was not solely vocational training. When the University of Portsmouth looked back into its origins as Portsmouth Municipal College it found it had been teaching Latin and Greek to local working people and had a Department of Arts. That is something to be proud of: they were fighting to ensure such subjects should not be reserved for gentlemen and sometimes I think they still are.[34]

Vocational education can be delivered at a range of educational levels depending on the aptitudes of the students and at the higher educational levels universities are a natural provider. Then these great anchor institutions at the heart of our major cities become key agents for raising skills. They should be used as allies as we try to do better at technical education instead of fighting imaginary battles against them as embodiments of 'academic' education or a woke agenda.

Overcoming this belief in an academic / vocational divide involves investigating another German concept – the Duales System. It is thought to mean a distinction between two routes – academic and vocational. But that is not the real Duales System which actually means an apprenticeship with a heavy educational element. It is Germany's distinct way of recognising the links between vocational and academic education – it is not an attempt to divide them up.

We are trying to create a different Duales System in which young people aged 14 or 16 face a fork in the road between vocational and academic routes, embodied in T-Levels and

A-Levels. But our aptitudes do not neatly divide like that. One qualification which straddles this divide is BTECs. They were introduced as part of an earlier attempt by Margaret Thatcher to reform vocational training. They are now well recognised and understood by both employers and universities.[35] They could well continue to prove to be more popular with young people than T-Levels. In 2021, some 250,000 students completed their Level 3 BTECs. T-Levels were launched in autumn 2020 with a few thousand students. I want to see T-Levels succeed. But there are barriers, notably the requirement of a 45-day employer placement: few employers are offering this, so it will constrain growth. If T-Levels fail to take off, the next step could be for Ministers to start forcing students on to them by closing down the alternatives such as BTECs.[36]

The Secretary of State for Education decides which Level 3 technical qualifications are funded so whether BTECs disappear or not is, ultimately, a political decision. The Skills and Post-16 Education Bill, which is currently going through Parliament, will give the Institute for Apprenticeships and Technical Education (IFATE) power to approve the 'quality' of Level 3 qualifications.[37] One of the criteria it will use is whether a qualification overlaps other qualifications, like T-Levels. Given the political commitment to T-Levels, any qualification that overlaps with one of the 24 planned T-Levels is likely to fall victim to this new rule. Ministers may blandly say that they just intend to let quality be the criterion but the legislation as currently drafted defines it in such a way as to achieve a policy objective which actually has nothing to do with quality. Instead it is all to do with forcing students either to do A-Levels or T-Levels and eliminating anything else. The Skills and Post-

16 Education Bill could be the death-knell of most Level 3 BTECs. Many people who care about vocational education are particularly worried that BTECs will disappear.[38]

Young people can study both A-Levels *and* BTECs. They can combine academic and technical qualifications to age 18. Many do. However, T-Levels will be equivalent to three A-Levels so very few young people will be able to combine them with A-Levels. So the attack on BTECs is part of a wider and misconceived agenda of promoting a division of young people into two exclusive categories – vocational or academic – at the age of 16. An excellent report on further education for the Coalition put the case for BTECs very well:

> *Education reform of the last thirty years is littered with qualifications reforms, of which perhaps two have been genuinely successful, and many others an expensive failure. And the two that succeeded - the introduction of GCSE, and the development of BTEC awards - were successful because they responded to a broad and irreversible change in aspirations, for progress to further and higher education, and therefore for delayed specialisation and selection.*[39]

That was Alison Wolf's report on further education published in 2011 and the Government would do well to take account of her wise words. Driving students to do T-Levels and enforcing a binary divide would be a mistake. It would be yet another example of the damage done to vocational education by a narrow view of what it is and how it can be delivered. It is one reason for my proposed amendment to the Skills Bill proposing that there be a consultation with employer representatives before any such qualifications lose their funding.[40]

Graduates v non-graduates

We saw in the previous chapter that the attitudes of graduates and non-graduates may not be as divergent as we are sometimes told – young people have a lot in common. In this chapter, we have seen that there is no neat divide between vocational and academic education. There is one final piece of evidence showing the strong links between graduates and non-graduates.

Enrico Moretti's work on the American labour market, notably his book *The New Geography of Jobs* and his earlier paper *Local Multipliers* finds strong spill-over effects particularly from R&D intensive activities across to the wider economy: 'for each new high tech job in a metropolitan area, five additional local jobs are created outside of high tech in the long run'.[41] Cities with more and better-paying jobs in the traded sector also have more non-traded jobs.[42] He compares earnings of waiters, lawyers and so on and shows they earn more in high-tech hot spots. He shows high-school graduates earning more in areas with more college graduates – indeed high-school graduates in high-tech areas earn more than college graduates in low-tech areas. And the lower the skills, the greater the gains from other people's education. This is American evidence but these are wider arguments that when it comes to incomes and living standards graduates are not bad for non-graduates – they actually boost their incomes.

A cross-national study by the LSE's Centre for Economic Performance has shown positive effects from universities for local economies:

> *Our main result is that a 10% increase in the number of universities (which roughly means adding one more university in the average region in our data) increases that region's income by 0.4% … This implies that the effect of adding a university to a region that has 10 universities is much larger (0.4%) than adding a university to a region that already has 100 universities (0.04%), reflecting diminishing returns. Our results are robust to controlling for population and geographical factors and even unobserved regional trends. Moreover, we show that it is not simply that faster growing regions open up more universities (reverse causality) ... We find that universities also increase output in neighbouring areas within the same country, with stronger effects for geographically closer regions.*[43]

It is the recognition of this that means that for all the criticisms of their local university with too many student cars and 'studentification' of housing, the last thing any civic leader wants is to lose a university on their patch. And many towns without one see gaining a higher education institution as one of the best ways of boosting their prospects. They attract young people to an area instead of losing them as they go to university elsewhere. There are already a few excellent initiatives to create new universities in cold-spots which lack them. The New Model Institute for Technology and Engineering is being developed at Hereford with support from the University of Warwick. Anglia Ruskin University is developing a new campus at Peterborough which should become a full-blown university in its own right within the next decade. Blackpool Council is supposed to have turned down

a new university decades ago so it went to Lancaster instead: now is the time for Blackpool to rethink that decision. Other towns such as Wigan and Wakefield are candidates. Chatham could become the centre of a new university for the Medway towns. Hartlepool has a university hospital but not a university – perhaps its excellent FE college could gradually move to University Title.

The levelling-up agenda means more people progressing from Level 3 to Levels 4 to 5; it means more university students from low participation areas; and it means more support for the universities focussed on vocational courses and applied research. It also means new universities in higher education cold-spots.

3. What is further education?

Further education (FE) is often called the Cinderella of the education system (making schools and universities the ugly sisters trying to get all the attention). It is certainly entitled to a much better deal. But sometimes further education is advocated by the critics of university as an alternative to higher education. This gets us nowhere. It rests on a misunderstanding of the valuable functions of further education. So what exactly is further education? It is surprisingly hard to pin down. This lack of clarity about further education means we can all project onto it our own picture of what we want to see. But it also makes it hard to turn support into firm policy proposals.

There is a reason it is hard to pin down. The classic categories of education go from secondary (up to Level 3) and then higher education which is Level 4 and above. UCAS describe higher education as follows:

> *UK higher education (HE) offers a diverse range of courses and qualifications, such as first degrees, Higher National Diplomas (HNDs) and foundation degrees. It includes any qualification at Level 4 … and above.*[44]

Universities are a type of institution which can deliver higher education. University Title is strongly regulated and usually a university is distinguished by the power to award its own degrees – which is itself a key part of their autonomy.

Unlike higher education, further education is not a level of education. Unlike university, college title is not regulated. I spotted the Oxbridge College of Business Studies above a chip shop in a town far from Oxford or Cambridge and it did not

seem that the title infringed any regulations. That is why the option of regulating college title is considered from time to time and indeed is recommended in the Augar review.[45]

There is however a distinct legal category of further education corporations which are defined and regulated in statute. Policymakers define further education in a rather circular way as what further education corporations do. It plugs a lot of gaps. Indeed further education has been called the 'everything else' sector. Further education colleges are community colleges which are a key part of education provision and are always available to meet local needs, provide specific training programmes which employers need and deliver specific government priorities for education.

The main activity of further education colleges is delivering 16 to 18 education outside schools. There are counties such as Hampshire which end most school-based secondary education at 16 after which students then go on to college. College students can do a wide range of courses including A-Levels, BTECs and other qualifications. You will find students doing their A-Levels and aiming for a prestigious university alongside others doing a vocational course to work as a hairdresser. Some are solely sixth-form colleges but others offer a much wider range of provision. They are the single most important provider for 16 to 18-year olds as the following table shows.

These FE colleges are big lively places and many teenagers prefer them to a more conventional school setting. Schools are much smaller. The average school sixth-form has about 200 students whereas colleges have an average of over 2,400 students aged 16 to 18.

Table 2: Where are 16 to 18-year olds?

FE and sixth-form colleges	34%
State schools	25%
HE institutions	12%
Employment	7%
NEETs	7%
Apprenticeships	5%
Independent schools	5%
Other training, education	5%

Source: College Key Facts (Association of Colleges, 2021/22), p.14.

This enables them to deliver a much wider range of options for young people. Colleges are a key intermediary between school and either a job or higher education. If BTECs wither, and as schools have most A-Level students, then in the future FE's 16 to 18 provision is going to be almost exclusively T-Levels. They are very exposed to the risk that the programme proves undeliverable – because for example there are not enough employers willing to provide the mandatory 45 days of work experience which is part of the qualification.

Funding for provision for 16 to 18-year olds has been particularly hard hit over the past decade and that is why they are entitled to a better deal now. The pledge to protect school spending such as it was, only applied up to the age of 16. I had to deliver big cuts in public spending on higher education but fees and loans could plug the gap. There was no such support for this key group in the middle. So for example we increased the loans for maintenance for higher education students while abolishing the education

maintenance allowance for 16 to 18-year olds. I always tried to understand the real complaints of student protesters and was surprised by the number who were actually college students protesting at the loss of the Education Maintenance Allowance (EMA). In addition successive Governments have tended to fund school sixth-forms more generously than FE provision. In areas where schools have sixth-forms it can be hard to leave schools for an FE alternative. Colleges tend to pick up the students who the schools do not think are on a route to A-Levels and university. Many colleges are proud of their role in getting these students engaged with a different form of education and then sending some of them on to university. The main competitive challenge to FE is not universities but school sixth-forms which the DfE has been seen as favouring over colleges. Here is an excellent IFS summary of the contrast between schools and FE colleges in providing for 16 to 18-year olds:

> *These institutions differ in terms of the qualifications they offer, with young people in school sixth forms and sixth-form colleges more likely to take academic qualifications. Around 84% of full-time pupils in school sixth forms were taking A/AS levels in 2019, as were about 70% of pupils in sixth-form colleges. In contrast, only about 9% of pupils in FE colleges were taking A/AS levels, and a much larger share were taking other, vocational, Level 3 qualifications (45%) or lower-level qualifications.*[46]

Classic provision for 16 to 18-year olds is about half of what colleges do. The following table gives a breakdown of their income.

Table 3: FE sector income 2019/20

	Income (£bn)	Percentage
16 to 18 education	3.1	49%
Adult education	0.8	13%
Higher education	0.47	7%
Apprenticeships	0.45	7%
FE fees	0.35	5%
Grants and contracts	0.65	10%

Source: College Key Facts (Association of Colleges, 2021/22), p.28.

FE colleges deliver well targeted vocational courses. If there is any institution which is going to help retrain gas boiler engineers so they install heat exchange systems it will be FE colleges. They may run courses for English as a second language. They will provide adult courses which can be anything from updating digital skills to courses for older people with time on their hands. FE colleges mix age groups more than any other type of education provision. I have seen intergenerational exchanges in college courses such as two students on a course where the younger one is better at using the laptop but the older student is better on the grammar of what they are writing and they help each other.

FE colleges can also deliver higher education. This is usually linked to a university which validates the course. The student will get a degree or other qualification from the university and DfE official data will show the student as being at the validating university even though the actual provision will be at the FE College. This arrangement can work well for everyone. There is a lot of regulation associated with the awarding of degrees and that burden is born by the university. The college

gets to help local people obtain a degree and receives some funding for it. However universities can occasionally behave capriciously - a new vice-chancellor can suddenly decide to end their validating arrangements with local colleges.

FE colleges might have a budget of £30-40 million whereas a university's could be ten times that. FE colleges and a university can form a federation in an area. The DfE is very ambivalent as they fear that the university will swamp the college. But some of the overhead costs and regulatory burden can be shared. Moreover, the equipment needed for some applied courses is very expensive and it can be pooled and made available to a wider range of students. It may also promote progression into higher education. London South Bank University is the most interesting and exciting example of the creation of such a model and if it succeeds I hope others can follow. Modularisation would fit well with such federations.

FE colleges can be crucial partners in delivering the educational element of an apprenticeship. But to get an apprenticeship it is necessary to get a job. Access to them cannot be guaranteed and they are increasingly used as further training for employees that an employer has already recruited. This trend has been reinforced by the pressure from Government quite rightly to raise the educational levels of apprenticeships so they are not so much at Level 2, GCSE equivalent, but increasingly Level 3 and higher. The table below shows what this means for apprenticeship numbers and how it has moved them up the age scale with more than half of the very fashionable apprenticeships started at higher levels taken by the over 25s.

Table 4: Apprenticeship numbers by level and age group

Apprenticeship starts (Aug to Apr) supported by ASA levy funds in England for 2020/21			
	Under 19	19-24	25+
Advanced Apprenticeship	8,500	18,200	34,400
Higher Apprenticeship	2,800	16,000	45,800
Intermediate Apprenticeship	6,700	10,300	14,400
Totals	18,100	44,500	94,600

Source: education-statistics.service.gov.uk

Further education has had a raw deal and now there is a serious attempt to promote it which I strongly support. FE colleges do excellent work particularly to keep teenagers disenchanted with school still engaged in some kind of education. Practical vocational courses, especially but not soley for 16 to 18-year olds delivered by FE colleges have been particularly under-funded. This shows up in the relatively low number of hours of study and training per week. An increase in funding could be linked to an increase in hours of work per week which would in turn enable students to move up to a higher level over a shorter period. More FE does not mean fewer students doing HE. If anything it means a better transition out from schools into either university or a job with an apprenticeship. Colleges are rightly proud of how they help open up both routes for young people while helping adults get back into learning too.

4. How to pay for it

Graduates earn more than non-graduates as the table below shows.

Table 5: Median Earnings 2020

Educational status	Age 21-30	Age 16-64
Non graduate	£21,500	£25,500
Graduate	£28,000	£35,000
Postgraduate	£31,000	£42,000

Source: *'Time Series for salaries by gender and different graduate types' for Age Group 16-64, Age Group 21-30, Graduate, Non-Graduate and Postgraduate in England between 2007 and 2020'*

This is a well-established pattern which is not changing significantly. So it is reasonable to expect graduates in well paid jobs to pay back for the costs of their higher education. Karl Marx made the point typically trenchantly when German Social Democrats were proposing public funding for university education:

> *[If] higher education institutions are also 'free', that only means in fact defraying the cost of education of the bourgeoisie from the general tax receipts.*[47]

But if students had to pay up-front there would be real barriers to entry. So the Government lends them the money. It is not a commercial loan requiring graduates to pay back regardless of their income. Instead it is deduction via PAYE at a rate of 9% above a high threshold. It is more like a graduate tax but it is capped at roughly the cost of their education because that is what the graduate is paying for. If we just had a higher rate of tax indefinitely for people in high-earning jobs who

had been to an English university there would be massive penalties to studying in England and then going on into a high paying career. So our current system is an education voucher repayable if you are earning enough to afford that. It is not the American system with up-front payment or mortgage-style loans repaid regardless of your circumstances. Nor is it a fully socialised system in which higher education is funded out of public spending. That is the Scottish system and it means university places are limited to control public spending and, as usually happens in such systems, the marginal disadvantaged students lose out. Our system is a sensible mid-point between the extremes of the US and Scotland.

My model was that the typical graduate should pay back in full. Some or all of the cost of educating less well-paid graduates has to be written off. That is a cost born by the generality of taxpayers and is captured in the so-called RAB charge (the Resource Accounting and Budgeting Charge) – the estimate of how much of a graduate loan is going to have to be written off. It is now counted as public spending, though of a rather peculiar sort. It is a forecast of loan write-offs in thirty years' time depending on heroic assumptions about public policy and economic trends out to 2050 and beyond and then discounted back at a rate different from the actual cost of Government borrowing. The original estimate of the RAB charge in the Coalition's scheme was 28%. The latest estimate of the RAB charge is now 53%. This is far too high for what is supposed to be a graduate repayment system.

Many critics are rightly unhappy that loan write-offs are so high but then treat it as a fundamental defect of the system. It is not. It all depends on how the system is calibrated. The RAB is so

high because the repayment threshold has increased so much. It was £15,000 when the Labour Government introduced their scheme in 2006; we increased it to £21,000 in 2012 as part of our new scheme. It now stands at £27,295 because of the decision by the then Prime Minister in her speech at the Tory Conference of 2017 to announce an increase in the repayment threshold to £25,000 and index it thereafter.

This increase in the repayment threshold has brought no political benefit. If anything it comes at a political as well as a fiscal cost because the interaction of the lower repayments with the high interest rate on outstanding debt means many graduates see their nominal debt increase each year. This particularly upsets their parents. To tackle this problem, the RAB should be reduced by lowering the repayment threshold back to the £21,000 set by the Coalition.

There are political difficulties in this but less than in many other options which are being looked at as part of the CSR. It seems to me the most sensible way to respond to the current Westminster and media hostility to higher education: it is much better than bringing back number controls. It was right to get rid of number controls which had meant that Whitehall decided how many places there should be at each university. Instead students now choose so some universities expand and others contract. More students get their first choice. It would be wrong to try directly to limit these choices with new number controls. But they should be realistic choices made in the expectation of probably repaying some if not all the cost of a university education. Moreover, the option of lowering the threshold so graduates pay off their debt faster proved

when polled by Univeristy Alliance to be as popular as a higher threshold with repayment taking longer:

> *Based on our engagement with students, it was our contention that students and parents would actually prefer a student loan system that supported them to pay off their loans faster. This is exactly what we found when we commissioned Ipsos MORI to survey 1,000 parents and 1,000 students…. By a margin of almost 2 to 1, undergraduates and parents would rather a student loan is paid back quicker, with higher monthly repayments, than longer, with smaller monthly repayments.*[48]

During my time as an MP, I never had a single case of an actual graduate complaining about the amount they paid back. These repayments will still remain very low. With a new reduced threshold of £21,000, for example, a graduate earning £30,000 a year would be paying 9% of £9,000 or £67.50 out of gross monthly earnings of £2,500. This change would yield substantial expenditure savings through a big (14%) reduction in the RAB charge. The cost to the Government of the loan system per cohort is estimated to fall by £2.9 billion, from £10.4 billion to £7.5 billion.[49] This is a £2.9 billion saving every year.[50] This is a very substantial contribution by higher education to the Treasury's target for savings in public spending.

The Augar review proposed the repayment period could also be extended from 30 to 40 years. This is another means of collecting greater repayments from graduates. If my proposal on the repayment threshold were not adopted then other savings such as this one might be necessary though it does not save as much as the threshold adjustment.

Some of the savings could be off-set by lowering the interest rate which is the key political problem. However there are respectable arguments for a high interest rate. It is progressive because it enables the Government to collect more from better paid graduates who will repay in full – it is irrelevant to most poor graduates who will not repay anyway. And the Treasury can gain because the increase in the debt owed to the Government from the interest charge each year reduces net public borrowing.[51] It does not change the repayment formula so really it is just a way of extending the repayment period. But cutting it would enable the Government to say that most graduates will be able to pay off more of their debt which is actually a popular proposal. The interest rate is by far the most common criticism of the model. Reducing it would make the overall package more attractive.

The repayment threshold for graduates under Labour's original £3,000 fees stands at £19,895 and those graduates do not appear to complain about the burden of their monthly repayments. For graduates with £9,250 fees with a much higher repayment threshold there can be anxiety caused just by observing their total debt rise year after year because of the interaction of the much higher repayment threshold and higher interest rates, even though it is nothing like conventional debt. But if the repayment threshold were lowered this would anyway reduce the number of graduates seeing their debt apparently rising every year and would on its own increase the number who could look forward to the day when the debt is paid off. So reducing the interest rate is less politically important if the threshold is reduced.

One criticism of the package will be that it will benefit more affluent graduates. It is hard to help low-income graduates who are not paying back under the present system and it does bring some of them into repayment. However another part of the package could be to reinstate maintenance grants for low-income students. Eliminating these grants in England in 2016 was a serious mistake because the critics can now say that a low-income graduate leaves university with more debt than an affluent one. There could also be an increase in maintenance loans. In my own dealings with the National Union of Students (NUS) they always focussed on the cash in the hands of students while at university rather than fees and repayment terms afterwards – and they were right. Both of these measures are desirable but might not be affordable in today's stringent Spending Review.

Reviewing the terms of the scheme

There is a legitimate political decision about the balance to strike between graduate repayment and taxpayer funding through loan write-offs. The Government should therefore say that the repayment formula will be reviewed every five years when the balance can be re-set in the light of fiscal and labour market developments. In the longer run the threshold could be set on the basis that the median graduate is expected to pay back in full. Another longer term option would be to set the threshold as a proportion of median earnings. These options and how to get to them could be looked at properly as part of the five-year review. It also helps to reinforce the principle that these repayments can be adjusted up and down by providing a legitimate mechanism for doing so. And politically it is a

useful safety valve. This quinquennial review need not prohibit the Government making changes at other times.

The sensitive issue is whether such changes only apply to future graduates or also to existing graduates with loans linked to the 2012 fee regime. It was always made clear to students that the terms could be adjusted both up and down so this should apply to all graduates since the new system was introduced in 2012. Successive Governments, starting with Labour when they introduced the scheme, have made it clear that the repayment terms can be adjusted. The current guide to Student Loans states:

> *When you take out a student loan you must agree to repay your loan in line with the regulations that apply at the time the repayments are due, subject to the regulations being amended from time to time.*[52]

This is one of the many respects in which the scheme is like a graduate tax as tax rates are obviously adjustable. But so far the direction of changes which Governments have introduced to the scheme have generally made it more generous for graduates and hence more expensive for taxpayers. We need an arrangement which gives increased legitimacy to changes in both directions and also provides a solid empirical and argued case for them. That is a key reason for my proposal of a review of student fees and loan terms every five years. It would include a public consultation and would include an estimate of the costs of the scheme under different models. It is roughly modelled on the quinquennial review of national insurance benefits aimed at ensuring contributions matched payments.

The Government has argued that such a review is unnecessary because it has the power to make changes whenever it wants and this will just reduce its room for manoeuvre. But the evidence is that so far the Government has been reluctant to propose meaningful changes collecting more money from current graduates – as indeed have other bodies. The House of Lords Economic Affairs Committee for example made much play with the increase in the RAB change but did not take the opportunity to propose feasible changes to reduce it.[53] The Commons Treasury Committed has proposed – I think wrongly – that there should be no 'retrospective' changes. That would reduce the flexibility in the system.[54] Even Augar opposed what it called adjusting 'loan terms retrospectively'.[55] This reflects a false belief that graduate contributions are like commercial loans when actually they are more like a tax. The Government needs some way to ensure such changes are legitimate both now and in the future. Otherwise we will end up in a system of successive groups of graduates operating for many years under different systems. I hope a quinquennial review makes it possible to look properly at and then change the terms for current graduates but as an absolute minimum it is necessary to make it possible to change terms for future graduates.

There are genuine political worries about increasing the payment made by graduates but similarly there are political challenges in higher energy bills or increased charges for public services. These potential increases in costs for households should be assessed and compared as part of any fiscal judgement not excluded automatically from consideration. The system needs to be flexible and adjustable.

What about cutting fees?

The quinquennial review can also look at fee levels. There is a school of thought that universities are 'awash with cash' and the only question is whether fees should be cut or just frozen so they lose their real value slowly. But fees are the resource for educating students. I know of no other stage of education where external critics are so happy to propose reductions in resource for educating people.

The argument is that the £9,000 fee was a boost to the resources of universities so great that they can handle a reduction. But resource per student is now back down to the level it was before my changes. And when Augar commissioned an independent review by KPMG of the cost of teaching, they estimated it as £8,600 for the lower cost courses for which he proposed a fee cut to £7,500.[56] There are higher costs of equipment for lab-based subjects which are only partly met through public support. Augar argued that there was a 10% margin for sustainability and investment which could be removed as it was just some sort of discretionary contingency reserve which they did not need. But there used to be a public spending programme for university capital investment and I vividly remember cutting that, with the Treasury agreeing that one use of fee income would be to service increased borrowing by universities as they took out commercial loans to fund their capital programmes. Many of the comparisons of fee income with other stages for education just cover current spend and ignore the extra public resource for capital which is available to schools and colleges but not now to higher education. Moreover, given universities' commitments as part of their Access and Participation Plans they will need to spend a portion of their fee income on activities to widen

participation – not an expense for other stages of education. This costs each university approximately £750 per student.[57]

Domestic fees used just about to cover the cost of educating domestic students but it now looks as if universities are moving into a deficit on these. By contrast there is some profit on overseas students. Hitherto this has been used to cross-subsidise research for which universities do not get the full economic cost. It would be possible to divert that to a cross-subsidy for teaching domestic students. But that in turn would jeopardise the Government's plans for a big increase in research spending.

Higher education has never been a priority for public spending. Indeed the long-term trend is for university funding per student to fall relative to earlier stages of education as the table below shows. The fees debate began because of a recognition that universities needed some other source of funding to replace their continuing and severe losses in public spending.

Table 6: Spending per pupil or student per year at different stages of education (2020/21 prices)

	Early years	Primary school	Secondary school	Further education (16–18)	Higher education
1990–91	*£1,500***	*£2,150*	*£3,550*	*£5,200*	*£8,400*
2019–20	*£3,750*	*£5,200*	*£6,050*	*£6,100*	*£9,400*
Increase over the period	148%	145%	71%	17%	12%

Source: Source: Figure 6.1 data-tables '2020 annual report on education spending in England' (IFS November 2020)

*** The early years figures is for 2001/02 – the first year for which early years spending is given*

Whenever there is a problem in delivering higher education such as during the COVID-19 pandemic, a fee cut is proposed. But students do not pay fees up-front so they do not gain from lower fees. In fact the students lose. The fees are the resource to pay for their education so there is less money to invest in new facilities or high-quality online pedagogy. Moreover lower fees do not change the actual repayments graduates make. The only change is that the graduate finds that their repayments may stop a few years earlier. The beneficiaries of a fee cut are the higher income graduates who would have repaid the loan in full and even they might have preferred a well-resourced education while they were students.

5. Lifelong learning

Adult education and training has been in decline. This is bad for the individuals losing out on fresh opportunities and for the economy which needs people to move up – and indeed across to jobs in greater demand. Robert Halfon MP, Chair of the Education Select Committee, summarised the evidence very vividly:

> *As of 2019, 33% of adults had participated in learning during the previous three years. That is … the lowest participation rate in the 23-year history of the Learning and Work Institute survey and the third year in a row in which participation has fallen to a record low.*[58]

This is partly a failure by employers to invest in their own employees – despite the Apprenticeship Levy. But individuals may want to change direction in their lives and given early specialisation they may find they need further education to do it. One of the strengths of FE colleges is delivering such opportunities. And Resolution Foundation evidence shows many young people are working in low-pay sectors with poor prospects – we need to help them to move on to more productive jobs with better prospects, including key sectors such as social care and green jobs such as retro-fitting homes.[59]

As part of the Plan for Jobs, the Government announced in December 2020 more public funding was being made available for adults who missed out first time round to get a Level 3 qualification. The Government is consulting further on options here. It is tricky. We experimented with loans for mature learners to fund some of these courses but take-up fell a lot: loans are a real barrier to adult learning and put

people off. This is very different from student loans to study for a higher qualification which have not had such an effect. So the Government is right to look at grants not loans for Level 3 courses. Loans can work in some circumstances but not in others – a theme throughout this chapter.

The Lifelong Learning Loan entitlement

In addition to this public funding for a first Level 3 qualification the Government is now proposing 'a flexible Lifelong Loan Entitlement to the equivalent of four years of post-18 education from 2025'.[60] It is a bold initiative and if it works well can provide a real boost to lifelong learning which is good for individuals and good for the economy. It reflects the success of the student loans scheme in getting resource into education and training in a fair and progressive way in which you pay back if you are in well paid work but not otherwise. However, a single all-encompassing scheme brings its own problems.

Looking back on my time as Minister perhaps my greatest regret is the decline in the number of mature learners. That was not the plan. We thought we could maintain or even boost numbers by extending bigger loans to them to meet their fee costs. But the loans did not work as well for them as for younger students. If you are an 18-year old facing a big fork in the road, you can see that taking the route of higher education clearly opens great opportunities for you and you will only pay back your loan in the future if it works out. But it may not look quite like that for an older person who already has a job and family responsibilities. That adult's earnings may already be above the threshold so repayments are a real and much more imminent cost. Part-time students start paying back four years

after the course started so they may start repaying even when they are still studying and borrowing as well.

Moreover, a mature student cannot be confident that she will be able to move from her current job to a new very different one. She will worry about the risk of staying stuck in her current job but with loan repayments increasing her living costs. Mature learners have narrow options to change career compared with the choices facing newly-minted graduates, so there is a greater risk that there will be no return for investment in their education. There will also be an expectation of a quicker return on their investment – possibly from their employer who might have given them time to study but also from family and themselves. Studying part-time as a mature student is a sacrifice especially if you have family responsibilities. It is not like being a conventional undergraduate – mature learners are making especially heroic efforts to learn.

There is great appeal in the simplicity of the Government's proposal for a single loan entitlement for everyone. But they may repeat my mistake of thinking loans would help mature students in the same way as 18-year olds. So despite the understandable appeal of a single model the painful lesson I learnt is that loans work well for one type of student but that we might need a different approach for funding mature learners. That could mean means-tested grants to mature learners or perhaps even funds made available to the main providers such as The Open University and Birkbeck for them to cut fees for lower income mature students.

Another tricky issue is the fee loan repayment terms. I argued in the previous chapter that it is reasonable to expect the

typical graduate to pay back in full for the costs of their higher education and this should influence the setting of the repayment terms. The advantage of the graduate loan scheme is that graduates usually end up with earnings significantly above the average so expecting them to pay back is fair and progressive. If the new loan scheme is extended it may include more learners without the prospect of higher earnings. That is a risk with adult learners. It might also apply to lower level qualifications at Level 4 and 5 which might not match the apparently good returns for a few students on two specific courses – Engineering and Nursing – as we saw in Chapter 2.

It is fair to have the same repayment rules for everyone. But in that case some courses will have very low pay-back rates. It would be very odd if the Government were shutting down some university courses because their loan write-offs, the RAB charge, were too high but then opening up the loan scheme for other programmes with even higher loan write-off rates. The solution is to set a lower repayment threshold for everyone to achieve better repayment prospects than the current terms – so the proposal in Chapter 4 becomes even more relevant.

There is a further problem which Jo Johnson has rightly identified. The Government may find it is cutting back opportunities for people doing a second degree. Funding for a second degree is currently restricted by the notorious equivalent or lower qualification (ELQ) rule. This states that you will not be funded for an equivalent or lower level qualification to one you already have. The principle is that you may get a loan to move on and up but not to move sideways. This ignores the gains which can come to an individual and the wider economy if someone moves across to a different type of job

which better suits them and where perhaps opportunities are greater even though the qualification to do that may be no higher than one which the individual has already obtained. The new rule will be that everyone has a maximum four-year loan entitlement so there will be no funding for full second degrees. But we had liberalised the ELQ rule so it was suspended if someone was going to do a second degree in key subjects for which there was clear labour market demand such as Biological Sciences, Mathematics, Physical Sciences and some Architecture and Veterinary qualifications. (There are other candidates. For example I was heavily lobbied and was rather sympathetic to the Church of England who said that a lot of people came to serve the Church after working in a different career and it was important to enable them to do a Theology degree even if they already had a degree. As we saw in Chapter 2 there is indeed a theological question here – is theology a vocational degree?). If the four-year rule is to apply to everyone all funding for a second degree will go. This reduction in well targeted provision for funding a second degree would be regrettable.

The unexpected potential of the Lifelong Loan Entitlement (LLE)

The Government wants some people whose current highest qualification is at Level 3 to choose a Level 4 or 5 course. It will also want some of those who would otherwise choose a Level 6 degree to choose a Level 4 or 5 option. But there is no research on how the LLE might alter people's consumption of learning. Like the Apprenticeship Levy, the law of unintended consequences will apply and the LLE will change people's behaviour in unexpected ways. I think it could further promote

the growth of the four-year degree course. Although there is always political and media interest in two-year degrees, this does not seem to be where the consumer demand is. Students actually rather like studying at university and the real growth in demand is for four-year degrees. Under the new scheme prospective undergraduates will be offered an extra year's tuition fee funding. No one knows how long this offer will last. The Loan Entitlement might in future be extended for more years or cut to fewer years, or replaced entirely. On any option it would be rational for learners to use that extra year now (even if there is little clarity on the maintenance support that will accompany the loan). We should expect more learners to want to study four-year undergraduate degrees and many universities to offer them this opportunity. There are already many respected four year degree programmes, including in Scotland, but unlike in other countries they are not the norm: England produces some of the youngest graduates of any advanced country.[61]

This is a fortuitous opportunity to address one of the long-term problems that bedevils education in England: over-specialisation. A-Levels were originally designed as university entrance exams and have subsequently been shaped by university specialists who want their students to arrive with a solid underpinning of their discipline already in place.[62] One might be forgiven for thinking that A-Levels have been designed by universities to make their own lives easier.

We could offer a wider school leaving exam at the age of 18. With so many young people and their parents aspiring to get to university, it is very hard to attract many teenagers to any qualification which is not at least potentially a route to university. The Government is going through this at the

moment with T-Levels. Initially it said they were an alternative to the academic route and now it is suggesting they can be a route to university.

Given the power and prestige of A-Levels we should not replace them but give students even more of them – five or six. Each would have to cover rather less ground to create the space to study more A-Levels in total. To help address the 'two cultures' problem – one of the symptoms of over-specialisation – everyone should be expected to study both the humanities and sciences.[63] Those with a literary mind should do a science with some substantial Maths and data analysis component. Tim Gowers has wrestled with the challenge of teaching the key concepts of Maths to non-mathematicians and the Critical Maths curriculum has been developed by a charity for Maths in education and industry. It is not an A-Level but it is valued by universities and could be specifically funded. The Extended Project Qualification (EPQ) is a great way to promote essay writing by Science students who might not otherwise learn how to prepare one. These extra qualifications would transform English educational standards. Given the importance of Modern Languages and their recent decline, we might even require that all students study a language.[64]

We urgently need to reverse a dangerous trend to even more specialisation. A recent study from the Education Policy Institute (EPI), commissioned by the Royal Society, finds that the proportion of students with A and AS-Levels or equivalent covering at least three of the main subject groups such as humanities, sciences, Maths and languages, has halved since 2010.[65] We have 18-year olds who know more Physics for example than almost any other 18-year old in the world, but they know less about History and are less likely to have a foreign language.

England already has one of the narrowest curricula in the developed world, with few other rich countries forcing learners to specialise in a small set of subjects from the age of 16. The average student now takes subjects from fewer than two of the main subject groups. Those who had greater diversity in their A-Level subjects were likely to see a small boost to their earnings during their mid-20s; gains which are then expected to be sustained throughout their careers.

The fall in funding for 16 to 19 education which we considered in Chapter 3 seems to have played an important role. The loss of AS-Levels is another factor. Meanwhile university courses are if anything broadening. So we are creating an unusual and dysfunctional hour-glass pattern of education with a narrowing down at the age of 16 unlike any other major country. One reason for our difficulty in applying the great discoveries and inventions of our scientists is that too many of the people that then have to play a role in applying them – from financiers to policymakers and lawyers – will find them scary and incomprehensible because they have not done any Science or Maths since the age of 16. And the scientists will be similarly inhibited because they have only done Science since that age. This is a key barrier to improving our economic performance. Broadening the range of A-Levels studied to the age of 18 is key. The country cannot afford to continue to have a higher education system that requires such specialism on entry.

Four-year degrees will afford an opportunity we should not miss to address the blight of over-specialisation. School and college students who study a broader range of subjects up to the age of 18 will need a bit longer when they are at university

to achieve full degree standard in a discipline but they will have four years to do it. It will bring England closer to the broader Scottish model of higher education. Combined with another radical proposal, modular courses, it might also see the rise of combinations of a first broader two years followed by a choice of a distinct second two years.

The problems that will face innovations like artificial intelligence (AI) in the coming years will not just be technical they will also be cultural, moral and social. There is an increasing need for everyone in the room to have a better understanding of others' disciplines and not look dumbfounded at the complexities of data or roll their eyes at the irrelevance of the moral questions to which AI innovations give rise. In many cases in the past, it is precisely these kinds of questions that have held back valuable innovations.[66]

Two other options to boost higher level lifelong learning

It would be wrong to work on the basis that the loan scheme on its own will provide a significant boost to adult learning and training. It needs to be complemented by other measures. I have two suggestions. At the moment it is surprisingly hard for higher education institutions to keep in touch with their graduates. It is not like the USA where they say that if only Osama Bin Laden had been to Harvard they would have found him in a fortnight. Universities here are in touch with surprisingly few of their graduates.

This is a pity as one obvious source of top-up education and training is the place where you studied originally. It makes it hard for universities to track how their graduates are doing and to offer top-up programmes to keep their career motoring.

It could be a good way for a graduate to spend a remaining year's worth of loan.

One part of Government is in touch with graduates – the Student Loans Company and the HMRC who between them are collecting their student loan repayments. These channels could be used to communicate to graduates these learning opportunities at their old university. As a minimum they could offer graduates an option of getting back in touch with their original university and a message about what help might be available to them. To protect privacy it would be wrong to give universities any direct contact – that would have to be chosen by the graduates.

The American system is incentivised for both sides by donor and alumni preference arrangements. If you went to that university and if you give money you may well find that such links boost your child's chance of getting in. That would be unacceptable in Britain. But there are other ways in which we could give universities an incentive to continue to invest in their graduates and provide lifelong learning to boost their earnings. Universities should be able, if they wish, to take a stake in their own graduates' debt so if the graduate earns more the university gets more back. The scheme needs to be designed so that universities do not have an incentive simply to select the students who will earn most. The scheme would enable universities to buy their own graduate debt at something like the market price indicated by the face value of the debt less the university's own RAB charge. Universities would need a partnership with a substantial financial partner to fund this. The Government would get a reduction in the National Debt. The sale of graduate debt is often criticised as a

mere financial transaction in which the Government just sells future revenues. But this would be better than that as it creates an incentive for a university to boost the earnings of its existing graduates – they would need the right to contact them via the SLC which is excessively constrained at present. They would develop a lifelong education and training offer yielding their graduates and the university itself a direct financial return as well of course as a wider economic return. This only applies to a given stock with graduates with a RAB estimate so it is not an incentive for prior selection of students with good earnings potential, a far more sensitive issue.

Modular learning

There is one other aspect of the lifelong learning proposal which could be the most revolutionary of the lot:

> *The loan entitlement will be useable for modules at higher technical and degree levels (levels 4 to 6) regardless of whether they are provided in colleges or universities, as well as for full years of study. It will make it easier for adults and young people to study more flexibly – allowing them to space out their studies, transfer credit between institutions, and partake in more part-time study.*[67]

The former Secretary of State vividly outlined the potential here:

> *The loan entitlement will make it easier for students to access courses and to study in a modular way, or to commit to blocks of study as they do now at higher technical and degree levels, regardless of whether they are provided in colleges or provided in universities. They*

can fit learning around work, or their family or whatever personal circumstances they may have. It is, in a sense, a season ticket to further and higher education that will last for many academic years.[68]

This could be a very radical change in patterns of higher education. The degree course in its conventional form could be replaced as individuals instead move around assembling bite-size chunks of learning. The Government currently tracks graduates on the basis that it knows where they studied but that would no longer be how the system worked as individuals did different modules at different places. The Government is also very exercised about dropout rates – even though England's are some of the lowest in the Western world. That concept would also disappear as individuals studied intermittently. It also ends the idea of the canon and the discipline as instead we move into a digital world in which, as one book neatly put it 'everything is miscellaneous'.[69] It would be very radical change indeed. This needs much more debate and consideration than it has so far received.

6. Summary and conclusion

All important civic institutions face more scrutiny and less deference. The scepticism is in many ways healthy. But the shift in attitudes has been particularly stark for universities. It may be because many commentators had been slow to recognise quite how big and important they have become – large universities now have revenues of over £500 million a year. The arrival of mass higher education seems to be particularly problematic in England because of the extraordinary dominance of the Oxbridge picture of what a university should be like. There is also a sharp political edge to this as universities find themselves on the frontline of the culture wars. Even if vice-chancellors would rather stay out of them, their researchers challenge the conventional wisdom and their student activists make it hard to stay out of controversy. Some of the fuss is bogus – how many of today's editors and politicians spent their youth in student unions under a respectful portrait of the Queen? But the voting gap between young and old is real and the economic gap between them is widening. Universities are one of the places where this tension plays out.

This shift in attitudes to universities is more striking among politicians and the media than among the wider public. The evidence is that the aspiration to go to university is widespread. Many parents and young people want to do a vocational course but that is what many universities provide. And even politicians themselves include universities in their list of great national assets of global significance. It would be very rash for any government to try to stop people going to university. To do so over the next few years would appear to penalise further

a generation of school students whose education has been badly hit by COVID.

This Spending Review is going to require tough restraints on public spending by departments beyond health and social care. I understand and support the need for spending discipline. This pamphlet is an unusual pitch for the Spending Review because it is actually proposing significant expenditure savings – by expecting graduates to pay back more of the cost of their higher education. We have a well-designed means of doing this which is fair and progressive – they pay back 9% of their earnings above a high threshold. **But that threshold is too high and should be reduced – back to £21,000 which is where it was only five years ago. That would save about £3 billion per annum.**

This is actually intended to help young people. The best chance for young people to have a well-funded university education is through a loan system that covers its costs better than the current version. Any other method of funding – graduate tax, general taxation – will see funds seemingly earmarked for universities disappear on the triple lock, social care or other seemingly more pressing priorities. Now is the very worst time to abandon student loans. But to save that model, the Government does need to recover more of its costs.

At the Resolution Foundation we estimate that public spending on health and social care will reach 40% of public spending. Combined with the pensions triple lock (temporarily suspended) we are remoulding the British state so it serves older people above all. We may all hope and expect to be old one day so eventually we may all hope to gain from this. But

a state also has to discharge its obligations over the lifecycle and it will not do so if education, especially higher education, is in the firing line. My proposal is a much better approach for young people than the alternatives. Some critics seem to think we are becoming 'over-educated' – a term which I find pretty repellent. Surely we all need to learn and understand more. I do not know a single advanced or ambitious country which thinks its future is a reduction of the number of people getting higher education. Another option is to reduce the resource for delivering higher education to students by cutting fees. For thirty years we have been trapped in a pattern of gradual cuts in public spending on higher education offset by occasional increases in fees and loans. Do we now wish to go through that cycle again? Instead a properly funded system, costing less to the taxpayer, should also enable universities to plan on the basis of stable funding.

Universities have a much wider range of missions and ways of operating than we recognise. They can deliver higher level apprenticeships or Level 4 technical qualifications. They have more of the kit for applied courses than any other education institution. They are geographically distributed. They are more accessible to students from a range of backgrounds than they were and their courses are more accessible than apprenticeships at a similar level. **They can deliver more continuing education to their graduates – indeed I suggest a way of sharpening these incentives by offering universities the option of holding their own debt and earning more from it as they boost the earnings of their graduates. They should also be able to use the Student Loans Company to keep in touch with their graduates.**

There are alternative ways of providing higher education and many other outcomes than an honours degree. I tried to promote alternative providers for example. Incumbents should face competitive challenges including from insurgent new providers. There are international education businesses that would own and operate universities here. There are several global higher education chains but none of them is British. We need to open up more to international competition and investment and aim to grow our own substantial education chains. Higher education is key for us to pay our way in the world in the twenty-first century. When the Government was worried about universities getting into financial difficulties, it was far more interested in the option of converting them to FE colleges than whether they could be rescued and managed by an international higher educational chain with of course the same rules on fees and access.

There are alternative types of provision qualification too. Levels 4 and 5 could grow but so far their high returns are in two excellent but niche qualifications in Nursing and Engineering. There is a crucial issue here which is sometimes hidden. Are these qualifications being proposed as a means of levelling up or levelling down? The evidence in this pamphlet is that we must expect participation in higher education to continue to grow. That means this alternative provision must be in addition to the existing provision and for those who do not currently go to university, not some way to get people out of university.

There is a rapid growth in higher level apprenticeships but to get an apprenticeship you need a job and the majority are among over 25s and not reaching 18-year olds. Extraordinary faith is currently being placed in T-Levels. We must hope they

succeed despite the difficulty of getting the 45 days of work experience. But currently they reach a few thousand students. Removing the main alternative, BTECs, serving about 250,000 students a year would be a reckless gamble. There is a pattern here. There is a danger in policy which puts too much weight on small and often experimental types of provision. **It would be a mistake to stop BTECs to try to force young people onto T-Levels. As a minimum I propose proper consultation with employer groups before implementing any such change.**

Education reform is on the agenda. And there is one reform above all whose time has surely come. Broadening the range of subjects studied by 16 to 18-year olds is key. The trend is in the opposite direction. **We should increase to five or six the number of A-Levels or similar qualifications a young person is expected to study. That could well mean then doing a four-year course at university and the new Lifelong Learning Entitlement is an opportunity to do this.**

We talk about the other 50% who do not go to university. They need good strong alternative qualifications. But many of them will directly or indirectly benefit from some sort of university experience as part of their continuing education. They may find their apprenticeship involves their local university as well. They may go to an FE college which is part of a regional education group with a university or which provides qualifications in partnership with a local university. They may find that as their job changes the best way to retrain is via a course delivered at a university. Their business may use the resources of the local university. The Government can achieve so much of what it wants to do by working with universities and ensuring they

are properly funded – which can be done by their graduates. **Provided it boosts the graduate repayment scheme and does not try to cut the unit of resource for students, the priority for public funding can then be 16 to 18-year olds at FE colleges.**

Universities are a great national asset. We have a well distributed network of universities. We should use them.

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