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The Globalisation of Higher Education

Introduction

1. Thank you for inviting me to your conference and for giving me the opportunity to look beyond the rather narrow policy discussion that has been gripping higher education in recent months. Ron Dearing was a shrewd observer of higher education and I am sure that if he were here, he would not be transfixed solely with the intricacies of higher education reform – the relationship between access agreements and fee levels; student number controls; and whether the weighting for impact in the REF is to be set at 25 per cent or 20 per cent.
2. It is more likely that he would want to talk about the bigger picture – the context in which we are operating, the principles that underpin our work, the substance of what we do and how we should be responding to the challenges of international competition and the opportunities for international collaboration. That's what I want to do today – without ignoring the present reality, I want to think about the success of UK higher education, the principles that underpin it and the need to keep building for the future.

Context

3. Let me start with the economy. In 2009 the world faced a very deep and very unwelcome recession and in 2010 a weakish, stimulus-driven recovery. In 2011 we will discover how the economy fares when much of the artificial support is removed. As Ken Clarke (a local MP and supporter of this university) pointed out last weekend, the outcomes may be pretty unpalatable but, as things stand, they are seemingly unavoidable.
4. In both the US and Western Europe (including the UK), the private sector will have to take the strain and face the uphill task of inducing a consumer-led recovery, providing employment opportunities on a significant scale and stimulating real growth in the economy. Meantime, the developing economies will continue to outpace the traditionally rich economies of the west – demand in China and India will continue to lift the Asian nations and the commodity producers in Brazil, Russia, Australia and parts of sub-Saharan Africa will also benefit.
5. It might seem very simplistic, but as a combination of budget cuts and tax increases take hold here in 2011, we could do worse than ensuring that our universities and colleges support growth in the private sector by continuing to develop highly skilled graduates and upping our game on research and knowledge exchange. We should also accelerate our efforts to build enduring education and research partnerships in the faster growing economies. Both play to our track record of successful partnerships with industry and our reputation for excellence and diversity in higher education overseas. And both mean that we

must not neglect or undermine the postgraduate economy, the overseas market or the efforts being made to promote research and enterprise in our universities.

6. The world map on the screen reinforces my point about the scale of the competitive challenge and the opportunities for collaboration with universities and education and research funders across the world. It also reinforces my view (which I will pursue relentlessly) that the government in Westminster must return to the question of public investment in higher education as the economy improves, especially if it can be shown (as I am sure it will be) that universities and colleges are actively contributing to the process of recovery and growth.
7. Despite my focus on the economy, international cooperation must not be defined solely in terms of financial opportunity or commercial diplomacy. There are rather more important issues at stake which play to the altruism and expertise in our universities:
 - the last ten years have been the warmest on record and industrial carbon-dioxide emissions continue to climb
 - nearly 800,000¹ people in the world continue to die of malaria every year, the diseases of affluence like diabetes are taking a grip with 50.8 million² people in India now suffering from it and new viral outbreaks mean that important work is now in hand to predict and prevent pandemics
 - questions of security linked to a sense of division in international affairs; and questions of energy, food and water security are being tackled against the background of the worlds' population reaching 7 billion people at the turn of 2011-12, an increase of 1 billion since the millennium
 - the rise and rise of technology has the potential to redefine the way we think about the primary product of higher education – knowledge itself; it will also transform the way we learn and the way in which we assimilate and analyse data to support the physical, biological and engineering sciences
 - the complexities of understanding the social and economic impact of these global issues, the human and ethical implications of scientific and medical advance and the importance of open and informed debate also occupy the long established centres of arts, humanities and social sciences in the west.
8. Our universities and colleges must continue to be international gathering points for these discussions. Of course, these arguments also play to the importance of sustaining the diversity of higher education: sure we need universities like Nottingham with a broad disciplinary mix but we also need smaller specialist institutions with distinctive expertise; SOAS, the tropical medicine schools in London and Liverpool, the land-based colleges, the

¹ *World Malaria Report 2010*: (The number of deaths due to malaria is estimated to have decreased from 985 000 in 2000 to 781 000 in 2009).

http://www.who.int/malaria/world_malaria_report_2010/en/index.html

² <http://www.idf.org/latest-diabetes-figures-paint-grim-global-picture> 19 October 2009

(India is the country with the most people with diabetes, with a current figure of 50.8 million).

schools of art and design and the conservatoires – a well woven tapestry that contributes to economic, social and cultural development.

Strong foundations

9. I will not recite all of my favourite statistics about higher education but with investment which remains stubbornly below the OECD average, our universities and colleges deliver a great deal:
 - high quality education for more than 2 million students enrolled in 2010-11: 1.5 million undergraduate students and more than 300,000 postgraduate students with about 600,000 students studying part time; and an ever-growing demand from overseas with nearly 230,000 students, an increase of 10 per cent from the previous year
 - with 1 per cent of the world's population, the UK achieves 12 per cent of the world's science and research citations; and
 - UK higher education generates nearly £60 billion per annum for the economy; patents granted to UK universities increased by 136 per cent between 2000 and 2008; and every £1 invested from our higher education and innovation fund generated at least a five-fold return.
10. University autonomy is the bedrock of this success and the combination of self regulation and market forces has been a key driver for change and improvement in recent years. The Government's emergent policies – particularly the emphasis on student choice and the prospect of careful supply side reform – have the potential to build on the progress already being made. At a time when new money (the traditional instrument of Government intervention) is in short supply, Ministers must find the right balance between enhancing the freedom of institutions to act (to achieve fairness, efficiency and responsiveness and to reach out into the international community) and top down interventions which are very unlikely to lead to better results. The current direction of public policy clearly favours institutional autonomy and we must never lose sight of this.

Principles

11. In my book, there are five key principles which underpin the current and future success of UK higher education: opportunity, quality, diversity, sustainability and impact. In the time available, I cannot do any one of these principles justice but I want to say something about what I mean by each and to focus on some topical issues which ensure the continued relevance of these principles.

Opportunity

12. It is an overarching aim of UK higher education that people with the potential to benefit from successful participation in higher education should have the opportunity to do so and that they should be able to access the programmes and institutions that best meet their needs regardless of background or social class. Widening participation in this way is vital for creating a fairer society, securing improvements in social mobility, achieving social cohesion and supporting economic growth.

13. The proportion of young people recruited from the most disadvantaged parts of the country has increased by about 30 per cent in the past five years – it is important to maintain this momentum going forward; we have to be clear that all institutions have a contribution to make to this work and that widening participation cannot only be reliant on growth in student numbers.
14. There is a concern that in recent times widening participation has been framed in terms of fair access. It should embrace the whole lifecycle of higher education from pre-entry, through admission, study support and successful completion at undergraduate level and then on to further study or employment. The Government has started along this path with the pupil premium, a renewed emphasis on access agreements, the new student support arrangements, the national scholarship programme and a focus on employability.
15. But key uncertainties remain – we simply do not know how fees of £6-9k will impact on demand and what the aggregate effect of new policy initiatives will be. HEFCE will work closely with the Government and the sector to mitigate these risks and to ensure that the principle of opportunity is maintained and (hopefully) extended.
16. It is essential that the opportunity of higher learning remains open to overseas students, and that it extends to postgraduate taught programmes and research students – all key factors in the internationalisation of our universities. This means ensuring a successful outcome to the consultation on student immigration, greater cooperation between universities and the UK Border Agency and a willingness to build on the significant improvements already achieved by ensuring clear links between students and the reputable institutions that make up the recognised higher education sector.
17. The linked issue of postgraduate education requires careful thought and continued public investment, albeit on a smaller scale than before; care over the future of small specialist institutions with a higher proportion of postgraduate students; and a tangible commitment to look after the next generation of researchers by boosting the funds for research degree programme supervision. HEFCE has all of these issues in its sights as we plan for a different world post-2012.

Quality

18. I have noticed that the current policy discussion sometimes uses the words quality and standards interchangeably. I define quality here in terms of learning opportunities – ensuring that appropriate and effective teaching, support and assessment is in place for students; and standards to describe the level of achievement that a student has to reach to gain an academic award. HEFCE has a statutory responsibility to make sure that the quality of learning and teaching is assessed in each university in England, but universities are responsible for setting and maintaining the standards of the awards they offer. The QAA carries out evaluations of academic quality and is responsible for maintaining the 'academic infrastructure' against which standards are referenced.
19. Concerns about teaching quality and the student experience surfaced in 2009 and whilst a review led by Colin Riordan concluded that there is no systemic failure in quality and standards in higher education in England, a four pronged programme of development is in hand as part of a collaboration between HEFCE, QAA, UUK and Guild HE:

- the development of a new institutional audit method to support quality assurance; this will apply from 2011-12
 - a review of the key information sets required by students and prospective students
 - a review of the 'academic infrastructure' – a series of national reference points used to underpin academic standards; and
 - a review of the external examining system.
20. The coalition Government is also fixed on the objective of quality improvement. It will be essential that the outcomes of this work satisfy the student body (present and future) and that any latent concerns in Parliament and the wider public are properly addressed in the new arrangements. From top to bottom university governors and staff have a responsibility to ensure that the potential of all students is realised and institutions involve students directly in their efforts to improve quality and standards. The new arrangements for higher education funding mean that the active involvement of students at all levels of university development and decision making will become even more important.
21. The principle of quality (and high standards) and the importance of continuous quality improvement has wider resonance in higher education – embracing for example research, professional services and governance – but all of that will need to wait for another day.

Diversity

22. I have already touched on the strength we draw from the diversity of higher education institutions, the importance of continuing to encourage a diverse population of students and the requirement to embrace a wide range of academic disciplines.
23. Both the previous and the current Governments have also raised the question of diverse provision in higher education – the assumption being that there may be a public benefit in a shift away from full-time three-year degrees towards a wider variety of provision.
24. Our work in this area shows that whilst demand outstrips supply for three-year full-time degrees – an approach embedded deep in the psyche of younger students and many universities – and financial restraint and student number controls militate against change, the sector is already highly diverse. There is a strong part-time sector which may grow as a result of the new student support arrangements; accelerated honours degrees appeal to some older students; and foundation degrees, higher national diplomas and certificates and other credit bearing courses or modules are firmly established. We also know that higher intensity part-time provision often achieves higher completion rates and that up to 10 per cent of the undergraduate population can be taught to a very high standard in further education colleges.
25. So institutions already offer a wide range of qualifications; study is full-time, part-time or through accelerated learning. The place of study is not restricted to universities and higher education colleges – students are already studying in the workplace, through distance learning and in further education colleges. The three-year full-time degree remains in demand but recent trends favour some diversification and universities clearly recognise the need to respond to this without compromising quality or standards.

26. In future the diversity of higher education institutions might include 'for profit' private sector organisations. This is subject to policy discussion at the moment but in my mind the deal should be clear – the status of an institution with designated higher education programmes should not affect the ability of students to access student funding or its ability to apply for public funding for teaching. In return private sector institutions will need to sign up to a single regulatory framework and meet a series of baseline requirements in relation to access, quality and information. It is still unclear what effect the financial and student number control limits in higher education will have on the pace of private sector developments and their competitive impact.

Sustainability

27. Higher education, science and research is a long game. Sustainability is not just about money – it means protecting the interests of students; promoting the medium and longer term academic success of institutions and disciplines and ensuring that the necessary resources (people, money, buildings and equipment) are in place to achieve these aims. Since 2008-09, we have also been tackling the wider question of sustainability through the revolving green fund (a system of repayable grants) which enable universities to take on projects that reduce greenhouse gas emissions. Good progress is being made with a reduction of 10 per cent of current emissions. We therefore envisage the continuation of this fund at a minimum of £5 million per annum from 2012-13.

28. To give expression to the principle of autonomy, every university and college is headed by a governing body responsible for overseeing its activities, determining its future direction and delivering high quality education, research and knowledge exchange. These responsibilities will intensify as public investment in higher education in the form of HEFCE grant reduces and student funding allocated through the loans system increases. The task of the national agencies (like HEFCE, the SLC and OFFA) will be to ensure that they work together through a unified (light touch) regulatory framework which will support and sustain institutions through transition and create an environment in which they can flourish in the future.

29. These changes are taking place in a tough financial environment – in AY 2010-11 total HEFCE grant (including the reductions announced in the HEFCE grant letter in December 2010) will reduce by £465 million³ with further reductions in AY 2011-12 of £495 (a figure that includes a capital cut of £309 million).

30. Faced with these reductions, HEFCE's approach has been to protect:

- participation levels and students who require extra support to complete their courses (WP and TESS allocations)
- internationally excellent and world leading research; our partnership with research charities and business; and financial support for the next generation of research students

³ Excludes reductions for growth of £83m and end year flexibility of £51m plus the £150m extra reduction in the grant letter.

- HEIF funding which supports the two way flow of knowledge and ideas, and the development of products and services between higher education, business and the community.

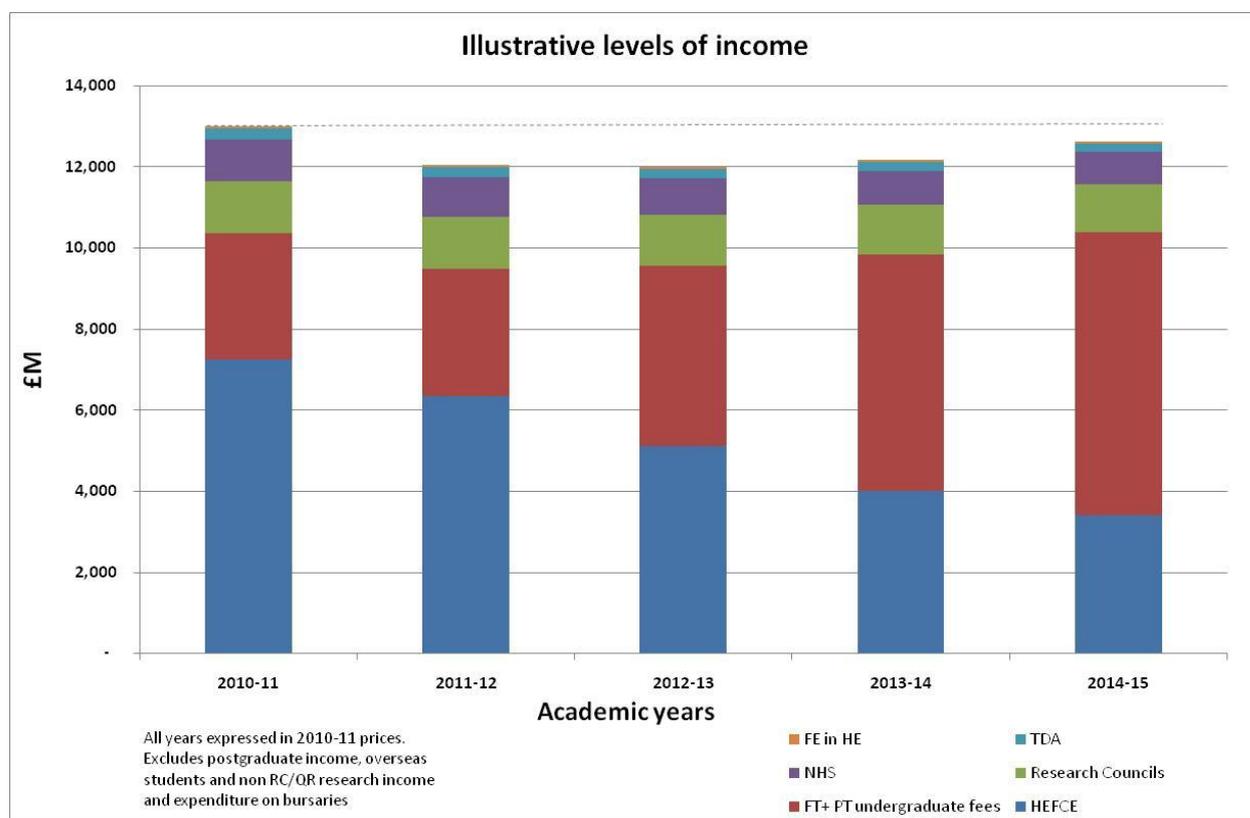
31. Universities and colleges have diverse income streams and despite the bruising effect of recent cuts in higher education, our preliminary review of your 2009-10 accounts shows that total income in higher education actually increased by 5.7 per cent on the previous year – with increases in overseas fee income of 17.5 per cent, and overseas research income of 13.9 per cent and home and EU domiciled postgraduate fees of 11.2 per cent. Universities posted very respectable financial results with good levels of cash and reserves. The outlook for 2010-11 (despite further in-year reductions) is manageable for most institutions.

32. HEFCE is committed to ensuring a smooth transition to a new funding settlement in August 2012 and will work with the Student Loans Company to synchronise the run down of grant funding and the run up of tuition fee funding. This next includes a number of ifs but:

- if the reductions in NHS and TDA funding follow the predicted pattern and
- if the average fee levels out at £7,500 across the sector and
- if demand holds up and participation levels remain at current levels

... then on a sector wide basis university income linked to higher undergraduate fees and research income will start to rise with a 5 per cent increase in real terms over the period from 2011-12 to 2014-15. This analysis excludes fluctuations in the cost base (including pensions) and also the all important postgraduate and overseas economies and international research income. Of course the aggregate effects of all these changes will be very different in different institutions and HEFCE will work in the interests of students to support institutions which have to change their business model and perhaps their size and shape in response to higher levels of financial risk.

Illustrative levels of income



33. The days of the block grant are numbered. HEFCE will remain the biggest single funder of research in the UK, supporting research excellence and the dual support system through the allocation of QR and promoting economic development through HEIF. Teaching funding will be focused much more precisely on public benefit – widening participation, high cost subjects and support for strategically important and vulnerable subjects where we will continue to shoulder the responsibility for ensuring the sustainability of disciplines at risk.
34. The task in relation to vulnerable disciplines is threefold: to influence policy across HEFCE, Government and the higher education sector; to influence student choice by communicating our work on the supply and demand for different subjects and to provide an authoritative voice on subjects of strategic importance to the country.
35. Current interest in this area includes work to increase student numbers in Chemistry, Physics and Mathematics, to tackle variable performance in the Engineering sub-disciplines and to consolidate the growth in student numbers in Iberian and Asian language programmes whilst encouraging other language departments to develop a compelling identity for students and employers.
36. Employers consistently identify a demand for STEM graduates, reflecting a requirement for numeracy aligned with specific technical skills and a broader requirement for students with a wider set of 'employability' skills. In carrying forward its responsibilities in this area HEFCE will stay in close touch with employers and their umbrella bodies as universities do. We also recognise the importance of being flexible enough to respond to changing circumstances –

keeping a weather eye on the impact of the new funding settlement on key disciplines and intervening when necessary to boost demand in schools, colleges and the established workforce whilst protecting provision in universities.

37. Academic success is the bedrock of financial sustainability and it is essential to our international standing that we continue to give priority to ends over means – curriculum review, the development of new undergraduate and postgraduate programmes, new research initiatives at the boundaries between disciplines and institutions, vibrant PhD and post-doc communities and new approaches to knowledge exchange are all more important than the financial and organisational mechanics of higher education and will remain so.

Impact

38. I do not use the word 'impact' here only in the sense that it is to be used in the Research Excellence Framework. I touched earlier on how the opportunity of higher education can change lives and broaden horizons and on the wider economic, social and cultural contributions of higher education – the way universities have come to define small post-industrial towns and cities across the country; our work with professional bodies to educate the teachers, doctors, nurses, social workers, architects, engineers and veterinary scientists of tomorrow; and the contribution our schools of art and design and music contribute to the creative economy, which accounts for 7 per cent of UK employment with 157,400 businesses employing two million people and exports totalling £16 billion. This is an area that is growing at double the rate of the rest of the economy and it also makes this a good country to live in!
39. Some but by no means all of this is rooted in the research excellence of universities and your commitment to innovation and knowledge exchange. Let me turn to these issues now.
40. I hope that the key aspects of the assessment framework for research are now fixed in people's minds as we move towards REF submissions by late 2013 and the completion of assessments as planned in 2014. The pilots on the assessment of impact involved 29 institutions making submissions across five units of assessment. The output has been published and the panels concluded that it is possible to assess the impact of research through an approach based on expert review of case studies. The process will be refined and improved to take account of the pilots; it has been discussed with a wide range of academic and subject associations and with the CBI and Research Councils UK. The next steps include discussion with the REF panels and the other UK funding bodies about the assessment framework and the weighting factor that will be used for impact (happening now); guidance on the information that will be required in REF submissions (July 2011); and more detailed criteria and working methods that the experts will apply in assessing impact (January 2012).
41. The development of the REF is being played against a good financial settlement for science and research which – with only a modest reduction up front – secures QR funding at more than £1.5 billion per annum until 2015. In these slightly tougher times the focus will be on internationally excellent and world leading research (aka 3* and 4* research as rated in the 2008 RAE). This means that for 2011-12 we are maintaining the quality weightings for 4* and 3* research at 9 and 3 respectively (though increasing their rate of funding) and making a consequent reduction in the weighting for 2* research from 1 to 0.294. As I said earlier the

charity support fund, business related research and the aggregate funding for national research libraries will be maintained at current levels and we will work to increase the research degree programme supervision fund and thus support the next generation of researchers.

42. Higher Education Innovation funding will also be maintained at the current level until 2015 and (subject to consultation about future income thresholds) we will make final allocations in May which discontinue the capacity-building element of HEIF and focus on allocations based solely on performance, using knowledge exchange income as a proxy for impact.

43. Again, our objective must be to build on the success achieved so far:

- HEIF has been spotlighted recently by OECD as an exemplar for universities driving economic development and the UK approach of 'multi-channel KE' (which stretches beyond a linear model of technology transfer) is being adopted in other parts of Europe
- studies conducted in Cambridge show that US and UK practice and performance is very similar, and
- a recent publication from the US National Academies of Science commends the UK approach and the way in which the HE-BCI survey covers a broad spectrum of university activities with both financial and other objectives.

44. We can never be complacent but we should not underestimate the international importance of research and knowledge exchange in our universities and the wider impact that higher education has on communities and the regional and national economies.

Conclusion

45. So let me draw to a close by underlining a few key points:

- (i) Despite the current pre-occupation with the new funding settlement we need to respond actively to the tectonic shifts in demography, technology and attitudes to higher education; we must play our part in facing key global challenges; and we need to be realistic about the prevailing economic circumstances at home and overseas in plotting the future development of higher education.
- (ii) UK higher education is a success story – we have the strength in depth needed to be internationally competitive and the wider perspective, sense of responsibility and expertise needed to be internationally collaborative.
- (iii) We have a responsibility to work with industrial and commercial partners to stimulate recovery and growth in the economy – and we should expect the Westminster Government to return to the question of public investment in higher education as the country finds its feet again.
- (iv) The principles of opportunity, quality, diversity, sustainability and impact have served us well and will continue to do so in the future.

46. Turning to the present position and the transition to the new funding settlement which I have largely (and deliberately) side-stepped today, let me make just three points:

- (i) We have an internationally respected higher education system, derived from a progressively reformed 'public-private' funding mix. There is a clear case for change based on questions of affordability to the state, benefits to individuals and the need for continuous improvement. This change needs to be carefully handled – building on existing strengths, investing for the future where possible and tackling weaknesses head on.
- (ii) In pursuing system change and framing legislative and organisational change the Government needs to recognise that institutional autonomy is the bedrock of our success. In working towards the new arrangements we do need regulation that will protect the interests of students and the wider public but this has to be carefully judged – whilst it should not be intrusive, there must be mechanisms to intervene when institutions are facing financial or other difficulties. This is an important balancing act and we need to get it right.
- (iii) The recent grant letter asks HEFCE to continue to perform its current role on its existing statutory basis for 2011-12 and 2012-13. We will do so but we will also take account of the changing dynamics in higher education. We will work with the Government and the sector to ensure a smooth transition to the new arrangements and – given that many of the more difficult change issues involve a number of national agencies – we will work in close partnership with SLC, OFFA, UCAS, QAA and HESA. For example, we all have a part to play in giving expression to the policy objective of 'student choice' and detailed work is required with the SLC to synchronise future funding flows and with OFFA on access agreements and widening participation policy. And of course we will ensure business as usual in relation to resource allocation, financial stewardship and major activities like the REF as the new arrangements are taken on board.

47. It is always a pleasure to be in Nottingham – living proof that higher education is in very good shape – and I hope that you have an enjoyable and successful conference.

Alan Langlands
17 February 2011