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Moving to a more certain future

HE Beyond 2015

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Paul Clark

Director of Policy

Universities UK



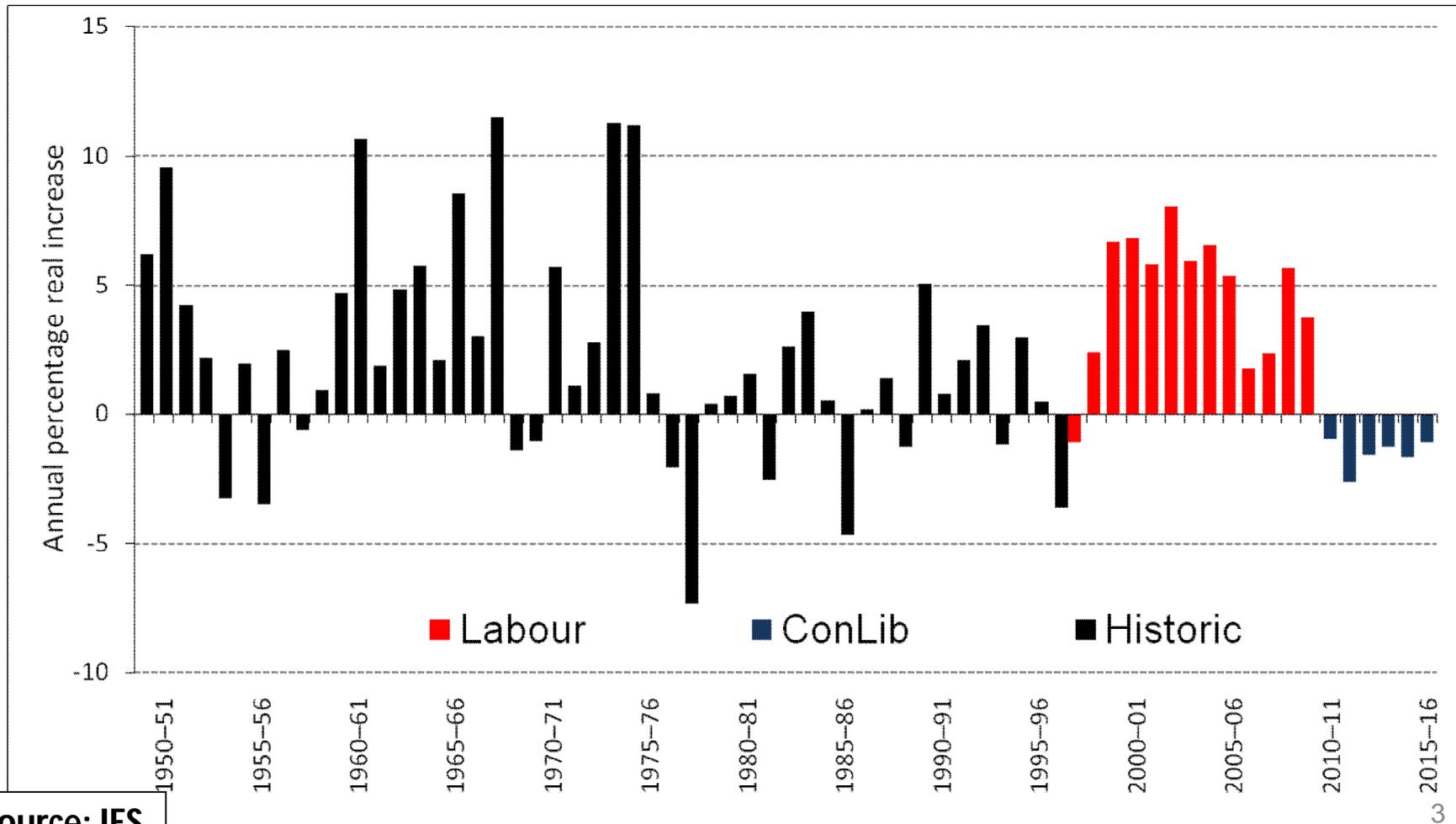
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Contents

1. The current policy framework
2. Future challenges
3. A more certain future?

The current policy framework (1)

The UK faces the most prolonged period of public spending cuts since the Second World War



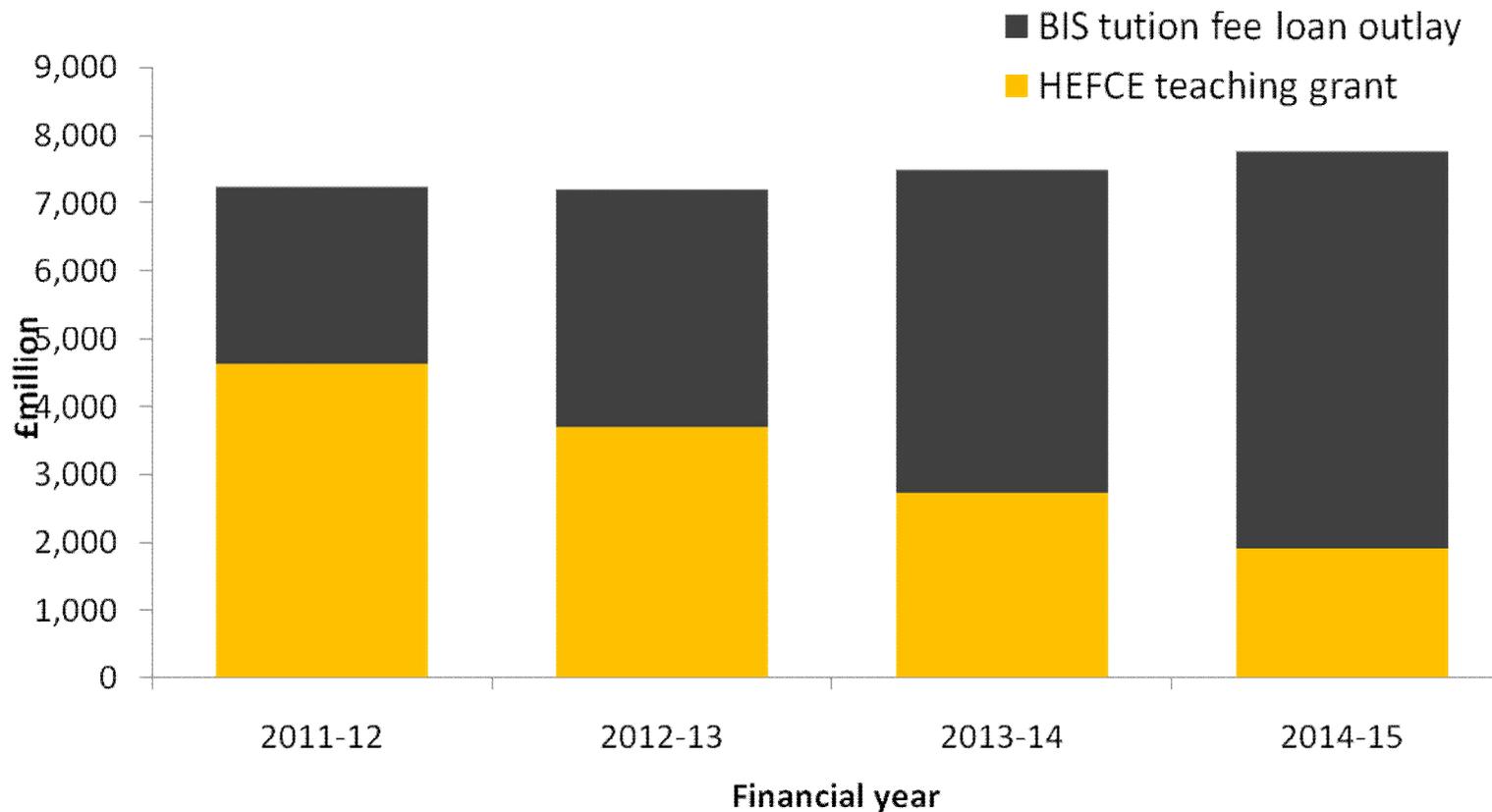
Source: IFS



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The current policy framework (2)

The student finance reforms of 2010 resulted in a substantial transfer of funding for undergraduate education from grants to loans

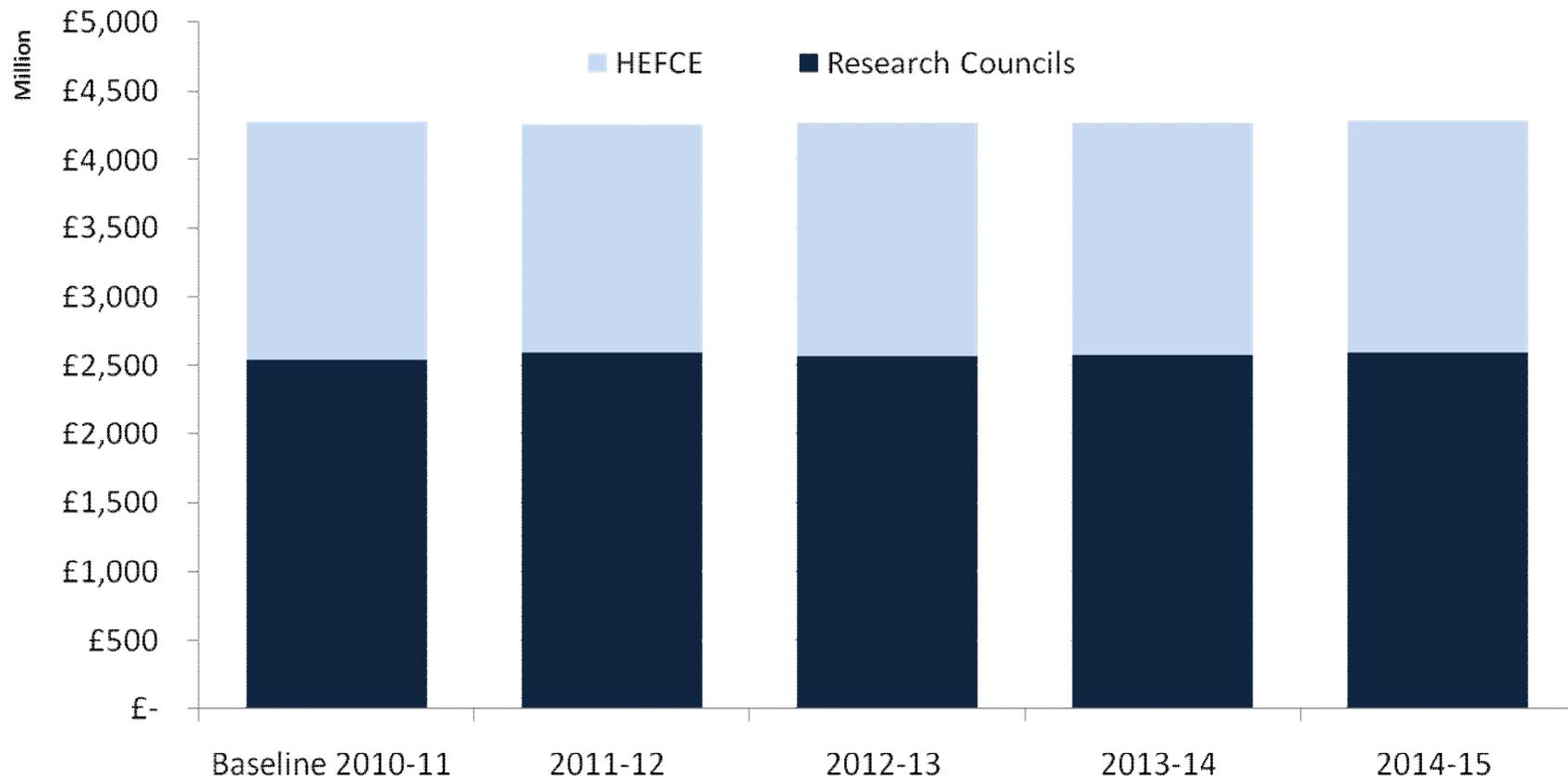




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The current policy framework (3)

Funding for science and research (including QR) was protected within a ring-fence in CSR2010





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The current policy framework (4)

The proposed regulatory reforms are intended to complement the move to a more competitive, market-based higher education system

- HEFCE as lead regulator, encouraging choice and competition
- Shift to a demand-led system, with Government acting as strategic purchaser
- Relaxing the barriers to entry to the system for new providers
- Redistributing student numbers on a competitive basis
- Increased emphasis on the provision of information and data
- Widening the range of student choice
- Reducing or removing regulation where possible



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Future policy challenges (1)

The UK needs to develop a strong university system in order to compete effectively in the global knowledge economy

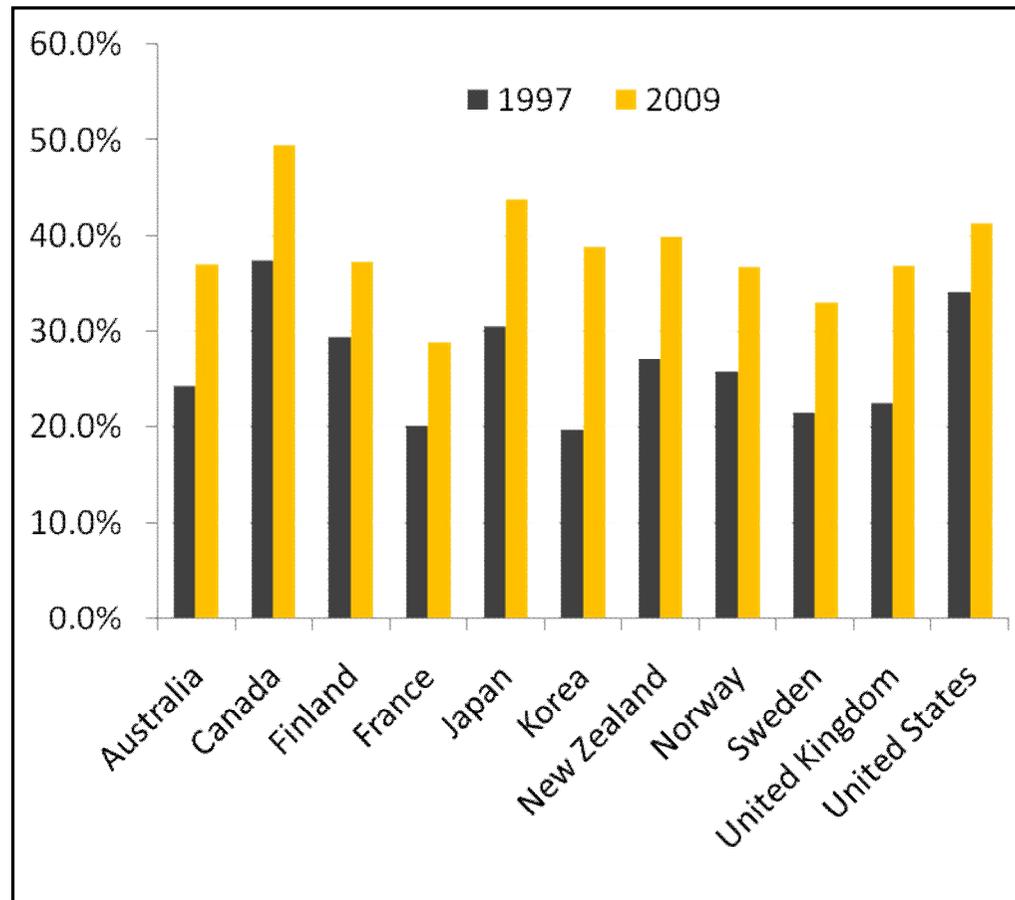
- A strong innovation ecosystem is essential to be a globally competitive knowledge economy
 - Future scenarios for economic growth in the UK rely on the university system:
 - *'High-tech flourishing'*
 - *'Innovation across the economy'*
- NESTA scenarios 2010**
- A strong university base attracts inward investment, but competition is intense:
 - 80% of the funds invested by the top 1000 countries globally is received by 5 countries
 - International competitors are mobilising their resources, and investing a greater proportion of GDP in R&D than the UK



Future policy challenges (2)

International competitors are also investing heavily in their higher education systems

- By 2020, China will have more graduates than the US and the EU combined
- The UK lags behind competitor countries in the proportion of 25-34 year olds with a higher education qualification
- The US, Germany, Sweden, Korea and Japan all invest more of their GDP in R&D than the UK

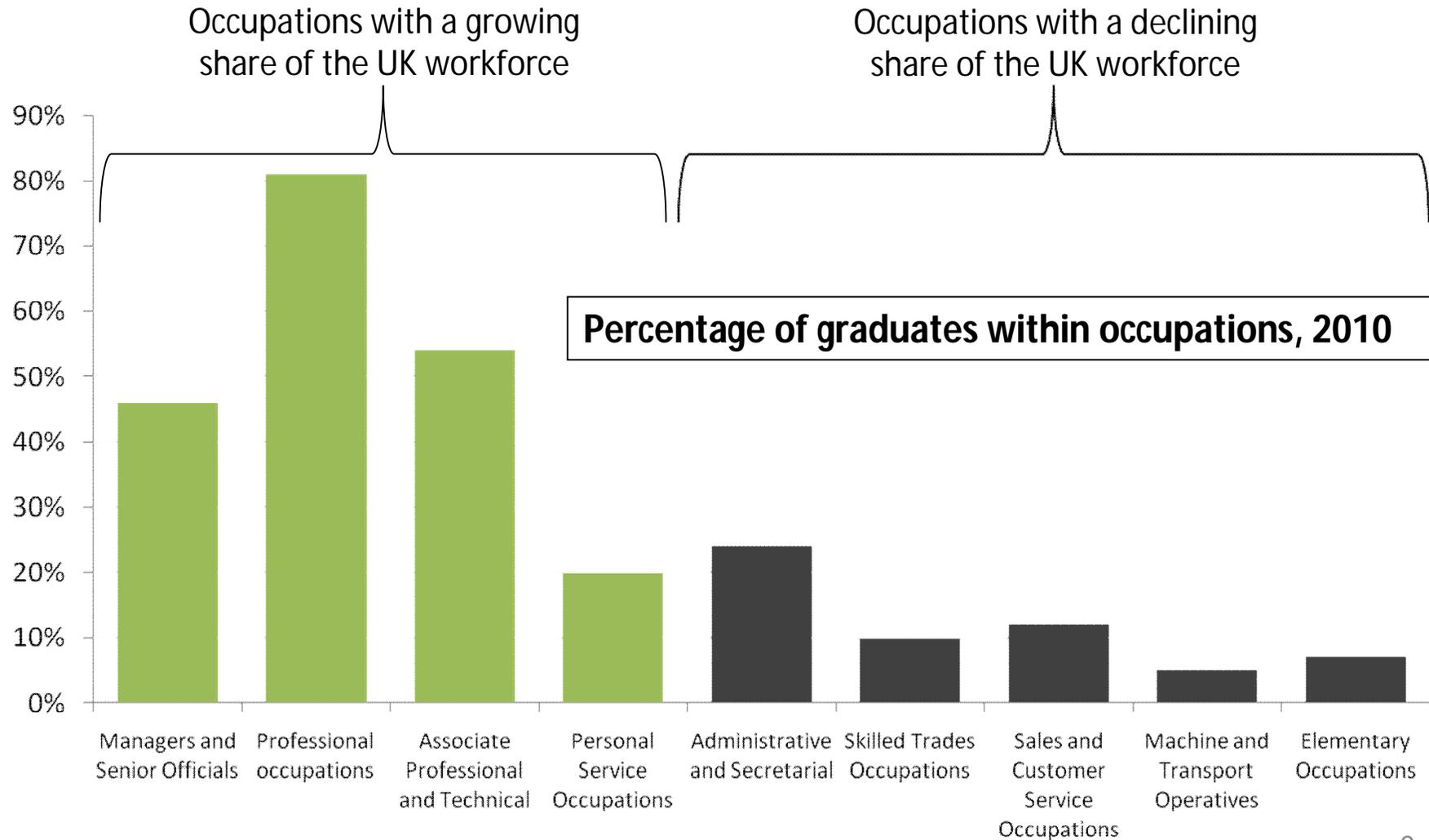




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Future policy challenges (3)

The UK needs more, not fewer, graduates in the system



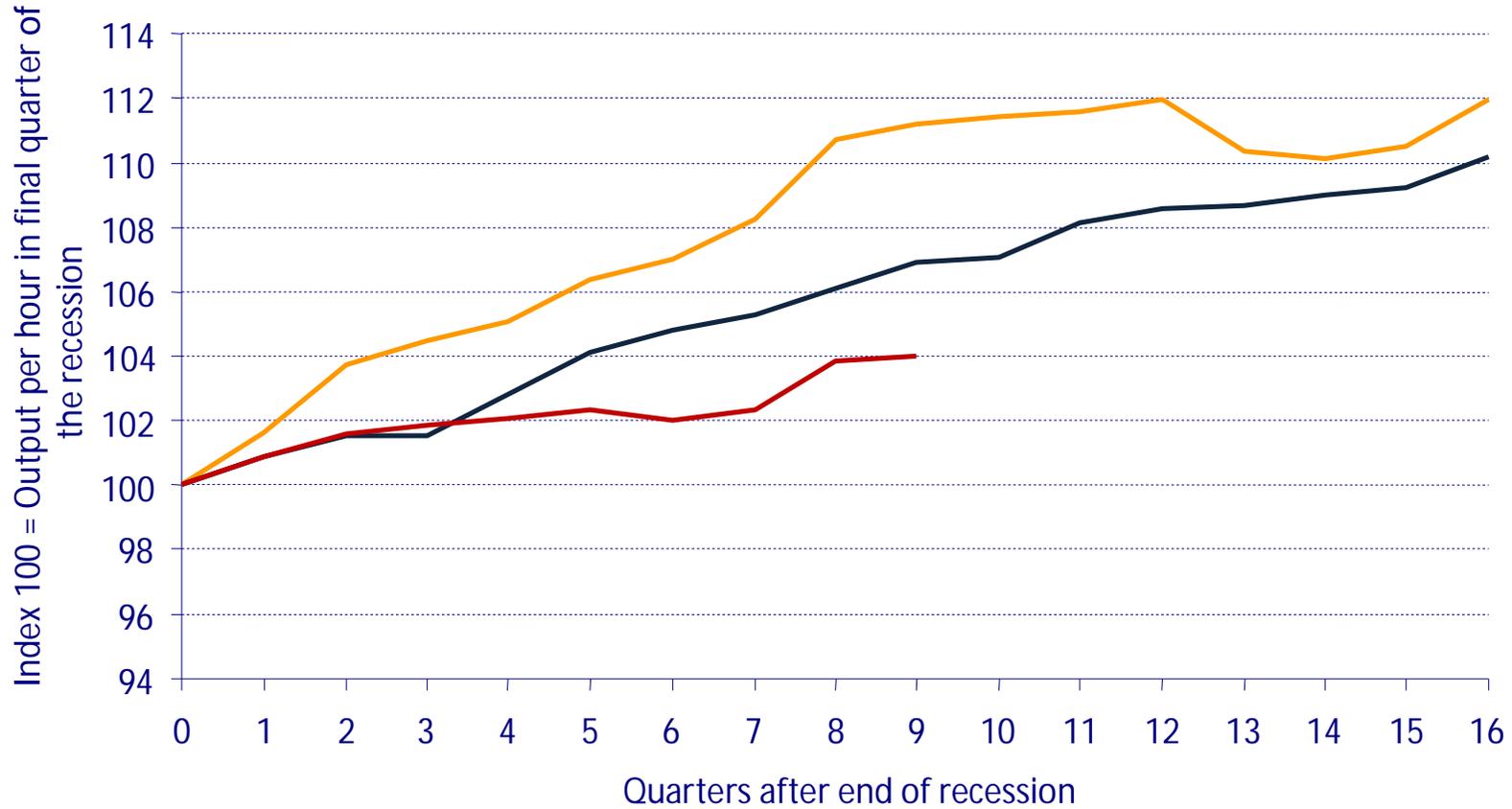
Percentage of graduates within occupations, 2010



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Future policy challenges (4)

At the same time, the effects of the current recession will be protracted, leading to a permanent loss of productive capacity



Source: OBR

— 1980s

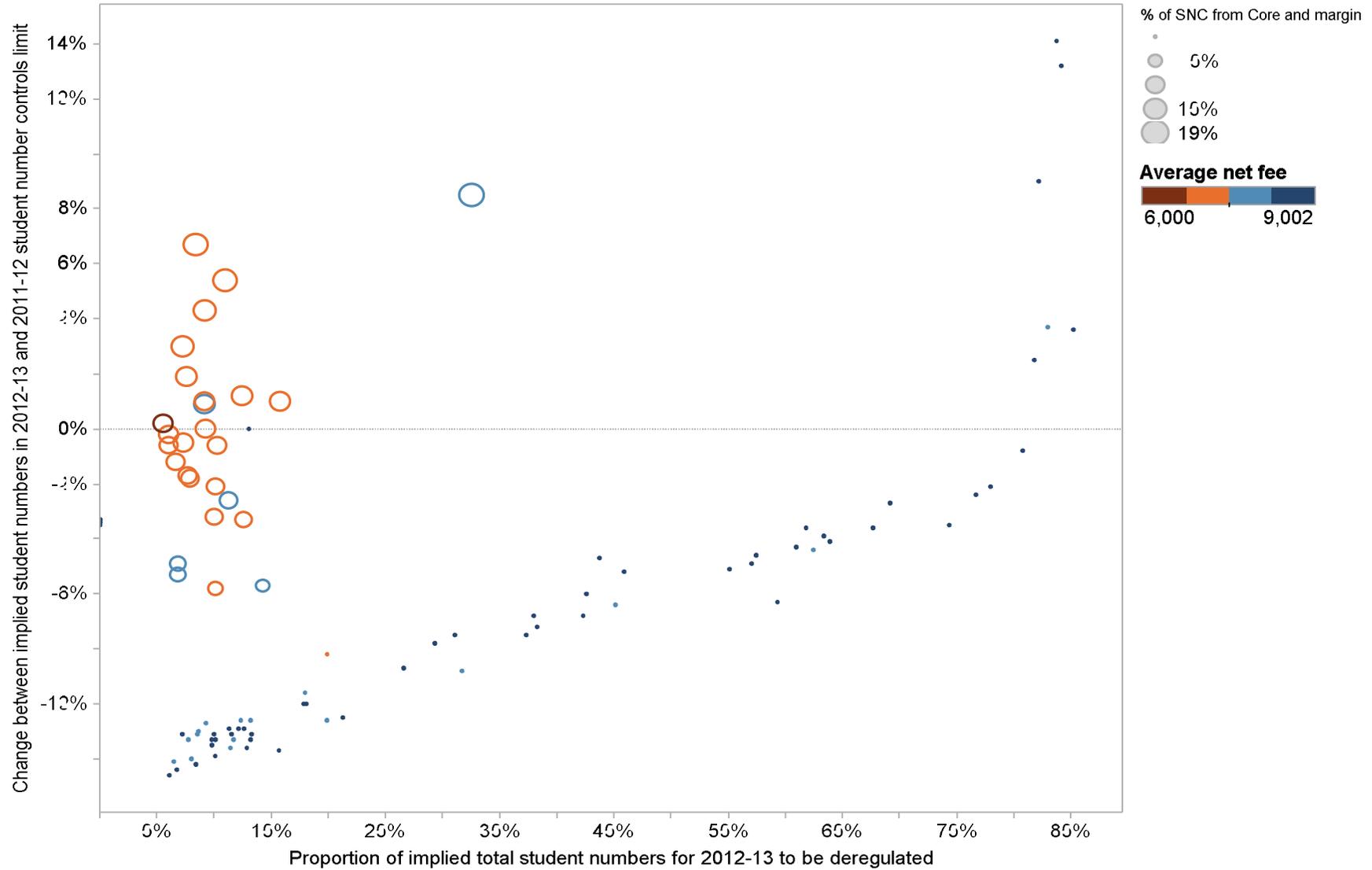
— 1990s

— 2008-09



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A more certain future? (1)

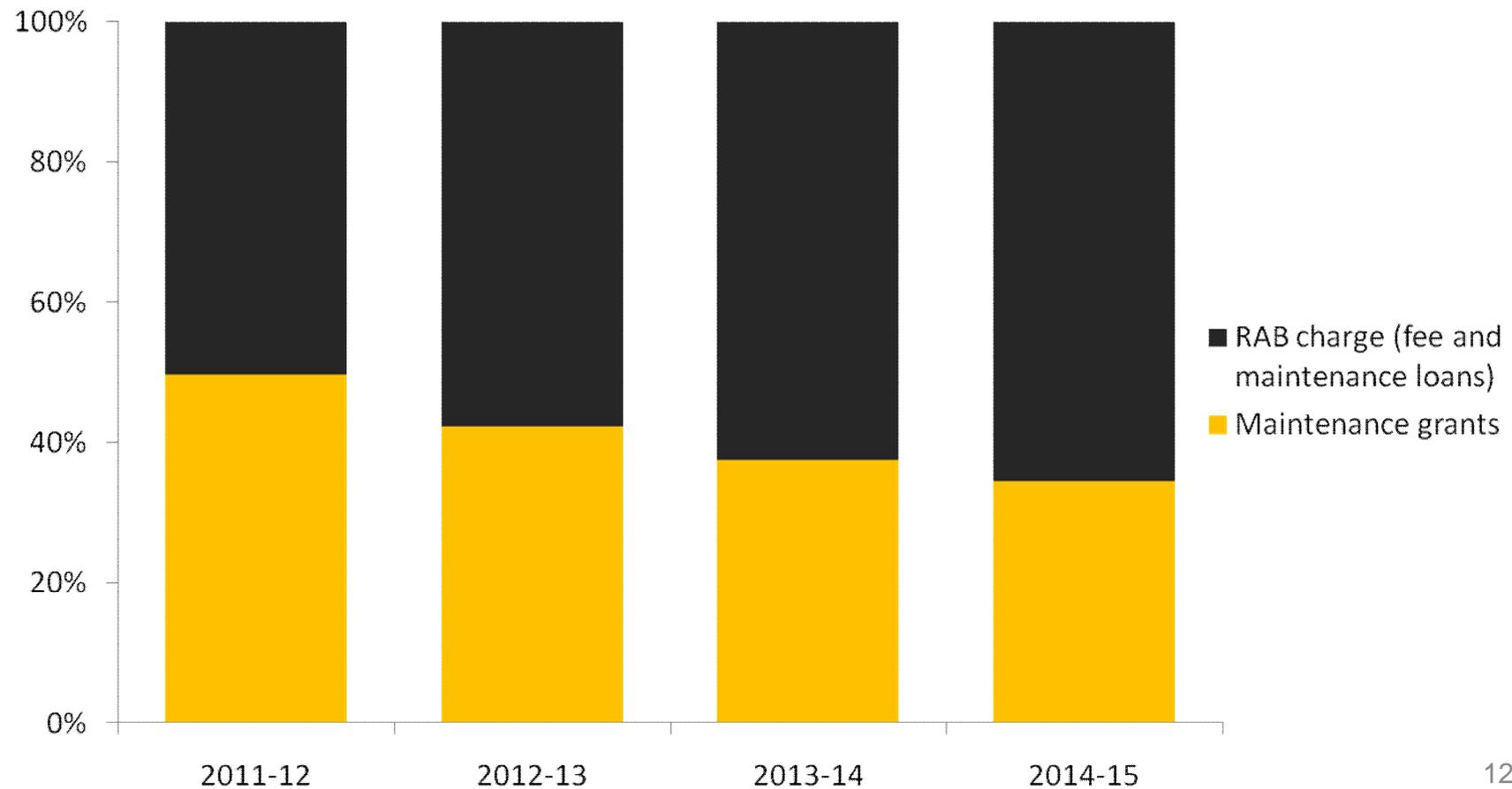




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A more certain future? (2)

Teaching funding reforms: create the right platform for current and future investment, but issues remain regarding the long-term affordability of the system





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A more certain future? (3)

Student numbers

- Impact on outlay on tuition fee loans and grants and the RAB charge, representing the estimated cost to government over the expected life of the loan

Loan uptake rate

- Impact on outlay on tuition fee loans

Average size of loan for those who take them out

- Impact on loan outlay and RAB charge

Household income

- Impact on eligibility for, and potential outlay on, maintenance grants

Graduate earning profiles

- Impact on RAB charge



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A more certain future? (4)

Research and innovation: the decision to protect funding for science and research was the right one, but continued public investment in this activity post-2015 remains critical

- No substitution funding available for blue-skies research
- Government needs to remain the major purchaser of research equipment and activity
- Government spending on R&D leverages private sector funding and FDI – there is no crowding-out effect
- The dual support system has proved highly effective in supporting the UK's world-class research base



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A more certain future? (5)

Immigration policy: current policy on immigration will harm the university sector, and thus the UK economy, over the long term if not corrected

- The tough stance on student visas threatens the UK's share of this significant global market, with adverse economic, political, and academic effects
- The negative publicity around student visas and immigration policy more broadly will have an impact on recruitment
- The UK needs to remove barriers to entry, and allow itself to compete effectively in the global marketplace for the highest-quality international staff and students
- Key international competitors such as the US and Australia have recently reversed their policies on student immigration in order to increase market share



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A more certain future? (6)

Regulation: The existing regulatory structure and landscape needs to be re-engineered in order to deal with future challenges and a more loosely-structured, market-based system:

- Designing a system which is capable of assuring the world-leading quality of the UK HE sector while accommodating a broader range of providers
- Dealing with the regulatory challenges posed by new organisational forms
- Closing regulatory loops to ensure that costs can be controlled over the long term
- Realising the potential for information provision as regulation



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Summary – getting to a more certain future

- Some of the foundations are in place to secure a more certain future for the higher education, but there remains much work to be done
- HEIs face considerable uncertainty over the short-term, with policy challenges coming from a number of directions:
 - Radical changes to the higher education funding system
 - Negotiating the transition to a market-based system
 - Absorbing efficiencies
 - Tightening of immigration policy
 - Changes to health education and research funding
 - Changes to regional economic policy
- It is critically important that we emerge in 2015 from the current period with a robust and vibrant higher education sector, which can contribute effectively to economic growth and social value



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Contact

Paul Clark

Director of Policy, Universities UK

paul.clark@UniversitiesUK.ac.uk