

Presentation by Rt Hon John Denham MP

‘Higher Education: Could we all get more for our money?’

Speech given at the annual ukadia Conference, Imagining the Future, 26th February 2014

JD I’m very pleased to be here to speak at this conference. The invitation came about, I think, because a few weeks ago, at the RSA, I deliberately set out to chuck a rock into what I think are the still and far too deep waters of higher education policy. What I’m going to talk about isn’t a detailed blueprint for higher education, it is my reaction as a former Universities Minister, to what I think is a very frustrating lack of disruptive thinking about the future at the moment. So I’ve made my intervention, I’m keen to follow the debate, and in particular today to get some initial reactions from this important part of the higher education sector, because the way the different bits of the university sector respond will be different and I’m keen to see how that debate goes.

I think this is a very curious time. Higher education is so crucial to the future of this country, everyone agrees that it faces many challenges, not least financial challenges, but there is extraordinarily little public debate, and actually not that much debate within the sector itself about how to resolve those challenges. One reason, obviously, is that in the very short term the new fees system, coupled to a continued inflow of overseas students, has actually led to big cash increases in university incomes. You won’t like me saying so but it’s been nothing like as harsh working in a university for the last three years as it has been working in local government or the health service, or other public services which have seen thirty percent or more cuts in real terms in the budgets that they’ve had to play with. Student numbers are increasing, widening participation’s been broadly sustained. Everybody sort of says that some institutions will be casualties, some courses will be casualties, but hopefully not mine, let’s carry on the way we are going at the moment.

The problem is, of course, that the whole system of university finance for English students is slowly sliding off a cliff. The £9,000 fee, set just a few years ago, is declining markedly in real terms, and the politics of saying you can put it up further are probably quite unattractive to most of the political parties at the moment. Capital spending has had a huge hit compared with the levels of public capital spending there was just a decade or less ago. The science budget has fallen, research budget, primarily the science and research budget, will have fallen by twenty percent in real terms by 2016, undoing much of the benefit of a ten year expansion programme under the previous government. The NAO is warning that there may be bankruptcies in universities, the cost of debt cancellation is rising. Of course everyone’s going to grab a share of the Chancellor’s promised expansion of higher education when the cap comes off, but nobody I’ve met believes there’s any sustainable money to tell us how we are going to pay for that for more than a year or two.

Yet despite this, here we are in the world’s most expensive public higher education system in the world, and nearly everybody says I can’t think of anything other than asking graduates to pay back even more. But that doesn’t look a particularly rosy

prospect, and it's not the end of the bad news. English universities, of course, have huge strengths. They've got outstanding research, they've got some excellent teaching, they are a magnet for international students, but many employers remain deeply critical of the employability of too many graduates. Forty seven percent of new graduates, and a third of those who graduated five years ago, don't work in graduate jobs. These people are in debt, it's not the reason why they went to university in the first place, and we can't duck links between higher education, the economy, and economic growth. As the Vice Chancellor for the University of the Creative Arts said last year, we need better, in this part of the sector, better and more detailed work is needed on the specific value of the creative industries, to better inform the debate on funding choices and the importance of creative subjects in education.

And then there's social mobility. Now, despite real progress over the last ten years in widening participation we are miles away from a genuinely meritocratic lifelong higher education system. The most selective institutions have hardly changed at all, mature student applications have fallen, part-time numbers have fallen sharply. These were the routes which previously allowed talented individuals to enter higher education later in life. And of course austerity has not yet gone away. We actually, as a country, spend too little on higher education, but the case for more investment starts with the scrutiny of every current pound we spend. And that's not just the £7.5 billion of public money which is spent at the moment. Those students who started in your universities, and other universities, last September, are expected between them to pay back £7.8 billion over the next thirty years. You can't actually ask either the tax payer, or individuals, to pay money in those sorts of sums, unless you've got a pretty good case that all of that money is going to be well spent. So let's have a quick look at public finances of higher education.

On the left you see the public spending as it was in the last year of the last government, and 2015-16 as it's forecast now. Though one of the things you are not surprised by is that there's a cut in the overall level of public spending. But what you also see is a massive increase in the amount of money which is spent on debt cancellation, the so called RAB charges. It was seventeen percent in 2009/10, it's sixty three percent now. That means that of the 6.7, of the tax funded spending just seven hundred million pounds in 2015, out of 6.7 billion only seven hundred million will actually be spent on teaching students anything. The vast majority of the rest of it is not spent on teaching students anything. 4.2 billion is spent on debt cancellation, 330 million does go on supporting more disadvantaged students, 1.5 billion goes on maintenance grants to low income students. So tax payers in 2015-16 will spend £6 on debt cancellation for every single pound they spend on teaching students. That's a very odd way to use tax payers' money.

Now people who defend the current system say you've just completely misunderstood it, because it's fees that pay for the teaching, and it's made possible by this RAB charge, the debt cancellation, because that's a progressive policy that protects graduates from degrees which turn out to be of limited economic value. RAB charges, debt cancellation charges, are not a progressive policy, they are a simple recognition that you can't get blood out of a stone. According to David Willets perhaps fifty percent of last September's students will fail to pay their debts off in full. What does that mean? That means that half of today's first year undergraduates will pay nine

percent of all of their income above the threshold for thirty years, and they still won't pay their debts. That takes no account of bank loans, credit cards, and any other debts that mount up while they are studying. So you do have to hope that the sort of mind broadening, growing up, chance to play lacrosse, part of their degree is worthwhile, because in purely economic terms it doesn't look a particularly good deal for fifty percent of the students we've got at the moment.

Debt cancellation was about twenty eight percent under Labour's fees system, ministers now say it's forty percent, many others, including the National Audit Office, think that the cost of debt cancellation will rise to fifty percent. Debt cancellation on this scale forces up everybody's fees, it top-slices money from teaching which could have been used to keep fees down. Every time RAB charges go up it means fewer and fewer successful graduates are paying off the debts of more and more economically less successful graduates. And what that actually means, if you put it in, shall we say, Daily Mail terms, is that if your son didn't go to that unsuitable course at that weak university my daughter could pay lower fees for her degree at her more prestigious college.

Now when I talked to the RSA I said that this may not be an issue in English politics today, but it will be. Things have moved much more quickly than I imagined. Just last week Paul Kirby, who had been David Cameron's head of policy, wrote that higher education finance is unsustainable. The conclusion he drew, from the same figures, was that we should shut between twenty five and forty percent of universities and university courses because they produce graduates with insufficiently high economic returns. And that is one way of escaping debt cancellation, is making sure that these students never get into the system in the first place, you only have students who can afford to pay the full cost of their course. So that sort of thinking is now developing in people who were very seriously influential in the Conservative government.

In a high fee regime, in which degrees are meant to pay entirely for themselves, the scope for anything that is risky, of societal value, of innovation, comes under scrutiny. So I'd say to you that for creative subjects, which, rightly or wrongly, because it may not be right, rightly or wrongly are seen as less bankable than STEM subjects, or law, economics and management, those risks are much greater. On the other hand I don't know of any progressive policy that thinks it's a good idea to induce people generally from lower income backgrounds to take on huge debt they can't afford to pay off, and then tell them they don't have to pay them at all. It's not how progressive parents bring up our children, the State shouldn't act in that way either. Some people will die, fall ill, devote themselves to their children, or actually do what I did and spend eighteen years after university working in very low paid jobs in charities and never would have paid off any student debts if there'd been any student debts. However it's surely a sound progressive and politically sustainable system, if loans are sufficiently affordable that the majority of students can actually afford to pay back in full what they have borrowed.

So what you need to do is to reset the system, we have to re-establish the partnership between state support and personal contribution, and although there's no pot of new money with a little imagination it turns out to be surprisingly easy. And I am going to look at four principles for change. Firstly instead of hardly spending anything on

teaching students let's spend as much as we can on teaching students with the public money we have in the system at the moment. Secondly let's recognise that the current system imposes avoidable costs on students and graduates, and is actually narrowing the options that students used to enjoy, so let's look at a fairer but also more diverse university system. Thirdly we have, over the last ten years, foolishly turned our backs on modes of higher education study which would be more cost effective, better tailored to the economy, and do more for social mobility. So I'll look at some changes there. And I'll also argue that despite the economic importance of higher education the current system of university finance does far too little to foster the partnerships with employers that we really need to see.

So, the first thing that I suggest we do, and I ask you to bear with me because I'll come back to the detailed figures later, but is to see how we could, what would happen if we put as much money as possible into teaching. That would mean, take a deep breath here but bear with me, putting all the maintenance grant money into teaching, just having additional loans for low income students. It means moving widening participation money into teaching. Actually just doing those things would almost enable us to halve fees at the moment. I'll take you through the detailed finance later. But I've also explored some other changes, which would make higher education more cost effective, but I think inherently desirable. You see I think our university system would be stronger if there was more choice for students who cannot, or do not, want to spend three years studying fulltime for a degree. If there were more choices for students to reduce their living costs. If we made it easier for employers to partner universities in the delivery of degrees.

Well the most immediate problem for students today is living costs. NUS reckon there's a £7,000 shortfall between real student living costs and the maximum you can get out of the loan and grant system at the moment. There isn't any public money to increase student incomes. So we have to look at ways of giving students more choice of less expensive modes of study, whether that's studying more intensively for less time, mixing part-time and full-time education, continuing work and study or studying from home. You know we are going in the opposite direction. Even the most fervent advocates of Labour's fifty percent target would be amazed to find that we had achieved it almost entirely through the expansion of the most expensive form of education, the three year residential degree, three year degree studied away from home. Part-time education's collapsing, the number of two year degrees has barely changed, the employer backed degrees that I helped to introduce when I was at DS have been scrapped, fewer mature students are applying, higher education is becoming increasingly a very narrow, one size fits all experience. It's almost now a rite of passage for young people, defended as much for the so-called student experience as for the quality of education.

Now I won't knock that, I enjoyed it, many of you will have enjoyed that student experience, though not all of you, but should our universities be so focused on the single mode of study? No one suggests that Open University graduates don't have real degrees, but by definition they do not enjoy what is called the 'student experience' and there's more than one way of getting a degree. What we've ended up with, right at the end here, we have the youngest graduates anywhere in the OECD. Virtually all of our students in higher education full-time are under twenty five years of age.

Nobody made a conscious policy to do this, and these figures, by the way, are before the recent fall in mature applications and part-time student numbers, so they will be worse in three or four years' time. It is becoming an activity that does not include anybody who is almost immediately out of school. So we've taken, let's think about it, a school system which fails more than most OECDs school system in overcoming inequality and disadvantage, and stuck on top of it the most juvenile higher education system anywhere in the industrialised world. There is no way that our young people with talent from different backgrounds can compete fairly in that sort of situations.

So of course we have to continue to press the selective institutions to do more, we have to back everything Alan Milburn's doing about the professions, we have to tackle the problems with internships that many people in this audience in particular will be familiar with given the sectors in the economy that you work with. But for the foreseeable future we are going to need to construct routes which are for late developers, for those who went to weak schools, and those whose parents had low aspirations for them. So for all of those reasons, as well as financial ones, we need to look at more intensive degrees, studying from home, and combining work and study. Two year degrees exist in both the public and the private sector, the private university of Buckingham regularly tops the national student survey for student satisfaction. And the more recent research, they are often, admittedly from private universities with an axe to grind, does suggest an untapped market and a good awareness of the pros and cons of intensive study. And I notice that the Guardian published research today of a greater openness amongst parents to consider alternative modes of study to the current three year degree because of the cost of those degrees. There's almost certainly some scope for this.

Basically our students spend less time studying each week than others in Europe. David Willetts says student study for thirty hours a week for thirty weeks of the year, which is five hours a week less than in the 1960s, and according to HEPI EU students on the Erasmus programme find our courses less intensive than in other countries. So in my modelling I've suggested that we look to have about seventy percent of courses in higher education as a traditional three year degree, and thirty percent to be two year courses, taught intensively, half of those employer co-sponsored. I use two year degree here for a range of possibilities, these could be degrees where people spend a couple of intensive half years part-time, then perhaps did a year away from college. There'd be many modes of delivering this, but a greater intensity of study seems to me to be worth going for. It wouldn't be for everybody, it's probably more suited to somebody who has a little bit of experience of work and life before they go to university than somebody who's come straight out of school, but I suspect there's an untapped market there.

I've also looked in my model of the possibility of students studying more from home. I mean I just think it's, what's happened over the last three years is that if anything institutions have started recruiting more nationally and less locally than they were three years ago because of the effects of the fee system. And we just need to challenge the assumption that it doesn't matter that many, many students don't think they have a choice to study close to home to get the type of course they want to do. There is very little collaboration between universities in the same geographical area to make sure there's a good spread of courses, or working together to recognise each other's

credits, at least in particular subject areas and particular fields, so there's more flexibility from the students in the ways that they want to study. We wouldn't make much difference to the public finances if more students studied close to home, this isn't something you do for financial reasons, it is the only way of making a huge difference to the affordability of higher education for students who don't want to take up the full costs of living away from home at the moment.

And then the final thing that I've looked at is employer co-sponsored degrees. We did these in the last Labour government, we put up a pool of money that universities and employers could bid for, and we got, in three years, twenty thousand student places being created with an average employer contribution of about £3,000 per place. There was a real market for it, but it's been shut down, so I would like to revive that idea. I reckon you could probably get about fifteen percent of university courses, about fifty thousand courses, co-sponsored with employers, some paying the whole whack, as JLR do, who are putting their apprentices through Warwick University, others paying very modest amounts. You could see smaller companies working together, perhaps in the area of a local economic partnership, to help shape educational provision. I can imagine my area, for example, would be leisure boat industry, cooperating to work with Southampton, Solent, and Portsmouth universities who all have relevant courses that they need.

So, let me look at how all of this fits together. I've looked at four changes, I've put as much money into teaching as possible, we've used public and private contributions more effectively, by encouraging more intensively taught degrees, we can ensure that more students minimise the cost of study by a genuine choice of courses within reach of home, and we've tried to incentivise new collaboration between employers and universities. Let me explain a bit more about what I've tried to do, and how these changes in how we deliver education fit with changes to finances. Because a lot of you will be saying we've heard all of this before, two year degrees, home study, part-time distance learning, more employer involvement, heard it all before, never seems to happen. I think times are changing. Because we are at this moment when a new fee system allows universities to expand without changing the way they deliver their higher education. We are now getting to the point where the unsustainability of that financing model is going to require changes in the way in which we deliver our higher education, and what I want to try and bring out now is how funding reform can underpin these changes which have been long talked about, which are now essential. Just a couple of things to say about the financial modelling. I have talked about more two year courses. I've not tried to take any money out of higher education, not to make savings, so the cash income to universities would be as it is at the moment. Because there'll be more students on more intensive courses, and because we aim for the same number of graduates, there'll be about ten percent fewer students in the system at any one time and teaching costs will be about seven percent less.

So a university system that evolved as I've suggested would have the same income that it does at the moment, it would have better staff student ratios, it would have less pressure on facilities, and it would free up resources to focus on quality and on research. So any fears that moving towards more intensive degrees should lead to a reduction in quality certainly do not exist for any financial reasons. Let's look at public investment in higher education. The overall effect of the changes that I've made

basically is to move about two billion pounds from the wasted debt cancellation into teaching. We've halved, almost, the amount of money spent on debt cancellation. You can see in the light blue how the spending on teaching goes up. What are the effects of making those sorts of shifts? I'm not proposing here that we go back to the old HEFCE system of central allocation, but to develop a new system for student finance in which money still follows the student as they make their choice of university. What I propose you do is you take the £4.7 billion you've now got to spend on teaching, and you establish a principle that every student on an honours degree course attracts a flat rate student entitlement. You need, as always, to top slice a bit for high cost courses, but basically what this leads to is a system where every student, whether they were studying for three years, or four years, or two years, would take an entitlement of £14,800, let's call it £15,000 because this modelling's fairly crude, to the university that offers them a place.

What fees are then left for the student to cover? Fees that are left are the difference between the cost of providing the course, and the value of the student entitlement. When you work through the figures the total fee cost to the student of a typical three year degree would be less than £10,000, it would broadly go back to where it was in cash terms at the end of the last Labour government. The cost of the intensive two year degree would be less than £5,000. And of course for the employer co-sponsored degrees the student would probably not pay a fee at all. So you can see that by shifting the current amount of public money that we've got in the system, and applying it differently in a clear and transparent way, university incomes are protected, you get the same number of graduates, the costs to the individual student of the fee is much lower, and what's more for every mode of study students are borrowing less, paying back less, but far more of them are paying off the debts that they have got in full, which is why debt cancellation is so much lower. I don't want to go too much into the detail, one of the things that some of you will have noticed here is two things that affect low income students, I've shown less spending here on those students that are currently being talked about who attract Widening Participation money. The way to deal with that is to make a small adjustment to the student entitlement, so the students who currently attract Widening Participation money would have a slightly higher student entitlement. That works in a quite straightforward way. And secondly you will have noticed that I've got rid of maintenance grants, which sounds like a politically suicidal sort of thing to do, and replaced them with loans. The effect of that though is that a low income student has just as much money to live on while they are studying, their overall debt under all modes of study, combining what they've borrowed for maintenance, and what they've borrowed for fees, is still lower than under any mode of study at the moment. So your low income students are actually better off under this model, even though you've made a shift from a maintenance grant to a maintenance loan.

So, probably said quite enough about this. Just three things to mention quickly. I happen to believe that this would help to underpin a renaissance in part-time study. Two reasons; the more intensive model gives institutions the ability to play around, including with employers, with all sorts of different ways of delivering courses. And secondly no-one is actually going to price a part-time degree higher than the cost of a full-time degree. So the market will force part-time fees back into the sort of area that

they were before. The second thing I would say is that one of the things that this model does, which is probably not socially progressive, is that of course it reduces the amount that graduates have to repay, it of course, therefore, reduces the amount that the very wealthiest graduates pay, under the current system, and that may not be necessary or the most socially desirable thing to do. There is scope, my model doesn't depend on it, but there is scope here to introduce a graduate tax, free standing, unrelated to loans, to recoup some of that money from the most successful graduates.

So, I've covered a lot of ground there, for which I apologise, and in a sense this is an interlocking set of proposals, quite hard to pick out individual bits and pieces and say let's just talk about this one, but I want to pass it over to you now, and say given your sector, given your specialisms, given your institutions, what's your response to these sorts of ideas, does it make sense to you, are you working in a field where there's greater opportunity for employer engagement, if there's significant funds on the table to encourage employers to engage, is there a demand in your fields for more intensive courses, given the quite specialised nature of some of what you do are moods generally across the sector for more students to study from home realistic or unrealistic, is there interest in more flexible provision? I've not put this forward as the plan for higher education, as I said at the beginning it's about chucking a rock into a pond, and saying let's see where the ripples go. Because the one thing that is certain is that we cannot carry on for too much longer with the model that we've currently got, so between us we need to think of an alternative approach. Thank you.

APPLAUSE

- Q I was wondering, this is a really attractive proposal in many ways, financially, do you think it would actually made graduates more employable?
- JD Certainly if you have the employer cosponsored degrees then yes, almost by definition, because they are not free for employers, they have to invest. And essentially the business decision for an employer is the value of investing with a university in a course compared with trying to recruit and retain staff on the open market, which is a significant cost for many employers. And also a reduction in the amount of initial training that a new graduate takes for an employer when they come because they are not focused on the culture, or whatever, of that company. I think in those cases it is very clear that it will make people both employable, but also very keen on the mode of study. I mean I was talking to the local city council in Southampton a couple of weeks ago, Capita deliver a lot of their services, Capita run apprenticeships leading to degrees. It's a five year course, this was a buildings engineering course, which I think will be finished off at South Bank, it's largely studied in local colleges in Southampton for the first three or four years. And from the student's point of view he's got a job, the one I was talking to, he gets an income of about £12,000 a year, and in five years' time he will have an honours degree, and a job, and no debt. And he sort of regards that as quite a good deal, compared with what some of his friends from school are going for. Now if say you got fifteen percent of courses delivered in this mode, you're better people to answer this than I am, but my suspicion is that once those institutions that decided to do a significant amount of this will need to think about how will we actually change to engage with employers. And I suspect that that will have an

effect on the curriculum and the delivery of education goes wider than the fifteen percent that would be directly co-financed. It's probably big enough to bring about some bigger cultural changes. It won't affect all of higher education, and nor should it, because we are after a diverse sector. And the demand out there ranges from my young man in Southampton who wants a job and a degree and a security and the rest of it, to those students who are using higher education in a much more exploratory and self-development way, which has still also got to be part of our higher education system, but overall the effect would be definitely to increase employability, I'm sure.

Q I've got a couple of comments I wanted to make, first of all I used to run a part-time course at Central Saint Martins, a BA fine art, and we found, since the introduction of fees, quite contrary to what we expected, the part-time has completely fallen away, because a lot of our part-time students tended to be women who'd had children, or people who came to education later, and are just now not able to justify paying fees, it's kind of seen as a luxury rather than an opportunity to knowledge. So that's one comment. And the second one is if in the creative industries so many of the companies are small companies, or self-employed, you know, small design studios and so on, how does the model for fitting industry support apply, when most of those companies wouldn't necessarily be able to support a course?

JD I agree with the part-time comment, and I think that although actually when I started doing this work I hadn't been focused on part-time education, I suddenly realised that this opens up the chance to get a sensible pricing back into part-time higher education again, and to resolve the sort of problems you are talking about. I think a lot more discussion is needed about the small employer problem. The general approach I think would be, certainly in the more urban areas, there is often a community of such companies, and I think the trick is whether it's through local economic partnerships, which are in very early stages at the moment, or through universities themselves, getting a critical mass of companies together to engage with an institution. A small company will not probably have the time, and certainly the financial weight, to change what a university delivers, but if you've got ten or fifteen of them in those areas, and if you've got universities, I mean let's face it, this is not entirely new, I mean people have got these strengths, Solent University again, Southampton, is very proactive in its engagement with the creative industry community, so I think you can build on that to say OK, if you want to meet the needs of a sector, let's talk to enough companies to see how that would operate, and what sort of skills and degrees we want to have. Now that's a fairly high level answer, but I think if we went down that road I'm fairly certain we could thrash out the details of how this would work from area to area.

Q Thank you very much. I think what you had to say was very seductive, your modelling's very seductive, but I wonder, really, have you thought through, as our previous commentator made the point, how many companies actually feel that they can invest in an art and design education, and if you're ignoring that, despite the fact that you put Simon's comments up about the value of creative industries, or the value of an art and design education, have you really thought that through, I wonder if your model really takes that on board, because as far as I can see the modelling of your figures hasn't taken on board either the cost of an art and design education, or the percentage of students one might prefer to take that kind of education if you want the

economic, social, cultural model that you want in the future. So I think very seductive, but I'm not sure that you've thought it through.

JD I'd say two things, one is there shouldn't be any part of the sector that is worse off under this model than it is at the moment. I think you're probably right, and secondly you are quite right, an observation on the modelling, with the so-called Bis ready reckoner, which is what they publish, and this is the version that was available until just after Christmas, we've got to redo the figures when they put a new one out just after I finish this lecture. I don't think it's personal, but it's a bit frustrating. That doesn't allow the level of sophistication to take into account specialist high cost courses, or indeed the particularities around things like medicine and other courses of that sort, so you need to accept that this is pretty broad brush stuff. Secondly I think it probably is true that some sectors will find it easier to respond to the opportunities here than others. And I don't know, I mean this, the delivery of our creative art courses does not depend on the employer co-sponsorship, it is, after all, only fifteen percent of the entire thing. I'd be very surprised if this sector couldn't find opportunities to take advantage of it. Whether it would be exactly the same proportion across every type of degree, every type of institution, is much less likely. Some institutions won't want to go near this at all, I mean there'll be some universities that would say getting engaged in this sort of stuff is not what our image and our mission statement is all about, there'll be other institutions which would go for this big-time because they've already invested quite a lot of energy in trying to develop co-finance courses, so what I think it's say is it's a very fair comment to say that I can't answer those questions, I think what we then need to do is go to the next stage of the discussion, and say if policy, it's a big if, moved in this direction, how would this need to be tweaked to enable us to take the best advantage of it. I may be retiring, but I still have a politician's tendency to answer questions at far too great a length.

Q Hello, thank you for the lecture, it was great. I just have a couple of comments, one is about this idea of employability, and I think it's also about the creative industry's responsibility to its graduates, because I think that we produce fantastic graduates, who are incredibly employable, and simultaneously the creative industries operate without any sense of responsibility to those graduates on unpaid internships, which adds a whole other layer of difficulty to students from particular backgrounds being able to get access to paid jobs in that industry, so I think that this model would need to also simultaneously encourage responsibility of that sector, and get rid of unpaid internships, which I think are just completely unethical. And secondly, it's another wider political issue, but the cost of housing as well is, because I'm not sure in the model about this idea of localism, I think that the reach and the importance of higher education, for a lot of students and young people, is actually about experiencing another part of the country or another part of the world, and I think the cost of housing, the cost of living crisis, that's a massive thing for students, and that is happening both within the halls of residence that universities provide, which the cost of those rents are going up massively in London, where I live, and also just in private renting as well, so I think that's just two points that may be wider points.

Q I just wanted to say something about the proposal about taking the WP money and putting it into teaching, which to a degree could be a sensible suggestion. On the other hand, and there are many, many WP practitioners here, what we are doing, we

are actually preparing students for higher education and we are preparing them to be able to have a more successful journey through their degree course, and if there are not funds to actually do the pre-sessional teaching, the teaching that goes on before their start the degree for students who are the first in their families to go to HE then we could in some cases, not all, be setting them up to fail.

Q I've got three things I want to say, first is just echoing what's been said about widening participation, and I think you mentioned at one point when you were talking about it was the parental low aspirations, and I would say that's not the case, I think widening participation is about students and families knowing about things and where things are, so I don't think it's about aspirations, and I think outreach activities are essential to ensure that the students targeted outreach activities in art and design work we are doing, are essential to let students know, and families know, that art and design exists, fashion exists. So my worry would be reducing that, because those outreach activities are essential. My second point is, I have a bit of a concern about what university is for, because I think what you said which was quite interesting was that yes, it's about employability, people getting jobs at the end of it, that's very important, a third of people are leaving without going into graduate jobs. But then you also said but you know, there will be people that will be able to see university as just something to do, and that you are learning about yourself, and that's more important than the employability thing. I think that needs more discussion, I really do, because it's almost like saying there are certain students who go to university to be trained and then they come out and they get jobs, and other people who have the luxury to go to university and to learn more about themselves, to be more critical, to be able to think more about, you know, active people in society. So I think maybe we are turning it into like a three tier situation there, because I do think it goes back to social justice. And my final point is we are in a recession now, and everybody is being asked to cut things back, and yes, we need to look at this, and yes, it's not good that students are leaving with these very big debts, but surely this may change, my concern is that all of this has been very political, the whole, if we think about Europe, or the rest of many other countries in the world, where students do not have to pay fees, I know that's not something that you want to look at at the moment, because I know, I understand what you are trying to do, and I understand the part-time thing, but I do think we need to remember those things, because they sort of, they are the context that we are in, and, you know, actually all of those things are important as well. And yes, we need students to go to university knowing they are going to get a job at the end, they may not get a job right away, but I think there is this concept of gradueness, and everybody should have that, and that's about more being critical about society, being there to do things to bring about change, and if you're just saying get the employers degrees in that's fine, but we mustn't forget that actually all young people should have the opportunity to go to university, to come out as critical citizens.

JD There's a lot of related points there, let me just say on the question of responsibility of employers I quite agree, and one of the things I hope would happen, through having this greater element of employer co-sponsorship is it would actually change attitudes in those sectors of employers which are not just in your field, who regard in a sense university as something which they do not engage with, and then they just trawl the field for the people who come out, and they treat some people well, and some people

badly. You know, we have this huge problem, many companies as we know will not look at anybody who has not been to a Russell Group university and got a 2:1. If you talk to those employers, and I know a few, they'll just say it's a pre-filtering exercise, you know, there's three hundred thousand graduates coming out a year, you've got to not look at quite a few of them, so let's just start by saying we'll only look at this number of institutions, and people who've got this degree. So anybody else, who's come from any other institutions, doesn't get anywhere near it. Now if you can get a more consistent pattern of employer engagement, notwithstanding the problems that have been raised earlier, I think those attitudes will begin to change. On halls and living costs and things like this, two levels, one of the effects of the student market is lots of universities are building halls of residence with en suite bathrooms, and new student unions. It doesn't improve the quality of the education but actually that's what they think people want on open days. I will say this, even if other people won't, you see it everywhere you go in the country. That is costing graduates and students a huge amount of money, because it's a perverse effect of the way the market is operating at the moment, but let's be honest, there is no foreseeable new pot of public money to address these issues. And I think it is incumbent on the universities as well as everybody else to say we actually should worry about our student living costs. And yes, it is desirable for lots of people to be able to study three years away from home, at tax payers' expense, but times are very, very tough at the moment, and there are lots of areas which are also creaking under pressure, and I can't see a reason for not extending the choice, and a better range of opportunities for students to study from home, to more students. No one's saying everybody's got to do it, that choice should be there.

Now the third thing is widening participation, I really went through that much too quickly. The modelling here, I basically put what's currently the widening participation money, or the student opportunity money or whatever it's called, back into the system, but I do it by having enhanced student premium for those students, so the net effect would be the same, those institutions that currently recruit from students of less traditional backgrounds would still attract traditional money, so the idea's in there, I'm not saying I've got it right, but the principle that you put about widening participation is accepted. On the aspirational side, I mean one of the big areas of waste, which I've gone through into the detailed model but I didn't this morning, is there's a ridiculous amount of money which is mandated by OFFA to be spent, which is the percentage of money over £6,000 fees comes to £700million a year, much of which is spent on things like bursaries and fee reductions which have no effect at all on whether anybody goes to university. The Treasury likes it, because it reduces the overall level of student loan. The thing we had, which worked, Aim Higher, which was about aspiration, it did work with grandparents, and did work with twelve year olds and ten years olds, got scrapped. Now actually I would much rather us shift the effort back towards outreach work, which in the best Aim Higher partnerships meant universities of different background working together in a region, so it wasn't just who do I get, but who do we all get? I would like us to get back into that aspect of sort of stimulating aspiration and confidence to go to university. The reason that widening participation has continued on its trajectory is because a lot of that work five or six years ago was so successful, you know, we are now seeing those who had that engagement with outreach when they were ten or twelve coming into the university system, and we've

got to maintain that effort. I suppose where I disagree is the idea that there is one model of university education, that it is for young people only, that it is for three years, and it is studying away from home. Because many of us understand the value of that education we've equally got to avoid the danger of imposing that on everybody else, and saying if you haven't had this you haven't had higher education.

And I made the point in my talk, I know loads of people with Open University degrees, one of the researchers I had in my office did an Open University degree when he worked for me, and then it opened up jobs that he couldn't get into previously. I would never say to Tony you haven't got a proper degree Tony, because you did it when you were thirty five and then you've gone on to your job afterwards. So I would say there's probably room in this for a much greater diversity of ways we deliver courses, and for different students to want to take different things out of it. There is, of course, a danger, there always is in an unequal and class ridden society, of unequal and class ridden experiences. When I was university minister I used to sort of try to say to universities I want you to take full responsibility for doing all you can to tackle these issues, I don't expect you to transform the whole of society just through the way you run your higher education because that's putting too much of a burden on universities to do that. Wider changes are needed.

SB You, or the previous government, initiated the Brown Review, and the Brown Review has all sorts of significance, one of which was the recognition that there was a value, an individual value, derived from your higher education. What I think a number of us were perplexed about was that there after the fee arrangements, which have subsequently generated this ever-expanding RAB charge, is about very complex ways of repaying what you borrow to gain advantage. A number of us thought that a much more simple way of dealing with this is a recognition that the individual benefits and so does the State, and so it's a fifty-fifty deal.

JD Yes.

SB What I found very interesting about your presentation John is that the way the RAB charge has grown it almost is a fifty-fifty deal, but very complicated in its expression. Isn't that something that people as a whole might understand more clearly?

JD Well I think that what I've tried to do is reset the system, so it's more explicit. If you like under this system, if you look at it, if you were doing a degree at a full cost £9,000 a year university, you would end up with, under my model, fifty percent tax payer money comes to you as a student entitlement, fifty percent you borrow. It's absolutely clear. Secondly you minimise the cross-subsidy. Now I'm not against cross-subsidy but politically it's going to cause us a problem, and I refer to what David Cameron's policies advisor is saying, because under the Labour system basically about six reasonably successful graduates paid for one reasonably unsuccessful graduate coming out of university. It's now four reasonably successful graduates pay for two unsuccessful graduates. And as RAB charges get towards fifty percent every successful graduate will be paying off the fees of an unsuccessful graduate. And politically that will not be sustainable, not be sustainable to expect people to cross-subsidise in that way, so actually bringing things back into the system so that the deal from the state, and I deliberately called it an entitlement, not a voucher, because I

don't like this pseudo market language that surrounds too much of this stuff, it's an entitlement, and what we would be saying, if we had a student entitlement, is we would be saying, to our children, and to other people in our society, as a society we have decided to give an entitlement to those who have got the ability and the aspiration and the aptitude to go to university, and this is what it is worth. And there are different ways in which you can spend it, whether it's going through an employer backed scheme, or doing an intensive degree, or a three year degree, there are different choices you can make, if you want three years away from home you are going to pick up more of the cost of that, than if you decide to study closer to home, you've got those choices in the system, but the entitlement you've got is at the core of the idea. And I think if we could get back to that it's quite exciting. I also happen to think that ten, fifteen years down the line, you could, perhaps, aspire towards a unification between further and higher education finance. We were, in government, beginning to move towards the idea of legal entitlement to further education at level two and level three, and the money that went with them. So there is perhaps, I like to think, behind this architecture, a way of overcoming some of the divisions between FE funding and higher education funding that we've got at the moment.

Q [question inaudible]

JD Look I think those are all good points, and to a certain extent one of the reasons I wanted to come here was to get that sort of reaction, because reactions are different in different parts of higher education, and, you know, this is all a thought experiment anyway, because I'm not writing policy. Had I stayed at DS this is what the Brown Review might have looked like, rather than what we got, so that's another bit of history. So I think getting that reaction, the discussion I would like, because it would be good to get people engaged in this, would be to go to that next stage and say well, are we perhaps saying that this doesn't actually really work for a large part of your sector. Now, I'm only talking about employer co-sponsored degrees being fifteen percent of the total, so the vast majority of higher education wouldn't be like that. So I've always understood there would be certain institutions and certain courses that said that's not right for us, that's not where we want to go, or maybe, with relatively simple tweaking it could be made more relevant to your sector. I mean I'm not here to sort of say we've got the answers to all of those questions, because I think we need to have this sort of discussion in far more forums, to say if we went down this route would it work? I don't think it should make anything worse, but I need to be sure about that, but how would it make things better, and how do we relate it to something which I haven't taken into account at all in this thinking, you know, the growing emphasis across lots of higher education about entrepreneurialism, people setting up their own businesses, the sort of network of support that's available for the start-ups, virtually every university can show you it's programme of entrepreneurial and it's start up provision and all the rest of it. So there are all sorts of questions like that, which I haven't even attempted to answer, but I'd love the discussion to keep going.