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## **Financing Higher Education Reforms in the UK: An Institutional Analysis**

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**FINANCING HIGHER EDUCATION REFORMS IN THE UK:**  
**AN INSTITUTIONAL ANALYSIS<sup>1</sup>**

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**Introduction:**

After the Second World War, with the evolution of the welfare state, the higher education became one of the beneficiary social spheres that attracted additional resources. The expansion of mass higher education was the main feature of the entire post-war period. It is mostly during the 80's when resources for education and training came under the scrutiny of the British Government. During these years it was realised that the widening of participation of young people in the higher education system can not be achieved without increasing efficiency and effectiveness of the education provision, and without private contribution for higher education.

This paper examines the evolution of the higher education reforms in the UK after the Second World War, the changes in the Government intervention, and the changes in the funding mechanisms in the sector. The most recent changes in the institutional framework are discussed in the context of the globalisation of knowledge and education, and the deepening of the equality of educational opportunities for different generations.

**Widening Participation:**

Three consecutive reports commissioned by the British Government (Robbins, 1963, Lindop, 1986 and Dearing, 1997) on the development of higher education in the UK have raised the issues of *widening participation, reducing unit costs, improving efficiency and effectiveness* of the education providers, and *enhancing quality standards*.

Following Robbins Report, two new types of institutions emerged in 1964/66 - the **Polytechnics**, and the **Council for National Academic Awards (CNAA)**. It was realised that the scale of

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<sup>1</sup> In: 'Control of Educational Processes – Economic and Educational Perspectives', Seeber, S. and van Buer, J. (Eds.), *Studies of Business Education and Adult Pedagogics*, 1999, Vol. 20, N 2., pp. 201-211, Humboldt University, Berlin.

expansion of higher education through new educational institutions will require a new approach: a) in funding, b) in curriculum development, and c) in conferment of degree awards. The Polytechnics were funded by the **Local Educational Authorities** and this allowed the British Government to achieve not only diversity of funding, but also alternative forms of management of higher education. This new management of education was introduced through CNAAs as a government body that exercise control in a dialogue with the Polytechnics.

The two alternative funding mechanisms in the 70's were 'block grants', allocated to Universities by a national institution - the **University Grants Committee** (transformed in 1980 - 1992 into **University Funding Council**), and the direct funding of Colleges and Polytechnics by the Local Educational Authorities. The implications of this dual funding system were that the allocation of resources in the higher education generated two parallel paths of development until 1992. The 'old' Universities continued to maintain their privileged position and elitist attitude in students' recruitment. The Polytechnics extended the opportunities for disadvantaged groups in the society to enter into higher education.

The 'old' Universities enjoyed traditionally complete autonomy in curriculum development and degree awards. These functions for the Polytechnics were performed by the CNAAs until 1992. CNAAs had the formal responsibility to give awards of the courses taught by the Polytechnics, and to monitor the teaching programmes.

The efforts of the CNAAs to co-ordinate the course content, the documentation and the standards of delivery, established a practice of a nation-wide quality assurance system. This has been discussed in the literature as the 'new managerialism' in the higher education (Barnett, 1996). The multi-staged dialogue that CNAAs established with the Polytechnics is exemplary in terms of institutionalisation of externally determined objectives.

The role of the CNAAs can be interpreted in at least two different ways - as a ***governing body***, setting up targets and controlling the Polytechnics, and as a ***facilitator*** that helps these institutions through intensive communication to establish new systems for curriculum development and quality control.

The intensive communication between the CNAA and the Polytechnics involved the following stages:

- (1) **development of the regulations** (setting up the rules, defining the questions and the structure of the self-evaluation reports that the Polytechnics were required to produce);
- (2) **evaluation of the teaching practices** (through evaluation of the reports from the Polytechnics by teams of CNAA experts);
- (3) **recommendations for improvement** (based on professional judgements by academics appointed by the CNAA as experts to conduct the evaluation);
- (4) **monitoring the implementation of the recommended changes** (through interviews and visits to the Polytechnics, through assessment of the coherence between stated facts in the reports and established practices);
- (5) **further recommendations for changes** (a detailed feedback to the Polytechnics about their work and examples of recommended practices);
- (6) **follow-up assessment of the response by the Polytechnics to the recommended changes** (assessment of the measures taken by the Polytechnics in response to the CNAA evaluation).

The dynamics of this multistage dialogue between the Polytechnics and the government agency is an example of policy implementation through institutional development. The government carefully assisted the former technical colleges in their work to develop degree programmes and to establish a portfolio of courses at undergraduate and post-graduate level. The CNAA also made sure that the formal rules are transformed into tacit rules and regular institutional practices. In other words, the institutionalisation of government policies involved development of new forms of control based on elements of negotiation between the CNAA and the Polytechnics.

This mechanism of institutionalisation of change has been used to certain extend by the system of *external examination* applied in the 'old University' sector. The reports from the appointed external examiners were used as a mechanism for external evaluation and feedback rather than as a form of institutional control. The transformation of the Polytechnics into autonomous higher education institutions in 1992, the associated with it abolishment of CNAA, and the

establishment of the Higher Education Funding Councils (1992) brought together the two practices (of allocation of resources and of assessment of University performance) at a national scale. This is a turning point in the government control over the higher education in the UK.

**The Nature of Government Intervention:**

Parallel to the changes in the funding mechanisms, the state acquired more operational control over the academic matters, and in this way it opened a new public discussion about the role of the University autonomy within the framework of increased financial constraints. The relative decline in funding (over 40 % reduction of unit costs for the last 20 years) was achieved through expansion of students numbers and reduction of the block grants to Universities.

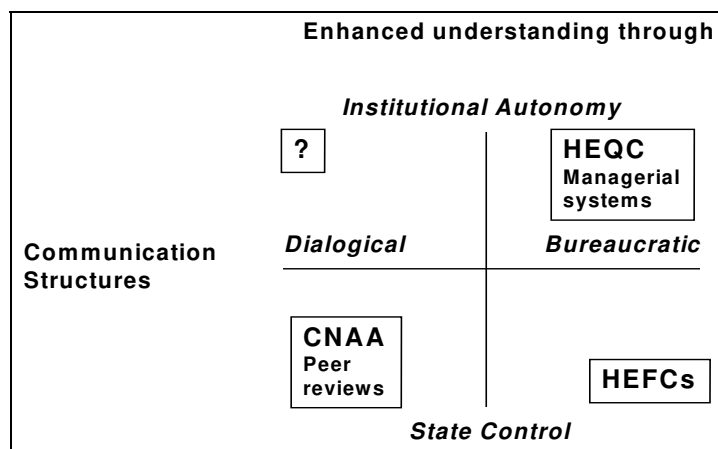
The aim of the British Government was not only to control the expenditure for the higher education, but also to increase the accountability of the Universities, and to assure that there are sound systems of quality control. This managerialist approach to higher education was institutionalised initially in the former Polytechnics through the CNAA (1964-1992). With the abolishment of the two-tier system in 1992, and the creation of new national institutions for funding and quality assessment, the British Government made another significant step towards enhanced control over the University matters. The new institutional framework included four regional **Higher Education Funding Councils** (HEFC, 1992), and the **Higher Education Quality Council** (HEQC, 1992-1997)

The new regional HEFCs received the formal responsibilities to monitor different aspects of the curriculum, to evaluate the self-assessment conducted by the Universities, to organise the Research Assessment Exercise (which is one of the main sources of research funding for the UK Universities), to distribute the grants for teaching within the higher education sector, and to participate in the grading of the overall performance of higher education institutions.

The HEQC (which existed only for the period 1992 - 1997) was created as a professional body for self-regulation, with the task to facilitate the implementation of quality monitoring and quality improvement practices in the Universities.

All these initiatives of the British Government highlight the efforts to introduce changes to the higher education sector. Fig. 1: is an adaptation from Ronald Barnett's analysis (1996) of different types of state control in the higher education. The diagram compares different forms of communication structures (dialogical vs. bureaucratic) with different levels of University autonomy. Fig. 1 demonstrates that the experience in the U.K. has moved towards a bureaucratic form of state control, which is represented by the new HEFC's.

**Fig. 1: Forms of Regulation**



The replacement of HEQC in 1997 with a new institution **Quality Assurance Agency** (QAA) represents a further concentration of state power. It aims to link quality assessment to funding, and in this way, following the fundamental market principles, it is expected to produce strong incentives for Universities to improve their quality of teaching and research. The main worries at present are that this new agency will diminish University autonomy, and it will generate a formalistic attitude to quality, and it will increase the short-term developments in compliance with centrally designed criteria by the QAA. Preferential funding of Universities, based on quality assessment, will also distort the equality of opportunities.

The option of autonomous Universities, regulated through an intensive dialogue with the state, represents a humanistic ideal with no precedent in the UK history as yet.

Obviously, it is difficult to achieve a balance between institutional autonomy and state control. Even with overwhelming financial independence of the Universities (as in the case of Japan), there is a need for state regulation of the system of awards and certificates.

The state control of the higher education in the UK is publicly justified by the following arguments:

- a) An increased demand, and henceforth increased cost for education provision, which raises the pressure on the budget.
- b) Systemic budget deficits for welfare support, and hencefore, continuous attempts by all government to control expenditure for education.
- c) The recent evolution of the state through creation of regulatory agencies, as part of the macro-de-regulatory activities in the 80s. The wave of de-regulation has generated a web of new state institutions and a wide range of experience in state regulations.
- d) Growing competition world-wide as part of the globalisation process, and the demand by businesses for a different type of educated and experienced graduates, with high quality and transferability of skills. This is particularly visible in isolated educational systems that do not prepare their graduates to work in a global environment.

All of these factors imply both increased control over financial matters, and control over content and quality of higher education. While the former Polytechnics (now the 'new' Universities) were accustomed to almost direct financial control by Local Educational Authorities, this type of control put a lot of pressure on the 'old' Universities.

It is clear that the increased state control over finance is different by nature from control over standards and curriculum content. The quality assessment and quality control has become one of the controversial issues in the UK higher education. According to Barnett (1996), the HEQC, established in 1992 and closed in 1997, represented a bureaucratic institution that aimed to implement managerial systems of quality control into the autonomous Universities. Its failure to provide mechanisms for continuous quality improvement in the University sector put pressure on

the government to re-evaluate its policy. It is yet to be seen how the new institution - **Quality Assurance Agency** will operate in order to achieve its objectives.

Another discussion that takes place, is about the forms of communication between the Government and the Universities - dialogical vs. bureaucratic. The comparison between the former CNAA and HEQC is quite an interesting one. Both institutions had national responsibilities. However, the CNAA used peer reviews and established a continuous dialogue with the higher education institutions, while the HEQC used bureaucratic mechanisms for assessment and control. However, the critique of bureaucratic forms of state intervention is weakened by the fact that managerialism in higher education improves cost-effectiveness. The problem that is still unresolved is that direct intervention by the state is not able to stimulate quality improvement. One of the main tasks for the new QAA, obviously, will be to find new ways of quality assessment that enhances continuous professional development.

#### **Funding of the Expansion of Higher Education in the U.K.:**

The reduction of unit costs in the higher education was achieved in three ways: 1) through imposing financial constraints on the educational institutions; 2) through providing incentives for the 'new' Universities to extend their provision; and 3) through the creation of competition for resources and quasi-markets in the entire sector. The competition for full-time undergraduate students remained mainly within the former division between the 'new' and the 'old' Universities. The courses for post-graduate and part-time students, however, created a wider competition across the two-tier system. The 'new' Universities extended rapidly their flexible offers to part-time and overseas students and created a more dynamic educational environment.

The three **Research Assessment Exercises** (between 1986 - 1996) generated controversial experience in the distribution of financial resources for research. The results from 1996 Research Assessment Exercise confirm that the competition for research funding is still dominated by the division between the 'old' and the 'new' Universities. At departmental level, however, there are some changes, where the 'new' Universities have shown significant research capacity. In spite of that fact, the overall allocation of resources for research remains within the 'old' Universities.



As expected, this system created short-termism in the academic sector. However, there is an overall consensus in the U.K. that the current system allows a very detailed assessment of the research capacity at departmental level, and the most recent proposals aim to consolidate the current practice. Proposals for changes include new joint funds for private and public investment in building of a new research infrastructure.

In terms of curriculum development, the division between the 'old' and the 'new' Universities has different orientation. The 'old' Universities have been slow to respond to government policies, while the 'new' Universities have led the dynamics in the sector. The 'new' Universities' responded very fast to the changes in government funding for teaching, as well as the requirements for quality assurance, for diversification of provision, and for enhancement of the links between the higher education, the industry, and the local community. Some of the 'new' Universities also developed better practices to accommodate the diversity of student's abilities, needs, and choices, and this made them better equipped to meet the challenges of the future.

The division between the 'old' and the 'new' Universities has been gradually bridged and a new division within the 'old' University sector has emerged. This division is a result of the constraints in funding, and has formed a small group of elite institutions that would like to maintain their privileged position in the sector.

Most of the recommendations in the last report for the higher education, the Dearing Report (1997), aim at the same direction - to consolidate the higher education sector and to establish national standards in teaching and research that encompass the achievements in both the 'new' and the 'old' Universities, and to allow some research centres to focus on leading-edge innovation projects.

Proposed changes related to the teaching practices include radical shift towards externally developed resource materials. This is expected to lead to intensive standardisation of the curriculum and further reduction of the staff-time costs. These developments inevitably will increase the comparability across Universities.

The argument developed in the Dearing Report suggests that the Resource Based Learning (RBL) based on externally developed materials will change dramatically the nature of the University education in terms of the structure of study hours. The new teaching methods will allow both further expansion of the higher education, and parallel reduction of costs per unit.

In summary, some of the main changes in funding, recommended in the Dearing Report for future implementation are the following:

- introduction of tuition contribution by students (already in place) through an income contingent loan;
- an income contingent loan as part of the maintenance contribution;
- non-competitive funding for University departments to support research and scholarship which underpins teaching;
- establishment of an Industrial Partnership Fund to supplement financial resources for research;
- establishment of a Loan Fund financed jointly by public and private research sponsors - for large and infrastructural research projects.

These proposals are justified with a very detailed analysis of the role of globalisation and the challenges that the higher education has to meet in the next 20 years.

**Future Challenges for the Higher Education - the Dearing Report (1997):**

The last report on higher education by Sir Ron Dearing (1997) proclaims the development of “cutting edge knowledge”, and the financing of new research infrastructure that will correspond with the challenges of the globalisation. The relationship between the higher education and the globalisation of the business environment is described by the following developments:

- \* **the globalisation of knowledge** - There are no more isolated national systems of knowledge. The transfer of goods and know-how across borders includes transmission of information, cultural artefacts, and values. The globalisation of the media continuously increases the public awareness with the rest of the world. The manipulation of information

is part of this process and takes place both at the level of international scientific research, and the level of the media institutions.

- \* **the national education determines the competitive advantage of nations** - the quality of the labour force is one of the most important factors for foreign investors, and it also determines the quality of operation of the business infrastructure in each country. Important task for the higher education is to build the intellectual capital of the society.
- \* **the development of the democratic society is related to the expansion of the mass higher education** and the inclusion of minority groups from the society. The participation of young people from minority groups into higher education, as well as adults re-entering the Universities on a part-time mode, or through distant learning, is a guarantee for equality of opportunities.
- \* **constraints on public expenditure** require commitment to higher education not only by the state, but also by the individuals themselves, by employers, and by education providers.
- \* **the individualisation of higher education** is a path towards development of a life-long learning society where individual needs for knowledge and experience are met by specially designed and tailor-made programmes.
- \* **the disappearance of the boundaries between vocational and academic education** is a challenge for the University sector to adapt to the need of the business sector for graduates with wide generic skills, with critical thinking, decision making, and communication skills, and with a balanced professional and theoretical knowledge.

These general trends for the higher education have resulted in a specific re-orientation of the policy of the British Government. Emphasis is put on the compulsory education and the improvement of the further and adult education. The funding to the University sector will include contributions both from students and from employers. The establishment of a national framework for standards in higher education will enhance further the comparability between University programmes.

It is expected by the British Government, that the changes proposed in the Dearing Report will lead to:

- **enhanced responsiveness** of higher education where Universities will meet the labour market needs and at the same time will lead the restructuring of the labour market itself in correspondence with the processes of globalisation;
- **enhanced standards** and managing quality of education by the Universities;
- **flexibility of provision** through modularisation, credit accumulation, part-time, mixed modes of study, and distance learning opportunities;
- **enrichment of student's experience** through links with industry and with local community, and through development of broad and generic skills.
- **improved accountability for funding**, improved completion rates in the Universities, and further reduction of unit costs.

These targets for the higher education are expected to enhance further the competitiveness and attractiveness of the British Universities.

The proposals in the Dearing Report include further institution building. It is proposed that a new 'Learning Bank', or a system of 'Individual Learning Accounts' is created to facilitate the income contingent contribution scheme for students. The proposed 'Unified Student Support Agency' will enhance further the standardisation of support mechanisms for different students' groups. The proposed representation of higher education institutions in regional bodies established by the Government will lead to regionalisation of the education sector and diversity of missions of the Universities according to their location, and research capacity.

The changes proposed in the Dearing Report clearly map a development of the University education that aims to balance the key contradiction displayed in Fig.2.

**Fig. 2: Managing contradictions in higher education**

|   |   |
|---|---|
| <b>Expansion &amp; widening participation of young people into higher education</b> | <b>Reduction of government expenditure for education and training</b>                             |
| <b>Public funding of higher education</b>   | <b>Private funding of higher education</b>  |
| <b>Institutional autonomy of universities</b>                                       | <b>Quality standards &amp; cost effectiveness of education providers</b>                          |
| <b>Self-evaluation &amp; Self-improvement of universities</b>                       | <b>Public accountability &amp; judgments of organisational performance by external evaluators</b> |
| <b>Globalisation of knowledge</b>   | <b>Specialisation of knowledge application</b>  |
| <b>Globalisation of competition</b>   | <b>Flexibility of education provision and adaptability of the labour force</b>                    |

**Conclusions:**

The analysis of the recent educational reforms in the UK provides a good opportunity for examination of the institutional theory and the role of incentives, constraints and enforcement on the educational practices. The constraints in funding and the gradual enforcement of quality standards has produced a distinctive response in the University sector. The reduction of the unit costs with more than 40% over the last 20 years was achieved through gradual increase of the lectures, as the main teaching methods, at the expense of seminar groups. In addition to that, the in-house development of teaching materials during the last years supported partially the weakened learning processes, and compensated for the deficiencies of the University funding system. At present, it is acknowledged that radical changes in attitudes to teaching and learning are required. Teaching should be dominated by the use of communication and information technology and the further professionalisation of the lecturers. The new attitudes to learning should include the value of the work experience, learning how to learn, and flexible opportunities for continuing professional development.

The two main instruments for government intervention established in the UK are **resource allocation** and implementation of **quality standards**. Both instruments usually carry a bias and are used to establish direct and indirect control in educational institutions. These recent developments in the UK create a dilemma for the Government how to preserve the academic autonomy, which is particularly important to stimulate research and creativity in education. All proposed changes and new institutions are oriented in the opposite direction towards reduced autonomy and this presents the main danger for the British Universities.

Our analysis of the response of higher education institutions to government policies suggests that constraints in resources do not provide automatically incentives for improvement of efficiency. It is the regulatory intervention of the Government that leads to changes in University provision, and that could force an educational establishment to change its practices, to examine critically its curriculum provision, its teaching quality, and its research strategy.

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