

CBI response to the 2015 higher education green paper – fulfilling our potential: teaching excellence, social mobility and student choice

1. The CBI welcomes this opportunity to respond to the green paper. The CBI is the UK's leading business organisation, speaking for some 190,000 businesses that together employ around a third of the UK's private sector workforce. We represent businesses of all sizes from all sectors, and our membership also includes higher education providers, both universities and colleges.
2. The green paper constitutes the next step in the series of reforms to the UK's higher education sector which have taken place since 2010. Overall the direction of the proposals is positive and as the green paper acknowledges, these are in early stage development with time needed to develop and fine tune them through an iterative process. Given the strengths of the UK's diverse university sector it is essential that any final proposals make it possible to build on those strengths by giving prospective students the information they need to make informed choices; giving universities credit for the high quality and variety of teaching that they provide; and giving employers confidence that skills shortages are being addressed, in part, through higher education institutions.
3. This response argues:
 - **Universities are a key source of national competitive advantage for the UK; this is based on their diversity and strength of the shared UK identity**
 - **The direction of the green paper is positive – the Teaching Excellence Framework (TEF) provides an opportunity to encourage high-quality teaching, as well as giving students and employers greater transparency – and can help address the current mismatch in the graduate labour market**
 - **Development of the TEF should be towards a framework that encourages greater engagement between universities and employers, and promotes more support for graduates beyond university – assessed using a 'light-touch' mechanism**
 - **Proposals for a new institutional landscape must maintain strengths within the existing system and reflect changes in the wider skills system**
 - **Care needs to be taken to get this right for all institutions and across the UK – the proposed timings look challenging**

Universities are a key source of national competitive advantage for the UK; this is based on their diversity and strength of the shared UK identity

4. Universities are an economic asset contributing to UK economic performance at international, national and local level. The value and quality of UK universities are evidenced by the higher education sector's success as UK exporter, which was worth £10.7bn in 2011-12. In addition they attract and retain investment into the UK, both through their research strengths and by supporting a supply of skilled graduates. Within the UK economy their total contribution to UK GDP, including off-campus expenditure of international students and visitors, has been estimated as nearly £40bn, equivalent to 2.8% of GDP in 2011.¹ On the international stage, the

¹ [Universities UK \(2014\) "The impact of universities on the UK economy", report by Viewforth Consulting. Available at: http://www.universitiesuk.ac.uk/highereducation/Pages/ImpactOfUniversities.aspx](http://www.universitiesuk.ac.uk/highereducation/Pages/ImpactOfUniversities.aspx)

World Economic Forum ranks the UK in 2nd and 4th place respectively for the quality of scientific research institutions and university-business collaboration.²

5. This world-renowned strength is derived from their dual roles as teaching and research institutions. As teaching institutions, universities are a valuable route to higher skills, whether through full or part-time degrees, higher apprenticeships or post-graduate studies, many of which involve direct links and engagement with business. Simultaneously as research institutions universities have world-leading strengths in supporting innovation, much of which is underpinned by high-quality and cost-effective academic work. Given the critical need to improve our productivity – for which both skills and innovation are fundamental – universities have both a purely academic role and a vital economic one.
6. One strength of the system is the diversity it allows to flourish with different universities identifying and fulfilling different roles; locally, nationally and globally. Many universities are major ‘anchor institutions’ which contribute significantly to local and regional economies. In addition to their educational role and the impact of graduates who remain active in the neighbourhood, they support business innovation, training and development for existing employees, access to specialised equipment and facilities, and a range of consultancy services – of particular value to mid-sized and smaller businesses. Other institutions, including some of the most research-intensive universities and a number of outstanding specialist institutions, have a more explicitly national or international vocation. Businesses value this diversity which reflects that of the wider economy.
7. Given that responsibility for universities is a devolved matter the green paper is almost entirely concerned with higher education in England alone. However, it is important to recognise the strength of the shared UK higher education identity is valuable for both the sector and individual institutions. Therefore a degree of coherence across the UK’s systems is needed, given the mobility of students and employees within the UK single market as well as businesses operating throughout the UK nations. If increasing divergence created overly complicated – or even conflicting – systems there is a risk the attractiveness of the UK for investment, research or innovation development could be damaged.

The direction of the green paper is positive – the Teaching Excellence Framework (TEF) provides an opportunity to encourage high-quality teaching, as well as giving students and employers greater transparency – and can help address the current mismatch in the graduate labour market

8. For universities the overall aim of the green paper’s proposals, to encourage and recognise high-quality teaching, is a positive one. These proposals continue the process of higher education reform, where funding is primarily through students’ tuition fees and a new research framework has been put in place – making teaching an understandable next step. For students the increase in tuition fees has been a driver for prospective students to scrutinise the ‘value added’ of a university degree over other post-18 routes. To help inform that decision, some of the information proposed for the TEF – on the teaching a student can expect and the learning environment of an institution – would allow comparison. It is important to note – and the TEF should reflect – that students’ interest in what they are paying for is not focused exclusively on institutions. The individual faculties or specific courses at some institutions often drive student choice, as well as underpinning a university’s reputation, therefore the TEF should reflect those strengths and allow for comparison within institutions as well as across them. As some of this

² [Global Competitiveness Report 2015-16, World Economic Forum](#)

information is already reported the TEF should not duplicate what exists, but increase the visibility of this data.

9. Preparation for work is one element of higher education, the full purpose of which includes personal development, supporting social cohesion and greater global understanding. Amongst the business community concern about the shortage of higher level skills is growing. Therefore, while direct business engagement with the process of higher education reform might be limited businesses have a very direct stake in the outcome of changes. Firms across the UK are expanding their graduate recruitment and foresee demand for employees with higher skills to grow strongly.³ CBI research demonstrates the extent to which skills shortages are acting as a brake on growth, with our most recent *CBI/Accenture Employment Trends Survey* placing skills shortages as the greatest perceived threat to future UK competitiveness.⁴ In many cases these are skills which higher education is uniquely able to provide, although some reflect failures in the schools system and can only be addressed there.
10. In addition to the mismatch between supply and demand of skills in the graduate labour market, there is also concern about the ability of universities to equip their graduates with the skills most valued by businesses. While this picture applies to a minority of graduates, and varies across universities, it cannot be ignored. Issues of concern, around numbers and quality of graduates with skills most in demand, have implications for the economy and graduates themselves. Addressing these concerns should be one objective of the TEF to help ensure that university teaching is equipping students to succeed in the labour market.

Development of the TEF should be towards a framework that encourages greater engagement between universities and employers, and promotes more support for graduates beyond university – assessed using a ‘light-touch’ mechanism

11. Among the major strengths of the UK’s university system are diversity and variety: in structures, expertise or course programmes. Across institutions high-quality teaching is taking place which looks very different, both between universities and also within individual institutions. Therefore the TEF must not prescribe a particular teaching approach. It should take account of universities’ diversity and avoid unintended bias towards a particular kind of institution. Rather it needs to be developed as a broad, principles-based system which is light-touch for institutions of all sizes.
12. The extent of variation between and within universities underlines the difficulty of establishing appropriate metrics – as once metrics are introduced what is measured is generally what is delivered. The proposed headlines of teaching quality, learning environment and student outcomes and learning gain are the right areas to report in, as all universities should aim to deliver excellence in these for their students. As to what constitutes excellence for students in these categories business would highlight three areas which should be included: relevant employer engagement, the need to ensure curriculum content is appropriate and up to date and careers advice.

Relevant employer engagement

13. To develop students’ work-relevant skills there should be greater flexibility in course design and delivery to match business or learner needs. Employer engagement is a key element, which should be reflected in the TEF for courses. Many businesses already have links of some kind

³ *Inspiring Growth*, CBI/Pearson Education and Skills Survey 2015

⁴ <http://news.cbi.org.uk/news/job-creation-up-but-skills-shortages-rising-labour-costs-start-to-bite-cbi-accenture-survey/the-path-ahead/>

with higher education, as collaboration relationships have grown in recent years whether through generic schemes like Knowledge Transfer Partnerships or bespoke initiatives. One example is the UK's first 'Faculty on the Factory Floor' – whereby Unipart and Coventry University enable undergraduates to apply theory learned in the classroom by working on live projects on the Unipart shop floor.⁵ These partnerships encourage innovation as well as helping students hone skills and develop professionally and given the benefits need to be more widely replicated; with reporting through the TEF likely to help raise their profile. A move to wider use of grade point averages (GPA) amongst higher education institutions would need to reflect the diversity in the system, but could help make degree classifications clearer to businesses. Using GPA could also better reflect those courses which provide a broader student experience – for example through employer engagement or year-in-industry.

Appropriate and up-to-date curriculum content

14. The issues around employability of STEM graduates which are being examined by the Wakeham and Shadbolt reviews underline the importance of ensuring that institutions are vigilant in maintaining curriculum content which is up to date and relevant. This goes beyond just STEM courses and would help address some employer concerns about graduate job-readiness. Employers are well placed to contribute to this process, and the use of departmental and faculty industrial advisory boards can provide a useful vehicle for this contribution. The TEF should incorporate an element which takes account of institutions' activity in keeping curriculum content under review – the two reviews may provide some insight for this.

Careers advice

15. Equipping students beyond university requires effective careers advice which keeps up with the changing shape of careers and the growing diversity of possible options. In the 2015 CBI/Pearson Education and Skills Survey 28% of respondents saw the quality of careers advice for students as needing improvement. Provision of careers advice should be recognised as part of a high quality teaching environment and form part of the TEF reporting process.

Metrics, incentives and assessment

16. Determining the precise metrics within each category is very challenging; those suggested are not direct measures of teaching but proxies. The measures proposed for TEF metrics⁶ would be useful for students to make informed choices and improve transparency, but caution is needed beyond that. For example, in terms of graduate employment, some universities with a strong regional presence are in areas with few 'graduate jobs', and on graduating students may choose to remain in the region initially in non-graduate positions, or as entrepreneurs. While their career prospects may be enhanced by their studies, initially this will not appear to be the case. Therefore, although data on employment outcome is useful, trying to distinguish between graduate and non-graduate jobs would carry some risk of distortive impacts in such cases. A narrative element, alongside any data, will be critical to ensure that the scale and character of activity taking place in a university are fully captured.
17. Businesses value the diversity of the UK's university base, recognising within the sector courses differ widely and, therefore, legitimately prices could too. However, this variation has not yet emerged from fee reforms. The TEF could be a mechanism for such an approach, but caution is

⁵ Further examples are contained in the CBI's guide to business-university collaboration for research, innovation and skills, *Best of Both Worlds*, 2015

⁶ Employment destinations; retention continuation; student satisfaction indicators; student commitment to learning; training and employment of staff; teaching intensity.

needed, as higher education funding must be sustainable and any solution needs to take a long-term approach. Working in close consultation with the sector, if the TEF is the most appropriate model to achieve that, then in time the system must reflect the diversity we have in the UK so as to accurately reward excellence across the different institutional base.

18. To assess the TEF there may be scope for the use of an independent panel or panels of experts drawing on narrative submissions and other evidence, possibly along lines similar to those used by the Research Excellence Framework (REF). As with the research user involvement in the REF, there will be an important role for employers in contributing to this process. However this involvement can include a significant commitment of resource, so the focused use of assessors – as with the REF impact assessors – should be considered, with a specific remit to appraise the quality and value of business engagement with institutions and specific courses. This is a matter for further examination in the technical consultation.

Proposals for a new institutional landscape must maintain strengths within the existing system and reflect changes in the wider skills system

19. The green paper proposes significant changes to the institutional landscape; envisaging that HEFCE's role in regulating the HE system would transfer to the new arms-length Office for Students (OfS) while its functions relating to research funding are transferred to a different body. It also refers to the findings of the Nurse Review which contemplates the possibility of subsuming Innovate UK into the broader structure overseen by Research UK – though the review refrained from examining the arguments for and against in any detail.
20. In shifting to a more student-centric body a balance must be maintained between championing student interests and overseeing the sector as a whole. HEFCE's has served a valuable function as an intermediate body between government and the HE sector, acting as a critical friend to individual institutions and a source of advice to government. These strengths will need to be replicated within the more student-focused OfS, so that a new body continues to have a conduit of advice and understanding between BIS and the HE sector is preserved.
21. Turning to institutional expertise, HEFCE's strengths, many of which are based on its role as an integrated body overseeing English HE as a whole should be reflected within OfS – as sector sustainability is vital for the student-interest. The relationship between skills and innovation is important to businesses of all sizes and HEFCE has built up considerable knowledge and understanding of the institutional landscape, both for research and teaching, which it uses holistically. It has for example been effective in operating valuable cross-cutting programmes with both research and teaching dimensions, such as the Catalyst and UK Research Partnership Investment Funds, as well as overseeing the annual HE-BCI survey with the devolved funding bodies. The Higher Education Innovation Fund (HEIF), which supports business-university engagement, is not mentioned in the green paper but should be maintained in the new structure.
22. Given ongoing changes in the skills landscape and funding for skills at level 4 and 5 close collaboration between HEFCE, or its successor body, and the Skills Funding Agency is essential. With the apprenticeship levy, growth of higher and degree apprenticeships as well as the involvement of FE colleges in HE provision it should be a function of the OfS to support a smooth interface between different parts of the system so the infrastructure for higher level skills provision is coherent and effective.
23. If HEFCE is to be split up, the suggestion that its research-related functions should be placed under the overarching umbrella of the proposed new Research UK may be inappropriate and

should be viewed with caution. The dual support mechanism has served UK research extremely well, particularly since the introduction of the REF impact weighting, and anything which might lead to erosion of the distinction between its two components creates risks that could outweigh the possible benefits. Consideration should also be given to the impact on the UK research funding landscape of accommodating a purely English funding body in a structure designed for the UK's Research Councils. At the very least, and as Sir Paul Nurse has said, any change that is contemplated should preserve the fundamental character of the dual support system and the working of the REF, and should not jeopardise HEFCE's institutional expertise on the HE sector as a whole, and linkage to skills capacity.

24. More broadly in the institutional landscape, these proposals need to be considered alongside the suggestion of bringing Innovate UK into the Research UK. While not directly the subject of this consultation there is clear cross-over. Given Innovate UK is a business-led and business-facing organisation whose mission is to support innovation, it differs significantly from the Research Councils. Despite their Royal Charter commitments to contribute to the UK's economic competitiveness and their growing ability to engage with business, the councils are fundamentally concerned with supporting excellent academic research. Therefore any merger would need careful handling, in collaboration with business and universities, to be effective and protect the unique remits and budgets of each body.

Care needs to be taken to get this right for all institutions and across the UK – the proposed timings look challenging

25. The proposals in the green paper are extensive, complex and far-reaching, and should be developed carefully to give them the greatest chance of success and work as intended. As the green paper notes, the TEF must be both simple in its processes and robust in the information it conveys. If it does not meet these criteria there is a risk that it will be counterproductive and undermine confidence.
26. Both the initial consultation and the subsequent technical consultation will identify some of the challenges involved in developing an effective system and reconciling different requirements and perspectives. Others will become apparent in the course of development, as was the case with the REF. It will take time to review, evaluate, pilot and adapt the system before it comes into effect. The proposed timetable appears ambitious and could prove unrealistic, in which case – as getting the system right should be the priority – the development process must be iterative and adaptive to sector and business feedback. The CBI will continue to work with government, business and the HE sector as this proceeds.

**CBI Employment, Skills and Public Services
January 2016**