

CHOICE AND FREEDOM FOR ALL

EDUCATION POLICIES FOR THE NEXT TEN YEARS

Edited by Martin McElwee



Sponsored by



CHOICE AND FREEDOM FOR ALL

EDUCATION POLICIES FOR THE NEXT TEN YEARS

CONTENTS

1.	Introduction	9
2.	School choice	12
3.	Faith schools	26
4.	Examination standards	36
5.	School tests and league tables	47
6.	School discipline	54
7.	Key skills and vocational education	64
8.	Early Years education	85
9.	E-learning	96
10.	Independent schools	109
11.	University funding and admissions	124

AUTHORS AND RESEARCHERS

Editor

Martin McElwee is the Research Secretary of the Bow Group. He is a Research Fellow of the Centre for Policy Studies and a frequent author for several think tanks. He is part of the Leicester Conservative City Seats Team which will be fighting the next General Election in that city and an antitrust lawyer in the City. He is also a mentor to children at a school in Hackney.

Other authors

Liz Bates is a researcher for Andrew Tyrie MP and has recently been an intern at the Bow Group.

Dr Andrew Lilico is a Senior Consultant with Europe Economics, and lectures undergraduates in Corporate Finance and in Money and Banking at University College, London. He has published a number of previous articles and papers on higher education.

Sally Parsloe is a family law solicitor in London.

Robert Porter is the head of the Charities Group at Harbottle & Lewis LLP and a Vice Chairman of Putney Conservative Association.

Aaron Smith is politics major at Portland State University and has recently been an intern at the Bow Group.

Richard Wilson is a frequent think tank author. His previous publications include *Conservatives and the Constitution* (with Andrew Lansley MP).

Researchers

Mark Askew is a student at Sheffield University and a former intern at the Bow Group.

Colleen Conrad is student at London University and an intern at the Bow Group.

Chris Cook is a student at Oxford University and a former intern at the Bow Group.

Richard Jones is a student at the LSE and a former intern at the Bow Group.

Saphira Kurschner is a student at St Andrews University and a former intern at the Bow Group.

Karen Richardson works for the United Nations and is a former intern at the Bow Group.

The Editor would also like to thank John Brown, Nat Coleman, Cllr Mike Johnson, Pablo Lloyd, Nina Marsden, Dr M H Mukadam, Mark Nicholson and Chris Philp for their invaluable comments and contributions.

All views expressed in this book are the authors' own and do not represent the views of any particular organisation or group. Each chapter is written by an individual author and the views expressed do not necessarily represent the views of all authors.



The Bow Group

The Bow Group has three aims:

- To produce thought-provoking policy research for the Conservative Party and a wider audience;
- To provide a forum for its members to meet socially and to discuss policy issues;
- To provide opportunities for its members to communicate with senior figures in the Conservative Party.

The Bow Group has no corporate view. The views expressed in Bow Group publications are those of the authors and do not represent the views of the Group as a whole or of the Conservative Party.

This paper is published by Bow Publications Limited, 1A Heath Hurst Road, London NW3 2RU. See www.bowgroup.org for details

Bow Group research is coordinated by the Group's Research Secretary, **Martin McElwee**. He can be contacted at research@bowgroup.org.

© Bow Publications Limited 2005



learndirect is a network of online learning and information services. It's a government-sponsored initiative in flexible learning, intended to make possible the vision of a 'learning society' where people can learn and upgrade their skills throughout life to improve national productivity.

learndirect was developed by Ufi (University for Industry), working in partnership with the government to deliver workforce development and lifelong learning. Ufi works in partnership with a broad range of public and private providers to deliver mainly online courses and information through a network of learning centres. Ufi aims to promote learning to all and provides widespread access to learning to individuals and businesses.

learndirect is aimed at people over the age of 16, including:

- those working in companies who wish to improve their workplace skills
- those who are seeking work and wish to improve their employability
- those who feel excluded from the world of education
- those who feel excluded from our digital society

Our courses fall into three main categories:

- skills for life (literacy, numeracy and ESOL – English for Speakers of Other Languages)
- business and management
- IT skills.

Over 80 per cent of courses are online, others are delivered on CD-ROM and there are some workbook-based courses.

There is an extensive network of **learndirect** centres in England, Wales and Northern Ireland in locations such as shopping malls, pubs, colleges, companies, high street locations, libraries, football clubs and even a travelling funfair.

learndirect offers high quality learning at a time and place to suit the individual. You choose what to learn, when to learn - and you can learn at your own pace. Thousands of people have already benefited.

See www.learndirect.co.uk or www.ufi.com for further details.

KEY PROPOSALS

1. SCHOOL CHOICE – INTRODUCE A VOUCHER SCHEME FOR LOW INCOME FAMILIES
2. EXAMS – INTRODUCE A MARKET IN QUALIFICATIONS AT THE A-LEVEL STANDARD
3. FAITH SCHOOLS – FAST TRACK APPLICATIONS FOR STATE FUNDING FROM MINORITY FAITH SCHOOLS
4. E-LEARNING – INTRODUCE A CREDIT SCHEME FOR QUALIFICATIONS
5. LEAGUE TABLES – PUBLISH DATA ADJUSTED BY THE SOCIAL CIRCUMSTANCES OF THE SCHOOL
6. VOCATIONAL EDUCATION – SIMPLIFY SYSTEM FOR TRAINING AND FUNDING
7. UNIVERSITIES – INTRODUCE MERIT-BASED BURSARIES
8. EARLY YEARS – MAKE SURE START FUNDING FAIRER
9. DISCIPLINE – CHANGE THE PROFESSIONAL STANDARDS FOR NEW TEACHERS
10. INDEPENDENT SCHOOLS – END UNCERTAINTY OVER CHARITABLE STATUS

CHAPTER 1

INTRODUCTION

A TALE OF TWO SYSTEMS

Joshua's parents want the best for their son. They send him to a nursery which is well staffed and flexible. It enables them to go to work in the knowledge that he is safe and happy. A couple of years later, they want to send him to a good local primary school. There are not many in their area, so they move to an area in the catchment of an excellent primary school. Again, Joshua flourishes, doing well in national tests and making friends in a secure and well-disciplined atmosphere. At the end of his primary education, he passes the entrance exam for a good independent school. This school, unusually, offers the International Baccalaureate which provides an excellent breadth of knowledge and looks impressive on his CV. As a result he has a wide range of choices at university level and opts to move away from home to study at Oxford.

Sarah's parents similarly want the best for their daughter. The only difference is that they can't afford to pay to move to the right area with the best schools, or to put their daughter through an independent school. At her local primary school, discipline is already a problem amongst the children. National test results are poor and the teachers have to spend more of their time maintaining order or reading the latest circular from the Department for Education than they can teaching. The local secondary is worse, with a major truancy problem. Not many kids get good A-levels – and those that do find themselves competing with thousands of other applicants with identical qualifications. Even if Sarah got the qualifications to go to university, her parents don't think she – or they – could afford it.

It's a tale of two education systems. The well off can afford to choose the best options for their children. The less well off have no choice at all – they have to take what is given to them.

This book sets out a different way – a way that seeks to avoid this injustice, that seeks to avoid bright children from poorer backgrounds from being failed by the education system, that gives parents real choice.

The work on this book has brought together teachers, students, economists, business people, parents, researchers and lawyers. Each of those who have contributed to this book has a different perspective on education. But two themes emerge from all of the work done: that the less well off are being denied genuine choice and that government interference in education is systematically counter-productive.

Choice for all parents

Parents understand better than anyone else what sort of school would suit their child. Should it be a highly academic independent school? A sports college? A faith school? At present, the vast majority of parents have no choice. They have to send their children to the local comprehensive, whether that is best for them or not. Only the well off can exercise choice by moving to an area with different – better – schools or by sending their child to an independent school.

This book sets out how this choice can be extended to those who are currently denied it – starting with the most disadvantaged. Other countries have pioneered school choice for the least well off, with startling results. This should be the first priority for the government – of whatever political stripe – in the next parliament.

It also makes proposals on extending choice for parents from minority faiths – who are currently denied the choices that are open to parents from Christian backgrounds. It details the opening up of choice and opportunity through e-learning – and calls on the government to ensure that all have access to this crucial new mode of learning.

Ending government interference

Government often thinks it knows best how children should be educated. Ministers are well-intentioned – they want to see standards rising and think they know how it can be done.

But the law of unintended consequences is their undoing. Every initiative that comes out of Whitehall adds to the stress on teachers, so that more and more leave the profession citing workload concerns. Every target imposed on schools means that local innovation and knowledge is driven out by central priorities. Every ministerial pronouncement that more students should be passing A-levels means that standards are devalued. Every exclusion prevented by government rules means another lesson disrupted.

Ministers need to acknowledge that they cannot control everything that goes on in schools. In some areas, this process of discovery has begun – most notably with the emerging consensus on giving schools more freedoms. But the process must go beyond this, as this book argues.

For example, the devaluation of the A-level has shown up the folly of a quasi-universal, government-sponsored exam. Examining is something that should be taken out of the realm of politics altogether, as this book proposes.

Similarly, the Government is skewing vocational education by promoting Apprenticeships at the expense of other, often more suitable qualifications. Ministers may have decided that Apprenticeships are their preferred option, much to the annoyance of employers who take a different view.

Who controls education?

The overall theme of this book, then, is control over education. The Government *seems* to agree that the individual should have control: witness the declaration in the Government's five year strategy for education that:

"The central characteristic of [the Government's] new system will be personalisation – so that the system fits the individual rather than the individual having to fit the system."

But too often its actions have pointed in the opposite direction – Ministers have taken control where it should have been given to learners, parents or teachers. Until real control is vested in these latter groups, students will continue to have to fit into whatever the system offers them rather than the other way round.

CHAPTER 2

AN END TO EDUCATIONAL FAILURE

SCHOOL CHOICE

POLICY RECOMMENDATIONS:

- Introduce education vouchers for disadvantaged families
- Ensure that schools are given full freedoms

1. NO END TO IGNORANCE

In 1942, William Beveridge identified the “Five Giants” – want, disease, squalor, idleness and ignorance. All five were particularly prevalent amongst the least fortunate in society. Much the same can be said of several of them today – the least privileged are still disproportionately unhealthy, badly housed and, perhaps above all, badly educated.

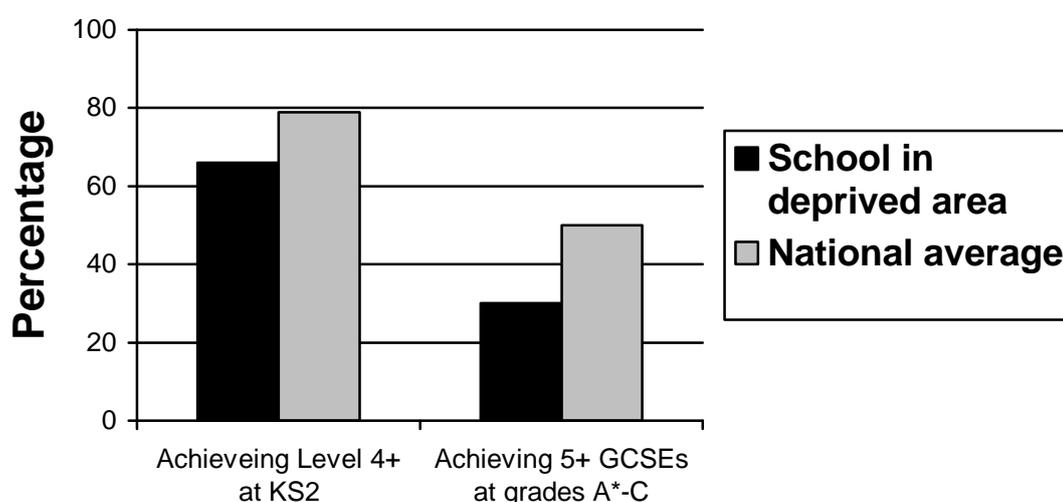
Perhaps the greatest failing of the past sixty years of policy is the political class’s stark failure to give the poorest in society a standard of education at least equivalent to – never mind better than – that enjoyed by the more privileged.

2. THE EXTENT OF THE FAILURE – SOME EXAMPLES

In November 2003, Ofsted undertook a study of educational standards in deprived areas of the UK.¹ The results showed the extent to which the state is failing the most needy. At every single level, attainment by pupils in deprived areas was below the national average.

The study selected 499 primary schools and 68 secondary schools which were in deprived wards². Pupils in these schools were much less likely to achieve good results at any of the Key Stages, at GCSE or at A-level. The graph below shows some examples:

Comparison of results of schools in deprived areas with national average



Most worryingly, it is clear from these statistics that the differentials increase – not decrease – as children spend more time in education.

The latest figures from the Higher Education Funding Council for England show a similar picture at the end of school education. School leavers from the most prosperous 20 per cent of areas are over five times more likely to go to university than those from the least prosperous 20 per cent³.

3. POLICIES THAT HAVEN'T WORKED

To be fair, this hasn't been for want of good intentions, or indeed of trying. There have been plenty of initiatives to try to raise standards.

¹ Ofsted, *Access and Attainment in Deprived Urban Areas*, 2003

² Schools were chosen on the basis of free school meal entitlement and placing on the deprivation index.

³ HEFCE, *Young Participation in Higher Education*, 2005

1. *Comprehensivisation*

After the Butler Act of 1944, the first major attempt to bridge the gap in educational achievement was the policy of comprehensivisation put in place in the 1960s and 1970s. It is Labour which is, of course, most associated with this policy – Tony Crosland famously stated that:

“If it’s the last thing I do, I’m going to destroy every fucking grammar school in England. And Wales. And Northern Ireland”.

But Conservatives acquiesced in this process. Although Margaret Thatcher, as Education Secretary, overruled the closure of more than 90 grammar schools, she presided over the creation of more comprehensive schools than any Education Secretary before or since.

The process of “forced” comprehensivisation was halted when the Conservatives came to office in 1979. The Labour Party continued to campaign against selection for all its time in opposition, with David Blunkett, then Shadow Education Secretary, telling the Party Conference in 1995:

“Read my lips: no selection by examination or interview under a Labour government.”

To give it credit for consistency, Labour made at least some attempt to remove the remaining grammar schools when it got into government. It initiated a series of local ballots designed to convert local grammar schools to comprehensives. Not a single one was successful.

However, the Government appears to remain committed to the standard comprehensive model, with Charles Clarke in his time as Education Secretary giving a commitment at the Labour Conference in 2004 to “reduce the aspects of selection in the system”.

Even without further contraction of selection, grammar schools are a tiny fraction of the school population⁴. The huge majority of schools are comprehensives. We are in truth still in the throes of the comprehensivisation experiment.

Has it worked? Has it improved the educational lot of those who the selective system – the less privileged – was claimed to be hurting?

The statistics suggest that the opposite is the case.

Northern Ireland retains – for the moment – a selective system, with the 11-plus exam still determining the subsequent schooling of its children. Intriguingly, overall achievement in Northern Ireland’s schools is substantially better than in England and Wales. At GCSE level, 52 per cent of pupils at schools in Northern Ireland obtain 5 or more passes at grades A*-C. Results for England and Wales are 10 percentage points poorer (a relative difference of about 25 per cent).

The same pattern is replicated at A-level. The number of pupils achieving 2 or more A-grade passes is 12 percentage points greater in Northern Ireland than in England (32 per cent compared to 20 per cent) (a relative difference of around 60 per cent).

Opponents of selection often claim, however, that the benefits of a selective system tend to accrue mainly only to more prosperous or more able learners. In this way, they say, those most in need of a hand up through education are most disadvantaged. If this were the case, certainly, it would significantly strengthen the case for comprehensive schooling.

However, studies have again shown that the opposite is the case. A study for the National Foundation for Education Research (NFER)⁵ found that borderline pupils who scraped into

⁴ There are currently 164 grammar schools in the UK.

grammar schools achieved significantly better results than children with similar abilities in comprehensive schools. Pupils at the top of the ability range, unsurprisingly, tend to do well wherever they end up.

Even more tellingly, recent research at Bristol University⁶ revealed that the primary beneficiaries of a grammar school education were bright children from poor backgrounds. The research found that pupils from less prosperous backgrounds who attended grammar schools did “exceptionally well”, getting an average of eight more points at GCSE level. The report concluded:

“Selection does work in favour of bright pupils from poor backgrounds if they can get into grammar schools.”

Indeed, the debate about access to universities shows one of the major (if unintended) consequences of comprehensivisation. The charge levelled at Britain’s universities – and chiefly at its highest-achieving universities – is that the proportion of independent school applicants who win places is excessively high. This is demonstrative of a social exclusivity that harms state school pupils, who tend to be from poorer backgrounds.

The Government has launched a barrage of initiatives to ensure that more pupils from state schools obtain places at universities⁷. But one of the simplest appears to have eluded them.

In 2004, the University of Oxford awarded 45 per cent of its places to applicants from independent schools. This represented a considerable drop – following pressure from the Government – from appreciably above 50 per cent in the late 1990s.

Thirty-five years earlier, by contrast, only 38 per cent of places were given to privately educated applicants, and the number was falling without government intervention. It is virtually universally acknowledged that the swing towards privately educated pupils – and away from generally less well-off state-educated pupils – in the intervening period was due almost solely to the gradual abolition of grammar schools. Even Andrew Adonis, a government education adviser, has attributed the massive swing towards privately educated students to “the destruction of the grammar schools”⁸

Comprehensivisation, then, has not aided the underprivileged. On the contrary, it appears to have had quite the contrary result to that intended: of keeping them underprivileged by ensuring that they get a second class education.

2. Spending

The level of education spending has been a subject of political controversy throughout the past 60 years. During the years of the Conservative Government of 1979-1997 in particular, the cry was regularly heard from Shadow Ministers and teaching unions that spending was scandalously low and falling. In fact, research by the Institute of Fiscal Studies showed that it increased by 1.5 per cent per year in real terms over their time in office⁹.

After a couple of years of spending along much the same lines, the Blair Government has tried a much more radical approach to trying to drive up educational standards through spending. Spending since 1999-2000 has risen in real terms by around 5 per cent per year. The following chart shows the rise in spending:

⁵ NFER, *Do Grammar Schools Make a Difference?*, September 2004

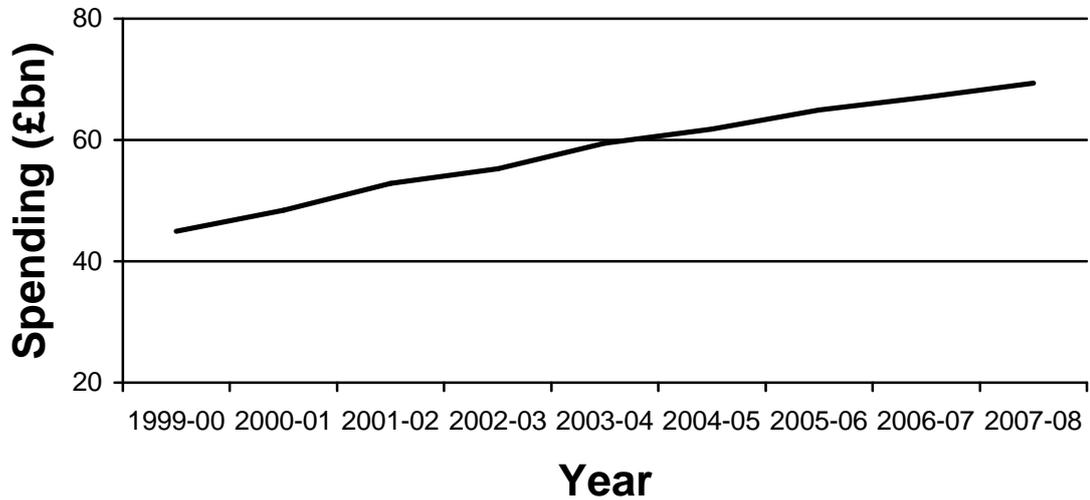
⁶ Atkinson, A. & Gregg, P. *Selective Education: Who Benefits from Grammar Schools*, Centre for Market & Public Organisation, 2004

⁷ See further Chapter 11 below.

⁸ Adonis, A. & Pollard S., *A Class Act*, 1998

⁹ Emmerson, C. & Frayne, C., *Spending on Public Services*, IFS (2001)

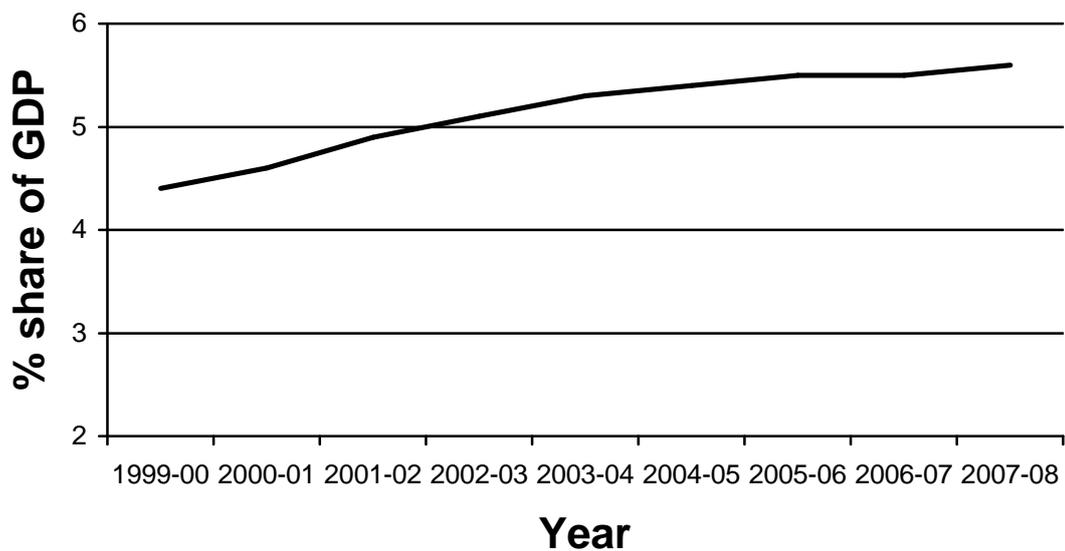
UK education spending (real terms at 2002-3 prices)



Source: HM Treasury

The rise in spending as a percentage of GDP is equally striking:

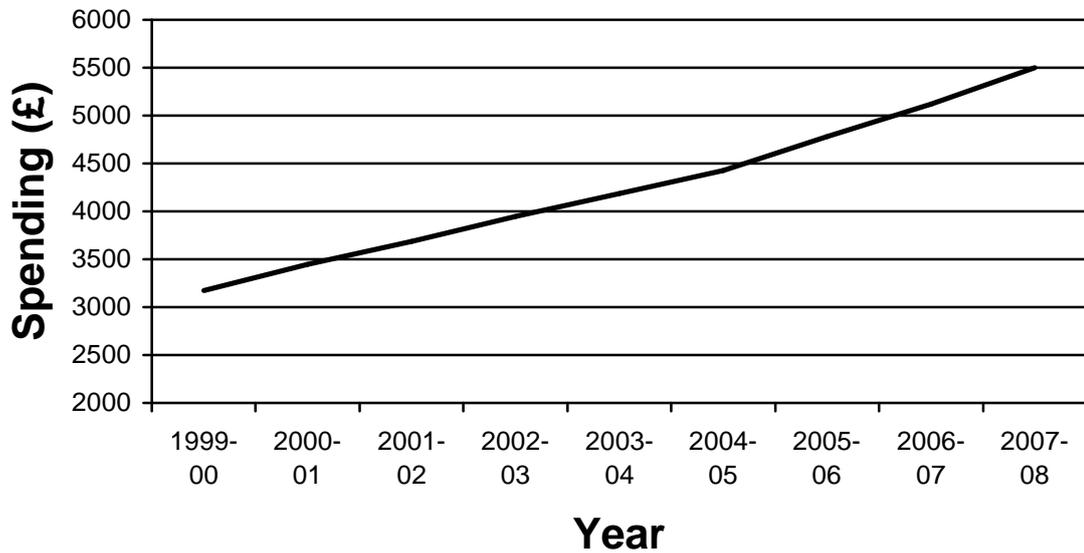
Education spending as percentage of GDP



Source: HM Treasury

This funding represents a major increase in per pupil funding. The following chart shows the rise of revenue funding alone (i.e. excluding any capital spending):

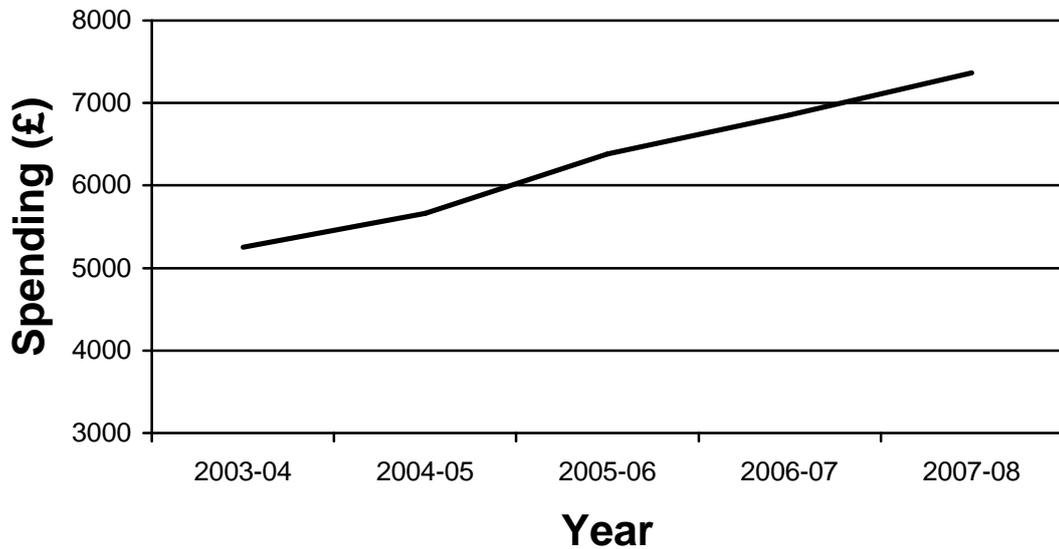
Revenue spending per pupil



Source: HM Treasury

When capital spending is factored in, the amount spent is just as remarkable:

Total spending per pupil



Source: Centre for Policy Studies¹⁰

¹⁰ Blackwell, N. *Better Schools and Hospitals*, Centre for Policy Studies, 2004

This, then, has been a remarkable experiment in the use of public funds to drive up educational achievement. Has it worked?

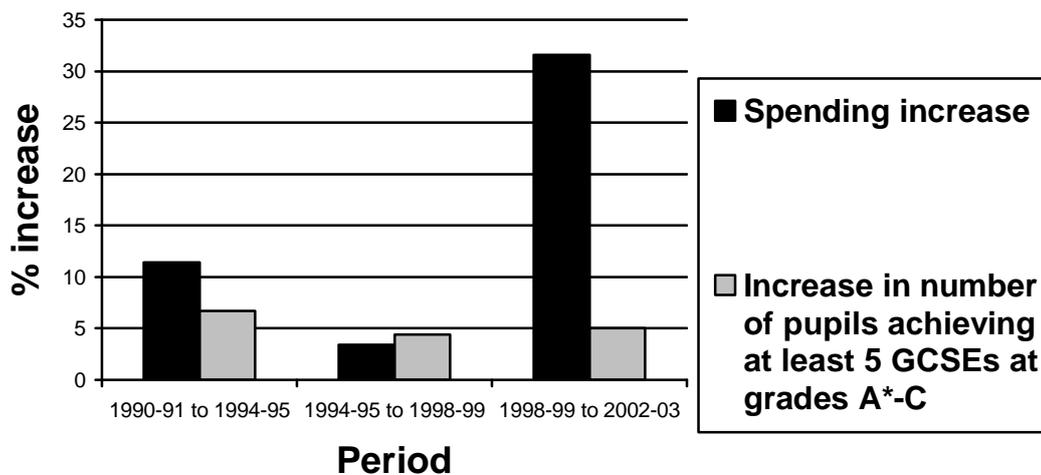
The Government claims that it has. The improvement in results is due, it has stated, directly to the increase in spending. The Chancellor's Budget Book 2004, for example, draws a direct correlation between increases in spending and results:

"The sustained high investment in education since 1997 has resulted in a measurable improvement in standards. In particular, the proportion of 11 year olds achieving expected levels in reading and maths have risen by 12 per cent and 11 per cent respectively and almost 53 per cent of 16 year olds achieved 5 or more A* to C grade GCSEs in 2003 compared to 43 per cent in 1997."

The Government is right to point out that results have improved. However, they have done so on a tangent that had already been established in years previous to this funding blitz. There has been no startling improvement in results commensurate with this huge increase in funding.

Indeed, previous periods during the years of Conservative government saw at least comparable increases in performance on the back of markedly smaller increases in investment, as the following graph shows:

Increases in spending compared with improvements in GCSE results



Source: House of Commons Education Select Committee

The lack of correlation between spending and results is, regrettably, clear. The Labour-dominated Education Select Committee recently investigated the Government's claims that higher spending was leading to better results. Their study led them to comment that:

"Links between and outcome remain difficult to establish."¹¹

The Committee's Chairman, Labour MP Barry Sheerman, went further:

¹¹ Education Select Committee Report, *Public Expenditure on Education and Skills*, January 2005

“Our report shows that it is not possible to demonstrate a straightforward link between expenditure and outcome.

“It is no good just putting money in without reform and without very carefully checking which policies add value over time and which don't. Lots of resources poorly managed is not a recipe for success.”

So increases in expenditure are not the simple answer they appear to be either.

(iii) Central direction

Another strategy – already touched upon in the introduction to this book – tried by the New Labour Government is central direction.

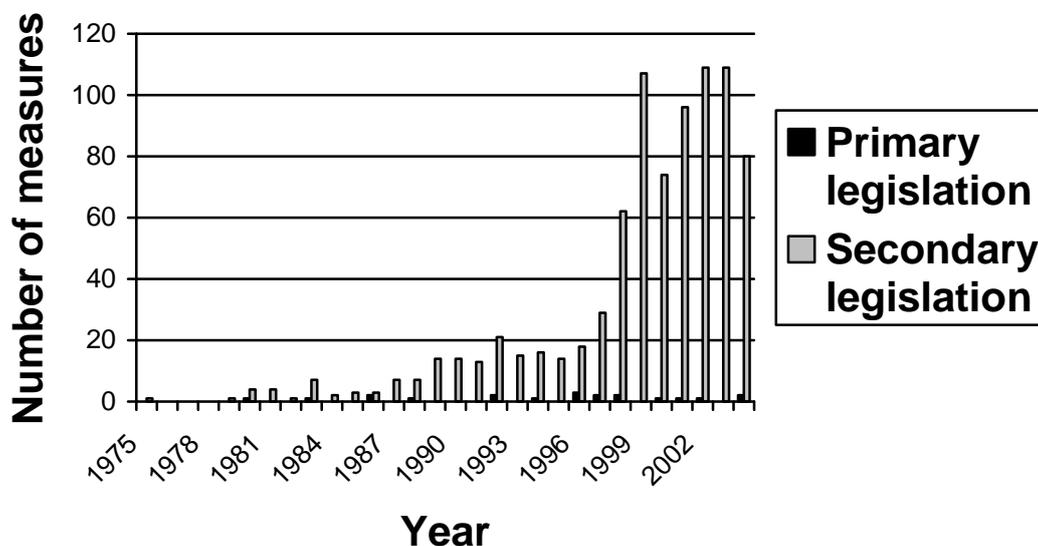
This is not entirely new. In some areas, schools became notably less free under the previous Conservative Government. Most particularly, the National Curriculum (especially in its earliest incarnations) prescribed to schools what subjects they should teach, and much of the content of courses.

At the time, there were genuine arguments for its introduction. There was a concern that many pupils were not being taught basic elements of, for example, British history or the literary canon. However, the result of its introduction is regrettable, imposing as it does a teaching structure on schools that some may not wish to use. Professional judgement is undermined and innovation stifled. The man in Whitehall decides what is taught in classrooms rather than teachers.

To be fair, of course, many Conservative initiatives (for example, grant-maintained schools) worked in the opposite direction, aiming to give schools more control of their day to day functions and budget.

New Labour, on the other hand, embraced the central direction model, aiming to construct a blueprint for all schools which was intended to improve outcomes. This can readily be seen in the amount of education legislation that has been put through by the Government. While the amount of primary legislation has stayed roughly stable, the amount of secondary legislation has rocketed. And it is in this latter species that the detailed mechanisms for control are traditionally to be found rather than in broad brush primary legislation.

Education legislation



Source: Bow Group research

Amidst this legislative jungle, most notable have been the government initiatives which, for the first time, directly regulated how subjects were taught in the classroom.

The National Literacy Strategy, for example, sets out, minute-by-minute, how teachers must approach the literacy hour that is required by the DfES. It is to be divided into four components:

- 15 minutes of “shared text work” (i.e. reading aloud)
- 15 minutes of “focused work” (including grammar, phonics, punctuation and spelling)
- 20 minutes of “guided reading” (i.e. silent reading)
- 10 minute “wrap up session” in which pupils should review what they have done and tell that class about it.

The numeracy hour is approached in a similar way. It must be split into an introductory session and oral and mental work, a middle section which starts with whole class teaching and continues with whole class or group work and a final plenary session.

This intrusion into the professional domain of the individual teacher is a startling move from government, going beyond anything previously undertaken by the DfES (or its predecessors). It also stifles innovation: a recent study on the teaching of reading suggested that a quite different approach (known as synthetic phonics) might be significantly more effective than the Government’s stipulated approach.¹² It is no surprise, then, that the number of children reaching the expected level in reading in national tests has stalled in the past few years, leaving a quarter of children apparently without basic skills in this area.

¹² See “School literacy hour is a flop, say academics”, *Daily Telegraph*, 12 February 2005

And although it is crucial that the government tackles basic skills as a priority – Chapter 7 below explains the UK's failings in this respect – this method of undertaking the improvement works only to undermine and disillusion teachers.

A study by the University of Liverpool in 2003 of teachers leaving the profession showed just how damaging the Government's approach has been¹³. Of all the teachers leaving the profession, the top two reasons for their departure were workload (with 44.8 per cent saying this was "of great importance" in their decision) and government initiatives (36.4 per cent). This was particularly pointed in the primary school sector – where, of course, the Government has launched more initiatives than any other (including the literacy and numeracy strategies explained above); fully 52 per cent of departing primary school teachers cited workload as their reason for leaving the profession.

Moreover, the study also showed a sharp rise in departures since Labour came to power. The study's authors commented that "both turnover and wastage have increased considerably in recent years" – in 1998, around 25,000 teachers resigned each year; by 2001, this had reached 46,500.

The findings of the University of Liverpool study were confirmed by a further study of teachers conducted by MORI for the General Teaching Council in 2003. The GTC survey found that workload (including paperwork) was cited by the largest number of teachers as a major demotivating factor, with 56 per cent of respondents identifying it. Second came initiative overload (39 per cent); third was the target-driven culture introduced by the Government (35 per cent).

The failure, then, of the interventionist approach is twofold. As discussed above, it has failed to increase standards, and, as shown in these studies, it has served only to undermine teachers.

4. A DIFFERENT WAY – SCHOOL CHOICE

Failing the less well off

The well to do, of course, by and large do not have to deal with the failures of education. As the Black Alliance for Education Options in Washington DC put it:

"Parental school choice is widespread – unless you're poor."

Better off parents can choose to send their children to a huge range of generally well-performing independent schools. Where their children are particularly interested in sport, or in music or in some other activity, they can select independent schools most likely to suit them.

The other alternative, of course, is to move to an area with good schools. But poorer families cannot afford that either. House prices are considerably higher in areas with good schools. The most recent study, by Professor Paul Cheshire and Stephen Sheppard found that the differential was anything up to 33 per cent for primary schools and 18 per cent for secondary schools.¹⁴

This confirms previous studies by Barclays (suggesting a 33 per cent premium), the Royal Institute of Chartered Surveyors (16 per cent premium) and Warwick University (19 per cent premium). The LSE study's co-author, Stephen Sheppard put it succinctly:

¹³ Smithers, A. & Robinson P., *Factors Affecting Teachers' Decisions to Leave the Profession*, University of Liverpool, 2003

¹⁴ Cheshire, P. & Sheppard, S., *Capitalised in the housing market or how we pay for free schools: the impact of supply constraints and uncertainty* (2003)

“Getting your children into a better school is conditioned on income...[I]t does not matter whether good schools are provided ‘free’ out of taxes or through the private market in education. If you cannot afford fees, you will not be able to afford the house that gets your kids access to the best state schools either.”

So while the better off can choose their children’s school by moving into the catchment area of a good school or by sending their children to a fee-paying school, that choice is denied the less well off. They are condemned to the worst schools.

New models

With the Government’s approach to school underperformance having failed, it is time to look at new models. Some striking examples of how school choice is being used in the US and elsewhere give the less well off a hand-up show a different way forward.

CASE STUDY

MILWAUKEE PARENTAL CHOICE PROGRAMME

The Milwaukee Parental Choice Programme is one of the most celebrated schools choice programmes in the US. Established in 1990 by Governor Tommy Thompson, it now covers over 13,000 students in 107 schools and allows them to attend any independent school of their choice.

The voucher is given to families with incomes at or below 175 per cent of the poverty level. An analysis of the families participating in the scheme found that “the people using the vouchers are mostly black and Hispanic and very poor”.¹⁵

The scheme has produced substantial gains in achievement. Three successive academic studies of the programme have concluded that participants out-performed their non-programme peers by 11 percentage points in maths and 6 percentage points in reading.¹⁶ A recent long term study of its effects found that 64 per cent of students within the programme completed school on target, compared to only 37 per cent of children in the public school system. More remarkably, the graduation rate for scheme students was higher even than the graduation rate for students at *selective* public schools (41 per cent).¹⁷

¹⁵ Thevenot, B., “Recycled school data yield different results”, *Times-Picayune*, 26 March 2003

¹⁶ See Greene, J.P., Peterson, P.E., & Du, J., “The Effectiveness of School Choice in Milwaukee: the Milwaukee Experiment”, *Education and Urban Society*, February 1999

¹⁷ Greene, J.P., “Graduation Rates for Choice and Public School Students in Milwaukee”, School Choice Wisconsin, 2004

CASE STUDY

CLEVELAND SCHOLARSHIP & TUTORING PROGRAMME

Cleveland has long had some of the worst public (i.e state) schools in the US – and, as usual, these are disproportionately attended by the less well off.

In 1996, it set up a voucher programme allowing children from low income families to opt out of the city's failing schools. Pupils were allowed to use the vouchers at participating suburban public schools, independent schools and charter schools. Priority in applications to join the scheme is given to families with income below 200 per cent of the federal poverty level. Over 5000 pupils are now participating in the scheme.

The programme provides for scholarships of up to either 75 per cent or 90 per cent of their tuition fees to attend the school of their parents' choice (depending on the family's income level). Special needs students are covered as to 100 per cent of their additional costs.

Research has shown huge benefits for scheme participants – an 15 percentage point advantage over non-programme students in maths and 7 percentage points in reading.¹⁸

CASE STUDY

FLORIDA OPPORTUNITY SCHOLARSHIPS PROGRAMME

Florida adopted a slightly different method of targeting their school choice programme and associated funds. The programme focuses on failing schools rather than poverty. The two, of course, coincide to a worrying extent.

Under the programme, families can obtain vouchers when a public (state) school is rated twice in a period of four years as grade F. The vouchers can be used at a private school or a at any public school with a rating of C or better in the same or adjacent school district.

Again the results have been highly positive. A study of students in one county found that students had jumped one grade level for every year of involvement in the programme.¹⁹

These schemes have a clear lesson for British policy makers. The best way to help disadvantaged students break out of the straitjacket of poor schooling is to offer them the opportunity to go to better schools – whether these be state schools or private schools.

The Government seems to disagree, leaving the lottery of catchment areas to determine the educational success or failure of the most disadvantaged students. One of the Labour government's most socially-regressive moves, indeed, was the abolition of the Assisted Places Scheme, which allowed children from less well off families to attend some of the country's best independent schools. The levelling down signalled by the abolition of this scheme is, regrettably, the hallmark of much recent education policy.

A new levelling up, though, can be achieved by giving students from poorer families a voucher worth the full value of their per-head funding, exchangeable at any school within their LEA area – either state or private. We would propose that any family in receipt of income-related benefits should be provided with such a voucher. This would give them the choice

¹⁸ See Peterson, P.E., Howell, W.G. & Greene, J.P., "An Evaluation of the Cleveland Voucher Programme", Harvard University Programme on Education Policy and Governance, 1999

¹⁹ See LaCoste, J. "Discipline, success, acceptance and inspiration", Pensacola News Journal, 21 December 2003

that only higher earners can currently exercise. In time, this scheme would be opened up gradually to higher earners.

The wealth of options which this will open up is shown by research by the Centre for Policy Studies²⁰. It found that total per head funding for students in the state system is now very close indeed to the average day school fees at independent schools. As the graph above showed, the total spending per head in the state system has risen enormously in the past few years, reaching £5666 in 2004/5 and projected to reach £7,366 by 2007/8. The average fees for day schools in 2003 was £6,150²¹. Many will be less. This puts a huge number of schools within the reach of voucher holders.

Conservative Party policy

The Conservative Party has consistently adopted a policy platform in favour of school choice, although the mechanism for implementing this principle has, confusingly, changed on a regular basis. The passports notion that was floated in 2003 has now been replaced by the "right to choose".

The Conservatives' proposals are admirable, and, if anything, go beyond those suggested in this paper. It is to be hoped that the proposals made in this paper would be expanded in time to cover all parents, regardless of income, much as the Conservatives suggest.

However, the radicalness of the Conservatives' proposals is also their major failing. Doubts are consistently voiced as to their achievability in the short term. Presentational worries also surface regularly – why should low-earning taxpayers subsidise the choice of middle class parents to send their children to an independent school that they would probably have paid for themselves anyway?

The proposals contained in this paper are specifically designed to be manageable, comprehensible and presentable. Their limited nature is intended to give them a credibility that a "big bang" right to choose policy seems to lack with the electorate.

And, most importantly, if the policy is seen to work with the most disadvantaged, what better evidence will there be as to the benefits it would bring to all.

5. FREEDOM FOR SCHOOLS

The flip side of granting parents the right to choose schools is that there must be a diversity of provision. The choice between identical comprehensives is not an appetising one.

It is therefore essential that schools are given the freedom to develop their own identities. At present, they are hemmed in by regulation, targets and standard procedures which stifle attempts at individualisation. Even the Government has begun to recognise this – albeit after doing away in its first years in office with the early beacons of school freedom, grant maintained schools. The DFES five year plan²², launched in 2004, displays the first signs that the Government has recognised the need to offer schools greater freedom if they are to be successful.

The five year strategy certainly contains some encouraging declarations of principle. For example, it states that its "central purpose" is "to widen the range of real choices which are available".

²⁰ Blackwell, N., *Better Schools and Hospitals*, Centre for Policy Studies 2004

²¹ *Independent Schools Management Survey 2004*, Haysmacintyre, 2004

²² *DFES Five Year Strategy for Children and Learners*, 2004

The detail, though, remains rather obscure. The plan states simply that all schools, apart from failing schools, will be given the opportunity to enjoy the same freedoms currently held by the Government's Foundation Schools. These are chiefly the right to own the school's land and buildings, manage its own assets, employ its own staff, organise its governing body and forge partnerships with outside sponsors.

These are important freedoms and the ability to exercise them – together with the ability to specialise in one or more areas, another important part of the Government's plans – is crucial to the development of a genuine choice of schools. The ability to adopt these freedoms without going through the cumbersome local decision making currently necessary to achieve foundation status is also a welcome development.

Similarly, the Government's plans for allowing popular schools to expand without the current impediments caused by the surplus places rule are vital to allowing genuine choice.

It appears that at last some common ground is being established in this area. The Conservatives have long had a clear commitment to freeing schools and their teachers and headteachers, with a package that is yet more extensive than that on offer from the Government and a philosophy that seems more supportive of diversity. It is to be hoped that the Government carries through its fine words along the same lines into practice.

CHAPTER 3

ENDING DISCRIMINATION, EXTENDING CHOICE

FAITH SCHOOLS

POLICY RECOMMENDATIONS:

- Continue support for faith schools
- Fast track applications for state funding for schools for minority faiths

1. A HISTORY OF FAITH SCHOOLING

Schooling in the UK has its roots in faith schools. Until the later part of the 19th Century, almost all education in England was carried out by the Church – that is, the Anglican Church.

Faith schooling, then, is far from new, but it has attained a new prominence on the political agenda in the past few years. This has its roots in the Prime Minister's new found enthusiasm for faith schooling, against the opposition of many in his own party.

Another factor which has served to bring it to the public's attention is the very slow but now appreciable extension of maintained sector faith schooling beyond the familiar Anglican and Roman Catholic faiths. For the first time, Muslim, Jewish and Sikh parents are – albeit in tiny numbers – being given the chance to choose schooling under their own faith within the maintained sector for their children.

The appearance of faith schooling as a significant political issue has opened up an important fault line between the three major parties: it seems likely to continue to cause controversy at the next election and beyond.

2. POLITICAL ATTITUDES TO FAITH SCHOOLS

At a time when relatively few major differences sometimes appear to exist between the political parties, the question of faith schools remains an area of sharply contrasting views. These are quite consistent with the philosophical traditions of the major parties, with those of the left drawing on their radical and rationalist roots (particularly the Liberal Democrats, who have a strong tradition in this respect) and the Conservatives drawing on a more traditional stream based on respect for family life and choice.

(i) The Liberal Democrats

When it comes to faith schools, the Liberal Democrats are probably closer to their radical roots than they are in any other aspect of their contemporary policy. The oft-quoted description of the Anglican Church as the “Tory Party at prayer” was coined at a time when the Liberals stood staunchly with the non-conformists and radical secularists. The earliest political battles on faith in education lined up Liberals on the side of secularism and the Tories on the side of religion.

In this the Liberal Democrats remain broadly consistent: official party policy seems to shy away from explicit condemnation of faith schools but their Education Spokesman, Phil Willis has made clear the Party’s philosophical opposition.

In a speech to the NUT Conference in 2001, he told the Union members that:

“We cannot ignore the potentially dangerous cocktail of religious segregation and privately sponsored academies that government policy is deliberately encouraging.”

Elsewhere, he has stated that:

“We question the wisdom of expanding single faith schools at a time of increased bitterness and hostility in many of our communities”

and that:

“The government’s plan for more faith schools looks increasingly doomed. It is totally illogical to condemn religious intolerance abroad yet encourage children in Britain to be educated in separate schools according to faith.”

Moreover, he told the *Today* programme in 2001 that:

“If we have an unbridled expansion of faith schools, we’re going to see the potential for segregation of youngsters.”

Other Liberal Democrats are even more strongly opposed to faith schools, notably Dr Evan Harris MP, who is an Honorary Associate of the National Secular Society, and Dr Jenny Tonge MP. Both have spoken out strongly against faith schools.

In a similar vein, the Liberal Democrats’ youth wing, LDYS, passed a motion at its 2001 conference demanding that:

“There should be a moratorium on any further state funded faith-based schools and that existing schools should be weaned out of [sic] the system in the longer term either through secularisation or replacement”.

This paper will take issue with these views but there is no doubting their logical consistency with the Liberal tradition.

(ii) The Labour Party

The Labour Party has found itself in a rather difficult position regarding faith schools. The Prime Minister – a man with strong Christian Socialist beliefs – espouses strong support for faith schools. However, many of his MPs – drawing perhaps on the more radical traditions of the Party (similar to those of the Liberals), take precisely the opposite view.

Even the cabinet Minister who was required to take the key legislation through the House of Commons a few years ago, Estelle Morris, was decidedly ambivalent, telling the Commons that she would not be

“spending one minute of [her] time or one ounce of energy going out there and promoting more faith schools”.

Other influential Labour figures – notably former Health Secretary Frank Dobson and former Deputy Leader Roy Hattersley have spoken out strongly against an increase in faith schools. The former introduced an amendment to his own Government’s Education Bill designed to restrict the intake of faith schools. The amendment won the support of 45 Labour MPs, as well as 40 Liberal Democrats and a single Conservative. Labour-dominated Select Committees have also been critical of the expansion of faith schooling over the past couple of years.²³

The broader Labour movement is also strongly opposed to the Prime Minister’s generally favourable disposition towards faith schooling. The teaching unions have consistently condemned the extension faith schooling at their annual conferences. The NASUWT, for example, declared at its 2002 conference that faith schools were “exclusive and discriminatory”.

(iii) The Conservative Party

As already noted, the Conservative Party has a long tradition of support for faith schooling. In the early debates over education reform, the Conservatives were the defenders of the traditional church schools (and tended, regrettably, to prize this above broader access to education).

When in government in the 1980s and 1990s the Conservatives adopted a *laissez faire* approach to faith schools – perhaps showing rather less enthusiasm than Tony Blair does now, but laying the groundwork for the school choice agenda that today permits the setting up of new faith schools.

In recent times, though, they have become enthusiastic advocates of faith schools. At the 2004 Party Conference, Tim Collins, promised to back new faith schools with public money, and has been particularly enthusiastic about new Muslim schools. He recently told the *Evening Standard*:

“We want more Islamic schools set up by Muslim religious leaders. Faith schools have a very successful track record, but there are so many constraints at present that

²³ See Education Select Committee’s Fourth Report, Session 2002-3, “Secondary Education: Diversity of Provision”

Muslim communities have found their schools driven into the independent sector or kept under the thumb of education authorities.”

In a similar vein, Shadow Chancellor Oliver Letwin has applauded attempts to set up Sikh schools and Michael Howard has given his commitment to support endeavours to set up faith schools.

3. THE CASE FOR FAITH SCHOOLS

The range of views amongst the political classes on faith schooling, then, is wide and each is sincerely held. However, the Guardian-reading chattering classes apart (and sometimes including them too when they come to decide where their children should be schooled), there is no doubting that faith schools are highly popular.

(i) Parental support for religious schools

The very fact that faith schools are highly popular with parents is itself a very good reason to support them. Parents more than Whitehall civil servants or Ministers are best placed to decide what sort of schooling is best suited to their children and is best directed to allow them to grow up as their parents would wish, as this paper argues elsewhere.

A survey conducted by the Church of England as part of Lord Dearing's Report, *The Way Ahead: Church of England Schools in the New Millennium* showed that for every 100 places in Church of England schools there are 160 applications.

Other denominational schools are similarly popular with parents and where they do not exist, there is considerable demand. For example, a MORI study conducted for Bristol City Council on local demand for a Muslim school found that:

“There is widespread support and enthusiasm among Muslim parents for an Islamic school in Bristol. It is likely that a large number of Muslim parents would send their children to such a school, with over half of parents surveyed saying they would be certain to do so. Support remains strong across different age, ethnic and socio-economic groups, regardless of whether parents' view of the current state of secondary schooling in Bristol is negative or positive.”²⁴

Similarly, the Islamic Academy in Leicester (discussed in more detail below) currently has places for 700 pupils – but has 800 on the waiting list.

(ii) High standards

It is frequently suggested that faith schools achieve disproportionately good results. The Dearing Report confirmed this, finding that Church of England schools achieved an average point score at GCSE that was 12 per cent higher than community schools.

This was confirmed by research undertaken by the Civitas think tank (although this research additionally noted that there remained wide variations between the best and the worst performing church schools).²⁵ Research for the National Foundation for Education Research similarly concluded that denominational schools tended to get at least slightly better results.²⁶

²⁴ Bristol City Council, *Demand for a Muslim School in Bristol: Final Report* (2004)

²⁵ Marks, J.; Burn, J.; Pilkington, P.; & Thomson, P., “Faith in Education”, Civitas (2001)

²⁶ Schagen, S.; Davies, D.; Rudd, P.; & Schagen, I., “The Impact of Specialist and Faith Schools on Performance”, (LGA Research Report 28).

This was confirmed by the 2004 DfES figures for the “value added” by schools. Of the top ten schools adding most value under the Government’s measure, five were faith schools – two Jewish, two Islamic and one Church of England.

CASE STUDY

SIR JOHN CASS & REDCOAT SCHOOL

The Sir John Cass & Redcoat Schools is a Church of England secondary school in the East end of London. Despite being in a difficult inner city area, it has turned itself into a school which has remarkable results. For the past three years, it has headed the list of the “most improved” schools in the country. Impressively, it also headed the “value added” league table in 2004. Taking advantage of the fact that for many of the pupils English is their second language, it has become a specialist languages school, teaching French, German, a range of East European languages, Urdu, Turkish and Bengali.

(iii) Ethos and values

The prime reason for the choice of faith-based schools is often that they offer a particular “ethos” or value-set in the education offered to their pupils. Although there is a statutory requirement for a daily act of collective worship in schools, research by OFSTED found that this is ignored in four out of every five schools. By accident or intention, most schools have a largely secular ethos.

Many parents, however, do not want this. Faith schools aim to provide an ethos that is distinctively religious. For example, the Dearing Report describes the goal of Church of England schools as being:

“to offer a spiritual dimension to the lives of young people, within the traditions of the Church of England, in an increasingly secular world”.

These parents wish to see their children brought up in an atmosphere that they judge to be more in tune with the values that they believe are important. This may be of particular importance in more traditional communities where concern at the secular nature of most schooling may lead parents to think twice about the ongoing education of their children (often girls); where parental fear of secularisation leads to an earlier than necessary withdrawal of their child from education or a failure to embrace the need for a full education of their child, the child is the loser.

4. THE CASE AGAINST FAITH SCHOOLS

(i) “Faith schools divide communities”

In recent times, it has become popular in some quarters to suggest that inter-community relations are adversely affected by faith schools. There is no denying that tensions exist between some ethnic and religious groups in certain areas, which in the past has sometimes spilled over into violence.

For this reason, some – on the left in particular – oppose faith schools. They see them as a mechanism for further separating the everyday lives of communities and entrenching difference.

This view was notably expressed by Lord Ouseley – formerly Chairman of the CRE – in a report drawn up for Bradford City Council. The report made national news when it coincided

with violent riots in the City in 2001, which many viewed as a symptom of ethnic division and tension. Lord Ouseley concluded that:

“There are signs that communities are fragmenting along racial, cultural and faith lines. Segregation in schools is one indicator of this trend.”

This was followed by a report by the Labour-dominated Select Committee of the Office of the Deputy Prime Minister in June 2004 which claimed that parental school choices were too often “motivated by ignorance and fear” (of other ethnic and religious groups) and that no further faith schools should be approved unless they gave an explicit commitment to the promotion of a multicultural agenda.

The Liberal Democrats have taken a similar line. Phil Willis’s comments on “a potentially dangerous cocktail of religious segregation” were followed up with a declaration that suggested that faith schools were likely to be at the root of community division. He told the *Times Educational Supplement* that faith schools were likely to lead to “racial ghettos”, and that:

“We may see in England what has already happened in Northern Ireland. Education could become a breeding ground for faith division, religious division and also social and economic division.”

On Radio 4’s *Today* programme, he further linked faith schools with the Bradford and Oldham race riots and again suggested they were likely to lead to a problem similar to that in Northern Ireland.

A response

These comments, however, fundamentally misunderstand the role of faith schools in the community.

The suggestion that they create discontent and division fails to recognise the huge value of bringing education for a particular faith group within the mainstream. This was exactly what happened for the Roman Catholic population in the last century; it is only now beginning to happen for the Muslim, Sikh and other faith populations in the UK.

There are two distinct parts to this. The first is simply that bringing faith education under state supervision (through increasing the number of state-funded faith schools and the number of pupils in them) goes a long way towards ensuring that the curriculum that is taught comes from within the mainstream.

Furthermore, it embeds faith communities far more effectively within the mainstream of society. The denial of simple things granted to other communities – such as state funded education – serves only to inculcate a sense of isolation and unfairness in minority faith communities, who have until very recently not been afforded this opportunity. Permitting the legitimate exercise of identity in small ways such as the schooling of children is a much more effective way to prevent disaffection and to avoid division than denying faith communities this option.

Indeed, the warnings in relation to Bradford and Oldham owe little to accuracy: there were no state-funded minority faith (i.e. non-Christian) schools in either Bradford or Oldham. Similarly, comparisons with Northern Ireland are as inaccurate as they are melodramatic; faith schools are neither a cause nor even an aggravating factor of the cultural divide that unquestionably exists in the province. The fact that no such cultural divide exists between Roman Catholic communities and protestant communities in other parts of the United Kingdom where such schools do exist rather shows up the flaw in this analogy.

Indeed, the story of Catholic education in Great Britain shows rather the opposite story: that increasing education levels – helped by allowing them to set up and attend their own schools – has led to much greater levels of integration. Across the UK, Roman Catholics are now thoroughly within the social mainstream in all walks of life. Encouraging better education by setting up Catholic schools has been a key part of this.

(ii) “Faith schools take pupils out of the education mainstream”

A second argument that is often deployed against faith schools is that they are their pupils are thereby removed from the educational mainstream. They thereby become culturally and religiously “ghettoised”, unexposed to other arguments or viewpoints.

The Liberal Democrats have (again) been prime movers of this argument, with their Education Spokesman Phil Willis telling the NUT conference that:

“We must not stand by and see our children become the fodder for the extreme views of religious fundamentalists or their wealthy backers.”

A response

All faith schools within the state system are, of course, obliged to teach the national curriculum. This of itself is designed to expose pupils to a wide variety of world views, literature and histories. Greater opportunities for minority faiths to participate within the state system can only cement this.

Furthermore, there is considerable evidence that faith schools are far from blinkered in their intake or outlook. Few are anything approaching mono-cultural. Existing Christian faith schools are a case in point. Research by the Catholic Education service recently found that Roman Catholic state schools admit a greater proportion of black African and Afro-Caribbean children than non-faith schools: 2.6 per cent of pupils in Roman Catholic secondary schools are of black African origin, compared to 1 per cent in the rest of the sector, and 2.5 per cent are of Afro-Caribbean origin, compared to 1.3 per cent in other schools.²⁷

Moreover, faith schools perform the crucial task of giving parents confidence in education: by ensuring that children are educated in an atmosphere with which parents are comfortable, it is much more likely that parents will see the merits of education. And, as already noted, education is the great facilitator for entry into the social mainstream.

This is particularly the case in communities – for example, more traditional Muslim communities – where some parents are concerned by the potential for loss of values through mainstream education. By ensuring that they are comfortable with their children’s early education, they are more likely to support their children staying at school longer and proceeding to further or higher education.

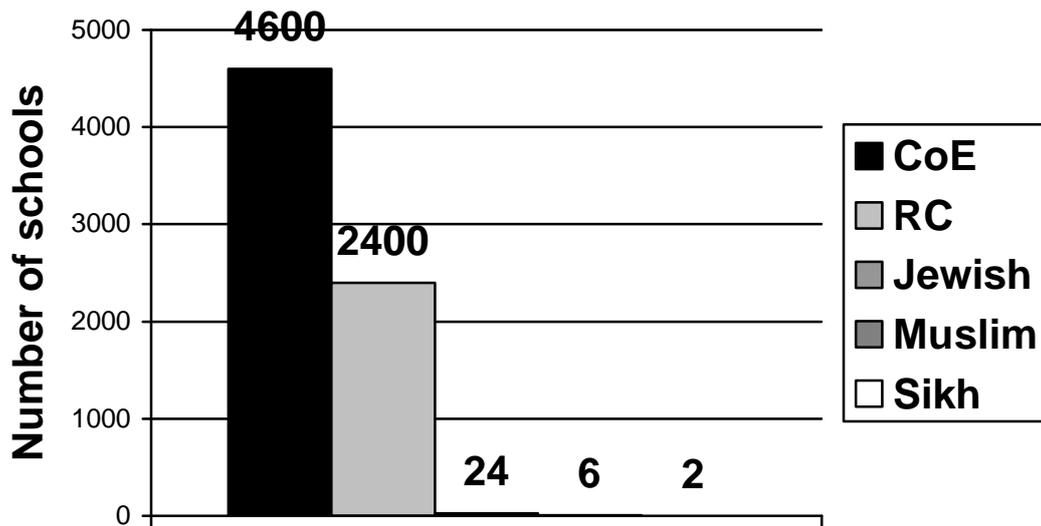
5. MINORITY FAITH SCHOOLS

Until very recently, the concept of a “faith school” in the UK effectively meant a Church of England school or a Roman Catholic School. In the UK at present there are around 7000 faith schools, almost one in three of the total. Of these, the overwhelming majority are from the Christian denominations: about 2,400 are Roman Catholic and virtually all the rest are Church of England schools.

²⁷ See “Faith schools: teaching lessons in tolerance”, *Independent*, 21 November 2002

By contrast, minority faiths have only a tiny number of faith schools within the state system. The Jewish faith has the longest history of faith schooling within the state system, but nonetheless has only 24 state schools. There are only two Sikh state schools, and only six Muslim schools (including Leicester’s Islamic Academy, which is discussed in detail below and which, at the time of writing, still had to clear a final hurdle to acceptance within the state system).

Number of denominational schools



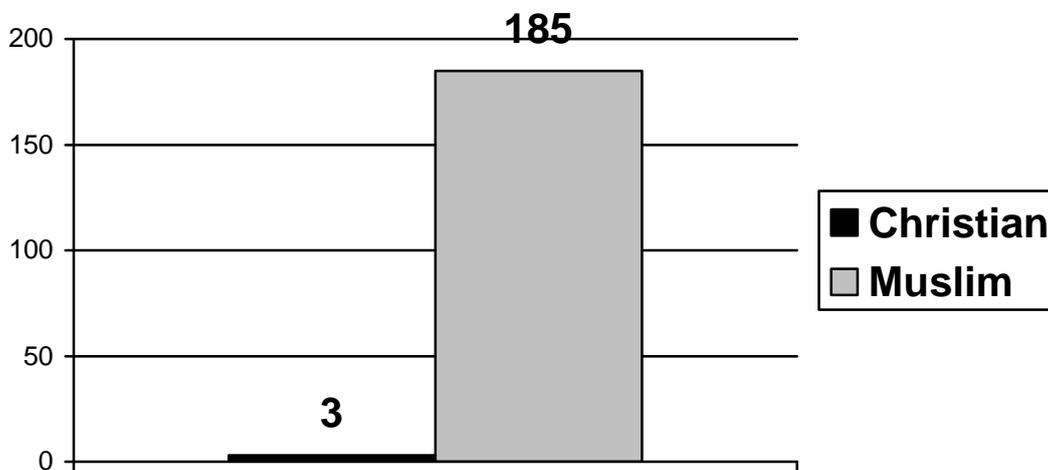
The number of places within these schools – and thus the number of places available to children from these faiths – is similarly skewed. There are around 1.7 million places in the Christian schools – and not many more than 2000 in Muslim schools.

Even accounting for the much smaller numbers of people subscribing to minority faiths, this means that the number of places per child shows no sign of proportion.

The 2001 Census showed that there were approximately 5.1 million Christian children of school age in the UK; it further showed that there were approximately 371,000 Muslim children.

This means that there were three Christian children for every place at a Christian school, compared to about 185 Muslim children for every place at a Muslim school.

Number of children per place in denominational schools



This leaves parents from minority faiths with a woeful lack of choice in their decision as to the type of schooling which is most appropriate for their children. Many parents will feel forced to make the substantial financial sacrifice to send them to independent faith schools. This is a particular burden in inner city areas, where many minority faith Britons live and which are some of the least wealthy areas of the country. Moreover, these schools are less well-supervised and, at times, have patchy standards (although this is not to deny that many have standards which better comparable state schools).

Many of their children will end up in ordinary state schools, to the disappointment of their parents. This is regrettable in itself, and, more alarmingly, may have the unintended consequence described above of causing some parents to withdraw their child from education at the earliest possible opportunity, preventing them from fulfilling their academic potential.

The Government, to its credit, has initiated the first noticeable expansion in the number of minority faith schools this country has seen. Its plans for expansion of the number of faith schools have included Sikh and Muslim schools. However, the process is proving extremely slow and several well-established institutions, with good leadership and well-developed plans have found their way blocked by local opposition or by lack of central funds. For example, the Leicester Islamic Academy, a project which is described in more detail below, found local opposition blocked its way for many years and, when this was finally surmounted and an application for funding was formally made, it was told that the budget had run out and that its application was being refused. Its persistence finally paid off only this year when its application for voluntary aided status was granted.

The slowness of the rate of increase in minority faith schools needs to be addressed. The current ratio of places in minority faith schools to the number of parents and pupils from those minority faith evidences historic systemic discrimination which we are only now beginning to tackle.

With this in mind, the Government should put in place a scheme to fast track plans for minority religion faith schools to state funding. Thus far, it has indicated only that it will consider the applications on the same basis as non-faith school applications. The demand for minority faith schools suggests that this is simply not sufficient. A proactive policy in favour of

identifying suitable schools should be implemented and their applications be given the highest priority.

CASE STUDY

LEICESTER ISLAMIC ACADEMY

Leicester's Islamic Academy finally obtained voluntary aided status in late 2004 (subject to pending confirmation by the local Schools Organisation Committee), becoming only the sixth Muslim school in the country within the state system. This was the culmination of the efforts of the school's parents and staff, the local Muslim community and a number of local councillors, most notably the Conservative Group on Leicester City Council.

The Islamic Academy was founded in 1981 in a room above a local mosque and with only seven pupils. Demand for places was huge amongst Leicester's Muslim community and with the financial support of that community, the school was able to purchase a much more substantial property in 1992 and additional adjoining premises a few years later.

Throughout, the school relied on the support of parents and the Muslim community; it had no state funding and parents were required to support the costs of running the school. Although becoming more prosperous, Leicester is not a rich city, and the sacrifices many parents made were significant.

Attempts to win state funding, though, were blocked by local opposition – including opposition from Labour and Liberal Democrat council members. When the Conservatives came to power in Leicester in coalition with the Liberal Democrats, however, the project was given new impetus, with particular backing from the (Conservative) Cabinet Member responsible for education. The school's first application looked promising, but the school was disappointed when it was told that funds had run out and that it should reapply when they became available again.

In late 2004, the school was finally granted Voluntary Aided Status, making possible a building programme to move the senior school to expand and move to more modern facilities.

Most importantly, it means that most of the school's running costs will be paid by the state; only a relatively small proportion will have to be funded by the community. As a result the school will be able to stop charging fees to parents – offering them at last the same opportunities afforded to Christian children in the same situation.

The school's success has created a huge demand for places. In the last three years, it has achieved 100 per cent pass rates at GCSE level at grades A-C in five or more subjects. This compares extremely favourably with other Leicester schools.

One of the school's key goals is to encourage its pupils to undertake further and higher education – a sector in which many Muslim children, especially girls, have traditionally been under-represented. The Academy has strong links with local further education colleges, including Leicester College as well as the local universities. It has also been active in the setting up of Leicester's Muslim Community College, which offers courses from GCSE level up to degree level (in association with De Montford University). By ensuring that an environment exists in which parents are happy to see their children educated, a higher level of education is thus facilitated.

Finally, the school has also been active in training teachers, to encourage more Muslim teachers. It has set up a special training programme and works in partnership with local universities in order to give them the classroom experience and academic grounding required.

CHAPTER 4

CHOOSING THE BEST

EXAMINATION STANDARDS IN THE UK

POLICY RECOMMENDATIONS:

- Move away from a quasi-universal, government sponsored exam
- Encourage exam providers to differentiate their offerings – some will be “premium exams”, others perhaps more practically based
- The existing exam boards should be in the vanguard of this process

1. A SYSTEM DESTINED TO FAILURE

A-levels were first awarded in 1951. Then, they were considered the “gold standard”, marking out the relatively small proportion of students likely to go on to university. Their natural selectivity meant that even the fact that they were awarded only at “pass” and “distinction” grades did not mean that they were too blunt an instrument to provide the necessary differentiation. The very possession of A-levels differentiated their holder.

In 1963, the examining body introduced a more familiar grading system. This system initially provided that a roughly fixed proportion of each cohort was awarded each grade. Roughly 10 per cent got grade A, 15 per cent grade B, 10 per cent grade C, 15 per cent grade D, 20 per cent grade E and a further 20 per cent a compensatory O-level.

This approach – though far from immune to criticism – did at least mean that it was possible to use the A-level as a tool for differentiating between students. Universities and employers could rely on the achievement of higher grades as a clear pointer that the holder was in the upper percentiles of their peers.

Its claim to relative fairness relied on the assumption that the common standard of achievement did not vary appreciably year upon year. Under such a system there was no incentive to lower standards to encourage better pass rates: pass rates were supposed to be almost exactly the same year on year. This was a structural guarantee of the maintenance of standards.

But flaws in the system are obvious. It may be unfair in a year that contains a particularly high level of achievement, particularly in a subject (perhaps nowadays such as Latin) where a relatively small number of students sit the exam and those who do are above average achievers. Moreover, it has no means of representing rising levels of achievement over time. Should schools succeed in raising the general standard of knowledge or achievement across the cohort – or indeed, if the totality of the student peer group is induced to work harder by societal or other factors – there can necessarily be no reflection of this in the grades achieved. These criticisms were widely taken up within the education establishment.

In 1984, it was recommended that marking should stop using fixed proportions of candidates and change to using fixed proportions of the marking scale. This was introduced in 1987 and was designed to be part of a move towards criterion referencing, where the achievement of certain fixed criteria result in the award of marks. Nowadays, examiner discretion is used to determine the number of marks which will qualify for grades A, C and E, with the remaining grade points determined mathematically between these. All candidates who reach the required number of marks get the relevant grade.

This system seems superficially fairer. Crucially, it seeks to reward achievement rather than differentiate between candidates.

Its greatest problem is that it contains a structural subjectivity and, it seems, a propensity towards grade inflation. The very setting of the criteria against which achievement is assessed or the setting of the marks which constitute the pass mark at each grade is necessarily subjective and prone to inconsistency. This is doubly the case in humanities, arts and social science subjects.

The biggest jump in pass rates arrived with the introduction of the Labour government's new A-level structure in the 2002 exam diet. This followed the introduction of an entirely modular curriculum in 2000 – allowing candidates to take modules over the two year duration of the course (and resit as necessary²⁸) rather than take a single examination at the end of the two years covering all aspects of the course. The A-level was effectively divided into two parts – the AS level and the A2 level.

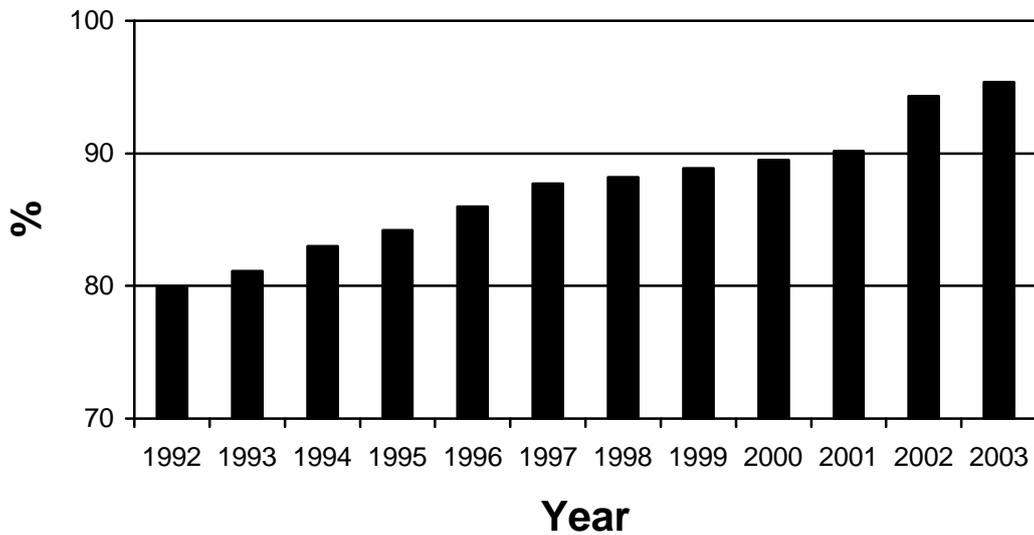
The resulting leap in pass rates in 2002 led to the emergence of a marking scandal, with allegations that some scripts had been deliberately marked down to prevent further controversy about rising pass rates. The Government sacked the head of the QCA, Sir William Stubbs, and instituted the Tomlinson inquiry, the various proposals of which are discussed below.

Inquiries and sackings notwithstanding, the pass rate rose again in 2003, increasing fears that the system is moving rapidly to a 100 per cent pass rate. Moreover, over a fifth of candidates now achieve the highest grade.

The following chart shows the rise in pass rates over the past twelve years:

²⁸ This had similarly been possible under the pre-Curriculum 2000 rules and was introduced for the Curriculum 2000 A-levels in 2003.

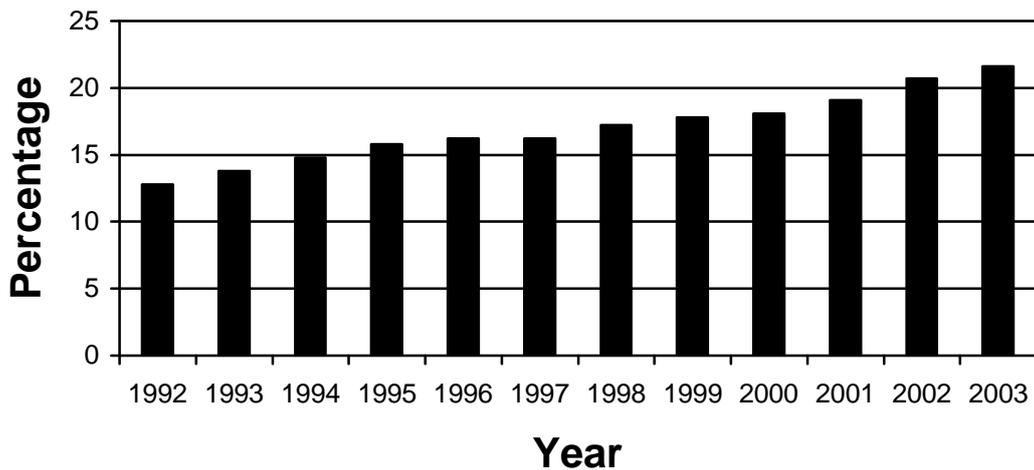
A-level pass rates



Source: Bow Group research

The following chart shows the rise in the percentage of candidates achieving A grade passes:

Percentage of candidates achieving A grades



Source: Bow Group research

Responses to rising pass rates

There are plenty who cheer this rise in pass rates. The responsible Minister, David Milliband, said of the 2003 results that:

“Today is the day we should be celebrating, not falling for the British disease of knocking success.”

The NUT responded in a similar vein:

“Our students and teachers are to be congratulated for their hard work which has led to these outstanding results.”

But others affected directly by the calibre of students emerging from schools and by the difficulties that grade inflation poses have a different view. The two groups most directly affected are employers and universities.

The employer response has been consistent and clear. Following the 2003 results, the Institute of Directors commented that:

“We continue to believe that yet another record breaking year for A-level passes is symptomatic of endemic and rampant grade inflation. Once again we must ask ourselves what do we want from A levels since it is clear that they are becoming increasingly meaningless. They no longer seem to be testing students.”

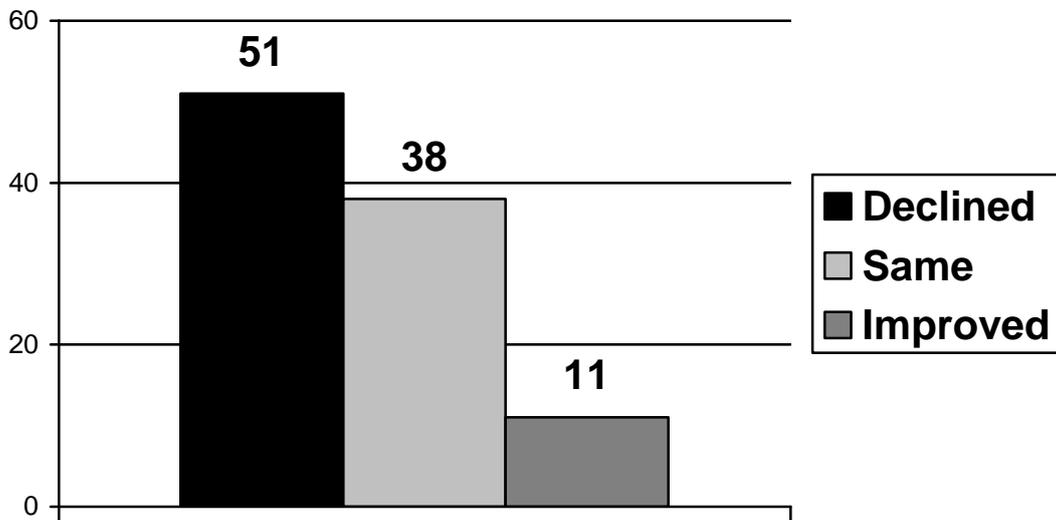
Universities have had a double ration of problems. Not only are they faced with apparently falling standards of entrants – who sometimes even require remedial attention before the traditional syllabus can begin – but they are also faced with a barrage of applicants with identical and impressive A-level results. Differentiating between candidates has become a virtually impossible task.

The Bow Group has conducted an exclusive survey of 100 academics teaching undergraduates at leading²⁹ UK universities to get their view of the calibre of candidates and the exams they have sat before coming to university. The results show the A-level's spectacular decline in credibility.

49 per cent of academics surveyed by the Bow Group said that academic standards amongst university entrants had declined over the past ten years. Only 11 per cent thought that they had improved, notwithstanding Government protestations to the contrary. 40 per cent thought that standards had stayed about the same.

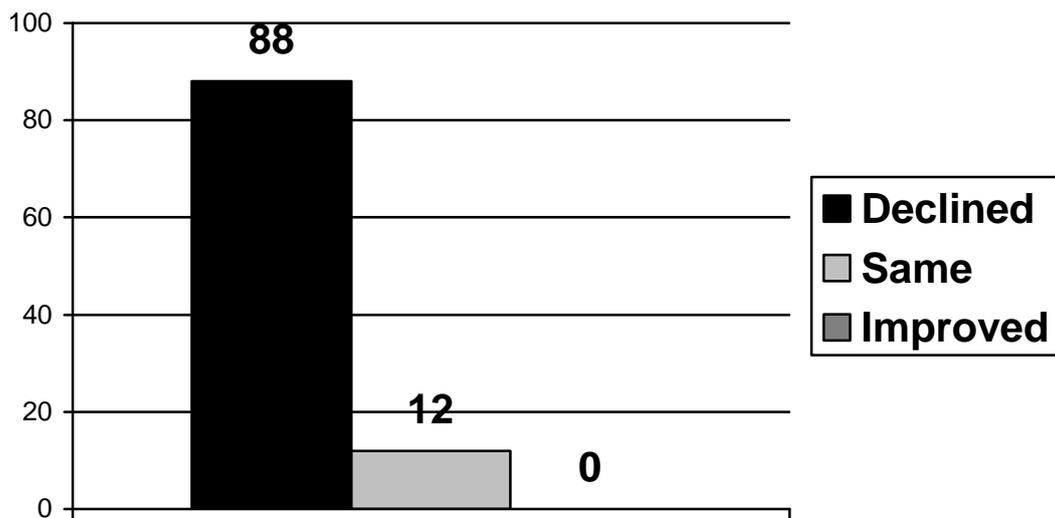
²⁹ All universities surveyed are members of the “Russell Group”.

Perceptions of A-level standards



On the specific question of A-level standards, the results were even more conclusive. Nearly 90 per cent of the surveyed academics stated that the value of an A grade pass at A-level had declined over the past ten years. Not one thought that the value had risen; 12 per cent thought that it had stayed about the same.

Perceptions of A grades



It is these concerns that have led directly to the reintroduction of entrance examinations for popular courses at leading universities. Oxford, Cambridge and UCL have introduced a special examination for aspiring medical and law students. Oxford has introduced similar exams for history and Cambridge for languages. This represents the reversal of the policy of abolishing such exams just a few years earlier – a step that was widely welcomed as removing a block on pupils from underfunded state schools with no history of teaching to an Oxbridge entrance exam. It is an ironic and lamentable consequence of the dumbing down of A-level standards that such exams are now having to be reintroduced.

Perhaps even more scandalously, some universities are now using lotteries to select candidates for popular courses. Last year, Leeds Metropolitan University and Huddersfield University admitted to using such lotteries to select entrants for their physiotherapy course.

2. THE PARTIES' PROPOSED SOLUTIONS

(i) Labour

The Labour Government's response to the crisis in A-level standards was to assign responsibility for sorting it out to the former chief schools inspector, Mike Tomlinson. His first task following the debacle of the 2002 examination results was to certify the soundness of the 2003 results, which he duly did.

His report giving the 2003 results his blessing also contained a number of short term steps to endeavour to make the examination system more robust. These included greater professionalisation of the examination process and the formation of a subsidiary body to oversee exam conduct and modernisation.

These are worthy steps, but fall woefully short of what is needed to deal with the structural tendency of the current examination system to lower standards. The mere formation of a new bureaucracy within the QCA – the National Assessment Authority – to oversee standards merely replicates the current system where a semi-accountable bureaucracy is responsible primarily to political masters for exam results and standards. The QCA, and its sub-agencies, will inevitably remain the target of press and government scrutiny and pressure for their handling of the A-level.

Having completed this task, Tomlinson was then asked to head a committee looking into ways of reforming the 14-19 examination system to ensure that higher standards are delivered. The Report of the committee sets out a plan for a radical overhaul of the examination system.

The Report proposes a Diploma which will extend over the entirety of the 14-19 age range at school, and will operate at a number of levels: Entry, Foundation, Intermediate and Advanced. The proposals owe much to the widely-praised baccalaureate system (in both its French and International incarnations – see below in relation to the latter). It purports to incorporate (like the baccalaureate) elements outside the purely academic, such as “an extended project or personal challenge”, participation in “wider activities based on personal interest”, “contribution to the community as active citizens” and “experience of employment”. It also purports to integrate fully the vocational and academic strands into a single structure.

This is undoubtedly an ambitious scheme which seeks to draw on many of the (often conflicting) strands of thought on what a 14-19 qualification should look like.

This is the scheme's first weakness: it seeks to be all things to all men. It purports to provide more academic rigour at the same time as equalising the status of the academic and non-academic. It purports to promote a qualification that will be more highly valued at the same

time as bringing all pupils, no matter what their level of capability, within the same diploma structure.

Furthermore, it seems likely to involve further considerable upheaval in schools. The past twenty years have seen a string of attempts to reconfigure the examination system – most recently the remoulding of the old A-level into AS and A2 components. Tomlinson acknowledges that while the new system will in some areas be able to draw on the old, in other areas whole new curricula and arrangements will have to be put in place. This counts strongly against his proposal.

Most importantly, though, the proposal fails to address the real reasons for the systemic failure in the examinations structure. A new quasi-universal, government-sponsored exam is just as likely to be subject to the same pressures to lower standards as the existing A-level. There is nothing in the proposals which gives any worthwhile guarantee of standards that does not already exist. Given that it was a controversy over standards which led to the initiation of his first inquiry, it is disappointing indeed that his second seems to have failed to address the issue properly.

Curiously, however, having commissioned the report, the Government now seems to be resiling from its conclusions, with a decision to retain GCSEs and A-levels but simply to introduce a new top grade at A-level, much like the A* grade at GCSE.

This is nothing more than a short-term solution, and not a very good one at that; in truth, it does no more than devalue A-grades. Already, at GSCE, a string of A-grades is seen as second best; the same process is inevitable at A-level were this approach to be taken. Moreover, it is no more than a sticking plaster solution. If the process of levelling down continues apace, the time will come when even an A* grade ceases to differentiate candidates.

Indeed, Mike Tomlinson himself regards this sort of sticking plaster solution as inadequate: speaking just before the Government's announcement he said:

"I'll be very upset if all it is is a wrap around existing qualifications because all it will be is a bureaucratic waste of time."³⁰

The Government has already introduced a variant on this in the "Advanced Extension Awards", which are intended as a supplement to A-levels to stretch the top 10 per cent of the cohort. Although this is a better system than the nonsensical A* grade, it seems to have failed to catch on. Only a few thousand candidates have been entered for it, and a Bow Group survey of university admissions departments revealed low levels of enthusiasm for the qualification.

(ii) Conservative Party

The Conservative Party recently abandoned its previous policy of making the QCA "wholly independent", recognising perhaps that this failed to tackle the real cause of the problem. In a speech in October of last year, Michael Howard commented that:

"The QCA has become too ardent a defender of every aspect of the present system. That has undermined its position as a credible referee. To give it independence now, when it has lost people's faith, would be wrong."³¹

³⁰ Recorded in debate on Teachers TV channel.

³¹ See also the speech by Tim Collins, Shadow Education Secretary, on 28 February 2005.

This is a good step in the right direction. Michael Howard also promised that he would scrap the rules which hinder state schools from offering alternative qualifications such as the International Baccalaureate. Again this is much to be welcomed.

However, it leaves open the problem of how wide a choice schools really have of alternative qualifications. This is discussed in greater detail in Section 3 below.

(iii) Other suggestions

A number of other proposals have been made to stem the decline in standards. For example, some have suggested the creation of a single examination board in England and Wales. Superficially, this seems sensible. One of the most oft-voiced criticisms of the existing multi-board system is that it encourages a “race to the bottom”, with schools selecting the easiest paper available from the various examination boards in order to improve their results. At A-level, studies have shown that pass rates for a single paper can vary by up to 7.7 percentage points between examination boards.³²

However, the creation of a single examination board would create as many problems as it solves. It would leave in the hands of one single body the day-to-day (as opposed to supervisory) responsibility for keeping up standards. Moreover, given the well-publicised failures of various examination boards, creating a super-board in charge of all exams seems likely to exacerbate rather than clear up the administrative problems. Finally, the example of Scotland shows that a single examination board is no guarantee of the maintenance of standards. The annual debate on falling standards (recently coupled with the sort of overhaul of the examination system currently being envisaged by Labour) is equally fraught north of the border and the complaints of employers and universities are equally forthright.

Most importantly, the creation of a single examination board in England & Wales would be a thoroughly retrograde step in the light of the choice agenda.

Of course, as noted above, it is argued that offering a choice of examination board leads to nothing more than the “race to the bottom”. This is mistaken. Choice contains the makings of the solution to the structural problem afflicting examination standards in the UK, as the next section explains.

3. A CHOICE SOLUTION

The International Baccalaureate

One of the most striking side effects of the decline of A-level standards has been the parallel rise of the International Baccalaureate (IB) in the UK. Virtually unheard of outside specialist international schools for the children of diplomats a few years ago, it is now increasingly the qualification of choice for universities and is offered by more and more schools.

The IB is administered by the independently-run International Baccalaureate Organisation based in Geneva. Its qualifications are offered in schools across the world. Students for its diploma programme must study a broad range of subjects as well as undertaking philosophical study and community work. Their subjects (in the UK) must include English, a second language, mathematics, a science and a humanities subject. In addition, students must undertake 60 hours of community work.

³² It is well known that pass rates vary substantially between the different examination boards. A study of GCSE English results in 2001, for example, found the following pass rates: Welsh Joint Education Committee 56.4 per cent; AQA 57.1 per cent; Edexcel 60.5 per cent; OCR 67.3 per cent; Northern Ireland Council for the Curriculum, Examinations and Assessment 67.3 per cent.

The rise of the IB epitomises the effectiveness of choice in education provision. In precise parallel with the decline in A-level standards, schools have shifted to an alternative qualification that offers, in their eyes, a better deal for their students.

It represents quite the opposite phenomenon to the alleged “race to the bottom” mentioned above: it is a gradual move to the top – to a more rigorous and more broadly based qualification.

Moreover, the nature of the IB provides the sort of structural guarantee of standards that the A-level lacks. The political pressures on the A-level – no matter how independent the quango regulating it may be – arise from its quasi-universal nature. The fact that almost every state school in the country uses the A-level makes it inevitable that it will be a political plaything for governments determined to display rising pass rates as evidence of education policy success.

The independence of the IBO is, of course a crucial factor in the maintenance of standards. So is the fact that it is a cross-border qualification. But most important is the fact that its very appeal relies on the rigour of its standards. Schools have chosen it precisely because it represents a more impressive and worthwhile qualification. If that advantage is eroded, schools will simply leave the programme. This is a structural guarantee of standards.

Universities have been amongst the first to recognise this. Admissions tutors are inevitably going to be impressed by prospective students who hold skills across a wide range of subjects as well as the capacity to think at a philosophical level about what they are doing and some real life experience from their community work.

Indeed, it now appears that admissions tutors actively prefer students who hold the IB as opposed to A-levels. In a survey of admissions tutors conducted by the IBO, 57 per cent said that they believed that IB students were better able to cope with their degrees than A-level students. Only 3 per cent said that A-level students had the advantage.

This is a striking indictment of A-levels. And given the nature of the schools who make up the IB roll call, it shows how badly the A-level system is failing the majority of school students in England and Wales – those who cannot afford to go to a school offering the IB.

Notwithstanding its broadening popularity, a large majority of IB schools in the UK are independent or selective schools. Of the 58 schools currently in the programme, 27 are independent. Another five are selective. Nine more are further education colleges. Four are other specialist schools (e.g. international schools). Only 13 – 22 per cent of them – are ordinary non-selective state schools (and that number includes state-financed city technology colleges, specialist language schools, etc).

Pupils from these schools are gaining a crucial edge over pupils from ordinary state schools up and down the country who are forced to go through the devalued A-level system. This is highly unfair.

A wider range of choices

But simply adopting the IB universally or – worse still – adopting a nationalised equivalent as seems to be proposed by the Tomlinson report – is not sufficient to provide the range of choice that will offer a structural guarantee of standards.

The best guarantee of high standards would be to encourage a range of examination providers to market their offerings. Already, as noted above, there is a choice of examination boards in England and Wales. However, the choice between these is a false one, since schools and students gain no credit for selecting the more difficult examination.

This is a missed opportunity. Examination boards should be encouraged to differentiate their offerings, with some offering a “premium” product, with schools wishing to stretch their pupils

taking these on and the students getting appropriate credit when applying for jobs or universities. Others might offer a more practically-based course and examination, with more hands-on work and less theory. The Edexcel A-level would be a different beast to the OCR A-level, and would be marketed as such.

The need to maintain these reputations and attract schools and students to the exams would provide the structural guarantee of standards which is lacking in the current universalised system.

A recipe for confusion?

The one merit of a universalised system, of course, is simplicity. In part this is a false simplicity, since the veneer of universal standards, as we have seen, hides the varying standards on offer underneath.

Moreover, there is no evidence that universities or employers would be unable to cope with a number of differentiated examination standards. Universities already welcome applicants with a huge range of international qualifications and major employers are similarly aware.

Indeed, universities themselves provide the perfect example of a successful differentiated system. No employer (and no student) believes, for example, that a first class degree from Luton University is worth the same amount as a first class degree from Oxford University, even though the name is the same. Here, the nonsensical political fiction that all degrees are the same has been replaced with a universal recognition that some are better than others.

The pecking order is well known but subtle. Some universities are well known for excellence in some subjects and not in others. Some (often newer universities) are known for producing graduates with excellent practical or business skills. And there is considerable mobility within the rankings, with universities set up in the 1960s now rated as some of the most impressive in the UK.

The same should be true of school qualifications.

Of course, if examination providers felt able to launch new qualifications, they should feel free to do so. The Scottish Qualifications Authority, moreover, should be encouraged to market its Highers to English schools on the same basis. Providers from the US should be encouraged to enter the market. Universities may choose to get together to create an examination that suits their needs³³. But crucially, in all cases, the government should stay out of the process. It should not seek to universalise qualifications, or to promote one at the expense of others. Schools should be offered a wide range of qualifications for their students and should be encouraged to select the most appropriate.

League tables

Others may complain that a multiplicity of examination boards will make it impossible to produce meaningful league tables of schools. It is true that universal league tables will no longer be meaningful if, say, the Edexcel A-level is a substantially different qualification to, say, the OCR A-level.

However, the differentiation of A-levels could bring about the more intelligent appraisal of examination result (and of schools) for which many have called for years. The simplistic ranking of schools according to their A-level points, without regard to their social

³³ It would be in the universities' interests (and more equitable) to recognise qualifications other than this exam for the purposes of entrance; however, such a qualification could easily be marketed on the basis that it was sufficiently rigorous that admissions tutors would regard it as a strong qualification.

circumstances or other features of the school, has always been a limited exercise (as this paper argues elsewhere). This is not, of course, to say that, the information is without use or should not be published. It remains essential that parents have access to the fullest information on the standards in local schools. But the grade information is just part of a broader picture of the school which parents and others need to appreciate.

Where A-levels are differentiated, it becomes necessary to look behind the bald figures to see what they really say about the school. Some schools may decide that it is appropriate for their students to sit non-premium exams; their results may be commensurately higher (and the school may choose to “market” itself to parents on this point). At another local school, they may have chosen to put their students through more challenging exams; their pass statistics may not be as good as they might otherwise have been, but their pupils are gaining a more respected qualification. This more subtle appraisal of the standards in a given school will require the taking into account of other factors which show the real achievements of a school, not least the level of university entrance – as well as its approach to other features of school life such as excellence in music, sport or industry links, which will give its pupils a more valuable experience.

School choice

This system will not work without proper school choice. It would be conspicuously unfair if by fluke of geography, local parents were forced to send their children to a local school which offered unsuitable exams for their children. This paper, as already noted, advocates school choice wholeheartedly.

The type of examinations offered should be another factor in the differentiation of schools that is now being encouraged by Labour and Conservatives alike. Some may choose a more practically based curriculum and a more practically based exam. Some may choose more academically rigorous exams. Some may, indeed, choose to market themselves on obtaining higher pass rates in “non-premium” exams.

The crucial feature is that parents must be offered the choice of the system most suitable for their children. And this means that they must be offered proper school choice.

CHAPTER 5

THE INFORMATION AGE

SCHOOL TESTS AND LEAGUE TABLES

POLICY RECOMMENDATIONS:

- Reinststate school tests for 7, 11 and 14 year olds throughout England, Wales, Scotland and Northern Ireland
- Add data to published league tables to show performance adjusted to the social circumstances of the school

1. THE CONSERVATIVE COUNTER-REVOLUTION

The late 1980s and early 1990s saw a counter-cultural revolution in education across the UK. The Education Reform Act 1988 introduced huge reforms designed to redress the balance in education towards rigour, objectivity and learning. Years of pandering to the education establishment was brought to a controversial – but well merited – end.

This change – which was largely accepted by New Labour in its early years in office – is now being undermined by stealth. The public sector interest-dominated devolved administrations have surreptitiously rolled back some of the most important reforms which enable parents to know how well their child is being taught.

Even the New Labour government in Westminster has begun to cave into the teaching unions, which have never accepted the reforms. This process of backsliding should be halted by action at Westminster and in the devolved bodies, with a single guiding principle informing

that pressure: that parents have a right to know how the school they send their child to is performing and what their child is achieving there.

2. HISTORY

The changes that were put in place by the Conservative government had three strands: the national curriculum, national tests for under 16s, and publication of school test results (as well as GCSE and A-level results). Education Secretary, John Patten, told *The Times* that he was “consigning to the dustbin of history” a system which “denied parents the right to know how schools are performing and prevented them from making informed choices about where they want their children educated”.

The national curriculum initially caused huge trouble, with attempts to impose a massive curricular superstructure falling at the first hurdle. A later slimmed-down version has now bedded in.

The other two strands, though, have been controversial throughout their lifetime. Both league tables and national tests have been the subject of continued protest by teaching unions and other members of the educational establishment.

The introduction of national tests for under 16s

National tests for under 16s were introduced gradually. Tests for 7 year olds were introduced in 1991; those for 14 year olds were introduced in 1992; and those for 11 year olds were introduced in 1993.

The tests have evolved over time. For example, they were originally conceived as having a rather larger element of classroom testing, integrated into the normal work of the pupil. This proved easier said than done, and was abandoned. Similarly, plans for marking of the tests by teachers and IT tests for 14 year olds both fell foul of the excessive workload argument.

As currently constituted, the tests cover mathematics and English for 7 and 11 year olds, with the addition of science for 14 year olds.

At regular intervals, the tests have been threatened with boycotts from the teaching unions, but, having initially opposed the proposals strongly, Tony Blair’s government pledged to retain them on coming to office. Indeed, the government embraced them by setting targets for pass results and by introducing “voluntary” supplementary tests at ages 12 and 13.

The targets were set by David Blunkett in 1997, with the aim of having 80 per cent of 11 year olds reach the required standard in English and 75 per cent in maths by 2002. Mr Blunkett said at the time that he would resign if the targets were not met. Fortunately for Mr Blunkett, he had moved on to the Home Office by the time it became clear that the targets would be missed. His successor, Estelle Morris, took the flak for him, and eventually felt pressured into resigning. Subsequent targets for 2004 were also missed.

Labour’s gradual abandonment of national tests

It may be the failure of the tests to provide the scores the government wants which has led to the start of a process of backsliding by the Department for Education and its counterparts in Scotland, Wales and Northern Ireland.

England

In England, opposition to national testing has been led by teaching unions such as the NUT and the NASUWT³⁴. Last year, the Government began to cave in to their demands, with little-heralded changes to the testing regime for 7 year olds.

Previously, parents were given two sets of information on their child's performance at age 7: the subjective assessment of the teacher and the mark obtained by the child in the national tests (an objective standard). Under the Government's new plans, only the former will be provided to parents, robbing them of an objective criterion against which to assess their child's (and the school's) performance.

The tests themselves are to be altered to place more emphasis on work done throughout the year (itself no bad thing, but again potentially robbing the assessment of objective validity) and with more flexibility on timing and assessment procedures.

Unsurprisingly, this was welcomed by the teaching unions. But the Government was defensive about the changes (perhaps recognising that it had clearly sacrificed the interests of parents for those of teachers). Stephen Twigg, the Schools Minister, told the press that:

“There are no plans to extend this approach to Key Stage 2 and Key Stage 3 where it is important for schools and parents to have information on a child's performance through objective, nationally benchmarked tests for ages 11 and 14.”

The Minister nowhere explained why exactly the same considerations do not apply to children at age 7. Indeed, early diagnosis of difficulties – or early notice that the school is not working for a particular child – is of arguably more assistance than later diagnosis.

The Government's changes were based on a pilot analysed by researchers from Leeds University. The study showed that most parents were happy to receive only the teacher's assessment rather than the additional test score. However, the raw data from the research in fact shows that a large proportion of parents were unaware of the fact that they could request or had a right to know their child's test score as well.

Scotland

Even more so than Labour in Westminster, the Labour-led Scottish Executive in Edinburgh is in hock to the public sector, union-led interests that oppose testing and league tables.

This is no surprise. Analysis of the backgrounds of Scottish Labour MSPs shows that a startling number have public sector or trade union backgrounds. The number with private sector backgrounds, by contrast, is remarkably small.

It is no surprise, then, that the Executive has decided to abandon tests as previously understood and abandon the publication of league tables of school results. In 2003, the Executive announced that it would stop publishing league tables of results, and instead would provide “more meaningful information” rather than “simplistic league tables”. In fact, following protests, results are provided for each school on an Executive website, “Parentzone Scotland”, though anyone wishing to compare results for local schools must plough through multiple pages to discover the information.

Indeed, the unwieldiness of the system was recently borne out when an admissions officer from Cambridge University said that Scottish students from weaker schools were not getting the credit they deserved under a scheme to take their school's relative performance into account when allocating places. The difficulty of getting hold of information on the school's

³⁴ See also Reed, J. & Hallgarten J., *Time to Say Goodbye? The Future of School Performance Tables*, IPPR (2003)

relative performance meant that admissions tutors were not able to check on the applicant's academic background.³⁵

Testing seems likely to be undermined with the abandonment of traditional test and the proposed introduction of "more effective, pupil-focussed assessment procedures". It is yet to be seen how these will operate in practice.

Wales

The Labour-led Welsh Assembly had already pushed down the road to abolishing league tables by the time their Scottish counterparts started. In 2001, one of the earliest acts of the Assembly was to end the publication of league tables for secondary schools, described by Education Minister Jane Davidson as "divisive and placing an unnecessary burden on schools". League tables for primary schools in Wales were never introduced.

Results are now only published in each school's prospectus, meaning that any parent wishing to compare local school results must go even further to obtain the information and that public scrutiny of school performance is substantially lessened.

Northern Ireland

One of the first acts of Northern Irish Education Minister (as he then was), Martin McGuinness, was to abolish the publication of league tables in the province. Again, they are now provided only in school prospectuses.

3. THE VALUE OF NATIONAL TESTS AND LEAGUE TABLES

Accountability

The first major benefit of objective, comparable results and their publication in easy to understand format is that it brings greater accountability for schools.

Clearly, accountability for schools can be achieved in many ways. They are accountable to local education authorities and ultimately to central government, and by means of school choice – however limited this is at present – to parents who can choose to send their children to another school. League tables are at the heart of enabling parents to do this. And parents do make use of them. Research for the Government's London Challenge Unit showed that for parents sending their children to schools in a different borough, the showing in league tables was the most important reason.

Accountability by means of the publication of test scores is not, admittedly, the most sophisticated way of securing this goal, but it is a useful one. Elsewhere, this book makes the case for a more subtle reading of league tables and the consideration of a wide range of factors when making an assessment of a school. To the extent that they advocate this, politicians of all colours are correct; they are also right to say that the information provided in league tables can sometimes be crude.

However, the right of parents to see such information and to take it into consideration when choosing the best school for their children means that wherever possible, such data should be published – along with a wide range of other information on each school. Putting it in league table format means that it is easy to access and relatively easy to understand. The blocks put in the way of this by politicians in Scotland, Wales and Northern Ireland serve only to limit the

³⁵ "Scottish pupils lose out on Cambridge places", *Scotsman*, 18 January 2004

accountability of schools and hamper the legitimate desire of parents to see full information on local schools.

Diagnosis

The purpose of tests at 7, 11 and 14 is rather different from the purpose of the national exams at 16 and 18. The latter are primarily designed as signalling devices: to show to employers, colleges and universities that the student is a worthwhile candidate and has achieved a particular level. For these exams, the crucial point is that the signal given out by the results is a meaningful one, as these results will remain on a student's curriculum vitae for life.

Tests at 7, 11 and 14 are, by contrast, primarily diagnostic in nature, designed to check whether pupils are on the right road towards achieving good results at 16 and 18. For these exams, the key point is that they show whether the student is making progress by comparison with his cohort such that success in later exams is likely. Where progress is not being made, steps can be taken.

It is for this reason, that the policy proposals for each level are rather different. Elsewhere in this book, we propose that a wide range of competing providers should be able to enter the "market" for exams at the current A-level standard (or thereabouts). The same may well be true of GCSE standards (which are similarly devalued). More providers are necessary at this level because the current standards have become so debased that they no longer act as the necessary signalling device. Any state-sponsored, quasi-universal examination is likely to suffer the same fate and thus fail in its goal of effectively signalling the ability of the student.

At earlier stages, by contrast, the requirement that students and parents be able to diagnose emerging problems places a premium on the objective nature of the standard. A wide variety of standards, whether by virtue of competition between test providers or by virtue of subjective, teacher-led assessment, undermines this and makes diagnosis significantly more difficult.

4. REVISING AND REVIVING LEAGUE TABLES

The great criticism of league tables is that they are sometimes unfair to schools. Although there are notable exceptions to the rule, schools in good areas tend to do well in league tables and schools in poorer areas tend to do less well. The tables, say critics, do little more than represent the social league table of the UK.³⁶

Advocates of league tables have resisted this criticism with the comment that poverty should not be an excuse for underachievement. That, of course, is correct. And there are certainly plenty of schools which do punch above their weight. But there is no doubt that schools which do well with a difficult set of students may nonetheless find themselves further down the league table than schools in good areas which are no more than coasting. While the raw data will correctly represent the schools' achievements and act as a diagnostic tool for students and parents, the accountability of each is hampered by the dissimilarity of their student body.

The Government has attempted to go some way towards addressing this by introducing the "value added" measurement. This attempts to grade pupils' progress from a baseline assessment upon entering the school to their current level of achievement. Those schools whose pupils make the most progress score highest.

³⁶ See, for example, Lupton R., *School Quality, Free Schools Meals and Area Deprivation: Reading Between the Lines*.

This is not without merit, but it has major problems. Most particularly, even the Government has admitted that the value added assessment tends to exaggerate differences between schools. Moreover, the methodology for value added assessment is as long as it is baffling, undermining the value of the yardstick.

A better – or at any rate additional – measure, then, needs to be found: one which bolsters school accountability and fairly represents a school's achievements. The National Audit Office has called for a fairer comparison of schools taking into account social and cultural factors which affect a school's likely performance. Its research showed that, taking the relatively crude proxy of free schools meal entitlement as an indicator of poverty and adjusting the results for this, only 272 of the 621 schools in the bottom 20 per cent of league tables remained in that bottom sector when these factors were taken into account³⁷.

Of course, these factors are rather subjective, and, for the moment, rather crude. Free school meal entitlement in particular is a common but very blunt instrument for the categorisation of schools according to social circumstances.

Much greater work needs to be done on the creation of a measure of deprivation which will allow the creation of a more accurate gauge of a school's achievement relative to its peers. A large range of factors including family educational and employment backgrounds should be considered and adapted into a measure of social difficulty which could be used to rate a school's achievements more fairly. The DETR and now the Office of the Deputy Prime Minister have been working on a measure of relative deprivation, known as the Index of Multiple Deprivation. The factors included in the index are:

- Income
- Employment
- Health and disability
- Education, skills and training
- Barriers to housing and services
- Living environment
- Crime

Each ward can then be ranked to show its relative level of deprivation. One possibility would be to use this measure, using the ward in which the school was located or, better, the wards from which it drew pupils as a measure of the social circumstances of the school. A better, but more complex option (particularly given that this paper advocates the abolition of the notion of a school's catchment area) would be to create a different but similar index based on the particular parental statistics of the school.

When such a measure has been developed, adjusted data should be provided – in addition to the raw data – in order to allow schools to be held accountable for their performance, and to give parents a more accurate guide to the relative performance of local schools.

Restoring access to information

Moreover, the Conservatives in Scotland and Wales should be explicit in their commitment to reintroducing league tables to allow parents to have easy access to information about their children's school. Moreover, they should be committed to national tests at 7, 11 and 14 on a

³⁷ See NAO, *Making a Difference: performance of maintained secondary schools in England (2003)*

rigorous and objective basis, to give parents confidence that their child is performing as well as he or she should and that his or her school is performing as it should. Conservatives in England should commit themselves to the reintroduction of vigorous and independent tests for 7 year olds, with full information on results being provided to parents – alongside a teacher's assessment of performance.

CHAPTER 6

PLACES OF LEARNING

SCHOOL DISCIPLINE

POLICY RECOMMENDATIONS:

- Better information needs to be collected on discipline and attendance
- The professional standards for qualifying teachers should be altered to bring discipline to the fore
- Widespread use of non-teaching staff in dealing with discipline and attendance issues
- Abolish independent appeals panels

1. A WORSENING PROBLEM

Good discipline and attendance are key to all other aspects of a school's operation. Without good standards of discipline, no school can expect its teachers to be able to teach effectively, nor can a school hope to implement its broader policies and strategies for improvement with any degree of success. A school without discipline, where teachers and pupils alike are afraid to attend, will inevitably struggle with truancy, poor staff retention and an overall failure to deliver achievements and improvements.

It is alarming, therefore, that much current debate revolves around other aspects of education policy, while the issue of school discipline receives relatively little attention. Not only is there a problem with discipline in our schools, there is a *worsening* problem: a problem both of incidence and severity.

2. DISCIPLINE IN SCHOOLS TODAY

Discipline levels and standards of behaviour are not easy to measure. There is an element of subjectivity, absent from more straightforward calculations, such as the changes in national examination results, in judging how well or badly behaved our schoolchildren are. Furthermore, we can only place a limited amount of confidence in those few official figures which are available (on truancy, etc.), because direct evidence from practising teachers suggests that they are influenced by government targets and pressure to show improvements.

A cursory glance at the available evidence might suggest that there are no major discipline problems in our schools. According to Her Majesty's Chief Inspector of Schools, most behaviour in schools is good for most of the time.³⁸ Behaviour was judged to be good in nine out of ten secondary schools. Official figures show relatively low and stable levels of truancy, and the number of exclusions has fallen since a peak in 1996/7.

These superficially reassuring figures belie a more sinister reality. Strikingly, if nine in ten schools in England have good standards of behaviour, what about the 10 per cent of schools which do not maintain good standards? Good standards of behaviour are essential to effective learning, so it appears that fully 10 per cent of children are likely to be being deprived of a good education. More fundamentally, the official stance on three key areas of school discipline – truancy, exclusions and assaults – looks absurd when compared to the position as adumbrated by pupils and teachers.

Official figures may show relatively low and stable levels of truancy, but according to surveys of young people the levels are far higher. Whilst official Department for Education and Skills (DFES) figures showed a slight rise in levels of unauthorised absence in 2003/04 to 0.73 per cent, a MORI poll conducted in early 2004 revealed an increase in the percentage of pupils who admit truanting from 22 per cent in 2002/03 to 26 per cent in the year 2003/04.³⁹ The problem of truancy and its increasing incidence has been massively underestimated.

Exclusion numbers are sometimes cited as a measure of behavioural standards. The number of permanent exclusions from schools has fallen by a quarter since 1996/97,⁴⁰ suggesting a large improvement in behavioural standards. The rate of exclusions is not a reliable measure of behavioural standards in schools, however, because of the influence of Government targets and pressure to reduce exclusions. Labour imposed stringent yearly targets for cutting exclusions upon coming to power in 1997, targets which remained in place until 2000, when they were dropped in response to pressure from increasingly desperate headteachers.

In response to the fall in exclusions, Education Minister, Ivan Lewis, said,:

“We are getting the balance right, helping teachers to improve behaviour in the classroom and backing their authority when pupils’ behaviour warrants exclusion.”⁴¹

³⁸ *The Annual Report of Her Majesty's Chief Inspector of Schools 2002/03.*

³⁹ According to a poll of 4,715 youngsters aged 11-16 in 192 schools, leaked to *The Independent*.

⁴⁰ <http://www.dfes.gov.uk/trends/index.cfm?fuseaction=home.showIndicator&cid=3&iid=12>

⁴¹ DFES Press Release, 27 May 2004

But, conversely, John Bangs, the National Union of Teachers' (NUT's) Head of Education, said local authorities were putting schools under pressure not to exclude badly behaved pupils, in order to improve the figures. His view was that:

'The worsening of behaviour is the flip side of having fewer exclusions.'⁴²

One manifestation of the worsening of behaviour in our schools is an increase in the number of assaults by pupils on teachers, a particularly disturbing type of misbehaviour.

The DfES does not collect information about assaults on teachers; it seems not to have realised the scale of this problem. But teaching unions have noticed it. For instance, in 1998, the Association of Teachers and Lecturers dealt with 34 cases of assault; in 2001, they dealt with 120.

In the North West, the National Association of Schoolmasters Union of Women Teachers (NASUWT) found that in the space of nine days in January 2003 there were 964 incidents of abuse in 304 schools, including 126 physical assaults, 62 sexual insults or threats and nine cases of racist abuse.⁴³ The abuse started with four-year olds, though most offending children came from secondary schools.

NASUWT figures suggest, in fact, that a teacher is assaulted every seven minutes⁴⁴. The NASUWT has explained that staff are deterred from reporting assaults because of paperwork, or for fear that the incident will reflect poorly on them, suggesting that abuse may be more prevalent than even these figures suggest.

Some of the most serious incidents of assaults on teaching staff do make the headlines, and make sobering reading. In November 2004, for instance, the press reported that a primary school head teacher was admitted to hospital after being attacked in the classroom. Her attacker was a eight year-old boy.

A report commissioned by the NUT shows that the issue of most concern to teachers today is poor pupil behaviour.⁴⁵ Even when not suffering actual assaults, many teachers feel ill-equipped to deal with worsening behavioural issues, and are concerned that they are having to devote too much time to disciplinary matters rather than being 'allowed to teach'. It is hardly surprising, therefore, that schools are finding it more and more difficult to recruit and retain good teachers.

CASE STUDY

ALAN

Alan is a young teacher at a school in North London. The school is in a difficult area but is not the worst of its kind.

Two years ago, Alan was teaching a lower ability mathematics set which contained a number of difficult pupils. One of those pupils had previously been suspended from school for verbally abusing teachers and repeatedly disrupting classes. Another had been transferred from another school following serious bullying allegations. A significant number of pupils were repeatedly absent from class for no good reason.

⁴² "Teachers battling to do job", *BBC News Online*, 27 May 2004

⁴³ The survey looked at 304 primary, secondary and special schools between January 20 and January 31.

⁴⁴ NASUWT, 3rd April 2003.

⁴⁵ Of the staff questioned for the NUT survey, 155 listed 'poor pupil behaviour' as one of the main five barriers to effective teaching. Researchers spoke to 230 teachers at over 60 secondary schools.

Alan understood the challenge of teaching a group of pupils like this one: it was never going to require the same skills as teaching a top set. But he was confident that he was up to the job.

After two months of teaching the class, however, he was seriously assaulted by one of the pupils, requiring hospital attendance. Alan received the full support of other teachers and of his headteacher, and the pupil responsible was expelled from the school.

However, the pupil's parents appealed and the exclusion order was overturned by the local appeals body. The pupil returned to the school and continues to disrupt classes.

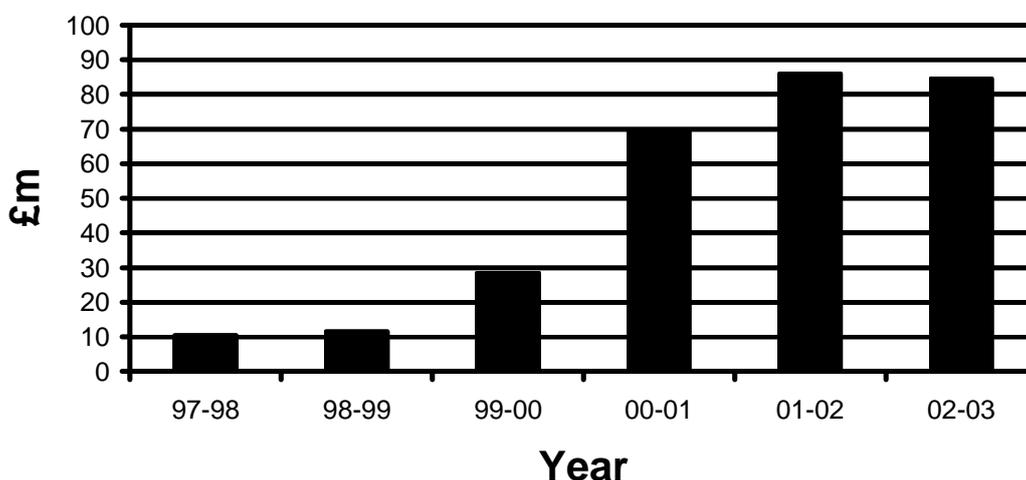
3. THE GOVERNMENT'S APPROACH

Labour's 1997 manifesto promised little besides the piloting of new Pupil Referral Units (PRUs).⁴⁶ PRUs are educational establishments, in many ways similar to schools that cater for children with a range of problems, often linked to poor attendance or bad behaviour; there are now 455 such units in England.

The manifesto made no other definite promises, merely saying that 'teachers will be entitled to positive support from parents to promote good attendance and sound discipline.'

In fact, Labour have vastly increased spending on school discipline, as the following graph shows⁴⁷:

Amount spent on discipline and attendance initiatives



⁴⁶ *New Labour, Because Britain Deserves Better*, 1997, The Labour Party.

⁴⁷ Hansard, 15 December 2003. The Standards Fund has been the main channel for this funding. The table shows relevant DfES grants to LEAs made through the Standards Fund or its predecessor from 1997-98 to 2002-03. It excludes LEA contributions.

These huge sums are now channelled via the Government's Behaviour and Attendance Strategy, which was launched in 2002. The strategy involves many measures intended to improve discipline, the principal ones being locating Learning Support Units (LSUs) in all secondary schools; establishing Behaviour and Education Support Teams (BESTs) to help vulnerable students and their families and tackle problems of behaviour and truancy; instigating behaviour improvement programmes in urban areas with high levels of street crime; developing a police presence in schools; and implementing a proposal that parents of persistent truants face an on-the-spot fine or imprisonment.

These measures have been introduced to varying extents and with varying degrees of success. There are around 1000 LSUs in the country at present, in schools which are part of the Government's EiC initiative. BESTs, which provide whole school, group and individual support, have been introduced in targeted areas of the Behaviour Improvement Programme (BiP), which is itself a part of the Behaviour and Attendance Strategy.

There are currently 100 police officers in schools in High-Crime police force areas, mostly in LEAs running BiPs. The last two years have seen the introduction of on-the-spot £100 fines and fast-track prosecution of parents. This has resulted in around 7500 prosecutions of parents each year, around 80 per cent of which result in guilty verdicts.

City-centre 'truancy sweeps' have also been introduced to pick up children who should be in schools, implemented by partnerships between Police Forces and Education Welfare Officers.

Local Education Authorities (LEAs) are obliged to maintain and fund an Independent Appeals Panel, through which parents can appeal against the permanent expulsion of their child from a school. Each panel consists of 3-5 volunteers, a chair, one or two school governors (from other schools) and one or two school headteachers (from other schools).

The LEA is nominally responsible for the training of these volunteers, but is not actually obliged to provide any training at all. The panel hears a parent's appeal, alongside any evidence pertaining to the case, and must judge on the balance of probabilities whether the expulsion was justified according to legal guidelines. They then have the power to reinstate an excluded pupil whose exclusion is found to be unjustified. In the academic year 2002/2003, there were 1074 appeals, 21.1 per cent of which were resolved in favour of the parent.

A misguided approach

The Government has poured a large amount of money into its Behaviour and Attendance Strategy and is intending to increase spending further to around £500m over three years. Such huge sums ought to be resulting in correspondingly impressive improvements in schools. These improvements have not materialised, as evidenced in the first section of this chapter.

The ATL's view, representing the opinion of many of the country's teachers, is that the Government is fundamentally wrong in its approach to behaviour in schools, and that 'pragmatic, reactive, and sometimes desperate top-down solutions' are not the way forward.⁴⁸ They say that the Government's Behaviour and Attendance programme has generated vast amounts of paper. Teachers find that they spend more time completing forms than addressing behaviour issues with the pupils concerned. The organisation complains that the Government's tendency towards 'heavy-handed centralism' is counter-productive.

The Government's new, but rather covert, policy is similarly unhelpful. It is drawing up admissions agreement with all schools requiring them all to take their "fair share" of disruptive pupils excluded from other local schools. This policy punishes schools with good standards

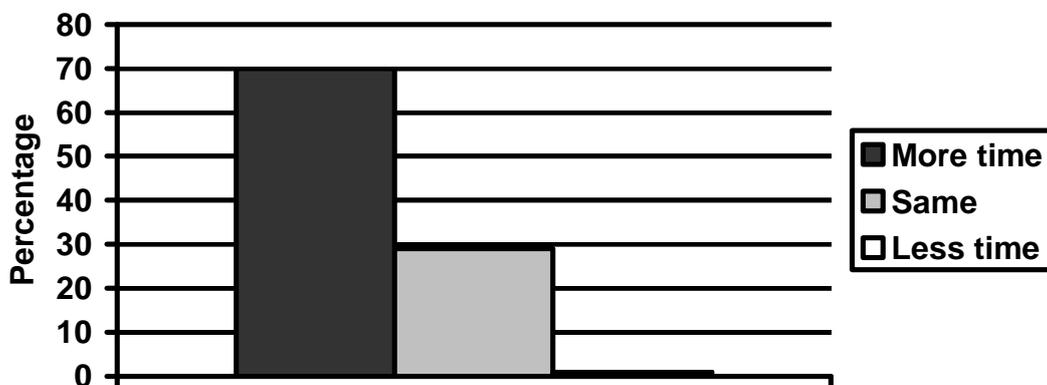
⁴⁸ *Learning, Teaching and Behaviour*, ATL Position Statement, 2004.

of discipline and serves merely to move the problem around from school to school. In a piece of shoddy politics, the new Education Secretary, Ruth Kelly, recently decided that the policy's implementation would be delayed until 2007 – after the general election.

Pouring ever-increasing amounts of money into improving attendance and behaviour through centralised schemes is clearly not the way forward while headteachers are still hidebound by central diktat like this. Not only do these schemes seem to have little success, they also generate vast amounts of red tape and waste public money.

The Bow Group has conducted an exclusive survey of headteachers to establish their views of discipline in schools today.⁴⁹ 70 per cent of respondents stated that they now spend more time on discipline issues than they used to. Only 1 per cent said that he or she spent less time.

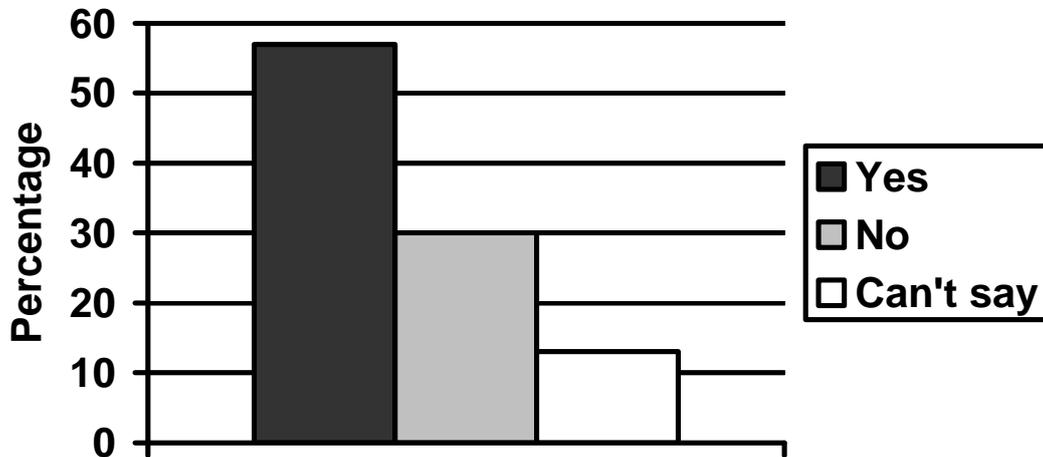
Amount of time spent by headteachers on discipline issues



When asked whether they believed that indiscipline was now a serious problem in British schools, the results were similarly worrying. 57 per cent believe that it is so. 30 per cent stated that it was not. 13 per cent were unable to say one way or the other.

⁴⁹ The Bow Group conducted the survey of a group of 100 headteachers (discounting those who did not wish to respond) drawn from a range of maintained schools in different areas of the country and with different social backgrounds and levels of exam performance. See also the survey conducted in Scotland by the Scottish Executive: Munn, P., Johnstone, M. & Sharp, S., *Discipline in Scottish Schools: Final Report*, 2004

Is discipline a serious problem in UK schools today?



The results confirm that there is a serious problem which is being underestimated by the Government.

3. ALTERNATIVE APPROACHES

(i) *Conservative Party*

The Conservatives have recognised the importance of school discipline, with Michael Howard including it in his five “key priorities”⁵⁰. The Party is certainly attaching considerable significance to the problem.

The Conservative Party wants to give more control to those on the ground. With regard to discipline, the party intends to place greater trust in schools and headteachers to choose their own policies on behaviour and attendance.⁵¹ Shadow ministers want to abolish independent appeals panels, granted the power to overrule exclusions decisions by Labour in 1998, allowing heads and governors the final say on exclusion decisions. They have also called for the legal enforcement of home/school behaviour and attendance agreements.

The abolition of independent appeals panels would be an important step towards restoring power over disciplinary matters to headteachers and schools. The forced inclusion of children with serious behavioural problems in mainstream schools is damaging to the education of many other children. The maintenance of appeals panels is an expensive and bureaucratic way of undermining the authority of school management.

The legal enforcement of home/school behaviour and attendance agreements would be in some ways an extension of the current system of prosecution for parents of persistent truants, whereby parents would be liable for a wider range of misdemeanours on the part of their children.

The aim of making parents more accountable for the actions of their children is a laudable one. At present, however, home-school agreements are not suited to legal enforcement.

⁵⁰ Conservative Party Conference, October 2004.

⁵¹ See *No Child Left Behind*, 2002, Conservative Party.

Each school has its own individual agreement, and most of them include requirements that could not be legally enforced.

CASE STUDY

KELSEY PARK SCHOOL, LONDON

At Kelsey Park School in London, whose home-school agreement is published on the DfES website, pupils are required to 'work to the best of [their] ability at all times', and parents are required to 'ensure [their child] is properly prepared each day to take part in the life of the school'.⁵²

Another problem is that a legal enforcement of home-school agreements would leave schools dangerously open to prosecution from parents, as the agreements require headteachers to sign for the school's commitments. Disgruntled parents who decided that their children had not, for instance, been 'valued or respected as individuals', might consider taking legal action against the school for this.

Encouraging parents to play an active part in controlling their children's behaviour remains an important part of good practice in schools.

But it would be more beneficial to look towards the legal enforcement of parenting contracts. These contracts set out the responsibilities of parents of children who have truanted or been excluded and are, at present, voluntary.

They are more specific in their requirements – which address both attendance and behaviour – than the generalised home/school behaviour agreements and are signed only by the parent (not the school). The NASUWT has said that they do not believe parenting contracts 'have any impact where parents become aware that they may not be subject to legal enforcement'.⁵³

It is not certain, however, that prosecution of parents would be as effective a means of improving behaviour as it may be hoped to be in improving attendance. There are many reasons why children misbehave in schools, and there are many reasons why some parents fail to control their children's behaviour. Children may have diagnosable problems which cause them to misbehave, such as Attention Deficit Disorder, and parents might be well-intentioned but unable to cope with their children due to personal reasons such as illness.

We already have prosecution for parents who fail to send their children to school regularly; to introduce it for children who cause problems *whilst at* school – other than for offences which are already punishable via the courts, such as assault – would be impractical and might even prove to be counter-productive by alienating families from the education system.

Encouraging parents to tackle their children's behavioural problems will remain an important part of good practice, but schools must be prepared to bare the brunt of responsibility for managing what happens during the school day.

Recently, the Conservatives have proposed the establishment of a network of "Turnaround Schools" to replace the current PRUs. Unruly pupils will have to remain at these schools – which will emphasise strict discipline, basic writing, reading and arithmetic, with lessons in social behaviour and civic values – until they can earn a certificate stating their behaviour has been changed.

⁵² <http://www.standards.dfes.gov.uk/parentalinvolvement/pdfs/Kelsey.pdf>

⁵³ *Consultation on the Education-Related Provisions Included in the Anti-Social Behaviour Bill*, published on the NASUWT website.

It is hard to imagine how these schools could operate practically. To take a large number of badly-behaved children and place them all together in one school looks like a potential recipe for disaster. Children would be much more likely to learn from each other how to wreak havoc than the importance of civic values.

To have any chance of success, the schools would need to be staffed by teachers of the highest quality. When one considers the difficulty normal schools that struggle especially with discipline problems have when it comes to staff recruitment and retention, Turnaround Schools – where every child has a serious discipline problems – seem unlikely to succeed in recruiting the calibre of teachers they would need. Finally, the patronising notion of earning a certificate to show a transformation in behaviour seems more likely to turn children off, not around.

(ii) Liberal Democrats

In contrast, the Liberal Democrats appear to have surprisingly little interest in school discipline. They (rightly) oppose Government targets for reducing school exclusions, saying that schools must have the freedom to deal with discipline as is appropriate to the child and the school. Such a policy would, in practice, lead to a rise in exclusions, given headteachers' current unhappiness about pressure not to exclude pupils.

Yet, at the same time, the Liberal Democrats believe that 'individual behaviour plans' should be introduced for problem children as they believe exclusion orders make the pupil feel more of an outcast – the clear implication is that they are opposed to exclusions on principle.

It is evident that, as many headteachers maintain, exclusion is the only viable response to some children's behaviour; 'individual behaviour plans' would be useless in many instances.

4. PROPOSALS FOR CHANGE

(i) Better information on behaviour and attendance

There is an urgent need for better information about this problem. The MORI poll of youngsters strongly suggests that official figures on unauthorised absences massively underestimate true levels of truancy. More accurate data is needed. Schools must be relieved of Government pressure to minimise the number of unauthorised absences. There should be a 'truancy amnesty', in which schools state what they believe their true truancy levels to be. Surveys, like the one conducted by MORI, should also be used by the DfES.

The DfES must begin collecting data on the number and severity of assaults by pupils on teachers. They need to be aware of the scale of this problem. The data should be collected by surveys of teachers and not by asking schools to report incidents of abuse, given that teachers tend not to report most incidents.

(ii) The Professional Standards against which newly qualified teachers and teacher training providers are assessed should be altered to bring classroom and behaviour management to the forefront

Teachers are the people who have to deal with pupils, be they well- or badly-behaved, every day. Those teachers who are able to maintain order and good standards of behaviour in the classroom have the greatest success in educating their pupils. Teachers who are unable to maintain good standards of discipline are as limited in the classroom as those who know nothing about the subject they are teaching. The ability to maintain good standards of discipline is in part related to the personality of the teacher, but, importantly, it can be taught and learnt as well. Good, comprehensive training in the handling of disciplinary matters is imperative.

A survey of 10,200 newly qualified teachers who trained during 2001/02 found that 86 per cent rated their training as having been either good or very good. Of the three areas which

they suggested should be treated as priorities by the Teacher Training Agency (TTA), however, one was 'helping newly qualified teachers establish and maintain a good standard of discipline.' Similarly, an on-line opinion poll conducted by Behaviour UK, to which 522 teachers responded, found that 'the perception amongst teachers today is that little help or advice was given to prepare them for actual pupil behaviour problems when they entered the classroom.' It is clear that our newly qualified teachers have not received the training they need to deal with real-life discipline problems.

Neither the TTA nor the Department for Education and Skills can dictate the content of teacher training courses to the providers (universities, etc.). Instead, control is exerted via 42 professional standards, established by the DfES, which new teachers must achieve before beginning teaching. At present, only one of these standards relates directly to behaviour management:

2.7 They know a range of strategies to promote good behaviour and establish a purposeful learning environment.⁵⁴

Even this standard is inadequate. Shouldn't our teachers demand and enforce rather than merely 'promote' good behaviour? Other standards relate to curricula knowledge, ICT use, lesson planning, etc. Incredibly, within the section 'Teaching and class management', none of the standards relate directly to behaviour management.

This must change. Teachers who are unable to manage classroom behaviour effectively will be unable to implement their other teaching skills and to establish a productive learning environment.

'Discipline' should be added as a separate sub-division of the standards, within 'Teaching', and it should specify several standards that deal with the establishment and maintenance of discipline, and with the management of insupportable or dangerous behaviour.

Teacher training providers who produce teachers who are unable to meet these more rigorous requirements will then be obliged to increase their commitment to training teachers in behaviour management. More confident and more competent new teachers will then be able to enter, and control, classrooms as a result.

(iii) Widespread use of non-teaching staff in tackling non-attendance and behaviour problems

Teachers do not have time to follow up every unauthorised absence, or enquire into the circumstances of authorised ones. They should also be spending less time dealing with behavioural problems and more time teaching effectively. Some schools have begun using non-teaching staff in dealing with all these matters, to good effect. Administrative staff can be put in charge of registering pupils in the morning and after lunch. Where pupils are absent, these staff can then immediately begin to follow up the reasons for absence by telephoning pupils' homes, etc., which is impossible for teachers once lessons have begun. The staff can then alert the school authorities, or social services and the police when necessary, if an absence is suspicious. They can be trained to offer advice to parents of absent children as to how to integrate them back into school on their return (especially when absences are sustained).

Non-teaching staff should also be used in maintaining good discipline in schools. A body of appropriately-trained staff, perhaps university students comparable to the 'surveillants' that work in French schools, should be used to patrol school grounds during break times, and to administer detentions or other punishments. They should be kept on call to help deal with classroom incidents. This will offer a degree of relief to teachers and allow them to continue with lessons.

⁵⁴ The standards are published on the Teaching Training Agency web site at www.tta.gov.uk.

CHAPTER 7

SKILLING UP

KEY SKILLS AND VOCATIONAL EDUCATION

POLICY RECOMMENDATIONS:

- Reform apprenticeships
- Stop promoting one vocational qualification above others – allow a genuine market in qualifications to develop
- Radically simplify the system for supporting and funding training

1. THE NEW LABOUR VIEW OF LEARNING

New Labour values education primarily for instrumental reasons. In particular, education is held to facilitate economic success. Tony Blair has stated that “Our number one priority for investment is education...Brainpower, skills and flexibility...are the key to competitiveness. For the nation as a whole, it means shifting from a low skill average to a high skill average” and away from an economy “built on mass manual labour, with little premium on higher skills”.⁵⁵

This is a narrow and impoverished view of education. In fact, education has a purpose and value for its own sake. Reading Tolstoy’s *War and Peace*, learning how to play a musical

⁵⁵ Cited in Alison Wolf, *Does Education Matter?* (Penguin Books, 2002).

instrument and taking part in a school play are all of value in their own right. These activities and others like them are intellectually enriching, they broaden the mind and they enable one to appreciate life more fully.

Additionally, education should also play an important role in transmitting the values, identity and culture of our society from one generation to the next. It is in studying the plays of Shakespeare, learning of the history of the British Isles and in acquiring a religious education that we gain an understanding of the past, acquire a sense of belonging and appreciate the values that underpin our society.

This is not to say that the delivery of education should be so abstract in practice that it is effectively divorced from the needs of society. In principle, education should also prepare individuals for participation in society at large and for employment. The education system should equip individuals with a good general education, the basic skills that are needed in the workplace and ensure that they are capable of being trained by employers. At the very least, the education system should enable people to read, write, do arithmetic and have basic IT skills.

The purpose of education, then, is not simply a means to improved national economic performance. Indeed, the connection between education and economic growth is ambiguous. Certainly, increases in expenditure on education will not ineluctably lead to improved economic performance, not least because of the panoply of other factors influencing economic growth.⁵⁶

Nor by itself will a skilled workforce inevitably result in business success. Nevertheless, education does enhance individual employability and productivity and consequently can contribute to economic growth.⁵⁷ Accordingly, the education system should provide pupils and students with the basic skills that are necessary for future employment. In contradistinction to New Labour's perspective, though, education should not be justified overwhelmingly on economic grounds.

2. BASIC SKILLS – A NATIONAL FAILING

Although the education system should ensure that all pupils leave school with basic skills, this objective remains stubbornly elusive. In fact, far too many people in the UK leave school with a lack of basic qualifications and skills.

A fifth of the adult population is functionally illiterate and innumerate.⁵⁸ Over a third of the working age population in the UK have either no qualifications or qualifications below Level 2 (five or more GCSEs at A* - C, an intermediate GNVQ, NVQ Level 2, or an equivalent qualification).⁵⁹ Just 53 per cent of the UK workforce holds a Level 2 qualification, whereas 82

⁵⁶ See Alison Wolf, *op cit.* (Penguin Books, 2002). Other things being equal, it is arguable that spending on education in a country with low levels of income and rates of literacy is likely to have more of a positive effect on economic growth than spending on education in an advanced industrialised economy. This is because an advanced industrialised economy will already have a relatively large supply of educated human capital. See D. H. Aldcroft, *Education, Training and Economic Performance 1944 – 1990* (Manchester University Press, 1992),.

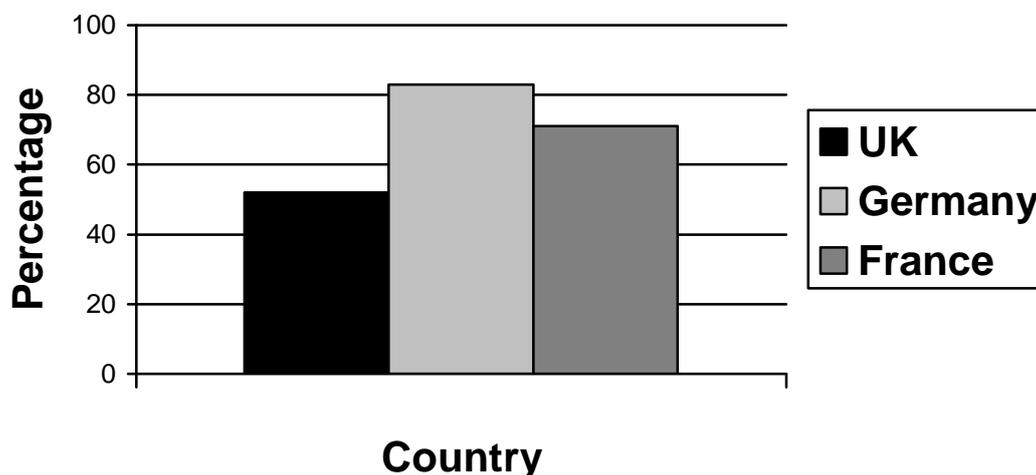
⁵⁷ Alison Wolf, *op cit.* (Penguin Books, 2002). See also Kelly, "Education Plays a Strong Part in Growth, says OECD" (*Financial Times*, June 14th 2001), *Education at a Glance: OECD Indicators* (OECD, 2001) and *Productivity in the UK: Enterprise and the Productivity Challenge. The Government's Strategy for the Next Parliament* (HMT/DTI, June 2001). *Opportunity for all in a World of Change* (Department of Trade and Industry and Department for Education and Employment, 2001, cm 5052).

⁵⁸ *Improving Literacy and Numeracy – A Fresh Start* (Report of the Working Group chaired by Sir Claus Moser, Department for Education and Employment, 1999, Ref: CMBSI). See also, *Second Report of the National Skills Task Force. Delivering Skills for all* (Department for Education and Employment, 1999).

⁵⁹ *The Skills and Productivity Challenge. A Summary of the Evidence Base for the SSDA's Strategic Plan 2003-2006* (Sector Skills Development Agency, 2003).

per cent of the German workforce and 71 per cent of the French workforce hold a similar qualification.⁶⁰

Percentage of adults holding Level 2 or equivalent qualification



Similarly, only 38 per cent of the UK workforce has a Level 3 qualification (two or more GCE A Levels, an advanced GNVQ, NVQ Level 3 or similar qualification), while 73 per cent of the German workforce possesses an equivalent qualification.⁶¹

3. VOCATIONAL EDUCATION IN PERSPECTIVE

At the same time, Britain has failed to develop an adequate system of vocational education. A series of reports published in the second half of the nineteenth century lamented the failings of scientific, industrial and technical education in Britain when compared to arrangements in other nations.⁶²

Measures to redress the situation proved to be inadequate. Acts of Parliament were passed in 1889, 1918 and 1944 that empowered local authorities to create vocational educational institutions. Unfortunately, although some progress was made, overall on each occasion the efforts of local authorities proved to be disappointing. This was partly because they lacked sufficient financial resources for the task at hand.⁶³

⁶⁰ Cited in *14-19: Extending Opportunities, Raising Standards* (Department for Education and Skills, February 2002, Cm 5342). The UK and French data refer to 1998, whereas the German data is based on 1997 figures.

⁶¹ *Ibid.*, p. 9. The UK figure is based on data from 1998, the German data from 1997. The proportion of the French workforce holding a qualification equivalent to a Level 3 qualification is on a par with that of the UK, standing at 38 per cent (data from 1998).

⁶² See Michael Sanderson, *Education and Economic Decline in Britain, 1870 to the 1990s* (Cambridge University Press, 1999).

⁶³ See, for example, Correlli Barnett, *The Audit of War* (Macmillan, 1986). See also Sanderson, *Education and Economic Decline in Britain, 1870 to the 1990s*. However, Sanderson does point out that there were improvements in the provision of technical education over the period between 1870 and 1914.

As a consequence, before the outbreak of World War Two, for the age group 13-16, England and Wales had just 214 technical, junior commercial, trade and nautical schools with a total of 30,000 full time pupils, compared to 1,233 full time training colleges in Germany in 1937 with 138,000 students.⁶⁴ At the same time, Britain had proportionately only half as many people between the ages of 16-21 in full time vocational education as Germany.⁶⁵ Likewise, following the 1944 Education Act only half the local authorities required to set up technical schools actually did so, with the result that at their peak only 3-5 per cent of the school population attended technical secondary schools.⁶⁶

As a result of deficiencies in the provision of vocational and technical education, the UK has turned out a low proportion of vocationally educated children. By the end of the 1980s, two thirds of school leavers had no “worthwhile vocational qualifications”.⁶⁷

As recently as 2001 Advanced Modern Apprenticeships,⁶⁸ part of the Government’s flagship vocational programme, only accounted for 20 per cent of the eligible youth cohort, while 70 per cent stayed on in full time education and the rest either entered employment, became unemployed or did not participate in any ‘official’ post-compulsory education pathway.⁶⁹

Moreover, until comparatively recently, British employers failed to give adequate priority to formal, accredited training programmes. Correlli Barnett argues that self-taught, practical men, who had learnt their skills on the job, successfully pioneered Britain’s industrial revolution. This experience gave many employers the perspective that there was little need to recruit people with qualifications or provide formal accredited training for their employees.⁷⁰

Reports produced by the Board of Education in 1908-9 and by the Balfour Committee on Industry and Trade in 1929 both observed that the demand by employers for employees with technical qualifications was limited.⁷¹ Indeed, in 1918 the Federation of British Industries even opined that “a large percentage of children were incapable of benefiting by education beyond the elementary stage”.⁷² Generally speaking, in the inter-war period many employers took the view that individuals learnt on the job and so they preferred their employees to be at work, rather than participating in part-time training that led to qualifications.⁷³

In broad terms, this neglect of accredited training on the part of employers continued into the post-war period. In 1962, the Ministry of Labour reported that “Much [training] is barely

⁶⁴ Barnett, *op cit.*

⁶⁵ *Ibid*, p. 204. See also Correlli Barnett, *The Verdict of Peace. Britain Between Her Yesterday and the Future* (Macmillan, 2001). European countries, such as France and Germany, made better provision for technical training and vocational education than Britain in the 19th and 20th centuries, but they too suffered from deficiencies. See W. B. Stephens, *Education in Britain 1750-1914* (Macmillan Press Ltd, 1998).

⁶⁶ D. H. Aldcroft, *Education, Training and Economic Performance in the UK 1944-1990* (Manchester University Press, 1992). See also Barnett, *The Audit of War*, and Barnett, *The Verdict of Peace. Britain Between Her Yesterday and the Future*.

⁶⁷ Aldcroft, *op cit.*

⁶⁸ Following reforms announced in May 2004, Advanced Modern Apprenticeships are now known simply as Advanced Apprenticeships.

⁶⁹ A. Fuller and L. Unwin, “Creating a ‘Modern Apprenticeship’: a critique of the UK’s multi-sector, social inclusion approach”, *Journal of Education and Work*, 16:1, 2003.

⁷⁰ Barnett, *The Audit of War*, and Correlli Barnett, *The Lost Victory* (Macmillan, 1995). On the lack of emphasis placed on training by employers, see the discussion in Sanderson, *Education and Economic Decline in Britain, 1870 to the 1990s*.

⁷¹ Barnett, *The Lost Victory*, and Barnett, *The Audit of War*. See also Alison Wolf, *Does Education Matter?* (Penguin Books, 2002) and Sanderson, *Education and Economic Decline in Britain, 1870 to the 1990s*.

⁷² Barnett, *The Audit of War*.

⁷³ *Ibid*, p. 210. See also Paul Robertson, 1974 “Technical Education in the British Shipbuilding and Marine Engineering Industries 1863-1914”, *Economic History Review*, 27, No. 2 May (1974) and Sanderson, *Education and Economic Decline in Britain, 1870 to the 1990s*.

adequate and some definitely unsatisfactory. Many firms do not make adequate use of facilities for technical education".⁷⁴ Indeed, in the 1950s and 1960s, one third of young people went into employment where no significant training was provided.⁷⁵

The neglect of training continued into the 1980s. In 1981 the Manpower Services Commission asserted that "Training is not given enough priority in Britain".⁷⁶ In 1987 there was no systematic training for over half the workforce and less than one third of employers had a training plan or budget dedicated for training purposes.⁷⁷

As a consequence, Britain has tended to turn out a relatively small proportion of vocationally trained people in comparison to other industrialised countries. In 1988, 26 per cent of the country's workforce had intermediate vocational qualifications, compared to 40 per cent in France and 64 per cent in Germany.⁷⁸ As late as 2000 it was reported that just 27 per cent of the UK workforce had vocational qualifications at Level 2 compared to 41 per cent of the French workforce and 58 per cent of the German workforce. At Level 3, only 17 per cent of the UK workforce held vocational qualifications, compared to 52 per cent of the German workforce.⁷⁹

In addition to a weak system of vocational education and a lack of commitment to formal accredited training programmes by employers, participation levels in post-compulsory education in the UK have historically been low compared to some other industrialised countries.

In 1937, only a fifth of the 80,000 children in England and Wales who proceeded from elementary school to secondary school stayed on until the age of eighteen – half the proportion of their German counterparts.⁸⁰ Even today, participation rates in education beyond the age of 16 are poor in comparison to other countries.

In a league table of participation rates for 17 year olds, the UK came 25th out of 29 OECD countries. In fact, one in four 16-18 year olds abandoned education and training at the end of 2000, a figure notably higher than the OECD and EU averages.⁸¹ However, this does represent an improvement on past performance: in 1978 56 per cent of 17-18 year olds in the UK were not participating in either education or training, compared to just 21 per cent in West Germany.⁸² Using a different measurement, 88 per cent of 15-19 year-olds in Germany were in education and training in 2001, compared to 72.5 per cent of the same age group in the UK.⁸³

⁷⁴ Cited Wolf, *op cit*.

⁷⁵ Aldcroft, *op cit*. See also Barnett, *The Verdict of Peace. Britain Between Her Yesterday and the Future*.

⁷⁶ Cited in the consultation document, *A New Training Initiative*, quoted in Wolf, *Does Education Matter?*.

⁷⁷ Aldcroft, *op cit*.

⁷⁸ Ibid.

⁷⁹ *Skills for all: Research Report from the National Skills Task Force* (Department for Education and Employment, 2000). The data for the UK and for France is from 1998, that for Germany (the former Bundesrepublik) from 1997. The workforce refers to those aged 16-64 (UK women 16-59). At Level 3, the UK's position was superior to that of France, where only 12 per cent of the workforce held vocational qualifications.

⁸⁰ Barnett, *The Audit of War* and Barnett, *The Verdict of Peace. Britain Between Her Yesterday and the Future*.

⁸¹ *14-19: opportunity and excellence* (Department for Education and Skills, 2003). The relatively low participation rate in education and training amongst 16-18 year olds in the UK may be partly explained by the fact that there is no statutory requirement for them to do so. By way of contrast, in both The Netherlands and parts of Germany there is a legal requirement to attend at least part time education once compulsory schooling has been completed. See *14-19: Opportunity and Excellence. Annexes*. However, this alone does not explain the low participation levels amongst 16-18 year-olds in the UK.

⁸² Aldcroft, *op cit*.

⁸³ *14-19: opportunity and excellence. Annexes*.

The high drop out rate amongst school pupils from education and training is probably due to a combination of factors including: an assumption that leaving school at 16 is natural; disaffection with study at school and a preference to be at work; financial circumstances; and poor advice.⁸⁴ Relatively low rates of participation in education and training in the post-16 phase probably has the effect of leaving the UK with a comparatively less skilled workforce in relation to many other OECD countries.

4. NEW LABOUR'S APPROACH TO VOCATIONAL EDUCATION

In general terms, the Government's strategy for improving basic skills and vocational education has been threefold. Firstly, it has sought to raise qualification attainment levels. Secondly, it has aimed to provide help to small firms to engage in training. Thirdly, it has worked to promote training amongst the low skilled. Objectively speaking, these are all positive developments, although some of the detailed aspects of policy in these areas could be improved.

(i) Measures to improve qualification levels

The Government gave a commitment in 2003 to provide free tuition for any adult without a Level 2 qualification as part of its strategy for raising qualification attainment levels. This decision was essentially right, given the fact that seven million adults in the workforce are not qualified to this level.⁸⁵ Adults qualified to Level 2 will typically improve both their employment and training opportunities.

However, it might have been more sensible if the guarantee of free tuition to Level 2 was specifically for certain courses. In particular, the priority should be to ensure that individuals are qualified to Level 2 in English and mathematics. Basic literacy and numeracy skills are crucial to many forms of employment and are vital for further progression in education and training.

The Government has also sought to help adults gain Information and Communication Technology (ICT) skills as a third basic skill alongside literacy and numeracy through the *Skills for Life* programme. Again, this approach is entirely welcome. ICT skills are increasingly important in many different aspects of life, including employment.

As noted earlier, a relatively small proportion of the UK workforce is qualified to Level 3 in comparison with some of our competitors, for example, Germany. This gap needs to be narrowed if skill shortages and skill gaps are to be ameliorated.

In 2003 the Government pledged to increase support for individuals to get a Level 3 qualification at technician, higher craft or associate professional level in areas of sectoral or regional skill priority is a positive development.⁸⁶ However, adults who are already qualified to Level 3 and who are interested in studying for further qualifications at or below this level will be expected to pay higher fees at Further Education Colleges.

This is reasonable. Adults in the UK contribute comparatively little to the expense of their own learning. According to the Organisation for Economic Co-operation and Development (OECD), just 19 per cent of British people undertook education and training that they paid for

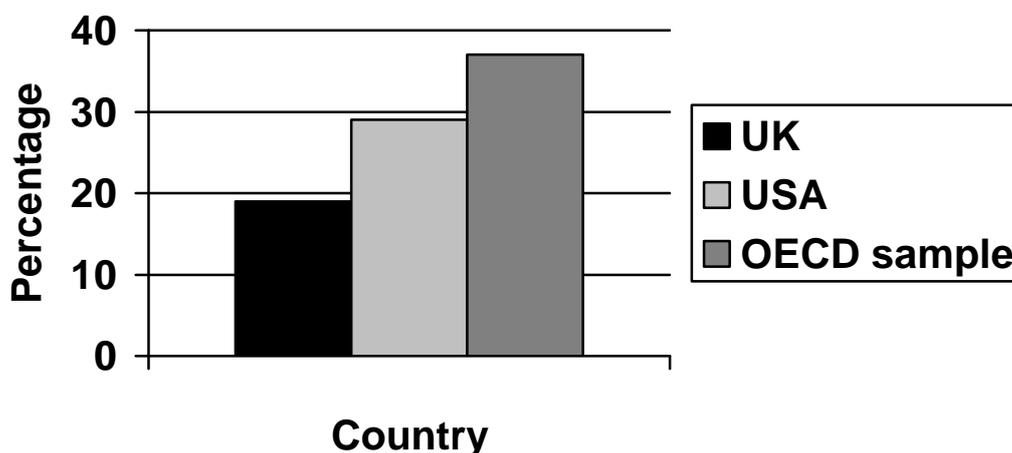
⁸⁴ 14-19: *opportunity and excellence*.

⁸⁵ *21st Century Skills: Realising our Potential. Individuals, Employers, Nation* (The Stationery Office, Cm 5810, July 2003).

⁸⁶ *Ibid*

themselves, compared with 29 per cent in the USA and 37 per cent across 11 OECD countries.⁸⁷

Percentage of adults undertaking training paid for by themselves



Additionally, with resources scarce, the priority has to be to increase the stock of individuals qualified to Level 3, rather than use public funds to enable individuals who are already qualified to this level to build up their stock of qualifications.

The crucial issue will be determining the priority areas at Level 3. It is extremely difficult to predict future skill needs. Unexpected developments in technology and changes in consumer preferences can alter the level of demand in the economy for particular types of skills. Consequently, the courses that are deemed priority areas and that are funded at Level 3 should contain some transferable skills that are of use to a range of employers. It follows from this that training programmes that are highly occupation specific in their content, such as NVQs may not be the most sensible schemes to support. Conversely, it makes more sense to support qualifications such as BTECs, the courses for which impart both specific and general skills.

Finally, the Government has – quite rightly – drawn attention to the importance of improving skill levels amongst managers. 4.5 million people in the UK have significant management responsibilities, but less than a quarter hold a management related qualification.⁸⁸

There is already a variety of organisations working towards improving the capability of management. For example, the Institute of Leadership and Management supports training of over 60,000 people ever year.⁸⁹ The commitment by the Government to work with Investors in People UK, the Sector Skills Development Agency, the Chartered Management Institute

⁸⁷ O'Connell, *Adults in Training: An International Comparison of Continuing Education and Training* (Paris, OECD, 1999). See also *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation.*

⁸⁸ Ibid.

⁸⁹ Ibid.

and Ufi/learndirect to introduce a leadership and management programme for SMEs could also be beneficial.⁹⁰

(ii) Help for small firms to provide training

Broadly speaking, small firms are less likely than large companies to invest in formal accredited training programmes. According to a survey conducted in 2002 for the Department for Education and Skills (DfES), 48 per cent of firms with 5-24 employees offered off-the-job training leading to formal qualifications, compared to 88 per cent of firms with 500 or more employees.⁹¹

There is a variety of reasons for this divergence in practices. In the first instance, large companies are typically in a stronger financial position than many of their smaller counterparts and so they are in a comparatively better position to finance accredited training schemes. Additionally, because the life expectancy of large companies is generally greater than that of small firms, big companies have the luxury of knowing that they are likely to be in a position to reap the future benefits of any investments that they make in developing their human capital. The same situation does not obtain with small firms because their life expectancy is decisively shorter.⁹²

Moreover, a small business owner may not be able to capture the benefits of the investment which he makes in his employees' skills because the limited opportunities for internal promotion within a small firm means that over time his employees will tend to look elsewhere to advance their careers.⁹³ Furthermore, many small and micro-firms are not growth firms and so the necessity of investment in training is arguably less imperative.⁹⁴

Finally, many small business owners may conclude that the survival of their firm does not depend on investing in their human capital and so they will avoid committing scarce resources to this area.⁹⁵ Consequently, it is at least understandable why small firms engage in less off-the-job training leading to accredited qualifications than their larger counterparts.

However, it would be a mistake to conclude from the preceding discussion that small firms eschew training altogether. In a survey of SMEs conducted by the Government funded agency, the Small Business Service (SBS), 53 per cent of firms reported offering training to their staff.⁹⁶ The same report showed that those businesses with 10-249 employees spent £5.8 billion per annum on training and that the majority of this sum (£3.4 billion) was spent on off-the job training.⁹⁷ Similarly, a survey carried out for the DfES in 2002 showed that 57 per cent of firms with 5-24 employees provided off-the-job training for their employees, while 79

⁹⁰ Ibid.

⁹¹ David Spilsbury, *Learning and Training at Work 2002* (Department for Education and Skills, 2003, Research Report 399).

⁹² D. J. Storey, *Understanding the Small Business Sector* (Routledge, 1994), p. 109. In fact, as Storey points out in this volume the overwhelming majority of businesses only survives for short periods of time. According to Barclays Bank, only half of new businesses survive more than three years. See *Training: the Key to Success?* (Barclays. Small Business Review, May 1998).

⁹³ Certainly, labour turnover tends to be higher in smaller enterprises than larger companies. See J. Atkinson and N. Meager, "Running to stand still: The small business in the labour market", in J. Atkinson and D. J. Storey (eds), *Employment, The Small Firm and the Labour Market* (Routledge, 1994).

⁹⁴ C. Hakim, "Identifying fast growth small firms", *Employment Gazette* (January 1989), and D. J. Storey, *Understanding the Small Business Sector*,.

⁹⁵ Indeed, Professor Storey maintains that evidence supporting the notion that training enhances the life expectancy of a firm is pretty thin. See D. J. Storey, *op cit*.

⁹⁶ *Small Firms: Big Business! A Review of Small and Medium-sized Enterprises in the UK* (Department of Trade and Industry/Small Business Service, 2002).

⁹⁷ Ibid.

per cent offered on-the-job training to their staff.⁹⁸ Clearly, many small businesses do recognise the importance of training.

To repeat the point made earlier, though, as a generalisation, small firms are less likely to provide their employees with accredited training programmes. This is because they tend to lack both the resources to spend on accredited training schemes and find it more difficult to release their staff to participate in off-the-job training courses.

Accordingly, the Government's plan to develop the Employer Training Pilots (ETPs) into a national programme is encouraging. The Government introduced ETPs in September 2002 in six local Learning and Skills Council (LSC) areas to expand the demand for training. From September 2003 the six pilots were extended for another year and a further six established. Six more were set up from September 2004, bringing the total to 18. Gordon Brown, the Chancellor of the Exchequer, announced in his Pre-Budget Report in December 2004 that ETPs would be rolled out nationally from 2006-07 to cover the whole country by 2007-08 in the form of a National Employer Training Programme.⁹⁹

Amongst other things, ETPs provide free training programmes up to Level 2 qualifications and provide support for employers to meet the costs of giving staff paid time off to train, which is particularly valuable for SMEs. The pilots now cover more than one third of the country, with over 15,000 employers and 100,000 learners participating. Most of those employees taking part left school at or before the age of 16, with half having no qualifications at all, whilst 70 per cent of the employers participating have less than 50 employees.¹⁰⁰ It is firms of this size that typically face problems providing accredited training programmes to their employees.

The Government has also promised to build on the £30 million Small Firms Initiative that is designed to encourage more SMEs to work towards Investor in People (IiP) status. The Government claims that IiP has been a success story, with nearly 28,000 organisations employing one third of the workforce in England having IiP status and another 16,000 organisations committed to working towards the standard. By 2007, the Government aims to have 45 per cent of the workforce employed in organisations that have either achieved or are aiming to secure IiP status. The IiP programme has been of some benefit to some businesses. A survey of IoD members in 2001 showed that 73 per cent of the directors using IiP believed that the programme had helped to link training more effectively to the needs of their business.¹⁰¹

However, two-thirds of the IoD members in the survey who used IiP acknowledged that the improvements to training that the scheme brought about could just as easily have been achieved by other means.¹⁰² Moreover, only 15 per cent of the IoD members using IiP concluded that the scheme had increased their business's profits.¹⁰³

The fact is that the IiP scheme may be more suitable for some organisations than for others. The Government, therefore, should refrain from promoting IiP in favour of other approaches to improving training and should confine itself to ironing out any weaknesses in the programme.

⁹⁸ David Spilsbury, *Learning and Training at Work 2002* (Department for Education and Skills, 2003, Research Report 399).

⁹⁹ The Pre-Budget Report guaranteed that, as part of the national programme, where employers were prepared to offer their low-skilled employees paid time to train to Level 2, the costs of this training would be fully subsidised. A final decision has yet to be made as to whether wage compensation will be included within the programme. See *Opportunity for all: The strength to take the long-term decisions for Britain* (Pre-Budget Report, Her Majesty's Treasury, Cm 6408, December 2004).

¹⁰⁰ See *Opportunity for all: The strength to take the long-term decisions for Britain* (Pre-Budget Report, Her Majesty's Treasury, Cm 6408, December 2004).

¹⁰¹ Mike Harris, *Investors in People. Its Impact on Business Performance* (Institute of Directors, 2001).

¹⁰² Ibid.

¹⁰³ Ibid.

Moreover, the Government should be neutral in its approach to different strategies for improving training and leave it to the judgement of individual business owners and managers as to whether or not they should seek IIP status.

(iii) Encouraging training amongst the low skilled

The better qualified the individual the greater is their propensity to receive further training. Conversely, the less well qualified an individual is, the more likely it is that he/she will not engage in additional training.¹⁰⁴

To its credit, the Government is trying to tackle this regrettable situation in two principal ways. Firstly, it has piloted new Adult Learning Grants to support adults studying full time for their first Level 2 qualification and for young adults studying for their first Level 3 qualification.¹⁰⁵

The grant is based on the existing Education Maintenance Allowance (EMA) for 16-19 year olds. EMAs supply young people in post-compulsory education with regular means tested payments, provided that they keep to the terms of a learning agreement signed with their school or college. The Government claims that evidence from the pilot EMAs that have been running since 1999 demonstrates that fewer students drop out of courses and that the behaviour of young men has improved.¹⁰⁶ The proposed adult learning grant of up to £30 per week could help to increase participation in education and training and encourage those with relatively poor skills to work towards higher qualifications.

Secondly, the Government is committed to increasing the network of Union Learning Representatives, now numbering more than 7,000,¹⁰⁷ in order to encourage the low skilled to take part in training programmes. The Government has already strengthened the position of Union Learning Representatives through the Employment Act 2002 that gave them statutory rights in those workplaces where independent trade unions are recognised by their employer for collective bargaining purposes.

Briefly, the statutory rights provided for Union Learning Representatives under the legislation include reasonable paid time off for carrying duties such as analysing training needs, providing information and advice about learning or training issues and arranging learning or training.¹⁰⁸ The Government has increased funding for the Union Learning Fund from £11 million in 2003/04¹⁰⁹ to £14.4 million for 2005/06.¹¹⁰

¹⁰⁴ According to Labour Force Survey data in the winter of 1998, only 2.9 per cent of individuals with no qualifications received training in the four weeks prior to the survey taking place, compared to 18.8 per cent of those qualified to degree level. See *Third Report of the National Skills Task Force, Tackling the Adult Skills Gap: Upskilling Adults and the Role of Workplace Learning* (Department for Education and Employment, 2000).

¹⁰⁵ See *Department for Education and Skills Departmental Report 2004* (Department for Education and Skills, Cm 6202, April 2004).

¹⁰⁶ *14-19: Opportunity and Excellence* (Department for Education and Skills, 2003). On the basis of the pilots, the DfES estimates that the national EMA scheme will increase participation in Year 12 by 3.8 per cent, and by 4.1 per cent at Year 13, across the full cohort. See *Department for Education and Skills Departmental Report 2004* (Department for Education and Skills, Cm 6202, April 2004).

¹⁰⁷ 'New Trade Union Learning Projects – Clarke' (Department for Education and Skills Press Notice 2004/0129, 06 July 2004).

¹⁰⁸ On Union Learning Representatives, see "A guide to Trade Union Learning Representatives' rights to time off" (*Personnel Today*, 28th July 2003), *Code of Practice on Time Off for Trade Union Duties and Activities (Including Guidance on Time Off for Union Learning Representatives)* (Advisory, Conciliation and Arbitration Service, April 2003) and *Union Learning Representatives: An Employer Guide* (Department for Education and Skills, July 2003).

¹⁰⁹ *21st Century Skills: Realising our Potential. Individuals, Employers, Nation.*

¹¹⁰ See 'New Trade Union Learning Projects – Clarke' (Department for Education and Skills Press Notice 2004/0129, 06 July 2004).

Trade Union Learning Representatives could have a useful role to play in encouraging training amongst the relatively poorly skilled. This is because some employees may be reluctant to approach their employer to confess that they are deficient in basic skill needs, whereas they may be more comfortable with a Union Learning Representative. If Union Learning Representatives can encourage individuals who lack basic skills to overcome their deficiencies by participating in the appropriate training programmes, then employers should welcome them.

5. DEFICIENCIES IN THE GOVERNMENT'S APPROACH

Although there are positive aspects to the Government's strategy for skills, there are also notable missed opportunities. This is disappointing because the severity of the UK's weakness in respect of skills necessitates much more urgent action on the part of Government.

The Government's strategy for skills suffers from three cardinal weaknesses. It fails to address the problem of poor educational achievement in schools; it fails to spell out how the Apprenticeship system would be improved; and it fails to cut a path through the jungle of state funded institutions that exist to improve skills and training in the UK.

(i) Poor levels of educational achievement

One of the principal reasons why the UK economy suffers from skill shortages and skill gaps is because the state education system allows too many young people to leave school without a mastery of the '3Rs' and without being qualified to at least Level 2. This problem is discussed at length elsewhere in this book, but is worth re-examining in the context of basic skills and vocational training.

The lack of core competencies reduces the pool of skilled labour available for recruitment. Additionally, individuals who have weak literacy and numeracy skills are typically more difficult for employers to train in comparison with individuals who possess these skills.

Extraordinarily, the Government's 2003 White Paper on Skills barely referred to standards in education. Yet it is because the education system fails to equip school leavers with basic skills that much of the White Paper's focus on training was necessarily remedial in nature.¹¹¹

The commitment to free tuition for any adult without a Level 2 qualification, dubbed the new Level 2 Entitlement, is welcome (although see above). However, it is only necessary because too many young people currently leave compulsory education without qualifications at this level in the first place.

Poor performance at Level 2 contributes to the UK's high drop out rate following the conclusion of mandatory learning. A league table of participation rates for 17 year olds compiled by the OECD rated the country a lowly equal 25th out of 29, ahead of just Greece, Mexico and Turkey.¹¹²

Indeed, as many as one in four of those aged 16 to 18 had abandoned education and training in this country at the end of 2000, a record significantly inferior to the OECD and EU

¹¹¹ For example, the South East England Development Agency and its partners are working with 72 National Health Service Trusts in the region to provide workplace basic skills programmes (*21st Century Skills. Realising Our Potential. Individuals, Employers, Nation*). Although it is understandable that employees in NHS Trusts who have come from abroad may lack such skills, this should not be the case with those employees brought up in the UK.

¹¹² 14-19: *Opportunity and Excellence*.

averages.¹¹³ Admittedly this does represent an improvement on past performance. In 1978, 56 per cent of 17-18 year olds in the UK were not participating in either education or training, compared to just 21 per cent in West Germany.¹¹⁴ However, the high drop out rate from education and training post-16 reduces the supply of young people studying for qualifications at Level 3, which in turn exacerbates the problems of skill shortages and skill gaps.

The Government's focus should be on improving standards of literacy and numeracy in schools and on raising the proportion of pupils and students qualified at Levels 2 and 3, without undermining standards. Unfortunately, the Government's 2003 White Paper on Skills failed to show how these objectives were to be achieved. Consequently, even if the measures that the White Paper contained do help to increase the proportion of adults qualified to Levels 2 and 3, the 'victory' in the war on skills shortages and skill gaps will be a Pyrrhic one.

Individuals should obtain their basic educational qualifications - particularly Level 2 - in schools, not after they have left compulsory education. A recent press interview suggested that the Government's response to Mike Tomlinson's 2004 report on 14-19 qualifications reform, expected in early 2005, will pledge a "ruthless drive" to improve literacy and numeracy standards among both 11 to 14 year olds and 14 to 19 year olds.¹¹⁵ Certainly current levels of achievement require radical improvement.

(ii) Weaknesses with Apprenticeships

The second major weakness in the Government's approach towards skills and vocational training relates to the system of Apprenticeships. Two principal faults can be identified.

Firstly, the Apprenticeship system is treated as the default vocational training programme. The Government set a target for 28 per cent of all young people to begin an Apprenticeship before the age of 22 by 2004, a milestone that it looks certain to achieve. Additionally, the Government expects Sector Skills Councils to review with employers and the QCA how they would like to design and implement an Apprenticeship programme in their particular sector.¹¹⁶ In other words, it is regarded as a given that anyone who is interested in acquiring a vocational education should typically embark on an Apprenticeship. It is also accepted without question that Apprenticeships are appropriate and necessary to all sectors.

However, this may not be the case. Significantly, in a recent survey of 500 IoD members, only 13 per cent of the directors actually used the Apprenticeship programme to train their employees.¹¹⁷ Although the majority of the directors who made use of Apprenticeships held the scheme in high regard, evidently many others preferred to recruit qualified staff, possibly with other qualifications, or to train their employees in a different way.¹¹⁸ This is perfectly reasonable. After all, there is more than one way to skin a cat.

In truth, whilst the programme may be appropriate for some young people, Apprenticeships are not necessarily so for over one quarter of an age cohort, as the Government suggests.

¹¹³ Ibid.

¹¹⁴ D. H. Aldcroft, *op cit*. Using a different measurement, 88 per cent of 15-19 year olds in Germany were in education and training in 2001, compared to 72.5 per cent of the same age group in the UK (*14-19: Opportunity and Excellence. Annexes* (Department for Education and Skills, 2003)).

¹¹⁵ Ivan Lewis MP, Parliamentary Under Secretary of State for Skills and Vocational Education, quoted in 'Ministers promise 'ruthless' drive to boost literacy' (*The Independent*, 06 January 2005).

¹¹⁶ Ibid.

¹¹⁷ Mike Harris, *Modern Apprenticeships: an Assessment of the Government's Flagship Training Programme* (Institute of Directors, 2003).

¹¹⁸ Ibid.

Additionally, while Apprenticeships may be suitable in some sectors, such as the motor industry and engineering manufacture, they may be less apposite for others.¹¹⁹

Significantly, although the average number of people on Apprenticeships in 2003/04 was 245,200,¹²⁰ there are nearly 500,000 students registered on vocational BTEC courses studying for over 6,000 different qualifications.¹²¹ Likewise, City and Guilds offers over 400 different vocational qualifications¹²² and in 2001/02 the City and Guilds Group (which includes Pitman Qualifications, The Institute of Leadership and Management and the Construction Industry Training Board) awarded approximately 880,000 certificates in the UK.¹²³ Both BTEC and City and Guilds qualifications are highly respected and used internationally. There is every reason to believe that courses and qualifications in both BTECs and City and Guilds meet the needs of many employers and students. It is hubristic to imply, as the Government's 2003 Skills White Paper did, that an Apprenticeship programme should invariably be regarded as the preferred vocational course and qualification.

Rather than attempting to promote Apprenticeships above all other qualifications, the Government should simply ensure that standards in Apprenticeships are high and then allow individual students and employers in the market to decide which qualifications they wish to study for. The Government should be neutral in its attitude towards the type of qualifications that students work towards. The Government cannot know what is the most relevant course or qualification for students or businesses.

The second major deficiency with the Government's approach towards Apprenticeships concerns the quality of the programme itself. Firstly, the quality of training is all too often unsatisfactory – in 2002 the Adult Learning Inspectorate (ALI) described 58 per cent of work-based training providers as inadequate.¹²⁴

To be fair, the quality of work based learning providers has improved considerably over recent years, but in its most recent report the ALI still concluded that 34 per cent of providers remained inadequate.¹²⁵ This is simply not good enough.

Secondly, achievement rates within Apprenticeships are appalling - only 27 per cent of apprentices complete all the requirements of their training framework.¹²⁶

Thirdly, the Apprenticeship programme has a 'one-size-fits-all' approach that inhibits flexibility. The delivery of one of its central aspects, Key Skills,¹²⁷ is a particular cause for concern

¹¹⁹ Ibid.

¹²⁰ *Further Education, Work Based Learning for Young People and Adult and Community Learning – Learner Numbers in England 2003/04* (Learning and Skills Council, Statistical First Release ILR/SFR05, 14 December 2004).

¹²¹ Data obtained from Edexcel. BTEC was an acronym for Business and Technology Education Council until 1997 when BTEC merged with London Examinations to form Edexcel. BTECs can be taken at different levels of difficulty, including BTEC First Diplomas, BTEC National Awards and BTEC Higher and National Certificates and Diplomas.

¹²² www.city&guilds.com.

¹²³ In 2001/02 the City and Guilds Group awarded 1,027,306 full certificates. 86 per cent of the registrations over this period were submitted through centres in the UK. According to Dominic Manley, Information Services Manager, Operations Support Services at City and Guilds, it is reasonable to assume the proportion of UK certificates would be similar - about 880,000 (information acquired via an email inquiry, 20th October 2003).

¹²⁴ *Annual Report and Accounts 2002-03* (Adult Learning Inspectorate, July 2003) and *Annual Report of the Chief Inspector 2001-02* (Adult Learning Inspectorate, 2002).

¹²⁵ *Annual Report of the Chief Inspector 2003-04* (Adult Learning Inspectorate, November 2004).

¹²⁶ *Further Education and Work Based Learning for Young People – Learner Outcomes in England 2002/03* (Learning and Skills Council, Statistical First Release ILR/SFR04, 29 June 2004).

¹²⁷ The Key Skills are communication, application of number, information technology, working with others, improving own learning and performance and problem solving.

because learners and employers lack commitment towards it, while providers struggle to deliver it.¹²⁸ In 2001-02, Key Skills was cited as a weakness or in need of development in nearly half of the providers inspected by the ALI and as a strength in a mere 6 per cent.¹²⁹ Despite this, the 2003 White Paper promised that Key Skill units would be integrated into Apprenticeship programmes by adding them to NVQs and to external tests in technical certificates!¹³⁰

Fourthly, the Apprenticeship system is failing to provide a true vocational pathway. Rates of progression from Apprenticeships at Level 2 (formerly known as Foundation Modern Apprenticeships (FMAs)) to Advanced Apprenticeships (formerly Advanced Modern Apprenticeships (AMAs)) and then onto higher education, are disappointing. LSC data for 2003, for instance, illustrated that only 10 per cent of FMAs transferred to AMAs.¹³¹

Finally, Apprenticeships are supply, rather than demand, driven. As remarked earlier, the Government previously set a target for 28 per cent of young people to be entering an Apprenticeship before the age of 22 by 2004. This objective contradicted one of the principles of the Government's own 2003 Skills White Paper, namely that publicly funded training provision for adults should "Be led by the needs of employers and learners."¹³²

More importantly, targets can distort behaviour, have unintended consequences and create perverse incentives. For example, the Government's emphasis on pumping thousands of young people through the Apprenticeship system could give local LSCs a perverse incentive to encourage young people to embark on inappropriate programmes with the easiest entry requirements.¹³³ Similarly, a mass expansion of the Apprenticeship programme might have deleterious effects on standards. It is conceivable that the stringency of training frameworks might be weakened in order to attract and retain greater numbers of apprentices. As a consequence, quality would be sacrificed for quantity.¹³⁴

However, the fact remains that the Apprenticeship programme is far from perfect – a point highlighted by the fact that the Government has initiated four reviews of the scheme since 1999.¹³⁵ Generally speaking, the quality of the Apprenticeship system overall is not

¹²⁸ The Learning and Skills Development Agency remarked in their 2002 report that "Key [S]kills were almost universally seen by those [training providers] interviewed as a burden and barrier to achievement...Many reported that trainees were refusing to engage in Key Skills sessions and that employers were supporting their trainees in this". See M. Hughes, *Making the Grade: a Report on Standards in Work-based Learning for Young People* (Learning and Skills Development Agency, June 2002).

¹²⁹ *Annual Report of the Chief Inspector 2001-02*.

¹³⁰ 21st Century Skills: Realising Our Potential. Individuals, Employers, Nation.

¹³¹ Indeed, not all of these transfers will represent a progression from a completed FMA to an AMA because some capable young people will simply upgrade to a more demanding programme without having first completed their FMA (Learning and Skills Council Management Information, July 2002 to January 2003).

¹³² 21st Century Skills: Realising Our Potential. Individuals, Employers, Nation.

¹³³ Similarly, although local LSCs can choose not to fund poor training providers, the pressure to hit the Government's target for increasing the proportion of people embarking on an MA could deter them from taking this course of action.

¹³⁴ Germane to this point was the statement in the Skills Strategy that "Through Sir Roy Gardner [chairman of the Apprenticeships Task Force]...we will also link in the part that Modern Apprenticeships could play in helping benefit claimants". (21st Century Skills: Realising our Potential. Individuals, Employers, Nation, p. 110). This was particularly worrying because it would run the risk of transforming Apprenticeships into a remedial welfare-to-work programme. An Apprenticeship should be a respected vocational qualification.

¹³⁵ The National Skills Task Force made a series of recommendations to improve the quality and standing of [Modern] Apprenticeships in 1999 (see Towards a National Skills Agenda: First Report of the National Skills Task Force (Department for Education and Employment, 1998), Annex A). This was followed by the Cassels Report two years later (Modern Apprenticeships: The Way to Work. The Report of the Modern Apprenticeship Advisory Committee (Department for Education and Skills, September 2001)). Then in his November 2002 Pre-Budget Report, the Chancellor announced the creation of a National Modern Apprenticeship Task Force, chaired by Sir Roy Gardner, "to champion the MA scheme and report on key policy issues" (Pre-Budget Report 2002 (Her Majesty's Treasury, Cm 5664, November 2002), paragraph 3.86). The Task Force issued its Interim Report in November 2004 and is expected to publish its final report in mid-2005. Additionally, the DfES and LSC

satisfactory (which is a further argument against the Government's proposed expansion of the scheme). Important changes to the Apprenticeship system are essential if the Government's skills strategy, and its ambitions for vocational education and training, are to be successful.

(iii) Government support for training – a bureaucratic, wasteful and confusing system

As noted earlier, the Government is committed to funding training programmes for individuals working towards their first Level 2 qualification, funding priority training schemes for Level 3 qualifications and funding the *Skills for Life* programme. The Government could in theory finance these commitments directly from departments in Whitehall. However, the Government has eschewed this approach and has instead spawned a plethora of state financed agencies to deliver its various skills programmes.

In 1999 the Government established eight Regional Development Agencies (RDAs), plus the London Development Agency in 2000, giving them responsibility for developing Regional Economic Strategies, which include addressing skill needs. Then, as a consequence of the Learning and Skills Act 2000, the Government abolished the existing 72 Training and Enterprise Councils (TECs) and the Further Education Funding Council and replaced them with the Learning and Skills Council for England (LSC). The LSC for England is funded by the DfES and is responsible for developing, planning, funding and managing all post-16 education and training (with the exception of higher education) in England and it implements its decisions via 47 local Learning and Skills Councils.

However, the RDAs and LSCs are not the only Government funded organisations to support training in England. The SBS and the 45 Business Links also play a part in delivering Government funded training, helping businesses to access the appropriate Government scheme.¹³⁶ At the same time, Jobcentre Plus pays the cost of training courses for those people claiming unemployment benefit in order to improve their skills to enhance their employability.¹³⁷

As if this were not enough, a new Sector Skills Development Agency (SSDA) was established in July 2002 to support the development of the Skills for Business network of Sector Skill Councils (SSCs). The SSDA is responsible for establishing the network of SSCs, monitoring their performance and acting as ambassador for their work.¹³⁸ The SSDA anticipated spending £138.5 million of Government money to develop the network.¹³⁹ According to the Government, the SSCs will define the occupational standards for skills in each of their respective sectors in order to provide a basis for designing qualifications and courses, help identify skill needs in their particular areas and work with the LSC on designing national skills programmes. There will be 25 SSCs licensed by the Government by the summer of 2005,¹⁴⁰ replacing the former 73 National Training Organisations (NTOs).

conducted an 'end to end' review of the delivery of [Modern] Apprenticeships between October and December 2003. See *21st Century Apprenticeships: End to End Review of the Delivery of Modern Apprenticeships* (Department for Education and Skills and Learning and Skills Council, 2004), available on the LSC website at www.lsc.gov.uk.

¹³⁶ *Skills for Success. What the Skills Strategy Means for Business* (Department for Education and Skills/Department of Trade and Industry, 2003). See also *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation.*

¹³⁷ *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation.* See also *Raising Performance Through Skills. Strategic Plan 2003-06* (Sector Skills Development Agency, 2003).

¹³⁸ *Ibid.* For more information on the Sector Skills Councils, see *Start of Something New. Sector Skills Development Agency: Annual Report and Accounts 2002-03* (Sector Skills Development Agency, 2003).

¹³⁹ *Raising Performance Through Skills. Strategic Plan 2003-2006* (Sector Skills Development Agency, 2003).

¹⁴⁰ *Skills in the global economy* (Her Majesty's Treasury/Department for Education and Skills/Department for Work and Pensions/Department of Trade and Industry, December 2004).

The system of Government support for training suffers from three principal weaknesses. Firstly, there is an inherent tendency towards bureaucracy in the system. Since July 2001, RDAs have been obliged to produce Frameworks for Regional Employment and Skills Action (FRESA). These plans are drawn up by RDAs after negotiations with local LSCs, Jobcentre Plus, local authorities, Government Offices of the Regions, the TUC and employer representatives.¹⁴¹ As a result of the skills White Paper the Government additionally wants each RDA to draw up its own particular Regional Economic Strategy, which will include its approach towards improving skill levels in its particular vicinity.¹⁴² Accordingly, each RDA will be obliged to secure agreement on its objectives for skills in its Regional Economic Strategy with local LSCs, the SBS, Jobcentre Plus, the SSDA,¹⁴³ the relevant Government Office in the region, Connexions [sic], local authorities, University for Industry/learnirect and representatives of employers and employees. Such bureaucratic processes inevitably entail meetings, paper chasing and expense.¹⁴⁴

Secondly, the system of Government support for training is inefficient. Many of the Government funded organisations duplicate the work of others. For example, both local LSCs and RDA partnerships have budgets for adult learning and they are currently experimenting with ways of pooling their budgets. However, this begs the question why both local LSCs and RDA partnerships need to have budgets for the same activities.¹⁴⁵

Likewise, both local LSCs and RDAs are expected to identify regional training priorities.¹⁴⁶ Similarly, although local LSCs play an important part in developing Centres of Vocational Excellence – FE colleges specialising in a particular subject area – RDAs, SSCs and the SSDA will also be involved.¹⁴⁷

Again, the 2003 skills White Paper promised that each local LSC would publish an *Employer Guide to Good Training* to offer information about the quality of local learning providers.¹⁴⁸ These are yet to materialise. However, in view of the fact that the ALI already publishes inspection reports and statistics on its website, the need for each LSC to produce guides on good training seems unnecessary.

Rather than relying on a small number of institutions to deliver funding for skills programmes, the Government has scattered money for training across a range of organisations.

For the financial year 2005-06, the LSC for England has a budget of £9.3 billion,¹⁴⁹ the RDAs have a budget of over £2.1 billion,¹⁵⁰ and the SBS has a budget of approximately £370 million.¹⁵¹ Additionally, Jobcentre Plus has a budget of £500 million for training purposes¹⁵²

¹⁴¹ *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation.*

¹⁴² Ibid.

¹⁴³ Indeed, the SSDA will be constructing a network of representatives across the regions in order to influence discussions at this level. See *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation.*

¹⁴⁴ Additionally, RDAs are being required by the Government to create Regional Skills Partnerships, along with organisations such as the Skills for Business Network, the LSC, the SBS and Jobcentre Plus. See "Specification for Regional Skills Partnerships" (noted produced by the Department for Education and Skills, 2003).

¹⁴⁵ *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation.*

¹⁴⁶ Ibid.

¹⁴⁷ Ibid.

¹⁴⁸ Ibid.

¹⁴⁹ *Learning and Skills Council Grant Letter 2005-06*, Annex B. See www.lsc.gov.uk.

¹⁵⁰ Source: "Responding to Regional Priorities" (HMT Press Notice PN C5, 12 July 2004).

¹⁵¹ Department of Trade and Industry. Departmental Report 2003 (The Stationery Office, Department of Trade and Industry, Cm 5916, May 2003).

¹⁵² *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation.* See also *Raising Performance Through Skills. Strategic Plan 2003-06.*

and the overall turnover of the Skills for Business network was expected to be over £180 million in 2004-05.¹⁵³

Of course, only a fraction of the SBS's budget is devoted to skills and the RDAs do not spend anything like all of their resources on training purposes. For example, of the RDA One NorthEast's [sic] budget of almost £210 million for 2003-04, £22.5 million was spent on skills.¹⁵⁴ However, the fact remains that the Government has dispersed public money for training purposes amongst a variety of quangos, with the result that activities are duplicated and co-ordination is made unnecessarily complicated. The Government appears to have forgotten an old adage – too many cooks spoil the broth.

Thirdly, the system of Government support for training could fail to serve the needs of business. In the first instance, because of the sheer plethora of organisations involved in delivering the Government's policies for vocational training and skills development, many businesses will be unsure which organisation they should contact when looking for assistance in respect of training. As a consequence, they may avoid contacting any of the organisations involved altogether.

Secondly, it is not obvious that the Government backed system of business support for training will genuinely reflect the interests of the UK's 4 million firms. Business representatives account for only 40 per cent of the boards of local LSCs and the LSC for England, whereas under their predecessors, the TECs, business representatives held 75 per cent of the available positions. Similarly, the boards of RDAs include representatives from local government, trades unions and the voluntary sector, in addition to those from business.¹⁵⁵

The Government claims that "the network of Sector Skills Councils...will be a new voice for business..."¹⁵⁶ and the SSDA says, "SSCs are the authoritative voice of employers on skills issues and skills needs."¹⁵⁷ However, the voice of business may well be muffled because the Government also intends that the SSCs and the SSDA should have trade union representatives on their boards, just as they do on the boards of local LSCs and the RDAs.¹⁵⁸

Above all, the LSC for England, local LSCs, RDAs, SSCs and the SSDA will all have difficulty representing the views of owners and managers from SMEs because these individuals lack the time to participate in organisations of this kind.¹⁵⁹

It follows from this that the Government may not be able to fulfil its objective of achieving sector skills agreements in differing sectors. The Government envisages that sector skills agreements would cover an assessment of the current state of skills in a particular sector, skill needs and scope for collaborative action by employers in the sector to tackle skill shortages.

¹⁵³ *Sector Skills Development Agency Annual Report 2003-2004* (Sector Skills Development Agency, November 2004).

¹⁵⁴ *One NorthEast [sic]. Corporate Plan Summary 2003-2006*, p. 4 (<http://www.onenortheast.co.uk/page/reports/cat6.cfm>).

¹⁵⁵ "Regional Development Agencies – Board Members Announced", Department of the Environment, Transport and the Regions, press release, December 14th 1998. See also Regional Development Agencies Act 1998, Part I, clause 2. (<http://www.hmsso.gov.uk/acts/acts1998/80045—a.htm>).

¹⁵⁶ *Skills for Success. What the Skills Strategy Means for Business* (Department of Education and Skills/Department of Trade and Industry, 2003).

¹⁵⁷ *Raising Performance Through Skills. Strategic Plan 2003-2006*.

¹⁵⁸ *21st Century Skills: Realising our Potential. Individuals, Employers, Nation*.

¹⁵⁹ Interestingly, Bryan Sanderson, the former Chairman of the LSC, reported to the House of Commons Education and Skills Select Committee that a lack of time was preventing owners and managers from getting involved in the running of LSCs. See "Further Education: Follow-up" (House of Commons Education and Skills Select Committee, Minutes of Evidence for Monday 12th November 2001, Mr Bryan Sanderson, Chairman, and Mr John Harwood, Chief Executive, Learning and Skills Council, The Stationery Office, 2001).

Collaborative action might include adopting practices such as establishing sector training academies, developing licenses to practice and taking action through the supply chain to improve skills. The Government states that, through the local LSCs and the SSDA, it will financially support sector skills agreements.

The Government also states that it is prepared to use the powers under the 1964 Industrial Training Act to introduce training levies to pool the costs of training across employers, in cases where employers and unions support such an approach.¹⁶⁰ In practice, it may be difficult to achieve sector skill agreements that genuinely reflect the views of SMEs. In reality, the parties to a sector skills agreement are likely to be large businesses that have the time to spare the necessary personnel to engage in negotiations with other parties. Sector skill agreements, therefore, may fail to serve the interests of businesses.

Consequently, although the system of Government support for training, including vocational training, has some good aspects, it also suffers from bureaucracy, waste and confusion. The skills White Paper failed to cut a path through the jungle of state funded organisations that ostensibly exist to improve training in the country. Indeed, it exacerbated the problem by creating new institutions (SSCs and the SSDA) that partly duplicate the work of existing bodies (the LSCs and the RDAs).

6. FUTURE PRIORITIES

There are a number of steps that the Government needs to take in order to improve its policies for skills development.

Firstly, and most importantly, standards of literacy and numeracy in schools have to be driven up and the proportion of pupils and students qualified at Levels 2 and 3 must be increased. Pupils and students need to be qualified to these Levels in order to provide a sound platform for further progression.

Unless standards in education improve, skill shortages and skill gaps will remain a problem for UK businesses. Crucially, we need to increase the proportion of pupils qualified to Levels 2 and 3 before they leave school or college. Unless this is achieved, valuable public resources will have to be spent on providing young people and adults with the education and qualifications that they should have received in school and further skill progression will be delayed.

Clearly this is important for every young person, regardless of the qualifications they are pursuing. However, with particular reference to vocational programmes, it is instructive to note that in 2001/02, 64 per cent of trainees starting Apprenticeship programmes at Level 3 had not previously achieved a full Level 2 qualification.¹⁶¹ The fact that 29 per cent of the workforce as a whole lacks a Level 2 qualification is a damning indictment of the UK's record in education.¹⁶²

It is to be hoped that the proposals elsewhere in this paper are of some benefit in addressing these issues.

Secondly, while it is possible to support Apprenticeships in principle, it is imperative that the Government rectifies their deficiencies. Four key reforms are required.

¹⁶⁰ *21st Century Skills: Realising our Potential. Individuals, Employers, Nation.*

¹⁶¹ *Further Education and Work Based Learning for Young People – Learner Outcomes in England 2001/02* (Learning and Skills Council, Statistical First Release, 24 July 2003).

¹⁶² *21st Century Skills: Realising our Potential. Individuals, Employers, Nation.*

To begin with, in order to improve the quality of training provision for apprentices, the Learning and Skills Council should terminate the funding of those providers who fail to improve their service following a critical inspection report.

Additionally, in order to raise the achievement rate, a minimum entry requirement of GCSEs at A*-C in English and Mathematics should be introduced for Apprenticeships at both Level 2 and Level 3. This would help prevent individuals from embarking on programmes they are ill-equipped to complete, assure employers that the Apprenticeship programme was of high quality and permit the removal of key skills qualifications in communication and application of number as mandatory elements of all frameworks, thereby shortening training times.

At the same time, to improve standards, Technical Certificates should be incorporated into all Apprenticeship frameworks. Finally, to enhance the attraction and relevance of the programme to employers, other industry standard qualifications could be used as alternatives to the NVQ, which currently features in every framework.

Thirdly, the Government should refrain from promoting a particular type of vocational qualification like Apprenticeships or approach to training, such as liP, at the expense of other vocational qualifications or strategies for training. Instead, the Government should confine itself to rectifying any deficiencies in the Apprenticeship system or any failings that exist in the liP system and then leave it to individual businesses to decide whether to use them or not.

As noted above, both BTEC and City & Guilds provide a variety of vocational qualifications that are respected by employers and popular with students. The existence of a market in vocational qualifications is beneficial because it should result in examination boards competing to develop courses and qualifications that meet the needs of employers. A market in vocational qualifications consequently enables employers and learners to pick and choose those courses and qualifications that are of most use to them.

It is perfectly reasonable for the Government to publicise different vocational qualifications and approaches amongst students and businesses to ensure that they are capable of making an informed choice. However, the Government should not try and corral businesses and individuals into adopting particular training programmes. The Government simply cannot know what particular training scheme is most appropriate for the 4 million businesses that operate in the UK or for the hundreds of thousands of individuals studying to improve their skills and qualifications.

Fourthly, the Government can help to ameliorate skill shortages by aiming to keep the regulatory and tax burden on business relatively light so that they have more resources available for investment in training programmes. Unfortunately, the burden of regulation has increased in recent years. In 2002 Alan Johnson, when Minister of State for the Regions and Employment Relations, admitted that the annual costs to business of employment legislation alone implemented by the DTI since 1997 amounted to £5 billion per annum.¹⁶³ On another occasion Alan Johnson remarked that there is "...a list of employment rights [introduced since 1997] that stretch from here [the DTI in London] to the Winter Gardens in Blackpool..."¹⁶⁴

At the same time, the burden of taxation has grown. PricewaterhouseCoopers have estimated that the tax burden under New Labour increased by £8 billion per annum between 1997 and 2002, with business footing 80 per cent of the bill.¹⁶⁵ The Government must avoid adding to the regulatory and tax burden on British firms. All training programmes, including those focused on the achievement of vocational qualifications, cost money and the Government needs to leave businesses with the wherewithal to finance them.

¹⁶³ *House of Commons, Hansard Written Answers for 20th May 2002* (London: The Stationery Office), col. 54.

¹⁶⁴ *Financial Times*, April 16th 2003.

¹⁶⁵ *The Times*, March 8th 2003, *The Times*, March 10th 2003. See also *Sunday Times*, March 30th 2003.

7. CONCLUSION

Training is important for individuals, businesses and the UK economy and society as a whole. Individuals typically benefit from training through higher rates of pay, improved employment prospects and enhanced status. Other things being equal, businesses that have a suitably skilled workforce are likely to enhance their productivity. Businesses that invest in training may also improve staff morale and reduce staff absenteeism and staff turnover. The UK economy benefits from having a trained workforce in a variety of ways. A plentiful supply of skilled people may serve to act as a magnet to foreign investment.

Additionally, an adequate supply of suitably skilled workers should enable the economy to avoid bottlenecks and prolong its capacity for growth. More generally, UK society benefits from improvements in skills and training because generally speaking individuals with few skills are more likely to likely to engage in crime or suffer from poor health.¹⁶⁶

Skill shortages and skill gaps have historically been the bane of the UK economy. The failure to develop an adequate system of vocational instruction has been a particularly long-standing weakness. The education system has tended to promote academic over vocational education, with the latter struggling to achieve parity of esteem. Measures to improve the coherence and quality of vocational education have been initiated since the mid-1980s, but there are concerns about many of the Government's recent innovations.

In March 2004, Ofsted published a report containing some coruscating criticism of the vocational A level, introduced in September 2000. It commented that the Advanced Vocational Certificate of Education (AVCE) was:

“not a popular qualification with learners, and is doing little to achieve the objectives of Curriculum 2000”.

The AVCE was “not well designed”, and “neither seriously vocational, nor consistently advanced”.¹⁶⁷

In July 2004, Ofsted reported a “satisfactory” start for new GCSEs in vocational subjects, although the quality of teaching was not found to be as good as in other GCSE subjects and a number of improvements were highlighted.¹⁶⁸

Whilst the number of students studying for Foundation Degrees, introduced in 2001, had reached 24,000 by 2003-04,¹⁶⁹ it is dwarfed by the 80,000 doing Higher National Diplomas. Reforms to Apprenticeships, the Government's flagship vocational programme, have not gone far enough and completion rates remain abysmal.

Lastly, the benefit to vocational instruction of the final report of the Working Group on 14-19 Reform, chaired by Mike Tomlinson, is also unclear. The proposed reforms would not necessarily encourage more children to study for vocational options. Simply bundling vocational units into the same diploma with academic units will not necessarily make students want to study them. Students will only study vocational components/qualifications if they qualify them for particular jobs, if employers specify them when recruiting and if they pay a wage premium for them.

¹⁶⁶ *21st Century Skills: Realising our Potential. Individuals, Employers, Nation.*

¹⁶⁷ See ‘Vocational A levels are neither popular nor well-designed’ (Office for Standards in Education News Release NR 2004-28, 29 March 2004).

¹⁶⁸ See ‘Ofsted reports a satisfactory start for new GCSEs in vocational subjects but further improvements are needed’ (Office for Standards in Education News Release NR 2004-70, 20 July 2004).

¹⁶⁹ See www.foundationdegree.org.uk.

Ultimately, the Government's central priority for the future must be to improve levels of achievement in schools, particularly in English and mathematics. Current attainment in these subjects is shockingly low. Unless pupils leave school with a good grounding in basic skills and qualifications to at least Level 2, skills shortages and skill gaps will persist. Good literacy and numeracy skills are essential for all pupils, students and employees, whether they choose to study for academic qualifications or vocational. They are the key to further progression in education, training and employment.

CHAPTER 8

A Surer Start

EARLY YEARS EDUCATION

POLICY RECOMMENDATIONS:

- Cut the number of initiatives
- Make SureStart funding fairer
- Consolidate responsibility for early years education
- Encourage better training for early years teachers and other staff

1. STARTING OUT

It is often taken as a given that a strong start to a child's educational career is a key factor in future success. This is strongly borne out by a number of studies. American research based on the popular High/Scope Programme, has demonstrated the socio economic gains resulting from good early years provision.

Outcome	Attended pre-school	Did not attend pre-school
Percentage employed	59	32
High school graduate	67	49
College training	38	49
Ever detained or arrested	31	51
Teen pregnancies (per 100 F)	64	117

Follow up in the programme also showed a higher percentage of car ownership, a lower percentage of recurring social services input, a higher level of schooling completed and significantly fewer arrests amongst those who had been involved in the programme.

Similar research is now underway in the UK. In 1996 the Effective Provision of Pre-School Education (EPPE) study commenced.¹⁷⁰ Publication of the full results of the first stage of the study are due to be published in the next few months. It is intended that the study will continue, monitoring the progress of the children who form the subject of the study.

The EPPE project's initial conclusions strongly support the conclusion that effective early years education is highly valuable for children. In summary the EPPE's key findings are:

EPPE's KEY FINDINGS:

- Pre school experience compared enhances children's development.
- An earlier start in pre school is related to better cognitive development, improved independence, concentration and sociability, with the caveat that high levels of group care before age three and especially before age two were associated with higher levels of anti social behaviour at age three.
- Full time attendance led to no better gain than part time.
- Disadvantaged children benefited particularly from pre school especially if they attended centres with children from other social backgrounds. (Thus confirming directly the conclusions of Mortimore et al 1988- for families whose lives are disadvantaged school remains one of the few mechanisms able to provide a compensatory boost.)
- Children's outcomes were directly related to the quality of the pre school placement.
- Higher quality was linked to settings with higher qualified staff, especially those with a high proportion of qualified teachers.¹⁷¹
- Quality overall was highest in the integrated settings, nursery schools and nursery classes, indicating that the calibre and training of the professionals who work with children are the key determinants of high quality provision.

2. EARLY YEARS PROVISION IN THE UK

Early years provision in the UK has tended to develop on an ad hoc rather than a systematic basis. This has, of course, upsides and downsides. It has led to highly diverse provision, giving parents flexibility and choice. On the other hand, it has perhaps mean that gaps in

¹⁷⁰ See also research from National Foundation of Educational Research Consortium (1992), Shorrock (1992), Osborne & Millbank (1987) and Athey (1990)

¹⁷¹ See also Ball 1994, Williams 1994, Pascal 1994 Woodhead 1996 and Sylva 1999

provision are still clear and strategic vision and commitment have been lacking. Even the high profile commitment of the Labour government to early years education has altered this position little.

EXISTING PROVIDERS IN THE UK:

Playgroup: Usually voluntary, not for profit. Rely on volunteers or low paid unqualified assistants, but half the staff must be qualified to the level of PLA Diploma or NVQ in Early Years Care and Education Level 2. Children usually attend part time. Community-based and usually involves high levels of parental involvement.

Local authority day care: Officer in Charge is qualified to the level of NNEB or BTEE or similar approved qualification. Usually open all day and through the holidays. Emphasises the care and protection of vulnerable children and so sometimes lacks a social balance.

Combined centre: Officer in charge is usually a qualified teacher or has a social work background. The majority of staff have early years qualifications. Combined centres combine education and day care and tend to be better funded than other types of early years provision and aim to support parents as well as children. They are free as to the education element (though parents may pay for further services such as day care).

Nursery class: Usually led by a qualified teacher and supported by a nursery nurse. The ratio may be 1:13 and the emphasis is on education, often quite formalised.

Reception Class in maintained school: Led by a qualified teacher, not necessarily with Early Years experience. Ratio generally approximately 1:15.

Private Day Care: Officer in charge usually possess a NNEB (diploma in nursery nursing). All staff may possess an NNEB qualification, but not necessarily: they may be supported by lesser qualified or even unqualified staff. Open all day and usually through holidays.

Private Nursery: Usually staffed by teachers or NNEB. The emphasis and ethos varies from formal education to Montessori or Froebel etc.

Kindergarten/Independent School Nursery Class: Staffed by teachers. Support staff may be qualified. Emphasis on formal education.

Early Excellence Centres/Sure Start: Specialised combined centres. Qualified staff. Focusing on disadvantaged families and intended to be "socially compensatory" in nature.

This impressive array of options offers parents a wealth of choice. Parents use Early Years provision for a variety of reasons: because they are working, because they need support, because they want formal or play based education for their child, or to enable their child (and themselves) to socialise.

However the reality of the options available are likely to be limited by geographical, financial and practical considerations and many parents have to accept early years solutions that do not necessarily give them what they need, often involving combinations of the above options, as well as childminders, nannies and family help.

Maintaining and developing this diverse provision must be a key goal of any policy initiative in this area. As already noted, however, policy in Early Years provision has been inconsistent (though perhaps, perversely, this has contributed to the diversity) and at times unhelpful; in particular, the Labour government has attempted to impose an ideological straitjacket on

Early Years education and has funnelled additional resources very narrowly into selected projects rather than attempting to spread the benefit and choices more widely.

3. NURSERY VOUCHERS

The Conservative government's introduction of nursery vouchers was put in place with the clear aim of bolstering diversity of provision as well as raising standards.

In 1993 the National Committee on Education "*Learning To Succeed*" Report made the expansion of nursery education its highest priority. In 1995 additional funding was announced in order to provide all four year olds who wanted it with a contribution to the cost of pre school education by way of a voucher scheme. The voucher could be redeemed in either the state or the private sector.

The scheme involved an effective transfer of £527 million from the hands of local authorities directly to parents, who had the choice of they type of Early Years education they thought was most likely to suit their child.

Unlike the current system's operation, it was the parent who applied for the voucher, not the provider. The parent could then redeem the voucher at any provider of choice, as long as the provider was registered as meeting HMI standards.

Bureaucracy was therefore less for the providers, and didn't seem to be problematic for parents, as indicated by the 91 per cent take up among eligible four year olds by 1997. In 1996 the vast majority of vouchers were redeemed in LEA schools (7749), followed by the private and voluntary sector (4520), followed by independent schools (695) and only 124 vouchers were redeemed in LA day nurseries.

The Scottish experience of the introduction of nursery vouchers showed an even higher proportion of redemption of the vouchers in the LEA sector¹⁷². The report accounted for this by pointing out that the private and voluntary sector had difficulty finding the extra finance it needed to facilitate provision, exacerbated by the uncertainty of the policies of the incoming government. The report also noted the decrease in parental involvement in the voluntary sector, the introduction of the voucher scheme being seen by some parents as releasing them from the responsibility to support voluntary enterprise.

From April 95 to March 97 the payment for vouchers cost £26 million, with an extra £950,000 spent on departmental staffing costs. By contrast, the cost of Sure Start is around £1.5 billion.

4. THE LABOUR YEARS

Implementation of the voucher scheme was stopped after the election of Labour in 1997. Labour announced increased expenditure on nursery education, committing to providing a free place for all 3 and 4 year olds who wanted it by 2004, but without the commitment to wider parental choice that the voucher scheme embodied, because the funding was mainly targeted at the very socially disadvantaged. In 2001 Estelle Morris announced expansion of high quality childcare and more Early Excellence Centres, aiming to have 100 of them by 2004.

¹⁷² See Preschool education voucher initiative; National Evaluation of the Pilot Year- University of Stirling, Stephen, Low, Brown et al 1998

In fact the government introduced a watered down version of the voucher scheme – with the added complication of LEA bureaucracy.¹⁷³ The notion of allocating money for early years to individual parents to spend where they chose returned with the caveat that the Local Authority passed the funding to the selected approved provider. Needless to say, this has resulted in opportunities for manipulation and interference by local authorities on ideological grounds.

Blackheath Nursery and Pre Schools was praised for the quality of its teaching but was threatened with the loss of state funding because pupils “did not play enough”.¹⁷⁴ Local authorities are adding their own criteria and allocating funding on that basis. This distorts parental choice and makes standards subservient to political correctness.

Funding is now for five part time sessions a week and the total sum available to parents varies from one part of the UK to another. For example the figure for Devon 2003 was £7.50 per 2 ½ hour session, or £1,239 per year. For leafy but expensive Richmond on Thames, the funding runs to £400 per term.

Anything over the maximum level the parent pays for. Parents may also claim Childcare Tax Credit in respect of Early Years fees.

All forms of provision may access the funds as long as the provision is approved by the Local Authority. To do this, however, they must meet additional bureaucratic hurdles: all approved Providers must be members of the Early Years Development and Childcare Partnership and follow the Code of Practice on the Provision of Free Nursery Places - a DfES Sure Start publication, setting out detailed regulations, over and above those already found in legislation.

5. INITIATIVE OVERLOAD

The current government’s policy is most striking for the number of initiatives that have been launched – the Children and Young Peoples Unit, the Children’s fund, Sure Start, The National Childcare Strategy, Early Years and Childcare Development Partnerships, Early Excellence Centres, the Early Childhood Unit, The Neighbourhood Nursery Initiative, The Neighbourhood Childcare Initiative, to name but a few.

The aim was to create 45,000 new nursery places. The Neighbourhood Nurseries Initiative was the biggest ever single investment in the creation of new early years places and was targeted at reducing unemployment and meeting the needs of lone parents entering the job market. Sure Start alone was to have £1.4 billion over six years. From 2000 to 2004 1 billion pounds was poured in to assist children in disadvantaged families, some 400,000 of them, and a further 580 million pounds was announced up to March 2004.

In 1998 responsibility for Early Years provision, which had been shared by welfare and education, was shifted wholly to education and central government transferred back to Local Authorities the £527 million to cover the voucher scheme.

Not only did schemes and initiatives proliferate – so did the sources of funding. The Daycare Trust Report 2000 counted 45 different streams of funding for childcare with different departments in control, describing the system as so complex and diverse that key players were unable to make the most of them.

¹⁷³ This bureaucracy is added to by the fact that after 1997 it became mandatory for every LEA to set up Early Years Development and Childcare Partnerships delegated to draw up annual local early years plans. Inspection of nursery provision became the responsibility of OFSTED. A Qualification and Curriculum Authority was set up to form foundation stage curriculum guidance.

¹⁷⁴ See Daily Telegraph, 13 November 2004

In the Interim report on Maintained Nursery Schools Project¹⁷⁵ worries reported by nursery Heads included confusion about funding streams, variation in the way Local Authorities allocate money, and overload from new initiatives. Julie Morrow, head of Stoneygate nursery in Preston described the difficulty of accessing funding through different streams, with an alarming amount of time now being spent on drafting bids for funding from each of these streams. After multiple applications, she finally accessed Grant 55, The National Lottery and the Single Regeneration Budget.

6. USERS OF EARLY YEARS EDUCATION

Region	No in early years education ('000)	Participation rates (percentage)			
		Maintained nursery and primary schools	Independent and special schools	Private & voluntary providers	All providers
England	1,190.6	59	5	38	102 ¹⁷⁶
Wales	55.6	78	1	-	79
Scotland	100.7	65	-	13	71
N Ireland	32.9	58	1	13	71

Almost all 3 and 4 year olds are now in some kind of early years provision.

Across the board the private and voluntary sector is expanding. Perhaps surprisingly, the maintained sector is contracting.

Sector	Age Group	Year	Places
Maintained	3 years	Jan 02	223,500
		Jan 03	218,700
	4 years	Jan 02	477,700
		Jan 03	472,200
Private/voluntary	3 years	Jan 02	283,200
		Jan 03	323,900
	4 years	Jan 02	96,500
		Jan 03	115,700

Despite the huge sums of money spent on Early Years Provision by the current government, the plethora of new initiatives and grand words about free provision for all children aged 3-5, the needs of the children of working parents are being met predominantly in the voluntary and private sector, while the maintained sector has contracted.

The maintained nursery sector is constantly worried about school closures and amalgamations¹⁷⁷. One might be forgiven for thinking that the maintained sector would have expanded significantly, as the recipient of the significant increase in funding made in the last ten years.

¹⁷⁵ DFES

¹⁷⁶ The figure of above 100% is accounted for by double counting of children attending more than one type of

¹⁷⁷ Report; Developing and Extending Nursery School Services May 2000. Also Study of Pedagogical Effectiveness in Early Learning.

In fact that funding has been concentrated on intensively focused, extremely well funded centres for a small proportion of the socially disadvantaged. The Sure Start scheme is specifically aimed at this category, as are Family Centres and Early Excellence Centres.

In March 2003 the Government decided to re brand the latter as Children's Centres. The Government plans by 2006 to develop the few remaining LA nursery schools into integrated centres i.e. Children's Centres. By 2008 it is planned that there be 1000 such centres, incorporating health, outreach to parents, bases for childminder networks, family support and links to Job Centres. Charles Clarke has said, "The attainment gap between the poor and the better off must be closed." It is anticipated that the children's centres will be open 10 hours a day.

The Sure Start scheme is so costly because it is not about providing flexible child care for hard working parents; it is about social engineering by a Government obsessed with meddling no matter the cost and without reference to the needs of the many.

In July 2001 Estelle Morris made this plain when she said that the ambition of the Government was that by March 2004 there should be a child care place in the most disadvantaged areas for every lone parent entering employment. In Scotland education chiefs have called for an end to 'apartheid' in child care services- and pointed to the divisive effects of stigmatisation of different services used by children of working parents and those in need¹⁷⁸.

While there is undoubtedly a case for targeting spending at Britain's most needy communities, the contraction in the overall number of maintained sector nursery shows the danger of targeting this funding too closely. The result is a decline in the diversity of early years provision and in the ability of the widest community to share in benefits of early years education. The work of The Early Excellence Centres is of a very high standard, as shown by the recent EPPE report, but they do not provide places for enough families and they are not appropriate for all families.

In particular, the government is only slowly acknowledging the need for more flexible and comprehensive childcare to help working parents. Nursery classes, either private or maintained, do not of themselves provide solutions to the childcare needs of the working parent.

A parent who uses their central government-provided funds and then tops these up for whole day care often leaves the lower paid no better off than if they were not working. This creates a powerful disincentive to work that affects many thousands of parents who would like to return to work. Parents need access to co-ordinated facilities for childcare, such as wrap around care, which might be facilitated by after school club, or school linked childminder collection and care after nursery class, or extended care provided on nursery school site.

The Government has recently begun to take this on board, but it has been slow to do so and its record so far suggests that any programme introduced to meet those needs is likely to be far from comprehensive. Current proposals for older children focus heavily on before- and after-school clubs, but questions as to staffing and activities are not answered. The proposals, moreover, do not fit the needs of the very young child.

Amidst the (very worthy) expenditure on schemes to benefit the socially disadvantaged, such as Sure Start and Early Excellence, it must not be overlooked that much creative and valuable work with disadvantaged children and families is being done in the rest of maintained, voluntary and private sector for a fraction of the price.

¹⁷⁸ TESS. 27 August 2004

CASE STUDIES

BUCKS, BIRKENHEAD AND BROMLEY

Penn Street in Buckinghamshire was an early successful experiment. The innovative work done by 'nurture groups' at Primary Schools in places like Birkenhead, and the Bromley By Bow nursery are all examples of the local community coming together to identify and address their own need, organising themselves and obtaining funding to continue and develop their work.

Birkenhead, for example, invested £1.5 million for nurture groups in their area and these groups are extremely successful and cost effective. Dealing with very disadvantaged children, after two to four terms in a nurture group 87 per cent of children are successfully reintegrated into mainstream school and of these 83 per cent need no further welfare support. Yet the groups struggle for funds, obliged to wade through the mire of myriad funding streams. Early Years providers are bewildered and have their time wasted by complex funding procedures and by servicing new initiatives. Their time would be better spent caring for and educating the children.

At Bromley By Bow an extremely vigorous community in a deprived area has organised a variety of projects. The nursery occupies imaginatively designed premises shared with the church. It is open all day with places for 25 children from a variety of backgrounds uniting health care with education and enterprise and providing high quality affordable childcare for their community. The model is based upon integration- connection with people, excellence- an expectation of success, and partnership- public and private.

7. THE PROBLEM OF THE PRIVATE SECTOR

The private sector is doing a remarkable job of meeting the needs of working parents and their often disparate needs.

In the private sector, though, there is an ongoing dilemma between the need to ensure care standards and the need to avoid burdening early years service providers with stifling regulation.

Though there are many good private providers, the quality offered in private sector day care varies considerably. From time to time scandals occur that engender concern – for example those highlighted in the press (Daily Telegraph, Daily Mail, 12 August 2004) and in the BBC documentary "Nurseries Undercover", revealing ill treatment and neglect at the hands of staff. Parents need to know their children are safe and properly cared for in their nursery or day care setting by appropriately trained staff. At the same time, though, they need to be given the range of choices which excessive regulation has a tendency to stifle.

8. PROPOSALS FOR CHANGE

(i) The law

Early Years provision is a legislative orphan. No specific piece of legislation has been passed relating to Early Years. Regulation is to be found in a number of Statutes; The Education Act 1996, the Education Reform Act 1998, the Children Act 1989, The Care Standards Act 2000 and many others.

There should be one single act to regulate Early Years provision, setting out a framework on issues such as staff qualification, staffing ratios, entitlement to provision, co-ordination of resources, special needs, inspection, curriculum, funding and responsibility for provision, as well as power to close providers which consistently or seriously breach regulations.

(ii) Coordination

We currently have a Minister for Education (Margaret Hodge), a minister for Early Years, (Baroness Ashton), an Early Years Directorate (a division of Ofsted), a separate Care and Education Inspectorate, a Qualification and Curriculum Authority, and within the DfES a division between Early Years, Sure Start and Childcare.

This lack of coordination is not only expensive in itself. It also damages the sector, as it is reflected in the myriad of funding streams and initiatives that bedevil the early years sector.

The structure must be simplified. Within the DfES there should be a single team, headed by a minister, with a specific brief for Early Years in general, abolishing the divisions noted above. This team would take responsibility for implementing and co-ordinating Early Years provision and legislation, for the streamlining of funding and for reducing the bureaucracy to which so much time is lost, as well as liaising with Ofsted to ensure responsiveness to Early Years needs.

As a priority it would also input into training agencies on the issues of staff training opportunities for those working in the field. It would have a direct relationship with the Early Years Development and Childcare Partnerships in each Local Authority Area

These Partnerships would be expected to be able to report on all aspects of Early Years in their areas, particularly what practical arrangements had been made to orchestrate skill and facility sharing among the providers of early years services, both private and state funded, in relation to services to families in need, and also the local childminder and nanny and day care resources to provide wrap around care for working families. There should be strong encouragement to all providers in the area to participate in local co-ordination and sharing schemes fully to maximise opportunities for children, families and for the providers.

(iii) Training, workforce, pay and conditions

Research shows that the training and quality of staff is key to the quality of the provision of Early Years Services.¹⁷⁹ However, the staff in Early Years institutions are too often poorly qualified and poorly paid. Most are paid little more than the minimum wage. Indeed, Rosemary Murphy, CEO of the National Day Nurseries Association observed, "Childcare fees have risen. This is no surprise- it is as a direct result of the increase in the minimum wage."

The UK needs a national childcare training strategy, and an overhaul of the training opportunities and courses. At the moment there are a myriad of different qualifications: NVQ (varying levels), NNEB, PGCE, BTEC, Diploma in Childcare to name but a few.

There are people working in Early Years with no relevant qualifications of any sort. Sadly, the UK cannot expect quality provision without investment in quality training and it cannot expect to attract a quality workforce on the minimum wage.

In June 1998, the Teacher Training Agency decided that Early Years Trainees could undertake an advanced study of early years as an alternative to a National Curriculum subject, opening the door to teacher training courses specifically for early years teachers.

It is proposed that all PGCE courses should contain an Early Years option, and that this may be accessed by those already having the PGCE who wish to track into Early Years.

¹⁷⁹ Blenkin 1996. Ball 1994. Audit Commission 1996. DFEE 1999 (b). Sylva 1999. EPPE 2004

This may indeed help to bring back many of those who have left the teaching profession.¹⁸⁰ There is a haemorrhage of qualified teachers from the profession: teachers sick of the bureaucracy and discipline vacuum in education of older children. It may well be that many of these teachers might prefer to work in Early Years, especially if it is relieved of the bureaucracy of accessing funding and of implementing endless new initiatives. In this way a great waste of resources might be ameliorated.

A single integrated qualification for early years practitioners, quite apart from the PGCE. This qualification could be done in parts, becoming more advanced, with the steps leading to the equivalent of degree level. In this way the qualification level of staff would be transparent, particularly to parents.

Training of workers, moreover, must continue throughout the worker's career. There should be compulsory continuing education. Skill and practice sharing, co-ordinated by each Early Years Development Partnership could form a part of this training, as well as accessing the work done by the very highly funded units, such as the Early Excellence Centres.

With higher staff qualification there should be higher staff remuneration, common conditions and a proper career structure – such as there is in the teaching of the over 5s – encouraging the development of a well skilled and properly valued workforce.

This could all be paid for easily within the existing early years budget by cutting back on the proliferation of initiatives and by replacing plans to expand Sure Start with a commitment to return to successful nursery vouchers – an equally effective and much cheaper and more efficient solution.

(iv) The private and voluntary sector

The private sector provides early years services for well over half of all U.K three year olds and for a sixth of all four year olds. Fulfilling the aim of allowing all 3 and 4 year olds access to Early Years provision is dependent on the existence of a thriving, expanding private and voluntary sector.

Over-regulation is detrimental to private enterprise, and early years provision is no exception. In the context of early years provision, though, this requires careful balancing with the safety and well being of the children using this service. Parents cannot go to work confidently if they are worried about their children.

Currently the minimum requirement of Ofsted Inspection is bi-annually. Four to six weeks notice of Inspection is given to the providers inspected (though the notice period may be truncated if there has been a complaint. We would raise the obligation to annual inspection, to be effected without notice.

All providers would be obliged to give to parents clear information as to levels of staff qualification and continuing staff training and any changes thereto. Parents are entitled to know the capabilities of those caring for their children. Providers would be graded on criteria particularly including staff training and qualification and ratio, with grades available to parents.

(v) The maintained sector

Maintained nursery schools perform well and are only marginally more expensive than reception classes. However, the number of places in maintained nursery classes is contracting. The current level of places must at least be maintained, acknowledging that these

¹⁸⁰ In 2002 14.1 per cent of teachers resigned from their jobs, 42 per cent of whom were leaving the profession permanently. (Paper; Factors Affecting Teacher's Decisions to Leave the Profession- Smithers and Robinson, 2002.) The reasons predominantly given for leaving the profession were workload, pupil behaviour and government initiatives. (Paper; New Challenges in School Management- Professor Alan Smithers.)

schools are a valuable asset and value for money. We would propose that the nursery schools be encouraged to make available on site extended day care, and that interface with the private sector be considered and encouraged in order to further that option. The Early Years Partnerships would be expected to encourage and assist in setting up such schemes.

(vi) Funding

Streams of funding should be reduced to the lowest possible number. These streams have proliferated hand in hand with the proliferation of initiatives. Providers must still make out a reasonable case for the granting of extra funding over and above initial Local Authority grant, but they should only have to apply one body, an overall fund holder, administered by the Early Years team in central government.

There should, however, be a higher level of funding be allocated according to the service provider's grade on staff qualification and training. This will encourage investment by providers in these areas.

CHAPTER 9

LOGGING ON

THE FUTURE OF LEARNING

POLICY RECOMMENDATIONS:

- A unique learning number for each learner
- A credit system for learners
- Cut the number of government initiatives and quangos – restrict governmental intervention to areas where involvement serves a wider social purpose such as facilitating access to e-learning for disadvantaged groups

1. A REVOLUTION IN PROGRESS

“E-learning has the potential to revolutionise the way we teach and how we learn”, says the Government¹⁸¹. Perhaps it is no surprise that New Labour enthuses about online education – it has the air of fashionable modernity that has so appealed to Labour governments from Wilson to Blair.

¹⁸¹ DfES, *Towards a Unified e-Learning Strategy* (2003)

But e-learning is a great deal more likely to prove of enduring value than some of the other projects sponsored by Ministers in the name of “modernisation” over the last few years. The e-learning sector has developed impressively over the last few years, and is now in common use in schools, universities, businesses and at home.

It is inevitable that government should display an interest in a sector with the potential to have such a significant effect on society. Indeed, it would be negligent if it did not seek to take an interest.

However, government involvement in a fast developing sector such as the internet can be a double-edged sword. Lumbering bureaucracy can too quickly take the place of fleet-footed commerce. Political pet projects can get the nod over what users really want.

So while some government involvement in e-education is inevitable and, in the main, to be welcomed, the intervention needs to be limited if value for money is to be obtained, duplication of the work of the commercial sector avoided and the market is not to be skewed by bureaucracy. Consistently with other areas of commerce, the sector is most likely to flourish where government’s role is limited to (i) laying down the groundwork for commercial players and (ii) working in areas where the market is not fully able to respond to social needs. Public money needs to be spent very carefully in an area – the internet – where even some of the world’s biggest companies have had their fingers burnt, and where excessive intervention could skew the market away from the genuine interest of consumers.

The Government has already set up a major consultation exercise on e-learning. In 2003, the DfES published a consultation paper, *Towards a Unified e-Learning Strategy*, which aimed at an overarching plan for the development of e-learning. The outcome of the consultation exercise is expected later this year.

The consultation document did throw up some of the problems with the Government’s approach, however: it was heavy on platitudes and grand abstractions. Most troublingly, in places it hinted at an interventionist approach to e-learning. Some of the ideas were, on the other hand, practical and welcome. This chapter explores the state of e-learning in the UK at present in the context of the Government’s review, the nature of users and the benefits they gain, and examines the steps policymakers should take to ensure that the sector is allowed to develop to its full potential.

2. WHAT IS E-LEARNING

Modes of learning stayed broadly the same for centuries before the development of e-learning. Pedagogies based on instruction by a teacher in a classroom or the gleaning of information from textbooks or other materials have been the dominant mode of teaching and learning for as long as anyone can remember.

E-learning offers a new mode of education, whether used on its own or in combination with more traditional modes. Put at its most simple, it is a form of learning undertaken by the individual interactively over the internet or using devices such as CD-Roms.

It might be seen as the obvious e-era development of successful distance learning projects, notably the Open University. It has the potential, though, to operate across the learning field and to offer skills-enhancement to numerous sectors.

EXAMPLES OF E-LEARNING:

- schools using online resources as classroom teaching aids
- a university offering an online degree course
- a college offering an online IT course
- a professional undertaking professional studies or exams online
- a small business using an internet-based management skills training package for its employees
- a larger business developing a bespoke compliance training package for its employees
- an unemployed person learning new skills via an e-course
- a “hard to reach” learner, such as those in prison, undertaking learning

The types of learning that come under the umbrella of e-learning are similarly diverse.

MODES OF E-LEARNING

- **Online courses:** there is already a plethora of courses undertaken electronically over the internet. This is probably what most people understand by e-learning. Courses are developed by a content provider and undertaken from the user’s desktop.
- **Peer-to-peer learning:** the internet offers the opportunity for sharing peer group knowledge and best practice in a cheaper and more immediate way than any pre-existing method. Professional discussion boards are a very good example of how peer-to-peer learning can help to build skills throughout a group. Companies are already using these systems internally to share knowledge more effectively.
- **Open source learning:** in a related vein, open source learning allows anyone to contribute to the store of knowledge which the user can then access. Named after the open source software which allows anyone to play a part in its development, open source learning is a means of accessing the widest possible knowledge base.
- **Blended learning:** in many cases, the internet alone will not provide the most satisfactory learning experience. No one, for example, would expect young children to undertake all their learning from the internet. However, where elements of e-learning can be blended with elements of traditional teaching methods, an impressive educational experience can be constructed.
- **Games as education:** for younger (and perhaps older) children, learning through games is a good way to create enthusiasm for learning. A lot of educational software based on game playing is now being developed.
- **Online mentoring:** the process of mentoring can often be a very valuable one for learners. However, it can also be limited by the need for access to the mentor. Access over the internet (e.g. by email) means that mentoring can be undertaken whenever it is needed, rather than at pre-arranged intervals.

- **Podcasting:** an unfortunate name for an important phenomenon. Podcasting is the delivery of online audio content. Much of the store of knowledge is held or is best communicated by audio means. The internet is just as good a medium for this as it is for visual learning. Indeed, its capability in both areas is a crucial part of its usefulness, given the different ways in which people learn.
- **Web-lectures:** the on-demand nature of the internet means that web-lectures can be accessed whenever users want to listen to or view them – an important extra dimension of flexibility for teaching.
- **Simulations:** for workplace training, simulations are a very useful way of integrating learning into everyday practice.
- **E-books and e-textbooks:** the major projects to put works of learning onto the internet offer huge potential for online learning. Google, for example, recently announced a partnership with, amongst others, Oxford and Harvard Universities to digitise the books in their collections and make them available to internet users.

3. E-LEARNING IN THE UK

(i) Providers

A plethora of e-learning providers – both publicly-funded and private sector – have sprung up over the past few years.

Private sector e-learning providers have tended to be concentrated in the business training market, most particularly for larger firms which have adapted enthusiastically to e-training. Major business service providers such as IBM and Accenture offer a range of e-learning services such as web-lectures, online packages, virtual classes (both live and self-paced) and blended learning.

Other providers are operating in the market for schools and other educational institutions. Capita, for example, is heavily involved in providing the structures for e-learning in schools, while other companies such as Granada Learning are major players in the provision of content.¹⁸²

This is now a thriving market and users are well catered for. This limits the extent to which publicly funded or government directed intervention is necessary.

However, there are important government-funded players in this market, most importantly learndirect¹⁸³. learndirect was set up by the Labour Government to realise the concept of a University for Industry – a project designed to facilitate “lifelong learning”. learndirect offers courses falling into three categories: “skills for life” (i.e. basic skills such as literacy and numeracy), business and management, and IT skills through the network of two thousand learndirect centres. It offers a wide range of courses at different levels from taster activities, through pre-level 2 courses (equivalent to five GCSE passes), to degree level courses. It now has around 550 courses on offer, about 80 per cent of which are online courses. Since its launch in 2000, over 1.5 million learners have enrolled on over 3.4 million learndirect courses.

Ufi/learndirect also operates a network of “UK online centres” which offer access to a range of e-learning opportunities and e-services. Ufi also operates the learndirect National Learning

¹⁸² See also the Government’s Curriculum Online project.

¹⁸³ learndirect is the sponsor of this paper.

Advice Service – a free a confidential telephone helpline and website for adults looking for impartial information and advice on courses and careers.

The successful expansion of learndirect can be set against the failure of the Government's e-university project – faddishly known as UKeU – which was similarly well-funded from the public purse but collapsed in acrimony.

The UKeU was launched by the Government at the height of the internet boom in 2000. Its goal was to market degrees offered by UK universities over the internet to a worldwide audience, and had an early target of enrolling 5000 learners. To that end, it commissioned its own state-of-the art “world beating” platform from Sun Microsystems, at a cost of over £20 million. But the project, supported by huge amounts of public money, was badly conceived and badly managed. A highly critical report by PA Consulting commented that:

“UKeU are probably right in claiming that no other provider offers the full range of e-learning services in this way. But it is not clear to us that they have demonstrated how they are generating and exploiting commercial advantages from this capability. We have not seen evidence that customers recognise benefits from access to a one-stop service provider and our discussions with UK universities have suggested that they regard the e-University as primarily a marketing device.”

The project was eventually wound up in 2004, at a cost to the taxpayer of £50 million. By the end, only 145 students were using its platform.

Curiously, and by contrast, Scottish universities have managed to set up a similar online project without the massive additional public expenditure and without the political interference that bedevilled the UKeU. The Interactive University (IU) is highly successful with thousands of students enrolled on its courses¹⁸⁴.

The lesson of these three projects is clear. Government should only get involved when there is a conspicuous failing by the commercial sector. learndirect is able to justify the public investment it receives through its role in targeting those groups and organisations which are not well-served by commercial e-learning providers – most particularly the underprivileged. learndirect centres perform an important social function. Public funding is therefore prioritised for those with the greatest need.

The UKeU swallowed up large amounts of public funding without it ever being made clear what advantages its public funding brought for society or what its social function was. It is a prime example of modish political meddling in an area where government intervention – unless designed to achieve a wider social purpose – is generally counterproductive.

(ii) Users

Users of e-learning broadly split into four categories – larger businesses, small and medium-sized businesses (SMBs), the education sector and individual users.

Larger businesses have taken to e-learning with enthusiasm. A report by HI Europe any Howard Hills Associates¹⁸⁵ commissioned by Ufi on the e-learning market found that nearly two thirds of businesses with over 10,000 employees were already using e-learning. Only 16 per cent had no intention of using it. Over a quarter believed that an e-learning culture was already well-embedded in their firm.

Smaller businesses are also important users of e-learning, although they have been slower to take it on board. The survey showed that about a third of smaller businesses were using e-

¹⁸⁴ See “Top scholar”, *Guardian*, 19 October 2004.

¹⁸⁵ *E-learning within large corporates*, Ufi, 2002

learning. A further survey showed very limited take up in the smallest firms¹⁸⁶. This is arguably an area in which, due to the nature of the SMB market, commercial providers have not made adequate provision, but an area in which major benefits could be realised by greater provision.¹⁸⁷

The leading edge of the education sector has been alert to the benefits of ICT in learning for many years, although the practice for many has lagged behind. Successive governments have undertaken numerous projects to improve the use of technology in schools. Its current projects include Curriculum Online, the National Grid for Learning and the National Education Network (a project to provide a secure network linking schools which can be accessed even from home). Universities too are alive to the benefits of e-learning, not just as course providers but also as users, with many now working collaboratively to develop packages for their resident students (for example, the Universities Collaboration on e-Learning project in healthcare education). Others are using commercial packages to deliver teaching to their students – which, as noted below, may become a more common approach as student numbers rise without a commensurate increase in budgets.

Individual users, in turn, are now an important category of e-learners – and one where government attention should be concentrated. Many of those who turn to e-learning are those who are relatively unskilled and who have previously been unable or unwilling to access learning in its more traditional forms. As a matter of social policy, it is in the broader national interests that all have access to learning, and if e-learning is particularly effective in reaching this group then government should invest here. The next section explains further the people e-learning is better able to reach and the advantages they gain from it.

4. THE ADVANTAGES OF E-LEARNING

(i) Low barriers to entry

Entry into the traditional education market is not cheap. Most independent sector education providers at the school level are well-established; a few have sprung up recently (for example, GEMS) but the significant investment in staff, buildings, systems and infrastructure that is required means that there are significant barriers to entry.

The lack of entry by private sector providers in the university sector – only Buckingham University is truly independent of government funding – suggests that the same is true in this sector too.

E-education, however, has much lower barriers to entry, meaning that new and innovative providers are easily able to enter the market and provide competition to existing operators. In particular, there are a number of platforms which can be purchased “off the shelf” for a few tens of thousands of pounds on which a range of courses can be built. Not all operators, of course, take this option. As noted above, the ill-fated UK e-University developed a bespoke platform with Sun Microsystems at a cost of £20 million. The cost of this was a major contributor to its eventual failure.

Of course, there are a number of other costs (e.g. advertising) but staff costs can be relatively low by comparison with traditional learning provision and building and infrastructure costs are, of course, much lower per student.

¹⁸⁶ *learnirect – its contribution to workforce development*, Ufi, 2002

¹⁸⁷ Similar findings were revealed by a study of SMBs in Denmark: see www.e-kompetencer.dk for details.

(ii) Choice

This relative ease of entry into the market points at the potential for a significant increase in choice in the learning sector as a result of the rise of e-education. Not only is the number of providers increased; the range of courses on offer is also substantially increased.

In particular, it opens up choices to those unable or unwilling to go through traditional term-constrained classroom-based teaching. This applies in particular to those disillusioned by these traditional routes – as explained further below.

The relative ease of creating new courses also means that providers do not have to be constrained by the existing categories or levels of learning. Already, e-courses are available at every level – from unexamined basic skills courses promoting literacy and numeracy to a range of recognised higher education qualifications (for example, the learndirect *Learning Through Work* programme).

New courses that fit between or go beyond existing qualifications (notably college and school qualifications) are likely to have a welcome impact on the existing system, focused as it is on a few government sponsored quasi-universal system. Below we suggest a system of giving credit for such qualifications, but in time the most popular will become well-recognised on their own terms.

(iii) Accessibility

For some people, classrooms just aren't their thing. Whether because they were disenchanted by school or because they do not have time to go along to a traditional course during the day or after work, the accessibility of e-learning is a major plus.

Allowing these “difficult-to-reach” people to undertake further learning is central to e-learning's benefits. Research by the Institute for Employment Studies has shown that most individual users of e-learning are well past the stage of formal education, and well over half had only basic qualifications. Most tellingly, over half were out of the workforce – and therefore without access to on-the-job training and often in need of retraining or the opportunity to increase their skill set.

CASE STUDY

SHEFFIELD COLLEGE

Sheffield College developed a special online GCSE English course, intended to widen access to those who were unwilling or unable to attend traditional campus-based classes. Among the 41 students who completed the course were two excluded from school, a 47-year old who felt let down by his earlier educational experiences and several from outside the local area. The course achieved a 100 per cent pass rate, with 55 per cent achieving grades A or A* (compared with national averages of 59 per cent and 13 per cent respectively).¹⁸⁸

E-learning courses can be accessed by anyone online or with the right equipment (e.g. a CD-Rom). The need to be online, though, leads inevitable issues with access to a suitable computer; for the poorest in society, this is a major problem. Studies by the DfES and others point to significant disparities in familiarity with and use of internet technologies by those in social classes AB and those in classes DE.¹⁸⁹ Major divides between the young and the old are also apparent.

¹⁸⁸ Sheffield College now advises other institutions on setting up e-courses.

¹⁸⁹ See www.becta.org for further details.

The Government is to be commended for its efforts to bridge what is known as the “digital divide”. However, many feel it is not doing enough. The consultation exercise on its e-learning strategy revealed that many respondents felt that this was not sufficiently addressed and commented that:

“the real challenge lay in convincing the disenfranchised of the benefits of e-learning whilst they perceive that the cost of hardware and connectivity was prohibitive”.¹⁹⁰

Concern as to the “digital divide” was a “consistent concerns expressed by most respondents” to the consultation exercise.

Internet access in libraries and other public places is a key means of securing wider access to the benefits offered by online learning. For this reason, UK online centres are located in all public libraries and in the two thousand most deprived wards in England. But there is only limited awareness of the benefits of this amongst the target groups, who are only slowly being persuaded that access is available to them. It is here that government investment is most needed.

CASE STUDY

LEARNDIRECT CENTRES

learndirect has been a key driver of the attempt to widen access to e-learning. learndirect centres are operated as franchises under the learndirect umbrella and have significant autonomy to tailor their operations to local needs.

learndirect centres are situated in a variety of locations – for example, sports clubs, churches, community centres, libraries, business premises university campuses and railway stations – to enable maximum access, and are intended to encourage people to return to learning. Some centres have, for example, crèches to allow parents to undertake learning.

The centres go beyond the passive facilitation of internet access by providing face to face or online tutorial support. They aim actively to promote learning and business development by whatever means are most appropriate for the individual.

CASE STUDY

JAYNE MARTIN

Jayne Martin of Telford won a place at university following study using learndirect. She was offered a place on the University of Hull’s social work BA course after completing the learndirect Adult Certificate in Numeracy.

“I was told it was possible to get a qualification equivalent to GCSE level. I checked with the University of Hull and they were happy to wait for my result. I have four weeks to learn everything I didn’t in three years at school.

“I was delighted when I got the call confirming I could start my course. I never thought I could get a qualification in maths – it’s almost a bigger achievement than getting my degree will be.”

¹⁹⁰ DfES, *Progress Towards a Unified e-Learning Strategy*, 8 April 2004

(iv) Flexibility

Perhaps the most impressive feature of e-education is its flexibility. Traditional education (apart from on-the-job) education is still based around a notably inflexible model – based on terms with regular attendance required, often based in a classroom with a single teacher and pen-and-paper exams at the end.

E-education can take all or none of these features. It may still be classroom based, and it may still have a pen-and-paper exam at the end. But it also need have none of these features. It may be undertaken from home; it may be undertaken at whatever time and whatever pace suits the learner; it may be examined on an ongoing basis or with an online assessment at the end; it may have a tutor to add to the online element or it may be simply a web-based tutorial.

For those who, for whatever reason, cannot undertake tradition learning (for example, those with full time jobs or with children find it difficult to fit into the timetables demanded by traditional education), e-education offers an opportunity to extend skills that would not otherwise be open to them.

Assessment can be equally flexible. The ability to gain a qualification at the end of a course is very important to many learners and this necessarily involves some form of assessment. In an online environment these can be rigorous without being intimidating; learndirect, for example, is piloting “in-flight” assessment – assessing learners as they progress through the course rather than presenting them with a huge assessment once the course is completed.

Similarly, on-the-job e-learning offers time flexibility that traditional course-based learning cannot. Rather than having to leave their posts at a prescribed time to attend a course, employees can undertake learning from their desks at a time that suits them, without interfering with their other work. This has significant benefits for productivity. A survey conducted by learndirect¹⁹¹ found that 78 per cent of training planners and 73 per cent of users in larger businesses described the level of flexibility as one of the biggest benefits of e-learning. Appreciation of this factor in the SMB sector was even greater: 86 per cent of training planners and 79 per cent of training users applauded its flexibility.

CASE STUDY

CLIFFORD CHANCE

Clifford Chance, the City law firm, has adopted e-learning for many of its in-house courses. Its great benefit, they explain, is its “just in time” nature. Busy lawyers can access the courses they need when they need them. The old model – “just in case” – involved absorbing learning “in case” it was needed in the future. The confines of the old model meant that it had to be structured in this way. But the flexibility of e-learning means that this need no longer be the case – which is particularly important in fast moving markets.

(v) Cost-effectiveness

For many organisations, the major appeal of e-learning is its ability to deliver to a large number of people at a cost much lower than traditional learning.¹⁹² Face-to-face teaching of

¹⁹¹ *Embedding e-learning in large organisations*, HI Europe & Howard Hills for Ufi/learndirect, 2004

¹⁹² See, inter alia, Kruse, K. *Measuring the Total Costs of E-learning*, http://www.e-learningguru.com/articles/art5_2.htm.

large groups of people is an expensive and time-consuming process. When the numbers of people involved are significant – think, for example, of introducing NHS employees to the proposed medical records database – the costs and disruption can be immense.

E-learning allows the learning process to be undertaken in a much more cost-effective fashion. An online course can be undertaken over a period of time by a very large number of people without having to gather them together for face-to-face tutoring.

The savings, moreover, can be extensive. IBM estimates that it saved \$200 million in a single year through its use of e-training¹⁹³.

CASE STUDY

SCOTTISHPOWER

ScottishPower is a power multinational with 14,000 employees. In 2004, it implemented an e-learning initiative with remarkable speed and at remarkably low cost for new staff. It put in place a health and safety induction programme – now mandatory for all new joiners – in just 27 days and at a cost of just £8000 – an estimated £20,000 saving on a tutor-led course. The course is completed from the employee's workplace PC and is assessed at the end of three months' employment to ensure that standards are maintained.

The programme won the Scottish eLearning Alliance's award in 2004.

This benefit is clearly appreciated by training planners. The learndirect survey¹⁹⁴ found that 54 per cent of planners in larger firms cited cost savings as a major benefit of e-learning. 55 per cent of those in SMBs were similarly impressed. The need to save costs was cited by similar numbers as their reason for adopting e-learning methods.

Costs are of particular importance in the SMB sector. While many large organisations can absorb the cost of developing a bespoke training programme and employing the staff to manage it, this is not the case with most small businesses. Many, moreover, do not have access to the business networks that make training the norm. DfES statistics show that only around 30 per cent of employers employing less than 100 staff offer training¹⁹⁵.

As a result, employees or SMBs are sometimes held back by a lack of training, which in turn often holds back the business itself. The availability of low-cost and highly accessible e-courses in key business skills (such as IT, accounting and management) is a major boon to these employees and these businesses. In an interesting development, a number of banks are now promoting these courses to small businesses in which they invest.

The academic community too may find the cost benefits of e-learning to be important- driven at times by necessity. As financial pressures increase on universities, for example, due to the Government's ill-conceived targets for participation, they may find themselves delivering greater proportions of their courses through e-learning rather than through traditional methods in ever-more overcrowded lecture theatres.

¹⁹³ See forbes.com e-learning special report.

¹⁹⁴ *Embedding e-learning in large organisations*, HI Europe & Howard Hills for Ufi/learndirect, 2004

¹⁹⁵ DfES Learning and Training at Work Survey 2002

5. POLICYMAKERS AND E-LEARNING

There have been some notable successes and failures in e-learning. On the user side, big businesses have been fast to see and exploit the benefits offered by e-delivery of training. Individuals already familiar with IT and those with easy access to computers have also been major beneficiaries.

But smaller businesses and the socially excluded remain key groups who would benefit significantly from e-learning but for whom work still needs to be done to ensure access and take up.

(i) A simplification of the number of government-sponsored e-learning projects, bodies and funding streams and an acknowledgement of the limited nature of government involvement in directing the e-learning market

The government has fed a lot of money into e-learning initiatives. Since it came to power, it has put in place all of the following:

GOVERNMENT E-LEARNING INITIATIVES

- UKeU
- Ufi and learndirect
- National Education Network
- JANET
- Broadband Stakeholder Group
- DfES e-Learning Strategy Unit
- National Grid for Learning
- Techlearn
- Learning & Teaching Support Network
- National Learning Network
- E-learning Alliance
- E-government Unit (formerly Office of the e-Envoy)

Already in place were the following:

PRE-EXISTING E-LEARNING INITIATIVES

- British Educational Communications and Technology Agency
- UKERNA
- Teaching & Learning Technology Programme
- Computers in Teaching Initiative

There are also numerous industry groups and stakeholder associations from the education community.

This creates a very crowded playing field. It means a large amount of duplication of effort, a confused line of accountability and funding uncertainty. Already, some of these bodies and initiatives have been disbanded or replaced. A radical simplification would be welcome, with an acknowledgement of government's limited role in intervening in the e-education market.

In particular, the Government seems minded to be at the forefront of developing standards for e-learning. This seems unnecessary given the number of well-regarded industry bodies that are already in place. The Government should resist the temptation to meddle unless a clear social case can be made, for example, to narrow the digital divide.

(ii) A unique learning number

E-learning opens up the possibility of realising much more easily the oft-mentioned goal of "lifelong learning"¹⁹⁶. The likelihood of more career changes over a lifetime make this, for many, a practical necessity but the restricted nature of post-school leaving classroom learning has made it difficult to achieve. The flexibility of online learning seems likely to lead to a significant increase in the number of people taking qualifications over the course of their lifetime.

At present, there is no way of tracking this. Institutions (such as Ufi) which need to track what happens to learners following the use of their courses find themselves hindered by a lack of recording of post-school leaving qualifications.

The same problem arises for employers wishing to check the claimed qualifications of a prospective employee. The proliferation of e-courses makes it doubly difficult for them to trace the qualifications listed on an applicant's curriculum vitae: a one stop shop for this would be much more efficient and would offer significant benefits to prospective employees, able to offer concrete evidence of their qualifications.

For these reasons, the creation of a unique learning number for each school leaver seems like a positive step. Unlike identity cards or medical records, civil liberties or "Big Brother" concerns are minimal with this notion, acting as it would as a simple record of achievements at school and beyond.

¹⁹⁶ The European Union's e-learning Action Plan lays particular stress on the role of e-education in lifelong learning – see *European Commission, E-learning Action Plan: Designing Tomorrow's Education*.

(iii) A credit system for qualifications

The development of e-learning seems likely to lead to a proliferation of internet-based courses at many different levels. Some of these may not give rise to qualifications, but it is likely that many will. Some will be qualifications already familiar to employers and learners (e.g. a GCSE or BTEC National Diploma), but many may not be.

In many ways (for the reasons already discussed in other chapters) this diversity and choice is a good thing. The shoehorning of learners and qualifications into existing qualification pigeonholes does little to encourage innovation and limits the system's flexibility.

However, working out the relationship between these qualifications will be one of the major challenges arising from this new diversity of provision. A credit framework for existing non-internet qualifications would be welcome: with the proliferation of internet-based qualifications it seems likely to become a necessity.

With suitable development, such a framework could be applied both in e-education and in traditional education. It would make clear the relationship between and the relative value of the various courses on offer.¹⁹⁷ It would aid progression from one level to another. And, perhaps most importantly, it would signal achievement to a potential employer.

The potential of a credit framework is acknowledged by the Government's e-learning consultation document¹⁹⁸ and the Qualifications and Curriculum Authority has been working on a framework pilot for some time.¹⁹⁹ Its initial step has been to set out a number of rather nebulous principles which, in truth, do not take the project much further forward²⁰⁰. The current target date for such a framework is 2010. While this project deserves wholehearted support, it needs to be taken forward much more urgently if the burgeoning e-education market is to be allowed to flourish.

¹⁹⁷ Indeed, it is likely that the development of a credit system would encourage even greater diversity in the provision of courses by enabling them to be set at a greater range of levels and nonetheless provide for the learner being credited with his or her achievement.

¹⁹⁸ See page 37 of the consultation document.

¹⁹⁹ Similar work is also taking place in Scotland, Wales and Northern Ireland.

²⁰⁰ See QCA, *Principles for a credit framework for England*, 2004. See also LSDA, *Credit systems for learning and skills: current developments*, 2003

CHAPTER 10

CHARITY CASES

SUPPORTING INDEPENDENT SCHOOLS

POLICY RECOMMENDATIONS:

- Urgently clarify the law on public benefit, allowing independent schools to remain charities
- Avoid a statutory definition of public benefit
- Support independent schools' activities to support the community

1. SUPPORTING HIGH STANDARDS

Independent schools in the UK are amongst those offering the very highest standards. As a result they are a popular choice for those parents who can afford them. This paper has proposed that the choice be afforded not only to the relatively well off but also to the less well off.

It is crucial, then, that these high-achieving schools receive the support they deserve. However, the Government's charity legislation, currently going through Parliament, poses a serious threat to them.

Currently there is a legal presumption that charities for the advancement of poverty, education and religion are for the public benefit. As a result, they do not have to demonstrate public

benefit either on registration or on an ongoing basis unless someone successfully shows on the balance of probability that their operations may not be for the public benefit.

The Charities Bill seeks to abolish this presumption²⁰¹. There are concerns that the abolition might have a considerable impact upon many charities that charge for the services they provide.

These include hospitals, theatres and care homes whether for the elderly or the disabled; and, perhaps most controversially, independent schools.

2. THE INDEPENDENT SCHOOLS SECTOR

The Independent Schools Council²⁰² (ISC) suggests that the independent schools' sector is flourishing. In its 2004 census, the ISC reported a ninth year of continuous growth, with more pupils in ISC schools, more investment in facilities, and more help by independent schools with fees.

The total population in ISC schools in January 2004 was 508,027. The total population in all independent schools was some 620,000 pupils in 2,300 schools. There is a rising trend of the proportion of pupils educated in the independent schools sector year-on-year. The overall average termly fee for an ISC school in 2004 was £3,074²⁰³.

In 2003 independent schools spent £522.6 million. As well as this investment, independent schools have also invested in widening access to those who excel and/or who could not otherwise afford to pay their fees.

The ISC reveals that²⁰⁴ 23% of all pupils in ISC schools received help with their fees (e.g. through scholarships, bursaries and assistance), from a population of 508,027 (i.e. 116,846 pupils). This was an increase of 2.1% from 2003 and suggests a healthy ongoing increasing trend. Help from the independent schools represents the predominant source (over 66%) of help with independent school fees. The value of this help is not available from the 2004 census, but according to the ISC²⁰⁵ in 2001 the annual sum disbursed by ISC schools in this way was £210 million, or 6% of turnover²⁰⁶.

83% of ISC schools are charitable (i.e. 1,061 independent schools in total). 93% of pupils in ISC schools (456,000) are in charitable ISC schools²⁰⁷. According to the ISC, the Department for Education and Skills consistently shows that about 19% of 16-19+ year olds are in fee paying schools²⁰⁸. Charitable ISC schools educate about just under 5% of the total population of pupils in the combined independent and maintained sector²⁰⁹ between ages 4 to 19+.

²⁰¹ Charities Bill, S3(2).

²⁰² The ISC represents 1,277 independent schools within the UK where over 80% of independent school pupils are educated.

²⁰³ The discrete categories were: Boarding £5,909; day fee/boarding schools £3,107; day fee/day schools £2,429; day fee average £2,637.

²⁰⁴ Independent Schools Council Annual Census 2004.

²⁰⁵ Source: ISC Publication "Good Neighbours – ISC Schools and their Local Communities", footnote to the Foreword, page 8.

²⁰⁶ Assuming a 4.5% increase year-on-year based upon the 2001 – 2002 increase in pupils supported, that sum today would be about £240 million.

²⁰⁷ Joint Committee Report, DCH 9, Memorandum from the Independent Schools Council.

²⁰⁸ David Miliband, Minister of State for Schools Standards, House of Commons Written Answer, 22 June 2004; quoted in Joint Committee Report, DCH 278, Supplementary Memorandum from the Independent Schools Council.

²⁰⁹ According to the Department for Education and Skills' current figures there are the following numbers in the maintained sector: primary 5,178,200; secondary 3,995,000; special 105,600.

Finally, it is not true that all independent schools are financially well off. For instance, apart from the few “household name” schools with substantial endowments, the majority of ISC schools have little in the way of endowments and are dependant for most of their income on fees. Over 50% of ISC schools have an annual turnover of £3 million or less and operate on a 2-3% margin – e.g. about £60,000-£90,000.

In many respects, the greatest sadness about the abolition of the presumption of public benefit for education is that it sends a message to the public that education is no longer valued as a public benefit in itself, and that the independent schools sector cannot be trusted to maximise its public benefit without enhanced scrutiny from the Commission. This is regrettable because, as will be explored further below, the independent schools can show a long and proud history of philanthropy in response to emerging social needs.

Tax reliefs for charitable independent schools

Charitable independent schools, along with other charities, benefit from a range of tax reliefs, such as:

TAX RELIEFS FOR CHARITABLE INDEPENDENT SCHOOLS

- full income tax relief²¹⁰
- full corporation tax relief²¹¹
- full capital gains tax relief²¹²
- rates relief of between 80% and 100%²¹³
- relief from stamp duty in certain circumstances²¹⁴
- relief from taxation on certain otherwise taxable trades, for instance primary purpose and ancillary trading, and small and mixed trading within certain limits²¹⁵
- the ability to reclaim basic rate tax (currently about 28%) in respect of donations made by individuals to the charity by Gift Aid from the Inland Revenue to the extent that it has been paid by the donor²¹⁶.

The position regarding VAT is more difficult. Superficially, the independent schools are in a beneficial VAT position because the provision of education by a recognised school or a charity will be an exempt supply²¹⁷. Accordingly VAT will not be chargeable on school fees, making them more affordable to parents seeking to send their children to independent schools.

²¹⁰ If a trust, see S505(1) Taxes Act 1988.

²¹¹ If a company, S832(1) Taxes Act 1988.

²¹² S256(1) Taxation of Chargeable Gains Act 1992.

²¹³ Local Government Finance Act 1988.

²¹⁴ S129 Finance Act 1982.

²¹⁵ See, for instance, Inland Revenue online Guidance for Charities, Annex IV (Trading).

²¹⁶ S25(1) and (2) Finance Act 1990, as amended by S39 Finance Act 2000.

²¹⁷ VAT Act 1994, Schedule 9, Group 6.

This exemption can be a cause of great difficulty, however, because its result will also be that in most cases schools will be unable to register for VAT, and therefore will be unable to reclaim VAT paid by them to their own VAT registered suppliers. Suffice to say here that the ISC has estimated²¹⁸ that the irrecoverable VAT burden for independent schools is about £170 million each year; and that this burden is about twice the annual tax benefits from charitable status.

3. CHARITABLE INDEPENDENT SCHOOLS AND THE PUBLIC BENEFIT

Some people argue that independent schools should not enjoy charitable status because they do not deliver a sufficient public benefit. They assert that, because independent school fees are prohibitive to many of the less fortunate in our society, they confer a private benefit on those who can afford the fees, and so do not meet the necessary threshold of public benefit.

This is known as the “wider access” debate, and is an important point of view. It deserves to be treated with respect, and with sensitivity towards the social concerns of those who hold it. Nevertheless, there can be little doubt that the independent schools have provided substantial public benefit in a number of ways, and not just to those who can afford to walk through their gates.

The wider access debate arises from the fact that, by their very nature, charities must benefit the public, so any private benefit must be incidental in nature. This is so whether or not there is a presumption. For instance, in its publication RR8 “The Public Character of Charity”²¹⁹, the Commission sets out its current position on public benefit and states that:

“The public character of charity is upheld by ensuring that an organisation benefits either the public as a whole, or a sufficient section of it. Whether this is the case can only be decided on a case-by-case basis.”

The Courts have interpreted what is meant by a “sufficient section” of the community as follows:

“These words “section of the community” have no special sanctity, but they conveniently indicate first, that the possible (I emphasise the word “possible”) beneficiaries must not be numerically negligible, and secondly, that the quality which distinguishes them from other members of the community, so that they form by themselves a section of it, must be a quality which does not depend on their relationship to a particular individual”²²⁰.

Later, when assessing to what extent individuals may benefit privately, the Commission states in RR8 that:

“...a private benefit is legitimately incidental if it arises as a necessary but incidental consequence of a decision by the trustees which is directed only at furthering the organisation’s charitable purposes (as opposed to a separate purpose of in effect providing private benefit), and the amount of benefit is reasonable.”

When charging arises, the question of social exclusion may also arise: if the charges are sufficiently high so as to exclude the poorest in our society, can the organisation be said to be

²¹⁸ Joint Committee Report, DCH 9, Memorandum from the Independent Schools Council.

²¹⁹ The Commission has indicated that it will revise RR8 in the light of the ultimate wording of the Bill once it is enacted, and of the Home Office/Commission concordat on the definition of public benefit (see below).

²²⁰ Oppenheim v Tobacco Securities Trust Co Ltd [1951] AC 297, per Lord Simonds.

charitable when it has, by virtue of its charging structure, created barriers to the poorest benefiting from the charity's operations?

This is not a simple question. In this context, however, it is important to bear in mind a number of points:

- educational charities such as the independent schools are founded to advance education, not to advance the relief of the poor;
- it is well established that charities do not have to benefit potentially the *whole* community, merely *a sufficient section* of it. Numerous charities exist to service only a very small class of beneficiaries, for instance charities maintaining village halls in particular localities with only a few thousand inhabitants;
- the presumption of public benefit is exactly that – a presumption! Its abolition does not change the legal test, but merely shifts the evidential bias so that it is for the independent schools to demonstrate on the balance of probabilities that they operate for the public benefit, rather than for an interested third party to challenge the fulfilment of the public benefit. It has always been open to interested third parties to seek to *rebut* the presumption by demonstrating, on the balance of probabilities, that a charging charity was, as a result of its charges, not operating for the public benefit²²¹. Such third parties might include, for instance, the Attorney General in his or her capacity as *parens patriae* to protect the interests of beneficiaries;
- charities should be able to charge a reasonable fee for the services they provide, as long as the fee is applied to furthering the charity's objects and not to any non-incidental private benefit (e.g. paying teachers is fine);
- when deciding whether to set, or when setting the tariff for, fees, trustees must always act in the best interests of their charity. Accordingly, they must determine if the fact and amount of fees is the best way for them to fulfil their charitable objects and benefit their beneficiaries. It is not always inevitable that setting high fees will be the best way to do this. In the case of most independent schools however, they will not have endowments or other grants or funding sufficient to enable the trustees to avoid charging fees. As a result, the only way for them to be able to fulfil their charitable objectives will be to charge the fees necessary to cover the operating costs of the school together with a prudent reserve and an appropriate surplus to enable ongoing investment including development of buildings and other facilities, etc.;

In RR8, the Charity Commission sets out its current guidelines about what principles trustees of charging charities should apply when setting charges²²²;

- charges should be reasonable;
- charges may, if appropriate to the overall purposes of the charity, be set at a rate that generates a surplus to help fund the charity's other current or future activities. Looking at

²²¹ For instance, Tudor on Charities (9th Ed, 2003) says (at 1-008): "Established English law provides that where the purpose appears to be for the relief of poverty or the advancement of education or the advancement of religion the court will assume it to be for the benefit of the community and, therefore, charitable unless the contrary is shown. In such a case it is for those who dispute the validity of the gift or trust to satisfy the court that the community will not be benefited. So, for example, a trust for the advancement of education will not be charitable if it is shown that the particular education is not of public value, National Anti-Vivisection Society v IRC [1948] AC 31 at 49".

²²² These guidelines will almost certainly be superseded by any new guidelines published by the Commission in the light of the enacted Charities Bill and the concordat reached between the Commission and the Home Office. See below.

the overall purposes of the charity includes taking general account of the circumstances of its indented beneficiaries;

- no charge should be set at a level which deters or excludes a substantial proportion of the beneficiary class since this would be contrary to the purpose of the charity
- the service provided should not cater only for those who are financially well-off. It should in principle be open to all potential beneficiaries (as opposed to entire exclusion of those with limited financial means); and
- it should be clear that there is a sufficient general benefit to the community directly or indirectly from the existence of the service.

A number of matters arise from this. First, is the fact that the Commission to date considers that direct and indirect benefit to the community is relevant²²³. This means that, in relation to the independent schools for instance, not only the direct benefit to pupils at independent schools can be taken into account, but also the indirect benefit of their education to society as a whole.

It is also arguable that the indirect benefit to the state school system could be taken into account, since the fact of the charitable independent schools, by taking some 456,000 pupils out of the state school system year-on-year, means that the state school sector has more money to spend on those who either cannot afford or do not choose an independent school education (relief of the public sector). The Chancellor of the Exchequer has admitted as much when he said²²⁴ that independent schools save the exchequer £1.98 billion each year, enabling that sum to be spent within the maintained school sector.

In the light of this, and apart from the obvious public good of education in itself, according to the ISC the independent schools provide a series of public benefits.

PUBLIC BENEFITS PROVIDED BY INDEPENDENT SCHOOLS

- on Government's own figures, the education of 440,000 pupils from the UK in independent schools saves the exchequer £1.98 billion each year²²⁵
- this £1.98 billion saving is some 22.5 times the value of the fiscal benefits to independent schools of charitable status
- the VAT exemption on fees in relation to the supply of education by independent schools that are charities undermines the fiscal benefits to independent schools of charitable status
- many ISC schools actively raise funds to increase their ability to educate pupils from less well off families
- ISC schools give £2:30 in assistance for every £1:00 gained through charitable status. Of this assistance, 50% is allocated through means testing
- 12% of pupils in ISC schools have special educational needs, including dyslexia and dyspraxia²²⁶.

²²³ See, for instance, Le Cras v Perpetual Trustee Co Ltd [1967] 3 All ER 915 ("Re Resch").

²²⁴ Budget Speech, 17 March 2004.

²²⁵ Speech by the Chancellor of the Exchequer, 17 March 2004, as above.

WIDER ACCESS SCHEMES OPERATED BY CHARITABLE SCHOOLS

The ISC has concluded from a survey that there had been a significant growth in the provision of wider access and community support and engagement since 1992. In 2003:

- nine out of ten (88.7%) responding schools made at least one facility available for outside use
- maintained schools were not charged by well over half (58.9%) the schools that allowed them to make their facilities, and community groups by well over a quarter (27.6%)
- with regard to partnership activities, the beneficiaries in partnership activities are principally the disadvantaged, maintained schools, the local community and good causes home and abroad
- over half (53.4%) the responding schools were involved in at least one partnership activity not funded by Government
- of those schools that described one activity, 20.5% described a second and 10.6% described a third
- large schools found it easier to undertake partnership activities than small schools and therefore a higher percentage of them do so (68.4% as against 38.9%)
- 70.5% of the costs of partnering activities are borne by the independent schools.

This illustrates that the independent schools sector seeks to widen access through responsible programmes of scholarships, bursaries and assistance. It also seeks to build partnerships with the maintained school sector and with the wider community.

These partnership activities in ISC schools include making teaching and learning activities available on the internet; the provision of teaching in specialist or minority subjects where provision is lacking in the maintained sector; special tuition for children from maintained schools who are seeking places at leading universities; and specialist tuition in music, drama and the arts. Many schools are active in the independent/state school partnership scheme and are giving up time and experience to help establish City Academies²²⁷.

Taking one prominent example, in its written evidence to the Joint Committee²²⁸, Eton College stated that 19.4% of its pupils hold scholarships or bursaries. Scholarships may be, and bursaries are, means tested. Bursaries are means-tested assistance with fees that may be added to scholarships or given to pupils who might not otherwise be able to afford to attend Eton. The overall cost of scholarships and bursaries is about £2.8 million each year.

²²⁶ ISC Census 2004.

²²⁷ Joint Committee Report, DCH 9, Memorandum from the Independent Schools Council. The City Academies programme intends to raise educational attainment by establishing a new kind of secondary school in disadvantaged urban areas. These will be publicly funded independent schools, with sponsors from the voluntary sector, business or faith groups. In October 2002 David Miliband made an appeal to headmasters of the independent school sector to lend their support to the new Academies, which are semi-independent institutions to be funded jointly by the public and private sectors. David Miliband stated that the new Academies were "pioneers, independent schools in the state sector, moving beyond the traditional principle of comprehensive intake to offer genuinely comprehensive provision... They are about human links that will motivate pupils and energise teaching". (Source: The Guardian, October 9 2002, article by Rebecca Smithers).

²²⁸ Joint Committee Report, DCH 46, Memorandum from Eton College.

Eton College further benefits the community through an impressive range of other “wider access” and community projects.

The ISC in its evidence to the Joint Committee²²⁹ held out the independent schools in Manchester as a prime example of innovative delivery of public benefit and wider access. Similar submissions outlining wider access were made by a number of other schools, including Christ’s Hospital²³⁰ and Rugby School²³¹. It is hard to see how such activities – on top of the basic educational public benefit already provided - could not render these independent schools publicly beneficial on the measure of any reasonable person.

There is also a strong argument that charitable status in itself widens access. The ISC, in its evidence to the Joint Committee²³², states that charitable status:

“enables schools to increase the availability of means tested bursaries for children from less well off families. More particularly, charitable status encourages schools to launch appeals to fund means-tested bursaries and encourages potential donors to give to those appeals. If charitable status were removed, there would be fewer donations, fewer bursaries, and reduced access to children from less well-off families”.

Equally, to its credit, the ISC regards wider access as a natural remit for the charitable independent schools. In its evidence to the Joint Committee it said²³³:

“The main effect of charitable status is to widen access. It also provides us with some money to widen access. It also provides us with a social purpose to widen access to people who cannot afford the fees and it is the final and conclusive answer to those parents who say “Why should my fees be used to subsidise other children who cannot pay”. The answer is because it is our job. That is the key thing”.

Other public benefits provided by charitable independent schools include the fact that they earn over £283 million each year to the benefit of the national economy from fees paid in respect of overseas pupils²³⁴; the fact that the charitable status of independent schools stimulates increased donations to education; and the stimulation of excellence and innovative educational techniques.

The ISC has argued that this facilitation of public benefit is historic. For instance, it states in its 2003 “Good Neighbours” Report²³⁵ that:

“It should not be supposed that the independent schools embarked upon charitable enterprises only when their charitable status began to be called in question. On the contrary, service (before that word became unfashionable) has always been part of their ethos and, long before the welfare state was a gleam in a politician’s eye, philanthropic, charitable and relief work in inner cities and other deprived areas was undertaken both institutionally by the public schools (often in the setting up of boys’ clubs) and individually by their alumni who had imbibed from their education a spirit of service for those less favoured than themselves. Those who have taught in the independent sector have always understood that there is little justification for their work if pupils grow up to use the benefits of their education only for their own

²²⁹ Joint Committee Report, DCH 9, Memorandum from the Independent Schools Council.

²³⁰ Joint Committee Report, DCH 232, Memorandum from Christ’s Hospital.

²³¹ Joint Committee Report, DCH 238, Memorandum from Rugby School.

²³² Joint Committee Report, DCH 9, Memorandum from the Independent Schools Council, at Paragraph 28.

²³³ Joint Committee Report, Ev 163, (Mr Shepard).

²³⁴ Joint Committee Report, Ev 165, (Mr Shepard).

²³⁵ As above, page 5.

advancement and profit. The nature, the scope and the method of independent school charitable activity may have changed over the years, but the principle has remained constant”.

Other arguments often levelled against the independent schools are that they are elitist and perpetuate a “them and us” society; that they exist to make a profit; that wider access is based upon aptitude rather than means; and that disabled access is not necessarily higher than that in the maintained schools.

These arguments can be countered: the ISC census and its evidence to the Joint Committee establishes that those who send their children to independent schools do not typically belong to what one might call a “privileged” section of society, and often make considerable sacrifices to do so²³⁶.

Equally, it is not true to say that most independent schools are well-endowed. It is true that the independent schools exist to make a profit, but so does any charity that wants to grow year-on-year. The key is that the charitable independent schools in their constitutions will have a lock on asset distribution so that the profit must be applied to each school’s charitable purposes²³⁷.

With regard to aptitude, the ISC evidence suggests that it is important to distinguish between scholarships, which are based on aptitude, and bursaries, which are not. According to the ISC, of the £219 million disbursed by ISC schools in 2000-2001, 49% was disbursed through bursaries, and 47% to scholarships²³⁸. While it may be true that disabled access is no higher than for maintained schools, the disabled access figure for independent schools is about 12%²³⁹. While no doubt this figure could be improved upon, it demonstrates a clear commitment to extend, and significant success in extending, access to those with special needs.

4. WIDER ACCESS AND THE LAW

This whole debate has been confused by the fact that the Commission, in its initial evidence to the Joint Committee²⁴⁰ and despite the general guidance given in RR8, stated that because of applicable case law wider access would not be a relevant factor in assessing public benefit for the independent schools. This stance dismayed the Home Office, which held a conflicting view.

A legal wrangle then resulted which has not yet been properly resolved, and which can only undermine the plans and operations of many fee-charging charities including the independent schools which need certainty about what is to be expected of them in future.

Accordingly, unless the position is changed before the Bill becomes law, the Courts will still reign supreme in defining public benefit; and existing case law will still bind the Commission in the way in which it approaches the public benefit question²⁴¹.

²³⁶ See for example, Joint Committee Report, Ev 166-167.

²³⁷ This is a common misunderstanding fuelled by the unfortunate common use of the phrase “not-for-profit” when describing a charity. “Non-profit-distributing” would be a better and more accurate description.

²³⁸ Joint Committee Report, DCH 278, Supplementary Memorandum from the Independent Schools Council.

²³⁹ Joint Committee Report, Ev 165, (Mr Shepard).

²⁴⁰ Joint Committee Report, Ev 192.

²⁴¹ As discussed in Chapter 3 below, the emergence of the new Charity Appeals Tribunal (CAT) will mean that public benefit questions, whether of fact or law, arising from a decision of the Commission will first be heard by the CAT. Nevertheless, any incorrect legal test applied will be capable of appeal to the High Court, so that the

This uncertainty alarmed the Joint Committee, which had hoped that the abolition of the presumption might have had a substantial impact on charities that charged. In its Report, the Joint Committee stated that:

“[The Commission’s] interpretation left the draft Bill in the ludicrous position of promising to bite on the public benefit bullet without having any teeth to do so. ... This position was based on an interpretation of the law which was supported by some of our witnesses and disputed by others. Most significantly and perplexingly it became clear that the Home Office and the Charity Commission saw things differently. This is deeply unsatisfactory. For a matter of such public importance and interest to produce such total confusion at the heart of the draft Bill is nothing short of farcical”²⁴².

As a result of the Joint Committee’s criticism, the Home Office and the Commission have devised a joint concordat in an attempt to resolve their differences about the current legal position.

In brief, the concordat asserts that what comprises public benefit is capable of evolving and developing over time with regard to both particular charitable purposes and the social and economic changes in society. It also attempts to strike a balance on the wider access argument: first, while the fact that charitable facilities will be charged for and may be provided mainly to people who can afford to pay does not necessarily mean that the organisation does not operate for the public benefit; nevertheless secondly, an organisation which wholly excluded poor people from any benefits, direct or indirect, would not be established or operate for the public benefit and therefore would not be a charity.

It is quite possible, however, that the concordat does not accurately reflect applicable law in the context of the application of the public benefit test to educational charities that charge.

This has been acknowledged by Government in its reply to the Joint Committee Report²⁴³ when it states that “we do not see the principles in the letter as forming a complete basis for an explanation of public benefit, although they do form a good partial basis”²⁴⁴.

From that “good partial basis”, Government envisages that the Commission will publish revised guidance, for instance by the revision of RR8:

“We... [p]refer the option of having the public benefit principles stated in guidance which explains the law, and aims to generate greater general awareness of what public benefit means in the context of charity, but is not itself part of the law. The advantages of this are that it provides maximum flexibility for the law to develop in response to changes in society and that it allows for all, rather than just some, of the public benefit principles to be set out and explained”²⁴⁵.

To enable this, S4 of the Bill contains a requirement that the Commission must issue guidance in pursuance of its public benefit objective to promote awareness and understanding of the public benefit requirement for all charities²⁴⁶. The Commission must

CAT will not undermine the supremacy of the Courts in this context. Findings of fact by the CAT cannot be appealed to the High Court however as the Bill is currently drafted – a considerable failing which is explored further in Chapter 3.

²⁴² Joint Committee Report, paragraph 76.

²⁴³ See above, at page 5, paragraph 3.

²⁴⁴ From the language of the concordat, it does not appear that the Home Office regarded the concordat as merely a “good partial basis” in the context of fee-charging charities when it was submitted to the Joint Committee.

²⁴⁵ Government Reply to the Joint Committee Report, paragraph 8, at page 7.

²⁴⁶ Ss4(1) and 4(2).

carry out such public and other consultation as it considers appropriate before issuing or revising any guidance²⁴⁷.

While this obligation to issue guidance about public benefit is welcome, it remains likely that any such guidance will be based on the concordat. In any event, the test of public benefit with regard to each class of charity will rest with the Courts – the Charity Commission’s guidance will remain only non-declaratory guidance²⁴⁸.

In the light of the obligation to publish guidance, the Commission published two important papers in January 2005: first “Public Benefit – the legal principles”; and secondly, “Public Benefit – the Charity Commission’s approach”.

In “Public Benefit – the legal principles”, the Commission states²⁴⁹ that in considering the extent to which charging by a charity might affect its ability to demonstrate benefit to the public, the following broad principles apply:

- both direct and indirect benefits to the public, or a sufficient section of the public, may be taken into account in deciding whether an organisation is set up and operates for the benefit of the public
- the fact that the charitable facilities or services will be charged for, and will be provided mainly to people who can afford to pay the charges, does not necessarily mean that the organisation is not set up for, and does not operate for the benefit of the public
- an organisation which wholly excluded less well off people from any benefits, direct or indirect, would not be set up and operate for the benefit of the public and therefore would not be a charity.

In applying this approach to cases where high fees are charged for services or facilities provided, the Commission will consider the following²⁵⁰:

- does the level at which fees are set have the effect of preventing or deterring the less well-off from accessing the services or facilities?
- If so, can it be shown that the less well off are not wholly excluded from any possible benefits, direct or indirect?

In “Public Benefit – the Charity Commission’s approach” the Commission sets out the way in which it will apply the public benefit test. In relation to existing charities²⁵¹ the Commission concedes that it is still considering the best way of carrying out these checks²⁵², but this might include a public benefit section in the annual return that registered charities must submit to the Commission.

²⁴⁷ S4(4).

²⁴⁸ In its Reply to the Joint Committee Report (paragraph 8, page 7) Government notes the concerns about guidance being issued by Government based on the principle that there should be no Government control over any aspect of the definition of charity. The Reply states that “To remove that risk we therefore intend in the Bill to place the guidance-making function not with the Secretary of State but with the Charity Commission as the independent regulator which is not under Government direction or control”. While the provisions of S4 of the Bill are to be welcomed, the circumstances of the concordat suggest that the Commission’s position on the public benefit test with regard to fee-charging charities continues to evolve in concert with the Home Office.

²⁴⁹ At paragraph 34.

²⁵⁰ Public Benefit – the legal principles, at paragraph 35.

²⁵¹ See paragraph 30.

²⁵² Although it had previously taken a more robust view.

The Commission also states²⁵³ that it will develop greater awareness and understanding of the public benefit requirement through the implementation of a four stage process.

The possible effect of the concordat and resulting Charity Commission guidance on charitable independent schools

The concordat and the preliminary guidance of the Commission published in January 2005 attempt to make plain that any independent schools that do not offer any wider access at all may be stripped of their charitable status. Ironically, this will worst affect the poorest independent schools, since they might not be able to afford to devise an access widening scheme that satisfies the Commission. It is said, for instance, that the “average” independent school operates a 2-3% margin on a turnover of about £3 million²⁵⁴, which is only about £90,000. For some, therefore, a broad access widening initiative might be simply out of reach. Ironically, it will be the least “privileged” independent schools that appear to be prejudiced most by the concordat. This is clearly unfair, and must be addressed as a matter of urgency.

5. INDEPENDENT SCHOOLS AND THE NEW PUBLIC BENEFIT CHALLENGE

The argument about the charitable status of independent schools is not a question about whether independent schools should exist; but rather about whether they should receive the public subsidy of the range of tax reliefs available to charities²⁵⁵. In that light, and despite the concerns about the concordat expressed above, it is appropriate that independent schools should have to demonstrate public benefit.

The independent schools generally appear to welcome this challenge, and it is to their credit that they take a highly responsible attitude in this regard. For instance, rather than hiding behind the Schools Cases, the ISC chooses to take its stand on a broader provision of public benefit by the schools it represents. For instance, in its evidence to the Joint Committee, the ISC stated that:

“We want schools to provide public benefit. We are very confident that the vast majority of ISC schools do, and to a great extent. If there are schools that do not then they should pull their socks up”.

When asked if the abolition of the presumption of public benefit should be used as “a lever to make schools change the way they operate and provide more public benefit”, it was said:

“Yes, it is self-evident; that is the world in which we live. We are accountable”.

What is not right, however, is that the independent schools should have to endure uncertainty about the future evolution of what comprises public benefit generally, and the extent to which they have to provide for wider access to those who might not otherwise be able to afford access. The independent schools need a clear benchmark against which to develop the public benefit they provide.

The evidence given to the Joint Committee demonstrated that the removal of charitable status from independent schools would be likely to make some schools unviable. For instance, one headmaster stated that:

²⁵³ See paragraphs 31 – 41.

²⁵⁴ See Joint Committee Report, Ev 171.

²⁵⁵ See above.

“The loss of charitable status would increase the costs... by £335,000 a year. That is unequivocally £335,000 which that school would not be able to spend on the community, on bursary places, on widening access and on giving places on purely merit grounds²⁵⁶...”

“There is a financial benefit from charitable status. As a fundraiser, there is a tremendous benefit to the charity which I run in enabling it to raise money to fulfil its charitable purposes. It is a huge asset”²⁵⁷.

It is not clear what will happen to the assets of independent schools if their charitable status is removed. Arguably, their assets will be applied by a scheme of the Court or the Commission to fulfil objects in the educational field that are charitable. This might mean a re-structuring of the school’s fee and access structure, or the removal of the school’s assets from its trustees. Alternatively, it might mean that the school would be deprived on an ongoing basis of the tax reliefs that it had previously enjoyed, which might make numerous independent schools unviable as a going concern²⁵⁸.

Oddly, in relation to the many independent schools, a loss of charitable status may result in yet higher fees that make them even further out of reach for those who cannot afford their fees. This was a point taken up by Eton College in its written evidence to the Commission, when it said²⁵⁹:

“Loss of charitable status by abolition or by raising the Public Benefit bar unreasonably high would reduce access to the school by cutting the number of scholarships and bursaries and severely limit the assistance given to others as outlined [in the Memorandum]²⁶⁰”.

One immediate effect the abolition of the presumption will have is that independent schools will have to assess the risk of their being unable to fulfil the public benefit test as part of their required risk assessment under the Charity SORP 2000. Auditors are already requiring this, and expecting trustees to make a statement about public benefit in their annual reports.

In addition, there is always the concern of further more radical “solutions” to the question of the independent schools. For instance, in its Report the Joint Committee made a suggestion (which it accepted was “radical” and which it did not formalise as a recommendation) that:

“...we believe that the Government should consider reviewing the charitable status of independent schools and hospitals with a view to considering whether the best long-term solution might lie in those organisations ceasing to be charities but receiving favourable tax treatment in exchange for clear demonstration of quantified public benefits”²⁶¹

With respect, this attempt to mollify that sector of the community that would do away with the independent schools does not make sense. First, what the independent schools need now and in the light of the Bill is certainty, not the threat of some further re-structuring on the horizon. Secondly, frankly, if an independent school can clearly demonstrate public benefit, then it deserves to be a charity. Thirdly, it is not clear what advantage there is to removing

²⁵⁶ Joint Committee Report, paragraph 87; from Q478 (Dr Stephen).

²⁵⁷ Joint Committee Report, paragraph 87; from Q457 (Dr Stephen).

²⁵⁸ There are obvious Wednesbury reasonableness and proportionality issues here concerning the removal of charitable status from organisations that were admitted to the register on the basis of one test and are later removed from the register on the basis of another.

²⁵⁹ Joint Committee Report, DCH 46, Memorandum from Eton College, paragraph 7.1.

²⁶⁰ See above for a brief description of this assistance.

²⁶¹ Joint Committee Report, paragraph 95.

charitable status to independent schools if tax reliefs are going to be maintained within whatever substitutionary structure is adopted²⁶².

This is all very strange in the context of a Bill that seeks to entrench Higher Education Corporations as charities at a time when the prospect of “top-up fees” will render access to universities considerably more difficult to significant sections of the community. What are the independent schools to make of this mixed message?

6. ONE WAY FORWARD TO A GREATER PUBLIC GOOD

To their credit the independent schools have chosen not to take advantage of this legal confusion, but to take a highly responsible approach so as to rise to the challenge of the enhanced public benefit requirements that may be expected of them under the concordat. Indeed, it appears that many schools may choose to exceed these expectations in the discharge of the age-old mission of public benefit that the independent schools have traditionally espoused.

They will continue to embrace in ever more innovative ways a general service within the broader community, which will include the highly desirable goal of wider access to the extent possible within the constraints of reasonable fiscal efficacy for each school.

The independent schools can do this in the responsible knowledge that the concordat provides a welcome opportunity for the independent schools to engage consensually with the Commission and Government to agree a mutually beneficial protocol provided it takes into account the reasonable fiscal efficacy of each school in relation to wider access on a case-by-case basis.

The independent schools must re-assert responsible guardianship of the public gifts they receive, and in so doing promote innovation within the charitable mission of education they have embraced to the greater good of our society.

As part of this way forward the independent schools might consider whether, as part of their wider public benefit brief, they should establish systems that enable them to widen access to educational excellence and innovation by delivering public services over time – for instance by providing educational services to the maintained school sector.

There is a considerable debate about what might comprise the “added value” of charities delivering public services; but if it is true, as appears to be the case, that the charitable independent schools can more easily achieve educational excellence, and be more innovative and exploratory, than the maintained sector schools, then there may be a clear “added value” which could be applied more broadly to the maintained school sector through public service delivery.

Of course, any such programme would have to preserve the integrity of the independent schools’ core brief. But if the independent schools are serious about themselves wishing to deliver best practice in maximisation of public benefit, then they should consider this suggestion seriously, and with an eye to the long-term view.

Should there be a statutory public benefit test?

A statutory public benefit test should be resisted, and public benefit should continue to be determined by the Courts. The main reasons for this are the interpretation difficulties the application of a statutory public benefit test would attract; and the fact that what comprises

²⁶² In its Reply to the Joint Committee Report, Government rejected this informal proposal by the Joint Committee (paragraph 8, page 7).

public benefit is more properly determined by the Courts and not by the executive, to avoid influences of political expediency. This approach has been accepted by the Government in its Reply to the Joint Committee Report²⁶³.

How will the Charity Commission apply the public benefit test in practice?

The combined effect of the abolition of the presumption and the advent of the concordat will mean that the Commission must carry out public benefit checks on currently registered charities. The Commission has said in its evidence to the Joint Committee that it will start with fee-charging charities, and most probably the independent schools. There seems to be no commitment to carry out a comprehensive review, and this may be problematic. Can it, for instance, be reasonable or fair for some charities to be on (or removed from) the register pursuant to one test, while others remain on the register pursuant to another (less stringent) test?

Implications of loss of charitable status

As stated above, the implications of loss of charitable status are unclear and potentially complex. There may be significant adverse effects on independent schools in terms of trustee liability, operational viability and tax liability. It is iniquitous that the position is not more certain for charities that may be adversely affected by the abolition of the presumption. The implications for these charities of the loss of charitable status should be neutral, except for the loss of charitable tax exemptions going forward.

²⁶³ Paragraph 8, pages 6 and 7.

CHAPTER 11

UNIVERSITY CHALLENGE

HIGHER EDUCATION FUNDING AND ADMISSIONS

POLICY RECOMMENDATIONS:

- Abandon admissions targets
- Replace grants and loans with a system of scholarships
- Top 12 per cent get full grant
- Next 23 per cent get subsidised loans
- Rest must pay commercial rates for loans to study
- Universities free to set fees at market rates

1. A CURRENT CONTROVERSY

Few issues have generated as much political controversy in the most recent session of Parliament as the Government's plans for higher education funding and tuition fees. Both major parties have been split, with the left of the Labour party openly rebelling in the voting lobbies and many on the Conservative benches privately voicing disquiet about their own party's opposition to the Government's plans.

This paper aims to take a fresh look at these issues. In particular it focuses on the issues surrounding university tuition fees, student loans and maintenance grants, and what proportion of young people should go into higher education.

The two main issues considered are:

to what proportion of young people should the government offer some form of financial support to go into higher education?

for those given financial support, how extensive should such support be?

2. WHY DOES THE GOVERNMENT INTERVENE IN HIGHER EDUCATION?

The question we ask in this chapter is not the usual one asked in policy papers. The more usual question is something like “What are universities for?”

But that question is too rarely followed up by asking whether it is the government’s role to provide whatever it is that universities are supposed to be for — too often the conclusions that follow assume government involvement, but don’t justify it.

So let us consider what would happen if the government were not involved in higher education at all. Suppose that everyone paid for his or her own post-school education. Such a system would appear, superficially, to have many attractive features compared with the current system.

There would probably be much more diversity than now, with courses running for one or two years, and perhaps not running in a standard September-June period but on some other timescale. There would not be the bureaucracy that arises as a consequence of government funding. Universities would charge different prices for different courses according to the costs of and demand for the course. New innovations in teaching and study methods would enter the market quickly, without having to wait years for “approval” and inefficient or undesirable practices and courses would simply die out.

Such a system would almost certainly function well and deliver many positive results — for the market tends to deliver good results. Government intervention in a market should not proceed on the basis that anything it does is bound to improve matters – on the contrary government intervention is often counter-productive, even when the market solution has apparently obvious flaws. Instead we should approach intervention humbly, hoping to find ways to make a good system better.

How could government involvement in higher education improve on what the market would provide? There are three main rationales for government involvement in higher education. We shall refer to these as

- *the Externality Argument*
- *the Liquidity Argument*
- *the Glory Argument.*

The Externality Argument

The first of our arguments for government intervention is that higher education delivers spillover benefits to society that go beyond the benefits experienced personally by the student. For example, more highly educated people make more interesting and sophisticated company and tend to enlighten their friends and associates. This means that the total

benefits to society from someone gaining higher education will be greater than the benefits received by that person (e.g. his enjoyment of his time at University, his enhanced wages later and his sense of self-fulfilment).

Although in principle one might imagine people clubbing together to pay a few individuals to go to university and later come back to pass on such benefits, in practice the problems of co-ordination and free-riding make this impractical. Hence, from a social point of view people deciding whether to enter higher education will tend to under-value it, and in a pure market less higher education would be purchased than socially optimal (individuals will not pay as much for it as it is worth to society).

The Liquidity Argument

The second reason for government intervention is because of the possibility that young people may find it difficult to obtain loans to fund higher education. Higher education will typically be most valuable to people early in life, when their minds are most flexible and when they have the longest period post-education to reap the rewards.

But early in life people will not have had much opportunity to display their talents or trustworthiness to lenders. This inability to prove our talents and trustworthiness when young may mean that lenders asked to provide loans against future earnings will either need to charge very high interest rates to insure themselves against risk, or simply not lend to certain kinds of people at all. Either way, there is the risk that some people will (either by brute fact or cost) be unable to obtain loans against future earnings potential. Intervention may therefore be necessary.

The Glory Argument

One important role of kings, dukes, and other Great Men of the past was to act as benefactors and promoters of art and research and other goods provided through universities (e.g. a number of Oxbridge colleges are dedicated to the kings or other benefactors that were their founders). Since modern egalitarian government tend to tax away much of the surplus wealth that Great Men used in this way, for use in other socially beneficial ways such as health and income support, there would be a loss if the government did not at least replace the philanthropy of these Great Men.

The Glory Argument applies equally to modern governments. They see it as “right” that they should support an elevated cause such as our universities. It is considered “right”, moreover, that a prosperous country such as the UK should have flourishing universities, amongst which are counted some of the most famous in the world.

The “consumption” value of higher education

A related traditional line of argument for greater government involvement in higher education concerns the intrinsic merits of study. Part of this is just the “consumption” value of higher education. Clearly there is some such value — it is fun to spend three years drinking and chatting with friends and engaging in communal-living adventures — and the social bonding such experiences provide may have some function as a kind of latter-day National Service. Furthermore, it may well be personally improving in some spiritual, non-productivity-enhancing sense to read the works of great thinkers of the past.

We express these matters bluntly, but have no intention of denigrating them — these are good things about higher education. But it is not clear why they provide a reason for government intervention. It is a valuable bonding experience for young people to go to university, but it is one that they could pay for.

From a theoretical point of view, the Externality Argument is probably the most important ground for government intervention. In practice, however, the Glory Argument is probably

what has driven most government involvement. The Liquidity Argument receives a lot of media attention, and may have been more important in the past, but recent studies suggest that there is very little liquidity constraint in modern Britain.²⁶⁴ However, we assume that the government will continue, for the foreseeable future, to ensure that liquidity constraints do not arise.

Technocratic/human capital improvement arguments

“Technocrats” argue that higher education increases the productivity of students as workers in later life. That is to say, it builds their “human capital”. Therefore, it is concluded, encouraging higher education helps the economy.

In Section 3 we shall consider a number of statistics suggesting that those who have taken degrees do, indeed, on average, earn considerably higher salaries than those who have not taken degrees. From a personal point of view, a student could look at education as an investment (the student gives up some years that could be spent earning money, and perhaps puts in some money as well for fees and books, etc., in return for higher income across the rest of the working life). Viewed in such a way there is estimated to be a “private rate of return” on education of some 11-14 per cent.²⁶⁵

It is often argued from this that it is good for the state to encourage more people to go to university. But this does not follow at all. If going to university is such a good investment from the student’s point of view, there will be little need of government intervention to encourage more people to go. Who will turn down an 11-14 per cent real rate of return?

However, we should not be too swift to conclude, simply from the undisputed fact that those with degrees earn more than those without, that there is therefore a productivity gain to the economy. At least part of the reason that those with degrees have higher earnings is that the possession of a degree allows them to signal productivity advantages that they would have had, *even if they had not taken a degree*.

People who can get through degrees will tend to be cleverer, harder-working, luckier, and healthier than those who do not. Such attributes are very hard to measure – certainly hard for employers to identify before they hire people – and may also be difficult to measure even among established workers. In truth, these attributes may not be changed very much by taking a degree.

Instead, what happens is that by checking whether potential workers have degrees, firms are able to identify those workers with *intrinsic* productivity advantages over their peers. Such workers are more desirable to firms, and hence earn higher salaries.

For example, an accounting recruiter considering applicants might think to herself, “This candidate was at Cambridge. He must be clever. Let’s try him out.” Whether the degree was in physics or politics does not matter. The recruiter is not interested in specific skills acquired at university, which are of limited relevance to real-world business anyway. She cares only about the candidate’s innate potential. This candidate has signalled that he is of high quality by taking a degree.

Of course, this is not the only reason for higher salaries among those with degrees. Doubtless in technical disciplines such as engineering there are significant additional skills gained through university study. And doubtless studying Classical History does (as is often said) train the mind in some way that later enhances people’s skills as managers. But,

²⁶⁴ For example, the Miles Review of the UK Mortgage Market (March 2004), another market in which people take out loans against future earnings, suggests that it is simply implausible that people face significant liquidity constraints.

²⁶⁵ *Higher Education in the Learning Society*, National Committee of Inquiry into Higher Education (“The Dearing Report”), Paragraph 18.13.

nonetheless, this is not the whole story. A significant component of the higher salaries of degree-holders reflects signalling.

What difference does this make? If signalling is an important component of the higher salaries of degree-holders, then the gains to society from higher education are lower. To the extent that higher salaries mean simply that recruiters have been able to identify their intrinsic quality better, then they do not reflect productivity gains from higher education. General economic growth will not, therefore, be raised as much by higher education as might otherwise be expected.

The wasteful nature of mass higher education

There could, however, still be value in higher education even to the extent that it does not enhance the intrinsic quality of students. Better signalling may allow more efficient matching of the best people to the jobs that require them. To the extent that higher education facilitates this, it may nonetheless have a clear societal benefit. Having more efficient job-matching may itself create greater economic efficiency.

A consequence of this, though, is that having too high a proportion of the population in higher education might not merely be wasteful (as in the case of a simple signalling scenario). It might actually make things worse, because if too many people are in higher education then the signalling value of a degree is undermined. If everyone has a degree then it ceases to be the case that having a degree signals high quality. The signalling value would eventually be lost.

In countries such as the US where very high proportions of the population have gone into higher education for some time, a consequence has been that the highest quality people stay in higher education (and thus out of the productive economy) for longer, taking Masters degrees and Doctorates simply in order to mark themselves out as higher quality - because mere possession of a degree will not do. This "credentialism" undermines economic efficiency, by keeping the most productive people out of the labour market for longer. Recent UK experience may suggest that this is a rising problem here also.

Social mobility

Furthermore, there are social mobility consequences also. In the past, when attending higher education was limited to a small elite group, the opportunity to gain a degree was an important route for those from poor backgrounds to gain *status* in society. It is an illusion to imagine, as socialists often do, that it would be possible (even if it were desirable) to eliminate the importance of status. In our society sports heroes, pop stars, television celebrities, the very wealthy, the very beautiful, or those that are famous for some other reason, all have very obviously special status. But status is not confined only to these groups. All of us have more or less status or influence, more or less ability to command respect for our opinions, influence for our ideas, opportunity for our schemes and desires. In the past in Britain, one way in which those who were poor could gain status was through education. Someone with a degree had a special status.

But this is no longer true, and this route for the poor to advance has already been curtailed. The status associated with a badge of intelligence and hard work such as a degree depends crucially on its scarcity. If, eventually, as some lobby-groups desire, all young people went into higher education, then having a degree would be of no significance at all. It would not be useful to employers in matching the intelligent with jobs requiring intelligence, and it would carry no social status at all.

3. RECENT DEVELOPMENTS IN FUNDING AND IN STUDENT NUMBERS

Current Labour proposals for higher education include the following:

- a target of 50 per cent of school leavers entering university by 2010;
- a promise to invest approximately £10 billion in higher education in 2005/2006;
- the ability of universities to charge “top-up” fees of up to £3,000 from 2006, subject to compliance with guidelines from the Office of Fair Access;
- repayment of fees to be deferred until after graduation;
- the government undertakes that the cap in fees will not be raised “in real terms” until 2010; and
- an upfront maintenance grant of £2,700 per year for students from lower income families.

In contrast, the Conservative Party proposes to

- abolish the admissions targets;
- abolish all fees (including Labour’s proposed top-up fees); and
- replace the current student loans regime with one in which the interest rates charged are closer to commercial rates.

This section places these proposals in the context of recent policy trends. It explores recent evidence on the returns students can obtain from higher education.

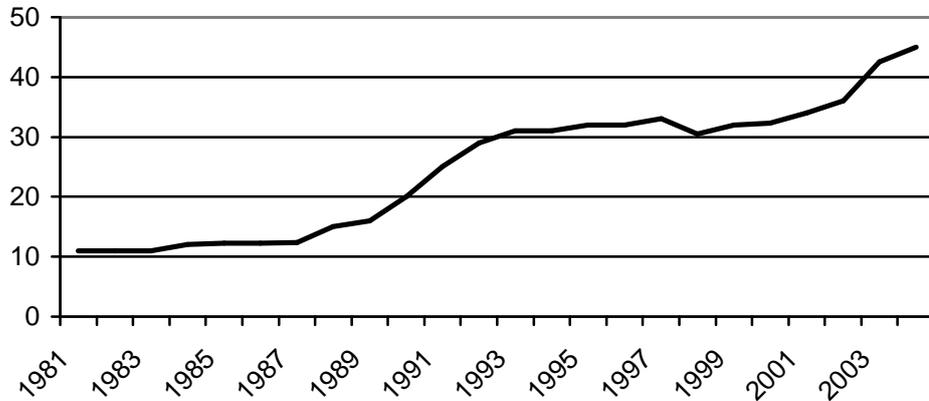
This paper’s key contention is that the arguments Labour uses to justify its fees increase could equally be used to argue that the government does not need to fund mass higher education at all or to promote its participation target. Higher education is so financially attractive that students will tend to take it up without significant government support. The government’s role in terms of access should be, at most, facilitating liquidity. (Of course, that still leaves the Glory and Externality arguments, which we shall explore more fully in our own proposals in section 4.)

The expansion of higher education

In the UK there has been a substantial increase in participation in higher education in recent decades. Participation doubled in the 1960s and then again in the 1980s and the 1990s saw further rapid growth with the creation of many “new” universities from the former polytechnics. The proportion of full-time university students increased from 12.4 percent in 1979 to nearly 45 per cent in 2004. The Labour Government aims to increase this proportion to 50 percent by 2010.

The graph below illustrates this startling rise.

Proportion of 18-30 year olds in Higher Education



Source: DFES

Whilst numbers rose, funding did not tend to keep pace with GDP growth. The table below illustrates that even during the first few years of Labour's administration, UK spending on higher education has fallen as a percentage of GDP.

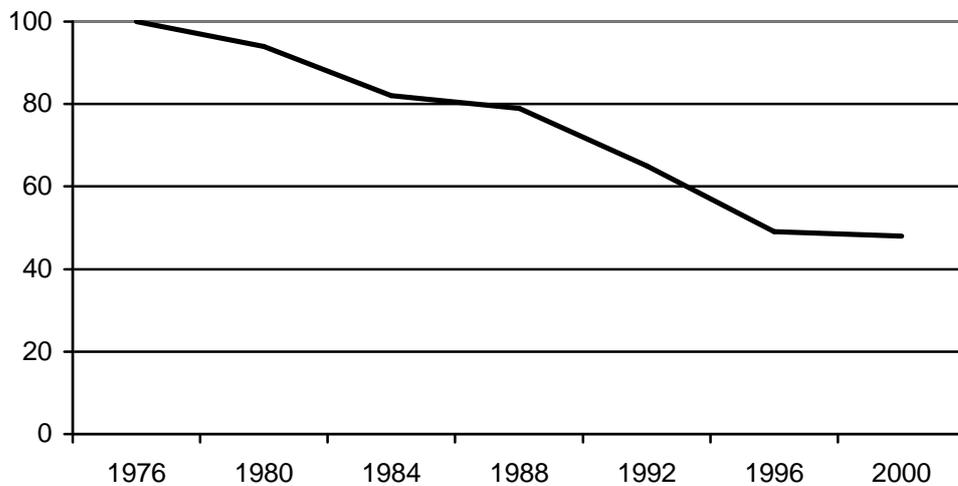
UK Expenditure on Higher Education as a percentage of GDP

85/86	90/91	95/96	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
1.0	0.9	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.7

Source: NCES, DFES Departmental Report 2004, HM Treasury. 2004/5 onwards forecasts.

UK funding per student fell as the number of students increased, as illustrated in the graph below (1976=100).

Public funding per student (1976=100)



Source: DfES

Neither the funding trend nor the fall in funding per student is necessarily undesirable in itself. After all, over time techniques of teaching develop and become more efficient, and in particular during the significant expansion in student numbers there may have been natural tendencies towards larger lecture group sizes, for example, as well as other economies of scale.

However, a by-product of increasing numbers and falling funding per student may have been some significant changes in the nature of university education. Instead of improved techniques and teaching methods being used to cut unit funding in a mass education system, they could have been used to greatly enhance the quality of education for the brightest students.

Other EU Member States did not follow the UK in decreasing expenditure per student during the 1980s and 1990s. Spain and France, for example, increased real spending per student — in Spain's case by 27 per cent in the early to mid 1990s, while France was spending 17 per cent more per university student in real terms in 1997 than in 1975²⁶⁶.

Private Gains from Taking a Degree

Having a degree leads to better employment prospects and higher wages. This much is uncontroversial.

As we shall see, there are considerable lifetime salary differences associated with having a degree. This is often interpreted as implying that it would be good for the government to expand higher education numbers. But that does not follow. To the extent that the advantage of having a degree is a higher salary for the degree-holder, it is appropriate that he pays for it himself.

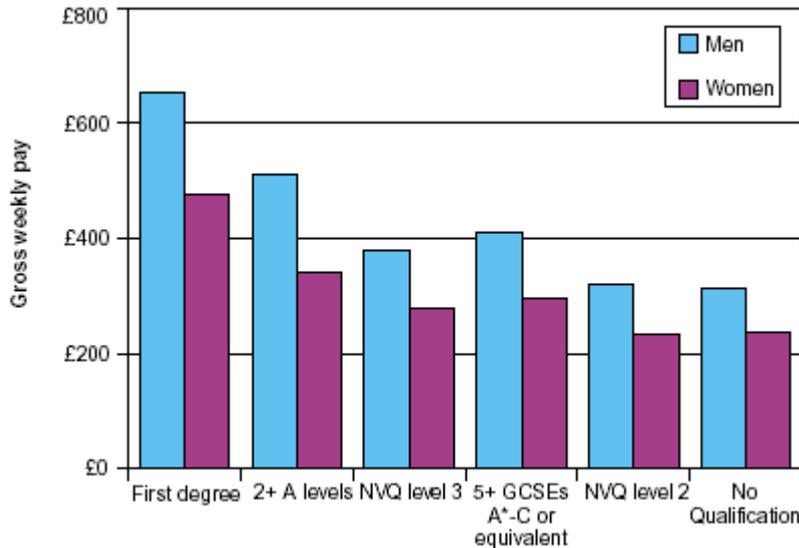
The private benefits, moreover, imply that, given the way education is funded at the moment, there will tend to be constant demand for more places.

²⁶⁶ Wolf, A., *Does Education Matter?*, p237.

Employment Prospects and Salary Differences

According to the UK Government's White Paper, "The Future of Higher Education," "on average those with higher education qualifications earn around 50 per cent more than non-graduates".²⁶⁷ The graph below illustrates that individuals with degree qualifications earn substantially more than those with lower academic achievements.

Impact of education on wages



Source: DfES

According to the OECD Education at a Glance document, UK graduates earn the highest rate of return compared to their counterparts in other OECD countries. Considering the time taken to earn the degree, tuition costs, taxes and other factors which have a negative impact on returns, the OECD reported that the rate of return for a degree is higher than the real interest rates in all countries. For men this private rate of return stands at around 7 per cent in Italy and Japan, rising between 10-15 in Denmark, France, the Netherlands, Sweden and the US, and to 17 per cent in the UK.

Impact of Degree Subject

The private rate of return varies with degree subject.²⁶⁸ Similarly a study for the Council for Industry and Higher Education (CIHE) suggested that educated graduates integrate into the labour market at high rates, which may be influenced by the vocational nature of their course and the current teacher shortages. However, it was noted that graduates with arts, humanities, natural sciences, and interdisciplinary degrees are at least 50 per cent more likely than grads from other subjects to have experienced a period of unemployment greater than 6 months.

Additionally, looking at the proportion of graduates entering employment across 23 subjects, data from the Higher Education Statistics Agency (HESA) indicates that individuals pursuing degrees in vocational subjects are more likely to secure employment, with civil engineering at 79.2 per cent, accounting at 78.2 per cent, and the less vocational studies, such as media (74.1 per cent) and drama (70.7 per cent) at the lower end. In addition, with respect to

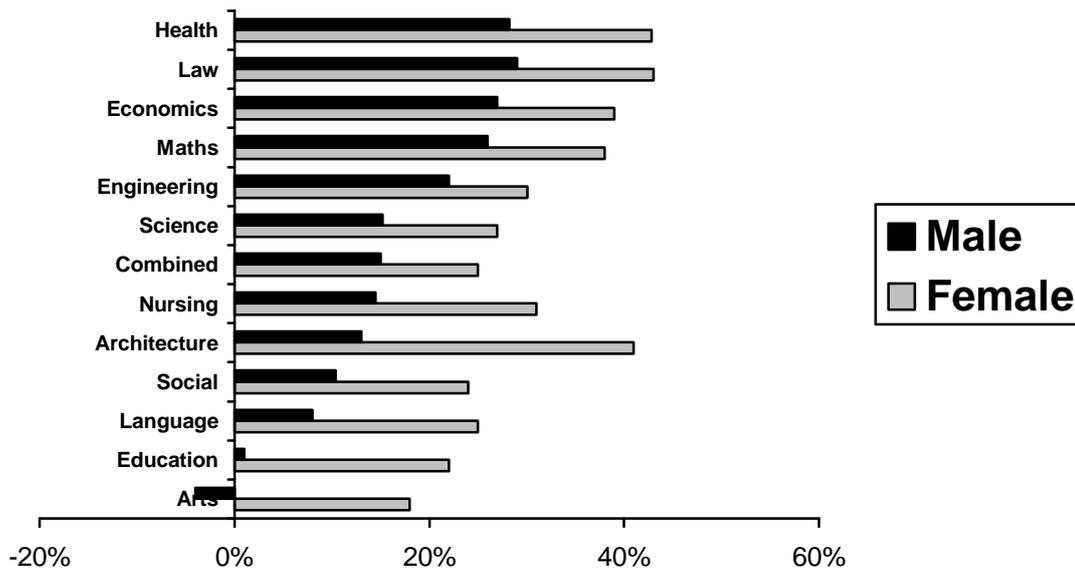
²⁶⁷ "The Future of Higher Education", DfES, 2003.

²⁶⁸ John Brennan and Ruth Williams, "The English Degree & Graduate Careers", January 2003.

earnings, people who study law, health, economics, business, and mathematics are likely to earn more than those who study art, education, and other social science graduates.

Conlon and Chevalier's study showed that for men, the average hourly earnings premia to mathematics, engineering, economics, and law degrees were 25.7, 21.9, 26.8, and 27.3 (respectively) relative to someone who possessed 2 or more GCE "A" Levels, whereas males with Arts degrees registered at 4.3 per cent penalty with respect to hourly earnings compared to those in possession of 2 or more GCE "A" Levels. Figure 4 reflects the earnings premia associated with various degrees subjects.

Earnings premiums



Alison Wolf, in *Does Education Matter?* found similar results when examining the wage differentials of those possessing degrees in different subject areas. Wolf's data, however, includes information on the impact of degree qualifications and subject matter in areas outside the UK.

According to Wolf, "In every country for which we have data, it turns out that the market does indeed distinguish between different sorts of university education, and that there are major differences in the average earnings of graduates with different degree subjects"²⁶⁹. As illustrated in the table below, summarizing private rates of return for different sorts of degrees, individuals pursuing a social science degree experience a wage premium of 20-25 per cent, those in the Engineering and Social Science Departments experiencing 18-24 per cent, and those in the Arts suffering a premium of 4-2 per cent.

²⁶⁹ Wolf, A., p31.

	Wage Premium for Graduates (Men: 1984-6 and 1989-91)	Social Rates of Return (Young men: 1986-89)
Social Sciences	20-25 per cent	11-11.5 per cent
Engineering	18-24 per cent	5-6.5 per cent
Science	18-24 per cent	5-6.5 per cent
Arts	4-2 per cent	4.5-5.5 per cent

Source: Harkness and Machin 1999²⁷⁰

Impact of Degree Class

Statistics also demonstrate individuals who graduate with higher class of degree are likely to earn more on average than those with lower degree classifications. Chevalier and Conlon found that graduates with a first receive a 10 per cent premium on their earnings six years after graduation compared with graduates with a third or pass degree classification²⁷¹. Likewise, a HEFCE and National Committee of Inquiry into Higher Education survey reported that those with first class degrees earn on average 10 per cent more than the average salary. Finally, the University of Birmingham study that included over 18,000 graduates for two academic years, 1985-1990, from over 40 Higher Education Institutions (HEIs) revealed that average salaries were consistently lower, the lower the degree class of the graduate²⁷².

Private Returns and Social Returns

We have seen that graduates earn more than non-graduates, even allowing for differences in innate talent. Doing a degree increases one's income across a working life. That more than makes up for earnings lost during the three or four years of study. A graduate would expect a private return of some 11 to 14 per cent each year as a result of doing a degree. But why are graduate salaries higher?

One view goes like this: students learn new skills which increase their productivity when they come to work. Their higher wages reflect their higher productivity. They have become better workers as a result of studying and hence get paid more. Economists call this a human capital view of education.

If the human capital view is correct then greater participation would improve the UK economy in the sense that overall productivity would be higher. Thus the UK could expect higher growth rates. Expansion would be economically justified as long as these higher growth rates were worth the cost today (in lower GDP) of teaching more students and losing their productive output for three or four years. That calculation is called the social rate of return.

The social rate of return calculation does not include the externalities discussed in Section 2. The benefits included in the social rate of return calculation are just the higher salaries, and social rates of return are lower because there are extra costs included — namely the tuition costs etc. that are currently funded by the government.

So if the social rate of return is also high enough, then we should expect that even if students had to pay the whole costs of education then it would still be in their interests to do so. This would not provide an argument in favour of expanding number unless we also had compelling numbers that students were unable to do what is in their interests — perhaps because they faced significant liquidity constraints.

²⁷⁰ Wolf, A., p33.

²⁷¹ Chevalier and Conlon.

²⁷² Hefce, July 1997.

Nonetheless, on this human capital view, if the social rate of return is high enough, as calculated by the salary differentials of graduates, we should expect if there were a well-functioning market then numbers would be higher than now, UK productivity would improve, and the technocratic arguments for expansion would be justified.²⁷³

However, as we have already mentioned in Section 2, the human capital view of higher education returns is not the only possibility. There is another view popular among economists, developed precisely to model higher education. On this view an important part of higher education does not involve improving the productivity of students. Rather (given basic skills such as literacy and numeracy) productivity depends on innate features of people, such as conscientiousness, intelligence, health, luck, and instinctive creativity. The point of higher education is to allow students to signal their innate quality to potential employers.

Insofar as higher education is about signalling then although the individual student gains a lot from studying, the UK may gain nothing. Since the signalling component of higher education is not improving students' productivity, increasing student participation rates may not increase the UK's growth rate. The social rate of return on the signalling component is nil (or worse), and if this component dominates then the money spent on higher education is, from an investment point of view, wasted.

A recent Economist article noted that, according to a forthcoming paper by three Oxford academics, employers are becoming less interested in educational qualifications.²⁷⁴ While recognizing signalling as an important factor, the article contends that the signal is fading in Britain due to the over-supply of graduates and the decreasing quality in Britain's higher education institutions.

The Oxford researchers, in testing their hypothesis that employers have limited regard for educational qualifications, analyzed 5,000 recruitment advertisements and interviewed people doing the hiring at the firms. Their findings suggested that employers "want recruits with skills that formal education does not necessarily bring".²⁷⁵ One employer revealed that "what our members want is office and personal skills rather than more advanced education."

It does not follow from this that, even if signalling is a very important component of higher education, that the government should intervene to constrain student numbers. Students paying for their own education would be taking account of the costs of their tuition, of the alternative income foregone during this period, of the consumption value of education, of the expected higher salaries they could obtain later in life, and of the alternative ways they might indicate their quality to potential employers. If those who are paying for education choose to go, then they consider its net value positive.

Signalling, in this context, is really only a significant issue/danger for government, especially because it is impossible to observe, for any individual, what proportion of his gains from higher education will be signalling-related, and what proportion human capital-related.

The assessment for government should not be whether higher education is socially valuable (as we have argued above, most things that are socially valuable are provided by the market). A process whereby the government projects the future earnings growth of students with or without education and thereby calculates how many should go is redolent of the age of central

²⁷³ It should be noted that, to the extent that in certain occupations (perhaps paradigmatically in public service jobs like nursing or teaching) there may be significant non-financial benefits (i.e. teachers, nurses etc. may receive some of their "rewards" through job satisfaction, or a sense of having done something truly worthwhile, rather than in the form of higher salaries). To the extent that this is true, and to the extent that such occupations require higher education, the calculation described above will under-estimate the true social rate of return. We shall come back to this point below.

²⁷⁴ "What's it worth?," *The Economist*, December 2003.

²⁷⁵ *Ibid.*

planning.²⁷⁶ The government's task should be to assess in what ways the market might be assisted to function more efficiently, and to consider what other socially valuable goods (such as social sophistication, or national pride in our higher education institutions) government might legitimately promote.

4. AN ALTERNATIVE STRUCTURE FOR HIGHER EDUCATION

This section aims to sketch a proposed alternative structure for the funding of Higher education, Under this scheme, funding of Higher education would fall into three main categories:

- **scholarships**
- **student loans**
- **market rates**

Scholarships

The top 10 per cent of the population would receive scholarships, on an open national competition (e.g. based on national examinations, such as reformed A-levels). These candidates would be able to carry these scholarships to study for whatever courses they wanted. Such scholarships would be worth an amount agreed between government and universities to cover the fees for each course, plus an additional maintenance grant to support the student.

National scholarships covering an additional 2 per cent of the population would be dealt out to universities to be allocated to whatever students they thought worthy.

Such scholarships might last for the whole degree. Another option might be to re-assess the scholarship each year, up-grading some students to "scholarship" status and downgrading others.

Student loans

From the 13th percentile²⁷⁷ to 35 per cent of the population, by national competition, students who were taking government approved courses would be eligible for student loans to cover all their fees and their maintenance. Such student loans would be at zero real interest, repayable under easy terms similar to those envisaged for current student loan repayments. The fees charged would be chosen by the universities freely.

Courses approved for student loans might include large numbers of places for courses considered socially important (e.g. medicine, engineering), a limited number of places for courses that, though popular, might be considered less socially valuable (e.g. media studies)

²⁷⁶ It should be noted that such planning could lead to too few students as well as too many. For example, as described above in footnote 12, for jobs where non-financial benefits are significant, the social rate of return will be under-estimated by a calculation based on salaries. The response to this should not be for the government to make appropriate adjustments to these calculations. It should be to eschew altogether a process in which the government acts as if it were a venture capitalist.

²⁷⁷ Strictly speaking, "the 13th percentile" is not necessarily an accurate description. The 2 per cent of discretionary scholarships is unlikely to come purely from the 11th and 12th percentiles. However, we shall use this jargon as a useful shorthand.

and perhaps no eligibility at all for certain courses (e.g. those described by Margaret Hodge as “Mickey Mouse” courses).

Market rates

Students who did not qualify for either scholarships or loans would be able to attend university if they paid the full market rate. Student numbers would not be artificially capped. It would simply be the government funding that was capped. Hence if there is really improved productivity or high consumption value arising from Higher education for people beyond the top 35 per cent, the market would provide education numbers above this level.

For those outside the top 35 per cent most gifted students, the Externality Argument is not likely to be important, as the externalities these less talented people are likely to contribute to those around them are intrinsically likely to be much more limited. Most of their gains from education will be private and hence accounted for by standard market transactions.

Similarly, it is not clear why Glory is much promoted by undermining the market’s provision for this class of student. There are unlikely to be significant liquidity issues, for the reasons we have specified above, but if such issues do arise then in a market environment there would be much more pressure to produce imaginative alternatives, such as much more modular courses, or part-time degrees, or courses that could be completed over a longer time-period. The market will have far superior information about how best to meet any specific liquidity needs for these people than the government ever could.

Main principles

The system sketched would address the reasons for government intervention. First, the highest-quality students would offer the greatest externality benefits to society. Thus for these top students the issue is not merely the facilitation of their entry into Higher education.

It is not that government intervention is simply supposed to enable poor students to attend — that could be done by having a student loan scheme that covered all students, with no scholarships at all. The point of the externality argument is that the most brilliant students will tend to value their own education less than society at large values it. Thus, to encourage them to go, society pays them. This enables us to get past the co-ordination problem set out above.

The scholarship scheme is intended principally to address the Externality Argument, and hence whether students are rich or not is irrelevant to whether they should receive state funding through scholarships. Such scholarships are not intended to serve as welfare payments to the poor. However, those from low-status backgrounds should be able to obtain status, as well as to study in comfort, through having gained scholarships.

As student numbers increased dramatically from the 1980s onwards, it rapidly became impossible to justify giving all students sufficient grants that they could study in luxury — 40 per cent of the population cannot be treated as if they were a set-apart elite. However, that does not mean that the arguments for supporting our most brilliant students in comfort have any less force than they did thirty years ago. Our great scholars should not be expected (or permitted) to work in fast-food restaurants to sustain themselves — that is a waste of their talents and creativity.

Students that are not quite so brilliant that they might deliver significant externality benefits might nonetheless usefully attend university to develop their own human capital and to improve job-matching through signalling. But, the Liquidity Argument suggests that some may find it difficult to obtain loans against future wage growth. This problem is addressed through the student loan component.

In this case, since the primary goal of government intervention is to address a welfare issue relating to the distribution of wealth in society, there would be a strong argument for some means-testing of such loans. Exactly what form such means-testing might take is complicated (e.g. should it relate to the student's, or the parents' wealth?). This issue is discussed further below. Also, if students in this category wish to add to their incomes through part-time work then we should admire their enterprise and energy.

The positive elements of quality signalling aspect of higher education would be recognised by the different funding grades. Those who were "scholarship" students throughout their university careers would have thereby marked themselves out as of high quality.

Scholarships would be available for whatever course the student wanted to study, unlike the student loans which are available only for approved courses. This again reflects the objectives of the scholarship component. The aim is not to improve society's productivity, so the productive nature (or otherwise) of the course studied is not the issue. Scholarship students are to be left to choose their own courses.

Where do the numbers come from?

Insofar as the numbers attending higher education reflect human capital gains or the consumption value of higher education, under this system the market would provide a result for the number attending that would not be subject to artificial government caps. One has to be extremely sceptical about the government's ability to determine the "right" number of people to go from an economic perspective.

Government involvement should be restricted to addressing the Externality, Liquidity and Glory arguments. When it comes to the economic value of a product, the market is much better at revealing society's preferences than is any government. Under this system it is quite conceivable that many *more* people would attend higher education than do at present. It is not suggested that student numbers should be cut – merely that the number of students subject to government intervention should be reduced.

Current Conservative Party policy is to have neither a target nor a cap for its support for students. Here we suggest having a cap, because we consider a good principle that government intervention should be subject to limits and that where intervention cannot be well-justified, the Market should be permitted to prevail, even though the exact number of students government intervention should cover inevitably involves arbitrary judgement calls. It is a *judgement call* how valuable the social externalities generated by Higher education are. Likewise, it is a *judgement call* how many students being supported by the government honours our society under the Glory Argument.

There may be a more empirical basis available for considering how many students might face liquidity constraints, but there will remain the question of how many such students the government decides to assist.

The numbers chosen here are consciously neat. Scholarships for 10 per cent of students represents a round number. Having an additional 2 per cent of scholarships for universities to allocate themselves simply provides a number large enough to be useful to deliver university-specific assistance. Having about a third of people supported by the government to go to university again is merely neat. We do not attempt to defend it in other ways.

However, it has to be pointed out that at this level of government involvement the government budgetary implications should be broadly neutral, given the current low interest rates paid on student loans (which have the implication that, over the lifetime of the loan the real public subsidy amounts to about half the value of a student loan).

The money saved by reducing the proportion of students given government funding plus extending the student contribution among the 13th to 35th percentile students would

approximately balance the additional funding to the top 12 per cent of students if we assume that universities raise student fees for the 13th to 35th percentile students and if maintenance grants for scholarship students are not set too far above the current student loan limit. Similarly, Conservative proposals, announced by Tim Collins in September 2004, to move to commercial rates of interest but abolish fees, since they are intended to be financially offsetting measures, would again be broadly comparable financially to the measures proposed here.

Fine-tuning

There are many points of fine detail that would need to be addressed as part of implementing these proposals.

For example, there is an argument that those from particularly affluent backgrounds should not receive simple grants for their scholarships, but should rather (though still given the title of "scholar") receive only student loans for the same sum of money. Similarly, as touched on above, there are arguments as to whether the student loans available to the next category of student should be means-tested.

There are many complexities here. For example, it is not clear whether it should be the wealth of the parents, rather than the students themselves (who are, after all, adults) that should be considered.

There is also the issue that means-tested systems are cumbersome and lead to high effective marginal rates of taxation. A non-means-tested system would seem to be most compatible with the current general thrust of Conservative politics away from means-testing. However, it could also be argued that there may be a tendency for the top 10 per cent of students to come from wealthier-than-average backgrounds.

Hence a non-means-tested system might be caricatured as "shovelling public money to well-educated and undeserving Etonians". One's attitude to this issue probably reflects one's attitude to the broader question of whether means-tested benefits are a desirable form of public subsidy — a debate that is not central to our concept here.

Another issue is how to design the scholarships. If they are simply issued based on final secondary school results, much of the signalling value could be delivered, instead, through an effective examination system at age 18 (perhaps an A-level system that measured students relative to each other, rather than relative to some absolute standard).

On the other hand, if they are to change each year throughout the course this could be complicated and, in principle, lead to some students that initially held scholarships dropping out of the course later for primarily financial reasons. We do not seek here to address whether this is an undesirable by-product of the system, but merely point out that it is an issue that should be considered.

A third point of detail is whether the fees charged to scholarship students should be managed under agreement with the government or set by individual universities. It would be possible for the government simply to grant a scholarship, then universities to charge the same fee to all students (rather than potentially different fees depending on scholarship status as envisaged above).

Since 1998 by legislation, and long before then by custom, universities have lacked the freedom to set their own fees. Enabling different universities to charge different fees is an important component of the Labour government's 2003 proposals.

However, when there is a grant paid by the government to cover the fee, there is the risk that fees simply rise to reflect the presence of the subsidy, so that the value of the subsidy is not captured by the student (the intended recipient), but rather by the university that attracts that

student²⁷⁸. This is an important reason why, in the past in the UK, when student finance came primarily through grants, there was a tacit agreement that the fee charged was simply the relevant component of the government grant.

On the other hand, it might be argued that managing fees does not seem very "free market". If the alternative path of means-testing scholarships were chosen, there might be an argument for allowing the universities to set their own fees, with the student supplementing the scholarship as they choose. Perhaps the fact that universities would have to induce those who take out student loans or pay for higher education themselves to do so would act as a structural cap on the fees.

If universities charged too much, they would reduce their attractiveness to new students. As long as it were guaranteed that fees for students with scholarships were identical to fees for those without, the market should ensure that fees did not become excessive.

A scholarship scheme might offer the opportunity for voluntary taxation. It is quite plausible that wealthy individuals, or companies, or even ordinary hard-working people might want to donate to a university scholarship scheme. However, whether this is really feasible and how such a scheme might be devised fall outside the scope of this paper.

Finally, it will be noted that we have suggested a student loan scheme, rather than a graduate tax or a number of the other funding mechanisms often proposed. The arguments favouring of a student loan scheme are well-rehearsed, and do not propose to re-visit them here. However, the main elements of our scheme are not sensitive to the precise funding vehicle for those from the 13th to the 35th percentiles. If, at some point, the current consensus behind student loans should be replaced by a preference for graduate taxes, then those from the 13th to the 35th percentiles could, instead, be funded through a graduate tax scheme.

²⁷⁸ Similar arguments apply to subsidies given to poor farmers, which tend to be captured by landowners, farm equipment manufacturers, and others with bargaining power. Again, in the UK housing benefit payments are subject to a reasonableness test.