

The Key to Lifelong Learning

*Proposals for
Tertiary Education
in England and Wales*



Policy Paper 18

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Summary

Education is the key to unlocking and liberating the skills and talents of our people. It provides greater opportunities for the individual who benefits from it and makes our workforce, industries and nation more productive and adaptable to change in the competitive world market. Liberal Democrats guarantee:

- All 16-18 year olds the equivalent of at least two days a week in off the job education or training to equip them with the skills they need to succeed.
- Every person an entitlement to a period of re-training or education to be taken at a time of their choice during their adult life.
- To extend access to further and higher education and give each individual the power to pursue the education that suits his/her own needs.

Education is a lifelong process. It does not end at 16, 18 or 21. Rather, education is a resource that we all will require at increasingly frequent periods throughout our lives. Liberal Democrats aim to:

- Widen access and facilitate expansion.
- Improve the quality of courses.
- Encourage parity of esteem between academic and vocational courses.
- Provide support for all students - full time and part time, in further and higher education.
- Alleviate student poverty.
- Extend choice for students.

Opening Doors to Learning

Liberal Democrats will extend opportunities and widen access to tertiary education. We want to create a *lifelong learning society*, giving people a second chance, and encouraging people to return to education to learn new skills. We propose to:

- Introduce a qualifications framework encompassing all post-14 education and training in which individuals can build up credits in a range of academic and vocational disciplines; a flexible system of learning in which people can come back to update old skills and learn new ones, in a way that focuses on their achievements rather than their failures.

- Establish a new Quality Council to ensure that all institutions provide quality courses, review standards and develop a process of continual improvement; ensure value for money, and develop a truly national system of credit accumulation and transfer, registering students if they wish to undertake courses from more than one institution.
- Improve careers services so people can plan for how their learning needs can best be met. We would encourage the use of new technologies such as the Internet to disseminate advice on education and training courses, and expand the Training Access Points scheme (TAPs) by increasing the number of computer terminals in job centres and careers services.

Investing in Learning

The improvement of tertiary education must become a national priority. Creating a first class education system that widens access and raises achievement cannot be brought about on the cheap. It will require new investment.

Liberal Democrats would replace the Conservative's unfair and bureaucratic funding system. We would abolish the parental contribution and the Students Loans scheme. Our new *Learning Investment Partnership* would:

- Raise educational achievement by generating additional resources for tertiary education.
- Extend opportunities to learning by widening access to lower income groups.
- Alleviate student hardship and eradicate student poverty.
- Provide equitable support to all students, regardless of whether they are in full time or part time study, or at further or higher education institutions.
- Ensure that education is made free at the point of entry.

Under the Learning Investment Partnership, the three key stakeholders in education - the Government, employers, and the individual learner - would contribute to its cost.

Each person over the age of 18 would be eligible to register at the Learning Bank by opening an *Individual Learning Account* (ILA). Students could debit their ILA to cover fees, living expenses and course related costs such as textbooks.

Government Contributions. Liberal Democrats would increase the level of Government funding for tertiary education. Some of the money provided by the Government would be allocated directly to institutions in the form of a block grant as at present. The remainder would be channelled through Individual Learning Accounts.

Employers' Contributions. Liberal Democrats would introduce a 2% remissible Education and Training Levy on company payrolls and provide a mechanism for employers to contribute into their employees' Individual Learning Accounts.

Learner Contributions. Students could build up and use Individual Learning Accounts to pursue the education most appropriate to them. Students borrowing more than the contribution that is made by the Government would be expected to repay the difference. As under the Australian contributory scheme, students would pay back through the national insurance system, but only when their earnings reached a certain level. Unlike a Graduate Tax, there would be no compulsory repayment once the debt was paid off.

Rewarding Staff

To foster a good learning environment in which staff, academic and other, are motivated and valued, we would create an independent *Pay Review Body* for academic and related staff to make recommendations to government on pay levels.

Research Funding

To give all academic staff in higher education the opportunity to undertake properly funded research, Liberal Democrats would:

- Increase the level of research funding for universities by shifting funding from military research to civilian research.
- Adequately fund research that is designed to improve teaching.
- In partnership with universities, develop new procedures for the distribution of research funds via a reformed arrangement for the research councils.
- Create a new Humanities Research Council to allocate funding for research in the humanities.

The Liberal Democrat Approach

“Liberal Democrats exist to build a society in which no-one will be enslaved by poverty, ignorance or conformity. We champion the freedom, dignity and well-being of individuals and their right to develop their talents to the full.”

Preamble to the Liberal Democrat Constitution.

1.0.1 Education is the key to unlocking and liberating the skills and talents of our people. It empowers people to make informed choices based on rational judgements, not on blind prejudice. It opens up new opportunities and makes us more productive and resourceful as a people. At its best, education fosters the sheer excitement of learning and understanding for its own sake, and it prepares young people to become full citizens. It develops an appreciation of the environment and science, of the arts, of other cultures and of leisure activities.

1.0.2 Tertiary education has been through great change and upheaval in the past decade. Numbers have increased and standards have fallen or will inevitably fall in the future. A substantial reduction in spending per student over recent years with further cuts threatened has led to worsening staff student ratios, overcrowded lecture theatres, a shortage of books and equipment, a staggering backlog of repair and maintenance and demoralised staff.

1.0.3 Public expectations of tertiary education have also changed dramatically. Distance learning, part time courses and work based modules are now more common. Opportunities have been opened up to mature entrants and non-traditional students. The tertiary education sector offers courses from school to degree level and a host of parallel vocational and academic courses. The binary divide is no more and universities offer an unparalleled diversity of institutions and courses. At the same time the changing needs

of a modern workforce are leading to increasing demands on tertiary education for retraining and the development of new skills.

1.0.4 Education is a lifelong process. It does not end at 16, 18 or 21 but rather it is a resource that we all will require at increasingly frequent periods throughout our lives. Liberal Democrats are committed to increasing the number of students in education and training. At the same time we will not compromise on quality to do so. We want to improve standards, extend student choice and increase the diversity of provision throughout life.

1.0.5 No government can accomplish these goals on its own. Making quality lifelong learning available to all who can benefit from it will require massive additional investment. Just making good the deterioration in quality and standards of the last decade will not be a simple matter. For Liberal Democrats, high levels of achievement are the central goal of policy, but such a goal cannot be achieved on the cheap. A benefit for all requires a contribution from all. We want a system that caters for the needs of the next century rather than looks back to the requirements of the last. We will not hide from the responsibility of meeting the challenges facing our nation. Liberal Democrats aim to:

- Widen access and facilitate expansion.
- Improve the quality of courses.
- Encourage parity of esteem between academic and vocational courses.
- Provide support for all students - full time and part time.
- Alleviate student poverty and make students over 18 economically independent.
- Extend choice for students.

Opening Doors to Learning

2.0.1 Liberal Democrats want to build a country where every person can develop their own skills, and where the natural energies and inventiveness of our people are encouraged. If Britain's people are to be free, our businesses successful and our nation secure in the 21st century, we must raise educational achievement. The latest report from the World Economic Forum on international competitiveness shows that Britain has slipped to eighteenth place. We now come behind the United States of America, nearly every other country in North Europe, and some of the rapidly developing countries of the Pacific Rim. Our 'inadequate education system' ranks thirty-fifth out of the World's 48 leading industrial nations.

2.0.2 A National Institute of Economic and Social Research study demonstrates that a highly trained and well educated workforce increases competitiveness and keeps down costs. In engineering, for example, average productivity rates in relatively straightforward products such as valves and springs are 63 per cent higher in Germany than in Britain. The National Institute concludes that the main reason for the UK's poor performance is the education and training of our workforce. It found that four-fifths of the German engineering workforce has craft qualifications compared to just two-fifths in this country. Similar findings exist across all industries in both the manufacturing and service sectors.

2.0.3 In the past, a nation's wealth was mainly determined by its access to natural resources. Today, it is determined by the quality of its workforce - its human resource. Multi-national companies are splitting their operations between countries with low skilled, low wage workforces and those with highly skilled, high income labour pools. As with nations, so it is with individuals. Those with

adaptable, flexible skills are enjoying better pay, secure employment and fulfilling tasks. Those without such skills are often in dead end jobs, with declining wages, and many are being pushed into unemployment.

2.0.4 More people than ever before are going on to post-16 education and training. Since 1987, overall numbers in higher education have doubled. There are now one million full time university students and half a million in part time study. A further 750,000 people are registered on continuing education programmes.

In the past, a nation's wealth was mainly determined by its access to natural resources. Today, it is determined by the quality of its workforce - its human resource.

2.0.5 The demand for education and training is set to rise further over the coming years for five major reasons. First, demographic trends point to an upturn in the number of young people. Second, the proportion of those gaining entry qualifications is rising. The number of pupils gaining five or more A-C GCSE grades has risen from 27 per cent six years ago to over 40 per cent today. Third, the new GNVQ level qualification (the vocational A level) offers a new route to further and higher education. Some universities believe that 50 per cent of future applicants are likely to come via this new qualification. Fourth, the perception that qualifications are necessary to secure employment will continue to attract new students, both school leavers as well as mature and non-traditional students. Fifth, the demand

for more vocationally-related higher education and the development of the flexible credit accumulation and transfer schemes broaden the opportunity for all sorts of learning.

2.0.6 The most potent force for expansion is likely to come from people wishing to retrain and develop new skills as they get older. The country cannot afford for everyone to retire at the age of 50. We will need to give everyone a chance to update skills and develop their talents. It is a challenge that the government cannot face alone. It requires a contribution from all of us and from the organisations in which we work. To meet the education challenge Liberal Democrats will guarantee:

- All 16-18 year olds the equivalent of at least two days a week in off the job education or training to equip them with the skills they need to succeed.
- Every person an entitlement to a period of re-training or education to be taken at a time of their choice during their adult life.
- To extend access to further and higher education and give each individual the power to pursue the education that suits his/her own needs.

2.1 The Learning Environment

2.1.1 People learn in all types of environment - at school, college, university and at home and in the workplace, through leisure pursuits and in voluntary tasks in the community. All these activities contribute to the concept of lifelong learning and all should be recognised as such. Lifelong education is the key to promoting full employability.

2.1.2 Our proposals for training, set out in full in Policy Paper 9, *Working for Change* (1994), include:

- A requirement on employers to release employees aged 16-18 for the equivalent of

two days a week off the job training and/or education.

- A benefit transfer programme in which benefits are transferred to employers to take on the long-term unemployed and to provide quality training.
- Restructuring Training and Enterprise Councils (TECs) to make them more responsive to business and the local community.
- Developing school to work programmes and modern apprenticeship schemes for school leavers.

2.2 The Learning Framework

“Academic examination results become identified with success; and vocational training, already the Cinderella of the system, becomes even more socially devalued as the preserve of the second best.”

Will Hutton, *The State We're In*, (1995)

2.2.1 Historically, England and Wales' education system has favoured academic ability over vocational skills. While the number of students on academic courses is on a par with our international competitors, we lack trained technicians and those with specialist skills. Nearly two British workers in three have no vocational qualification whatsoever. In the Netherlands this figure is one third; in Germany it is just one quarter. In those countries, where vocational education is encouraged from 14, there is no stigma attached to a vocational course and standards are high.

2.2.2 Furthermore, young people in England and Wales are expected to specialise at an early age, despite the great majority being required to make three or four career changes in their working lives. Today, modern employers want workers who are not just proficient in one or two areas but have the capacity to update old skills and learn new ones; to be flexible and innovative as technology changes. Our existing system is not delivering.

2.2.3 We propose a framework of qualifications to encompass all post-14 education and training. This will build on the work already in hand on course modularisation, credit accumulation and transfer schemes. It will allow people to build up credits in a range of academic and vocational disciplines in a way that focuses on their achievements rather than their failures. The framework would allow, for example, a part-time student to accumulate credits which have value in their own right whether or not sufficient to justify a degree or other award. As the credits would be part of a unified qualifications framework, each could be clearly identified as having a particular value in relation to others.

2.2.4 The possibilities for 'credit-based' learning are now greater than ever and most further and higher education institutions have credit arrangements in place which allow for work-based and other forms of experiential learning. Credit based learning is popular with students for a number of reasons. First, a mechanism to accommodate different student needs and lifestyles is provided. Second, student choice over the content of the curriculum and the method of study is extended. Third, it provides a flexible form of learning that can meet the economic needs of a skilled workforce in a highly competitive world market. Fourth, it has the potential to maximise the use for learning, of technological advances, particularly in information technology and information networks such as the Internet. Fifth, the opportunities to study abroad are enhanced because other countries are embracing credit transfer.

***Our proposals would
complement and encourage the
development of open and distance
learning.***

2.2.5 The flexible qualifications framework that Liberal Democrats propose would extend the use of waystage qualifications. These enable students to receive diplomas after the equivalent of two years' full time study, or to

continue to bachelor's or master's degrees after the equivalent of a further one or two years respectively. We believe that a large number of students would want to study for a diploma, with the option of building upon it later. Our proposals would complement and encourage the development of open and distance learning. Students would be able to 'mix and match' such courses with those on offer at further and higher education institutions.

2.2.6 Our proposed new National Qualifications Council (NQC) would:

- Oversee the post-14 national qualifications framework.
- Provide the opportunity for each individual to accumulate learning credits.
- Recognise individual learning achievement in schools, colleges, universities, distance learning and in the workplace.
- Oversee a genuine national credit accumulation and transfer scheme whereby students can register directly with the Quality Council (see section 2.3) if they want to take courses from more than one institution.

2.2.7 As a basis for its credibility, particularly among its three prospective stakeholders - education and training institutions, students and employers - the qualifications framework would have the following characteristics:

- Core skills for all.
- Opportunities for the integration of vocational and academic qualifications where appropriate.
- Delivery by different modes of learning whether by full time, part time, distance learning or through any combination of further education, higher education and work based 'off-campus' learning.

- Progression towards an honours degree and accommodation of credit transfer between universities, and from colleges to universities.

2.2.8 As students build up credit achievements they must be given good careers advice if they are to make informed choices about their futures. The qualifications framework will provide them with more choice over the content of their study and greater opportunities to learn new skills throughout life. Careers services must encourage students to review individual achievement, set personal goals, determine future learning needs and plan for how those can best be met. Liberal Democrats would explore ways of using new technologies such as the Internet to disseminate information and advice on education and training. We would expand the Training Access Points scheme (TAPs) by increasing the number of computer terminals in job centres and careers services.

2.3 Improving Standards

2.3.1 With the integration and expansion of education and training and an increase in the number and variety of education and training courses, all institutions will need effective internal and external quality monitoring procedures. Currently, the funding councils are responsible, in part, for monitoring quality.

2.3.2 Liberal Democrats believe that it is unhealthy for one body to be responsible for both funding and quality and we would separate the two functions. We would establish a new Quality Council to:

- Ensure that post-16 education and training institutions provide quality courses.
- Review standards and develop a process of continual improvement.
- Ensure value for money and cost effectiveness in post-16 education and training courses, and commission value for money studies.

- Develop, in conjunction with institutions, a truly national system of credit accumulation and transfer, registering students if they wish to undertake courses from more than one institution.

- Award qualifications to those students on Credit Accumulation and Transfer Schemes CATS (see 2.3.4).

2.3.3 The Council would not undertake any teaching itself. Rather, it would constitute an external check on the quality of teaching within institutions. Liberal Democrats recognise the integrity of the various sectors in tertiary education and believe that it is for each institution to develop its own ethos and character. Colleges of higher education which meet the appropriate academic and numerical criteria should be able to qualify for full university status. These criteria should be kept under review. We would also establish a new title of 'University College' for those institutions that provide predominantly higher education but do not qualify through size or range of work for full university status.

2.3.4 The Quality Council would, however, be the focus for new developments that will allow movement between further and higher education, and between vocational and academic learning. Both an individual institution and the Quality Council could award degrees to students accumulating credits at different institutions.

2.4 Accountability, Governance and Autonomy

2.4.1 The large sums of public money invested in higher education must be spent effectively and properly accounted for. Liberal Democrats want an environment which encourages freedom of academic enquiry and thought. There is no necessary conflict between accountability, institutional autonomy and, in the case of universities, "academic freedom". However, there is the potential for political and managerial interference, particularly when

resources are limited. In this context a legislative amendment to protect individual academic staff, when tenure was removed under the 1988 Education Reform Act, was made by the House of Lords. That amendment - the “Jenkins amendment” - was moved by Liberal Democrat peer Lord Jenkins of Hillhead. He supported “the freedom within the law to question and test received wisdom, and to put forward new ideas and controversial or unpopular opinions without placing themselves in jeopardy of losing their jobs or privileges they may have at their institutions.” Liberal Democrats would continue with this arrangement.

Liberal Democrats want an environment which encourages freedom of academic enquiry and thought.

2.4.2 Liberal Democrats welcome the devolution of much power and responsibility to individual colleges - just as we do for individual schools. However, we also believe that there is a need for a strategic planning framework for education. Liberal Democrats would establish regional parliaments for England and a Welsh Senedd for Wales. We would place responsibility for the Further Education sector within that tier. However, until such a tier is established, we would transfer the powers of the national Further Education Funding Council to the nine regional committees with membership comprising representatives of the colleges, of LEAs, of employers and of TECs.

2.4.3 Liberal Democrats would re-democratise and make accountable the governance of Further Education colleges. We

would ensure that staff, students elected from the student body, local LEAs and local community representatives including those from the business community are represented on the governing bodies of further education colleges. The governance of universities varies from institution to institution. All are legally independent private sector institutions with exempt charity status. Most universities founded before 1992 were constituted by Royal Charter, capable of amendment only by the Privy Council. Some were established by Acts of Parliament. Polytechnics were established as Higher Education Corporations by the Education Reform Act 1988 and achieved university status under the Further and Higher Education Act 1992. Within the context of autonomous institutions, Liberal Democrats advocate for both further and higher education:

- Staff and student representation on governing bodies and internal committees.
- Making all governing body decisions public, except those concerning individuals and those where publication would damage the institution's prospects or competitive position.
- Giving academic staff and students the right to express publicly opinions on policies and procedures in their institution, and to draw attention to irregularities, without victimisation.
- Effective complaint procedures for both staff and students.

2.4.4 Liberal Democrats recognise the importance of active and accountable students' unions within institutions. We opposed the Conservative Government's unsuccessful attempt in 1993/94 to undermine student unions. Liberal Democrats have no plans to change the current arrangement for student unions.

Investing in Learning

3.0.1 To Liberal Democrats, the improvement of tertiary education is a national priority. Britain's success, economic and otherwise, depends on developing the skills and talents of all our people. It requires a first class education system that widens access and raises achievement. This can't be done on the cheap. It will require new investment. Therefore, Liberal Democrats propose a new Learning Investment Partnership, in which the three stakeholders of education - the Government, employers and individual learners - contribute to its cost.

3.0.2 The 1996/7 Budget has been described as the most damaging, misguided assault on tertiary education in 20 years. The Conservative Government has cut overall funding for universities by 7 per cent this year and reduced the value of student support by 9 per cent. Capital funding for higher education was slashed by a massive 31 per cent. Further education colleges were hit even harder and now face having to recruit an extra 50,000 students over the next three years on reduced resources. Liberal Democrats, unlike Labour, opposed the cuts and argued that increasing spending in education should come before tax cuts.

3.0.3 The Government's policy has led to a significant worsening in staff-student ratios. Lecture theatres are overcrowded, students lack sufficient computer and library facilities, and support services are inadequate. Lecturers have been demoralised by the constant 'moving of the goal posts', and the student support system has been undermined to the point where genuine poverty is now rife. About 40,000 higher education students leave their courses each year, many for financial reasons. At the same time, the tightening financial control on local authorities has reduced their capacity to provide discretionary grants, meaning that the

vast majority of students in further education and part time students in higher education get no support whatsoever.

3.0.4 The Government has almost reached its target participation rate of one in three 18-19 year olds in higher education by the year 2000. But this still leaves two in three without access to higher education and fails to address the needs of adult learners. The proportion of 16-17 year olds in education and training is still significantly lower than among our international competitors. Liberal Democrats aim to make education and training available to all those who can benefit from it. Such a system cannot be brought about cheaply if quality is to be assured.

We would abolish the parental contribution and with it, a whole tier of bureaucracy.

3.0.5 Recent expansion in student numbers has been achieved at the expense of quality and by pushing additional costs onto students. The majority of part time students have to pay for the total cost of their fees. The traditional full time student will now borrow £1,500 annually from the Student Loans Company. The National Union of Students claim that this still leaves students with an annual shortfall of around £1,000 that has to be made up by borrowing from the commercial banks or parents, or by working part-time. According to the Committee of Vice Chancellors and Principals (CVCP) the Student Loans scheme is 'fundamentally flawed.' It is neither fair nor efficient. It does not provide students with adequate support while studying. Postgraduates, part time and mature students

over 50 are excluded. Fixed repayments over 5 years mean graduates face a heavier burden at the start of their careers - often when they can least afford it.

3.0.6 Parents are also expected to contribute towards their children's education. It is estimated, however, that over a third of all parents fail to pay, in part or in full, their element of the grant. Furthermore, many students from low income backgrounds do not go on to university because they do not want to be a financial burden on their families. People over 18 should be treated as economically independent. We would abolish the compulsory parental contribution and with it, a whole tier of bureaucracy.

3.0.7 Liberal Democrats want to increase the number of students from minority and low income groups. This can best be achieved by increasing participation rates overall and introducing more flexible forms of learning. Our proposals for a modular framework of qualifications will extend opportunities, as will our proposals for funding. Current levels of public funding alone can only provide high quality education for the few, or mass education of inferior quality. Widening access further and re-establishing quality requires a reform of the funding system with an inevitable increase in resources required.

We would increase Government funding in tertiary education.

3.0.8 Liberal Democrats alone are committed to investing an additional £2 billion into education to be paid for, if necessary, by putting an additional one penny on income tax. There are already many vital claims on this investment. We are committed to providing every 3 and 4 year old with quality early years education if their parents want it, which we estimate to cost up to £900 million a year. We want to invest in new books and equipment in primary and secondary schools. We will be

able to commit a small proportion of this £2 billion towards tertiary education. However, on its own, this would not cover the cost of all the improvements we want to make in further and higher education.

3.0.9 We want to see significant new investment in tertiary education but recognise that this cannot be paid for by the taxpayer alone - new methods of funding are needed. We propose a Learning Investment Partnership, based on three fundamental Liberal Democrat principles:

- The three key stakeholders in education - the Government, employers and the individual learner - should contribute to its cost.
- Individuals should pay back only when they can afford to do so.
- The UK should develop a practice of lifelong learning that empowers individual students and enhances choice and diversity of provision.

3.1 A Learning Investment Partnership

3.1.1 Liberal Democrats propose a Learning Bank to provide a secure and flexible funding framework geared to providing for the needs of a lifelong learning society. We aim to:

- Raise educational achievement by generating additional resources for tertiary education.
- Extend opportunities to learning by widening access to lower income groups.
- Alleviate student hardship and eradicate student poverty.
- Provide equitable support to all students regardless of whether they be full time or part time, in further or higher education.

- Ensure that education is made available free at the point of entry.

3.1.2 Each person over the age of 18 would be eligible to register at the Learning Bank by opening an Individual Learning Account (ILA). People would be able to debit their account when they were registered on an approved course. The bulk of the Government's contribution to further and higher education would be channelled through ILAs. This will extend choice by putting the purchasing power in the hands of students.

3.1.3 Students would be expected to contribute towards the cost of their education, paying back once they are earning over a fixed threshold, at a rate they can afford. Additionally, people in work would be able to build up credits in advance, to use at a later date. Liberal Democrats would ensure that employers contribute towards the total cost of the nation's education and training by introducing a 2% remissible Education and Training Levy on company payrolls. We would provide a mechanism for employers to make voluntary contributions towards their employees' ILAs.

Government Contributions

3.1.4 The Government is the major funding contributor towards education, currently spending £35 billion on learning of various types. Some £8 billion goes on further and higher education alone. We would increase Government funding in tertiary education. The current funding system is very wasteful, with funds being distributed in various ways via a number of different funding agencies. The duplication of bureaucracy uses resources which would be better spent on raising overall achievement in education. We aim to simplify the funding procedures, bringing full time and part time students under the same funding mechanisms.

3.1.5 To maintain stability within the education system, Liberal Democrats would retain the proportion of core funding provided to institutions in the form of a block grant at

approximately present levels in real terms. We would, however, in liaison with institutions and others, review the current allocation criteria. We propose to transfer the Government funding for fees and maintenance from local education authorities to the Learning Bank. This would be paid into the Individual Learning Accounts of students (as explained in 3.1.2). Students on approved courses would be able to use ILAs to cover fees, living expenses and course related costs such as books, equipment and field trips.

3.1.6 As is the case now, the cost of fees could vary from place to place and from course to course. The Government would make additional payments into the Individual Learning Accounts of those on longer-than-usual courses or those on courses banded as more expensive. The Quality Council (see section 2.3) would have strategic responsibility for cost effectiveness by commissioning value for money studies; imposing financial penalties on institutions and refunds to learners where quality is compromised; and setting maximum fee levels on institutions and courses.

Employers' Contributions

3.1.7 According to the CBI, employers contributed an estimated £28 billion to education and training in 1994. Good employers know that they must invest in employee training and development if they are to compete in the world market. Unfortunately, organisations that invest substantially in training and development risk losing their staff to free riding competitors. Liberal Democrats would, therefore, introduce a remissible Education & Training Levy equivalent to 2% of organisations' pay roll. This proposal is endorsed by the OECD. Companies employing small numbers of people would be exempt. (For further details, see Policy Paper 9, *Working for Change*, (1994)).

3.1.8 The Training Levy would be collected through the tax system, with the net proceeds going to education and training. Rebates would be based on audited expenditure on training as published in companies' financial reports.

Organisations would not be under any statutory obligation to make contributions into their employees' ILAs but we would provide a mechanism for employers to do this if they so wished.

Learner Contributions

3.1.9 If we are to widen access and enhance quality, students will have to make a contribution towards the cost of their education. A recent survey commissioned by a group of student unions shows that this is now accepted by the majority of students.

3.1.10 Under our proposals, students enrolled on an approved course could debit their ILAs to pay for fees, living expenses and course related costs such as textbooks, equipment and field trips. Within defined limits, the level of the debit could be decided by the student, not the government. If students borrowed more than the contribution that is made by the Government, they would be expected to repay the difference.

3.1.11 Our proposed repayment method is based on the Australian Higher Education Contribution Scheme. Students whose ILAs are in debit would have to pay back through the national insurance system, but only when their earnings reached a certain level. The more students earn, the quicker they pay back. Rates of borrowing would be affordable. Unlike a Graduate Tax, there would be no compulsory repayment once the debt was paid off.

3.1.12 This income contingent repayment scheme has a number of advantages.

First, *additional funds would be provided to improve the quality of tertiary education.* The Australian contributory scheme provided 13% of the total public higher education budget after just three years of operation.

Second, *the increased borrowing limit would alleviate student poverty.* Currently, full time students receive in the order of £3,000 a year maintenance (combined grant, loan and parental contribution) which leaves many in

severe financial hardship and an estimated annual shortfall of up to £1,000. Our system would increase the total sums available to students. Obviously the more any student borrows, the more they would have to pay back. Part time students would be entitled to support on a pro rata basis.

Third, *additional finances generated from the scheme would widen access and provide places to students who otherwise would not have been given the opportunity to study.* Since the introduction of the scheme in Australia, for example, the number of students from poorer backgrounds has increased by 30%. Unlike the situation at present, our proposals would provide support for part time and mature students. Education would be free at the point of entry and students would only have to pay back what they borrow at a rate they can afford.

Fourth, *students would have greater flexibility and choice over the content of their course and the manner by which they study.* This will enable more students to live at home, mix learning with work, and extend their courses over longer periods, funding themselves as they go along.

Fifth, *employers could support students.* They would be encouraged to make payments into their employees' ILAs, either to help pay off debts, or by crediting ILAs in advance.

Sixth, *the current multitude of bureaucratic funding mechanisms would be replaced by a more efficient system that provides for both part-time and full time students.* The national insurance system would provide a more efficient and effective collection arrangement than the current Student Loans Company.

Most important of all, *our funding framework would provide for the needs of a lifelong learning society.* It would accommodate the needs of all learners. It would encourage people to return to education, to have a second chance, to update old skills and learn new ones.

3.2 Rewarding Staff

3.2.1 Liberal Democrats recognise and value the contribution of all members of staff, academic or otherwise. Well motivated staff are essential to a good learning environment. As we have outlined in section 2.4, we believe it is important that staff are involved in the running of their institution.

3.2.2 Almost a quarter of young staff on permanent contracts leave within one year of appointment, while half of all those appointed on fixed-term contracts leave at or before the end of their first contract, typically in under three years. In order to attract a good number of the best graduates into higher education teaching, we will establish an independent Pay Review Body for academic and related staff to make recommendations to government on pay levels.

3.3 Research Funding

3.3.1 Funds for research in Higher Education come from numerous sources: the research councils; national and local Government; charities; the European Union; and private companies. Research has been badly underfunded by successive Conservative Governments. Liberal Democrats would increase the resources going to research. We intend to shift funding from military research to civilian research.

3.3.2 Government funding for research is channelled primarily through the higher education funding councils (HEFCs) and the research councils. It is important that all academic staff in higher education have the opportunity to undertake properly funded research or scholarship to enable them to keep abreast of developments in their subject areas. For this purpose the HEFCs contribution should be used primarily for research designed to improve undergraduate and postgraduate teaching and research training. This would be earmarked funding for teaching development. The remaining research money of the HEFCs should be transferred to research councils.

3.3.3 We propose a reformed arrangement for the research councils including a new Humanities Research Council. The money transferred from HEFC would be ring fenced for channelling only to universities and other higher education institutions, and not to outside research institutes or industry. It would be allocated by a methodology agreed with the Universities. It would provide for all infrastructural funding, including salaries, to enable universities themselves to pump-prime research initiatives and, selectively, to undertake basic research, research which receives significant funding from charities and trusts, and in collaborative research with industry.

3.3.4 Research is a national or international activity and we would continue the UK-wide scope of the research councils. Accordingly, under our proposals, research councils would continue to be financed from UK government funds. In a decentralised Britain, the Scottish Parliament, Welsh Senedd and where established, the English regional assemblies could supplement expenditure on research or decide at a future date to assume their right to decide on this aspect of education for themselves.

This Paper has been approved for debate by the Federal Conference by the Federal Policy Committee under the terms of Article 5.4 of the Federal Constitution. Within the policy-making procedure of the Liberal Democrats, the Federal Party determines the policy of the Party in those areas which might reasonably be expected to fall within the remit of the federal institutions in the context of a federal United Kingdom. The Party in England, the Scottish Liberal Democrats and the Welsh Liberal Democrats determine the policy of the Party on all other issues, except that any or all of them may confer this power upon the Federal Party in any specified area or areas. If approved by Conference, this paper will form the policy of the Party in England and Wales.

Many of the policy papers published by the Liberal Democrats imply modifications to existing government public expenditure priorities. We recognise that it may not be possible to achieve all these proposals in the lifetime of one Parliament. We intend to publish a costings programme, setting out our priorities across all policy areas, closer to the next general election.

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Note: Membership of the Working Group should not be taken to indicate that every member necessarily agrees with every section or every proposal in this Paper.

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