

Higher Education, the Devolution Settlement and
the Referendum on Independence

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Seminar 3

The future of higher education in Scotland and the UK

Pre-event Briefing

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Introduction

This project forms part of the ESRC's *Future of the UK and Scotland Programme*. Its broad aim is to consider the future challenges and opportunities faced by higher education in Scotland and the rest of the UK in the case of further devolution or a vote for independence in autumn 2014. This seminar examines a range of policy futures. During the course of the day, we will consider the implications of different constitutional arrangements in relation to the following:

- Undergraduate student finance
- Research funding
- Immigration and international students
- Shared services such as UCAS and QAA
- The university workforce

This Briefing sets the scene by outlining some of the central issues drawn from scenario planning on lifelong learning and Scotland's future conducted by the Goodison Group in Scotland and the Scottish Parliament's Scotland's Future Forum in 2013 <http://www.ggis.org.uk>

The Briefing also draws out some of the arguments in the following two policy papers published in November 2013:

- The Scottish Government's White Paper on Scottish independence entitled *Scotland's Future: Your Guide to an Independent Scotland* <http://www.scotland.gov.uk/Publications/2013/11/9348>.
- The paper on Science and Research published by the Department for Business, Innovation and Skills as part of the UK Government's Scotland Analysis series <https://www.gov.uk/government/collections/scotland-analysis>.

Lifelong Learning in Scotland: four future scenarios

In 2011, the Goodison Group in Scotland and Scotland's Futures Forum considered the proposition 'By 2025, Scotland will be regarded as a world-leading learning nation'. The following scenarios of Scotland's future and its system of lifelong learning emerged:

- (i) *A market-driven learning society*, in which everything is driven by market forces and the government takes a laissez-faire approach. By 2025, universities have been privatised, vocational learning centres are staffed by itinerant tutors and multi-national companies hold sway.
- (ii) *A local learning society*, in which a static population is focused on finding its own solutions. There is disillusion with central government and a reliance on a reformed system of local government to set policy and spending priorities. Universities offer degrees and have strong links with learning hubs through distance learning and face-to-face teaching. There is a focus on social justice and equality.
- (iii) *A global learning society*, in which government has taken a strong lead in boosting economic growth and reducing inequalities. A large part of Scotland's economy depends on its role as a net exporter of education and research.
- (iv) *A divided learning society*, in which rising crime and social unrest has led to the creation of 'gated communities' where wealth is concentrated. Many aspects of the education system have been privatised and the lack of skills leads to labour market shortages in key areas.

Of course, these scenarios represent only some of a range of possible futures and are not necessarily discrete, for example, the market-driven learning society might have considerable overlaps with the divided learning society. It is worth, however, considering how different constitutional options for Scotland might foster particular policy futures, and which might be desirable.

The Scottish Government's White Paper on Scottish independence and the BIS paper on Science and Research

The underpinning values of higher education

The Scottish Government's White Paper on Scottish independence includes a chapter on education, skills and employment, and has a particular focus on the university sector. The paper notes that 'the university sector is one of the main drivers of the Scottish economy', contributing to the economic, social and cultural welfare of the nation. The White Paper contrasts the underpinning values of higher education north and south of the Border, seeing Scottish higher education as being driven by the principles of universalism and social justice, whilst the English system is increasingly driven by the market. According to the White Paper, 'free education for those able to benefit is a core part of Scotland's educational tradition and the values that underpin our educational system. One of the major achievements of devolved government in Scotland has been to restore this right to Scottish domiciled undergraduate students' (Scottish Government, 2013, p.198). By way of contrast, it is argued that 'The Westminster Government has pursued an increasingly market-driven approach to higher education, increasing tuition fees for undergraduate students to up to £9,000 per year' (Scottish Government, 2013, p.198).

Whilst there may be some differences in the principles governing higher education in England and Scotland, it should be recognised that universities across the UK operate within a global higher education market (Marginson, 2008; Robertson, 2009; McGettigan, 2013; Holmwood, 2014). Throughout the developed world, universities compete to recruit the most highly qualified staff and students and to maximise their research and commercialisation funding. The international student market makes an increasingly significant contribution to university finance and to local and national economies. In both England and Scotland, student competition for places in older universities results in stratified systems which are highly resistant to change (Raffe and Croxford, 2013). Both north and south of the Border, widening access initiatives attempt to mitigate some of the effects of marketisation, supporting students from under-represented groups into higher education – see Briefing Paper 2

http://www.docs.hss.ed.ac.uk/education/creid/Projects/34v_b_ESRCF_TT2_PEBriefing.pdf. There are therefore strong similarities, as well as differences in the fundamental values informing English and Scottish higher education systems.

The financing of undergraduate higher education

The White Paper identifies under-graduate student funding as one of the key differences between the Scottish and English systems – see Briefing 1 for overview

http://www.docs.hss.ed.ac.uk/education/creid/Projects/34iia_ESRCF_TT1_PEBriefing.pdf. Following independence, the White Paper promises the continuation of free higher education for Scottish-domiciled students studying in Scotland. A central issue here is whether it will be possible to charge students from other parts of the UK to study in Scotland, whilst allowing students from the rest of the EU to study for free. One of the key principles of the Bologna Agreement is to promote cross-border student mobility by treating all EU students the same, irrespective of nationality. The White Paper argues that, if rUK students were treated in the same way as students from other parts of the EU, there would be a danger that Scottish students would be squeezed out, since there would be a 'huge incentive' for rUK students to study in Scotland. In addition, there would be a loss of revenue to Scottish universities, which are already concerned about the emergence of a funding gap between Scottish and English institutions. This is an area where there are ongoing debates, with experts in European law such as Professor Niamh Nic Shuibne of the University of Edinburgh arguing that Brussels would be unlikely to allow an independent Scotland to treat rUK students differently from those from the rest of the EU.

<http://www.scottishconstitutionalfutures.org/OpinionandAnalysis/ViewBlogPost/tabid/1767/articleType/ArticleView/articleId/2759/Niamh-Nic-Shuibhne-University-Fees-and-rUK-Students--the-EU-Legal-Framework.aspx>

Student debt in England and Scotland

Debates on undergraduate student funding in England and Scotland have focused on student fees, and it is certainly the case that, compared with their Scottish counterparts, English-domiciled students are likely to emerge from their undergraduate programmes with much higher levels of debt covering both fees and living expenses. UK student debt is repaid via an income-contingent repayment system, and is therefore not directly comparable with student debt in the USA, where mortgage-style loans must be repaid irrespective of future earnings.

As noted by Hunter (2013), the focus of the Scottish debate on fees, rather than the overall distribution of debt, obscures the fact that, uniquely in the UK, student debt in Scotland is skewed towards those who are already most financially disadvantaged. Students from wealthier backgrounds are likely to receive support from their families to cover living expenses, and, like other students, do not incur fees. As a result, they are likely to emerge from university with little or no debt. By way of contrast, students from poorer backgrounds in Scotland who are dependent on the state for living expenses may emerge with around £26,000 of debt. From September 2013, greater levels of inequality in student debt are likely to emerge in Scotland, since cuts to student grants mean losses of more than a thousand pounds per annum to students from poorer backgrounds. Students from poorer

backgrounds in Scotland, as in the rest of the UK, are also less likely to go to university than those from wealthier backgrounds, so that the 'no fees' policy is of greatest benefit to the middle classes. Overall, Hunter argues, the Scottish approach to the funding of undergraduate higher education cannot be regarded as economically redistributive, even though it tends to be presented in this way. Full details of Hunter's analysis are available at <http://adventuresinevidence.com>.

In England, although overall levels of debt are higher, it is more evenly spread across the social spectrum, since almost all students take out a loan to cover fees and grants and bursaries are targeted at those from poorer families. Wales has managed to devise a system with lower student debt overall, and particularly generous packages for those from poorer backgrounds (although this system is now under review).

Research funding

The White Paper also addresses the funding of research in Scottish universities post-independence. Endorsing the position of Universities Scotland, the Scottish Government states that it would wish to remain part of a UK common research area, ensuring no barriers to collaborative research, access to facilities and peer review for researchers throughout the UK. This, it is suggested, is in the interests of both Scotland and the rest of the UK. The Government proposes that it would contribute to the funding of the UK Research Councils, based on population share. This scenario is contested within a recent paper on science and research published by the Department for Business, Innovation and Skills (BIS). This paper notes that Scotland currently does rather well with regard to funding from the UK research councils. In 2012-13, for example, Scotland gained 10.7% of UK research council funding, against 8.4% of population. The BIS paper suggests that there would be no guarantee that Scotland would continue to be part of a UK funding area post-independence, because national governments fund national research programmes. Reflecting different economic and social priorities, the Scottish Government would almost certainly wish to develop a distinctive research agenda, making it very difficult to agree a joint research programme and funding share. Indeed, the White Paper reflects the Scottish Government's intention to fund a Scottish Research Council.

The BIS paper also suggests that significant difficulties would emerge with regard to the funding of research by UK charities post-independence. Scottish universities currently get about 15% of their total research income from charities, most of which are UK based. The UK Government believes that, post-independence, most UK charities would wish to concentrate funding within their own territory, and Scotland

would have to look to Scottish charitable sources, leading to fragmentation and duplication.

It is of course the case that an independent Scotland would be able to look to international sources of research funding, but these sources typically make up a small proportion of overall funding. At the moment, Scottish HEIs secure 7% of their total research income from the EU, compared with 30% of total funding from Funding Council Research Grant devolved to the SFC and 26% from the Research Councils in the form of research grant funding. Apart from the various schemes associated with the EU, there are few examples of cross-border research funding consortia. One example is the Nordic Research Council, which has an annual budget of £13 million. By way of comparison, the seven UK Research Councils invest approximately £3 billion in research each year.

Immigration policy and the recruitment of international students

As noted above, within the context of a knowledge economy, higher education is recognised as a major UK and Scottish export. International student fees are uncapped, and make an increasingly important contribution to university funding. In addition, international students support the local economy and create a cosmopolitan culture. Immigration is currently a reserved power which limits the ability of the Scottish Government to encourage international graduates to stay in Scotland and contribute to the Scottish economy on completion of their studies. Universities believe that they are given mixed messages on international student recruitment by the UK Government. On the one hand, the contribution made by international students is recognised, whilst, on the other hand, visa restrictions and a negative discourse around immigration place barriers in the way of recruitment. The White Paper pledges to take a different approach to immigration from that of the Westminster Government, since increased levels of immigration are seen as an aid to healthy population growth in Scotland. Overseas graduates are seen as beneficial to the Scottish economy and the White Paper states that an independent Scotland would reintroduce the post-study work visa which was withdrawn by the Westminster Government in order to curb immigration. This policy is supported by both Universities Scotland and Universities UK.

The future of shared services

In addition to the Research Councils, universities across the UK share other services such as a Quality Assurance Agency (QAA) and the Universities and Colleges Admissions Service (UCAS). Universities Scotland (2012) states that there are strong arguments in favour of retaining these services, irrespective of the constitutional future chosen by the Scottish people. However, the agreement of both

governments would clearly be necessary to secure this, and it would be unusual for separate countries to share a university admissions system. Another shared service is the Student Loans Company, which deals with UK student debt and whose main office is in Glasgow.

Issues for the university workforce

University staff move around the UK, and different employment and tax regulations north and south of the Border might make this more difficult. The Universities Superannuation Scheme is an example of a cross-border institution which might be difficult and costly to reconfigure. The White Paper states that, 'Occupational and personal pension rights and accrued benefits will not be affected by Scotland becoming independent' (p.146). A different view is expressed by the National Association of Pension Funds (NAPF) in its report *Scottish Independence: The Implications for Pensions*

<http://www.napf.co.uk/PressCentre/NAPFbuzz/~media/Policy/Documents/0353-Scottish-independence-the-implications-for-pensions.pdf>

The report notes that cross-border pensions schemes have to be fully funded, and are therefore much more expensive to run than those covering one jurisdiction. NAPF calls for greater clarity from both the UK and Scottish Governments with regard to how transitional arrangements for cross-border pension schemes would be managed post-independence. Trade unions (e.g. UCU, Unison) also operate across the UK, and differences in workers' terms and conditions of employment would almost certainly emerge post-independence.

Conclusion

It is evident that there are marked contrasts between the Scottish and UK Governments' views with regard to the future implications of independence for higher education in Scotland. According to the Scottish Government, the best aspects of the existing system, such as a range of shared services, would remain in place, whilst improvements could be made in areas such as visa arrangements for international students. According to the Scottish Government, it would be possible to preserve free higher education for Scottish and EU students, whilst charging fees to students from the rest of the UK. The Westminster Government, on the other hand, states that there is no guarantee that arrangements which currently work well for both countries, such as a UK research area, would be preserved. Clearly, it is impossible for anyone to know how higher education would be reconfigured post-independence, since much would depend on post-referendum negotiations between the two governments and with the EU. Many people are likely to base their voting decision on their assessment of future economic prospects. However, it is interesting that many of the issues arising in the context of higher education

reflect wider policy concerns, and centre on the relationship between Scotland, the UK, Europe and other nations.

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