

**Stronger Together: businesses  
and universities in turbulent times**  
**Launch of CBI HE Task Force  
Report – Speech for Sam Laidlaw**

Tuesday 20 October 2009

***centrica***

## Speech for Sam Laidlaw, Task Force Chairman and Chief Executive, Centrica

Good morning.

As Richard has outlined, higher education matters. It matters for the UK: it will be critical to our economic recovery and to sustaining our international competitiveness. And consequently it is critical for UK business whose success will increasingly depend on the development of high value-added sectors requiring individuals with graduate-level skills, and world class research and innovation.

But higher education in the UK is at a crossroads.

UK universities are facing growing competition from emerging economies as well as North America and continental Europe. Many of these universities now offer English speaking courses, and are beginning to attract the international and top UK students away that play such an important role in our current system. In a global marketplace foreign universities are also luring away researchers and research funding with increasingly competitive offers.

As with every other part of the public sector, a funding issue is looming. With over 60 per cent of their income coming from the public purse, Universities are unlikely to be shielded from this.

While we have made great strides in increasing the percentage of school leavers entering university from 30% to 40% over the last 10 years, the question of whether there is increasingly a balance that

needs to be struck between maintaining the quality as well as the quantity of new graduates. This is particularly in a market where, as highlighted by the Milburn report, although nine in ten students who get two or more A-levels then go on to University, only 37% of lower socio-economic groups gain those two or more A-levels, compared with almost 60% of the higher socio-economic groups.

The Task Force report makes it clear that urgent and important decisions need to be taken on the future of UK higher education in order to address these challenges and ensure the long-term prosperity of the UK.

The CBI Higher Education Task Force was established to consider these issues and scope out what direction we believe the UK should go in to maximise benefits for the HE sector, business and most importantly, the next generation of school-leavers.

We were fortunate in having the vice-chancellors of three eminent universities as well as business leaders from different sectors representing both large and small employers.

While of course different members had differences of emphasis, all have endorsed the content of this report. And all were unanimous that the challenges are real and urgent, and that the responsibility to step up to the challenge lay not with one particular sector but all: businesses, HE establishments and Government.

And I want to take this opportunity to thank my fellow Task Force members for their time, insights and ideas, the employers,

academics and others for their experiences and perspectives, and the CBI Secretariat for their assistance in the preparation of this report.

I am going to use my remarks to outline four key areas that the report focuses on: employability, encouraging science, technology, engineering and maths – or STEM subjects – the role of research and innovation, and funding.

## **Employability**

First, an important theme throughout the report is the importance of increasing the employability of graduates (by which we mean self management, team working, problem solving, communication skills and business and customer awareness). By improving the skills students need for the workplace, their opportunities will increase, it will help them secure the jobs they want and they will be well equipped for the working environment.

Employers must do a better job of laying out both the opportunities and their training needs to prospective students and have a responsibility to provide work experience and internship placements for university and – we believe – school students.

In conjunction, universities need to improve their capacity to deliver training in employability skills that prepare students for the workplace. We found a number of good examples of where this is already happening, such as the World of Work – or WOW – initiative at Liverpool John Moores University in which work-related learning

is now integrated into undergraduate degrees. A range of businesses are working closely with the University to help identify and strengthen the skills necessary.

Student engagement is key to the employability agenda – we want to see all universities reaching out to their students and developing these skills. In return, business must do more to offer opportunities for students to experience the workplace, through offering placements, internships and real business problems for students to tackle as live projects. Task Force members have offered this in their own organisations and I hope it will become common practice for the CBI membership as a whole.

As well as improving students' employability, universities can play a role in developing workforce skills and training. Business invests £39bn a year on staff training but currently universities have only captured a small share – just under £500m – of this. Strengthening links through governing boards and partnerships provides a real opportunity.

As an example, Network Rail is supporting employees to gain degree-level qualifications through a partnership with Sheffield Hallam University. The programme was started by developing a Foundation degree to produce graduates with industry relevant skills.

## STEM

The report also concluded that maintaining science, technology, engineering and maths – or STEM – skills will be important for the

UK economy and businesses. Over  $\frac{3}{4}$  million new roles requiring STEM skills are likely to be needed over the next five years.

However the Task Force was concerned about quality and quantity STEM-qualified graduates and believe more needs to be done to address this.

We believe that government needs to ensure the necessary level of resource is provided for teaching high quality and relevant STEM skills recognising the additional cost. The Task Force also felt the cause of the decline in the proportion of STEM graduates lies further down the education system than the higher education sector: too few school students are studying or feel confident studying science and maths. Those studying STEM skills at A level has fallen from 215,000 in the early 80's to some 160,000 today and although all students study maths at GCSE level, maths at A-level accounts for just nine per cent of all entries.

Our report has a range of recommendations for Government, business & HE, but emphasises the importance of more young people taking science and maths skills beyond GCSE level which should then filter up to HE and business.

The Task Force wants to see all young people continue with maths post-16 – whether its more taking A level maths, or taking a Use of Maths qualification to develop their numeracy.

Business in turn needs to commit time and resources to participating in degree boards, attracting students and making them aware of the opportunities.

## Research & Innovation

Successful innovation is fundamental to business competitiveness and to economic prosperity, and this is underpinned by high quality teaching and research.

The Task Force found that significant progress has been made in business- university co-operation on research & innovation. The Higher Education Innovation Fund has been a success and a number of companies have set up their own partnership programmes. For example, QinetiQ has formal partnership programmes with 13 universities and QinetiQ staff hold around 30 visiting professorships in 20 universities.

Our Report recommends that Government ensure that this Fund continues to help universities meet real business needs. And in turn, Business needs to view working with universities as a core part of innovation activity, and understand that university research must be paid for.

For universities, the value of contract research 2007-08 was £368m – an increase of 12% on the previous year. And there are also an increasing number of collaborative research programmes involving businesses, universities and one of the Research Councils

However, the current state of the public finances put research and innovation funding at risk. The Task Force concluded that cuts in funding for research and development would have a serious impact

on the ability of the UK's leading research-intensive universities to maintain the quality and quantity of their world-renowned research.

## Funding

However, we acknowledge that the broader funding issue does need to be addressed. To maintain the quality and ideally the number of students in the current economic climate is a significant challenge. The Task Force considered this in detail and it was clear there are no easy answers.

We considered how savings could be made by getting better value from existing expenditure. The task force was very reluctant to see a cut in the funding of research, a reduction in the funding per head or indeed a reduction in overall student numbers. Looking at the student support mechanisms the total cost of student support to the government is substantial – estimated at around 25% of all public funding flowing into HE. This led us reluctantly to conclude, as the Government themselves have now indicated that a review of the current system of financial support for students was inevitable.

We believe that the full range of options needs to be considered. These include: looking at the financing mechanism for fees; reviewing the eligibility threshold for maintenance grants and the overall level of tuition fees while being clear that those who cannot afford higher education must be provided with adequate bursaries and support so they can still benefit and ensure that higher education remains open to all. The review must also take serious consideration of the position of part-time students in relation to access to loans and fee support.



Ultimately we concluded that a new funding model is needed and welcome Government's commitment to address this.

We also felt that in the current economic environment, the Government should not continue to prioritise increasing participation in higher education to 50 per cent of 18-30 year olds by 2010. Good progress has been made in this area, as I said earlier and particularly in times of constrained finances, the focus should be on ensuring quality as well as quantity and the focus needs to be directed at raising performance at the school level.

The importance of employability also suggests a need to consider alternative training & career paths that are not just University-based. Apprenticeships, higher NVQs, and possibly, as some on the Task Force suggested, a return to some form of technical college may be more appropriate in providing students with the skills needed to gain employment.

And this should go hand-in-hand with greater efforts to deal with educational disadvantage at the secondary school level to ensure a range of opportunities is open to all.

So to conclude, our report does not claim to have all the answers. But I hope it will provoke and inform an important debate that needs to take place on the future of higher education in the UK.

Much progress has been made over the past decade, but we have reached a crossroads.

The benefits of success will be felt by universities, businesses, students and the whole economy – as will the costs of failure.

The responsibility to address this challenge lies therefore with all of us. The business community needs to do more to support students and graduates, to develop closer partnerships with universities on research and innovation activity and to find better ways of communicating with the HE establishment.

But also HE establishment needs to respond to this engagement, and in the context of funding constraints be more efficient, such as through shared services and rationalisation to ensure maximum value for money.

But ultimately there is a central role of Government in improving the framework and incentives necessary for success.

And this report is intended to be practical starting point for going about addressing this challenge.

Thank you.