

Adam Smith Institute
Omega Report

EDUCATION POLICY



Adam Smith Institute

CONTENTS

	PAGE
PREFACE	viii
1. PROBLEMS OF PUBLIC SERVICE EDUCATION	1
2. CONTROL OF THE STATE SYSTEM	3
3. FINANCING EDUCATION	14
4. ADMINISTRATIVE POINTS	22
5. HIGHER EDUCATION	28

**THE OMEGA FILE
EDUCATION**

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From research conducted for the
Adam Smith Institute
1984

CONTENTS

	<u>Page</u>
FOREWORD	(iii)
1. PROBLEMS OF PUBLIC SECTOR EDUCATION	1
2. CONTROL OF THE STATE SYSTEM	5
3. FINANCING EDUCATION	14
4. ADMINISTRATIVE POINTS	22
5. HIGHER EDUCATION	28

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FOREWORD

The Adam Smith Institute's **Omega Project** was conceived to fill a significant gap in the field of public policy research. Administrations entering office in democratic societies are often aware of the problems which they face, but lack a well-developed range of policy options. The process by which policy innovations are brought forward and examined is often wasteful of time, and uncondusive to creative thought.

The **Omega Project** was designed to create and develop new policy initiatives, to research and analyze these new ideas, and to bring them forward for public discussion in ways which overcame the conventional shortcomings. Twenty working parties were established more than one year ago to cover each major area of government concern. Each of these groups was structured to include individuals with high academic qualifications, those with business experience, those trained in economics, those with an expert knowledge of policy analysis, and those with knowledge of parliamentary or legislative procedures. The project as a whole has thus involved the work of more than one hundred specialists for over a year.

Each working party had secretarial, research and editorial assistance made available to it, and each began its work with a detailed report on the area of its concern, showing the extent of government power, the statutory duties and the instruments which fell within its remit. Each group has explored in a systematic way the opportunities for developing choice and enterprise within the particular area of its concern.

The reports of these working parties, containing as they do several hundred new policy options, constitute the **Omega File**. All of them are to be made available for public discussion. The **Omega Project** represents the most complete review of the activity of government ever undertaken in Britain. It presents the most comprehensive range of policy initiatives which has ever been researched under one programme.

The Adam Smith Institute hopes that the alternative possible solutions which emerge from this process will enhance the nation's ability to deal with many of the serious problems which face it. It is hoped that, being free from partisan thinking, they will be accessible and stimulating to all sectors of opinion. The addition of researched initiatives to policy debate could also serve to encourage both innovation and criticism in public policy.

Thanks are owed to all of those who participated in this venture. For this report in particular, thanks are due to Dr Digby Anderson, Baroness Cox, Professor Anthony Flew, Professor David Marsland, Lawrence Norcross, and James Pawsey MP, amongst

others. All Omega Project reports are the edited summaries of the work of many different individuals, who have made contributions of various sizes over a lengthy period, and as such their contents should not be regarded as the definitive views of any one author.

Their children receive. Teachers complain that the standards in which they have to teach is not conducive to learning, and some are even concerned about their pay and safety. Few employers would suggest that schools are directly related to the needs of modern society, or that pupils are being given the proper skills they need to deal with the problems of life. Yet education does not lack resources, especially in Britain, some of the best of public spending; and these are being spent on things which seem far more than others to be producing better results - often the opposite. More public money is put apparently on education.

Education capture

The problems which have beset education since a common origin with those that incapacitate the other major services industries: the phenomenon of capture. When any service is put under political direction and control, the satisfaction of individual objectives becomes more important than the satisfaction of consumer interests. Whether the administration is done directly by legislators or through a quasi-judicial body, the opportunity to express their views, and those of the general public, is a virtual necessity. Even on the few occasions when members of the public are invited to contribute through a limited system of public participation, the system is often manipulated to serve the interests of the few rather than the many. In the case of education, the public is often invited to contribute to the service through a limited system of public participation, but the system is often manipulated to serve the interests of the few rather than the many.

A commercial will which failed to deliver its services would quickly lose its competitive edge. But the competitive edge of a service is not always lost when it is captured. It may be that the service is still profitable, but the profits are often used to serve the interests of the few rather than the many. The service may still be profitable, but the profits are often used to serve the interests of the few rather than the many.

Without this control, the service is often captured. The service is often captured by those who are interested in it, and the service is often captured by those who are interested in it. The service is often captured by those who are interested in it, and the service is often captured by those who are interested in it.

1. PROBLEMS OF PUBLIC SECTOR EDUCATION

Concern about the state education system is growing. Some parents are worried about the low quality of schooling which their children receive. Teachers complain that the atmosphere in which they have to teach is not conducive to learning, and some are even concerned about their physical safety. Few employers would suggest that schools are closely attuned to the needs of modern society, or that pupils are being given the proper tools they need to deal with the problems of life. Yet education does not lack resources, absorbing in 1982/83 some twelve per cent of public spending; and those areas, such as Inner London, which spend far more than others do not produce better results - often the opposite. More public money is not apparently the solution.

Producer capture

The problems which beset state education share a common origin with those that incapacitate the other nationalized service industries: the phenomenon of producer capture. When any service is put under political direction and control, the satisfaction of political objectives becomes more important than the satisfaction of consumer interests. Whether the administration is done directly by legislators or through a quango, consumers have little opportunity to express their views, and almost none if the service is a virtual state monopoly. Even on the rare occasions where members of the public can express themselves through a vote, election candidates will be standing on a platform of many different policies, and it is hard for the successful ones to distinguish the public's views on a particular service from the rest of the general package they are elected to implement.

A commercial firm which failed to satisfy its customers would quickly lose them to its competitors. But this competitive pressure does not exist in the state sector, where all taxpayers **must** pay for the nationalized services, whether or not they like them and whether or not they use them. It may be wise for such an industry to placate the politicians who are its paymasters: but there is little reason for it to take much account of the wishes of its consumers. Despite the fiction of 'public' ownership, members of the public find that they have virtually no control over state services at all.

Yet without this source of consumer pressure, it is impossible for a service to be run in the interests of customers, even by the most public-spirited administration. An assured income leads to complacency about existing practices and a failure to innovate. Political fears about strikes or unemployment generate lax labour relations and overmanning. Political generosity in wage settlements leads to the (less obvious) trimming of capital replacement. Administrative overheads grow while services often decline.

Those who work in the industry represent a very concentrated

and united interest group, and so they have much more power in the political processes that decide the organization of state industries than do ordinary members of the public who pay for and consume their services. Producer capture - whereby the service comes to be organized more to suit the interests of producers than consumers - is therefore a common and perhaps inevitable feature of state concerns.

Producer capture in education. Education has proved easier for the producers (teachers and administrators) to capture than other industries, partly because its shortcomings can be disguised by jargon. The school with poor examination results can claim that knowledgeable educationalists nowadays hold 'school spirit' or 'awareness' more important. Although the consumers (parents and children) demand examination passes and other measurable achievements from their schools, education producers are able to argue that they, as 'professionals', know better; and they are able to substitute completely new values for those of their 'unqualified' parental customers.

Whether examination passes are to be preferred to excellence in sport, to the encouragement of individual personality, to school spirit or to any other objective is, however, a question of value not of fact, and thus only parents can claim any right and qualification to decide it, however much the experience of teachers may assist in making the choice. But it is when parents are actually denied the information on which to make their judgement that we can be sure that education is being provided to impose the values and to promote the interests of the producers. The fact that some schools fought so aggressively to prevent their examination record being published was the most certain indication that consumer desires had taken second place to producer interests.

It is not that teachers, administrators, and their respective union officials are lazy or wicked people: they are little different from the rest of us, and might well be parents themselves who sincerely wish for a good school system. But their interests as producers are quite different from any interests they have as parents, or from the interests of the parents whose children they teach and the general public whose taxes support them. Marx noted wisely that people aim to maximize their class interests: and being insulated from the pressure of consumer demand, their principal objectives qua teachers, administrators, and union officials are to raise their income, status, and numbers, while minimizing their accountability and workload. However dedicated they may be as educators, however concerned they may be as parents, the cocoon of producer interest keeps spinning around them: their working environment wears each one down until they firmly accept that teachers deserve more money, should not be expected to supervise school meals, need smaller classes, cannot teach properly without a degree, should not be judged by their examination successes, should have a guaranteed job for life, and so on. But such arguments never emerge from

the parents they are supposed to be serving.

Hallmarks of producer capture. The signs of producer capture are still clear, however much the professional nomenclature of the producers conceals them. **Giantism** is an obvious one: schooling is being concentrated in larger units, and indeed, many small local schools are being closed. This makes life more convenient for administrators; it allows larger career structures to be built; it enables teachers to specialize more; and it is universally unpopular with parents. **Resistance to change** is another symptom: the industry was slow to provide extra places when the postwar 'baby boom' increased the number of pupils, and is suffering dreadful strains now that numbers are shrinking. A more consumer-oriented industry would find the adjustment to market conditions much less painful. (The grocery industry, for example, adjusts itself not only to annual fluctuations in supply but to weekly or daily changes in demand). **Employment laxity** is another symptom of industries that have been captured: bureaucracy is allowed to increase, work hours are treated more jealously and special concessions are demanded for overtime or non-professional activities such as school meals supervision. Schools are cleaned by in-house labour without even an enquiry on how much might be saved by the use of outside specialists, teachers are kept in a job no matter how incompetent they subsequently turn out to be.

Lack of interest in the product is the most unfortunate sign of producer capture. It is remarkable that almost no schools take any systematic interest in what their school leavers do in later life. One or two teachers are sometimes interested, but by and large there is no follow-up whatever. State schools have no way of telling whether their efforts turn out successful and responsible citizens or perpetual delinquents. The businesses who employ their products have no forum in which to point out the strengths and weaknesses of particular schools. Even when their complaints are given public attention, they are frequently rejected by the producers of education as being ignorant and at odds with modern educational thinking. The views of parents and others have been similarly downgraded by the professionals.

Social engineering. Schooling, of course, presents enormous opportunities for applying and testing a whole range of social theories, and education has therefore attracted a sizeable number of social engineers. Where the consumer is sovereign, there is at least a check to their excesses: but where the views of parents and employers can be downgraded as being ignorant, all such restraint is lost. The objective of administrators then becomes to impose their own views upon the system, rather than to make it respond to the wishes of the consumers; and the more extensive their design, the more esteem they draw from their colleagues.

As an example, some would cite comprehensive education, hailed by egalitarians as a 'gigantic experiment with the life chances

of millions of children'.¹ But it was hardly an experiment: rather, it was the general imposition of a preconceived arrangement over most of the education process. An experiment is performed on a small scale, and the results are assessed before any general lessons are drawn out: this was adopted globally (or almost so), and the educational establishment showed no enthusiasm for having its results evaluated. The 'experiment' had no limit in its scope or duration, and no mechanism for systematic and critical evaluation.

An opinion survey, carried out in 1983 for the Channel Four programme Twenty-Twenty Vision, highlighted parents' doubts about the present school system. 54% of those questioned thought that a grammar/secondary modern school system would be more likely to give a child the best all-round education, while only 35% thought this of the comprehensive school system. 61% thought a child would be most likely to achieve the best examination results of which he or she were capable in a grammar/secondary modern school system, while only 25% thought this of the comprehensive school system. 22% thought that academic standards have stayed the same as a result of the introduction of comprehensive education, 20% thought they have improved, but 45% thought academic standards have declined.

Career structures versus consumers. But even those producers who are unhappy with such a situation tend to go along with it. There is no effective alternative employment for them if they reject the prevailing ideas, and promotion prospects depend upon defending and advancing the status quo, not on raising objections. Right through the teaching profession, and through the administration up to the Department of Education, producers therefore defend the status quo which gives them their career prospects and their livelihood.

Unfortunately, any rational and critical argument on the structure of the education system is almost impossible because of the fierce political differences which rage around it. If the results could be systematically analyzed, then a rational decision might be made possible; but many people believe that the objective results themselves are subservient to the political aim of bringing greater equality to education, and perhaps of producing a generation that is more disposed to egalitarianism. But whatever side is chosen in this political argument, the fact that it takes place at all is indicative of a serious weakness in the nationalized education system: its future is being decided by politics, not by the wishes of consumers. This is not necessarily an **inevitable** problem of state financing of education, however: and it is to ways of improving the consumer responsiveness of the state system that attention must now turn.

1. Julienne Ford, Social Class and the Comprehensive School (London: Routledge and Kegan Paul, 1969).

2. CONTROL OF THE STATE SYSTEM

At present, the shape and organization of the school system is decided in general by the Department of Education, but most of the practical issues are dealt with at the local government level. Local education administrators, and school boards comprising local government nominees, have most of the responsibility for day-to-day running of schools and local education planning. Even head teachers, though nominally in charge of particular schools, actually have little to say within them, for example, in terms of the hiring of new teachers and the dismissal of incompetent ones, or in the allocation of resources between activities.

Unlike private schools, which operate on their own as business units, state schools are enmeshed in a suffocating web of bureaucracy which greatly curtails the flexibility and freedom of action of each school. Local education bureaucracies determine many of the details of how schools should be run, provide the ancillary services (often at very high cost), help plan the curriculum, and generally take many of the decisions about allocation of time and resources within each individual school. Teachers' salaries, grades, conditions, and hours, and many other important decisions are taken centrally.

The result of this centralization of decision-making is that schools in any education area - and indeed nationally - tend to become more similar as time goes on, denying parents any escape from the system at all. If schools retained more independence, then parents would be able to express their preferences by rejecting some schools and sending their children to one whose methods they prefer.¹ At least there would be **some** prospect of assessing consumer preferences if each school were more of an autonomous unit; but today there is none.

Parental control through school boards

The key to successful reform of the state school system is for parents to be given more power and responsibility. There is a need for increased accountability of teachers and schools to the parents, increased parental involvement in the schools themselves, and more diversity in the education system. Increased parental responsibility, involvement, and choice will encourage improvements in educational standards, since all parents want their children to receive a good education that will qualify them for good jobs. Our school system must be accountable to them if they are to ensure that this happens.

1. It is worth emphasizing that parental choice effectively means family choice. The family, including the children, normally discuss and decide on educational matters, though the parents as legal guardians make the actual decision.

To encourage the diversity of schools and to provide parents with a realistic choice between different methodological approaches and school environments within the state system, we suggest that most of the decision-making of a school, once its total budget has been settled, should be devolved to a school board, most of whose members are chosen directly by parents with children attending the school (and are not political appointees as at present).

Composition and duties of the boards

The board of each school would consist overwhelmingly of parents with children at the school, and would be chosen by the parents on a postal ballot. The headmaster, and representatives of the teachers and the local business community might be invited to occupy non-voting places. The board would have to report to an annual general meeting, at which normal procedures, including the presentation of auditors' and other reports would be debated. The annual meeting would be a good occasion for parents to meet election candidates.

The board of governors would be responsible for negotiating fixed-term contracts of employment with the head teacher and other teachers. [Fixed-term contracts can be implemented under Section 142 of the Employment Protection (Consolidation) Act 1978, as amended by Section 8 (2) of the Employment Act 1980.] The length of the head's fixed-term contract might be five years, and made subject to certain conditions of satisfactory performance.

The head, in consultation with the governors, would become akin to a chief executive, and would have control over the curriculum, within certain national guidelines, and other matters such as the school timetable, discipline, school uniform, and general conduct of the school. He would be expected to evaluate each member of staff annually (with the evaluation report being copied to and discussed with the individual concerned. In consultation with the governors, he or she (or any other individual or sub-committee appointed by the board) would be responsible for negotiating the terms of contract of all staff, including teachers, and the head would also have authority, in consultation with the governors, to suspend and dismiss teachers, perhaps subject to a rule that they must first receive written warnings endorsed by the board.

The Local Education Authority would lose control over all these matters, although its advice might still be valuable to the new boards. Otherwise, the LEA's role would be confined to giving a block grant to each school, calculated on a per caput basis, although in special cases, the LEA could also allocate additional funds up to a predetermined amount. For example, extra payment would be needed to schools with high fixed charges outside the school's control, such as buildings which are expensive to maintain and heat, or where factors such as a high immigrant popula-

tion may require specialized or expensive teaching skills. The LEA would also be responsible for new building works and major capital expenditure, though there should be no barrier to a school allocating parts of its own budget to capital items, or even raising money voluntarily for them. The head and the governors would be left to manage the school in the way they see fit, and be responsible for running the catering, school cleaning, maintenance, and purchasing of school equipment. They would be free to allocate resources between different items of expenditure - for example, to pay teachers more and spend less on books, or vice versa - and wrong decisions would be reflected in falling school rolls. Teachers' salaries would no longer be determined on a national basis, but by each school. Schools might wish to institute different grades of salary for different qualities of teacher.

However, national guidelines would exist for the provision of non-teaching services. Schools should be required to put their cleaning, maintenance, catering, and other non-teaching services out to tender and to accept the lowest properly-evaluated bids. Specialist private contractors may well prove able to provide these services at lower cost and higher standards than present in-house labour. Significant reductions in cost could result from contracting out these services, and from a diminution of local authority administrative activity. Schools should be encouraged to form relationships with other schools to carry out functions such as welfare, psychological, and truancy services, that are not easily allocated to individual schools or to central government. Of course, in some schools (for example, primary schools in rural areas), parents may be willing to carry out some ancillary functions on a voluntary basis, such as cleaning and catering. This should be encouraged: there are, in fact, already some cases of parents doing school catering.

Scope for new methods. This devolution of control would allow a very wide scope for experimentation with new methods. The school board would of course have every incentive to ensure that education was provided as effectively and as efficiently as possible, and the gains from efficiencies in non-teaching functions or in general procedures could be ploughed back into the development of the school.

For example, the present school system is remarkably indulgent with time. Between the ages of five and sixteen, the state effectively denies its pupils the right to do other things, including non-school learning, in the daytime. It would make more sense for schools to concentrate on doing the things they do best in the morning and to leave the teaching of 'minority' activities to market institutions or voluntary groups in the afternoon.

Schools may find it makes sense to adopt the 'continental day', and provide compulsory education from 8am to 1pm. In the afternoon pupils would be encouraged to take up assorted other educational activities, e.g., minority religious instruction,

such as in the Koran, which presently has to be carried out at weekends, much to the annoyance of parents. The same might apply, at the school governors' own discretion, to games, learning musical instruments, extra tuition in English for children of recent immigrants, multi-cultural or multi-racial education, and other more esoteric subjects. Pupils could undertake part-time industrial training or other types of more vocational education. (It is hoped that many local industrial firms would be encouraged by school boards to take in pupils for regular sessions of training in the afternoons. In such a way the barriers between school and 'the real world' would be broken down and pupils would get a much clearer view of the skills and aptitudes which they will take into adult life.)

This sort of new thinking may produce enormous savings, because the capital invested in the school buildings would be used more efficiently, and the elected board of governors would have every incentive to keep efficiency high. While not in use for mainstream teaching, buildings might be hired out for private specialist education, such as private music schools; and indeed, the teachers who worked 8am to 1pm on mainstream teaching might even be among those who would hire classrooms for specialist afternoon teaching. This system would have the best of both worlds for the children - the comradeship of being in the same school for part of the day, but diversity for the rest of the day. Some schools might even experiment with two separate five-hour shifts in one day; and because this means that two shifts of schooling could be fitted into one set of school buildings in one day and the numbers of teachers required would also decline, the cost of our school system could eventually be reduced substantially.

Given their independence, schools will be able to make a very large number of operational changes which might not appear to be so bold in scope, but which may be just as important to delivering good education cheaply; and undoubtedly a number of penetrating organizational questions will be asked. Are large windows really desirable, given that they distract students' attention and are a big maintenance problem? Are carpets actually more efficient than hard floors, given their sound-proofing capability and their effect on morale? Can school scholarships be given in return for parents or children helping with work around the school? Is a large library a necessity or an indulgence? Should charges be made for non-essential subjects, sports equipment, and so on? How can the school's image with the general public be fostered? Is a timetable where a range of different subjects are each taught for an hour or less per day really effective at getting children to learn? Are school holidays of the right length and do they fall at the right time?¹ The list is endless and by solving each problem

1. New thinking on these and other issues emerges in the pioneering book by Robert Love, How to Start Your Own School (Ottawa, Illinois: Green Hall, 1973).

differently from its rivals, each school will develop its own distinctive character, and will be able to learn from the successes and the failure of its neighbours.

Parent involvement in new schools

Demographic changes often cause major fluctuations in the demand for education in an area. For example, a quickly-growing housing development in a rural area may attract large numbers of young couples with young children, overloading the existing school facilities. Centralized decision-making means that such changes are likely to take many years to satisfy, because they require centralized assessment of the needs, centralized planning for new facilities, and centralized switching of resources from shrinking schools to growing ones.

Once again, the adjustment to changing needs can be expected to be more rapid if the decision-making is devolved away from centralized authorities and down to the community itself. This suggests that parents should not only be made responsible for most of the policy and management decisions of existing schools, but should be given a much greater measure of involvement in whether new schools should be opened and where they should be sited. A mechanism which devolves this choice down to parents already exists in Denmark, and a variant of it could perform equally well in the United Kingdom.

Operation. In such a system, we envisage that a predetermined number of parents would be able to found a state school in their locality, and would be given the same per caput budget as all others.

If, therefore, a group of parents of this number (probably about twenty-five to thirty) or more were unsatisfied with the existing provision of schools in their area, they would be able to establish a new school. The school would be like any other - though at first it would be much smaller than average, and would probably operate from inexpensive, converted premises rather than from custom-designed buildings. It would elect its own board of governors in the normal way, as already proposed. And it would, similarly, receive from the authorities a per caput budget grant.

Benefits. To the funding authority, the per caput budget given to such a new school would have to be spent anyway, and so represents no increase in cost. If the children concerned were not educated at the new school, they would have to be educated at an existing one, and the budget grant from the state for each one's education would be precisely the same. In addition, however, the authorities would be relieved of a certain number of planning decisions: the spontaneous founding of new schools by groups of parents would remove the need for much detailed assessment of demographic changes and of the likely demand for schools in the future. The governing boards of existing schools may be worried if the shift to new ones is particularly marked: but this

merely encourages them to become more competitive and to use their resources more efficiently in order to attract new students, which is probably a desirable attitude. For parents, the major advantage is to be able to get new state schools established more quickly and more conveniently to serve changing local needs.

A clear benefit of the scheme is that it may prove possible to save popular local schools that would face closure under the current system. If the board of parent-governors were able to run the school at below the per caput average cost of state education, it would remain viable; only if they were unable to run it on the state grant and any extra income that they raised from the community would it prove unworkable. And it is quite possible that this local school would in fact generate a great deal of support from the local community. The school board would certainly have to make certain that costs were kept under control, and a further advantage of this scheme is that old and expensive practices would be quickly replaced by more efficient ones. It is quite probable that there will be a tendency towards smaller units, towards using cheaper buildings and using them more efficiently, and towards a community-minded staff which not only taught but undertook routine housekeeping functions and acted as ambassadors for the school itself.

Capital. If the state were to provide all of the capital investment for the new, parent-founded schools, it might present a considerable strain on public funds, one which would be unjustified if some of the new units could not continue to attract students. However, the problem of capital need not be such a large obstacle as some people assume: the giantism popular in the current, producer-controlled education system is a misleading model. The community nature of the new schools will mean that they can probably draw upon local people and businesses to provide initial start-up capital and equipment, and at first it would be quite reasonable for a new school to establish itself in rented premises, rather than to attempt to build or purchase purpose-built accommodation. If the school demonstrates its value, it will be able to move subsequently to larger and better premises. In some cases where location is not the problem but where overcrowding is bad or where parents simply want a distinctive new approach, it may be possible for such a new school to operate from premises rented from existing educational institutions, but used at a different time of day, although this is perhaps less likely.

An alternative might be a system of matching funds. Thus, if a school launched a capital investment programme, the state would match or would contribute a further proportion of any funds that were set towards it out of the per caput grant, or raised by local appeal. Consequently, it is only where local people could attract resources and were serious about investment that the state would help them out. There might be special arrangements for helping particularly deprived neighbourhoods, perhaps in the form of a higher-than-equal matching grant.

Arrangements such as these would certainly answer the problem of initial capital - if it is much of a problem for most new ventures - and would not demand a large and injudicious investment from the taxpayer for new schools that may not attract any long-term demand. The matching funds arrangement might, in addition, provide a general model for the long-term capital investment programmes of all state schools. Thus the decision to invest in new capital or equipment would come from the school boards themselves and not from central authorities, although the authorities would help by matching grants. A board of governors which preferred to spend its resources and energies in paying more to attract better teachers rather than providing more luxurious premises would be free to do so. In practice, of course, philanthropic donations to a local school are most likely to be contributed towards some new capital item rather than towards running costs. With the state matching funds, it seems likely that there could be a marked improvement in the rate of replacement and laying down of capital that presently occurs, with capital items usually the first to be cut.

Planning by parents. The payment of a per caput grant, reflecting what the state would have to spend anyway, to new schools founded by parents, or to old schools that would otherwise be closed, might well lead to the pattern of public expenditure on education shifting progressively towards small institutions rather than large ones. Professional educators, of course, tend to criticize this small-scale approach and to emphasize the advantages of thinking big. There is, at present, no means for parents to express their own preference. Under the new scheme, the strategy of concentration in larger units, common among LEAs, could be checked if local parents did not favour it; and whether or not their view was a popular one would be reflected in the application lists of the new schools that were started or the old schools that were saved.

Role of the LEAs

The LEAs would still 'own' the schools and would maintain an inspectorate, which along with Her Majesty's Inspectorate would oversee the transition to the new system. However, after a period, the need for LEAs would decline and they could be replaced by local bureaux of the Department. The transfer of responsibility for education from local authorities to parents, and of the funding decisions to the national government would enable large changes to be made in the methods of funding and operating state schools.

The advantage for everyone concerned, however, is that there would be no immediate and major change. Instead of being controlled minutely by LEAs, and run by boards of public placemen, schools would be more able to set their own operational targets and would be run principally by boards of parents. Only gradually, as the system became established and as schools took on more distinctive characters, would there come any general

shift in the pattern of education provided by the state: and that would be called forward by consumer demand.

Her Majesty's Inspectorate would ensure that standards were maintained, and that teaching in the core curriculum was of acceptable quality. Contentious and fringe subjects could be made voluntary, with parents being able to withdraw their children upon presentation of a written note to the school. Only the core curriculum would remain compulsory. This of course does not surmount the problem of bias in mainstream subjects such as History and English. But in practice, that can be done with a new duty of balance, specifying that teaching in state schools should not be distinctive of any particular political persuasion, nor should it be based on an analysis distinctive of any particular political ideology. Newly-constituted schools would, of course, be included in the arrangement.

The responsibility to enforce this duty would have to be a central one: the alternative of issuing guidelines to LEAs or headmasters would be ineffective. LEAs are part of the problem, not the solution, and being politically appointed bodies, many are at the the forefront of attempts to politicize education.

Of course, these proposals will not completely solve the problem of bias. Only full consumer choice in education will resolve that problem.

Choice between schools. Even if parents had no choice on the question of which school their children must attend, the new school board concept would undoubtedly bring rewards in terms of better management and accountability of education producers. But the greatest benefits would be seen only if parents were given the choice in deciding between different schools. Only then would a successful and innovative school board receive its just reward in terms of lengthening application lists; while falling rolls would signify to other boards that there was something wrong with their management and with the appeal of the school. In other words, for good management incentives to prevail, there must be no fixed catchment for each school from which parents cannot escape.

This flexibility is a comparatively straightforward arrangement, which only education administrators will find troublesome. Plainly, the best method is to make the choice as wide as possible, so that a parent could chose between any school on the basis of its reputation and the family's tastes. Oversubscribed schools would have the incentive to expand or even to export their brand of management skills to others; undersubscribed schools will have the incentive to copy the more successful ones; and parents living in depressed areas will not be left with their children trapped in a poor school from which there is no escape.

Failure of schools. Of course, it is quite possible that from time to time a school's rolls might fall so disastrously that it

jeopardizes its own existence, although this will probably be rare. Most boards of governors would take remedial action before a school got dangerously close to disaster, and they would have the model of more successful schools to draw on. Changing population trends or disastrous management could still leave classrooms bare, however.

In a market structure, the entry of new services and the exit of old ones is an essential feature that keeps innovation on the march and ensures that resources are steered towards successful alternatives. A school for which there was little or no demand would be an enormous capital asset to maintain. One solution in such a situation would be to require local authorities to offer empty buildings for sale, first to those wishing to set up an independent school or a new state school formed by local parents. Otherwise, they could be put generally onto the market.

3. FINANCING EDUCATION

ORGANIZATIONAL OPTIONS

There are three principal sources from which the funds for education might be derived: national government, local government, and parents.

At present, most of the finance for education effectively comes from central government, although it **appears** to be raised and controlled locally. The rate support grant, a national government grant which is designed to offset differences between different local authorities and to finance local activities that are judged to have national importance, is sizeable: much larger than the total which local authorities spend on education. Its size is determined partly by educational issues: whether funding is needed in certain areas to help with the education of immigrant communities, for example. There is consequently little difference between the present system and one financed exclusively by national government.

The debate about whether educational finance should be raised locally, through the rates, or nationally out of taxation, is therefore partly illusory. The more important question is how to ensure that the allocation of that funding is made with the greatest regard to the welfare of pupils and with least politicization.

Alternative strategies

With many policy decisions being made by parent-elected school boards, there is less need for centralized control. But plainly, fund allocations have to be made somehow. This can be done in a simpler way than it is at present.

Allocation by rules. The scope for discretionary funding differences should be reduced. Thus, the central government would provide each local authority with a grant that would represent a per caput contribution to education in its area. The larger the number of schoolchildren in a locality, the larger would be the central government grant (although it may be weighted to take account of the reduced overhead costs of larger schools and the amenity and desirability of smaller ones, so that smaller schools justified a slightly higher per caput grant). There would, in addition, have to be a discretionary sum which the local body could use to offset special differences between parts of its area.

Such a system would lead to the allocation of funds according to set rules; a certain amount per pupil, plus a discretionary amount that would assist areas of deprivation or special circumstances. The allocation of funds according to political objectives would be much reduced, though in other circumstances

the system is not greatly different from that operating in most authorities at present.

Furthermore, this rule-guided system has the virtue of putting educational finance where it is truly demanded, rather than where administrators deem appropriate. For example, a number of parents (under the Danish scheme already outlined) would be able to found a state school in their locality and would qualify for the per caput grant: this could produce a sizeable shift over time in the overall pattern of resource allocation, if sufficient numbers of parents felt strongly enough to take up this option. But it would be a shift engineered by consumers, not producers.

Departmental bureaux. As more schools came to be run by elected boards and more policy decisions are devolved down to each school, however, the role of local bodies would be very limited, and it may be best to replace them by ministerial bureaux with the power to allocate funds according to the rules outlined above. They would establish a local presence for the national authorities and would help to bring unbiased information about local needs to the central decision-making process.

ENCOURAGING PARENTAL FINANCE

The finance of education presents a number of philosophical problems. The first is why education should be financed by the state at all.

Why state finance?

State finance of education is justified in two ways: firstly, that it benefits everyone to have a numerate and literate society, since life would be impossible without it; and secondly, that a child should not suffer a worse education simply because his parents are poorer than average or less willing to spend their resources on education.

The first of these arguments has some merit. But it would hardly justify the **entire** cost of education coming out of state funds. After all, the principal beneficiary of education is the child and the child's family, a point which becomes increasingly certain as the child's age advances. It is remarkable that a single person or childless couple should pay higher taxes in order to educate other peoples' children, when their interest in doing so is marginal.

The second argument still does not justify complete state finance, although it might justify compulsory schooling and minimum standards. The problem is really a welfare problem: to ensure that all those who cannot afford a good education are given the means to do so, and that all those who **can** afford education actually purchase it. It does not require universal finance and certainly does not presume a system of universal state provision.

There are strong arguments for attempting to move those who **can** afford to pay for themselves out of the state system. It seems unjust that wealthy couples should have the education of their children subsidized by poorer single people. Clearly, there is a need for an innovative system which will encourage them to make independent provision of their own and leave the hard-stretched resources of the state system to be used by those who really need it.

Problems of radical change. One idea which has been very widely canvassed is to give all parents a voucher which they could 'spend' at any school, and add to it if the fees of the schools were higher. Thus, the social benefits of an educated society would be recognized, but finance would come not from national or local administrators, rather through the parents themselves. State schools would also charge 'fees' which the voucher would cover, ensuring that everyone received an education to minimum standard; but a parent seeking a more specialist education, an emphasis on different subjects or attitudes, or even a little more status and luxury, would be able to use the voucher towards the cost of education at an independent school (or could choose another state school). Choice would be much more readily available to all parents: since the fees charged by independent schools today are little more, and in many cases less, than the average spent per child on state education, this choice would be well within the grasp of most parents.

There are many variations of this idea, but it seems unlikely that any of them will ever come into effect in the United Kingdom. The voucher idea involves an immediate, massive, and uncertain change in school finance. Instead of receiving their funds predictably from governmental bodies as at present, all schools would have to become competitive overnight, each trying to attract as many pupils (and their voucher dowries) as possible. While this may bring the undoubted benefits of choice to parents, and would make education at an independent school an option available even to the poorest, it unifies the educational establishment against it. The uncertainty it implies is feared by all; administrators fear a loss of control; teachers fear uncertainty of employment; parents fear the leap into the unknown, and the possible loss of a 'free' place at a state school.

The crucial problem with the idea is that it cannot be subject to experimentation in any effective way: acceptance must be all or nothing. It is therefore unlikely to happen. A voucher experiment in a particular area does not bring genuine choice to parents, and so does not give any idea of what the scheme would be like if instituted nationally. And an experiment with a time limit on it will not bring forward the founding of new schools that would be expected in an open-ended scheme: for who would found a new school, even if there were a demonstrated need, if it were certain that its fee income from vouchers would be terminated at the end of the experiment in two or three years? This impossibility of an effective experiment is the most severe

political problem for the idea: and the experiments attempted to date, being necessarily limited in scope and being subject to these very great drawbacks, have probably served to weaken rather than recommend it.

Tax rebates as an alternative

However good such a scheme might prove in practice, its problems of implementation force us to look for alternatives that would have the effect of increasing choice, protecting poorer families, and concentrating resources where they are really needed instead of scattering them generally among everyone, rich or poor. A tax rebate for those with children in independent education might provide the answer.

More equitable distribution. The first point to remember here is that it costs a substantial amount to educate a child in a state school: indeed the costs in some regions for some categories of pupil are greater than for many independent schools. If relatively wealthy parents send their child to a state school, as is their right, sizeable resources are being used on education for those whose need is less. By inducing parents to go private, resources can be saved for use on more deserving cases.

The reasons why more parents do not choose independent schools at present is that they perceive, correctly, that it amounts to paying twice - once through taxation and once through the independent school's own fees - and that they fail to see particular advantage in paying a second time for something that is available without (direct) charge. If it is therefore possible to reduce this 'double payment' barrier without cost, it would enable a number of families to be exported to the private sector and state resources to be directed more efficiently towards the needy.

Operation. A tax rebate offers such an option. If the average annual cost of educating a child in state schools is, say £1,500, parents using independent schools would receive a cash payment of some amount less than that, perhaps £500, as an indication that they were not placing any strain or cost on the state system and as an inducement to remain outside it. The government would require only proof that the child was attending a recognized independent school for the education rebate to be paid.

Advantages and problems. The first obvious benefit of such a scheme is that it would induce a number of parents to leave the state system by their own free choice, and yet would leave the state system better off. The rebate (say, £500) is much less than the average cost of state education, so the state sector would actually have extra funds to spare for every family that opted out. Of course, some of the average cost of education is overhead costs that are not easily saved: but there are undoubtedly a number of variable costs that would be reducible,

and the size of the rebate would be calculated to ensure that the state education system was a net beneficiary of the opting out process.

The arrangement does also improve the distribution of state resources, shifting finance into the hands of lower-income families and away from more prosperous ones. Despite the enigmatic prima facie appearance that the rebate is simply a subsidy to the better off, in fact it is just the reverse. If a better-off family sends its children to a state school, it costs the taxpayer about £1,500 per year per child. But if that family instead chooses to go independent and take the rebate, the net cost to the taxpayer is only £500 or so per child per year. If it is assumed that the principal uptake of the scheme will be better-off families, then it actually represents, in sum, a shift of resources **away** from the better-off.

It is those people who feel that independent education is worth paying for, not necessarily those who are well off, that would take up the rebate option. The rebate actually brings choice 'down market' to an astonishing degree. The larger the rebate which is made, the more people will be induced into taking it with them to the independent sector. In fact, small increases in the rebate figure will lead to large increases in the number of people opting to leave.

If we suppose (very simplistically) that the wealthier people are, the more they are able to escape to the independent sector by 'paying twice', the demand for private education will be a bell-shaped, or 'gaussian' distribution. There will be a few high-earners at the top tail of the curve who can afford it, but at present, no-one else. A rebate, however, brings the independent sector within the grasp of many more people as the curve bells out; and when the size of the rebate is increased, the number of beneficiaries increases at a disproportionately rapid rate as the great numbers of people under the centre of the bell-curve are drawn in. The effect of a rebate, therefore, is not to help the rich; but to bring choice 'down market' to the bulk of ordinary people who at present could not afford the **whole** cost of an independent school, but who may well be prepared to meet **some** of it.

But if the rebate idea brings choice to those who presently cannot afford to exercise it, it nevertheless leaves us with the problem of how to treat those who already do. We do not want to 'waste' the rebate on people who already choose independent schooling without it, or on the those who would choose independent schooling in the future if the rebate did not exist. It seems very unfair, however, to distinguish between those who already have children at independent schools and those with children just about to enter, and to give a rebate to the latter but not to the former. As for the future, we can hardly expect to be able to distinguish between those who would have gone independent anyway, without the rebate incentive, from those for whom the rebate is the crucial deciding factor. It seems, there-

fore, that the best solution is to offer the rebate to all parents educating their children at recognized institutions outside the state sector, and resign ourselves to the fact that a certain proportion of the recipients would have opted out in any case.

However, this 'lost' expenditure is small and easily offset by the reduction in strain on the state system that the rebate can be expected to bring. Suppose, for example, that a very modest rebate of £300 were paid to parents for each child they had in independent education. With a current independent school population of around seven per cent, i.e. 500,000, some £150m would be going to those who would have done so anyway. But suppose that this rebate (which represents approximately 20% of the cost of an average independent school) induced only as many again - another 500,000 children - to seek alternatives outside the state system. On a simple pro rata calculation, the £1,000 saved on each one would add up to a net gain of £500m. Even if non-variable overhead costs ate into the potential saving, there is still sufficient leeway for the balance to be significantly positive. And this is on the very modest assumption that only seven per cent would leave with a 20% inducement: in reality it could be much larger, once alternatives had grown to accommodate them.

The uncertainty about the numbers who might choose to opt out, and about the savings that could be made in the light of shrinking rolls in state schools, might nevertheless urge a degree of caution on politicians. Also relevant in this context will be the argument that it is simply wrong morally to waste resources on those who can afford independent schooling anyway. As we have seen, it is impossible to distinguish those on whom the rebate allows us to **save** money (by inducing them to give up their right to a completely free education) from those who **cost** us money (who would have gone private anyway). A blanket rebate for all would be the optimal solution: but the superficialities of political argument, added to the issue of uncertainty, might counsel a less bold approach. Making the rebate accessible only to those below a certain income or tax threshold (easily identified from tax returns) might be an acceptable and perhaps desirable concession. As the uncertainty diminishes, and as choice spreads not just from the rich but to all sectors of the population, the argument for this income-restricted approach diminishes, and perhaps it would be wisest to place a time limit on it at the outset.

The genesis of new schools. The tax rebate proposal increases parental choice in schooling by making the decision cheaper, crucially so in the large number of cases at the margin. It will, of course, lead to a shrinkage in the numbers at some state schools, though by no means all. If the state schools are sufficiently competitive and provide such an excellent service that, however large the rebate, they can hold their own against the independent competition, this will not happen.

If we presume, however, that sizeable numbers of parents will wish to leave the state sector now that alternatives have fallen within their grasp, an equal growth in the independent sector must occur. At this point, many critics worry about from where the enormous capital to build new independent schools will come and how long it will take for such installations to be completed so that the exodus can be absorbed.

Curiously, the best approach to this problem is to do nothing. As has been already suggested, it is mostly illusory. People commonly make the mistake of supposing that schools, to be viable, must be large, purpose-built, modern installations, taking years of planning, design, and building before they become usable. Hence, critics suppose that it would be virtually impossible for the independent sector to replace the state sector in any rapid change of sizeable amount. The modern concept of a school is partly conditioned by the giantism that typifies the state sector; a giantism that is convenient for the producers but not particularly favoured by the consumers. The new independent schools of the future are likely to be small affairs: they might be local, founded and run by boards of parents; or they might be specialist organizations to whom location is irrelevant; or they might simply be founded by groups of dedicated teachers. But they likely to be small, perhaps occupying a large country house or a group of town properties on an ad hoc basis before they can build up the resources (and demonstrate to themselves and their backers that the demand exists) to justify moving to a larger site. Some will fail; many will succeed but will choose to retain their small size because of their specialist approach or their local appeal; others will succeed and will benefit from moving to more sizeable premises. Provided that they are all given the scope to operate effectively, new and existing independent schools should be able to absorb quite sizeable extra numbers, just as any other industry is able to absorb large increases in demand from year to year.

OTHER SOURCES OF FINANCE

Families, of course, are not the sole consumers of education. Employers also have an interest. The young people who emerge from our schools sometimes go directly into self-employment; but most will begin as an employee of a business, large or small, local or national. At present, employers have no say in education decisions, however; and it is impossible for them systematically to point out to teachers and administrators where schools are succeeding or failing to turn out individuals who are confident and capable of making their way through the outside world. Even in the rare instances where teachers and industrialists do get together, their wide differences in outlook and circumstances often makes useful dialogue impossible.

Discretionary business grants. One means of overcoming this gap between the school and the outside world would be to give employers, particularly local employers, some voice in the

allocation of resources between different schools. It might be possible to set a discretionary amount which could be allocated between schools by local businessmen. Thus, local businessmen would use the sum to support schools they believed were producing good students. This could be achieved by giving the main local businesses a certificate they could award to schools individually, and which was encashable by the school against government funds; or simply to organize a poll of local businessmen and distribute a number of awards centrally on the basis of returns.

Such a system would reward schools which had a keen eye on the future prospects of the students they produced: it would raise the anxiety of those which did not, and would induce them to make some extra provision for this problem. It would undoubtedly generate a much closer relationship between the schools and the community that will eventually employ their products.

A simpler and better means of producing much the same effect is to make all business contributions to educational establishments (state or private) deductible against tax. Thus, a local business might institute a scholarship or contribute towards a capital programme, reducing its tax liability accordingly. However, the general acceptance of this kind of local sponsorship may not yet exist very widely in the United Kingdom (though it is prominent elsewhere), and it might require time to take hold.

General sponsorship. School boards of elected parent governors would, of course, have the greatest incentive to attract local sponsorship to the state schools they had charge of. It may in fact be desirable to extend the tax deductability of such support to individuals as well as to businesses, encouraging giving by parents and any other individuals who wished to support a particular school. Alternatively, matching grants may be available from the state for specific types of project, as has been already outlined.

There are a large number of ways in which assistance from outside the state system might be raised to support state schools which people found deserving: sponsorship of sports teams, donation of goods or services from local citizens or businesses, fund-raising exhibitions, fairs or open days, advertising in school publications, and many more. The boards of parent-elected governors would, of course, have the greatest latitude to encourage all these forms of outside support.

4. ADMINISTRATIVE POINTS

The reforms that have been suggested so far may, in time, produce results of the greatest magnitude and moment; but they are comparatively modest amendments to the existing structure of education. The election of school boards from the parents simply replaces the existing producer nominees with elected consumers, while leaving the institutions themselves in place. Devolving personnel and other administrative decisions down to the boards is again a change that does not eat into the existing structures. And the tax rebate for those who use independent education may take time before it has much marked impact on the state sector.

If state education is to continue, at least in structure, rather as at present, there are a number of administrative points that should be addressed. Of course, the list of ways in which state education could be improved is endless: but there are four points that seem particularly important.

Evaluation of education

Now that comprehensive education has been in place in most areas for a considerable period, it is perhaps time to give it (and other forms of education) a comprehensive and systematic appraisal.

Undoubtedly, this is a task which is suited to a central government agency, although it would be important not to overstock any such evaluation panel with those whose sympathies lie with the producer interests rather than those of consumers: both are important. The tendency of 'experts' to be sympathetic with the producers, and for producers to support the status quo is no less strong in education than in any other field, and the most careful selection is needed to ensure an open and critical debate.

The first difficulty facing any such commission of inquiry would be the standards by which it judged the success or failure of the educational system. Examination grades might be deemed important, particularly by consumer interests, but might not tell the whole story. However, other characteristics of a school, if discernible and measurable even roughly, must be significant factors to include.

The testing of pupils' social attitudes, now a well-established procedure in psychology, may be employed to assess the relative benefits of different methodological approaches in schools, and the results would be interesting. Other measures would include following-up what pupils had gone on to do after leaving school (information which is hard to obtain at present, but which should surely be one of the most important indicators of the value of a school). Teacher/pupil ratios, qualifications of teachers, school size, and all the other factors which are deemed important, could usefully be explored by such an inquiry and

presented in outline in one volume, to stimulate public debate.

Technical and specialist education

There is a strong case for encouraging centres of excellence for different types of aptitudes. Given falling school rolls and the scarcity of specialist teachers, it makes sense to create specialist centres in urban areas. Some schools might be designated as specialist technical schools, some arts and languages, some maths and computing. Each would have a core curriculum but would seek to encourage excellence in its specialist area. There should be a flexible age of transfer and a flexible enrolment policy. Achievement of qualifications would be the basic requirement but interest and enthusiasm would be important.

Educating for employment. Devolving much decision-making to the level of the individual schools will probably help to improve relations between schools and the community, particularly the business community which will employ their products. Further encouragement of technical, vocational, and technological education is probably to be welcomed.

Donations and sponsorship from business and industry, through tax deductions or through the allocation of discretionary funding by local businesses, would assist in this. There is a strong case for attempting to make schools more responsive by methods such as these, and by decentralization of decision-making, rather than through attempts to superimpose a preconceived formula over the whole school system.

There is also a case for broadening the examination structure to encourage technical and vocational subjects more than at present. Today, the examination system caters only for the academically-orientated proportion of pupils. One suggestion is to supplement the existing O-level, A-level, and CSE examinations with a new range of graded tests, covering the core curriculum but including tests of skills more appropriate for industry and general life than of academic application. Such tests would still be examined externally, and would help give employers an assessment of an individual's literacy, numeracy, and vocational aptitude.

Teacher training

It is possible, at present, to become a highly-qualified teacher and yet to have little hard knowledge of the world outside the cloistered educational establishment. A more worldly teaching profession is a desirable aim.

One method is to increase flexibility in terms of entry to the profession, possibly allowing easier transfer between teaching and other walks of life. Lengthy experience as a teacher, or as

a trainee teacher, is not necessarily an adequate substitute for the self-confidence and general experience that can be gained in other professions. Another approach might be to use the services of outsiders as part-time teachers of specific subjects. For example, local businessmen and union officials may be invited to give a course of classes on industrial organization; local lawyers might be invited to give pupils a basic understanding of the law and how it works; or physicians might be happy to teach some of the basics of health education. The closer involvement of the school with the outside community is an added bonus. A third approach is to break down the barriers between the school and the outside world even further by getting more mature pupils actively engaged in industry as part of their schooling. All of these techniques help the community at large to educate a child, not just those singled out as 'teachers'.

Less theory. Teacher training itself suffers from being highly theoretical. This may suit most trainee teachers, who are likely to have a greater interest in academic pursuits than in practical issues; but it may not prove suitable for the vast majority of pupils who do not set their sights on an academic career.

The atmosphere of the teacher training college may not be producing the practically-minded teachers that most students would flourish under and that most parents would welcome. It is perhaps time to review the system thoroughly. Some evaluation is necessary of the skills and preconceptions which the teacher takes into professional life, and an assessment of the present system based on that evaluation.

It may also be desirable to have more supervision of teachers at first, and to follow more of an 'apprenticeship' model. A graduate entering the profession, for example, would then begin as an apprentice or trainee, dealing with perhaps half of the normal timetable, but receiving only half or less of the normal pay, and would spend a second year as a probationary teacher handling the full timetable, but with only two-thirds or so of the normal pay. Spare time during the lighter initial workload could be filled usefully with supplementary college training courses - or even by simply learning from the example of long-standing teachers in the school. With 'on the job' training being such a popular concept in other industries, it is difficult to resist its greater extension to teaching; it may well help to distinguish more quickly those who have the character, as well as the academic ability, to handle classes of children; and it would enable the trainee to decide whether he or she had made the right decision more quickly, without so long an investment of time.

Qualifications. The B.Ed qualification might be unnecessary for teachers who have come through this apprenticeship process as graduates. But it nevertheless provides a useful qualification for primary school teachers who may not need a graduate degree. A two-year course seems quite sufficient for this purpose, combined with one year of supervised probationary teaching at school. Similarly, teachers of art, physical education, and

certain other subjects do not necessarily need to be graduates even when teaching at the secondary school level; but it is clearly desirable that they should have appropriate qualifications in their own specialist subjects.

Schools within the state sector which are run by the parent-elected boards of governors will be given more latitude in the selection of staff, of course. They might find other ways of assessing the abilities of teachers and those who wish to become teachers, and should be given the scope to do so in order that others can learn from their innovations. At some time in the future, the effectiveness of different selection or training methods might be subjected to review, and the lessons derived from it could be recommended more generally throughout the state sector.

Ancillary services

Services such as cleaning and catering form a very large part of school budgets. Local authorities in England and Wales, for example, provide some four million school meals each day, employing 170,000 staff at an estimated cost of £425m.

The school meal service has, of course, changed greatly in nature since the 1980 Education Act, which increased authorities' discretion about the range of food provided and how it should be produced. Differences in performance are manifested by the wide variations in take-up rate - over 70% in some authorities, less than 25% in others. Plainly, authorities are facing difficult decisions and some are performing much better than others under this new freedom.

Co-operatives. Operation of school meal services as more commercially-minded concerns is to be welcomed, and higher take-up rates and reduced dependence on subsidies will be its target. It may be possible to form existing services into a series of co-operative arrangements, with the staff and administrators at the school level having even greater autonomy in the service they provide and how they provide it, with their rewards being matched to the success of the co-operative venture. This will lead to downward pressures on costs (though ones that are agreed by the staff themselves) and an upward pressure on quality (to attract higher rates of take-up).

It may not necessarily be easy for existing staff to manage the service as an effective commercial co-operative by themselves, because of the management and other skills they might lack. Increasing the take-up rate, for example, depends not only on what food is provided, but how it is presented and how the service is perceived by parents and children: something of a public relations exercise as well as a catering task. These skills and advice can, of course, be hired from outside by the members of the co-operative themselves.

Contractors. The alternative is the replacement of existing services by those provided by outside commercial bodies. In most cases, the outside agencies will be expected to take over many of the existing staff, which should be welcomed: but there is no doubt that these and other terms of the contract require the greatest care. If commercial contractors are to be employed, there must be the most painstaking pre-selection of tenderers, so that the school is quite certain that the chosen contractor has the skill, manpower, and size to fulfil the contract conditions. Some authorities may wish to set minimum rates of pay (another technique that might help to avoid sub-standard work) or minimum manpower levels; though for the greatest savings and benefits, it seems wise to give the contractor as much scope as possible, provided that his abilities to perform the task in question are not in doubt.

An essential point to remember is that it takes the care and attention of both sides to formulate an effective set of contract conditions. Without a clear specification of what services are to be provided (which is probably the most difficult step for the school or authority to get right), contracting will not work. Nor will it work without adequate pre-selection of tenders (another point which the authority may find difficult to judge, but which is essential). In this context, it may be helpful for the industry to set up its own information exchange that would help schools to go through the mechanics of assessing their needs and inviting tenders. Such an agency could also operate as a complaints monitoring body, much like the Press Council.

On the other hand, a smoothly-working service handled under contract can bring many benefits, as it does already to many parts of national and local government. New methods and the introduction of new capital keep costs down; administrators can spend more time making sure that quality is maintained rather than in worrying about roster, staffing, and other minor administrative details; economies of scale may be possible if the contractor is large enough to undertake several neighbouring services together; an unsuccessful contractor can be replaced with a better or a cheaper one, and so on.

Other services, such as cleaning, maintenance, and portage, can also be provided under such arrangements; though it is evident that the provision of these services in a very large school is very different from that in a small one, and that very different types of contractors may be appropriate. Where possible, therefore, it is desirable to break down the decision as far as possible, devolving it to individual schools singly or jointly, rather than imposing the plan at the local authority level. Of course, the boards of parent-elected governors would have the power to make these decisions in any case.

Compulsory tendering. There is a case for requiring all authorities at least to invite tenders for their ancillary services, even though there would be no obligation, necessarily, to change from existing practices. But the invitation of tenders

would have the beneficial consequence of requiring a complete and systematic review of existing practices and a comparison against the costs and innovations proposed by outside commercial firms. Such reviews are always revealing and almost always beneficial.

University of State Control

During their early years of existence, British universities have been financed by fees and endowments. The latter were usually in the form of gifts of land, money, and claims to property from wealthy and wealthy people. The state financing of the universities began in 1862 in England when the Act of 1862 was passed in England which gave the University of London the right to accept state aid. This was the first step towards the state financing of the universities. In 1919, the University Grants Committee was established, which was the first body to coordinate the state financing of the universities. The University Grants Committee was established in 1919, to coordinate the state financing of the universities. It was the first body to coordinate the state financing of the universities. It was the first body to coordinate the state financing of the universities.

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5. HIGHER EDUCATION

UNIVERSITY FUNDING

Tertiary education in Britain today seems very different from what it was in the 1960s. Many regard the 1963 Robbins Report and the resultant overexpansion as the point at which the problems associated with almost total dependence on state finance began. To an extent this may be true, but the actual shift towards governmental dependence began somewhat earlier.

Recency of state control

During their seven centuries of existence, Britain's universities have been financed by fees and endowments. The latter were usually in the form of gifts of land, money, and claims to income from powerful and wealthy people. The state financing of the universities began in 1707 in Scotland following the Act of Union, and in 1828 in England when the University of London was founded. Up until the first world war this situation continued, with the level of state assistance remaining fairly small. However, the Lloyd George government changed all that, as much else.

A single body, the University Grants Committee, was established (in 1919) to influence and 'state the source of university income broken down nationally'. The percentage of income from the Treasury rose, and continued to accelerate until well after the second world war.

Growth and problems. The 1960s saw the percentage share of the taxpayers' contribution to universities increase enormously - with 70% of the university running costs being paid by the Treasury, fee income falling to less than 6%, and endowment income being less than 2.5%. With this change, the UGC, which administered the Treasury funds, took on a much more active role in the selection of funding projects, dividing funds between different institutions, and controlling how university funds are spent.

A university has two principal, parallel objectives: to give its undergraduates their basic education and to provide facilities for research and the advancement of learning. It has been an unfortunate consequence of the growth of government funding of universities via the University Grants Committee (and, to a degree, of funding research through the Research Councils) that innovative approaches to the attainment of those objectives have been discouraged and a standard pattern for universities has emerged.

The problem is, therefore, that in many cases the universities are aiming to please the funding body (i.e., the UGC) rather than the consumer (i.e., the student). The UGC itself comprises a number of academic interests, and naturally these received views

are transmitted through the pattern of funding. Accepted wisdom about the best size for universities has produced increasing standardization and uniformity; so too have attempts to add new subjects to universities that have no tradition in them. During times of budget restraint, the partisan interests of the older and larger universities have persisted over the others. The UGC, however, is a bureaucracy and not a business. The efficient response to budget restraints might be to close entire universities, rather than simply cut out occasional departments in each one, but this is the sort of commercial decision which the UGC is, by its nature, unqualified and apparently unable to take.

The uniformity which this centralized system inevitably produces stretches right down to the nature of the premises which universities build and occupy. Official standards abound, and there is little incentive for universities to dip into their own funds to produce superior buildings if the UGC is prepared to fund ones that do not exceed its own standards. Each decision, to build or not to build, to provide courses or to cut them, to attract new students or to turn them away, becomes a political and a bureaucratic decision in this environment. It becomes a decision in which the loyalties of the bureaucrats and the university representatives become dominant, not one in which the needs and desires of the student population are paramount.

New funding strategies

This position is clearly unsatisfactory. While the large amount of state aid presently going to universities is problematic (it is unclear why young building workers should pay higher taxes so that their contemporaries can spend three or four years, with free subsistence, at a university that probably has vast land holdings, and qualify for a better-paid job in the process), but it is the manner in which it is given, rather than its overall size, which is our concern here.

Introducing consumer pressure. One method to promote the interests of the consumers of education, the students, and to ease decision-making out of centralized bureaucratic processes, would be to channel the funding of universities through their students rather than through Whitehall. Thus, by picking out some courses and leaving others, by selecting some universities or colleges and not others, the students would bring with them the state funding to help the successful and attractive colleges and courses, while the less successful ones would be encouraged to make changes to attract more students.

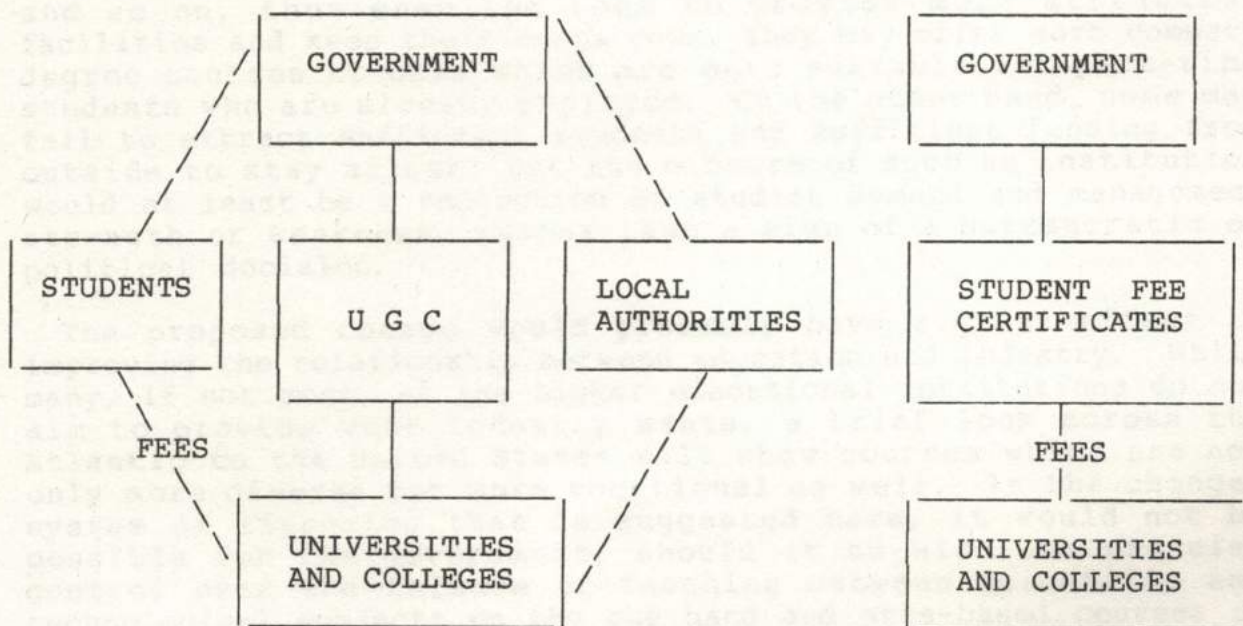
An integral step in any fully-fledged student financing process is to ask universities and colleges to fix their fees for undergraduate education at realistic levels. The precise choice of fee structure would be up to the institutions, but they would have to do the exercise of working out how much each course cost to provide, just like commercial firms have to estimate with some accuracy the fixed and variable costs associated with each of

their products. Not only the universities and colleges, but the students, the government bureaucracy, and the public would thus be given a clearer idea of the true cost of higher education, something which is at present disguised because of the large amount of funding that comes directly rather than through fees.

Student finance. The ideal solution to the finance of college and university education would be to allow students to borrow money to pay their fees. This seems a little way off in Britain (though it works in many other parts of the world), because students, the public, and the government have become used to tertiary education that is free to the student. Attitudes may take some time to change.

Choice without structural change. A less radical proposal than that of student loans is to continue to subsidize education, but to do it through students rather than through central government agencies. The main purpose would be to give the **student** the choice in where such funds go, and to introduce a link between what form of education the student needs and what a university or college provides. By introducing **student fee certificates** which would be obtained direct from the Department of Education and Science, a move could be made away from the bureaucratic, and towards the market, control of the allocation of funds for higher education.

Such a change would remove the involvement in higher education financing from English and Welsh local authorities. There is, however, ample precedent for this in the way fees and maintenance grants are already paid in Scotland through the Scottish Education Department.



The fee certificate would be given to an appropriately qualified student to use at the college of his or her choice. For the student, this would give the 'buying power' to shop around at more institutes of higher education than is permitted at present, and he or she could weigh up the various qualities of an institution, e.g., academic standards, sports facilities, clubs and societies, and all the rest. The institutions concerned would be given greater incentives to be more cost-effective and to adapt to the market. In essence, they would have to 'sell' themselves to their users, the students, for the first time in many years. This would involve greater competition, in that universities and colleges would want to improve their standards to attract the funds.

Gradualist approach. This scheme has the administrative advantage that it can be phased in gradually over a period of years. University fees can remain pitched at their present levels at first, with the student fee certificates covering the average amount. Then they can gradually be raised to economic levels over the course of a period of years, again with fee certificates covering the cost. As fees approach economic levels and direct funding diminishes, there would be a significant pressure on universities and colleges to take a good look at their costings, and see whether it was possible to offer some courses more cheaply, or otherwise to attract students to cover their costs more effectively. Instead of requiring an immediate and dramatic change in the way in which universities and colleges are funded, the change at first would be imperceptible, although the consumer pressure would become stronger as time went on.

Some colleges and universities, for example, will make better use of their assets, and of their ability to raise additional income from outside sponsorship, from clubs of past graduates, and so on, thus enabling them to provide more attractive facilities and keep their costs down. They may offer more compact degree courses or ones which are more suitable for part-time students who are already employed. On the other hand, some may fail to attract sufficient students and sufficient funding from outside to stay afloat: but the closure of such an institution would at least be a reflection of student demand and management strength or weakness, rather than a sign of a bureaucratic or political decision.

The proposed change would probably have a great effect in improving the relationship between education and industry. While many, if not most, of the higher educational institutions do not aim to provide what industry wants, a brief look across the Atlantic to the United States will show courses which are not only more diverse but more vocational as well. In the changed system of financing that is suggested here, it would not be possible for the government, should it so wish, to exercise control over the balance of teaching between scientific and technological subjects on the one hand and arts-based courses on the other. Such an exercise is undesirable and probably unnecessary: there now seems to be a much greater awareness among the

present generation of students of the need to relate their studies to future employment prospects. This awareness can be expected to grow, given the current and foreseeable economic climate. It will grow only if students can perceive the actual costs and benefits of higher education, and not regard it as 'free' as at present.

All in all, the introduction of fee certificates would herald a new era of reduced bureaucracy, greater choice, and improved academic standards in British universities and colleges. The demise of the UGC implicit in these proposals would, however, leave a gap in the representation of university interests at national level. This gap need not be bridged by the appointment of a government-sponsored quango but could be filled on the initiative of the universities themselves, perhaps through the medium of the Committee of Vice-Chancellors and Principals.

Student loans again

Looking again at the long-term problem of student finance, it must be noted that Britain is the only country in the West to operate a universal grants system (without any form of loan) for the financing of students in higher education. Discontent and disillusionment with this arrangement is common. Parents dislike the obligation of paying out money to students under the means test which, at an age when students are legally independent, increases their dependence. The grant system is a very patronizing system for students who are dependent upon parental contributions. It does not allow any leeway for the student who would like to borrow a larger sum than the standard grant in order to send money home. Lastly, as more students attend higher education, it is a very expensive one for the taxpayer.

The payment from general taxation of grants to students involves a transfer of resources from people of average and below average earning power to future high earners. This is inequitable. Instead, the direct beneficiaries of higher education should pay for their own increased earning power.

The introduction of a student loan system would allow a student to be treated as a responsible adult having the independent status which is appropriate to a person of that age. If European experience is anything to go by, it would be much fairer. In all countries where student loans exist, the opportunities for mature students, women, and working class people are improved. Of course, all students would be able to get loans, and not only those at universities and polytechnics. Thus, the elitist nature of the present system of student support would end.

Types of scheme. Of the numerous types of loan schemes that have been suggested, the one that possesses the greatest number of benefits for both students and for taxpayers is where the full

maintenance costs of the student are covered by a commercial loan (fees being covered by student fee certificates). To encourage banks to lend funds to a students who have no collateral, the loans could be guaranteed in a similar way as the 'small firms loan guarantee scheme'. This would involve the government 'backing' 75% of the loan, with the banks taking the risk on the remaining 25%. The resultant cost of awards could then be as low as 10% of current costs, with an estimated saving in the region of £650 million per annum or £6 billion over ten years.

Advantages. Such a system has several advantages as an introductory measure (although a more adventurous system may be desirable in the longer term). It removes the total dependence of students on their parents; it ameliorates the equity problem, since taxpayers are saved the cost of **maintaining** students (if not the cost of educating them); and students, not bureaucrats, set the size of their own loans. In addition, because the banks would be offering loans competitively, the administrative costs would be lower than for a government support scheme. (However, the government would be required to pay the interest on the loan for the years in which the student was involved in higher education, and as a means of temporary assistance, this payment would be extended to the first year after the completion of studies.)

It would be necessary to announce the introduction of student loans as soon as possible to give pre-university students sufficient time to decide whether they wish to take on a loan or not. Ideally, the announcement should be made at the start of the last academic year based on the grant system, and those students with grants should continue to receive them until they finish their courses.

The most common criticisms of a loan system, namely that a woman would incur a 'negative dowry' and that there would be a high level of defaulting, can be easily overcome. Firstly, the cost of a negative dowry can be easily offset by the fact that the women concerned have the benefit of a better education. This is no more unfair than the case of a woman who has taken on a mortgage and wishes to marry. Higher education confers general benefits outside the vocational ones; but since married women can and do pursue careers of their own, the vocational aspects of the asset they acquire are no less important to them than to a man. Secondly, any problems associated with students defaulting and leaving the country could be solved by bilateral agreements between the United Kingdom and other countries.

Loans would have the desirable effect of making students think harder about the kind of jobs they hoped to get and the courses which would be most relevant. In a general sense, the student loan would encourage greater interest in academic standards from the students themselves, and in any institution that was being considered. As such it can only improve the quality of higher education in Britain today.

Part-time jobs

Students should be encouraged to seek other sources of income in addition to loans. The American tradition of 'working through college' could be beneficially adopted in Britain. Between a third and a half of American students today have a term-time job. Most of these jobs are on the campus itself. A very much higher proportion make some contribution to the costs of their education by vacation work.

However, universities and colleges in the United Kingdom employ thousands of manual and clerical employees to look after students at college; to clean their rooms, do their laundry, cook their meals, serve them coffee, ensure the flower-beds around the college look nice for them, and so on. This extravagant level of care is unacceptable, particularly in the present economic climate. All these jobs, if they are truly necessary, could in fact be done by students, as in America. Here, as there, students should be able to serve in the restaurants, cafeterias, coffee bars, and on-campus shops, to perform all the cleaning duties, clear up the litter, mow the lawns, weed the flower-beds, do laboratory chores, type letters, perform administrative work, act as porters, do library tasks including checking tickets and replacing books, and much more.

This 'work-study system' has a number of advantages:

(i) it provides students with a ready and flexible source of income;

(ii) it gives them greater experience of work and aids the transition from education to full-time employment;

(iii) it enables the college authorities to save large sums of money by replacing expensive full-time manual and clerical labour with cheap part-time student labour;

(iv) it helps the academic prospects of those students who do take up part-time work. (Alexander Astin, Professor of Higher Education at the University College of Los Angeles, has examined the careers of 200,000 students at 350 colleges and concluded that if a student works for up to twenty hours a week on the campus, he or she is more likely to complete his course successfully.)¹

Student unions

The present system of compulsory membership of student unions has been referred to as 'the forgotten closed shop', in that while much attention has been focused on the closed shop in industry,

1. See the article by Peter Wilby, Sunday Times January 24th 1982, p. 15.

its existence in higher education is not widely known. The primary problem is that for a prospective student to take up his right to learn, he has to sacrifice his right to freedom of association. This is clearly wrong.

As a result of this, student unions, and students in general, are associated with many highly political and extreme activities paid for by an unknowing taxpayer. Because student union fees are paid by the state, the individual student has very little personal interest above the main services (e.g., refreshments), and because he is automatically a member, it is not possible for him to vote with his feet and leave.

A solution. A solution to this state of affairs would involve the introduction of voluntary student unions where compulsory ones now exist. However, some reorganization would be needed. The main functions of a students' union would have to be split up into two main areas: representative functions, similar to the role of a trades union; and service functions, e.g., clubs and societies, bars, etc.

The **representative function** would remain with the students' union and it is this that the students would be allowed to join, based on whether they thought it would be money well spent. If an individual were not satisfied, then he or she could resign and not renew their membership. It is worth pointing out that in a number of Scottish universities, such as Glasgow and Aberdeen, there are already two separate bodies, one social and one 'representative'. This system has worked better than the usual one of having a single student union.

The **services function** would be passed on to the college or university, or if adequate arrangements could be made, then bars and cafeterias could be run by the students or private catering firms. However, for the continuation of essential services, a 'facility committee' comprising representatives from both university staff and students, could oversee funding. This would allow money to be given to areas that might require a running subsidy or new capital equipment. To answer the obvious criticism, that such a move would allow student union facilities to be cut back, one only has to examine how these proposals fit in with the earlier ones. Universities and colleges offer far more than academic courses, attractive and comprehensive student facilities for sport, recreation, social events, and refreshments will obviously be a part of their attraction. It is an attraction that they must consciously work on in order to bring in the student numbers and fee income which they require.