

CONFIDENTIAL

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PRIME MINISTER

There are two subjects for your meeting with Sir Keith Joseph.

- (i) Can a discussion of the Switch take place without tackling the long term problem of the balance of courses in Universities?

- (ii) Sir Keith has seen a possible "benefactor" who might finance a counter campaign in the rate-capping and abolition battles. The benefactor will have been shown Kenneth Baker's paper setting out the problem. If Sir Keith secures a promise of money, he, Mr. Gummer and Mr. Baker can set about designing a campaign.

I gather you thought the Baker paper was so good that a means should be found of publishing it (without revealing its origins). Agree I put this to Mr. Baker?

- No - I think we should need to see the evidence for the assertions
Just not

4 February 1985

CONFIDENTIAL

CGNO

PRIME MINISTER

THE SWITCH TO ENGINEERING AND TECHNOLOGY IN THE UNIVERSITIES

1. We are to meet on 6th February to discuss my proposals to secure an increase in the output of engineering and technology graduates which E(A) discussed on 28 November 1984 (E(A)(84)(63)). I minuted you further on the matter on 21 December, and your private secretary replied on 10 January. Tom King subsequently wrote to me on 23 January about resources for the initiative.

2. When we had a word about this issue on 3 January you asked about the possibility of further reducing provision for non-scientific subjects in universities in order to free resources for higher priority areas. I explained that any such reduction would involve closing departments and would require money for redundancy compensation, but we agreed that I should nevertheless explore the possibilities.

3. In the longer term it may be desirable to reduce the total number of "arts"* places in higher education. The logical place to do this would be in those parts of the public sector where quality is lower, and not in the universities. However, the total number of arts places (we can consider separating their distribution between subjects) should not be run down faster than we are able successfully to encourage young people to take at school

* see foot of back page.

subjects that will enable them to follow courses in engineering, science and the numerate disciplines in higher education (although the process of "switch" will itself be an important part of that encouragement). In the short term:

(a) we should not be seeking to reduce the total number of arts places in the universities because our long term aim is to reduce arts provision elsewhere; and

(b) it would not be easy to use resources released by cuts in arts provision outside the universities to finance the "switch" within them, because of the different arrangements for planning local authority and university expenditure.

The immediate aim of accelerated rationalisation in the universities should therefore be to cut staff numbers in the arts to release resources without reducing the number of student places. This means tighter student:staff ratios which, if teaching is to remain viable, must in turn involve a move to larger departments than are the norm at present. Some departments will have to close and the subject range at some universities will have to be reduced; this will provide an opportunity for pruning weaker and less rigorous departments. This would be a significant exercise. It will need careful planning and will take time to get right.

But have you got a plan to do it without a lot of talk about it?

*It must
be done and
on a ~~right~~
significant
scale*

*How many don
under 5 years
remain?*

4. Some acceleration in a move away from arts provision could nevertheless be helpful and I have asked officials to examine what might reasonably be done in this direction. There was a net decrease of an estimate of 1 in 7 in the number of academic staff in these subjects between 1981-82 and 1984-85. Over the next few years only a small number of posts which will neither be abolished on present plans nor have to be filled for proper management reasons will fall vacant by natural wastage. Tenure means that attempts at rapid reduction by dismissal would either fail (universities would hold that they were not empowered to break contracts) or lead to high compensation claims through the courts (in some cases, I understand, the courts might award as much as £250,000 to a young arts don with little prospect of a job elsewhere). The shorter the period in which reductions have to be achieved, the less usable natural wastage will be available, the more staff would have to be compensated and at higher costs, and the greater would be the disruption and inefficiencies created.

5. We cannot afford - and would not in any case want - to find large sums for a redundancy compensation scheme. But I believe that it would be appropriate for us to propose something more modest. I suggest that we should ask the UGC to seek a reduction of about 500 posts over 5 years, half from natural wastage and half from voluntary redundancies and early retirements. On this timescale costs for compensation (and consequent additional payments to the Universities' Superannuation Scheme) might be held at something

£17m

like 1981-84 levels, implying expenditure of about £2m a year over 5 years, plus an additional £7m in total for higher contributions to the USS over a longer period (which might be capitalised). I would expect the Treasury to be prepared to meet these costs, on the precedent of the earlier cuts, as their contribution to the overall restructuring of provision.

6. I have also considered the obvious alternative form of rationalisation, withdrawal of funding from one or more universities leading probably to their closure. Apart from the savings this might generate in the longer term it could help more generally by concentrating resources on the best institutions.

Demography may eventually bring about some closures, although not necessarily in the university sector. However the opposition to withdrawal of funding would be very great and the timescale of the operation lengthy: substantial savings would be unlikely to accrue until at least 5 years after the Government had taken final decisions.

7. I judge that neither rationalisation within the scope of what is feasible nor the closure of institutions can help us to meet the urgent pressure for more engineering and technology places in the universities in the short term. For this purpose I believe we need to announce an initiative of credible size. I judge this to be a commitment for at least

3 years and to total expenditure of between £40-45m over that period. £42m would allow the creation of about 600 more first degree graduates from 1989-90 (with up to 200 more in 1987-88 and 400 more in 1988-89), and an additional 500 more postgraduates a year from 1986-87 (with 250 more in 1985-86). These figures might be improved upon if some institutions can offer high quality places at less than average costs. I would wish to consider in consultation with colleagues and taking advice eg from the research councils how the money should be distributed to match shortage areas and to secure best value for money. If a firm announcement can be made within a few days of your meeting the first additional intakes can be admitted this Autumn. Further delay will mean that nothing can be achieved before the 1986-87 academic year.

8. I have asked the Chairman of the UGC what he could do to help if Ministers decided that this proposal should have priority over other things, such as the "seedcorn" fund (see paragraphs 4 and 5 of my minute of 21 December). He has undertaken to secure the agreement of his Committee to the provision of £12m over 3 years. He has convinced me that he cannot do more. (The reasons are fully set out in my minute of 21 December). I propose that other Departments should contribute as follows:

DTI	£12m
DEm/MSc	£12m
Scottish Office	£4.5m
Welsh Office	£1.5m

giving with the DES/UGC £12m a total of £42m over 3 years. Officials will need to discuss the optimum disposition of these funds between academic years.

9. I am copying this minute to the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Secretary of State for Scotland, the Secretary of State for Wales, the Minister without Portfolio, Sir Robin Nicholson and the Secretary of the Cabinet.

KJ.

1 February 1985

THE DEPARTMENT OF EDUCATION AND SCIENCE

*"Arts" subjects are here confined to humanities, languages, government and public administration and soft social sciences - ie excluding accountancy, law, management studies, economics, geography and (already subject to tight numerical control) education.

PRIME MINISTER

PERSONAL

THE SWITCH TO ENGINEERING AND TECHNOLOGY

You are holding a meeting on 6 February to discuss this matter. You have asked me a number of very pertinant questions about the structure and management of our universities. I am incorporating my answers in a minute which I am circulating to those attending the meeting.

2. I certainly agree with you that we ought to consider fundamental changes of policy for the longer term. One possibility is student loans, to give students the incentive to choose subjects for which there is market demand. Another is a redundancy scheme for arts and social studies dons. Another is to cease funding one or more universities.

3. None of these policies could be implemented immediately. We are committed to a review of student support. Redundancy schemes large enough to make an impact on the problem would cost more than the Treasury would wish to pay. The choice of any university to cease to fund would provoke controversy. In all three cases, the potential savings would only be secured after a delay.

4. In the meantime we have an urgent problem. Public expectations have been aroused that the Government means business over the shortage of top quality graduates in (particularly) electrical and electronic engineering. Left to itself, the employment market cannot be expected to resolve current shortages within the necessary timescale - even though leading employers tell us that salaries are escalating.

cc M. G. ...
cc NO
cc M. G. ... CO.

5. We must now decide whether or not to announce a scheme to increase the intake to the best university courses in this field. Unless we announce such a decision by the end of February, it will be too late to increase the intakes of students in October 1985.

6. As I see it we have only two options. Either we agree to state publicly that the Government has decided that it cannot afford to take an initiative; or the economic and regional Departments agree to contribute to the cost of the credible scheme, as I am prepared to do by sacrificing another project. Assistance from industry would be made a condition of our spending - see below.

7. Announcing a decision to do nothing could make the Government look ridiculous after all the discussions that there have been. It would also deny the country top-quality engineers that my relevant colleagues assert are needed. If you agree, the purpose of Wednesday's meeting must be to persuade the economic and regional Departments to provide finance to match the DES contribution. I suggest the following package - the sums shown below are total contributions spread over the three years 1985/86 to 1987/88 inclusive:

	£m
DES/UGC	12
DTI	12
DEm/MSc	12
Scottish Office	4.5
Welsh Office	1.5
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	42
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This total might be spread over the three years as follows: £10 million in 1985/86 and £16 million in each of the next two years.

8. The money would be distributed in response to bids demonstrating clear support by industry (eg through the provision of equipment or specialist staff as teachers). The CBI 's new IT Skills Agency should also be expected in due course to play a critical role.

9. If you would like to discuss this matter with me before your meeting on 6 February, I am of course at your disposal.

KJ

K J
1 February 1985

Department of Education and Science



10 DOWNING STREET

Prime Minister ①

Sir Keith has circulated his proposals for achieving the switch - Flag B. But he has sent you a personal note - Flag A, to urge that the meeting concentrates on the immediate question of getting the switch going. He fears that long term reform of higher education will take time to formulate. If this has to be settled first, the opportunity to start the switch next year will be lost.

Are you content to proceed on this basis? I will see H. J. from mt.

AT:1/2

I just don't think the department has really turned their minds to trying to achieve whatever wants. It has not approached the matter in a 'let's own it' downward way.