



DEPARTMENT OF EDUCATION AND SCIENCE

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TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

1 February 1982

Christopher Price Esq MP
Chairman
Education, Science and Arts Committee
House of Commons
London SW1A 0AA

Dear Christopher

I am writing to reply to your Committee's first Report of the 1981/82 session concerning expenditure cuts in higher education, which was published on 2 December 1981.

2 Your first recommendation proposed that I should review current policies to take account of the comparative costs of maintaining a student at university and an individual on the unemployment register. As the Prime Minister made clear in reply to a Question from Mr Dennis Canavan (Hansard, 2 December 1981 Vol 14 No 21 Cols 120-121), for someone of student age and with no special needs or responsibilities, supplementary benefits would amount to about £1,100 if that person were unemployed for a full year. This compares with an average recurrent cost including awards costs per student in full-time higher education of about £5,700 a year at current prices. For universities in the United Kingdom the average cost to the Government of educating a person for the last year for which comprehensive information is available (1979/80) was approximately £6,000 revalued at current prices. Some estimates of the cost of an unemployed person to Government include assessments of loss of revenue, for example from income tax and National Insurance contribution, which would have been paid if the person had been in employment. Full-time students as such pay neither, so that no loss of this nature would arise.

3 The figures quoted above show that very different scales of cost are involved in this comparison and I do not accept that the result necessitates any review of policy. Nor do I accept the underlying implication in the recommendation that a person who fails to obtain a university place necessarily becomes unemployed. He may find employment that would not otherwise have been filled. What is certain is that we shall not as a country sustain the economic progress needed to allow an expansion in employment unless public expenditure is restrained.

4 Someone failing to get a university place may find one elsewhere in higher education and, as is clear from the quotation in your report, the Robbins principle was not intended to guarantee admission to a particular course or the higher education institution of a student's choice. In reply to a Question from you on 1 December 1981 (Hansard, Vol 14 No 20 Col 103) I said "The Robbins Principle' is a desirable objective but successive Governments have allowed higher education to continue to expand faster than the capacity of the economy to afford the cost".

5 Your second recommendation concerned the timescale for the achievement of savings in the university sector and the cost of redundancies. We have received many representations on this point which have helped in our consideration of the difficulties faced by the university system in adjusting to a lower level of funding. As Mr Waldegrave explained in his reply to Mr Henderson on 23 December (Hansard, Vol 15 No 36 Cols 415-416) the comparison of the cost of the current funding proposals with the cost of allowing the operation to be spread over a longer timescale depends crucially on unverifiable assumptions about the total cost of redundancy and the total savings achieved or costs involved in dismissing staff or keeping them on. I do not accept that a case has been made for any overall relaxation in the timescale of run-down. This would only delay decisions affecting restructuring which need to be taken immediately. Nevertheless, I recognise that additional resources are necessary to give some flexibility to help ensure an orderly transition to the new level of funding. As I announced on 21 December 1981 in reply to a Question from Sir William van Straubenzee (Hansard, Vol 15 No 36 Part 2 Cols 315-316), the Government's further plans for university finance are that the universities' recurrent grant for 1982/83 should be increased in cash terms to maintain broadly the planned level of contraction of the university system already announced, but that in addition the Government should make available, to be allocated on the recommendation of the University Grants Committee, an additional £50m in the 1982/83 financial year to help with the cost of restructuring the university system. This extra money will be available to help universities adjust to the lower level of funding now proposed, either to help with the cost of redundancy and premature retirement or possibly, in a few cases, to moderate the rate of run-down at individual institutions to achieve the same result with fewer redundancies over a slightly longer timescale. A further additional amount for restructuring in 1983/84 will be announced later. The UGC are already discussing with individual universities their proposals for transition to their new level of funding.

6 The Committee of Vice Chancellors and Principals (CVCP) has drawn up guidelines to assist universities in preparing compensation schemes for academic and related staff. In reply to a Question from Mr Tristan Garel-Jones on 25 January (Hansard, Vol 16 No 42 Col 275) I announced the Government's agreement to the compensation provisions proposed by the CVCP, with two modifications specified in my reply. The agreement applies where such staff becoming redundant end their service on or before 30 September 1984. The scale of compensation reflects the fact that most academic and related staff in universities have tenured posts with terms of appointment which protect them against dismissal for reasons of redundancy or financial exigency. Details of the levels of compensation involved have been placed in the Library of the House.

7 Your final recommendation related to cross membership between the UGC and the new body for public sector higher education. It has been agreed that

the Chairman of the Board of Local Authority Higher Education will sit as an observer on the UGC and a Vice-Chairman or other member of the UGC will sit as an observer on the Board. Other forms of working relationships between the two bodies will be developed later.

Esmond

Keir



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Parliament 2.
Prime Minister

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ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE'S Office

2 February 1982

M A Pattison Esq
Private Secretary
10 Downing Street
London SW1

Dear Mike,

RESPONSE TO FIRST REPORT OF EDUCATION, SCIENCE AND ARTS COMMITTEE 1981/82 SESSION

... I enclose a copy of our response to this Report. The Secretary of State decided to reply in the form of a letter since the recommendations were few in number and narrowly focussed.

The reply will be published later today by an arranged PQ together with a Press Notice.

Yours ever,

Imogen

MRS I WILDE
Private Secretary

2 FEB 1982



UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION
WASHINGTON, D. C. 20535