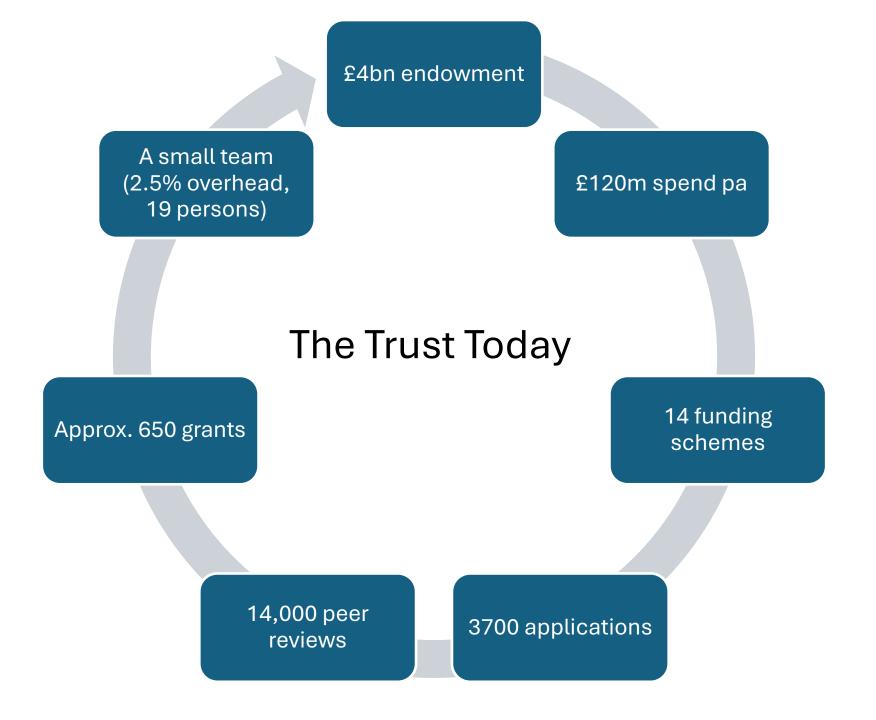
LEVERHULME TRUST

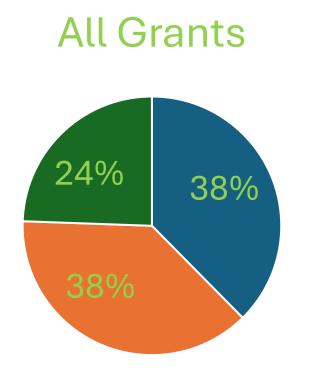
FUNDING AMBITIOUS RESEARCH

Anna Vignoles

Supporting blue-skies research in the UK for nearly 100 years Ambitious Risky Interdisciplinary Funding people not things



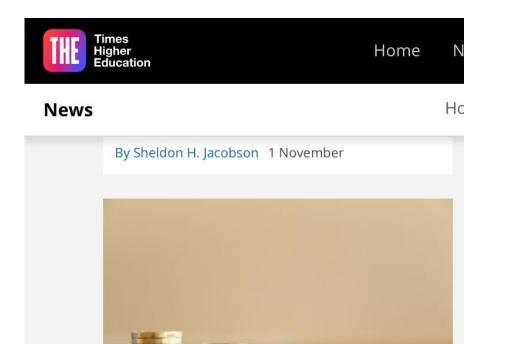
We fund across the disciplines



Science Humanities Social Science

Our success relies on the health of UK universities

The Wider Implications of Funding Challenges in Higher Education



UK Budget day: Is that it? 🗎

POLICY 30 OCT 2024

'Fantastic result': R&D sector reacts to the autumn budget







Image: bill emrich, via Pexels

A broken or creaky system?

0.8% surplus in 2023



1% of world pop - 13% of most cited research

Office for Students 2024; Universities UK 2024

Structural financial challenges

- Domestic tuition fee has eroded in value
- Research is not funded at 100% of FEC
- International students subsidise both teaching and research
- Extent of government support and financial model varies across the nations

36% of 18-year-olds entered HE in 2023

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Office for Students 2024

Does the future looks better?

- In May OfS predicted financial surplus in 2026
- 40% of providers in the **red**
- Latest estimates undergrad 10% and postgrad 23% lower than forecast
- 2025/26 72% providers in the red

Office for Students 2024 Nov 2024 update

2.9% GDP on R&D

Above OECD av



Yes but..

- UK lags competitors who are investing 3-5% of GDP
- Government itself does not spend or do as much research as competitor countries
 - 0.5% of GDP putting the UK in 27th place in the 36 OECD nations

2023 UK universities £5.3 billion deficit on research

Research

- Government and charities do not pay full costs of research
- Additional costs theoretically covered by
 - QR funding based on REF. Down 15% since 2010 across the UK.
 - Charitable Research Support Fund. Down real terms over last 15 years.
- Actual cost recovery circa 69% in 2023 (down from 74% 2015)
- Charity research cost recovery 58%
- Industry research cost recovery of 76% in 2023

Short term funding...long term endeavour

Paul Nurse put it...

....political interest can have the unintended consequence of driving policy volatility and short-term policymaking, and recent years have seen an increasing turnover of new initiatives, schemes and programmes which are not always properly integrated with one another.

What to do?

- Increase Government R and D spend
- Cover full costs of research in universities
- Reduce dependency on cross subsidy with its associated risks

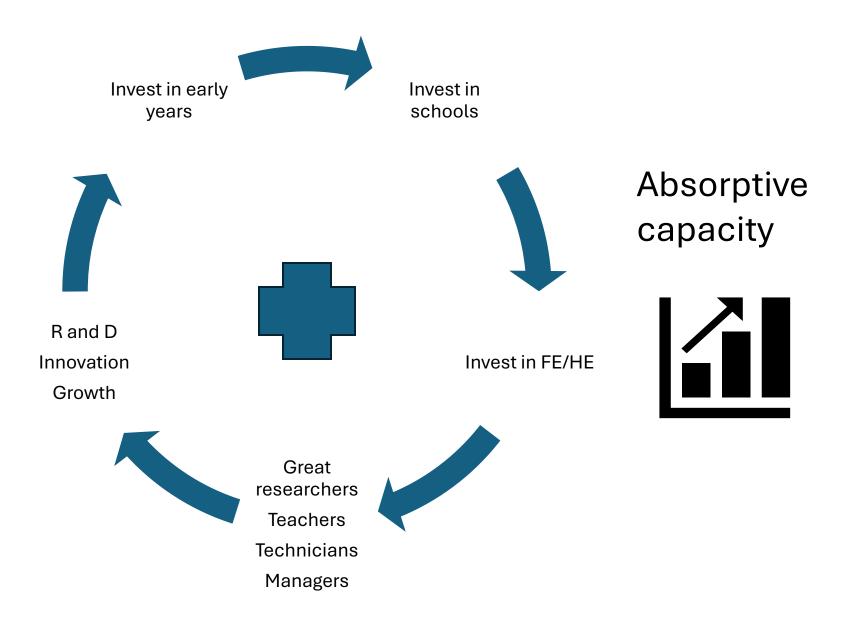
An interconnected skills system

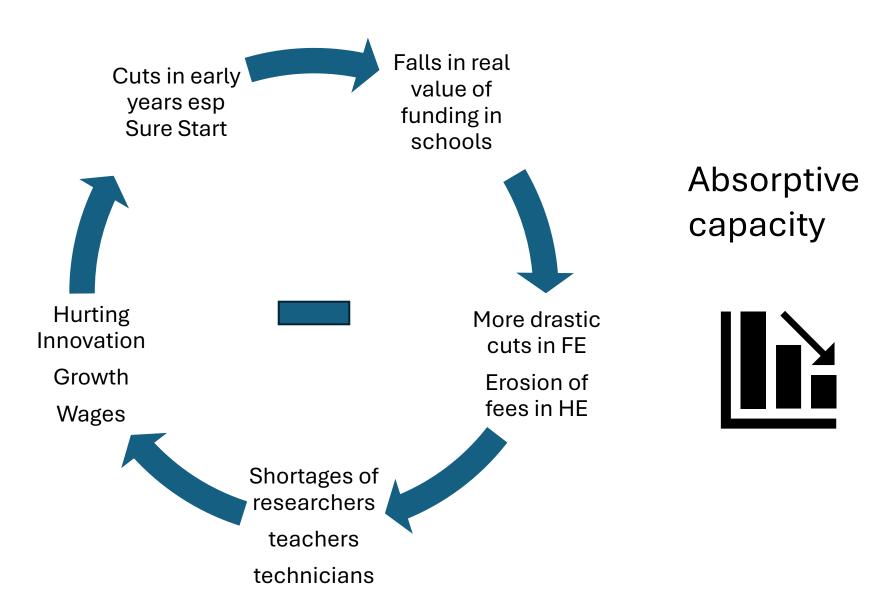
The tricky part

Higher Education

Wider skills system

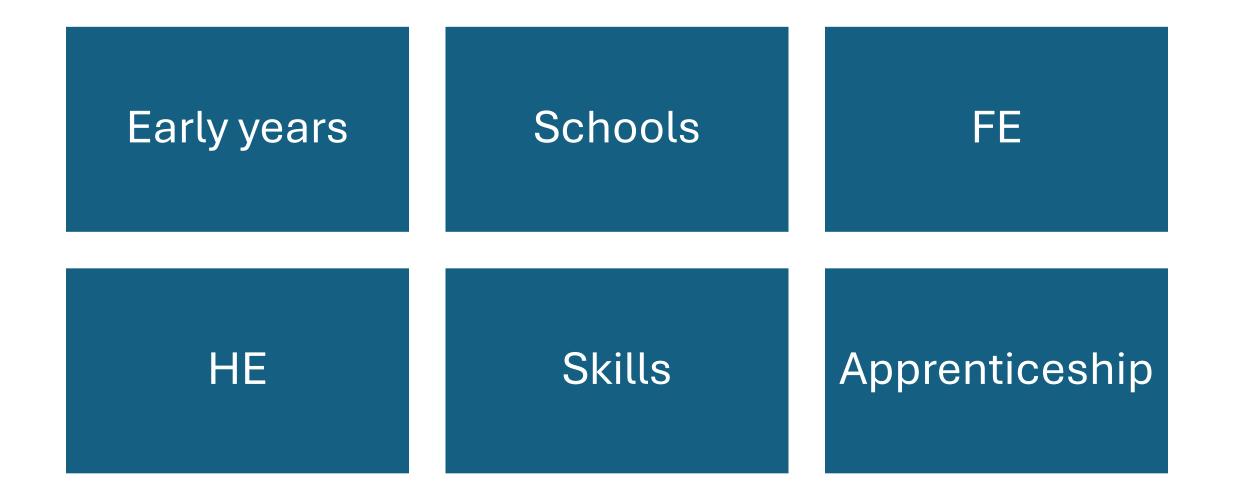
R and D system





See also discussions in The Productivity Agenda, The Productivity Institute (2023)

Silo decision making

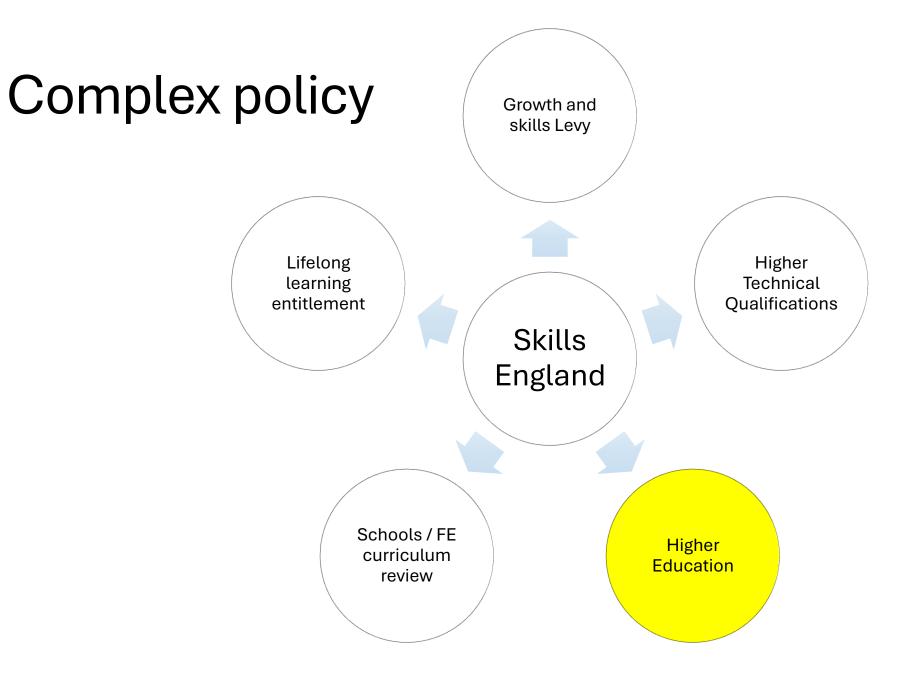


- Good research but no translation into growth due to shortage of higher level technical skills
- Clear evidence of shortage of L4/5 technical skills
- Firm training spend down over decades. Down 28% since 2005.
- Most vocational and technical training done in FE which has had lower levels of investment with lower paid teachers

- Universities cannot recruit students and staff due to decline in appropriately qualified people
- Skills beget skills. Early years matter.
- Teaching big driver of quality. Teacher recruitment and retention are dire.
- Health of some disciplines under threat.
- Missing talent due to high inequality in education achievement.

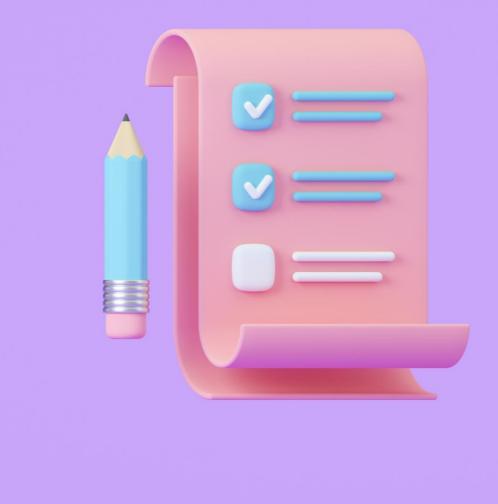
- HE success has been built on international talent with 3 in 10 academics hailing from outside the U.K.
- Sector is less attractive due to decline in investment and salaries.
- Regional inequality, low productivity and low wage growth threaten social cohesion and create unwelcoming environment.
- International talent may not remain available to us...

- Educational institutions compete for scarce resource rather than collaborating
- The success/ failure of apprenticeships
- FE/HE divide
- From the student perspective changing paths through the system is hard



The university to do list

- Improve Access
- Contribute to Growth
- Stronger Civil Role
- Quality Teaching
- Greater Efficiency



Do we need to do things differently or just demonstrate the contribution of HE ?

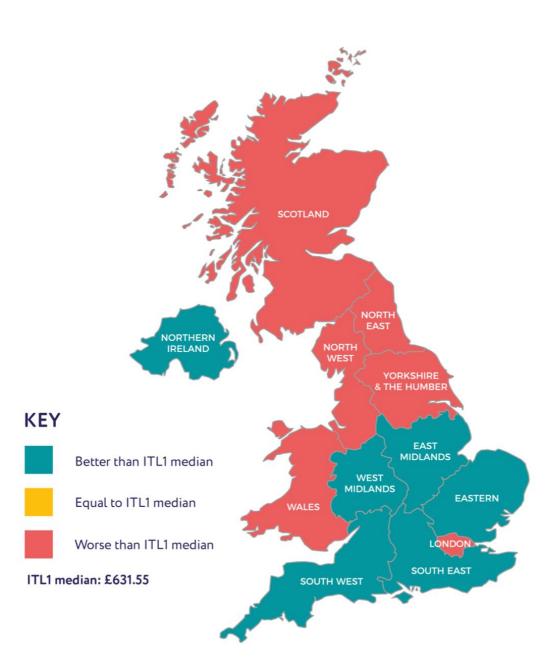


Economic and social benefits of universities

- Quantifying impact of HE research and teaching is difficult
- But agreement that there are major benefits from:
 - Research and innovation
 - Developing skills (broadly defined)
 - HE as a major export industry
- UUK claim that the UK gets £14 back for every £1 spent on *public* investment in higher education

R and D expenditure per job

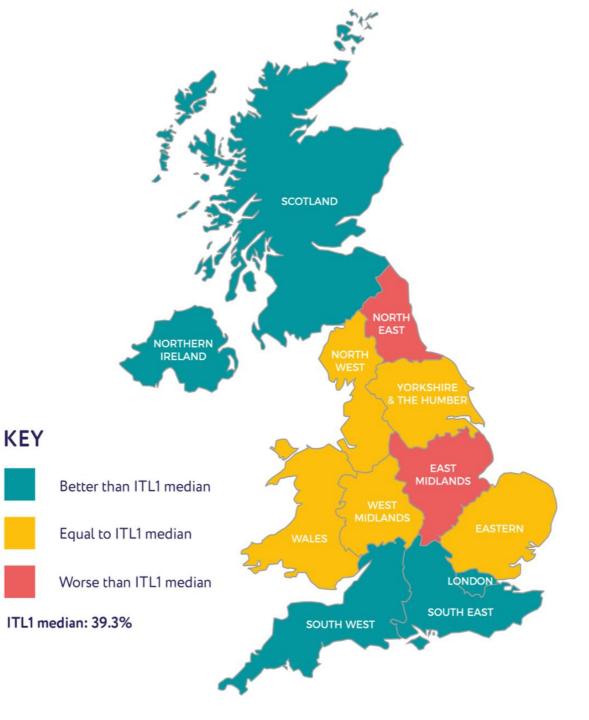
Wilson, James (2023). Infographics for the TPI UK ITL1 Scorecards. University of Manchester. Figure. https://doi.org/10.48420/24105414.v1



High skilled population % working age with NVQL4+

10% increase in HE spending leading to increase in average workers' income by 0.8%

Wilson, James (2023). Infographics for the TPI UK ITL1 Scorecards. University of Manchester. Figure. <u>https://doi.org/10.48420/24105414.v1</u> Kantar and Whalley 2014 Carlino and Kerr 2015, Aghion et al. 2009



The growth prize

- Use public investment in education and R and D to drive growth
- Strong consistent coordination on research and skills needs with necessary resource
- Can't know what blue skies research will pay off
- Can't know what precise skills will be needed in the future
- Fears for health of disciplines if employability skills dominate

Research

- Less cross subsidy /fully funded research
- Public investment in blue skies research
- Less research may be funded
- Immediate need for research for growth

Human capital and skills

- Sustained public investment in education and training across the life-course
- A funding system which supports different pathways
- Proper accreditation system to enable different paths

- University sector facing financial challenges now and competing for funds
- A maximal skill offer from universities
- Avoid cold spots

In conclusion ...

- A shaped system local, regional, national foci, differentiation
- Less cross subsidy
- Incentivise research for industrial strategy/ Sufficient QR
- A strong skills focus across all subjects
- Better coordination / partnership
- More flexibility for lifelong retraining, credit system

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