

Lords debate Education: Adult Learners

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Summary

The Government was allocating resources effectively to meet the Leitch agenda on access to education, Lord Triesman told peers in a debate on Adult Education.

Parliamentary Under-Secretary of State at the Department for Innovation, Universities and Skills, Lord Triesman, stressed that the Government had to allocate finite amounts between competing priorities.

The Government continued to provide over £200 million for those graduates who were studying an equivalent or lesser qualification, but he reasoned that any spending on this would mean less money for those who had not yet participated in higher education.

Lord Triesman explained that the Government's aim was to increase the proportion of the population with a degree from 30 to 40 per cent by 2020 and that this required action and difficult decision-making now.

These decisions were being made in order to drive forward the Leitch agenda on education, namely to increase the number of those with higher-level qualifications. He noted that the house had warmly supported this approach in the past and declared that the decisions made were consistent with its goals.

Shadow Spokesperson for Innovation, Universities and Skills, Baroness Verma, intimated that the Government had reneged on its promise to make lifelong learning a norm. She stressed the importance of ensuring that existing workers could update their skills or change direction to meet the demands of a changing workplace.

Opening the debate, Liberal Democrat Innovation, Universities and Skills spokesperson, Baroness Sharp of Guildford, noted that, as part of the comprehensive spending review (CSR), £100 million would be reallocated from supporting graduates seeking a second qualification to supporting those with no previous qualifications.

She noted that this announcement was made without any consultation and posited that the Government would not substantially change its position during its existing consultation exercise.

Baroness Sharp of Guildford accepted that the logic of the Government's argument, that this money could fund around 10,000 new university students instead of supporting those who have already benefited, was hard to fault. However, she reasoned that all those who wished to go to university were presently able to do so.

The Open University expected to lose 29,000 students as a result of the changes, which suggested the policy was counterproductive. The policy struck against older students, who had no means of support, specifically hurting groups that the Government were trying to entice into higher education, she suggested.

Elsewhere in the debate, Labour peer and Chancellor of the Open University Lord Puttnam stated that the Government's policy was a bad one based on a false choice.

Crossbench peer and Chair of the Council at the Open University, Lord Haskins, cited Higher Education Funding Council evidence to claim that the Open University would be denied funding of £31 million per year as a result of the CSR.

In addition he felt that it would be very difficult to police a system where the Government had to prove students did not have a degree.

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7.42 pm

Baroness Sharp of Guildford asked Her Majesty's Government why at a time when they are encouraging people to upgrade skills and continue working later in life, adult learners seeking a second qualification at an equivalent or lower level to that already held must pay full-cost fees.

The noble Baroness said: My Lords, on 7 September, the Secretary of State for the Department for Innovation, Universities and Skills wrote to the chairman of the Higher Education Funding Council for England setting out the CSR settlement for 2008-11. In that letter, he announced that he was seeking a reallocation of some £100 million used at present to subsidise those who are taking bachelors' degrees or other lower level qualifications when they already have a degree. Instead, he wanted to see the money used for expanding provision for those who had never before been to university.

The announcement came without any consultation with those involved. There is a consultation exercise taking place now, finishing at the end of this week, on 7 December, which makes this debate apposite. It is clear from discussions taking place that Ministers have made their decision and that, although they are listening through the consultation exercise, they do not intend to change much substantively.

The problem has been dubbed the ELQ problem-equivalent or lower qualification problem-and it has caused considerable furore in the higher education and further education worlds. The number wishing to speak in tonight's short debate is a good illustration of that. The Secretary of State's argument is that it is a matter of allocating scarce resources in a fair way. There is no bottomless pit to fund higher education, and government priorities lie with getting as many as possible up to degree level to meet the challenging Leitch target of 40 per cent of the working population with degrees by 2020. That £100 million will finance some 10,000 full-time university students, more if they are part-timers or foundation degree students. Why should those students be denied university places in favour of students on whom the state has already spent some £15,000 or £20,000 in higher education provision?

Put that way, it is difficult to fault the logic. None of us would argue that there are unlimited resources; trade-offs have to be made, and on the face of it those who have already had considerable resources lavished upon them should not take priority over others who are knocking on the door of higher education wanting to get in. Yet there are good reasons to reject this proposition. First, it is not obvious that there are at present many knocking on the door of higher education and being denied entry. On the contrary, most of those with the relevant qualifications are found places, while the falling secondary school rolls mean that the number of teenagers coming forward in the next few years will free up places for adults. The hope is, of course, that with all the Leitch initiatives there will be an increasing number of adults coming forward to fill those places, but until they begin to emerge, is it right to make these cuts?

There are also questions of cost-effectiveness and, perhaps even more, unintended consequences. Maybe there will be places for 10,000 extra full-time students, but the Open University alone reckons that it is going to lose 29,000 of its 120,000 students as a result of the changes. As Brenda Gourley, its vice-chancellor, remarked to me, "That is three medium-sized universities. Is that really what the Government intended?". That is not all. In many universities, particularly the post-1992 universities, all part-time courses have a fair number of

participants who are taking second qualifications. One such university reckoned that 60 per cent of its 450 full-time equivalent numbers in its centre for lifelong learning were such. Losing those students will make those part-time, often evening, courses non-viable and the universities will be forced to close them down. That illustrates all too well the unintended consequences of taking decisions without prior proper consultation. In any case, it sits oddly with the Leitch agenda, which encourages upskilling and reskilling to meet the challenges of global competition.

Most people would reckon that the shelf life of a bachelor's degree is about 15 years and, in any case many recognise, even when they graduate, that had they had better advice they might have chosen a very different undergraduate degree. Overall, the proposals privilege the young and those with employer support and disadvantage those over 25 who want to choose their own learning pathway. It hits disproportionately those whom the Government are trying to entice into higher education, namely part-timers. It has been estimated that some 20 per cent are going to be affected, compared to 2 per cent of full-timers. Those people are already earning their qualifications the hard way, giving up their evenings and weekends to acquire better and more appropriate qualifications. They already get much less than their full-time equivalents; they have to pay fees up front; there are no interest-free loans and if they borrow via career development loans they have to pay commercial rates of interest; and they get little by way of maintenance support.

Who are they? They are disproportionately older students. The Open University reckons that 68 per cent of those affected will be over 35. Many are training for new careers, and many are teachers. Teacher training will be excluded, but not the degree behind the training. Some 25 per cent are taking qualifications in maths, science and technology; many are women returners who are retraining after years out with childcare; others are older people who are retraining in the hope of getting a better job, gaining a management qualification or returning to the job market after redundancy.

Some professions are going to be particularly hard hit. Many train in social work, counselling and psychotherapy only after experience in the workplace; and with the new Layard initiatives we are in need of large numbers of such people. The clergy are going to be very hard hit, since nearly all take degrees in theology after a first degree, again often later in life. What is tough is that precisely at a time when the Government are telling us that we need to keep our skills up to date and think in terms of working through to 70, they are putting a damper on precisely that opportunity.

It hits disproportionately precisely those institutions-universities and further education colleges-which have been doing most to widen participation and encourage those who have traditionally not gone into higher education to do so. It is not just Birkbeck and the Open University, but the likes of the London South Bank University, Westminster, Anglia Ruskin University, Barking College and Lewisham College.

Lastly, but by no means least, we have no way of checking who has a previous qualification and who has not. Do we have to rely just on people being truthful? Or is this going to be an excuse for yet another big database?

The Government are proposing some compromises. Medicine, architecture, nursing, some but not all teacher training, and for the moment the STEM subjects-science, technology and engineering-which are part of the strategically important and vulnerable subjects, are being exempted. There are some social work exemptions, but many of the professions allied to medicine, including pharmacy, will be hit. Foundation degrees will be exempt. One cannot help feeling that perhaps the whole enterprise is an underhand way of forcing universities into offering two-year foundation degrees and helping therefore to meet government targets in this area. Again, the Government are promising transitional help-funding guaranteed at 2007 levels for the Open University and Birkbeck until 2010 to help them "reconfigure" their

programmes-but does this mean moving to foundation degrees? Are these compromises enough? Can the Open University and Birkbeck really be expected to change that rapidly? Surely, the Open University's suggestion that the issue be considered as part of a revamp of the part-time student deal in 2009 is reasonable.

I come back to the trade-offs and value for money. Essential the trade-off being offered here is only within the HEFCE budget and we are, of course, being assured that the money is being used within the higher sector to help widen participation. Equally, however, this move needs to be seen as part of the wider education and skills agenda-the Leitch agenda. Here, only last Monday, the Government announced a doubling of the Train to Gain budget for employer training, with a doubling from £500 million to £1 billion a year. Yet there are real doubts as to whether this sector-employer-based training-has either the will or the capacity to absorb this money and expand that fast. There are serious questions about value for money. The IFS evaluation of the pilots suggested that 85 per cent of expenditure on these pilots was dead weight-namely, that employers were being paid for training they would do anyway. Surely the £100 million needed to meet the Leitch higher education targets could be funded from the Train to Gain budget.

I must stop there; I was going to conclude with a quotation from David Blunkett, but I will leave it at that.

7.52 pm

Baroness Warwick of Undercliffe: My Lords, I am pleased to be able to speak in the noble Baroness's short debate and I should declare an interest as chief executive of Universities UK.

Let me say at the outset that despite their considerable anxiety over this change and this move, universities understand the Government's aim of redirecting the public money involved towards those who do not have a first higher education qualification. None the less, my anxiety is that the change could threaten financial stability for some institutions and put at risk opportunities for lifelong learning and upskilling, which could be lost.

Noble Lords will hear from others about the impact on particular institutions, but sector-wide, Universities UK's analysis shows that the impact will be extensive. There are ways in which the money will be reallocated, and that is good. But unfortunately, it is little comfort, since there is no way of knowing which institutions will be reprieved and which will not. Some professions are particularly vulnerable. Students in pharmacy, psychology, education and the performing arts frequently retrain for a change in career. We cannot assume that these students will in future be willing to pay the full economic cost of taking that second life-chance.

Universities are working with the funding council to deal with the situation that they find themselves in and there may be ways to mitigate the worst effects of this proposed change. Perhaps universities that will lose their funding could be given preferential status to bid for an equivalent number of funded additional student numbers against the Government's restated priorities, or perhaps additional exemptions could be added in subject areas that are reliant to a significant extent on second degree recruitment. Other ideas involve changing the timeline, holding the change until 2010-11 to aid planning, or developing a realistic time limit after which a student undertaking a second first degree could be funded, say after five or six years.

This change has been a knotty problem for the sector. I hope that the Minister will show that he has been listening. It is my profound hope that the department, funding council and the sector working together can find a productive way forward.

7.55 pm

Lord Dearing: My Lords, the noble Baroness, Lady Sharp, referred to a Leitch target of 40 per cent by 2020. The Germans and the Americans are already there. We are going to play catch-up again. We must aim for 45 per cent, which means an extra 2 million at level 4. We are not

going to get that if we now take action that will damage the institutions that can deliver on that. I agree with the objective; we must do it, but we cannot do it by damaging them. Therefore, we must find a way forward that avoids that. The one that occurs to me is to say to institutions, "We will ring fence your ELQ money for your institution on the basis that you reorient your teaching to fit in with the Government's objective".

There have been suggestions for exempting certain courses. There are good reasons for that. If I were to advocate one, it would be for languages at a lower level, because we are underskilled distinctively in that area. But I am conscious that that shuffles the problem around and does not help towards the £100 million. Therefore, I come back to the basic proposition: protect the institutions on which you rely to deliver by the kind of arrangement that I have suggested.

7.56 pm

Lord Watson of Richmond: My Lords, we should all be grateful to my noble friend Lady Sharp for introducing this debate because, given the lack of consultation that has preceded this decision and the fact that we are now in the last week of consultation, thank goodness that at least we are able to have this debate in this Chamber. I trust that the Minister and the Government will take careful note of the points that will be raised.

There is definitely a-dare I say-Mr Bean-like aspect to this proposal. Superficially, the Government's objective is quite clear and makes some sort of sense, but all the most likely consequences are contradictory and may be somewhat chaotic in their effect. We have already considered the fact that £100 million cut off this budget must damage the basic objective of lifelong learning. Secondly, as Universities UK has rightly pointed out, a raft of non-exempted qualifications that are clearly in the public interest will also be adversely affected. Thirdly, the cuts will reduce the capacity for first qualifications. This issue is difficult at many different levels.

I must admit that my relationship with this subject is influenced by having been involved at an earlier stage in my life in television productions for the Open University, and I am concerned at the potential impact of this proposal on the Open University. My understanding is that it could affect as much as 12 per cent of its operational budget. One might say that 12 per cent can be absorbed and that we all have to cut our coats to deal with the times we live in, but the truth is that a 12 per cent cut in the Open University must, by definition, impair the quality and variety of what it can offer-and that has never been more needed by society than it is now. This is not the right moment to impose cuts on the Open University. That is a bottom line, I am afraid.

Finally, it is absolutely extraordinary that this proposal is happening without adequate consultation. What on earth has been going on? What is the explanation for there having been no consultation and what notice are the Government now going to take of the points being made? Will they reconsider?

7.59 pm

Baroness Blackstone: My Lords, I should declare an interest as the vice-chancellor of the University of Greenwich.

I have five questions for my noble friend. First, does he agree that the Leitch agenda will not be addressed unless we expand continuing professional development? If he agrees, will he accept that it is vital to exempt institutional credit and short-course awards from the ELQ policy? Secondly, will the Government include HNDs and HNCs, along with foundation degrees, in that exempt category, since the transition from higher nationals to foundation degrees is far from complete?

Thirdly, why does the list of exempted teacher training qualifications not include the post-compulsory education and training certificates for lecturers in FE colleges? Is this an error by the Higher Education Funding Council or are the Government abandoning the commitment made when I was a Minister for further education teachers to be qualified teachers?

Fourthly, does the Minister accept that blanket exemptions for all science subjects, some of which have little or no relevance to the knowledge economy, and the exclusion of a subject such as pharmacy, where there is a manifest shortage of practitioners, are wholly irrational?

Fifthly and finally, will he ask his right honourable friend to delay the introduction of this policy until 2009, first, to allow universities to make the necessary adjustments to change their recruitment policies and, secondly, to allow for further thinking about the massive trap of unintended consequences into which, regrettably, the Government have fallen?

I regret having to say this but I passionately believe that a little less haste and a bit more consultation would go a very long way, so I hope that my noble friend will be able to reconsider the matter.

8.01 pm

Lord Rix: My Lords, first, I declare an interest as the Chancellor of the University of East London and, secondly, I must remind the Government that this ridiculous plan will deprive thousands of would-be students of the chance to re-skill and re-train to meet the needs of our ever-changing economy, thus helping them to compete in a global labour market. The people most affected will be members of hard-working families who are anxious to make headway, and it is a gross misunderstanding that these students will be studying primarily for their own pleasure. Those who return to the University of East London are there to gain skills and qualifications vital for the economy.

In this regard, I should like the Minister to answer four simple questions. How many of the affected students are women who are re-entering higher education to gain career-relevant skills? How many are studying for qualifications that will lead to employment in the health and social care sectors, including mental health? How many are part-time students? How many would otherwise be unemployed?

Those hardest hit are universities serving large, relatively disadvantaged, urban areas with substantial numbers of minority ethnic students. One has to question the discriminatory impact of this policy, and this is one of the harmful unintended consequences that are likely to result from such a hastily cobbled together proposal.

Finally, if the Government do close their eyes and ears to our protestations, will they give an assurance that any money saved will be targeted at those institutions which deliver on the widening participation agenda, rather than being redirected to those that singularly fail to deliver?

I await the Minister's response with slightly less than eager anticipation.

8.03 pm

Lord Jones: My Lords, I am glad to follow, and support, the noble Lord, Lord Rix. It is the case that the great British training industry is quite some beast. It seems that it has never really hit the bull's-eye, despite billions of pounds of investment and frequent legislation for reform, repositioning and reorganisation.

The best trainers for skills that I have seen in a long parliamentary life have been BAE and Airbus. They have collaborated positively with successive administrations over many decades. They employ tens of thousands of skilled and semi-skilled men and, increasingly, women. They are successful. My hope is that these leaders in world aerospace and other large British

manufacturing companies will be able to assist further, and in greater numbers, in the training of adults.

It is clear that the Further Education and Training Bill seeks to provide a second chance. What is needed for adults is a second chance to obtain the skills and qualifications that they need to obtain, and remain in, meaningful, well paid jobs of status, with pensions and holidays and the protection of health and safety measures.

The Government might legislate but will the employers deliver? I think so. I believe that the FE colleges and institutes of higher education will deliver. Their track record is good. But will local government deliver? I hope so.

8.04 pm

Lord Plant of Highfield: My Lords, I declare an interest as having been a university teacher for the past 41 years. I rarely speak on issues of higher education in this House but I felt moved to do so because I think that this policy is spectacularly misconceived. It cuts entirely across the lifetime learning agenda, a good deal of which takes in things such as certificates and diplomas, which will be put at an acute disadvantage by the consequences of this proposal.

Given the misconceived nature of the proposal, I want to concentrate on the various exemptions and to look at two areas; namely, health and cultural and creative industries. I understand that 54 per cent of ELQ students are in London. One reason why the percentage is so large is that London is a hub for both cultural and creative industries-the development of which is a regional policy; for example, in the Mayor's cultural strategy-and pharmaceuticals. Pharmaceuticals and culture and creative industries are two of the biggest industries in London.

With regard to health, pharmacy is excluded from the list of exemptions, as are nutrition and cognitive behaviour therapy-the Layard agenda, if you like. An institution such as the London School of Pharmacy will be seriously destabilised by the loss of income. On the cultural and creative industries side, monotechnic institutions, particularly music schools of various sorts, will be acutely affected. The majority of students in acting are adult learners, as are those in opera and associated local activities. I think that one consequence of the policy will be the creation of a range of very perverse incentives which universities, being full of clever people, will make every effort to exploit. I could go into at least three or four that are already happening but I think that my time is up. However, I think that they will occur and that the policy may be thwarted on the ground a good deal.

8.07 pm

Lord Quirk: My Lords, this debate is rich in what Shakespeare called,

"wise saws and modern instances".

I am no good at wise saws but perhaps I may offer two modern instances. The first is a lad of 18, who has the idea of drifting along with some of his schools friends to do a degree in media studies at his local university. The other is a woman of 31, whose work experience has convinced her that a qualification in accountancy would enhance a career built on computer skills acquired at university a decade ago. She scrutinises what is on offer at Birkbeck and the Open University and wonders, first, whether she can afford the expense of part-time education; secondly, whether her day job will leave her with the necessary stamina; and, thirdly, whether her husband would be up to acting as a single dad with their toddlers for two or three evenings a week.

Which of those potential students fits more easily with the Leitch agenda that is so enthusiastically backed by six Cabinet Ministers, all of whom have their pictures on page six of his report? Which of the two deserves and needs the stronger incentives and support? Which

of the two is more vulnerable to discouragement? Surely the answer in each case is the lady. To judge from data supplied by Professors Latchman and Gourley, she is quite typical of the Birkbeck and Open University students whose experience and aspiration alike determine the kind of ELQ they need and who would be gravely affected or even excluded by an upward surge in fees.

John Denham's letter of 7 September specified a consultation period which ends this very Friday. Will Her Majesty's Government now recognise the storm of reasoned objections and gracefully back off?

Lord Morgan: My Lords, the Government have championed many admirable principles in higher education and I fear that this policy on ELQs runs counter to almost all of them. As we have heard, it weakens the commitment to life-long learning and it weakens the commitment to the upgrading and refreshment of knowledge and skills. Somehow, there is no realisation that this occurs at various times throughout a person's life; it does not involve a finite period. It is clearly a harmful blow to part-time students, who have been left out anyway in many discussions about university funding and are now even more on the margins. It is unfair to many women, who wish to return, after having children, to extend their educational qualifications. It is also inegalitarian for a Labour Government, since many students are in deprived areas and are catered for by the ex-polytechnics.

The exemptions are far too narrow; they are a fraction of the whole. The three-year transitional period does not diminish the essential injustice. The deckchairs will be rearranged but the iceberg will still be there.

The proposal will be deeply damaging to many English universities. I am happy to say that in Wales we are less philistine; the provisions do not apply to Wales or Scotland. However, many universities will be affected, including-I declare an interest as a teaching member-Oxford, which is fourth in the table of the universities; it will lose £4 million. Kellogg College, a most distinguished institution, will be undercut. It is a terrible blow for the Open University, of which Labour is deeply proud-it was created by Harold Wilson and Jennie Lee, and is quite as important in our heritage as the National Health Service. More than one-quarter of its students will lose funding in 2008-09. It seems to be a terrible thing to do to an institution that is renowned as a pioneering institution throughout the world. It is right to widen participation but not by striking so fundamental a blow at part-time and mature students. John Denham said that,

"talent will be left locked".

It will indeed be locked. I very much hope that the Government, at this late hour, will think again.

8.12 pm

Lord Haskins: My Lords, I declare an interest as Pro-Chancellor and Chair of the Council at the Open University. It has been suggested by some that many of the affected students are recreational and rather ancient. In fact, 85 per cent of Open University people affected are aged between 25 and 65, 74 per cent of them are working and paying taxes and 9 per cent of them are carers.

The Government keep implying that the Open University is grossly overestimating the financial impact of all this. However, our figure of a reduction in support of £31 million a year after three years can be found on the HEFCE website: £31,626,519 to be precise. The Government have seriously underestimated the impact of the proposal on Birkbeck and the Open University in particular. If they had known the scale of the damage, would they have still gone ahead?

My own experience of Whitehall-looking at regulations years ago-suggests that the department has created a huge regulatory shambles in its haste in pressing the proposal. How does one police a system that must prove that a student has not got a degree, including an overseas degree? That seems to be heading for trouble in a big way.

The Government and HEFCE keep talking about new sources of funds to replace those being lost, but why ditch a scheme that is delivering a mainstream policy objective of lifelong learning, enabling a vast number of people to widen and improve their skills base to cope with work in a modern economy?

8.14 pm

Lord Griffiths of Burry Port: My Lords, I thank the noble Baroness, Lady Sharp, for giving us the opportunity to give vent to our feelings on this matter. I offer sympathy to my noble friends on the Front Bench at the unassuaged assault that they are getting-to which I am anxious to add.

We have heard much about the perhaps unintended consequences for the Government's lifelong learning programme; we talk about joined-up government. I want to make a bid for the way it runs counter also to the aims of the social cohesion programme by affecting not only, as we have heard many times, the way in which the Open University works, but also the training of clergy, who are the cheapest and most effective social workers and contributors to social cohesion in the country. Since the battering that is being experienced is coming from all corners of this House, let me speak for the one corner that is not represented here: the Benches in front of me. A Methodist minister is always glad to speak for the Bishops, and I am very glad to do that. I would be very surprised if one of the 26 of them would not have fallen foul of this proposal. I would have fallen foul of it myself.

There is no such thing as a lifelong job any more; we change careers and we need to be retooled for the new careers that we opt for. After a mini-career in university teaching, I went to get my degree in theology. Only if you think a Cambridge degree is superior to a Cardiff degree can you think that they are anything other than equivalent; the two are equivalent and I would have fallen foul.

I speak in the name of all those who redirect their lives and seek appropriate skills for the new direction that their life takes, my two sons included; they started abortively with bad careers advice from their schools but ended up finding their way, retooled themselves for their jobs and are now happily ensconced in them. In the name of all that is decent-I know that my noble friends on the Front Bench are decent if nothing else-I do ask for a reconsideration.

8.16 pm

Lord Puttnam: My Lords, I declare an interest as the Chancellor of the Open University and as the recent Chancellor-over the past 10 years-at the University of Sunderland; both institutions will suffer quite grievously from this measure.

I went downstairs to get some cash and saw that the cash machine says on it, in rather big letters, "Tampering with this machine may result in it going out of service". I commend that thought to the Minister. That is exactly what is going on here. This is a bad policy; it is a policy that is based on a false choice and, like all false choices, it inevitably results in a poor decision.

There is an overwhelming case for significant and constructive change within this sector; I have believed that for a long time and I believe it, if anything, more than ever now. Do not the Government understand that continuing to batter the sector and pulling stunts such as this only allows the universities themselves to retreat into a bunker from which it is almost impossible to create change? In fact, the most reactionary of mechanisms dominate the entire debate.

I have a personal attitude towards this. I have spent 35 years arguing for employers to become more engaged and involved in the funding of students and people in the workplace. I am told that there is evidence that employers are beginning to come out of that bunker and are showing signs of interest in education. In his reply, will the Minister make clear what that evidence is? I beg him to make it more than "There are encouraging signs"; I have been listening to encouraging signs for 35 years, and have consistently been bitterly disappointed by the result.

Lastly, addressing the point of my noble friend Lord Haskins, I gather that there are penalties for those who may find themselves forced to lie about their existing degree on their application form. Those penalties are quite severe. They can include a heavy fine and even jail. I ask the Minister to consider, given the Government's other problems at the moment, that the notion of 1,000 or 2,000 graduates being sent to jail or fined heavily for fibbing on their application forms will not drive the success or popularity of the Government to new and improved heights.

8.19 pm

Baroness Walmsley: My Lords, it is impossible properly to wind up on a debate in two minutes, so I will just have to content myself with a few observations. First, the Government's plans to reduce ELQ funding by £100 million by 2010 contradicts everything the Government have been saying about retraining and creating a flexible workforce. Part-time students, who already get a raw deal on financial support, are being kicked in the teeth yet again. There was no prior consultation and no parliamentary debate in advance of this major change in policy. Instead, HEFCE is now consulting only over how the decision is to be implemented.

The Government claim that the removal of funding will affect only second degree students, or "serial degree chasers". In fact, the decision affects a wide range of students and universities in England, including many involved in short courses and part-time vocational and professional education and training. Modern labour markets require both upskilling and reskilling of the existing labour force, not just new entrants. Modelling by HEFCE and the UCU suggests that institutions will be badly affected by the proposed cuts; we have heard about that from several noble Lords. The Government's suggestion that these students will all get funding from their employers to undertake their studies is not borne out by current statistics or evidence. Significant numbers of adults will therefore discontinue their lifelong learning because they cannot afford it. Their withdrawal will also make large tracts of university courses unviable.

Have the Government properly assessed the impact of these proposals on continuing education, on widening participation in higher education and on the institutions upon which lifelong learning relies? I accept that there are exceptions, but it is difficult to see the logic behind them. For example, teachers are exempt but, as the noble Baroness, Lady Blackstone, said, those teaching in further education are not. Foundation degrees will be exempt, but they may not necessarily be the appropriate kind of qualification for a student. Students may be pushed into doing an inappropriate qualification just because it is funded. I call on the Government to think again-to back off, as it was put by another noble Lord-and consult properly before coming back with much more appropriate proposals.

8.21 pm

Baroness Verma: My Lords, we were promised that lifelong learning would be a norm. Instead we find, yet again, the Government meddling with systems that provide opportunity and enable people to meet the new challenges facing Britain in a globalised market.

There is a demand from employers that we have systems that are flexible and responsive to demand, and relevant to the demands of competition. Does the Minister agree that it is in the interests of Britain that we not only provide for people with poor or no basic skills, but ensure-as has been mentioned-that those already in the workplace are able to change direction or access relevant skills to meet the needs of an ever changing workplace?

The Government's own paper clearly laid out that everyone had a right to increase and update their skill levels and the right to a second and third chance to progress in their careers. So why has the Minister, Mr Denham, decided to take such a retrograde step and cut funding by such a huge amount? Does the Minister not agree that cutting opportunity will remove the right of people to change direction and broaden their skills? The message being given out is, "If at first you don't succeed, you just don't succeed".

The NIACE draws attention to the fact that many people make false starts in life and need supported second chances. My honourable friend in another place, David Willetts, has said that cutting the funding for ELQs has all the hallmarks of a rushed and potentially damaging proposal. This is a big change to be made at such short notice. Can the Minister tell the House how this cut will affect indebted modern language graduates in need of vocation-specific top-up training? When the Government are looking to reform their flagship Train to Gain programme barely a year after its national launch, why are they also deciding to phase out CoVEs? I fear that the Minister finds himself in a conundrum, for he cannot say that the Government want to meet new challenges yet support funding cuts.

8.24 pm

The Parliamentary Under-Secretary of State, Department for Innovation, Universities and Skills (Lord Triesman): My Lords, I join others in thanking the noble Baroness, Lady Sharp-and, indeed, all the speakers in the debate. I must confess that I have not detected an outpouring of warm support for the proposals; none the less, I will do my best to deal with the issues raised.

Governments have to take decisions about priorities. We have increased funding by about 25 per cent in real terms since 1997, and we now spend more than £10 billion a year on higher education and £7 billion a year on further education. However, we face enormous challenges. In today's workforce, 20 million people do not have higher level skills. We need to produce another 4 million people with the first higher level qualification between now and 2020 if we are to meet the challenges that Sandy Leitch-the noble Lord, Lord Leitch-has identified. Eleven million people do not have level 3 qualifications, and 6 million have not yet achieved a first qualification at level 2.

In both distributing and increasing what is none the less a finite sum of public funding, there is no getting away from choosing between competing priorities. It is possible to disagree with the choice that we have made, but quite impossible to avoid making a choice one way or another.

Against that background, let me try to explain what we are going to do. In further education, we have introduced an entitlement to free tuition for adults to achieve their first full level 2 qualification, and for young adults under 25 to achieve a first qualification at level 3. We are we focusing further education funding on those priorities, in line with the Leitch recommendations for addressing low skills. The noble Baroness, Lady Verma, puts to me what I think is a rhetorical question. Of course we want people with first opportunities at all those levels and we also want progression, but that does not of itself write larger cheques.

Let me focus my remarks on higher education, because that is the subject. In higher education, we have asked HEFCE by 2010 to redistribute £100 million of teaching grant that currently goes to fund students studying for an HE qualification when they already have a qualification at the same or higher level-an ELQ. We ought to acknowledge in this debate that the amounts in the first two years will be far less than that-about £25 million next year and about £60 million in the following year. That is a redistribution-not a cut-of less than 1.5 per cent of the total teaching grant, even before the significant increases during the CSR period come into play. All the grant will remain in the system. It will be allocated by HEFCE to HE providers. It is a reallocation. The overall grant does not change, except in one sense: a significant increase for funding of higher education during the CSR period of 2 per cent in real terms per annum. That is a major and continuing increase.

Let me say that we did not ask HEFCE to stop funding all ELQ students. Indeed, the £100 million is less than a third of the total funding of £327 million that we are currently spending on ELQ students. We asked HEFCE to implement a change that took account of both the wider policy imperatives and the need to provide the institutions that might lose money with time to adjust. No institution will lose cash on its 2007-08 baseline over a three-year period, and no decision has been taken about whether to make additional savings after 2010-11. That is something for the next spending review.

The fact is that the more money we spend on students doing ELQs, the less there is for those who have never yet participated in higher education. We estimate that by 2010-11, 20,000 people will be studying for a first higher education qualification who otherwise would not have been able to do so. That is enough to fill an entire large university—I am not sure that I will do a comparison with how many modest-sized universities might be impacted. That group is our priority. Those who criticise the policy should explain why they would have made a different choice about the priorities. Why would it have been better to have 20,000 fewer students studying for a first qualification and left the ELQ policy unchanged?

Baroness Blackstone: My Lords, where does my noble friend think that those 20,000 extra students are going to come from? Many universities are struggling to meet their HEFCE contracts. Money will be taken away from one group, but there is no obvious solution to where that new group of students is going to emerge from. There is a bit of a misconception around, unless there is a dramatic improvement in the number of young people leaving school with the relevant and appropriate qualifications. On a budget of £10 million, I wonder whether it is worth playing around in this way for £100 million to be allocated in an uncertain way as soon as 2010.

Lord Triesman: My Lords, I hope my noble friend will bear with me. I shall come to that point shortly when I talk about the Leitch agenda and what it is intended to achieve because, quite aside from more pupils emerging from school with better qualifications, we have to answer a critical set of questions about adult learners.

Some people have suggested that a choice should not be made, but there has to be a choice because we can spend the money only once. If I were to follow, for example, the advice of my noble friend Lord Morgan, we would achieve what I think he suggested only by growing the budget in a way that is unavailable in current circumstances. I say to my noble friend Lord Puttnam that I understand his desire for stability and getting an engaged discussion about the future, but we do not have the luxury of being able to do that simply by avoiding the hardest choices of all. We chose as we did because we believe it is fairer; it helps more qualified people to get into higher education.

Lord Puttnam: My Lords, it is possible to allow the universities the space and time to think and to come up with the hard choices themselves. The choices do not have to be made by government. Given the parameters, the universities are perfectly capable of making some tough choices themselves. That might be a way forward out of this problem.

Lord Triesman: My Lords, I respect my noble friend's view that, given time, the universities might do it; given a great deal of time in many respects, they have not always done it. We are getting to a point where some rather more difficult decisions have to be made. Our aim by 2020 is that 40 per cent of adults should have an HE qualification compared with 30 per cent now, which is an increase of 4 million people. That is why it is vital to look at these changes. I say to the noble Lord, Lord Rix, that I do not think that what is being proposed in making that change from 30 per cent to 40 per cent is denying people the opportunity to retrain. On the contrary, I think we can indicate that that is not the case. A number of noble Lords-

Lord Rix: My Lords, can the Minister indicate where that might be the case?

Lord Triesman: My Lords, where what might be the case?

Lord Rix: My Lords, I am saying that there would be tremendous losses of people retraining and the Minister is saying that he can prove otherwise. Is that so?

Lord Triesman: My Lords, when the House had its debate on the report produced by the noble Lord, Lord Leitch, there was overwhelming agreement that the prioritisation of adults and getting people into higher levels of skills were prerequisites if we were not continually to play catch-up with others, as the noble Lord, Lord Dearing, said this evening. A huge amount of this policy depends on trying to drive forward that Leitch agenda, which the House warmly supported when it debated it. It is in that context that we can see the kind of growth that we need. I understand from what was said about lifelong learning by the noble Baroness, Lady Sharp, the noble Lord, Lord Watson, and my noble friend Lord Plant and from the example of the two students mentioned by the noble Lord, Lord Quirk, that some people believe that that sort of proposition out of Leitch may be very difficult to achieve. I do not think that the decision that we are discussing tonight is in any sense inconsistent with the Leitch proposition. The central message of Leitch is that we need to increase the number of people with higher-level qualifications. We will move away from that imperative if we continue to prioritise those who already have such qualifications over those who do not. Teaching grants will still be available in all cases for foundation degrees, which are vital for retraining and reskilling. That is part of the answer to ensuring that people have the opportunity to retrain and go on other courses where there is employer co-funding; and examples of the courses which have been exempted have been mentioned.

I take the point made by my noble friend Lord Plant about health and creative industries. I will return to that in a moment, in the context of saying that some scepticism has been suggested about whether employers will engage in co-funding or whether they have ever realistically done so. It is only possible to say that there have been some improvements in that position. The House and those way beyond it will have to accept that the employers in this country will have to change. The economy of this country has no option but that employers change, as my noble friend Lord Jones, also said. We do not have the option, given the number of people in the workforce without the kinds of skills we need over the coming periods or, indeed, the skills we need today. There is no option other than that there is a fundamental lifting of the level of skills. The role of employers has to be that they increase whatever they have done historically, as my noble friend Lord Jones said.

I accept that there are issues for some institutions which have a relatively high volume of ELQ students. My noble friend Lady Warwick is right to talk about their stability, but their stability cannot mean that we do not move for further change. We welcome the jointly funded project between Birkbeck College and HEFCE to examine the future development of Birkbeck's business model. It is important for the Open University not to overstate the financial impact figures. I say to the noble Lord, Lord Haskins, who I hope will not mind if I still refer to him as my noble friend, that the figures he cited come from the HEFCE website, which illustrates one possible scenario after 2010-11—that any outcome will depend on the decisions of the next spending review and may very well not lead to that kind of conclusion. Indeed, of the £100 million to be redistributed by 2010-11, we think that about £12 million will come from the Open University. The actual outcome for the Open University will be smaller because of the institutional mitigation that we have directed HEFCE to include in implementing the change.

In addition, the Open University will take its share of the additional money coming into higher education through the Comprehensive Spending Review. It will be able to take a share of the £100 million as it is reallocated. I cannot, knowing the Open University's great capability, believe that it is incapable of recruiting students on other bases as well.

Lord Watson of Richmond: My Lords, I am sorry but I sense that the Minister is coming to the end of his peroration. Before he does so, can he tell us quite simply why there was no consultation?

Lord Triesman: My Lords, in a few moments I intend to come to the consultation point because I also want to try to describe why I think that the process we are in, including this evening's debate, is fruitful. I hope that I can put it in the proper position in the debate.

I wanted to conclude my point. No funding decisions have been taken beyond the CSR period, and the future decisions on ELQ funding will not lead to the overall funding for individual institutions falling off a cliff. I simply do not accept that that will happen.

The OU is an extraordinary institution. I am like other people who love it. I think that it is quite capable, through the variety of high-profile public activities that it engages in, to think of ways in which block grant funding mechanisms can properly recognise a wide variety of its activities.

That brings me to the consultation point. Those who have made points about the OU or indeed any other institutions have said that they do not believe there has been adequate consultation. I understand that. I should say at least that the Government were quite clear about the priorities that they intended to meet. That was not a matter for consultation. It has been in the public domain for as long as I can remember, and it has been very widely debated. Consulting on whether to consult would not have been particularly fruitful. However, the consultation, which will conclude very shortly, is a genuine consultation about how the policy should best be implemented. I cannot stress too strongly to the noble Baroness, Lady Sharp, who wondered whether we were taking it seriously, that we have gone into it with an open mind. We wanted to see what the best approach should be, and we are grateful to everyone who has made constructive proposals about how to do this in partnership. We are taking part in that partnership.

The noble Lord, Lord Dearing, in particular, floated a suggestion, which sits alongside other suggestions made by my noble friend Lady Warwick, about how universities most affected by the new funding policy could be put at the front of the queue for new student numbers that would be created as a result of the change. That proposal is worth serious consideration, and I promise the House that it will be seriously considered even in the last period of the consultation. I will also ensure that there is consideration of the questions asked by my noble friend Lady Blackstone and the points made by my noble friend Lord Plant about pharmacology, arts training and the training of further education teachers. I am not aware that we have ever stepped back from that, and I should be very disappointed to find that we had even done so by accident, although I do not believe that we have. I will ensure that those questions are in front of the consultation process people. I will also ensure that the point made by my noble friend Lord Griffiths about the training of the clergy is considered in that period. I should say to the noble Baroness, Lady Walmsley, that I do not believe that there will be a particularly difficult outcome for part-time students. That is probably the subject of a very important debate to be had about support for part-time students, but it is probably slightly different from our debate this evening.

We wish to continue to fund students who are progressing to higher-level qualifications. We particularly want, and we believe that we must get, the support of employers because we have no option but to get it. We must get more people to enter higher education for the first time. We cannot continue to lag behind and then hope somehow that our economy will continue to prosper. That is not realistic. We are not in a position in which we will back off from that philosophy, but we are in a position in which the consultation must consider the details of this debate and the other submissions that have been made. I will ensure that all those factors are put in front of those conducting the consultation.