

1. Introduction

This paper pulls together four CentreForum publications into a single report setting out what a liberal education policy – at nursery, primary, secondary and tertiary levels – might look like[†]. It also points the way towards further research we will be undertaking in 2008 into special educational needs and the impact of increased parental choice and school competition on educational standards.

The importance we attach to this policy area stems from our belief that education is the key to the creation of a more enlightened, more liberal society. It is our most potent weapon against lazy privilege and grinding poverty. It is the engine that drives social mobility and economic growth, the fuel that powers individual and societal advance.

Yet a decade after Labour came to power promising to make education its first, second and third priorities, and seven years after it started pumping billions of pounds into the schools system in an effort to raise standards, educational failure remains endemic and educational opportunity grotesquely skewed.

In 2006, 20 per cent of all pupils left primary school unable to read and write to the expected standard, while 24 per cent had failed to master the basics of numeracy. In the same year, 56 per cent of 16 year olds left secondary school without five good GCSEs including English and maths. In the 800 secondary schools officially classed as 'underperforming', GCSE failure rates run at 70 per cent and above.

A closer examination of this long tail of underachieving pupils reveals a shameful fact: that it is not the least able or least hard working that are failing. It is the most disadvantaged. Of those children poor enough to qualify for free school meals, less than one in five is currently achieving five good GCSEs including maths and English. The university participation rate among children from manual or routine backgrounds is 15 per cent. The comparable figure for the children of professional parents is 81 per cent.

A liberal education policy

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†J Moses, P Marshall and E Seed, 'Aiming higher: a better future for England's schools', 2006.

J Astle, 'Open universities: a funding strategy for higher education', 2006.

J Astle, 'The surest route: early years education and life chances', 2007.

P Marshall, S Rabindrakumar and L Wilkins, 'Tackling educational inequality', 2007.

2. Education spending and life chances

We have only recently begun to grasp just how early the gap between disadvantaged children and their more affluent peers opens up. Research shows that a clear development deficit can be identified as early as 22 months. By the age of three, children from poor homes are often up to a year behind in their learning. By the age of six, even the brightest children from poor homes are likely to have been overtaken by less able children from wealthier families. Once behind, it is extremely difficult for these children to catch up. Fewer than one in five of the children who are performing badly at age six end up taking 'A' levels.

Despite this, the UK continues to invest almost three times as much per student in higher education as it does per child under the age of five, ignoring the critical role that pre-school plays in improving school attainment and forming an individual's capacity for learning. This is not just a consequence of higher education being more expensive to deliver: even allowing for the recent increases both in public spending on pre-school and in private spending on post-school education, individuals are still required, on average, to pay 45 per cent of nursery costs, compared to 30 per cent of university costs.

This pattern of public spending is both regressive and inefficient.

It is regressive because those who benefit most from generous levels of financial support while at university are the affluent middle classes who have been the primary beneficiaries of higher education's rapid expansion in recent years. It is inefficient because higher education subsidies are, by and large, offered on a false premise – that cost is the key barrier to participation faced by would-be students from low income families. It isn't. Almost all sixth formers who achieve good 'A' levels go on to university, regardless of parental income (and those who don't are often in need of more information and positive encouragement, not more subsidy). The real barrier to participation is not cost but poor attainment – most children from low income families do not get the good 'A' levels they need to apply.

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Any serious attempt to equalise educational opportunities must, therefore, focus on raising attainment levels among the poorest pupils. And any serious attempt to do this must begin well before they go to school.

3. Early years education

The Labour government deserves praise for its attempts to increase the amount of pre-school provision available and to make it more affordable. Public expenditure on early years services has grown from £2 billion to over £6 billion between 1997 and 2006 (in 2006 prices) with the result that there are now over 1.5 million more childcare places available than there were in 1997.

The government subsidises childcare in a number of ways. On the supply side, the government has created well over 1,000 Sure Start Children's Centres, with a target of 3,500 set for 2010, although the National Audit Office has recently reported on the failure of the programme even to reach, let alone help, the most disadvantaged families it was established to support. On the demand side, it has introduced a universal entitlement to 12.5 hours of pre-schooling per week (set to rise to 15 hours by 2010 and to 20 hours sometime thereafter), and additional childcare support through the tax credit system for working parents on low incomes. This support, known as the Childcare Element of the Working Tax Credit (WTC), is worth up to £140 per week for families with one child and £230 per week for families with two or more children in childcare. It can be claimed 48 weeks a year from birth to age 15. In addition, working parents right up the income scale are now able to claim an income tax exemption on the first £55 they spend on childcare each week in return for a 'salary sacrifice' of

equal value (this is worth up to £1,195 a year to a parent paying income tax at the upper rate, £962 to someone paying income tax at the basic rate, and nothing at all to someone on the minimum wage whose salary cannot be reduced, even voluntarily).

Whilst the broad thrust of the government's ten year childcare strategy is welcome, concerns remain both about access and quality.

Widening access

The package of childcare support outlined above has been designed in such a way as to minimise choice, and in some cases deny access altogether, for the families that arguably need the most support – those on the lowest incomes without full time jobs. This is a consequence of two factors. First, the inadequacy of the 12.5 hour universal entitlement to nursery education for three and four year olds. At £40 per week, this is enough to buy 12.5 hours' pre-schooling in some settings in some parts of the country, but is not enough to buy anything like that much elsewhere, including the whole of London. And second, the decision to target additional financial support only at working parents. The argument for making the childcare tax credit work contingent is superficially compelling: that non-working families should be looking after their own children, not expecting someone else to do so at the taxpayer's expense. But pre-school is not just about 'looking after' children. It is first and foremost about educating them and preparing them for school – something that is best done by trained nursery teachers, not parents. By conflating 'childcare' and 'early years education' and subsidising both through a single childcare tax credit, the government is effectively denying the benefits of a high quality pre-school education to the children who would most benefit from it – those living in poor workless households.

Policy proposal: to introduce a new benefit – a 'Nursery Education Tax Credit' (NETC) – distributed via the Child Tax Credit (CTC), rather than the work contingent Working Tax Credit (WTC), to ensure the poorest children in society are able to benefit from part time nursery education. This

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would mean that working parents, for whom 'dawn to dusk' childcare is a necessity, would continue to receive the childcare element of the WTC at the existing level of up to £140 for one child and £230 per week for his or her siblings. Non working families would be eligible for the less generous NETC set at £60/£100 per week. Furthermore, where the childcare element of the WTC is available for children aged 0-15, the NETC would be made available only to three and four year olds. And where the existing childcare tax credit is available regardless of the type of registered childcare used, the new NETC would be available only to those who attend an educational setting to ensure that non-working parents were not able to use taxpayers' money on 'babysitting' services. This would cost an additional £530 million annually.

Driving up quality

The rapid expansion of the early years market has led to heightened concerns about quality. A recent National Audit Office report highlighted the severe shortcomings of the Sure Start Children's Centres programme which has largely failed to reach, let alone help, the families it was primarily designed to support. And across all settings (particularly private day care centres) serious concerns about staff quality remain: only 4 per cent of the total workforce is qualified to degree level, while 20 per cent has no qualifications at all.

Policy proposal: to prioritise efforts to raise the quality of the early years workforce over other plans in the government's ten year childcare strategy. The target should be to create a workforce in which the majority of staff is qualified to degree level, with the remainder qualified to level three or above. At least £250 million should be earmarked for this purpose each year until this target has been met.

The £530 million annual cost of the NETC and the £250 million cost of investing in staff training and recruitment could be met by transferring some funds from the higher education budget (see Higher Education section below); by abolishing the wasteful and regressive tax exemption on employer supported childcare; and, if necessary, by slowing the (too rapid) expansion of the government's Children's Centres programme over the coming years.

4. Primary and secondary education

There is little point investing in high quality pre-schooling if the resulting gains are not built on in the school system. Driving up standards in schools will require a radical programme of reform focusing both on tackling educational failure and its causes.

More support for the poorest pupils and toughest schools

When addressing the causes of educational failure, we need to acknowledge, first and foremost, that deprivation and low attainment go hand in hand. For this reason, CentreForum has proposed significantly increasing deprivation funding to give schools – for the first time – a real incentive to admit disadvantaged pupils and to ensure that those schools with the most challenging intakes are given the most financial support. Such an approach would be far more efficient (and affordable) than Gordon Brown's 2006 pledge to fund every pupil in the country at private sector levels by some unspecified point in the future (at a cost of £17 billion). Indeed, the government's own research shows that there is no statistically significant relationship between resources and attainment for the most affluent third of schools. Within the poorest third of schools, by contrast, an increase in spending of £1,000 per pupil is associated with two more GCSE points for each child.

Policy proposal: to double deprivation funding, from £2.5 billion to £5 billion per year, and to distribute it through a 'pupil premium'. This would operate much like a weighted voucher scheme (but without the administrative

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complexity and cost). It would ensure that 'money follows the pupil' and that the most money follows the most deprived pupils.

Such a policy could be paid for by abolishing the Child Trust Fund – removing a 'hand out' at the age of 18 in favour of a 'hand up' at the age of 5 – and by withdrawing the family element of the CTC at a faster rate, taking millions of people on middle and high incomes out of means tested benefits altogether.

The quid pro quo for a doubling of deprivation funding is the expectation that deprivation will no longer be used as an excuse for low attainment. The achievements of some US Charter schools and UK Academy schools show what can be achieved, even in the most difficult learning environments. We would do well to learn the lessons of these 'high poverty, high performance' schools and allow all our schools the freedoms required to implement best practice.

A more personalised, more intensive approach to instruction

With the money available from the pupil premium, schools with particularly deprived intakes would be able to introduce a range of reforms designed specifically to help the most disadvantaged pupils.

Policy proposal: to cut class sizes, particularly in the first years of primary school; to introduce more personalised teaching methods, including one-to-one tuition and 'catch up classes'; to increase the number of hours of instruction through the use of longer school days, Saturday schools and summer programmes; to offer 'hard to serve' bonuses, linked to performance related pay schemes, to attract (and retain) excellent teaching staff to the

most challenging schools. Each of these, experience shows, is key to radically improving the educational prospects of the most disadvantaged pupils.

Technological advance presents an opportunity to tailor education services to the specific needs of each child. Schools should take advantage of the 'data revolution' to build up a sophisticated diagnostic picture of each child's aptitude, ability, attainment levels and attitude to learning. This is as important for the most able children as it is for the least. Such information should be used to inform decisions about setting and/or streaming, about examination preparedness and about the need for remedial interventions. The objective should be to ensure that all children are able to proceed at a pace suited to their skills while ensuring that none are left behind. Where possible, children should not be taught in mixed ability classes.

Higher aspirations, higher expectations

There is much more that can be done to drive up standards in schools at little or no extra cost to the taxpayer. The first, and simplest, is to raise expectations of what children are capable of achieving, regardless of background. Schools are only deemed to be 'failing' when less than 30 per cent of pupils achieve five good GCSEs, excluding English and maths, suggesting that a school in which 60 to 70 per cent fail to reach this level is not failing its children. This cannot be good enough. The minimum target needs to include English and maths and needs to be much closer to the national target of 60 per cent.

Another key issue that must be tackled is pupil behaviour. As one leading American educationalist put it: "In the last five years, in searching for superb inner city education, I made a discovery: almost all excellent schools teaching highly disadvantaged kids look very much alike – and quite different from most regular public schools. In addition to an academically superb programme, they demand their students learn how to speak Standard English. They also insist that kids show up on time, properly dressed; that they sit up straight at their desks, chairs pulled in, workbooks organised; that they never waste a minute in which they can be learning and always finish

their homework; that they look at the people to whom they are talking, listen to teachers with respect, treat classmates with equal civility and shake hands with visitors to the school."

Much of what is needed to inculcate a school with such an ethos is good leadership. Getting the best head teachers into post and giving them the freedom to run their school as they see fit, is the goal that should drive policy. Again, experience from abroad points the way. In KIPP schools (a family of American Charter schools) much emphasis is placed on developing a 'whole school' culture, something that begins with a two or three week summer school before each child joins and is repeated each year thereafter. During this period, children are introduced to the school's system of behaviour management, at the core of which is a clear set of rules and consequences. Each pupil starts with a 'paycheque' and can earn or lose points to add to or subtract from this amount, according to their attainment and behaviour. These points can be used to buy rewards and benefits, ranging from snacks to end of year trips. As parents are required to sign their child's paycheque each week, the system encourages family contact and engagement. It also sets a clear and predictable framework of boundaries, with consistently applied sanctions triggered when those boundaries are breached (if a paycheque balance falls below certain levels a range of escalating punishments are incurred, from written apologies to detention to in-school suspension). Research shows that these steps allow teachers and pupils to make much better use of instruction time and dramatically accelerates learning. Overall, KIPP schools boast an 80 per cent enrolment rate in four year universities, compared to averages of less than 20 per cent for schools with similar pupil intakes.

In addition to promoting rigorous measures to encourage good behaviour, we need also to develop a more sophisticated awareness of the complex causes and attributes of bad behaviour, particularly as they relate to special educational needs (SEN). There is an unacceptable correlation between SEN and exclusion: children with special needs make up two thirds of all pupils expelled from schools and children with statements are three times more likely to be excluded than children without statements. Given that

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pupils with SEN make up between 15 and 20 per cent of the average intake it is critical that education policy addresses their needs.

Policy proposal: to set more ambitious targets to define success and failure at GCSE level; to reduce the gap between the overall national pass rate target (currently 60 per cent) and the minimum per school target (currently 30 per cent); and to include the key subjects of English and maths in both targets.

In order to create a ‘whole school ethos’ conducive to learning, the very best head teachers need to be brought into the most challenging schools, using ‘hard to serve’ pay bonuses if necessary. Offering children a clear alternative to the street culture on the other side of the school gates is essential if countervailing pressures on vulnerable children are to be resisted, their behavioural problems tackled early, and the ‘ultimate sanction’ of exclusion avoided. This is particularly important given the lack of high standard alternative provision available for excluded children.

A relentless focus on the basics

At key stage 2 (age 11) schools are instructed to devote between 21 and 32 per cent of instruction time to English and between 18 and 21 per cent to maths. At key stage 3 (age 14), the guidance suggests that these subjects be afforded just 12 per cent of teaching time each in recognition of the need to provide a “broad and balanced education” across the 12 statutory subjects in the national curriculum. In many schools, this no doubt works fine. But in some, this focus on ‘breadth’ can come at the expense of the basics if these have not previously been mastered. Academies currently have the freedom to devote as much time as is needed to the basics of numeracy and literacy.

In trying to ensure that every child can read and write to the expected standard, the use of synthetic phonics should be expanded. The Rose review (2006) concluded unambiguously that phonics was the preferred method for teaching reading and writing in UK schools. There is also evidence which suggests that phonics has particular benefits for disadvantaged children.

Policy proposal: The freedom given to Academies to alter the balance of teaching between different subjects should be given to all schools. This would ensure that those pupils who need sustained intensive instruction in the basics of numeracy and literacy are able to receive it, and that those who do not are able to receive ‘enrichment’ classes in non-core subjects. The use of phonics in teaching the least literate children should continue to be encouraged.

Parental choice and school competition: a tide that lifts all boats

Choice is one of the key freedoms in a liberal society. It is also one of the best ways of driving up standards. Opponents of choice based systems claim that “people just want a good local school”. True. But that leaves unaddressed the issue of how these good local schools are to be created. Advocates of choice systems argue that the exercise of parental choice leads to the creation of more good local schools by forcing poor schools to ‘up their game’ in response to competitive pressures. But does this work in practice?

A recent IFS paper had this to say on the matter: “Is school choice a tide that lifts all boats? The evidence from the USA suggests that it might be, as it seems to increase school quality across all schools that face reasonable amounts of competition. This is what we would have expected, given what economic theory tells us about the role of competition. Evidence from the UK is much patchier. This may be because competitive pressures are limited (school numbers and funding vary little from year to year). Therefore, it seems to be the case that school competition can be a tide that lifts all boats, but only if its effects bite financially.”

How then can the effects of competition be made to bite financially? The short

answer is by increasing supply – both by allowing good schools to expand, and by allowing new schools to open – whilst ensuring that parents are given real purchasing power through the use of vouchers or portable entitlements like the Pupil Premium (see above).

Again, experience from abroad points the way. In Sweden, a universal flat rate voucher system was introduced in 1992 (worth £5,200) and the supply side liberalised to break up the state monopoly in ‘free’ education. In the ten years following the reforms, the number of independent schools in the state sector rose from 90 to 600 while the number of pupils in these schools rose from 8,630 to 69,451. In the Netherlands, a weighted education funding entitlement (average value £3,560) was introduced according to a funding system which grades children by disadvantage. In Edmonton in Canada, which introduced a choice based system in 1974 and where more than half of children attend a school outside their own district, the exercise of parental choice has so strengthened the public school system that there are now no fee charging schools left in the city. In each case, the role of the local authority has been transformed into that of commissioner and facilitator, ensuring that parents get the information they need to make informed choices and the practical assistance (such as transport) they need to make those choices a practical day-to-day reality. Rather than erecting barriers to new forms of provision, the local authority is expected actively to dismantle them. Rather than managing demand, it is tasked with meeting it. Rather than constraining choice, it is charged with extending it.

One further feature of all these choice based systems is the absolute prohibition that each places on pupil selection to ensure that it is parents and pupils that are choosing schools, not schools choosing pupils.

Policy proposal: To explore mechanisms that will allow a greater proportion of education funding to ‘follow the pupil’, either through a system of vouchers or entitlements (the difference being purely administrative). So as to strengthen, rather than undermine, the state education system, such entitlements should not be redeemable at fee charging schools as they are in some parts of America and as they were under the old Assisted

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Places scheme in the UK. They should also be weighted according to indices of disadvantage such as parental income.

To open up the supply side by encouraging voluntary and private sector providers to enter the state funded education market. Careful thought needs to be given to the height of the necessary barriers to market entry, balancing the need for a plurality and diversity of provision on the one hand, and the maintenance of minimum standards on the other. Practical steps will also be required, such as the dissemination of detailed but accessible information to parents and the provision of appropriate transportation for children, to ensure that it isn’t only the active, the well educated or the affluent that are able to reap the benefits of choice. Selection and partial selection by schools – on the basis of faith, aptitude and ability – should be prohibited, although schools should be free to define themselves by specialism, religious orientation or educational ethos.

5. Higher education

Our universities face two seemingly intractable problems.

First, they are struggling to maintain the quality of their teaching and research on the basis of current funding levels, although their ability to do so has improved since the introduction of variable rate tuition fees in September 2006.

Second, despite decades of providing higher education for ‘free’, our universities are still disproportionately populated by the sons and daughters of the affluent middle classes, while many bright but poor school leavers remain shut out.

There is general agreement that any reform of the higher education funding system must, therefore, meet the twin aims of increasing quality and widening access. There is agreement too that more money is needed to realise these objectives. But on the issue of who should pay – and how – there is little consensus.

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The government's approach has been to pass the additional costs of increased university funding to graduates (through deferred fees and income contingent loans) and to taxpayers (through grants and loan subsidies) – a policy now supported by the Conservatives.

The Liberal Democrats, meanwhile, stand alone in opposing tuition fees and pledging to fund higher education exclusively out of general taxation. They are wrong to do so.

Tuition fees and income contingent loans – good for quality and access

Practical experience in this country demonstrates the dangers of financing higher education exclusively from general taxation. Such a system requires universities to operate under all the political and economic constraints that bear down on government expenditure and to compete for their share of resources with all the other claims on the public purse that voters believe to be more urgent, more deserving, or both. In the face of still rising student numbers and costs, it is hard to conclude other than that a fee based system is the more 'future proofed' of the two. Experience abroad serves only to underline this point. Countries such as the United States, Australia and New Zealand which introduced private payment much earlier, and at significantly higher levels, have seen their universities' reputations grow and their higher education participation rates rise across the social spectrum.

A fee based system is also fairer. Asking non-graduates to pay for graduates is regressive – it redistributes resources from the poor to the rich. A system that seeks to capture some of the financial benefits of higher education through a graduate contribution scheme is far more progressive. Tuition fees work on the principle that those who benefit should

pay. Variable fees work on the principle that those who benefit the most should pay the most – a precondition not only for equity, but for economic efficiency.

However, asking graduates to pay more, on the grounds that they are likely to enjoy much higher lifetime earnings than non-graduates, risks punishing those who end up, for whatever reason, with low incomes. It also risks deterring those for whom a fear of debt represents a barrier to participation. But by making loan repayments income contingent – so that those who can't pay don't pay, while everyone else pays only as much as they can afford – it becomes impossible for the borrower to become overwhelmed by debt.

Completing the process of Higher Education reform

For all these reasons, the introduction of variable fees and income contingent loans should be welcomed by liberals. But further reform is still necessary. For the reforms of recent years have not fundamentally altered the command and control relationship between government and universities. They may have provided a much needed and long overdue injection of new money, but they have not freed our universities from the top-down, centrally planned, target driven policies that continue to frustrate demand, restrict access, distort choice and undermine quality.

Policy proposal: to convert part of the central government teaching grant to universities into a learning voucher for students, whilst simultaneously beginning gradually to relax government controls over student numbers to allow universities to expand and contract in response to demand and to inject a degree of competition into the system.

To lift the cap on tuition fees to £5,000 early in the next parliament to allow charges genuinely to vary between institutions and courses while extending student loans on a pound for pound basis to cover higher fees.

To move from blanket loan subsidies to targeted loan subsidies, freeing up approximately £500 million per year, the majority of which should be transferred to pre-school education where the real battle to expand educational opportunity will have to be fought.