REPORT NO.3

Behind the Facade, the Farce

A report by The Education Commission

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A recently constructed UCL student housing building in Islington, London has been named the 'worst building of the year'[1]. Despite not meeting basic planning regulations for natural light and privacy, the building was granted special planning permission (its en-suite rooms will let for approximately £730/month) on the grounds that it was claimed students require less daylight given their 'lifestyle'[2]. Not only does it appear to be a callous attempt to exploit students desperate for housing in an unaffordable London rental market, but its dark rooms have been cloaked with the fake facade of a 19th century warehouse providing the veneer of exposed bricks and high ceilings behind which lies the reality of cramped rooms, low ceilings and windows which look directly onto a brick wall[3]. The building acts as an easy metaphor for changes to higher education in the UK more broadly. For on the surface our universities, despite the proliferation of flat screens and other favoured corporate accoutrements, generally appear to have changed little over decades or even centuries.

Look beyond the facade however, and we discover a self-gratifying logic of profits and growth enacting a brutal dismantling of public education. While universities have always functioned as exclusive institutions whose role has been the training of future elites and for the transfer of capacities to workers (especially in a so-called 'knowledge economy'), they have also been important places of critique, debate and the contestation over resources. We have no nostalgia for the university as it functioned to support a capitalist society, but we also view the continued dominance of a logic of profits and 'growth' as threatening what critical and autonomous space it did provide while simultaneously indebting whole generations and degrading the working lives of those who live and work within its halls[4].

The key moment in this process was the passing of the Education Act 2011 which opened the doors to the 'unlocking of assets' so that value could be extracted from universities by capital. We detailed the immediate and potential long-term implications of this legislation in our first report[5]. In this report we seek to look back at some of the central effects and changes that have been the result of that legislation as universities increasingly function as sources of profit.

Fees: Wilfully Bad Accounting

As is well known, the most apparent and imminently drastic effect of Education Act 2011 was the exponential raising of tuition fees at English universities to a maximum of £9,000 per year. While in lobbying for the bill, the government had insisted that few institutions would charge students anywhere near the maximum, the average fee in 2013 was an astronomical £8,619 and is expected to rise to £8,748 for 2014[6]. As might be expected, there is also clear evidence that the biggest drop in applications to universities has been from the most disadvantaged applicants[7]. Despite this, university heads, especially from elite institutions, have been clamouring for even higher fees claiming that the current limit will constrain the 'quality' of university education[8].

More startlingly, as a number of commentators including the Education Commission had predicted, the Con-Dem government have announced plans to sell off the student loan portfolio currently held by the state. As student debts increase along with the rise in tuition fees, the profits to be made from the interest collected on that has become a highly sought after commodity. A leaked secret report commissioned by the government has proposed retroactively raising interest rates on loans from their current tie to the Bank of England's base rate of 1.5% in order to make the student loans portfolio as attractive as possible to investors (rather than any concerns with the well-being of former students trying to make a living)[9].

While the government has said it does not (at least for the moment) plan to increase the rates on old loans, it will instead attract investors by simply paying out the difference between the current base rate of the loans and higher commercial loans[10]. While complex, this is an important decision that reveals just how contradictory the logic of privatisation is. In order to have the loans held by private financial firms rather than the state (for superficial short-term budget reporting reasons and deeper ideological reasons) the state will promise to top up the interest that firms collect on the loans rather than simply hold the loans themselves.

Finally, David Willetts, the minister responsible for UK higher education, has continued to float the idea of ranking universities based on their students' rates of repayment of loans[11]. This effectively implies ranking universities not on the quality of the education they provide, but on the wealth of their students. We foresee further inequalities developing between elite universities and the rest of the sector along with increasingly draconian 'employability' aims imposed directly onto courses.

Private Universities

As we detailed in Report #1, one of the major effects of the introduction of £9,000 tuition fees was the creation of a level playing field for private universities with public ones. High tuition fees and access to government funding via loans allowed private universities to compete for students and draw directly on public funds. In December 2012 the University and College Union (UCU) reported that since the raising of tuition fees the amount of public money paid to unregulated courses at private colleges has tripled[12]. For instance, the Greenwich School of Management received £22.6 million in 2011 despite the fact that the national higher agency Quality Assurance Agency (QAA) had declared that its education standards do not meet UK requirements[13]. The School's savvy in accessing public money should not be surprising given that it is owned by the private equity firm Sovereign Capital, whose founder is an advisor to the government on public sector 'reform'[14]. While there currently remain limits on the numbers of students accessing public loans that private universities can admit every year, Willetts has called for 'further liberalisation' on these controls[15].

At least 10 private institutions have been awarded Degree Awarding Powers (DAPs) by the government since the Education Act 2011 and the likelihood of more new private universities became apparent as the government lowered the criteria for university status from a minimum of 4,000 students to 1,000[16]. Willetts has also declared his enthusiasm for more private higher education institutions by encouraging public universities to validate the degrees for courses offered by private providers – already common practice across the UK[17].

Some indication of what a higher education landscape teeming with private providers will look like already exists. BPP, the second private university awarded DAPs in the UK has recently had its US accreditation put on probation due to 'insufficient autonomy from its parent corporation'[18]. The University of Law, a for-profit university owned by private equity firm Montague and another institution with newly granted DAPs, is also exemplary insofar as it has been accused of transferring those DAPs to other apparently related companies[19]. In a vastly profitable higher education marketplace, DAPs will likely become an increasingly sought-after commodity and we can expect to see a host of further controversies related to their transfer across companies in the future[20].

Internal Privatisations

The outright emergence of new private universities is not the only pathway to the privatisation of higher education in the UK. In its recent strategy paper on higher education the government lamented that the current governance structure of most universities as charities was acting as a limit to their 'growth'[21]. Accordingly, a number of universities have sought or are publicly considering changing their legal status from statutory corporations (as charities) to limited companies. This kind of re-structuring was announced, though not completed due to resistance, by both the University of Central Lancashire and Barnfield College[22]. Doing so would provide less democratic oversight, and crucially opens the door to future sell-offs of the university or forming for-profit subsidiaries with some of the universities' assets (e.g., housing, TOEFL or Foundation Programme teaching).

In a sense, UK universities are already acting according to the same logic as any large multinational corporation. For instance, UK universities are increasingly creating overseas franchises as a means of growth and the government is encouraging that this avenue be employed even further[23]. For instance, UK public universities currently teach 38,000 students in China and hold a near monopoly on that market, given that they offer 70% of all foreign courses in the country[24].

A number of universities have created wholly or partly private subsidiaries in order to produce profits. These have generally been used to provide low-cost part-time only, and Foundations degrees in order to access the market of student loans beyond normal university student limits. These subsidiaries tend to employ staff at poor working and pay conditions and without recognition of collective bargaining rights[25]. Examples of institutions employing these tactics include the universities of Hertfordshire, Coventry, and the Newcastle College Group. Sheffield University is currently pushing through plans to create a for-profit subsidiary company in order to employ staff on worse conditions[26]. Similarly, despite widespread resistance and protest, the University of Sussex is continuing with plans to outsource support services in order to produce income for the university while degrading staff working conditions[27].

A number of universities have also pursued joint ventures with private sector companies as a means of obeying the logic of growth. For example, joint ventures to recruit and teach international students have been made between private education corporation INTO and the universities of East Anglia, Exeter, Newcastle, Glasgow Caledonian and Queens Belfast[28]. Public-private partnerships have so far generally been limited to recruitment services and the teaching of international students. This is the case with the private equity owned Study Group International which has partnerships with Keele, Lancaster, Liverpool John Moores, Royal Holloway, Sussex and others[29]. And also with the US-based education mega-corporations Kaplan, Laureate, and Cambridge Group which have partnerships with, among others, Brunel, Brighton, Birkbeck, Goldsmiths, East London, Queen Mary, Royal Holloway, and Liverpool[30]. It seems readily apparent that any such internal privatisation has no aim besides the bottom line and the profits that can be extracted from our educational institutions.

Private Equity: A New Source of Funding

As universities now exist in a market landscape, are governed by the logic of profit, and must compete to recruit students in order to survive since they no longer receive block grants for teaching, a new onus has been placed on sectors of the university which have nothing to do with their stated purpose of education. For instance, over the span between the academic years of 2010-11 and 2011-12 university marketing spend increased by an average of 22%[31]. Given that the race for students is a zero-sum game not unlike an arms race, these numbers will likely only increase.

The government has suggested two further avenues to fund education, both of them ruinous. First, Conservative Party MPs have suggested that universities should increasingly seek endowments as a source of funding[32]. However, it's readily apparent that such a model would merely exacerbate inequalities between elite and other universities outside of major funding networks while simultaneously making universities highly dependent on the market fluctuations of those endowments as has been the (destructive) case with major US universities such as Harvard[33].

Second, the government has openly encouraged universities to seek funding through equity finance[34]. Given that universities are increasingly desperate to recruit students in greater numbers, they are increasingly following the government's advice by issuing massive bonds in order to pursue large development and construction projects in the hopes of making themselves more attractive to potential students. For example, De Montfort University has issued a £110 million bond for construction projects, the University of Manchester has issued one for £300 million and not to be outdone, Cambridge has issued a record-breaking £350 million bond in 2011[35].

Bonds act as IOUs whereby the lender receives general interest payments over a set number of years during which the original sum is repaid. Public bonds such as those that UK universities are increasingly issuing come with a crucial catch: that ratings agencies such as Moody's or Standard & Poors rate the institution's viability to repay the loan. If that viability declines, financial penalties are paid (as they were throughout Europe in recent years, effectively bankrupting Greece for instance). As analysts have pointed out, the example we should look to in order to understand the effects issuing bonds will have on our universities is that of the US[36].

When the financial crisis hit the US, the bonds agencies made numerous specific demands on US universities if they were to maintain their bond status. For instance, Moody's instructed the University of California to lower labour costs, raise tuition, and resist unionisation of its employees[37]. The one area that the ratings agencies did not demand massive and brutal cutbacks in was 'capital investments' such as construction projects, for two reasons[38]. First, because these would increase the financial value of the institution. Second, because these construction projects would entail issuing further bonds upon which more interest could be reaped by private companies[39].

Given the growth of bond issuances by UK universities we should expect a similarly brutal logic to grow in the UK. That is, outsourcing teaching services, further rises in tuition fees and further growth in construction projects such as the massive plans for an education 'high street' proposed (and widely resisted) by UCL.

Working Conditions

Once in thrall to the logic of capital through a competitive marketplace, the demands of ratings agencies, private investors, or simply in blindly obeying the unquestioned assumptions of contemporary neoliberalism, working conditions are inevitably a target of cutbacks. As an industry, education already has a 38% rate of use of 'zero hours' contracts second only to the notoriously exploitative hotel and catering industry[40]. Despite this, working conditions are only growing worse. Many universities, such as Liverpool, have sought or plan to seek to alter faculty contracts of employment to impose worse terms and conditions upon staff – failure to agree to new terms generally results in firing[41].

Other staff are in an even worse situation. Universities continue to seek to outsource many of their jobs. Cleaning and service staff in many, if not most universities are not paid a living wage and/or have gone without wages from outsourced providers for months at a time. Conversely, administrative jobs are growing. For instance, UCL plans to increase space for management offices by a factor of five while vice-chancellors' salaries now average over £250,000 – thus allowing them to earn 15 times that of those on the lowest pay scale of HE staff[42]. We expect that this disparity will continue to grow as it has in broader society.

Conclusion

It is perhaps too much to claim we have come to a crucial juncture in the process of the privatisation of our universities given that since the government introduced its 'austerity' programme these junctures seem to multiply without end. Instead we would like to conclude by pointing to some of the challenges that collective resistance to this logic currently faces. First, the labour union of HE faculty has generally proven incapable of launching concerted resistance on a national scale to privatisation. Despite sound work at local institutions, the UCU generally functions as a service union that assists particular individuals in particular cases and has not been the site of collective struggle. Second, universities are growing increasingly draconian in their dealings with protests and other forms of resistance. For instance, the University of London recently called the police on students involved with the Tres Cosas campaign seeking basic and humane working conditions for cleaning staff there. One student was arrested for writing with chalk outside.

Nonetheless, we also note points of hope. Resistance to UCL's plans to evict residence of the Carpenter's Estate in Newham in order to develop a new campus were successful and the university has since withdrawn its plans. Continued resistance to the University of Sussex's plans to outsource jobs there has lead to the formation of the 'Pop-Up' Union which includes faculty, staff and students. The union is currently seeking a mandate for industrial action in opposition to cuts there.

About the Education Commission

Students, lecturers, admin workers, teachers, parents and anybody else interested in education are invited to join The Education Commission. We aim to research and take action around the current conditions in the education sector. In the wake of the UK Border Agency's revocation of London Met's Highly Trusted Sponsor Status and consequent plans to deport potentially thousands of international students along with further plans for privatisation across the sector, we propose to investigate and take action around the changing nature of the education in the UK since the abolition of the EMA and mass increase of university tuition fees in 2011. We aim to draw together student, parent, and education workers' experiences as well as available data in order to produce and disseminate as accurate a picture as possible of the current state and trends in higher education in the UK. We do so in support of and solidarity with current and future struggles in education.

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Contributors to The Report

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