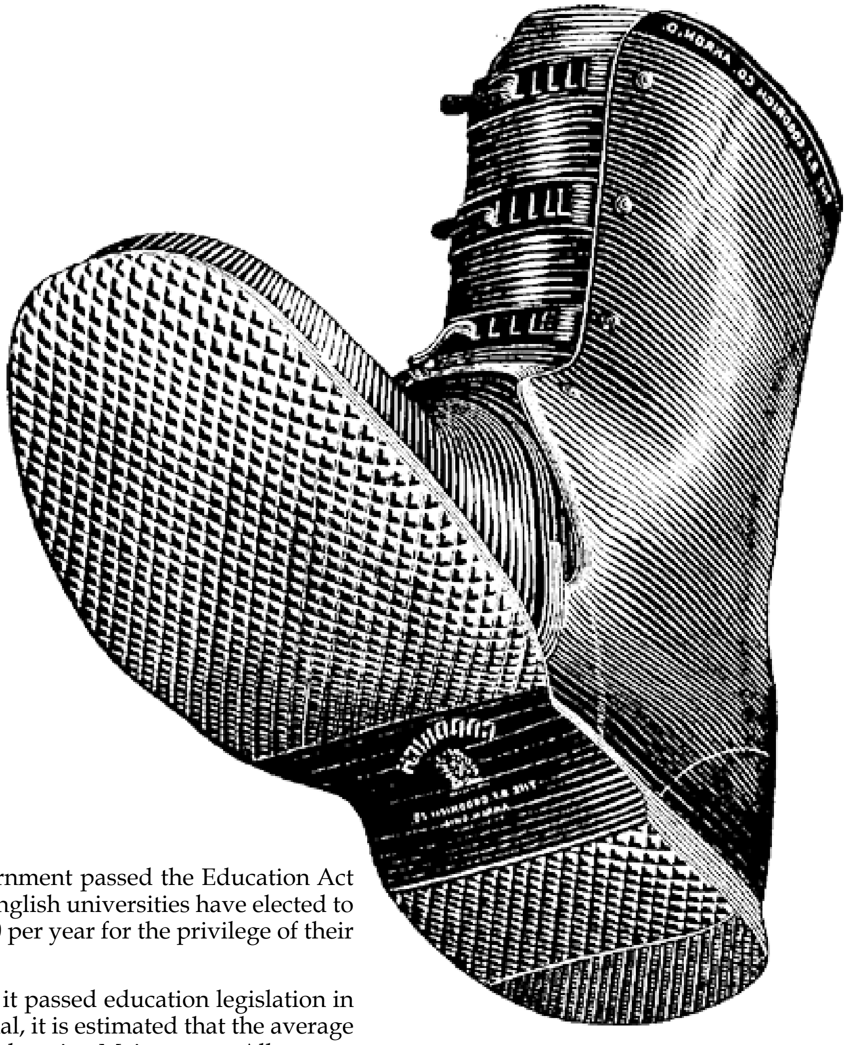
REPORT NO.1

FOOT IN THE DOOR: PROFIT AND PUBLIC EDUCATION

A report by The Education Commission

Released on 21 November 2012 to coincide with the National Union of Students demonstrations in central London.



It is now almost two years since the ConDem government passed the Education Act 2010. We now know that around three quarters of English universities have elected to charge students the maximum possible fee of £9,000 per year for the privilege of their attendance in courses.

In fact, while the government publicly presumed when it passed education legislation in December 2010 that £9,000 fees would be very exceptional, it is estimated that the average annual tuition fee is well over £8,000. We know that the Education Maintenance Allowance (EMA) has been annulled thus closing the doors to higher education for thousands. And we know that the New College for the Humanities, an elite private university, began offering courses in September 2012 while charging £18,000 per year. In other words, we have a general sense that the higher education system in England as it has existed is under attack, if not fucked. We hold no nostalgia for this system as it has existed. The university is exclusive, disciplinary and its primary raison d'etre is to train and reproduce workers and knowledge for the purpose of the accumulation of capital. Nonetheless, we are concerned that the privatisation and enclosure of higher education is entering a new phase. In this short report we seek to understand the effects of recent higher education legislation along with migration and border controls in education and likely near-future scenarios. Our intent is to briefly map the current terrain in higher education.

The Creation of a Higher Education Market

In 2010 the Con-Dem government passed legislation that ended the provision of the block grants that supplied funds for teaching provision in the humanities and social sciences and simultaneously introduced tuition fees capped at an astoundingly high £9,000 per year. In forcing universities to rely on tuition fees rather than state grants for income, universities have been put into a position where they now compete to attract a maximum number of students at a maximum tuition amount in order to survive. Students, provided with loans by the state, become consumers selecting an education product not unlike shopping at the supermarket. But this strategy of marketisation also has other insidious effects.

Prior to 2012 universities had limits on the numbers of students they were permitted to admit based on the size of block grants for teaching they were provided by the state. While these caps on admissions have remained, the government introduced an exception so that there are no limits on individual institutions admitting students with A-level grades of AAB or higher. In practice, this means that universities admitting students with top A-level grades have effectively had their caps on student numbers removed. While we do not yet have any hard data on the Fall 2012 intake, we know anecdotally that there has been a large rise in student intake in some universities conventionally considered part of an 'elite' (e.g., Durham, Bristol), other less 'elite' institutions have seen their student numbers decrease substantially, especially in humanities and social science courses. It is clear to most observers that the removal of block grants and the removal of limits on recruitment will lead to continued stratification between universities (including the emergence of a divide between research-and-teaching and teaching-only universities), major budget cuts to all but a few top universities, and in fact, many universities will be threatened with bankruptcy in coming years.

David Willetts, minister for Universities and Science, and the architect behind the new tuition fee regime, has suggested that in the near future universities will be allotted student numbers based on their RAB charge (Resource Accounting & Budgeting). This means that universities would be ranked and evaluated according to the rates at which their graduates repay their massive student loans. This would further entrench the stratification between 'elite' universities (where wealthier students are more likely to repay loans) and further reduce funding to universities serving those of us who are less privileged. It would also have the effect of shifting the institutional aim of universities from teaching students to think critically to teaching students to get a job, any job... so that they are able to pay back their loans. This will also undoubtedly lead to further cuts to courses that aren't self-explicitly vocational in the humanities and social sciences in particular, and these subjects will increasingly be the preserve only of those able and willing to pay massive fees to elitist and exclusive institutions such as the aforementioned New College for the Humanities.

The Entrance of Private Providers

The replacement of block grants for teaching to universities with high tuition fees as the primary source of income also has a further subtle yet menacing effect – it opens the door much more widely to private universities. Before Fall 2012 private universities and other private providers of higher education were not able to access state funds for teaching students (these were businesses not schools after all!). This was because only public universities received the block grant for teaching while private institutions didn't qualify for this funding. But now students can spend their government-backed loans at private institutions. Combined with increased tuition fees, this has created a level playing field where private universities and corporations can effectively compete with public universities. In order to ensure that this was the case, David Willetts also changed legislation so that private higher education corporations didn't have to pay VAT on student fees. It's also important to note that the removal of VAT in this case seems to have been a response from a request from the massive "Big Four" global accounting firm KPMG.

There are currently six private corporations that have been awarded the power to grant degrees to students in the UK – these are Buckingham, the College of Law, the IFS School of Finance, Ashridge Business School and BPP. There are a further five that are currently seeking degree awarding powers (DAPs) and we can expect that these numbers will grow in coming years. Private colleges providing degrees in a variety of subjects have received upwards of £25 million in state-subsidised student loans since increased tuition fees were introduced. While these institutions are often technically non-profit, they tend to incorporate themselves into a series of institutions wherein the university itself may be non-profit but it simply pays another ostensibly separate institution for services rendered such as student services or housing in order to channel profits while maintaining its non-profit status. In short, the increase in tuition fees and removal of the block grant has meant that we now effectively have a publicly funded education system that subsidises private education corporations.

There has also been a large increase in partnerships between public universities and large private corporations (often run by private equity funds) in the UK in recent years. For example, the private London School of Business and Finance (LSBF) has a substantial joint venture agreement (i.e., a new joint business) with London Metropolitan University. It has also been rumoured that LSBF would like to purchase London Met. A number of universities plan to introduce public-private partnerships where private corporations would be paid through state-subsidised loans to provide services such as estate management, administrative support and even teaching in some cases. Until recent problems with the UK Border Agency, London Met planned to privatise all of its services outside of teaching. Moreover, its Vice-Chancellor foresees a near future where public universities are privatised.

While the government has been working closely with massive FTSE 100 companies such as Goldman Sachs, Pearson and Serco to expand public-private partnerships across the higher education sector, it is important to note that private equity firms have already gained a significant foothold in the education sector. Over the past few years private equity firms increasingly provide a significant fraction of adult and vocational education provision in the UK. For instance, in the academic year 2011-12 the government's Skills Funding Agency gave over £300 million to a range of companies backed by just five private equity funds to provide vocational education to adults. Private equity-backed education corporations now take up 9% of the government's entire adult learning budget. Given that 27% of the Conservative Party's funds come from private equity funds and the accordant close links the party has with private equity, we can expect that number to grow. We can also expect that private equity funds will increasingly seek to enter a now potentially very profitable university sector as they themselves have stated they'd like to. These funds are already accessing state subsidies in the form of student loans through private universities they control. The recent sale of the private College of Law suggests a future where large private equity firms buy and sell universities, cut costs and execute mass layoffs in the interests of profits, just as they do with any other business.

Student Loans and Bad Accounting

While it's not clear whether it was done intentionally or whether the Con-Dem government were simply naive, some very poor accounting means further cuts to university budgets are inevitable. When the government replaced direct grants to universities with massive tuition fees backed by state loans in 2010 they estimated that most universities would charge well below the £9,000 maximum. They also estimated that repayment rates would be relatively high. In other words, the government under-estimated tuition rates and over-estimated the average earnings of graduates, meaning that as loans will begin to have to be repaid in a few years time, the higher education budget will be smaller than presumed and planned for. We can expect that this will form a rationale for further cuts to already beleaguered institutions.

If students read their student loan agreements carefully, they will also note a clause that states that their loans may be transferred from the government to other providers. Given the expected rise in the cost of student loans against initial government predictions, it is very possible that loans will be sold to private banks or investors in the near future in order to cut government costs. Presumably, this would start with the most 'valuable' loans (of medical students likely to repay for example) and then broaden to create a massive student loan market, not unlike the United States, where student debt is a massive social problem (not least because in the US student loans are the only type of loan where the individual cannot declare bankruptcy).

Privatisation Processes and Immigration Policies

Processes of privatisation in higher education intersect with current UK immigration policies in inconsistent and sometimes contradictory ways, and we mention them here because any struggle against one must recognise the influence and significance of the other. Universities have become increasingly dependent on international student fees as other sources of revenue dwindle or disappear; at the same time, international students are being put off from studying in the UK by increasingly draconian immigration policies. In an increasingly competitive transnational education market, the fiasco of the UK Border Agency's (UKBA) revocation of London Met's capacity to sponsor foreign students drew attention to the ConDem government's apparent willingness to punish bona fide students for problems emanating from their university administration (2600 current students were initially given 60 days either to find places at other universities or to leave the UK). As noted above, prior to the recent problems with the UKBA, London Met planned to privatise all of its services outside of teaching. Following the UKBA debacle, the companies that were in negotiations with London Met about taking up these contracts pulled out. At SOAS, staff and student unions have been engaged in a long struggle to bring its cleaning services back in-house, a struggle that achieved additional visibility in summer 2009 when the company sub-contracted to provide cleaning staff facilitated the high-profile arrest of a number of cleaners for allegedly working without proper documentation.

Conclusions

The picture we have sought to paint of the current status of higher education provision in the UK, despite all the acronyms and complexity of institutional arrangements and governance structures, is a relatively simple one. The raising of tuition fees was only a relatively small step (with massive repercussions) towards a broader strategy of drawing out as much profit as possible from what are still mostly public institutions. The new student loans system creates a terrain where it is suddenly very profitable and very desirable for large corporations to extract money from the state by being able to draw on state subsidies. This is happening in two broad ways. First, it is becoming more and more profitable and there are less and less restrictions on totally private universities. Unless we resist these institutions they will quickly begin to proliferate. We should take inspiration from the very powerful protests and resistance that students have produced against the New College for the Humanities in recent months.

Second, privatisation is happening incrementally within public institutions through the provision of services like catering and marketing, land management and so on. It is likely that once large corporations have their foot in the door they will continue to extract profits from universities in any way they can, including through the provision of teaching just as they already are in adult education. It is not only not inconceivable, it is looking increasingly likely that our universities could soon be run by investment firms like Goldman Sachs.

Recomendations

In light of these developments, and the clear neo-liberal tendencies within higher education in the UK, the Education Commission has a number of specific recommendations:

1. That education be successively withdrawn from the market. Fees and loans to be abolished as the odious bonds they are.

2. That education cease to be considered a privilege or an individuals' 'decision' to better their life by climbing a social ladder. Education as it currently exists is workplace training, and as such is work and should be remunerated accordingly. A student basic income needs to be instituted and paid full time at least at the living wage. The EMA must be reinstituted. In addition, as a workplace, student-staff committees must be instituted on each campus to set workplace policy, including student-staff ratios, assessment procedures, curriculum, teaching methods and content etc.

3. That the privatisation and enclosure of public education end. Private education providers - while they continue to exist - must pay VAT. Student loans, while they still exist, must not be available for private university courses. And there must be a ban on student loans - while they still exist - being transferred from state to private hands.

4. That all universities, schools and colleges cease to function as institutions that enforce border and racist immigration controls. Teachers, lectures and administration workers are not functionaries of the UKBA. No further information regarding student attendance should be collected for, or passed on to, the UKBA.

5. That a process of public transparency regarding public education be put in place. This begins with the publication of all correspondence and minutes and records of meetings between David Willetts, his office, and private interests for the past two years. It also includes the publication of all financial interests of senior management including the Vice Chancellor (or equivalent), as well as all board members, for all UK universities.

6. That there be no further closures of university departments or sacking of staff. That all department closures in recent years be reversed.

We recognize that instituting policy is not usually in the interests of students and staff. To that end, the Education Commission proposes that immediate discussion occur on campus regarding effective, sustainable and necessary strategies for struggles in education. All plans have to start somewhere, and to this end we offer the following suggestions – to be implemented or discarded as necessary.

1. That student and staff establish campus based education forums and assemblies to coordinate industrial and direct action efforts, as well as efforts for the non-payment of student loans.

2. That student and staff focus efforts on the disruption of administration, attendance and record keeping university administrations, in order to disrupt the process of measurement and accounting necessary for further marketisation and privatization. This also includes refusals to take registers in class (including UKBA data).

3. That student and staff research, then target, private companies providing services on campus, focusing efforts on secondary or subsidiary businesses in an effort to force them to quit providing education services.

4. That with staff assistance, students shut down classes, seminars, courses, etc that have excessive student-staff ratios.

5. That staff organise industrial action against teaching-only contracts, temporary and low paid contracts, and, unpaid contacts (increasingly being offered to graduate students in particular), with student assistance.

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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 2010. 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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