THE PENSIONS DISPUTE AND THE MARKETISATION OF HIGHER EDUCATION

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Since the Browne Report (2010), the only purposes for higher education that have been recognised by Government are those of improved economic growth and investment in human capital. Together with the subsequent White Paper, Higher Education: Students at the Heart of the System (2011), Browne set in motion a fundamental change to the nature of higher education in England (with implications for the rest of the UK). To be sure, there had been earlier developments toward managerialism and performance audits, but higher education as a public good had been a paramount value (and, indeed, public accountability was frequently the justification of those changes).

Market outcomes are now held to be – by definition – an expression of what is in the public interest. This is notwithstanding increasing concerns – for example, those of OECD – that economic growth is no longer inclusive. As Thomas Piketty has shown, inequality has widened over the last decades and has returned to levels last seen at the end of the 19th century.

The recent HERA (Higher Education and Research Act), which was passed by Parliament just before the last election in 2017, continued the marketisation of higher education which Browne had begun. The attempts by UUK (Universities UK) to dismantle DB (Defined Benefit) pensions is part of their adaptation to this new reality. To push back against this change to our pensions is to push back against a set of related changes that seek to transform higher education in increasingly drastic ways.

The lifting of the student numbers cap has already led to an increased concentration of students at ‘selective’ institutions and, consequently, pressure on other universities, primarily post-92 institutions. As Alison Wolf has shown, the increased revenue accruing to the sector from £9000 fees has been appropriated by the Russell Group.

Many universities now face more intense competition from for-profit providers, especially in subjects like business, health sciences, law, and accountancy. For-profit providers are stripped-out institutions – what Michael Barber, member of the Browne Review and Chief Education Adviser at Pearson, describes as ‘unbundled’ – concentrating on a single teaching function delivered on a cost-effective basis. One reason for the government’s promotion of open access is to reduce the costs associated with establishing and maintaining libraries for these institutions. The level playing field is now open to free-riders.

This is likely to mean pressure to reduce fees closer to those offered by for-profits, as well as adopting their staffing models and restructuring course provision, as has already occurred at London Metropolitan University. This will reduce the depth and breadth of many universities and reduce their capacity to contribute to local communities, both economically and culturally, a contribution that is a vital public benefit, as described by New Economics Foundation in their 2011 report, Degrees of Value: How Universities Benefit Society.
The sections in HERA on how to manage ‘exit’ (that is, institutional failure) are not directed simply at for-profits with their short-term orientation to shareholder value, but also to existing universities which may become financially compromised by the new competition. Equally, reforms of governance and the possibility of changing corporate form are designed to facilitate mergers, including with for-profit providers. The Open University, for example, is already in competition with itself through its for-profit offshoot Future Learn which is a vehicle designed for venture capital investment. Other universities collaborate with for-profit providers like Kaplan to recruit international students on local access courses.

In effect, the Government is promoting the market to engineer a transformation of higher education and research and create a new stratification of institutions. However, it is unlikely that a new binary divide will be struck between post-92 institutions and older ones as in the past. It is likely to be drawn at a much higher level, perhaps including some Russell Group institutions. What is certain is that a wide number of institutions will experience competitive pressures, deriving from the new fees regime, but also a tightening of research funding, leading to restructuring of subject offerings and changes in staff structures with increased casualisation.

University managements are spending an increased proportion of their revenue on marketing and on investments in ‘student experience’. The latter investments are designed to attract students at open days and are rarely investments in better quality teaching or library facilities. Instead, staffing budgets are cut with staff shifted from research and teaching positions, recruited on temporary teaching-only contracts, or zero-hours contracts. This creates greater flexibility (for the employers), which is used to manage fluctuating volumes of students.

This is the context in which we must locate the pensions dispute. Why does UUK seem to be so committed to dismantling the last vestige of higher education understood as a system where we have collective responsibility?

The USS pension scheme is a ‘last man standing’ scheme, which means that all institutions are collectively responsible for each other. Should any institution fail (a likelihood that has increased as a consequence of the market reforms to higher education mentioned above) then the assets of other institutions are potentially available for meeting any deficit. This collective backing also enables individual institutions to leverage finance for new buildings etc. Part of the argument for dismantling the DB scheme is – in a competitive market – to stop those institutions without substantial assets themselves being able to leverage the collective assets of the pension scheme to build new buildings that then enable them to compete more effectively with these other institutions. The other reason for dismantling DB is that should any institution wish to come out of the collective pension scheme to become a fully private institution (after the fashion of US private colleges) it is cheaper to buy out obligations under a DC (Defined Contribution) scheme than a DB one.

The fact that the first mention of getting rid of DB comes at the point of the introduction of higher fees and the removal of public funding to higher education is not a coincidence. It shows that the fight to maintain or return to a system of public higher education is more urgent than ever and one in which UUK has positioned itself as our antagonist, not our representative.

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