De-regulation, privatisation and the changing corporate forms of post-secondary education

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Overview

- How de-regulatory policies are creating greater pressures within institutions to reshape their financial and corporate structure
- The role of private equity in pushing this agenda
- How this is playing itself out in college and university strategy
- how we respond as unions.

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The pressures created by de-regulation

- Pressures on colleges and universities to use their assets (buildings, land, staff etc) in ways that are more like private companies

- Pressure to create partnerships and hybrid institutions with private sector enterprises

- Pressure to remodel some services around private sector models (outsourcing, spin off and subsidiary companies)

The government's de-regulatory agenda

- **Creating a regulatory level playing field for new private sector providers** – eg, the Higher Education White Paper and the removal of the regulatory 'barriers' to new entrants.
- **Reshaping taxation in favour of private providers** VAT exemption
- **Opening up the assets –** giving institutions more 'flexibility' in choosing and changing their corporate form.

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“Sweating the assets”

- The HE White Paper: solving the ‘problem’ of the asset locks on post-92 universities – the higher education corporation.
- Chartered corporations and companies limited by guarantee – more ‘freedoms’.
- The Education Act 2011: solving the problem of the asset lock on Further Education corporations – now college corporations can dissolve themselves and set themselves up as private companies limited by guarantee.

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Who’s pushing for this agenda?

- Not really from institutions, though some would be interested.
- Private companies looking for access to profits based on markets with steady public
- Private equity fund activity in the sector – especially vocational training
- Higher education seen as a ‘Treasure Island’ for private companies.

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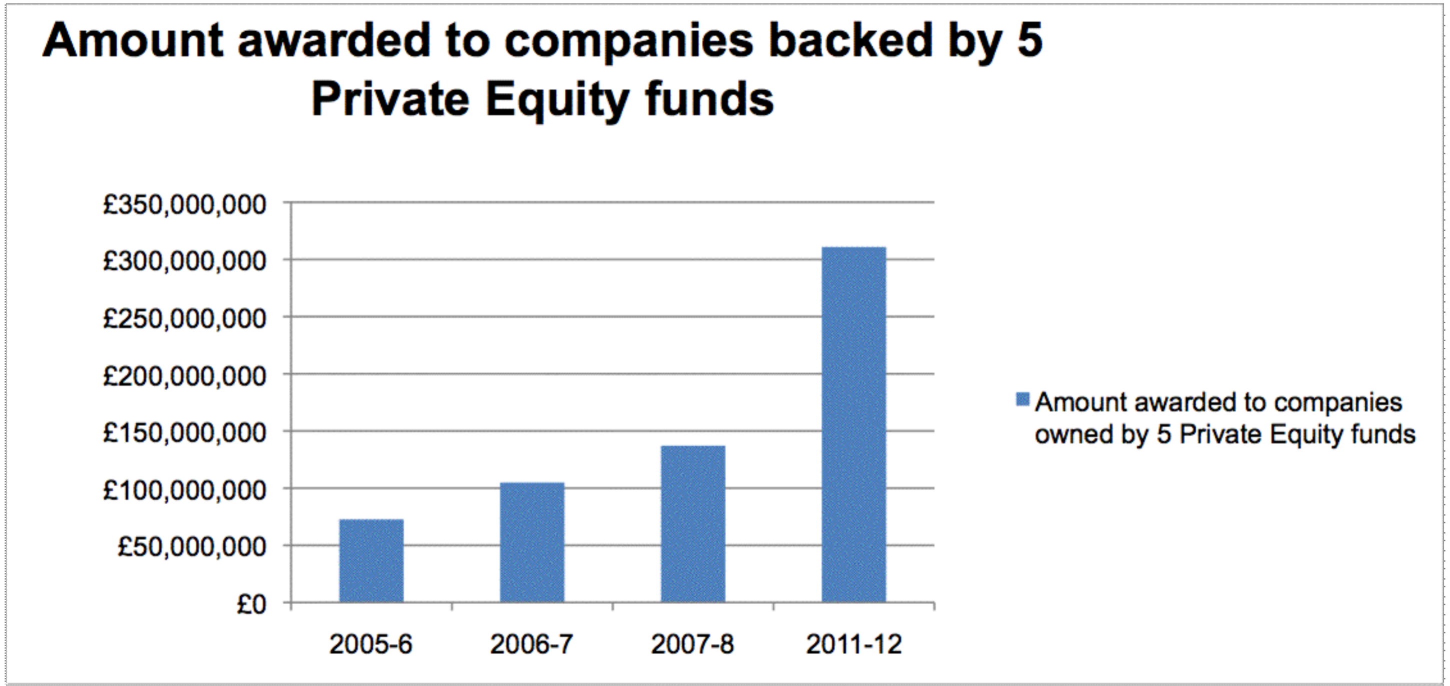
Private Equity in adult learning

- Companies owned or backed by five private equity funds won more than £300 million from the Skills Funding Agency in 2011-12, compared with just over £70 million from the LSC in 2005-6, a growth of more than 320%.



Private Equity in Higher Education

- BPP University College – Apollo Global (Carlyle Group) (2010)
- INTO University Partnerships – 20% stake held by Leeds Equity Partners (2013)
- Greenwich School of Management – Sovereign Capital (2011)
- Study Group International – Providence Equity (2010)
- Cambridge Education Group – Palamon Capital (2007)
- HE Online Ltd – University Ventures (2012)

- And many rumours besides...

Private Equity in the government

- 27% of Conservative Party funding from Private Equity and Hedge Funds
- Adrian Beecroft, John Nash and the ‘Red Team’
- John Nash, Sovereign Capital and public sector reform in healthcare, workfare, education and training
- David Willetts and meetings with PE firms

Why private equity is a *Bad Thing*

- Focus on extracting the maximum value from their investments over the minimum possible timeframe : 3-7 years.
- Highly leveraged nature of buyouts,
- Aggressive attacks on costs, such as pensions, pay, terms and conditions, and the sale of 'non-core' assets.
- This could lead to the fundamental reshaping of institutions, for example, around online provision – example of Ashford University.

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Market pressure, changing corporate behaviour and ‘innovation’

- Bond issues
- Federations and joint venture companies
- Subsidiary companies/joint ventures/shared services
- Partnerships and Joint Ventures with the private sector
- Outsourcing

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Effects on our members

- All of these initiatives will bear down on our members either directly or indirectly by creating ‘two-tier workforces’ and a race to the bottom, and in many cases the threat of transfer out of their current employment.

- The range of potential innovations and organizational changes is dizzying and bargaining and campaigning around them will be complex.

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How do we respond?
What's the strategy?

- Our general strategic objective is to defend wherever possible, existing regulations and seek to win more

- To deter where possible and raise the cost to the private sector and minimize its influence wherever possible.

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How to deliver this nationally

- National policies of opposition to privatization
- National level campaigning to defend existing barriers and raise regulatory burden on private companies
- Lobbying and campaigning for national level workforce regulation
- National policy debate about what constitutes public post-secondary education and how to rebuild it

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How to deliver this locally

Local campaigning must also:

- seek deter by raising the potential cost to institutions in terms of reputation damage
- raise the prospect of conflict on the campus and in the community
- raise the actual cost to private companies

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Elements of a local bargaining and campaigning agenda:

- Deterring wherever possible through proactive campaigning against risky adventures
- Campaigning for our right to consultation and negotiation
- Establishing limits on corporate form and the use of assets
- If necessary, establishing a Fair Employment Charter to govern transfers and new workforces
- Active and early campaigning in support of our bargaining objectives at every stage

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