

Saving Britain's Universities

Academic Freedom, Democracy and Renewal

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Executive Summary

The COVID-19 pandemic has pushed UK universities into a deep financial crisis, prompting requests for a bailout. There is no doubt that large-scale government aid – far beyond that currently offered – is needed to prevent serious, lasting damage to British higher education (HE) and research. However, this is also an opportunity for a fundamental rethink of UK HE, which was already in deep trouble well before COVID-19 struck. With the Department for Education announcing a “restructuring regime” on 16 July 2020, there are signs that the government is moving towards radical changes in HE. This report analyses the scale of the problems facing the sector and offers proposals for radical reform.

Successfully restructuring HE requires both frank recognition of past policy failures and the political will to depart radically from the status quo, rather than merely trying to tweak a fundamentally flawed system. As Part I of this report shows, the two fundamental drivers of the sector’s many problems – which COVID-19 has merely exposed, rather than causing – are the sector’s over-expansion and marketisation. Although expanding HE participation was well-intended, massification has not yielded the expected benefits for the UK economy or individuals. Universities are simply not able to compensate for weak government policy on incomes and economic development. Similarly, marketisation, which was justified as necessary to enhance universities’ resources, autonomy and educational quality through competition, has destabilised university finances, spawned wasteful bureaucracy, led to severe resource misallocation, and degraded educational quality by fostering consumerism.

The pandemic offers a historic opportunity to address these problems, and also to re-embed universities into our democracy, local communities, and industrial and regional policy. However, *both* massification *and* marketisation must be reversed to solve these problems. Merely shrinking the sector while leaving market competition intact – as some now propose – would simply retain many existing pathologies in a smaller university system.

Expectation	Reality
Widening participation will boost economic productivity and generate a rapidly-growing knowledge economy	The massification of HE has had no discernible impact on economic growth rates or productivity
Widening participation will enhance social opportunity and mobility	Massification has largely involved funnelling disadvantaged students into weaker, over-burdened institutions, where

	they are more likely to incur heavy debts for very little economic benefit
Increasing student fees will save the government money	Government spending on HE has actually increased despite the tripling of fees in 2011
Higher fees will incentivise students to pursue STEM subjects required by the economy, which will lead to higher post-graduate incomes	Growth has been far higher in other subjects, producing surplus graduates and collapsing post-graduate incomes while skills shortages abound
Competition among universities will drive up educational quality	Competition has steadily destroyed the integrity of British universities and degraded the quality of higher education
Competition and light-touch regulation will drive up efficiency	Far from liberating universities, marketisation has created market Stalinism, in which output targets are generated in response to metrics designed by regulators in order to induce market competition
Widening participation to marketised HE will encourage free-thinking and high-quality research	British universities are becoming increasingly conformist places, with intellectual freedom curtailed by the perverse effects of consumerism and excessive regulation
Increasing fees will put the sector on a sustainable, stable footing	Fees and marketisation have profoundly destabilised university finances

The proposals outlined in Part II of this report describe how tertiary education should be transformed. To address over-expansion, we propose shrinking the university sector while expanding high-quality, post-18 technical and vocational education. To address marketisation, we propose de-marketising the sector, cutting associated regulation, bureaucracy, and democratising universities to end mismanagement and restore academic self-governance. Thus liberated, universities can contribute far more to both to post-COVID

national recovery and renewal, while expanded technical and vocational training will help to revitalise “left behind” regions.

1. Transform the Overall Shape of Tertiary Education in the UK

We propose rebalancing tertiary education away from HE to technical and vocational education. This would involve:

- Shrinking the university sector by closing weaker institutions and encouraging some universities either to:
 - Upgrade into technical universities focused on vocational and technical skills training;
 - Merge with stronger neighbouring institutions into urban “super-universities”; or
 - Convert into liberal arts colleges.

The approach in each case should be decided through meaningful Department for Education (DfE) consultations involving local authorities/ devolved governments, with decisions made as part of a joined-up approach to regional and industrial policy.

- Reversing the decline in post-18 Further Education, funding it adequately and expanding it to support skills and training development and lifelong learning, and provide a route for individuals who wish to access HE at a later point in life.

2. Transform External University Governance

We propose liberating universities from the pathologies of marketisation and consumerism through extensive changes to how the sector is governed.

- Make academic freedom the foundational principle of university governance through a new statutory duty.
- Scrap the target that 50%+ of school-leavers should attend university, limiting the intake to those capable of benefiting from a rigorous higher education.
- Restore caps on student recruitment for individual universities to prevent damaging inter-institutional competition.
- Abolish university tuition fees, funding HE as a public good, which will end damaging consumerism and reduce overall costs to government.

- Abolish the agencies and metrics used to govern the sector through continuous audit and market competition (e.g. the Quality Assurance Agency, the Office for Students, the Research/ Teaching/ Knowledge Exchange Excellence Frameworks, etc), all of which misallocate resources to bureaucracy and distort teaching and research.
- Increase capital funding and reform research funding.

3. Transform Internal University Governance

- We propose a one-off government intervention to change how universities are run internally.
- Democratise university governance to remove incompetent senior managers, restore the accountability of university leaders, give local communities more of a say, and re-empower academics to uphold academic standards and educational quality.
- Curtail runaway management salaries through a 1:4 pay ratio for university leaders.

4. Establish Trail-blazing Free Universities

To spur intellectual and institutional renewal, and to set an example for other institutions in Britain and the wider world, we propose the establishment of four new Free Universities for the UK, one for each constituent nation. These would be explicitly founded on the principles of academic freedom, academic autonomy and intellectual diversity, and given the widest possible freedom to pursue research and innovation.

Part I

Causes of Crisis: The Pathologies of Massified and Marketised Higher Education

Summary

To devise reforms that will genuinely help universities, rather than exacerbating underlying problems, the roots of Higher Education's (HE) present crisis must be properly understood. Unfortunately, government policies intended to expand high-quality provision and enhance autonomy, efficiency and value in HE through competition have produced the opposite effect. Poor quality courses and institutions have expanded while high-quality institutions have been degraded. Resource misallocation, bureaucracy and managerialism are rampant. British universities now combine the worst aspects of the market with the worst aspects of state control. They are exposed to all of the instabilities and inequities of markets with none of the resource efficiency or autonomy, and the rigidity of state planning and regulation without meeting key government objectives.

Introduction

British HE currently faces a severe financial crisis, precipitated – but not fundamentally caused by – the COVID-19 pandemic. Modelling suggests that in 2020/21 the sector stands to lose over £2.5bn in tuition fee income, leading to the loss of between 30,000 and 59,000 full-time equivalent posts. Contrary to expectations, the most vulnerable institutions are not necessarily those commonly thought of as “poor quality” universities. Russell Group institutions are evenly spread throughout the sectoral risk profile: Essex is more exposed than Oxford Brookes; Exeter is more at risk than Kingston; Kings College London, more than Southampton Solent; the LSE, more than Falmouth; Imperial, more than London Metropolitan – and so on.¹ Longer-term modelling suggests losses of £3bn to £19bn, with at least 13 universities at risk of outright bankruptcy.² To avoid serious and lasting damage to the UK's world-leading teaching and research base, a government bailout is urgently required to get universities through 2020/21, well beyond the relatively meagre measures already announced.

1 James Brackley, “[Institutions at risk due to Covid-19: a tool kit for members and negotiators](#)”, USS Briefs, 1 May 2020.

2 Elaine Drayton and Ben Waltmann, “[Will universities need a bailout to survive the COVID-19 crisis?](#)”, Institute for Fiscal Studies, 6 July 2020.

However, short-term support will not address fundamental shortcomings in UK HE which existed long before the pandemic. These flaws stem from the two major policy forces shaping British HE over recent decades:

1. **Massification:** the objective, pursued by governments of all political parties since the early 1990s, of achieving 50% participation in HE (recently met, then increased to 55%).
2. **Marketisation:** the creation, especially after 2011, of a competitive market in HE, where universities compete for student fee and research income.

Massification – or “widening participation” – was well intentioned, and has many progressive supporters keen to enhance the life prospects of disadvantaged young people. However, it is important to recognise that this policy has been offered as compensation for the absence of meaningful government policies to resolve social and economic disparities and address structural problems in the UK’s economic and regional development. Universities have been unable to deliver on these unrealistic expectations, while their core mission of fostering robust, high-quality education and research has been compromised. This core mission needs to be renewed while government takes back responsibility for addressing structural social and economic problems.

Likewise, the architects of marketisation were doubtless well-intentioned, hoping to give universities more resources and autonomy from state control while driving up educational quality through competition. However, in practice, marketisation has steadily degraded the quality of research and education, fostered corrosive consumerism that has undermined academic freedom and standards, and empowered a bureaucratic-managerial elite to pursue wasteful and harmful policies in pursuit of gaming external metrics.

Expectation 1: Widening participation will boost economic productivity and generate a rapidly-growing knowledge economy

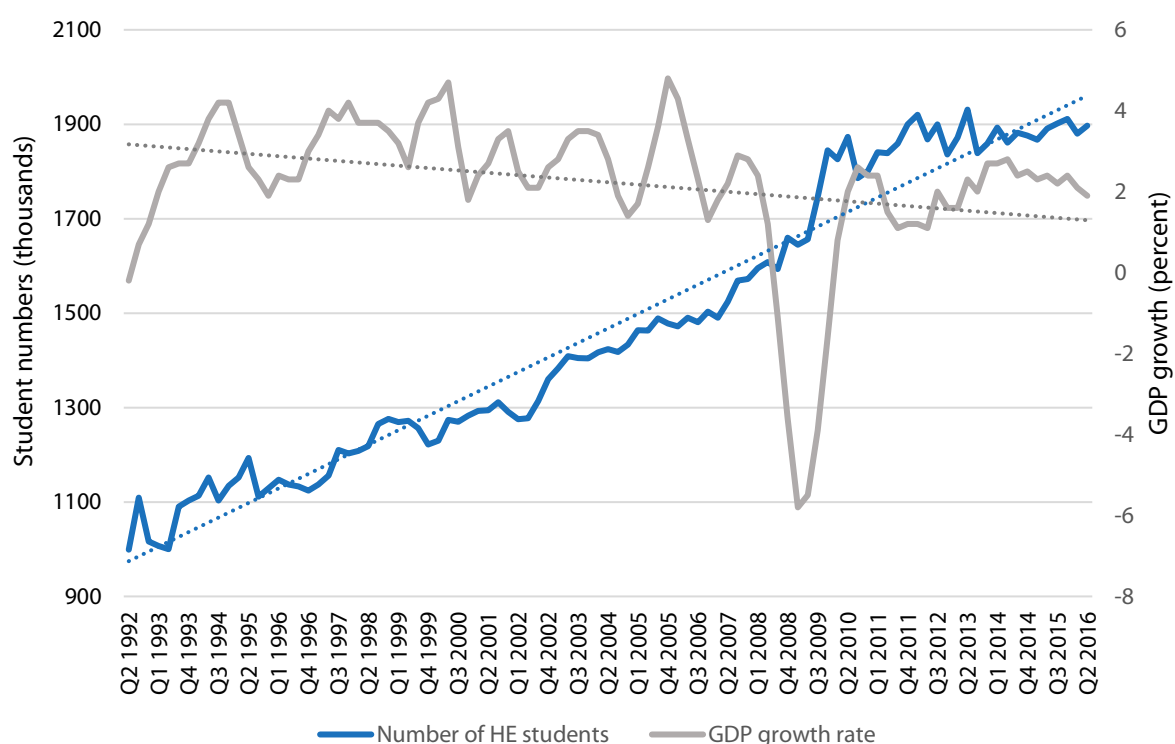
Reality: The over-expansion of HE has had no discernible impact on rates of economic or productivity growth.

Widening participation has noble roots in the 1963 Robbins report and, during the post-war decades of rapid economic growth, modest university expansion did indeed support substantive economic development and social mobility. However, since Britain’s transition to a post-industrial economy, universities have been expected to serve as a prime engine of economic transformation, with the hope that widening participation would generate a booming and lucrative “knowledge economy”. This vision was particularly promoted by the

New Labour government, whose policy guru Charles Leadbetter claimed we could all “live on thin air”.³

Two decades on, these expectations have clearly not been met. Certainly, in many locales, universities are now major employers and stimulate the consumption of goods and services through the debt-driven spending of students, including from overseas. However, HE expansion has not driven the economic transformations expected. While student numbers have grown rapidly, economic growth rates have trended towards zero (see Figure 1), while productivity growth has stagnated. Although the UK has the OECD’s ninth highest rate of degree-level education among 25-to-34-year-olds (51%), its GDP per hours worked (\$58.39) is just 15th, well behind several countries with lower graduate populations, e.g. Denmark (45%, \$73.44) and Germany (32%; \$66.45).⁴ The high-end “knowledge economy” has developed far more slowly than anticipated, with most employment growth occurring in low-value-added, low-paid service work – including, increasingly, among university graduates (see below). This contributes to social divisions, with many areas rightly feeling “left behind”.

Fig. 1: UK GDP Growth Rate vs HE Student Numbers



3 Charles Leadbetter, *Living On Thin Air: The New Economy* (London: Penguin, 2000).

4 OECD, *Education at a Glance 2019: OECD Indicators* (OECD Publishing: Paris, 2019), [Figure A1.2](#); OECD, “GDP per hour worked”, 2019.

Expectation 2: Widening participation will enhance social opportunity and mobility

Reality: Over-expansion of the sector has predominantly involved disadvantaged students attending weaker, over-burdened institutions, where they are more likely to incur heavy debts for little economic benefit.

Increasing access to HE once had genuinely progressive benefits. During the period of rapid economic development from the 1940s-1970s, universities (and grammar schools) facilitated the significant expansion of professional occupations, entailing strong social mobility. However, since the 1970s period, when growth is far weaker and structural economic transformation has been largely regressive, HE expansion can no longer serve the same purpose.

Despite extensive expenditure on widening participation/ “access” initiatives, HE attendance remains stubbornly correlated to socio-economic background. Since 2011, all Home/ EU student fees over £6,000 have been devoted to this purpose, totalling £949.9m in 2017/18 alone.⁵ However, while the participation of the least-privileged quintile of young people has risen from 18% in 2009/10 to 26.4% in 2017/18, it still lags far behind that of the most-privileged quintile, at 57.9% (up from 51.3%).⁶ Moreover, the chances of disadvantaged students attending *high-quality* universities remains exceedingly low (see Figure 2).

This means that “widening participation” has predominantly involved students from non-traditional backgrounds attending lower-quality universities. These institutions have the least resources and highest drop-out rates,⁷ while their graduates attract substantially lower salaries and have far worse chances of getting professional jobs (see Figure 3). Of course, the individual benefits of attending university can never be reduced to economic gain. Higher education should also be about personal, intellectual, cultural and social development, and the education of young people for active and engaged citizenship. However, increased fees – and the publicly-funded loan system – have been overwhelmingly justified on the grounds that HE participation increases incomes. The latest data suggest that 20 percent of graduates are now worse off for attending university.⁸ This

⁵ Office for Students, “[Access and participation plan data](#)”, no date.

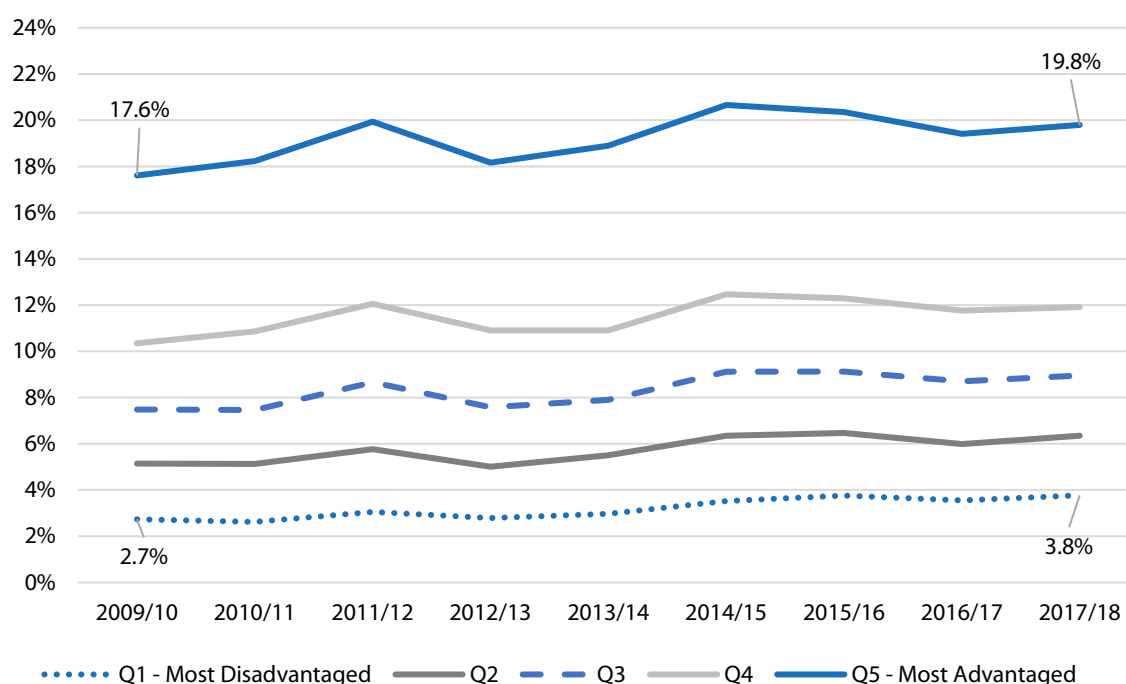
⁶ Department for Education, “[Widening participation in higher education: 2019](#)”, 17 December 2019, Table 10a.

⁷ Diane Reay, *Miseducation: Inequality, Education and the Working Classes* (Bristol: Policy Press, 2017), p. 118.

⁸ Jack Britton et al., “[Most students get a big pay-off from going to university – but some would be better off financially if they hadn’t done a degree](#)”, Institute for Fiscal Studies, 29 February 2020.

demonstrates that increased participation in HE cannot compensate for the impact of class-based attainment gaps in primary and secondary education.⁹ This outcome is particularly tragic given that non-university options for working-class advancement have been closed off through deindustrialisation and the defunding of technical, vocational and further education. This should be of serious concern to anyone who has supported widening participation on progressive grounds.

Figure 2: HE Participation in High-Tariff Institutions by POLAR Quintile¹⁰



More broadly, the notion that increasing the number of people with university qualifications would automatically lead to more high-quality graduate jobs is not supported by the evidence. Of those employed in 2017, 47% of recent graduates and 37.2% of all graduates were working in non-graduate roles.¹¹ This is despite the redefinition of many jobs as “graduate roles” as the supply of graduates has increased. A substantial number of

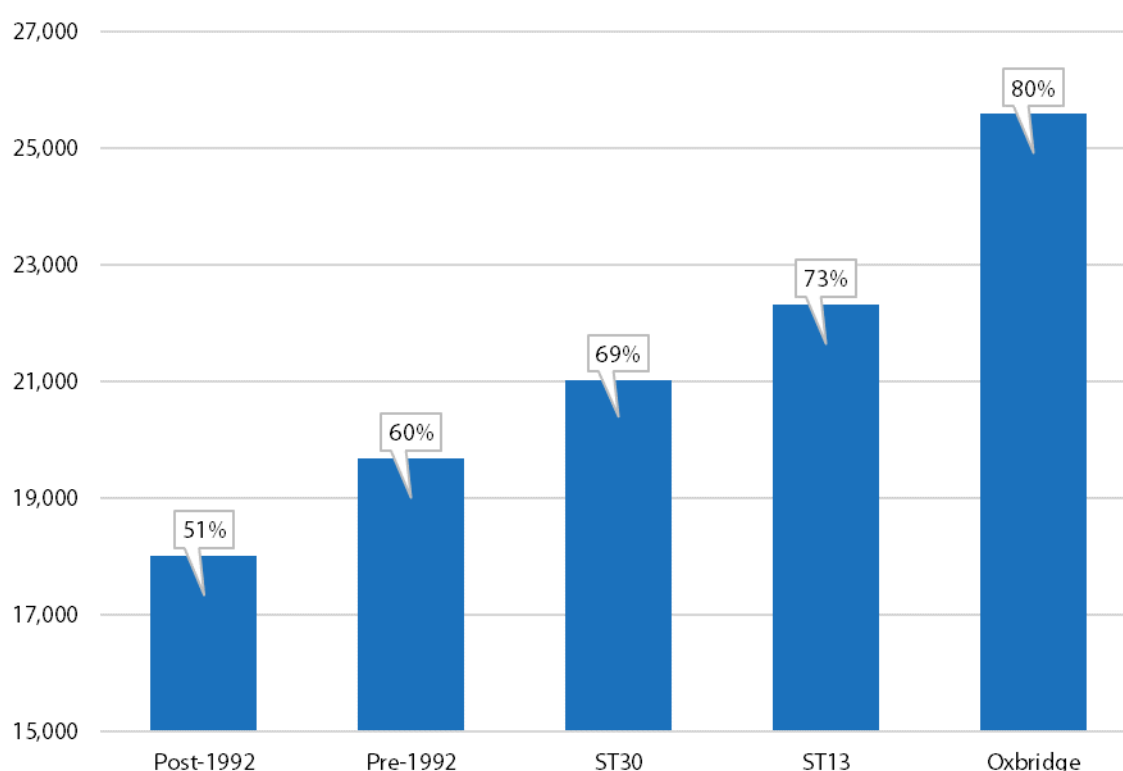
⁹ See Reay, *Miseducation*, esp. ch.2-3. In 2015, just a third of low-income students achieved the government’s GCSE pass target, versus over 60 percent of middle-class students (ibid, p. 43).

¹⁰ Source: ibid. HEFCE defines high-tariff institutions as those in the top third according to entry requirements.

¹¹ Office for National Statistics, “[Percentage of employed graduates in non-graduate roles, parts of the UK, 2015 to 2017](#)”, 26 April 2018.

graduates, even in STEM subjects, are in sub-professional roles in childcare (average 4.3%), clerical work (5.6%), and retail, catering or bar work (10.4%). The percentage of graduates in the latter category is unacceptably high in many subjects, including the hard sciences: 11.9% in Chemistry; 15.9% in Psychology; 16.9% in Design; 19.4% in Biology; 21.1% in Media Studies; and 24.2% in Fine Arts.¹²

Figure 3: Graduates' Mean Starting Salary and Probability of Securing a Professional Job, by University Type¹³



Moreover, as the supply of graduates has risen, the “graduate premium” has collapsed. In 2002, to justify massification and the beginnings of marketisation with the introduction of student fees, the New Labour government claimed that graduates earned an additional £400,000 on average over their lifetime compared to non-graduates. Government research

12 Laura Greaves, *What Do Graduates Do? 2018/19*, Association of Graduate Careers Advisory Services, October 2018. Survey data relate to graduates in employment after six months.

13 Robert De Vries, *Earning by Degrees: Differences in Career Outcomes of UK Graduates*, Sutton Trust, 1 December 2014, pp. 20, 24. ST30 and ST13 are the Sutton Trust’s groupings of elite universities, very roughly corresponding to the Russell Group and its top half.

in 2011 (before the tripling of fees) revised this downwards to £100,000. This revised average still concealed wide disparities relating to social class, sex, degree subject and university attended; for some subjects, there is a net economic cost. The median earnings of graduates from lower-income households, for example, are 25 percent lower than those from higher-income households,¹⁴ and even those who do gain professional employment earn on average 17 percent less than middle- and upper-class graduates.¹⁵ Even if we accept the £100,000 figure, this equates to only £2,222 per annum (pre-tax) over a 45-year career, and does not cover the repayment cost of £282,420 arising from an average student loan of £53,000 spread over 30 years.¹⁶

Expectation 3: Increasing student fees will save the government money

Reality: Government spending on HE has actually increased despite the tripling of fees in 2011.

The apparent saving that was supposed to accrue from increasing student tuition has been exposed as a fiscal accounting manoeuvre.¹⁷ Cutting teaching grants and increasing fees reduced *direct* government spending on HE, but increased *indirect* spending, since higher fees implied higher, publicly-funded student loans. However, these loans were recorded as an asset, not expenditure, thereby allowing the government to notionally reduce its fiscal deficit – the main priority of the then Conservative-Liberal Democrat government of the day. Yet in real terms, the government continued to subsidise HE by writing off that proportion of student loans not fully repaid at the end of their term. Estimates of this proportion have increased rapidly, from “around 30%” in 2013 to 47% in 2018. After national accounting practices were revised in 2018, and other policy changes are factored in, overall government spending on HE has risen continuously (see Figure 3). Although ministers regularly criticise “low-value courses”, it is this funding model that results in the state subsidising the education not of the most disadvantaged or deserving students, but rather of the least economically successful graduates.

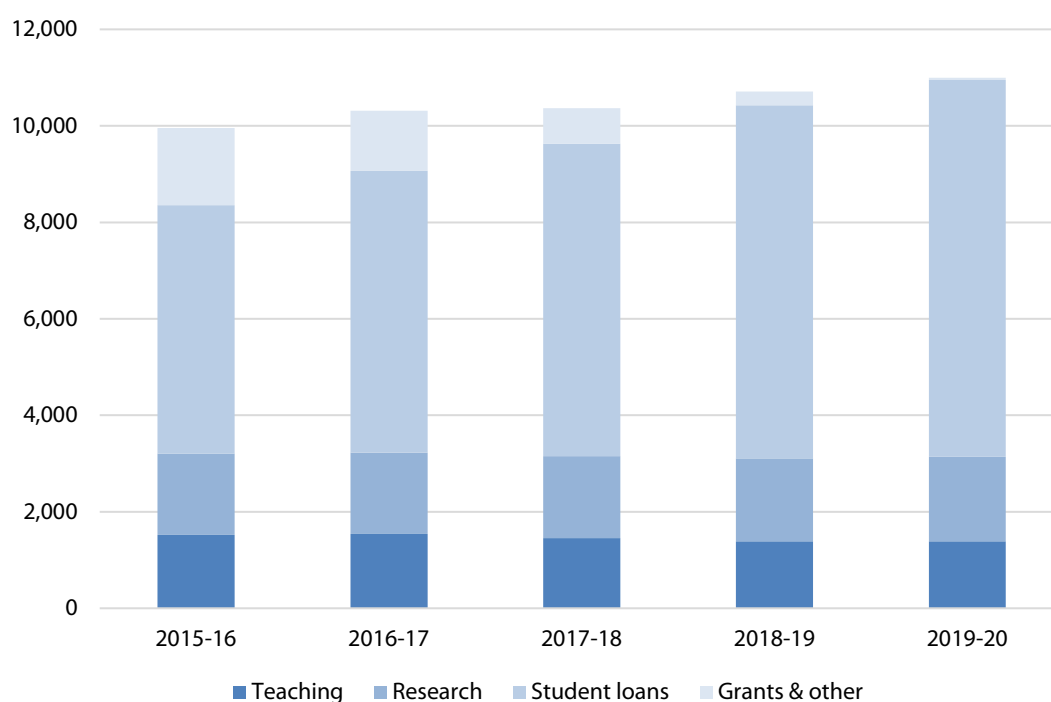
14 Jack Britton et al. *How English domiciled graduate earnings vary with gender, institution attended, subject and socio-economic background*, Institute for Fiscal Studies Working Paper W16/06, 13 April 2016.

15 Daniel Laurison and Sam Friedman, “The Class Pay Gap in High Professional and Managerial Occupations”, *American Sociological Review* 81(4) (2016): 668-95.

16 Stephen Hemp-King, *The Graduate Premium: Manna, Myth or Plain Mis-selling?* (Intergenerational Research Foundation: London, 2016).

17 For full details, see Bolton, *Higher Education Funding in England*, pp. 13-19.

Fig. 4: UK Government Spending on HE (£m)¹⁸



Expectation 4: Higher fees will incentivise students to pursue STEM subjects required by the economy, which will lead to higher post-graduate incomes

Reality: Growth has been far higher in other subjects (see Table 1).

Table 1: Selected UK Undergraduate Enrolments, Home and Overseas¹⁹

Subject Area	% Increase from 1994/5 – 2018/19	Difference from general increase	Median starting salary (2016/17)
Overall enrolment	47.8	-	£22,000

18 Source: Bolton, *Higher Education Funding in England*, p. 18. The authors thank Paul Bolton for supplying the underlying data.

19 Sources: Higher Education Statistics Agency (HESA), “[What students study](#)”, 2020; “[Students in Higher Education Institutions 1994/95](#)”, 1996; “[Higher Education Leavers Statistics: UK, 2016/17 - Salary and location of leavers in employment](#)”, 28 June 2018.

Medicine & Dentistry	78.9	+31	£31,000
Engineering & Technology	17.3	-30.6	£26,500
Physical Sciences	34.1	-13.8	£22,000
Social Studies	112.6	+64.8	£22,000
Languages	10.1	-37.8	£19,500
Mass Communications	246.9	+199	£18,000
Creative Arts & Design	152.5	+104.7	£18,000

This outcome is clearly contrary to ministers' intentions, yet has nonetheless been driven by government policy in two ways. First, marketisation has empowered students as consumers: it is for 18-year-olds to decide what to study and thus, by extension, which courses are provided, the size of university departments and the corresponding research base. Ministers expected that 18-year-olds would respond "rationally" to market incentives, pursuing courses that lead to higher postgraduate pay. In reality, most students are either neither sufficiently qualified nor motivated to study these subjects. Successive governments have tried to change "consumer" behaviour by publishing increasing amounts of information on postgraduate salaries – "Key Information Sets", "graduate destinations" league tables, metrics in the Teaching Excellence Framework, etc. – as if the problem is one of imperfect information in a marketplace. Yet more information has not, and will not, solve the fundamental problem, which is that course provision is determined by the desires of 18-year-old consumers, rather than academic experts or elected governments able to take a wider view of social and economic requirements.

Second, marketisation has also driven universities to expand the provision of popular, low-cost subjects in order to cross-subsidise less-popular and/ or higher-cost subjects. According to Universities UK, the annual cost per student of providing degree-level teaching varies from £7,500 in humanities and social sciences (HSS) to £22,000 in veterinary science.²⁰ Steep cuts in government teaching grants, combined with the £9,250 cap on Home/ EU fees, make it impossible to fund many STEM subjects from student fees on these courses. Universities are therefore compelled to expand provision of HSS subjects, not simply because, as the Augur Review claimed, they can make a "higher margin", but because they must generate surpluses in one part of their institution to offset deficits elsewhere. This is often necessary simply to maintain the universal subject coverage that is intrinsic to universities, properly understood. Many academics, for example, believe that a

20 Cited in *Independent Panel Report to the Review of Post-18 Education and Funding*, May 2019, p. 71.

true university should teach and research a range of foreign languages, even if 18-year-olds do not necessarily wish to study them in sufficient numbers to sustain them. In other cases, it is necessary to sustain the very STEM subjects that ministers themselves wish to see expand.

Expectation 5: Competition among universities will drive up educational quality

Reality: Competition has steadily undermined the integrity of British universities and the quality of higher education.

Marketisation deliberately shifted the balance of power between universities and students. Whereas students once competed to get into university, now universities compete to recruit, retain, and “satisfy” student-consumers. Ministers expected that that empowering students as consumers would spur universities to increase educational quality in order to attract “customers”. However, this assumed that 18-year-olds are exclusively or primarily motivated by a desire for a rigorous and challenging education – even at the cost of failure. In reality, many are not so motivated, and accordingly universities’ compulsion to increase student numbers has reoriented universities around catering to far less laudable motives.

This is reflected in headline resource allocations, which show funding shifting away from teaching and research towards other activities designed to make universities attractive to prospective students and their families. University spending on marketing rose from £14m in 1995 to £31.9m by 2011/12,²¹ the then-equivalent of 3,544 students’ fees. A 2019 Freedom of Information request revealed record marketing spending, with former polytechnics the worst offenders: £3.4m at UCLAN, £3m at UWE, £2.6m at Middlesex, £1.9m at Gloucestershire, and £1.3m at UEL. Anglia Ruskin employs 120 full-time equivalent marketing staff while Warwick employs 106.²² Unsurprisingly, students are now successfully suing universities for false advertising,²³ while the Advertising Standards Authority, the Competition and Markets Authority and the National Audit Office have all warned universities over “mis-selling”.²⁴ Lawsuits seem likely in 2020/21 as many universities

21 Fran Abrams, “Universities spend £14m on advertising for new students”, *The Independent*, 7 September 1995; David Matthews, “University student marketing spend up 22%”, *Times Higher Education*, 7 February 2013.

22 Sam Hall and Sally Weale, “Universities spending millions on marketing to attract students”, *The Guardian*, 2 April 2019.

23 Mattha Busby, “Graduate receives £61,000 over ‘Mickey Mouse degree’ claim”, *The Guardian*, 2 June 2019.

24 Sean Coughlan, “Six universities told to change advertising claims”, BBC News, 15 November 2017; Hannah Richardson, “Universities could be accused of ‘mis-selling courses’”, BBC News, 8 December 2017.

pretend to be offering more in-person teaching than planned, in order to avoid financial ruin.

Even larger sums are spent on glossy new buildings – from residences to sports venues – designed to impress attendees at open days. Universities' capital spending has quintupled from £1.04bn in 1995/6 to £5.25bn in 2018/19, with spending on residences and catering alone doubling from £248m to £492.4m.²⁵ This has often been debt-facilitated, requiring the generation of persistent surpluses to repay – another reason behind the fee/ cost gap that was overlooked by the Augur Review. Simultaneously, the proportion of income devoted to employing staff, including those who teach and support students, has declined sharply, from 70% in 1976/77 to 54% in 2017/18.²⁶ The staff-student ratio has also declined: from 1995/6 to 2018/19, student numbers rose by 34% yet staff numbers increase only 29%, despite rising numbers of students from non-traditional backgrounds requiring far greater support to succeed.²⁷

The headline figures on staffing conceal an even more troubling shift to the use of part-time tutors in order to cut costs and maximise surpluses. The number of part-time academic staff has risen 483% from 1995/6 to 2018/19.²⁸ 53% of academic staff are now on such contracts, greatly exceeding the (legitimate) practice of PhD students teaching as part of their training.²⁹ This precariat of part-time academic staff are routinely paid for far fewer hours than is actually required to prepare and deliver teaching, mark work and support students, requiring them to either cut corners or do extra, unpaid work. These tutors are not paid to conduct research or even keep up with emerging scholarship, making it impossible for them to engage in research-led teaching or simply teach the most up-to-date materials. They also struggle to develop curricular expertise as they are frequently forced to teach new subject areas every year or even every term, as their contracts expire. The quality of the education these staff are able to provide naturally suffers, along with the prospects, mental health and quality of life of casualised tutors.³⁰

Over-expansion and marketisation has also driven the dumbing-down of courses, notwithstanding universities' frequent protestations to the contrary. Given the

25 HESA, "[HE Finance Plus 1995/96](#)", 1996; HESA, "[Other financial statements](#)", 2019.

26 Rebecca Smithers, "[More universities 'are falling into the red'](#)", *The Guardian*, 16 May 2001; HESA, "[What is the expenditure of HE providers?](#)", 2019.

27 HESA, "[Higher Education Statistics for the UK 1995/96](#)"; "[Resources of Higher Education 1995/96](#)"; "[Who's working in HE?](#)"; "[Who's studying in HE?](#)".

28 HESA, "[Higher Education Statistics for the UK 1995/96](#)"; "[Resources of Higher Education 1995/96](#)"; "[Who's working in HE?](#)"

29 Aditya Chakraborty and Sally Weale, "[Universities accused of 'importing Sports Direct model' for lecturers' pay](#)", *The Guardian*, 16 November 2016.

30 UCU, "[Counting the Costs of Casualisation in Higher Education](#)", June 2019.

shortcomings of secondary education, massification entails that increasing numbers of students enter universities ill-prepared for higher education. As early as 2003, over two-thirds of academics stated that students were less well prepared than in the past, while 58 percent said courses were being dumbed down as a result.³¹ By 2004, half of British universities were having to provide remedial instruction in Maths and English.³² A 2009 review for the Higher Education Funding Council for England (HEFCE) found that Modern Languages degrees were increasingly aimed at students with no prior language training, due to students' lack of preparation.³³ In 2011, the Royal Society's Advisory Council on Mathematics Education also found that university Maths departments had been forced to dumb-down their degrees to fill places and cope with students' lack of preparation.³⁴

Rampant grade inflation provides the clearest evidence that marketisation is degrading standards (see Figure 4). Ministers frequently (and rightly) criticise grade inflation, but appear not to recognise that it is fuelled by government policy. Where universities are forced to compete to attract students, they must prioritise pleasing student-consumers over maintaining academic standards. While some 18-year-olds may desire rigour, even at the cost of failure, at least as many are not so motivated. Many feel forced to attend university because massification has made a Bachelor's degree essential to secure most decent jobs. In exchange for incurring sizeable debts, they may demand a good degree for modest or even minimal effort. Others struggle to devote time to their studies given a need to work part-time. Whatever the cause, surveys consistently show that students devote less and less time to their studies year-on-year,³⁵ even as their grades soar.

To attract and retain students in a competitive marketplace, universities have clearly lowered their standards. Academics have come under mounting pressure to mark less

31 "Dumbing down rife, poll reveals", *Times Higher Education*, 23 May 2003.

32 Julie Henry, "Half of all universities have to teach remedial maths and English", *The Telegraph*, 18 July 2004.

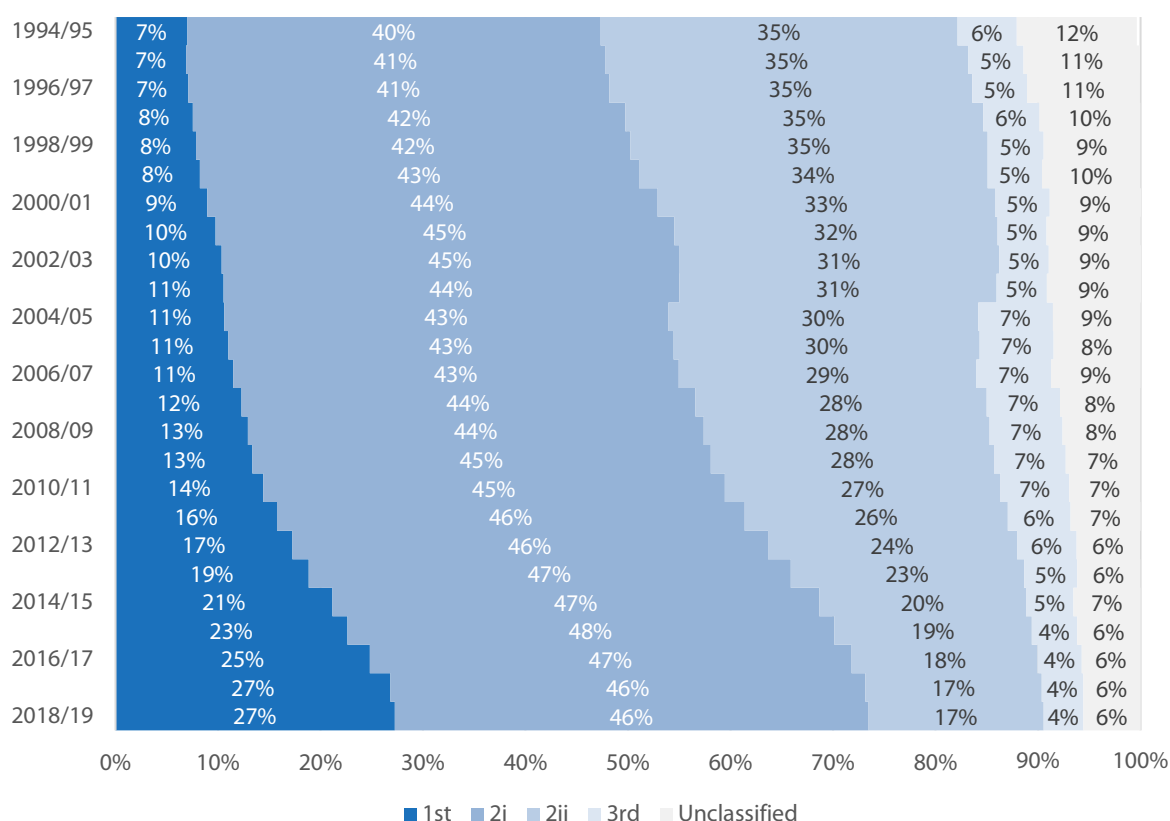
33 Michael Worton, *Review of Modern Foreign Languages provision in higher education in England*, HEFCE Issues Paper 2009/41, October 2009.

34 Advisory Committee on Mathematics, *Mathematical Needs: Mathematics in the Workplace and in Higher Education*, June 2011, pp. 9-15.

Hannah Richardson, "Universities 'dumbing down on maths' to fill places", BBC News, 14 June 2011.

35 See Jonathan Neves and Nick Hillman, *Student Academic Experience Survey 2019* (London: Higher Education Policy Institute, 2019), p. 32.

Figure 5: Undergraduate Degree Classifications³⁶



rigorously; departments have softened their marking criteria; and universities have changed the way in which they classify degrees to inflate the number of “good honours”. From 2010-15 alone, 40 percent of quality officers admitted to the Higher Education Academy that they had changed classification algorithms to “ensure that [they did] not disadvantage students in comparison with those in similar institutions”.³⁷ A key driver of this race to the bottom is that many university league tables use a “value added” score which measures the gap between students’ entry and exit qualifications as a crude proxy of teaching quality; it is easy to increase a university’s score by inflating its exit awards. Failure to do so makes one’s institution seem less attractive, endangering student recruitment and thereby the university’s financial sustainability. Degrading academic standards is thus an intrinsic feature of HE marketisation.

Even academic misconduct is increasingly tolerated in order to avoid alienating student-consumers. Cheating – plagiarism, the use of “essay mills”, and so on – is increasing rapidly,

³⁶ Source: Higher Education Statistics Agency data, various years.

³⁷ Higher Education Academy, *A Review of External Examining Arrangements Across the UK: Report to the UK Higher Education Funding Bodies by the Higher Education Academy*, HEFCE, June 2015, p. 7.

with over 50,000 incidents detected at UK universities from 2014/15 to 2016/17.³⁸ The incidence at Russell Group universities increased by 40% over 2013-16.³⁹ However, over the same period, only 362 students were expelled for academic misconduct, i.e. 0.7% of cases.⁴⁰ This is because university managers prioritise maintaining student fee income over maintaining academic standards, while risk-averse administrators fear student appeals to the Office for Independent Adjudication. This emblematises the detrimental power shift caused by marketisation.

Universities' increasing financial reliance on overseas student fees compounds all of the above issues, while introducing additional pathologies. The dependence on Chinese students is particularly acute: their number have grown from 89,450 in 2014/15 to 120,385 in 2019/20, providing 5% of the sector's revenue, and over 10% in some institutions.⁴¹ Despite comprising just 12% of the student body, international students comprised 35% of academic misconduct cases from 2013-16.⁴² At Queen Mary University of London, for example, 75% of postgraduates found guilty of academic misconduct came from China.⁴³ This is arguably linked to Chinese students' lack of preparation for academic study in the UK context, including often inadequate English language skills.⁴⁴ There are also mounting claims of Chinese government meddling in British universities as Chinese student numbers increase, including seizures of academic papers and successful pressure on managers to cancel speaking events and suppress critical commentary on China.⁴⁵ Beijing's ability to bully British universities stems from the UK's failure to adequately fund its public universities and its positioning of HE as a services export, which drives universities to seek overseas income wherever it can be found. The LSE's embrace of Libya's Gaddafi regime exemplified this problem in an extreme manner.

38 Alexi Mostrous and Billy Kenber, "[Universities face student cheating crisis](#)", *The Times*, 2 January 2016.

39 Sarah Marsh, "[Cheating at UK's top universities soars by 40%](#)", *The Guardian*, 29 April 2018.

40 Mostrous and Kenber, "[Universities face student cheating crisis](#)".

41 Eleanor Busby, "[UK universities increasingly reliant on income from Chinese students, analysis shows](#)", *The Independent*, 23 January 2020.

42 Mostrous and Kenber, "[Universities face student cheating crisis](#)".

43 Ibid.

44 E.g. Jan Bamford and Katerina Sergiou "International students and plagiarism: an analysis of the reasons for plagiarism among international foundation students", *Investigations in University Teaching and Learning* 2(2) (2005): 17-22; Viv Edwards and An Ran, "Building on Experience: Meeting the Needs of Chinese Students in British Higher Education", in Tricia Coverdale-Jones and Paul Rastall (eds.) *Internationalising the University: The Chinese Context* (Basingstoke: Palgrave Macmillan, 2008), pp. 185-205.

45 House of Commons Foreign Affairs Committee, [A Cautious Embrace: Defending Democracy in an Age of Autocracies](#), 4 November 2019, section 2.

Expectation 6: Competition and light-touch regulation will drive up efficiency

Reality: Far from liberating universities, marketisation has created intense, wasteful bureaucracy and managerialism which are detrimental to teaching and research.

Marketisation is commonly associated with “de-regulation” and reduced bureaucracy when compared to state control. In practice, regulation is always required to create and sustain markets.⁴⁶ This is perhaps especially true with respect to highly artificial markets for “products” that are not easily commodified, such as education. The degree of bureaucratisation caused by the marketisation of HE is masked by the apparently small size of the sector’s “light touch”, “risk based” regulatory bodies. This overlooks the *internal* bureaucracy developed within every university to respond to – and typically game – external regulation, audit and metrics.⁴⁷ For example, according to the HEFCE, the 2014 Research Excellence Framework (REF) cost itself £14m, but universities £232m, four times higher than the 2008 Research Assessment Exercise.⁴⁸ Independent estimates suggested that REF 2014 actually cost universities closer to £1bn, given the vast amount of academic staff time consumed in annual “dry runs” designed to maximise universities’ scores.⁴⁹ This is now duplicated with respect to the Teaching Excellence Framework (TEF) and the same will certainly follow with the planned Knowledge Exchange Framework (KEF).

Thanks to this administrative bloat, the sector’s non-academic staff outnumber academics, 222,885 to 217,065.⁵⁰ Although some non-academic personnel perform vital roles supporting students and scholars – cleaners, librarians, finance officers, IT technicians, etc – many exist only to game league tables and create paperwork for others. This results in a profound misallocation of resources. From 1995/6 to 2018/19, universities’ total expenditure tripled (+318%), but spending on academic departments only doubled (+211%), while that on administration and central services quadrupled (+405%), from £1.28bn to £6.4bn.⁵¹

This administrative bloat is capped by the massive expansion of a highly-paid yet often destructive cadre of middle and senior managers: vice-principals, deputy vice-chancellors,

46 Ray Kiely, *The Neoliberal Paradox* (Cheltenham: Edward Elgar, 2010).

47 See, e.g. Gloria Agyemang and Jane Broadbent, “Management control systems and research management in universities: An empirical and conceptual exploration”, *Accounting, Auditing and Accountability* 28(7) (2015): 1018-46.

48 Holly Else, “REF 2014 cost almost £250 million”, *Times Higher Education*, 13 July 2015.

49 Paul Jump, “Academic estimates ‘real’ cost of REF exceeds £1bn”, *Times Higher Education*, 12 February 2015.

50 HESA, “Who’s working in HE?”.

51 HESA, “HE Finance Plus 1995/96”; “What is the expenditure of HE providers?”.

deputy pro-vice-chancellors, assistant deputy pro-vice-chancellors, deans, associate deans, deputy deans, and so on. These academics, who have mostly withdrawn from their core functions of teaching and research, are exceedingly costly. They comprise most of the 4,423 university staff paid over £100,000 as of 2017/18 (up 12% on 2016/17, to give a sense of the rate of growth).⁵² More importantly, each of these individuals generate additional initiatives, procedures, strategies, audits and metrics, which waste even more resources by necessitating the employment of even more bureaucrats and distracting academics from teaching and research.

The contentious issue of vice-chancellors' (VCs) pay is merely the most easily measured aspect of this problem. From 1994–2016, while overall inflation was 87%, VCs' pay increased by nearly 300%.⁵³ VCs, many of whom sit on their own remuneration committees, are now paid an average of £253,000 per annum, rising to £356,450 in the Russell Group, with five earning over £500,000.⁵⁴ VC pay has continued to rise above inflation while university staff pay has been suppressed, resulting in real-terms pay cuts of 17% since 2009.⁵⁵

Again, this is despite regular government and media criticism, demonstrating that it is a structural feature of marketisation. Senior managers justify their salaries on the grounds that they run multimillion-pound competitive businesses, and so deserve pay commensurate to private-sector executives. This argument is accepted by university Councils, who hire VCs and set their pay, because they are now numerically dominated by private-sector representatives. By contrast, university staff, who understand their institutions much better and endure the consequences of management decisions, express an average satisfaction score with their managers of just 10.5%.⁵⁶ There is certainly no obvious connection between remuneration and performance. One statistical analysis finds "sizeable increases in real pay in recent years that cannot be readily explained",⁵⁷ while another finds that the only performance metric that correlates strongly to pay is a

52 Camilla Turner, "[University rich list revealed as figures show over 4,000 staff are paid more than £100,000 a year](#)", *The Telegraph*, 3 October 2019.

53 David Craig and Hugh Openshaw, *The Great University Con: How We Broke Our Universities and Betrayed a Generation* (Bournemouth: Original Book Co, 2018), p. 147.

54 Jamie Johnson, "[Average university vice chancellor now earns more than £250k for first time, as majority given pay rises in last year despite criticism](#)", *The Telegraph*, 12 February 2019.

55 Andrew Eyles, "[Real Wage Changes on the JNCHES Pay Spine \(Updated for August 2019 Inflation Release\)](#)", University and Colleges Employers' Association, 10 October 2019, p. 5.

56 Mark Erickson, Paul Hanna and Carl Walker, "The UK Higher Education Senior Management Survey: A Statactivist Response to Managerialist Governance", *Studies in Higher Education*, early online (2020).

57 Ray Bachan and Barry Reilly, "Is UK Vice Chancellor Pay Justified by University Performance?", *Fiscal Studies* 36(1) (2015): 51-73, p. 51; see also James Walker, Peder Greve, Geoff Wood and Peter Miskell, "Because you're worth it? Determinants of Vice Chancellor pay in the UK", *Industrial Relations* 50(5-6) (2019): 450-467.

university's media ranking.⁵⁸ University management has clearly been captured by a layer of functionaries who are not competitive in the private sector, are often regarded as incompetent by those they purport to lead, and are extracting considerable amounts of unmerited resources from their institutions.

HE marketisation has made it increasingly difficult to hold senior managers accountable, resulting in mounting mismanagement. Historically, VCs, deans, departmental heads and others were elected from the academic ranks and returned to them after a fixed term of office. As they were forced to endure the consequences of their decisions, this induced prudence, restraint, and a sense of long-term public-service mission. However, with marketisation, power has shifted away from representative bodies towards University Councils dominated by unelected members from the private sector. This has been justified on the grounds that, given marketisation, universities must be "business-like". Moreover, a market in senior managers has emerged, allowing personnel to move more frequently across institutions for personal gain. Their professional and salary incentives now actively encourage policy churn and innovation. They implement eye-catching policies that bolster their CVs in the short term, allowing them to secure more attractive positions elsewhere, thereby evading the long-term consequences of their decisions.

These policies may involve radical and disruptive curricular changes or the unsustainable or even unethical pursuit of expansion and income growth. The quest to maximise student numbers and fee income, and to climb league tables, driving much of the decline in university standards discussed above, is a routine example of this. Another is the pursuit of high-profile capital projects, including the growth of overseas campuses, often in partnership with dubious regimes. 39 UK universities now operate over 45 overseas campuses, mostly in "emerging markets" ruled by authoritarian governments, such as China, Malaysia, Dubai and Qatar. For example, while planning 220 redundancies at home, the VC of Liverpool University – Universities UK president Dame Janet Beer – sought to establish an overseas venture in Egypt, courting a military dictatorship which was suspected of having murdered Cambridge doctoral researcher Giulio Regeni during his fieldwork research in 2016.⁵⁹ UCLAN was rebuked by the UN Secretary-General for establishing an overseas campus in the buffer zone between Turkish and Greek Cyprus, and criticised by Amnesty International for planning to expand into Sri Lanka despite allegations that its government had committed war crimes.⁶⁰ Maintaining academic freedom is impossible on campuses based in places like China, meaning that scholars employed by British universities are being silenced by a one-party dictatorship. Nor can the employment conditions or

58 Jill Johnes and Swati Virmani, "Chief Executive Pay in UK Higher Education: The Role of University Performance", *Annals of Operations Research* 288 (2020): 547-576.

59 Ben Quinn, "[British universities criticised over pursuit of Egyptian links](#)", *The Guardian*, 22 August 2018.

60 Ellie Bothwell, "[Are branch campuses withering?](#)", *Times Higher Education*, 20 June 2019.

human rights of British university workers be maintained. The University of Birmingham, for example, opened a campus in Dubai, where LGBT people can be imprisoned, flogged or even executed, then advised LGBT staff to hide their sexuality when working there.⁶¹ Moreover, these poorly-conceived speculative ventures frequently result in commercial disaster: UCLAN's Thailand campus collapsed in 2013, costing £3.2m; Reading's Malaysia campus made a loss of £27m in 2018; Aberystwyth's Mauritius campus closed after just two years, as facilities designed to attract 2,000 students recruited just 106.⁶²

UK HE's is thus characterised not by free markets but rather by market Stalinism: a perverse combination of densely regulated market competition externally, and bloated, frequently authoritarian bureaucracy internally. The UK system was compared (unironically) to the Soviet Union as early as 2008.⁶³ Lecturers – and consequently the students they teach – are suffering the consequences. An average academic works 51 hours per week;⁶⁴ 61% reporting bullying;⁶⁵ and staff referrals to psychiatric and occupational health services have risen by 77% and 64% respectively from 2009-15.⁶⁶ 43% of university staff exhibit symptoms of at least a mild mental disorder,⁶⁷ twice the rate of the general population, and rates of stress are higher than for police or medical personnel.⁶⁸ Unsurprisingly, 40% of academics are actively considering leaving the profession.⁶⁹ Well before the COVID-19 pandemic, the profession was being driven to the brink of collapse.

Expectation 7: Widening participation to marketised HE will encourage free-thinking and high-quality research

61 Eleanor Busby, "[University criticised for suggesting staff hide their sexuality when travelling to Dubai campus](#)", *The Independent*, 3 December 2019.

62 Bothwell, "[Are branch campuses withering?](#)".

63 Hugo Radice, "Life after death? The Soviet system in British higher education", *International Journal of Management Concepts and Philosophy* 3(2) (2008), pp. 99-120.

64 University and College Union, *Workload is an Education Issue: UCU Workload Survey Report 2016*, June 2016, p. 4.

65 Wellcome Trust, *What Researchers Think About the Culture They Work In*, 15 January 2020.

66 Liz Morrish, *Pressure Vessels: The epidemic of poor mental health among higher education staff*, Higher Education Policy Institute Occasional Paper 20, 23 May 2019.

67 Paul F. Gorczynski, Denise Hill and Shanaya Rathod, "Examining the Construct Validity of the Transtheoretical Model to Structure Workplace Physical Activity Interventions to Improve Mental Health in Academic Staff", *EMS Community Medicine Journal*, 27 December 2017, p. 2.

68 "[Half of UK academics 'suffer stress-linked mental health problems'](#)", *Times Higher Education*, 7 July 2018.

69 Anna Fazackerley, "[It's cut-throat: half of UK academics stressed and 40% thinking of leaving](#)", *The Guardian*, 21 May 2019.

Reality: British universities are becoming increasingly conformist places, where debate is constrained and the quality of research is decreasing.

The link between growing conformism and suppression of free speech on university campuses, on the one hand, and marketisation of HE, on the other, is not immediately apparent. The issue is often perceived through a “culture wars” prism in which the pro-market right supports free speech and a “marketplace of ideas”, while the anti-market left does not. In reality, the situation is far more complex. Marketisation has eroded academic freedom by expanding regulation and bureaucracy, and by relatedly pandering to student-consumers.

Mechanisms designed to force universities to compete with one another directly curtail academic freedom. For example, universities must compete for “quality-related” research funding via the REF, the negative and distorting impact of which has been extensively documented.⁷⁰ The gaming of the REF (which has not been curtailed by the Stern Review) directs resources away from research, while the REF itself, by incentivising the production of narrowly defined “outputs”, encourages the fragmented and premature production of knowledge. In the Arts and Humanities, it incentivises short articles while discouraging the long-term research and investment required to produce monographs. In the sciences, the pressure to generate “outputs” has generated a “reproducibility crisis” – where scientists cannot replicate published results, potentially implying academic fraud – and a mounting number of retractions of published articles.⁷¹ A survey of over 4,000 researchers found that only 14% agree that current metrics had a positive impact on research culture, while 43% stated that their university placed more value on metrics than on research quality.⁷²

Marketisation also fosters a pandering to student-consumers that generates restrictions on free speech and enquiry. “Student satisfaction” – as measured in the annual National Student Survey, used heavily in many league tables and a key driver of student recruitment and fee income – has become managers’ overriding priority. This entails excessive deference to the “student voice”, which in practice often means a small but vocal minority. The number of students agitating for “trigger warnings”, the banning of controversial

70 E.g. Susan Wright, “[Measurements and Distortions: A Review of the British System of Research Assessment](#)”, Working Papers on University Reform, June 2008; David Bridges, “Research Quality Assessment: Intended and Unintended Consequences”, *Power and Education* 3(1) (2011): 31-38; Ian McNay, “Does Research Quality Assessment Increase Output and Give Value for Money?”, *Public Money & Management* 35(1) (2015): 67-68; Derek Sayer, *Rank Hypocrisies: The Insult of the REF* (London: SAGE, 2015); John P. O’Regan and John Gray, “The Bureaucratic Distortion of Academic Work: A Transdisciplinary Analysis of the UK Research Excellence Framework in the Age of Neoliberalism”, *Language and Intercultural Communication* 18(5) (2019): 533-48

71 For a brief introduction to the problem, see Monya Baker, “[1,500 scientists lift the lid on reproducibility](#)”, *Nature*, 25 May 2016.

72 Wellcome Trust, [What Researchers Think](#).

speakers, or the “decolonisation” of university curricula, is typically very small. However, their demands are too frequently accepted by fearful managers, and amplified (or even inspired) by the minority of academics who share their illiberal agenda. The campaign to “decolonise the curriculum” is justified by a fundamentally consumerist demand that students should study and be taught by people who look like them.⁷³ Demands for “trigger warnings” and the banning of speakers also reflect a consumerist logic that paying customers should not be exposed to people and ideas they find “problematic”. Universities and academics have been unable to push back forcefully against these campaigns because their authority has been fatally undermined by the power shifts created by marketisation. Instead, managers have increasingly created speech codes that violate universities’ statutory duty to uphold free speech for students and staff. As of 2018, 54% of universities actively censored speech or expression, 40% chilled speech through unnecessary regulation, and just 6% placed no significant restrictions on freedom of speech.⁷⁴

The result is a vicious cycle: in an increasingly censorious climate in which academics struggle to defend the value of free speech and inquiry, illiberal values spread among students, demanding more calls for censorship. A 2016 survey found that 48% of students endorsed safe spaces, 67% supported trigger warnings, and support for free speech plummeted when opposed to the dignity of minorities. Only 55% opposed the notion that academics teaching material that “heavily offends some students” should be fired.⁷⁵ Students whose views do not fit into the liberal mainstream often feel unable to speak freely. For example, while 89% of Remain-supporting students felt able to express their views in class after the EU referendum, only 39% of Leavers felt the same.⁷⁶ Leave-supporting scholars have also been cowed as universities succumbed to pro-Remain group-think and VCs politicised universities, curtailing academic freedom.⁷⁷ This is not limited to Brexit: a quarter of British academics report being bullied by colleagues over their scholarly views.⁷⁸ In extreme cases, academics have been fired for pursuing controversial research.⁷⁹

Finally, these problems are compounded by a specific form of government regulation: the “Prevent” duty. It is symptomatic of the “culture wars” that, while the left (and university managers) typically deny the existence of the trends just described, so the right is reluctant

73 Lee Jones, “[Decolonising the University, or Reviving Racialism?](#)”, *The Current Moment*, 30 March 2017.

74 Spiked, [Free Speech University Rankings 2018](#), February 2019.

75 Nick Hillman, [Keeping Schtum? What Students Think of Free Speech](#), Higher Education Policy Institute, 2016.

76 Thomas Simpson and Eric Kaufmann, [Academic Freedom in the UK](#), Policy Exchange, 2019, p. 14.

77 See M.L.R. Smith and Niall McCrae, “[Some Questions that Universities Should Ask Themselves after Brexit \(But Probably Won’t\)](#)”, *The Full Brexit*, 6 February 2020.

78 Jack Grove, “[Quarter of UK academics ‘bullied over scholarly views’](#)”, *Times Higher Education*, 25 May 2017.

79 For example, Dr Noah Carl is currently suing St Edmund’s College, Cambridge, for wrongful dismissal after a successful public campaign by academics led him to be fired over his research into race and intelligence.

to recognise Prevent's negative impact on freedom of expression. Prevent requires universities to police who academics and students can invite to speak on campus, for fear that controversial speakers might "radicalise" students. It is clearly a mirror-image of the left-wing demand to de-platform speakers who might "harm" students. Like other government regulations, it has spawned compliance bureaucracies within universities, which are frequently risk-averse and highly intrusive, while undermining trust between students and staff.⁸⁰ Not unreasonably, the existence of Prevent is continually cited by the campus left to show that the government is not genuinely committed to the principle of free speech, and that its criticisms of no-platforming and other practices are simply partisan attacks. Making any headway on free expression on campus will be extremely difficult while Prevent exists in its current form.

Expectation 8: Increasing fees will put the sector on a sustainable, stable footing

Reality: Fees and marketisation have profoundly destabilised university finances.

In 2018/19, long before COVID-19, a full quarter of UK universities were in deficit.⁸¹ The financial crisis caused by COVID-19 only reflects the way in which public universities have been exposed to market forces, leaving them fundamentally vulnerable to "market shocks".

Arguably the most destructive aspect of marketisation has been the lifting of the cap on the number of students each university could recruit. This was intended to spur competition for students between universities, in the belief that this would drive up standards and allow higher-quality institutions to expand at the expense of poorer ones. As described above, it has actually fostered a race to the bottom on quality and led to the expansion of "low-value" courses.

Moreover, it has destabilised the finances of universities, regardless of their supposed quality. Many universities seeking to exploit the lifting of the cap to increase student numbers and fee income have embarked on unsustainable expansion, often involving grandiose, debt-fuelled capital projects. For example, University College London, one of Britain's premier universities, embarked on a £1.25bn expansion plan but by 2016 it was "barely financially sustainable" with just "42 days of expenditure in the bank", prompting its vice-chancellor to tell staff to "tighten their belts".⁸² The debts required to finance expansion often come with secret covenants requiring, for example, the running of persistent

80 Karma Nabulsi, "[Don't Go to the Doctor: Snitching on Students](#)", *London Review of Books* 39(10) (2017).

81 Richard Adams, "Nearly 25% of English universities in deficit last year, figures show

82 Gonzalo Viña, "[Warning over UCL finances after rapid expansion](#)", *Financial Times*, 10 June 2016.

surpluses – another reason for the fee/ cost disparity overlooked by the Augur Review. This reinforces the drive to maximise income and minimise costs – expressed, as we have seen, in the steady worsening of educational provision. Moreover, covenanted institutions hit by short-term demand fluctuations (such as in the current pandemic), are unable to run temporary deficits to secure their teaching and research bases.

Meanwhile, other universities are hollowed out at the expense of expanding institutions, resulting in persistent financial crisis and decline. Contrary to expectations, this does not merely take down “poor quality” universities but affects many leading institutions. The School of Oriental and African Studies, one of the world’s leading centres for the study of Asian and African languages, cultures and development, has seen student numbers dwindle, resulting in sustained losses bringing it to the verge of bankruptcy. The University of Liverpool, a “red brick” university founded in 1881, announced 220 redundancies in 2018, long before the COVID-19 pandemic, and is now cutting over 500 more following the failure of its London campus.

COVID-19 has mainly exposed the way British universities have become over-reliant on overseas student fees. This is itself a function of marketisation, which spurs universities to find any private income stream they can, and which positions education as a service export. On average, overseas students provides 11.5% of UK universities’ income. 27 derive over 20% of their income this way; 31, 15-20%; and a further 31, 10-15%.⁸³ Internationalisation has therefore compounded British universities’ financial vulnerability, and imperilled many highly respected centres of learning.

Part II

Proposals

Summary

If the problems of UK HE are fundamentally driven by over-expansion and marketisation, saving them requires the opposite: contracting and de-marketising the university sector. At the same time, however, higher education should no longer be expected to bear the burden

⁸³ Brackley, “[Institutions at risk](#)”.

of producing economic transformation and resolving social inequalities. Rather, it must be re-embedded in a broader national vision which addresses these issues through appropriate fiscal, incomes, industrial and regional policy. Tertiary education must be part of this political vision rather than substituting for it. Fostering life-long learning, closing skills gaps and promoting economic growth should be pursued by strengthening Further Education and creating New Technical Colleges, developed according to the needs of regional planning and national-level industrial policy. The residual university sector's governance should be de-marketised and de-regulated, with tertiary education funded as a public good. This will reduce direct costs to government. Universities should be empowered to focus on their core missions – high quality teaching and research – backed by the strongest possible commitment to academic freedom. Universities' internal governance should be democratised to improve accountability for leaders and give local communities a stronger voice. Ending consumerisation will reverse authoritarianism and intellectual degradation in campus life. A new generation of Free Universities will drive intellectual renewal and generational change in the academy.

1. Transform the Overall Shape of Tertiary Education in the UK

For too long, university expansion has substituted for the coherent industrial, regional and incomes policy needed to support broad-based economic growth and reduce social and regional inequalities. It is time to reconfigure post-18 education in Britain to support a comprehensive vision of national renewal. This requires government to take a political view of the sort of tertiary education system we need. Questions about the nature, number and purpose of institutions, and the kinds courses they provide, can no longer be outsourced to 18-year-olds and the vagaries of market forces.

As Part I of this report showed, the university sector has over-expanded; it should now be reduced in size. Expansion has led to an influx of institutions and students ill-suited to a rigorous academic higher education, at the expense of technical and vocational education, with the costs heaped largely on poorer students and their families. Tertiary education should be rebalanced away from universities, creating the highest-quality non-academic education while allowing a diminished university sector to restore academic standards.

The guiding principle of this restructuring should be (1) that no academically capable young person should be denied the opportunity of degree-level study; but also (2) academically incapable or unmotivated people should not be pushed into university to meet arbitrary and destructive widening participation targets, or denied alternative routes of education and advancement.

This means that size of the university establishment should be determined by the sustainable number of British students capable of benefiting from a rigorous, academic education. It is difficult to establish this number precisely using available data (see Table 2 and Figure 5). Department of Education data show only entrants' total University and Colleges Admissions Service (UCAS) tariff scores. This is calculated by adding up the points for each qualification a student gains, rather than, say, only their top three A Level grades, which forms the more familiar basis of many university entry offers. Accordingly, for example, an entrant with 144 tariff points may have attained three As at A Level, or they might have attained four Cs and an E.⁸⁴ UCAS tariff points also count A Levels that high-quality universities typically disregard, such as General Studies or Critical Thinking. Moreover, points awarded for BTECs are highly questionable, with evidence that BTEC entrants perform more poorly at university than entrants with allegedly equivalent A Levels – unsurprisingly, since BTECs are non-academic qualifications. Finally, a very large proportion of entrants (13.7%) have zero tariff points, because they have no qualifications, did not apply through UCAS, or have qualifications that are non-convertible to UCAS tariff points (e.g. from overseas). The available data do not distinguish between these entrants.

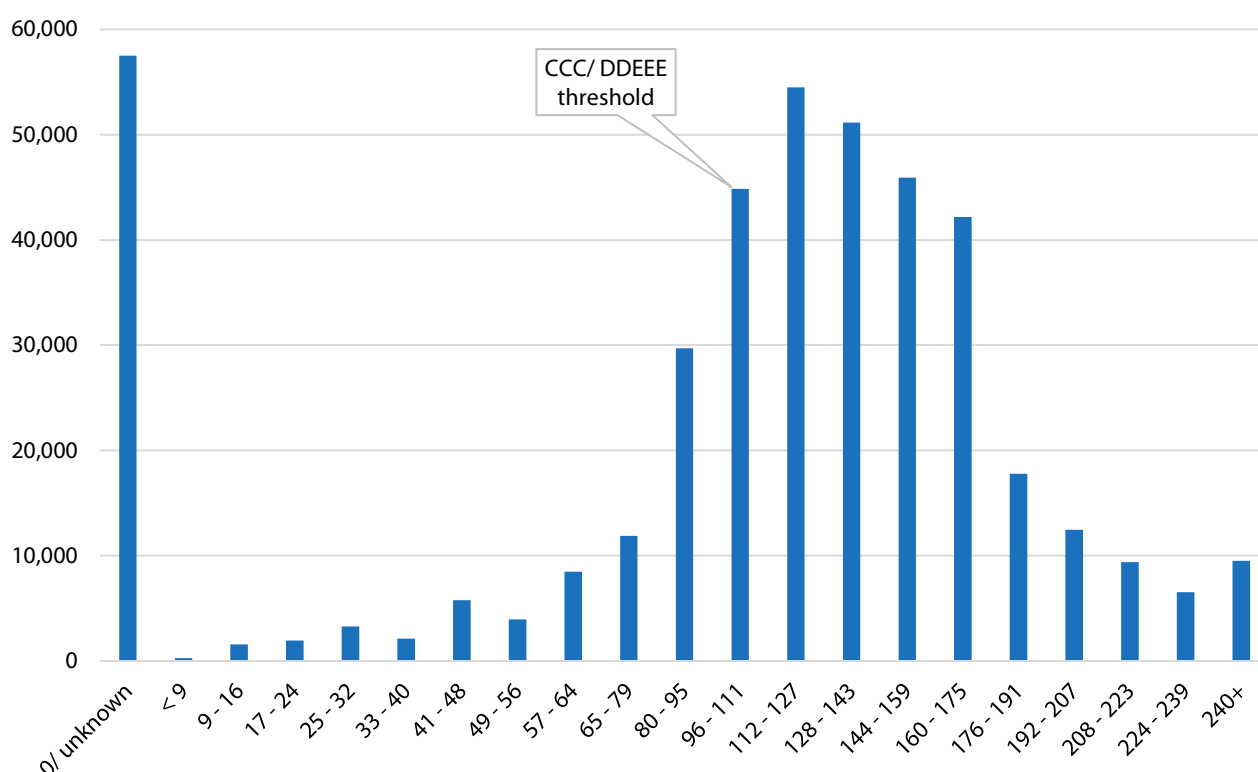
84 The average number of A Levels taken is 2.66, with 68% taking 3 A Levels in 2019. Ofqual, "[Guide to AS and A level results for England, 2019](#)", 15 August 2019.

Table 2: Qualifications of Undergraduate Entrants, 2018/19⁸⁵

UCAS tariff points	Approximate A Level Equivalent		BTEC Equivalent	Number of entrants	Percentage
	Maximum 3 A Levels	Maximum 5 A Levels			
0/ unknown				57,510	14%
≤ 16	≤E			1,850	0%
17 - 24	≤D			1,945	0%
25 - 32	≤EE			3,285	1%
33 - 40	≤DE			2,115	1%
41 - 48	≤EEE		≤PPP	5,780	1%
49 - 56	≤DEE		PPP	3,960	1%
57 - 64	≤DDE	≤EEEE	<MPP	8,490	2%
65 - 79	<CDD	<EEEEE	<MMP	11,900	3%
80 - 95	<CCC	<DDEEE	<MMM	29,710	7%
96 - 111	<BBC	<DDDDDE	<DMM	44,840	11%
112 - 127	<ABB	<CCCEE	<DDM	54,480	13%
128 - 143	<AAA	<CCCCCE	<DDD	51,135	12%
144 - 159	<A*A*A*	<CCCCC	<D*D*D	45,925	11%
160 - 175	>A*A*A*	<BBCCC	D*D*D*	42,180	10%
176 - 191		<BBBBBC		17,780	4%
192 - 207		<ABBBB		12,470	3%
208 - 223		<AAABB		9,385	2%
224 - 239		<AAAAA		6,545	2%
240+		≥AAAAA		9,515	2%
			Total	420,800	

⁸⁵ Department for Education analysis of HESA Data, obtained under Freedom of Information request. Counts rounded to nearest 5; all ages and domiciles. BTEC: P = Pass, M = Merit, D = Distinction.

Figure 6: Qualifications of Undergraduate Entrants, 2018/19⁸⁶



Although these data problems would have to be resolved to enable detailed planning, the existing data show that 30% of entrants attain under 96 UCAS points or three Cs at A Level. Some of these entrants will be well-qualified overseas applicants with “zero” points. Nonetheless, assuming a CCC cut-off point (and perhaps revisiting the stated equivalence of A Levels and BTECs), this might entail a 20-30% reduction in the size of the university sector.

This reduction should be achieved through a mixture of institutional closures, mergers and transformations. Alongside established universities, this would involve three new kinds of institution.

- a) **New Technical Colleges (NTCs):** current academic institutions would become colleges teaching high-quality technical and vocational subjects, as part of a coherent regional and industrial policy designed to support the regeneration of “left-behind” areas. The NTCs should retain a broad liberal ethos and curriculum that requires and enables students to take humanities and social science subjects

⁸⁶ Ibid.

alongside their core technical training. This will help to develop students' capacity for independent thought and citizenship in a more democratic post-Brexit Britain. It will also require the continued employment of some academics from their former institutions. Crucially, the NTCs must not simply be seen as the "poorer cousin" of universities. They must be given parity of esteem and resource. This is unlikely to happen if only the weakest universities convert to NTCs. The government should therefore encourage and incentivise high-quality, technically-focused universities – such as Bath, Sheffield Hallam, and London South Bank – to form the vanguard of NTCs. Nor should the government take a narrow view of "technical" or "vocational" education. In the twenty-first century, this is as likely to involve art and design subjects as much as mechanics and electronics and supporting industries like computer game and clothing design, entertainment and marketing.

- b) **"Super-universities"**: weaker institutions could merge with stronger ones, particularly in cities and regions outside the Southeast of England. This will terminate fruitless competition between and duplication of functions and bureaucracies across institutions, often within the same towns and cities. It will also help to rebalance Britain's national life and create powerful regional concentrations of research expertise and teaching.
- c) **Liberal Arts Colleges**: institutions whose strength lies in the rigorous teaching of academic subjects, but less so in research, could convert into a new generation of liberal arts colleges. Academics based there would remain active scholars, but would be focused on teaching, with post-graduate training, research activity and funding becoming concentrated in traditional universities.

These changes will be highly disruptive for many university employees and it is critical that they be supported throughout and beyond the process. The over-expansion of British universities has been caused by successive government policies and opportunistic managers, not by rank-and-file university staff. For those unable/ unwilling to be redeployed to new institutions, the government should support their re-deployment to remaining universities or provide generous retraining packages.

Alongside these transformations, the long-term decline in Further Education (FE) should be reversed. Government funding for adult education has been cut by around two-thirds since 2010, while employers have also slashed their training budgets by a fifth since the early 2000s, contributing to the weakest training outcomes in Europe.⁸⁷ The current government

⁸⁷ Only two-thirds of British youths attain Level 3 or better, most of them A Levels, compared to c.90% in the rest of Europe, where academic and technical/vocational training are better balanced. David Goodhart, *A Training Opportunity in the Crisis*, Policy Exchange, 10 May 2020, pp. 5-6.

has already expressed a strong commitment to change this. The 2019 Conservative Party manifesto promised £2bn in capital funding for FE, a £3bn “national skills fund” over five years, and the creation of 20 Institutes of Technology. The latter could be achieved by merging some FE colleges into NTCs. The forthcoming White Paper, trailed by the Education Secretary in a detailed speech in July 2020, is an opportunity to make real change.⁸⁸

Crucially, this is not a plan for renewed “elitism” in HE, whereby young working-class people are to be funnelled into technical/ vocational education while academic education is reserved for the well-off. As Part I showed, “widening participation” has not truly involved equal opportunity. While non-academic avenues for working-class advancement have withered, students from poorer backgrounds have been predominantly funnelled into weaker universities, at high cost and for limited reward, while university standards have degraded enormously to cope with poorly-qualified entrants. Class-based segregation by *type* of education has thus been replaced by class-based segregation *within* higher education.⁸⁹ Tertiary education should be reformed to both restore multiple, equally-esteemed avenues for advancement, allowing students to play to their genuine strengths and interests, *and* restore academic rigour for those wishing to study at university, including poorer students, in contrast to the current degraded experience. Above all, if governments wish poorer students to benefit from a truly higher education they must invest in primary and secondary education to eliminate the class attainment gap. Pretending that this does not exist, and that all universities offer an equally rigorous and beneficial higher education, only sells working-class students short – all in the name of “social justice”.

Policymakers unused to and leery of central planning may prefer to use market mechanisms and incentives to achieve this sort of restructuring – eliminating support for so-called “low-value courses”, for example, and hoping that the resultant financial distress will somehow produce desirable outcomes. This would be a grave error. It is the use of market mechanisms and incentives that has produced the current crisis in UK HE. As Part I discussed, marketisation has also produced complex internal economies within institutions, whereby “low-value courses” cross-subsidise “high-value” ones. Shifting fee levels will thus have many undesirable ramifications that cannot be predicted from the outside. Moreover, many courses appear “low-value” because graduates are entering a lacklustre labour market (compounded by COVID-19) and/ or wages in particular locales are very low. Graduate salaries are not a reliable indicator of educational quality. Most importantly, though, uncoordinated “market shocks” will not produce coherent outcomes. Restructuring failing institutions one-by-one, in an ad hoc manner, will not re-embed tertiary education into a coherent regional and industrial policy. Whole regions could be left without universities

⁸⁸ Gavin Williamson, “[Education Secretary FE speech with Social Market Foundation](#)”, 9 July 2020.

⁸⁹ Reay, *Miseducation*, p. 118.

providing a full range of subjects, or even any university at all, while areas where universities thrive would continue to be deprived of technical education. Moreover, only restructuring failing institutions will inevitably mean that only bad universities become NTCs, which will reproduce undesirable hierarchies.

To be coherent and deliver the greatest possible societal benefit, the transformation of tertiary education must be carefully planned and form part of a much wider vision of regional and industrial economic and social development. This would require consultation with all relevant stakeholders, including the affected institutions, FE providers, devolved/ local governments, trade unions, and local businesses. Transformation of this scale and ambition requires broad-based support of the sort that can never be mobilised through market-style incentives. It requires government to outline a popular vision of national, civic and regional renewal. Tertiary education workers should be included in these processes of change not through pro forma consultation but through cooperatively designing the new, upgraded institutions as part of a wider civic mission. This may include, for example, training for jobs in new post-fossil fuel industries as part of a post-carbon transition. The more direct ownership that people feel over these processes, the more likely they will be to support them.

Britain's Proposed New Tertiary Sector

- Universities: dedicated to wide-ranging basic and applied academic research, academic teaching, and the training of researchers.
- Super Universities: universities formed from the merger of pre-existing weaker and stronger universities.
- Free Universities: four new national-level, union-wide universities formed as beacons of intellectual creativity and academic freedom (see Proposal 4).
- New Technical Colleges: dedicated to applied, technical and vocational education and training.
- Liberal Arts Colleges: dedicated to academic teaching and scholarship.

2. Transform External University Governance

Merely downsizing the university sector will not cure its many ills. This is another problem with using a marketised approach to pick off weaker institutions: without more fundamental change, those that survive will still exhibit all the pathologies described in Part I of this report. The regime governing universities must be transformed.

Enshrine Academic Freedom as the Foundational Principle of HE

It is clear that academic freedom and freedom of speech on campus needs to be bolstered. Academic freedom is best defined as the ability of academics and students to teach, study, debate, pursue knowledge and conduct research free from political interference, public pressure, or institutional constraint, including the threat of disciplinary action or dismissal. This principle, which safeguards freedom of thought and speech on university campuses, is essential for the pursuit of knowledge and truth, and foundational to a free society. It should therefore be enshrined as the foundational principle of the new British university system.

Existing provisions are clearly inadequate, and so a new and firm legal duty is required, enshrined in statute and backed by appropriate sanctions. New legislation should be introduced to place an unequivocal duty upon universities to uphold academic freedom, even when it appears to come into conflict with other favoured principles, such as national identity, equality and diversity. A complaints system should be established with the regulator empowered to investigate and adjudicate on all reported breaches of academic freedom, with fines up to £100,000, depending on the severity and recurrence of the breach. Where sustained violation of the principle is found, the regulator should give the institution twelve months to improve its conduct. If violations persist, the regulator should be empowered to remove the institution's vice-chancellor from office. This is necessary to incentivise vice-chancellors to establish robust internal governance arrangements that contain the vocal but small minority of academics who are hostile to this principle.

It will also be very difficult for the government to make any headway on academic freedom while the Prevent duty continues to be imposed on universities. As noted above, Prevent curtails academic freedom by chilling debate on campus and intensifying regulation of what can be taught and researched.⁹⁰ Moreover, it is continually presented as the most serious threat to academic freedom and free speech on campus, discrediting and

⁹⁰ See Tara McCormack, "Academic Freedom in an Age of Terror?", in Cheryl Hudson and Joanna Williams (eds.) *Why Academic Freedom Matters: A Response to Current Challenges* (London: Civitas), pp. 146-162.

undermining government efforts to tackle other forms of censorship.⁹¹ Prevent guidance to universities has also been successfully challenged in court for violating the right to freedom of speech.⁹² Government intervention will never be seen as consistently principled or legitimate while the Prevent duty exists. We therefore recommend that universities be exempted from this duty, as it is inconsistent both with their core value of academic freedom, and the values that the government purportedly wishes to promote.

Reintroduce Caps on Student Numbers

Once the overall number of students in UK HE is determined, the government should reintroduce caps on the number that each university can recruit in a given academic year. In the context of COVID-19, even the Office for Students has recognised that student number caps had to be reintroduced to prevent financial chaos. But creating a truly sustainable and high-quality university sector requires this to become permanent. In a university system where poor-quality institutions no longer exist, there can be no rationale for forcing universities to compete with one another for students. Moreover, as Part I showed, competition has not delivered the expected benefits but instead generated deep pathologies. Where universities compete for students, rather than vice-versa, power shifts to the student-consumer and so universities reorient around attracting and pleasing them – leading to wasteful expenditure and the degrading of academic standards. Reversing this is essential to re-empower academics to maintain standards. Competition has also destabilised both high- and low-quality universities – the former through debt-driven, speculative expansion, the latter through falling student recruitment, forcing them to lower standards to survive. It has also spawned sharp practices like unconditional offers, cut-rate entry tariffs and even bribes to students.

However, any attempt to limit the domestic market without constraining universities' international market opportunities will leave a loophole that some managers will still seek to exploit. As Part I showed, internationalisation compounds many of the pathologies of UK HE. Therefore, the government should also cap the proportion of income universities can derive from overseas students/ activities at 15%.⁹³ This will also curtail the degradation of educational quality and speculative investment in overseas campuses entailing the diminution of academic freedom, human rights, and employment standards.

91 E.g. Richard Adams, "UK's Prevent Strategy 'Biggest Threat to Free Speech on Campus'", *The Guardian*, 27 June 2019.

92 Damien Gayle, "UK's Prevent Guidance to Universities Unlawful, Court Rules", *The Guardian*, 8 March 2019.

93 The sectoral average is currently 11.47%. 58 institutions currently derive over 15% of their income from international students. Brackley, "Institutions at risk".

Abolish Fees and Fund Higher Education as a Public Good

As explained in Part I, introducing student fees has not had the expected benefits but has created many problems. It has not saved the government money, nor has it incentivised students to pursue “high-value” courses. Instead it has induced rampant consumerism and degraded academic standards, as universities are forced to chase student fee income and please student-consumers. The best way to resolve these problems is to restore the direct funding of university teaching as a public good. Every young person capable of benefiting from a truly rigorous higher education should be funded to do so, as is the norm in many European countries. This will restore the perception and reality of higher education as a privilege from which one benefits, and something that one needs to work hard at to succeed, rather than a service one purchases, with a reliable expectation of “good honours” even for mediocre work. Direct public funding will also enable more rational planning of course provision to support wider societal needs, rather than allowing the decisions of 18-year-olds to determine this. Public funding can also be delivered at a level commensurate to the costs of course provision, ending the need of universities to expand “low-value”, cheaper-to-provide subjects to cross-subsidise costlier ones. Moreover, assuming that a decent unit of resource (funding per student) is maintained, staff-student ratios can be improved and class sizes restored to a level commensurate with meaningful higher education. Overall, government spending on higher education should fall, because the number of students attending university will decrease substantially, and the state will no longer have to write-off student loans that cannot be repaid.

Extend the Maintenance Loan for UK Nationals

Restoring the rigour of UK HE will necessarily place greater demands on students to adhere to reinforced academic standards. As Part I showed, in the marketised system, these standards have been diluted according to the effort student-consumers are willing/ able to put into their studies. Students’ declining time commitment is partly a vicious-circle effect, where increasingly undemanding courses encourage students to coast. But research shows that it is also driven by students’ inability to focus on their studies due to hardship and a need to work part-time during term time. NatWest’s annual Student Living Index, for example, finds that the time students spend on academic work has fallen by almost 10 hours per month since 2018, while 38% of students now work part-time.⁹⁴ This problem is

94 NatWest, [Student Living Index 2019](#), July 2019, p. 4.

particularly acute for students from disadvantaged backgrounds, who receive less parental support, resulting in weaker attainment for them in particular.⁹⁵

The Augur Review rightly proposed extending the maintenance loan to address some of these problems. We recommend that the government should increase the maximum means-tested maintenance loan from £8,944 (2019/20) to £12,500 per annum, or from £11,672 to £15,000 in London. This is still below the real living wage of £14,300 (£16,500 in London),⁹⁶ but far better matches the extremely high cost of student living. Currently the average student receives £509 monthly during term time from their maintenance loan (£450 in London), while the average monthly rent is £486 pcm (£700 in London), leaving just £59 (or minus £214 in London) for other expenses.⁹⁷

Continuing the maintenance loan, rather than restoring grants, as some demand, is legitimate. Maintenance loans are best understood as a form of state-assisted consumption smoothing over one's lifetime. Students are typically poor, but in the new UK HE system, graduates can expect a comfortable income; loans simply allow individuals to shift consumption to an earlier point in their lives. There is no reason why such loans should be written off, and, assuming a reasonable rate of interest (i.e. zero in real terms), no reason why they should be politically objectionable.

Abolish Marketised Regulation: REF, TEF, KEF and the Rest

As Part I showed, regulatory frameworks devised to foster more efficient allocation of resources through market-style competition have resulted in resource misallocation, consumerism, bureaucracy and managerialism. None of these regulatory regimes are fit for purpose and should all be scrapped. Their purposes will be better served by changes to internal university governance (see Section 3).

The Research Excellence Framework (REF) should be abandoned. "QR" research funding should instead be allocated to departments on a *per capita* basis. Research shows a tight correlation between the overall quality of research as judged through the costly, time-wasting and research-distorting REF and the number of active researchers in each academic department.⁹⁸ Rather than orienting research universities around this bureaucratic process, which only empowers research managers and bureaucrats at great cost, it would be more efficient to simply allocate resources on this basis. Departments should be free to allocate

95 Gill Crozier et al. "Different Strokes for Different Folks: Diverse Students in Diverse Institutions", *Research Papers in Education* 1(2) (2008): 167-77.

96 Living Wage Foundation, "[The Calculation](#)", 2020.

97 NatWest, [Student Living Index 2019](#), July 2019, pp. 13-14.

98 Dorothy Bishop, "[An alternative to REF2014?](#)", BishopBlog, 26 January 2013.

this revised QR funding as they see fit, e.g. spending some as part of their general employment of research-active scholars, reserving some as regular research allowances, and providing some as seed-corn for larger research projects, pooling funds across departments as they see fit. The QR system will fund basic research on a recurrent basis while the research councils continue to provide larger, project-based grants.

The Teaching Excellence Framework (TEF) should also be abandoned. Even advocates of the TEF admit that its metrics are not actually measures of teaching quality but of other things, like graduate salaries and student “satisfaction”. Accordingly, a system introduced ostensibly to drive up teaching quality has instead intensified the degradation of academic standards. TEF has also spawned more internal bureaucracy dedicated to gaming these metrics and further distracting academics from actually providing high-quality education. The failure to publish either the results of “learning gain” tests or the findings of the independent Pearce review of the TEF, and the postponement of the subject-level TEF, suggest that teaching quality simply cannot be measured through crude metrics. It can only be safeguarded by academics who are re-empowered to defend standards from consumerism and managerialism (see Section 3, below). The external examiner system should also be bolstered, with externals re-empowered to sanction institutions that fail to uphold academic standards – rather than being cowed by the recognition that their own institution is complicit in lowering them.

Once the HE market is abandoned, it will be rational to abolish the wasteful array of regulatory quangos established to maintain it. The Office for Students, which mostly exists to regulate the HE market, will be defunct and any residual regulatory duties can be reabsorbed into the Department for Education where they can be properly subject to democratic parliamentary oversight. Likewise, when weaker institutions are removed from the sector, and academics are re-empowered to maintain standards, organisations like the Quality Assurance Agency will cease to play any meaningful role. Responsibility for maintaining educational standards will return to those best placed to do so: professional academics.

Abolishing these external regulatory systems will, in turn, lead to the redundancy of the corresponding bureaucratic systems developed within universities. Their dismantling will probably save somewhere in the region of £5bn annually, which can be redirected back to the core purposes of universities: teaching and research.

Increase Capital Grants

As Part I showed, many capital projects are driven by managerial empire-building and attempts to overawe prospective students. De-marketising and democratising HE will curb these tendencies. Nonetheless, some capital projects are, of course, essential – from

repairing dilapidated buildings to purchasing new research equipment. In 2020/21, the OfS allocated only £150m in capital funding to UK HE institutions, which is simply inadequate to meet the sector's needs. Inadequate capital funding induces negative behaviour by universities. As Part I noted, institutions that need new equipment and buildings and in order to maintain or expand their activities are forced to borrow on capital markets and run persistent surpluses. Borrowing exposes universities to the vagaries of capital markets, plunging several into financial crisis and distorting universities' mission. Borrowing also requires universities to run surpluses to repay debt. In the current context, generating surpluses means increasing student numbers to enhance fee income, while suppressing costs, entailing the casualisation of academic staff to reduce wage bills, which degrades the quality of university education. Moreover, because all universities are doing this, they must compete viciously with one another to attract students. As explained above, this destroys universities' capacity to uphold academic standards and educational quality. To terminate this vicious cycle completely, the government must make more capital funding available. Universities could be given a small, recurrent grant, based on the nature of their establishment to cover investment and asset depreciation. They could also apply to a central fund for larger sums to finance bigger, one-off investments, with decisions made by an expert panel nominated by DfE. As part of the broader changes described below, this will allow universities to be de-financialised, returning to public institutions rather than being dependent on financial markets.

3. Democratise Internal University Governance

Along with changes to the external regulatory environment, changes in the way universities are internally organised are required to liberate them from bureaucracy and mismanagement. As Part I showed, university managers have become increasingly unaccountable and, coupled with intensifying market imperatives, this has generated conduct that has discredited universities ethically, plunged many into severe financial distress, driven the academic profession into deep crisis, and undermined academic freedom. It would be ideal if universities would set their own houses in order, but the rot has now gone too deep. We therefore advocate a strictly limited, one-off intervention to restore academic self-government at British universities, which will enable universities subsequently to manage themselves independently in a more appropriate and sustainable manner.

Enhance Internal Democracy and Accountability

Universities are dominated by an authoritarian and incompetent managerial elite, accountable to no-one. Since autonomous internal renewal is apparently impossible, the government should define a new, democratic framework for university governance that will re-empower academic professionals to maintain standards, improve internal accountability, and given local communities more of a say in how universities operate. The best principles to draw upon are those in force at Oxford and Cambridge, where a “parliament” of university members (Congregation), has remained the sovereign body of the institution. This has helped to contain some of the worst aspects of marketisation and managerialism.

The key features of this new governance model should include:

- The supreme decision-making body of every university should be the Congregation, in which all academic staff of the university, regardless of contractual status, each have one vote. No other person or body of the university should have the authority to overrule or undermine Congregation.
- Congregation shall elect the university’s Vice-Chancellor (or equivalent) from a list prepared by the Senate, on the basis of the Single Transferrable Vote. The normal expectation should be that VCs should be elected from within the institution itself and return to the ranks after a five-year term to endure the consequences of their decisions. Congregation should be empowered to depose a sitting VC, or any member of their senior management team, through a two-thirds super-majority with a vote that could be called at any time.
- Incumbent VCs would have to stand for election within three months of these new governance arrangements being enacted. Those who have led their institutions well should have nothing to fear and can expect to be re-appointed.
- The normal day-to-day business of the university should be superintended by a Senate, comprised of the following:
 - 60% academic staff, elected on a proportional basis from the different departments of the university, without regard to contractual status.
 - 10% non-academic staff, elected on the same basis.
 - 10% elected student members.
 - 20% external members, nominated by the following constituencies and elected by Congregation:
 - Local authorities;

- Local trade unions;
- Local business.

The Congregation should be empowered to depose the Senate and initiate fresh elections through a two-thirds majority vote at any time.

These radical changes to universities' internal governance will rapidly generate large benefits for university and wider society. Currently, crushing workloads, meaningless bureaucracy and the debasing nature of university management deters many serious, dedicated professionals from taking on leadership roles, while the emasculation of academic boards and senates makes participation into those forums pointless. This helps a narrow, bureaucratic elite to dominate universities and empowers vocal, illiberal minorities. With a combination of external de-regulation and internal democratisation, a new generation of university leaders will emerge, who are better-placed to slash wasteful bureaucracy and liberate academics to focus on teaching and research, making universities more efficient and saving public resources. More legitimate governance arrangements will also help resolve the serious problems of poor physical and mental health and collapsing morale among university employees. Moreover, local communities will gain a far more powerful voice in how their local institutions are run, making universities more sensitive to the local populations they depend upon and support.

Curb Excessive Pay

As Part I showed, executive pay in universities has become disconnected from performance and wastes a vast amount of public resources, while at the same time rank-and-file university staff suffer below-subsistence pay and/or real-terms pay cuts. External de-marketisation and internal democratisation will rein in these tendencies, but the government should also act on its persistent criticism of excessive pay and establish better norms for taxpayer-funded institutions.

It should mandate that:

- All universities will pay the Real Living Wage to all of their employees and end the practice of outsourcing work within three years.
- The maximum remuneration (including pay, bonuses, pension, housing, etc) of any member of university staff should will be limited to five times the starting salary of a university lecturer (point 38 on the national pay spine), i.e. £42,036 in 2018/19 x 5 = £168,144. This still exceeds the salary of the prime minister.

Improve Financial Transparency

Universities must not be permitted to contract external debt that is potentially unsustainable and laden with secret covenants that undermine institutions' core mission and values.

- Universities must be compelled to disclose the full details of all existing external debt, even where they are regarded as commercially sensitive.
- Government should work with universities to help them offload pernicious debts, e.g. buying out loans.
- Institutions wishing to contract external debt in future must disclose the full terms to their Senates and secure majority approval.

4. Establish Four New Free Universities across the UK

Sadly, contemporary British universities are rightly subjected to increasing public ridicule, becoming renowned for the censoriousness of their administrators, academics and student unions. This is a serious threat to the standing of UK HE and its political sustainability. The above proposals, which will disempower authoritarian administrators and blunt the consumerism driving many of these behaviours, will all help to correct this. However, these changes will take many years to bear fruit, because the problems generated by existing governance arrangements have become embedded in the habits and mindsets of many academics and administrators. Bold measures are required to help trailblaze a new path.

The government should therefore establish four new Free Universities, one for each constituent part of the Union. Free Universities were first established in continental Europe as spaces liberated from religious authority. Britain's new Free Universities will be liberated from the bureaucratism and intellectual conformism that represent the main challenge to intellectual freedom today. The governance principles described in Sections 2 and 3 would apply equally to all universities. However, while these will take time to apply in existing institutions, the Free Universities would follow them from the outset. They should be endowed with independent funding, making them entirely autonomous from the government. Their founding constitutions should commit them to the most wide-ranging pursuit of intellectual freedom, represent the widest possible range of intellectual views, and pursue research excellence for the long-term future, with a liberal ethos of teaching. Faculties and departments should be established focused around multi-disciplinary areas identified for future need and putting Britain at the cutting edge of global discovery – e.g., in the natural sciences areas such as biotechnology, space exploration, nanotechnology, quantum physics, artificial intelligence, nuclear research, etc. Such institutions will draw

world-leading scholars and researchers from around the country and the world, stimulating non-market forms of intellectual and institutional competition between old institutions and new in order to help foster the transformation of Britain's intellectual culture and public life.

Conclusions

The COVID-19 pandemic has exposed the pathologies of an already-fragile university system afflicted by over-expansion and marketisation. The crisis is the outcome of mistaken policymaking, which has used university expansion as a substitute for meaningful industrial, regional and incomes policies, vainly expecting larger numbers of universities and graduates to somehow transform society for the better. As costs rose inexorably, marketisation was introduced in a vain attempt to drive up standards through competition, with every government adding additional layers of bureaucratic regulation to try to fix the problems of previous ones. However well intended, these policies have not generated a thriving knowledge economy and world-leading higher education. Universities have become swamped with bureaucracy and inept managerialism while academic standards and freedom have been sacrificed to the logic of market competition and consumerism. A demoralised and increasingly casualised academic profession has been brought to the brink of collapse. Drawn away from their core mission, universities have become more concerned with pleasing their customers than promoting free enquiry and debate.

Rather than simply propping up a failing system, the UK government has a unique opportunity to fundamentally rethink tertiary education as part of a wider project of post-Brexit and post-COVID-19 national renewal. Universities can be a crucial part of a developing a new identity and future for Britain, based on the democratisation of public institutions, greater intellectual openness and autonomy across culture and the humanities, a restored professional class, entrusted to preserve the values and standards of their own professions, and not least expanded scientific discovery and technological innovation.

This vision does not require vast funding increases. Indeed, many of our proposals would reduce government spending by reversing over-expansion and bureaucratisation. At most, these proposals would require public investment in tertiary education to rise from its current position at the very bottom of the OECD to the average.⁹⁹ To spend a higher proportion than, say, the Czech Republic or Colombia, is a reasonable expectation for the world's sixth largest economy as it embarks on its post-Brexit relaunch as "global Britain".

However, this vision does require a *political* willingness to reshape the sector and take responsibility for its future. Massification and marketisation have in many ways outsourced decision-making from elected governments to 18-year-old consumers and uncontrollable market forces. Some policymakers may well be tempted simply to tinker with the status quo, tweaking this or that regulation and shifting fee levels, in the hope that, this time, a revised incentive structure will finally deliver a better future. In reality, this marketised

⁹⁹ This measure excludes the future write-off of unpaid loans.

approach of incentives and nudges has only had negative consequences. The depth of the crisis in HE requires a much bolder departure. Elected ministers need to shoulder their responsibility and make big decisions about the sector's shape, and be accountable for these decisions, rather than hoping (in vain) that market forces will do the job instead. They also need to re-embed HE within a wider national vision, where government takes greater responsibility for economic development through a more interventionist industrial and regional policy.¹⁰⁰ Such ambitions were signalled in the manifestos of both leading parties in 2019. With COVID-19, the British state has been forced into an even greater role than either anticipated. The moment is ripe for systemic transformation.

We cannot emphasise enough that merely downsizing the HE sector while retaining market-style governance will not solve its problems. They will simply persist in a smaller number of institutions. Only a bold restructuring can set universities on an entirely new path. Removing the architecture of market regulation and the pressure for massification are essential to curb bureaucratisation and the degradation of academic standards. Democratising universities will enable academics to take back control from wasteful, ineffective managers and eliminate a prominent form of national inequality in the form of overpaid managerial elites. Liberated from external and internal bureaucracy and negative incentives, academics will be re-empowered to uphold academic freedom and standards, and to focus on their key missions of teaching and research with greater efficiency than the market has managed to deliver over 30 years. With a new generation of technical colleges, liberal arts colleges, super-universities, and Free Universities to join pre-existing universities, a vibrant and rich new ecology of civic, scientific, literary and cultural life will develop across Britain's towns and cities, including in previously "left behind" regions. The four new Free Universities will spur intellectual renewal within the profession as a whole, and will stand as global beacons of scholarly and scientific endeavour and intellectual freedom. World-leading scientific, intellectual and ideational renewal will thus be at the core of the new nation that emerges in the wake of Brexit.

100 See Christopher Bickerton, *Brexit and the British Growth Model*, Policy Exchange, 23 July 2018.