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THE CRISIS IN U.S. HIGHER EDUCATION: ALTERNATIVE GOVERNANCE AND FINANCING MODELS

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Abstract

Corporations have reached deeply into the governance and financial operations of U.S. public and non-profit higher education, profoundly disrupting knowledge production, worker equity, teaching and learning. Diminishing state and local funding along with an increasing higher education cost structure have driven higher education management to focus on enrollment and tuition revenue, making public and non-profit universities more vulnerable to corporatization. However, there are multiple models for higher education systems outside the U.S. that reflect a different set of imperatives than one based on revenue generation. This paper considers these models and how they might be applied in the U.S. To be free from corporate ownership and influence, colleges and universities need a radical restructuring of institutional governance and finance based on academic and collectivist social justice imperatives.

Keywords: U.S. higher education, higher education financing, higher education governance.

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1. Introduction

Corporations have reached deeply into the governance and financial operations of public and non-profit higher education, profoundly disrupting knowledge production, worker equity, teaching and learning. The administrative and financial focus on revenue generation has increasingly transformed education into a product and private benefit. To be free from corporate ownership and influence, colleges and universities need a radical restructuring of institutional governance and finance based on academic and collectivist social justice imperatives, including equitable access for students without regard to socioeconomic status.

2. Problem Statement

Diminishing state and local funding along with an increasing higher education cost structure have driven higher education management to focus on enrollment and tuition revenue, making public and non-profit universities more vulnerable to corporatization. However, viewing higher education as revenue- and market-driven is a for-profit, corporate model that has provided both the rationale and the method for eroding labor rights and collective faculty governance, including control over programs, curricula, research, and pedagogy.

Public funding cutbacks have been largely ideologically driven. Cost structures have increased due to not only the dependency on labor as a main component of the expense budget, but also rising health-care costs, energy costs, costs of more intensive student support programs, and the cost of implementing assessment requirements. These derive from the same market, corporate, and "anti-intellectual" ideologies that situate higher education (as well as health care) as a product for individual consumers.

Over the last decade, scholars have documented the loss of faculty control over college and university governance. In brief, 50 percent of the professoriate is contingent, without pay equity, without job security or benefits, without academic freedom protections, and with virtually no voice in university governance. Fifty percent of the faculty are without equity, academic freedom, or institutional power. In community colleges, up to 70 percent of faculty can be contingent. For-profit institutions have played a disproportionate role in the "adjunctification" of higher education faculty and the subsequent erosion of faculty governance, since faculty in these institutions are subject to "near-total managerial discretion" (Rhoades, 2017, pp. 647-8; Magness, 2016, pp. 1-4).

Tenure and academic freedom in higher education have been significantly eroded by this labor trend. Even in public research institutions, the only sector of higher education with an increase in the tenure stream, corporate funding and justifications for increased revenue have significantly eroded academic freedom, as evidenced in the dismantling of tenure in the State of Wisconsin and in challenges to tenure in Iowa, Missouri, and Wyoming. Following the State of Wisconsin's dismantling of faculty tenure, bills were introduced in January of 2017 in Iowa and Missouri legislatures to end tenure in public colleges and universities (Flaherty, 2017). Similarly, in May 2018 the University of Wyoming Board of Trustees made proposals that would make it easier to eliminate programs and fire tenured faculty (Flaherty, 2018). Eliminating tenure erodes the power of the faculty (who lose the protection of speech that tenure affords) and enables a governance structure dominated by individuals without advanced higher education backgrounds themselves.

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Furthermore, for-profit colleges and universities gained significant market share over the past decade, particularly in online education serving adult students. They began to diminish under government oversight and regulation during the Obama administration but have found a new champion in the Trump administration and Betsy DeVos (Green, 2019). For-profit college and university success is measured in financial terms as profit for shareholders, even though governance structures superficially resemble public and non-profit boards of trustees and presidents (Pusser & Turner, 2004, p. 248). For-profit colleges and universities do not operate according to long-standing academic educational norms. Their faculty do not enjoy academic freedom protected by tenure, and corporate pedagogical models often strip disciplinary expertise and knowledge production away from faculty and away from teaching. In a typical for-profit structure, faculty are individual employees hired by the administration and are predominantly part-time or contingent untenured staff and who "deliver" but may not create curricula and who may "facilitate" but not teach students (Pusser & Turner, 2004, pp. 250-1).

While for-profit colleges and universities, attacks on tenure, and adjunctification may seem like forces pressuring higher education from the outside, non-profit and public institutions have become internally saturated with for-profit corporate models and influences. Historically, non-profit colleges and universities have functioned through the "shared governance" among boards, presidents (administrators), and faculty. While non-profit and public boards of trustees have been responsible for assessing the financial health of the institution, they have also been called on to protect academic freedom and fulfill the academic mission of the institution; historically they have not served "owner" shareholders (Pusser & Turner, 2004, pp. 240-245, 248-249).

However, there are increasingly larger numbers of finance and business interests represented on non-profit boards of trustees. Many of these individuals are good, committed people who bring significant experience from industry, but nonetheless lack an understanding of the culture and imperatives of higher education. They therefore often impose the market ethos that views education as a commodity for sale—the only model they know[1]—whereas educating the population is a "communitarian" goal. Higher education administrators have become increasingly professionalized rather than coming from and representing the faculty ranks (McCartin, 2018, p. 75; Pusser & Turner, 2004, pp. 249-250). Many boards now seek college presidents who come from the private sector, rather than from academia, often resulting in a "culture clash" with the faculty and disastrous outcomes. Recruiting leadership from the faculty ranks is critical in part because tenured faculty serving as administrators have job security and can challenge a corporate or market-driven mentality on academic grounds. Professional administrators without academic credentials or tenure serve "at the pleasure of the president," and are vulnerable to increasingly corporate boards. In addition, areas formerly clearly in the purview of faculty governance, such as the elimination or addition of programs or schools; hiring faculty, including tenure track, part-time and contingent faculty; developing curricula based on faculty academic and scholarly decisions, are increasingly seen as budgetary decisions overseen by administrators. Overall budget decision-making and institutional investment (in marketing, alumni services, technology, real estate and facilities, and athletics) is not transparent or overseen by the faculty, which makes it difficult to track against academic investment.

[1] This call for institutional transformation builds on the significant critiques of neoliberalism, managerialism, and free market ideologies in higher education (Lincoln, 2018, pp. 3-20).

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Corporate labor models generated by for-profit institutions have also been adopted in public and non-profit education. Western Governors University is an example of one of the most influential models. Although it is a state-sponsored public non-profit, it breaks down, or "unbundles," faculty roles so that different faculty are responsible for creating course materials, creating assessments, and "coaching" or "facilitating" discussion among students (Fain, 2017). This corporate pedagogical model allows an institution to hire part-time faculty with fewer academic qualifications for specific tasks. It also separates disciplinary knowledge from teaching and knowledge production from faculty/student interactions. For-profits like Capella University are building self-service, competency-based models using this corporate logic and pedagogy. Competency-based programs generally view education as a series of transactions rather than a holistic education, with the student paying and the institution "documenting" or verifying knowledge or skill development through assessment. Western Governors University, Capella and corporations like Mozilla aggregate or make "content" available for "delivery" rather than create knowledge and teach students. Mozilla even argues for alternative corporate credentialing for "learning outside the classroom." This idea of prior learning assessment has been quite influential in state legislatures around the country (NCSL, 2018). Another increasingly influential corporate model is the practice of developing curricula (courses and programs) for market profitability and then standardizing them for efficient delivery to large numbers of students. This is routine in the for-profit industry but was popularized by companies like Coursera and Udacity over the last decade. And in fact, corporations such as Apple, Google, Facebook, AT&T, and many others now view themselves as educators, providing "courses" to their employees, and referring to their office parks as "campuses."

Outsourcing auxiliary services like bookstores, parking, student services, and marketing have further opened the doors to corporate profiteering and influence. Ironically, outsourcing has been justified as saving money for the institution so it can invest in academic arenas. In fact, even when the university profits from outsourcing a service, outsourcing allows corporations to move revenue out of the university to corporate shareholders rather than re-investing it within the institution, and it can erode living wages and benefits by moving labor outside of a non-profit context (McCartin, 2018, pp. 78-79). In the worst case, outsourcing program development, marketing, and enrollment can end up diverting 50 to 75 percent of student tuition dollars to companies that do not have academic qualifications or goals. Many non-profit colleges have structured online initiatives through corporate providers, like Pearson, for example, to create a so called "revenue-generating" arm of the university. Other non-profits like Southern New Hampshire University have adopted for-profit corporate governance style and labor relations to the extent that they structure the large majority of the institution. Purdue University's acquisition of Kaplan (now Purdue Global) is another very recent example of how for-profit corporations are changing the structure of public higher education. Purdue's purchase of Kaplan turned a for-profit company into an accredited public institution, lending academic legitimation without changing for-profit governance or financial structures (Kerr, 2018; Bauman & Blumenstyk, 2018). Turning education into a for-profit industry reflects a changed vision of the role and meaning of higher education—from one based on preparing educated citizens, who are critical, creative thinkers in science, the arts and culture, to one based on profit, credentialing, and vocational preparation.

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3. Research Questions

Given this depth of infiltration, how can we take back the university from corporate ownership and influence? Re-framing higher education governance, finance, and labor within an academic social justice context can focus conversations on workers rather than profit, democratic values, equity, and education as a human right and a form of community and social justice activism. We need new institutional structures and safeguards impervious to corporate interests. This might mean refocusing demands for public funding of free universities away from the capitalist logic of alleviating student debt, preparing students for the workforce, or increasing student income and instead toward tuition-free, public financing of university education as a human right, a "public commons" with protection for academic freedom. It might mean a stronger focus on union organizing that bargains not just pay and benefits but that supports a radical restructuring of part-time and full-time faculty labor through pay equity with academic freedom protections for all faculty. It might refocus union bargaining on faculty governance, including issues like a majority of faculty on boards of trustees, faculty control over hiring and impeaching presidents, and faculty financial review over the entirety of a university budget, prioritizing academic investment.

4. Findings

There are multiple models for higher education systems outside the U.S. that reflect a different set of imperatives than one based on revenue generation (whether that be through enrollments or endowment building). Kemal Guruz (2010) argues that different models of higher education funding emerged from the early, religiously based university systems dominated by either a Protestant (later capitalist) or Catholic (communitarian) logic. This would account, in some part, for the differences between U.S. and socially democratic countries' higher education systems.

For example, the Scandinavian and other socially democratic countries fund or greatly subsidize their higher education systems so students aren't burdened by debt and the faculty can focus on teaching and scholarship. In Sweden, over 80% of funding for colleges and universities comes from the government (Sweden, 2018). The Norwegian government and society view education as a public right that should be available to all. Thus, Norwegian public universities charge no tuition or fees, even for international students ("Study in Norway…", 2019). This contrasts with many university systems around the world that charge greater amounts of tuition and fees to international students to subsidize their budgets.

Of course, for many countries, providing adequate funding from central government resources itself is a challenge, and they are shifting the financial burden to a "mixed model" involving some tuition and fee payments (Erina & Erins, 2015). New Zealand's government funds 42% of its higher education costs, while 30% comes from research contracts and 28% is paid by students in the form of tuition and fees (Universities New Zealand, 2019). Canada operates on the same model ("The Daily…", 2015-2016). In Australia during the early 2000s, the government had decided to dramatically increase its investment in higher education so as to become a world leader in a number of areas. Australia's system of student loans enabled that country to saddle its citizens with a lower debt burdened that is paid off by students at a rapid pace (Hackett, 2014; Barr, Chapman, Dearden, & Dynarski, 2019). More recently, however, Australian universities have shown

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signs of dysfunction and have declined in the world rankings as they have cut funding for their higher education system (McGowan, 2018).

Governance systems among European university systems vary, with "unitary" and "dual" governance models that employ an academic senate and/or an external board (Pruvot & Esterman, 2018). While external boards in European higher education systems also tend to come from industry/business, they do so in a dramatically different cultural context. In Scandinavia, the concept of "solidarity" prevails and education is viewed as a human right. Thus, although board members may come from industry, they aren't looking at universities solely through the lens of competition and market values. Changes underway across Europe, however, reflect a growing trend for European universities to measure their institutions' success in terms of career placement and to employ "accountability measures" with increasing control centered with external boards (Pruvot & Esterman, 2018).

Australia developed a university governance structure much like that in the U.S. but with different models for student tuition, fees, and access (Stuart, 2017). By contrast, New Zealand's universities such as the University of Auckland are governed by bodies made up of representatives from the faculty, students, staff, alumni and external appointees (University of Auckland, 2019).

While alternative multiple models exist for funding and governing higher education, the U.S. continues to focus on purely market-oriented solutions that derive from the broader anti-intellectual strains of U.S. culture, resulting in a focus on financial performance and "efficiency" rather than educational quality. This singular focus has led to a "business model" reliant on underpaying contingent faculty, full-time faculty and staff, driving up the cost per student while executive compensation is on the rise. This takes place in a national context where the U.S. outpaces all other nations in military expenditures (in 2015, spending more than the next seven largest military budgets around the world, combined) and where corporate tax avoidance is rampant (AFSC, 2017). Thus, while university systems outside the U.S. may employ a similar governance model, they continue to provide higher levels of state funding for higher education and to view it as a priority for the nation's well-being.

We can also examine university business models through a different lens—examining collectives, cooperatives, and the solidarity economy in order to bolster the faculty's commitment to higher education as a public good rather than a private benefit. It's important to recognize that in a cooperative model, the workers govern the enterprise. They are presumed competent to manage, and they do so. A cooperative business model might provide more democratic faculty governance models with a focus on educational goals, as well as operations that reinforce worker solidarity and equity as a direct response to corporate exploitation.

One existing model of a worker-owned university is the Mondragon University in the Basque region of Spain. Ironically, this university originated in service to industry, to support other businesses in the Mondragon cooperative federation. It is an important model because even in this business/industry context, its governance and finance are far more justice-oriented than most non-profit universities. Essentially, it takes a typical university structure and inverts the governance, with the full faculty or "General Assembly" given the highest decision-making power and to whom a more limited, managerial board and set of directors' report (Schlachter, 2017, pp. 128, 144). At Mondragon, initially the wage disparity among employees was 1:4.5 and has crept up to 1:6, a far cry from the disparities that exist within public and non-

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profit higher education among contingent and tenured faculty and between faculty and administrators (Cheney, 2002, p. 48). Mondragon has succeeded, in part, because of a decision not to open the cooperative to outside investors.

The solidarity economy is not without its own problems. There are cooperatives that are organized with worker shareholders. Workers who own the company can still adopt a corporatized model—that is, the goal of the company is to create the greatest profit for each individual owner (Ji, 2016, pp. 362-3; Ranis, 2016, p. 35). However, many cooperatives resist the notion of ownership altogether, seeing their work instead as refusing a corporate, profit-oriented company in favor of a collective focused on well-being and solidarity among workers. Similarly, the solidarity economy has been critiqued for a lack of attention to racism and classism within the movement (Borowiak, Safri, Healy, & Pavlovskaya, 2017, p. 581). However, there is a long history of mutual aid and collectives among communities of color and in the global south that offer social justice-oriented alternatives, including educational models (Nembhard, 2014).

5. Conclusion

The lack of a viable financial model without a reliable subsidy is leading to further budget cuts in U.S. universities – across systems – especially at institutions without significant endowments. The unraveling of higher education in the U.S., with large cuts of personnel and programs and some colleges shutting down due to financial exigency, requires alternative models for organizing our higher education system that reflect a different set of values – beyond revenue generation and efficiency – that will educate future generations, and not just those who can afford to attend elite colleges with large endowments.

Re-framing thinking about governance and finance in higher education from corporate to academic, educational, and social justice goals will turn our attention away from the market, the competitive landscape, and viewing education as a product. Rather than replicating inequitable social stratification, education can serve as a "public commons" for developing and sharing knowledge while supporting a living wage and the equitable treatment of workers. Academic, collectivist, and democratic governance and finance are the means to those social justice goals.

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