

by James Tooley

IS FOR-PROFIT EDUCATION AN OXYMORON? THE CASE OF EDUCATION ACTION ZONES IN THE UK

Pourquoi l'État devrait-il se mêler d'éducation? C'est là la question que soulève un projet pilote britannique axé sur une réforme radicale de l'éducation. Conclusion? Il faut privatiser la gestion du processus d'éducation. L'auteur s'inspire de cette expérience et d'autres données étrangères et historiques pour remettre en question les justifications traditionnelles de l'ingérence de l'État dans la prestation de services d'éducation.

A reform in the UK that may be of interest to Canadian readers is the New Labour government's proposals for Education Action Zones (EAZs). We have become familiar in the UK and elsewhere with the state contracting out to the private sector various "peripheral" parts of the schooling process — school meals, cleaning and building maintenance, for example. We are also happy enough with the private sector being more intimately involved in the provision of educational goods — pencils, textbooks and computers. It is quite a novelty, however, and apparently a fairly undesirable one to many, to suppose that the private sector could be allowed into the hallowed halls of *management of the educational process itself*. It is this possibility that the EAZ proposal allows.

The government aims to create about 100 "Education Action Zones" during this Parliament. The proposal has been publicly claimed to be the flagship of government policy by Education Minister Stephen Byers MP, and Professor Michael Barber — Tony Blair's education guru at the Department for Education and Employment (DfEE). It is a voluntary way forward for schools, as Professor Barber says, "to rebuild education from the grass-roots up."

On paper they seem innocuous enough, allowing all those with an interest in education — schools, Local Education Authorities (LEAs — local government of education), parents, business and community organizations — to work together, mainly in deprived areas, to raise educational standards. However, in the small print we see that, significantly, of the first try-out of five zones, the government wants at least one to be run by a private company, and is happy to see this be a for-profit company.

The mechanism is that schools themselves agree to create an "Action Forum," a statutory body overseeing the activities of the zone. The suggested number of schools for each zone is 10 to 20, which is likely to be two or three secondary schools and their "feeder" primary schools. As noted, the Action Forum *can* include all those bodies with an interest in education — but it does not *have to* include any of these, and, to the LEAs chagrin, this means that schools can circumvent the power of local government control if they wish. Moreover, schools can also decide to opt-out of central government control over the curriculum and assessment, and out of nationally imposed teacher pay and conditions. The beginning of some great flexibility, and a challenge to accepted thinking about the way schools are managed, is apparent in the way education is delivered.

Where it gets most interesting, however, is that the schools in the zone can decide to *cede their budgets and authority* (in full or in part) to the Action Forum, which can then itself decide how the schools will be managed. Here the for-profit companies come to the fore. The prospect is that an Action Forum can opt to contract a for-profit business to manage the schools, and cede all its budget and authority to it, for a contractual period of three to five years in the first instance. For an EAZ with 10 schools, this means that the for-profit business could be managing a turnover of £15-20 million per year. On top of that, the government will give each zone nearly another £1 million.

This is the closest yet we have come to privatization in the education system in the UK, or indeed anywhere in the world.

The press picked up on the privatization theme after Professor Barber announced the zones proposal at the North of England education conference in January this year. Front-page headline stories proclaimed that the private sector was being invited in to take over the running of "failing schools." Entrepreneur Kevin McNeany, the chairman of Nord Anglia PLC, one of the for-profit

education companies tipped by Barber as the kind of company he had in mind, was lambasted for profiteering as his company's shares rose in value by £1.6 million on the London stock exchange on the strength of this announcement. The DfEE furiously back-peddled the next day, and recent press releases have suggested that the Secretary of State for Education, the Rt. Hon. David Blunkett MP, has tried to reassure the main teaching union, the National Union of Teachers (NUT), that for-profit businesses will not in fact be allowed to make a profit out of running state schools. However, as they *can* charge management fees, and these fees can be linked to a percentage of turnover and can be supplemented with bonuses linked to performance, the unions are understandably not mollified: profit, like a rose, would smell as sweet by any other name.

Of course, one must not make too much of one reform. The government *is* explicitly "thinking the unthinkable," but only in pilot form. If the action zones fail to deliver, then the reform will quietly sink without trace. But the converse is also true. If the zones that are managed by education businesses are very successful in raising expectations and standards, as their protagonists claim, then sources close to government assure us that the reform will not stop here. If they are successful, then we can be fairly sure that they *are* a first small step toward giving the private sector a much greater role in education. And if that, then wholesale privatization of education may not be too far away. Why would such a thing be undesirable?

This raises the more fundamental question of *why should the state be in education at all?* It is this question that has slipped out of sight in the debate, and indeed, in all the interminable debates on school reform in the UK and Canada and elsewhere. We take it for granted that private enterprise can better satisfy the need for a well-clothed population; we accept without batting an eyelid that the profit motive can help provide a well-fed population: why is education so different?

Reasons, when forthcoming, often focus on three main set of issues, that without the state: (a) there will not be educational opportunities at all; (b) there will be inequity; and (c) that education is not a commodity. Each of these issues, along with other justifications, I have tackled elsewhere.¹ Here we briefly point to some of the arguments.

First, it is argued that without the state there would not be educational opportunities at all, or at least not for the great majority. Professor E.G. West, of Carleton University, however, has argued that for Victorian England and Wales and the American colonies, the great majority of working people were very much concerned about, and able to provide for, the educational needs of their children, and that the state intervened in order only to keep that education under surveillance, to use a Foucauldian expression.² There was no market failure

to provide the good of education, even in poverty-ridden Victorian England.

Educational historians do not seriously undermine this claim about the *quantity* of schooling, only the *quality*. Given the poverty of the Victorian period, it would be surprising if schooling *then* matched our expectations *now*. But can we trust the sources that are used to show poor quality schooling? Her Majesty's Inspectors complained, for example, that working class private schools were not inculcating religious values — but parents wanted Sunday Schools to do that. One, Lord Tremenheere, writing in the 1850s, for example, proclaimed that working class education enabled ordinary people to read "seditious literature without having the moral or intellectual strength to discern its falseness," literature that was "exaggerating the principle of equality before God and the law."³ With prejudices like this, we need to be sceptical about such criticisms of educational quality.

Of relevance here is the situation in developing countries. I have been conducting research for the private finance arm of the World Bank, the International Finance Corporation, looking at investment opportunities in private education in developing countries. It has been quite astonishing to see how the private sector is able and willing to cater for educational demand in these countries and provide opportunities not only for the elite, as is the common misconception, but for the whole socio-economic range. Again, where the state does not provide, private entrepreneurs can and do.

This brings us to the second main justification for state intervention in education: Equity requires it. Perhaps *some* parents could be trusted without the state, but what about those who are not so concerned? And what about those who are too poor? But to respond to the needs of a *disadvantaged minority* does not require wholesale state intervention for *everyone*. Just because there are some parents who are too poor to feed and clothe their children adequately does not mean that the state has to intervene to feed and clothe *all* children! Nor do all children have to attend state kitchens just because a small minority neglects their children. All that the concern for equity dictates is the need to ensure that there are funding mechanisms in place, whether through philanthropy or the state, or both, to ensure that all parents can allow their children to go to the same schools as everyone else — so that there can be a "one-tier" market system, not "two tiers" of state and private schools.

The third set of justifications object that the nature of education makes it not amenable to "commodification." For example, the Canadian philosopher John McMurtry argues that the aims and processes of "the market" and "education" are not compatible, because there are "contradictions" between them in terms of their respective "goals," "motivations," "methods" and "standards of excellence."⁴ Agents in the market, he says, have as their main *goal* "profit," while "educa-

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tional agents" have as their *goal* educational aims such as the advancement and dissemination of knowledge; similarly, excellence in markets is measured by the success in making a product-line sell; but in education, however, excellence is measured by "how disinterested and impartial its representations are." These oppositions show for McMurtry the incompatibility of education and markets. However, this argument is far too quick, for a parallel argument can be made concerning any service or good that is normally accepted as being amenable to market mechanisms. Consider, say, air transportation. We can easily find differences between the goals, motivations, methods and standards of excellence of "air transportation" and "the market." The goals of air transportation are, say, getting people from A to B quickly, whereas that of the market is, still, profit; the standards of excellence of "air transportation" might be in conveying the greatest number of people in the greatest comfort with minimum accident; excellence in markets is, still, the number of sales notched up. This sort of discussion tells us nothing about whether or not the market can satisfactorily deliver air transportation. Nor does it tell us anything about markets and education.

To avoid this sort of error, it is useful to distinguish *education* from the delivery of educational opportunities, and hence "educational agents" (in McMurtry's language), from "agents who ensure the opportunities are delivered." Educational agents have overriding educational goals, while bursars and finance managers are concerned with overriding *financial* goals. There is no necessary divergence of interests between these two. One can be concerned with profit, the other education, and each can complement, not undermine, the other.

The profit motive does not (necessarily) harm education any more than it (necessarily) undermines book publishing or food production. Indeed, anyone predisposed that it does should take a visit to some of the for-profit education companies around the world to gain a sense of the characteristics of this sector. One of the major complaints of the same teaching unions in the UK who object to privatization is that state schooling currently suffers from a massive lack of under-investment. The Edison Project, the New York-based for-profit enterprise that manages a chain of 25 public schools, agrees. It invests \$1 to \$3 million dollars in each of the public schools it takes over, in technology and curriculum, recognizing the history of under-investment. Then, taking only the funds that the School Districts would normally spend on these schools, it can make a profit in the medium to long term.

Similarly, the for-profit "chains" of private schools I have found in Latin America and Africa are engaged in massive investment in technology in their schools — in order to keep ahead of their competition. For example, the unfortunately named COC chain of schools in Brazil — charging fees equivalent to the amount that the government spends now in Britain per student — provides each student with a specially devised desk with a fold-

away computer terminal, networked to CD-ROM and the Internet, and to the teacher's "smart-board" — which lets the student take home a copy of the teacher's notes on a floppy-disc afterwards.

The for-profit sector is also able to capitalize on the complacency with which the state sector suffers. In India, where state university computer education is in dire straits, university graduates are churned out who have learnt only Fortran and Pascal, unemployable in today's computing industries. Indigenous private enterprise in the form of NIIT — the National Institute for Information Technology — provides parallel courses for these undergraduates, teaching them, for a reasonable price, current technology and provides them with valuable work placements.

Interestingly, NIIT has two research departments, one of which has 15 full-time researchers who are employed *solely to do academic research* in education. Their "performance indicators" are papers published in research journals and conferences attended, and they are the envy of Indian government universities. All, you will understand, in the name of profit.

The "evil" profit motive has another key attribute, which is particularly valuable to those in difficulty in the developing world: Who set up the first technical education college in the black townships of Rhodesia? It certainly was not the government, which did not want to enhance the employability skills of the Africans. It could have been philanthropy and the churches, true: these followed behind. But in fact it was a business man, whose motive was...profit. In the townships he saw an untapped market, and had a lonely struggle with government to get the requisite permits before being able to open up shop. The college is still going, part of the Speciss College chain, highly successful in Zimbabwe and seeking to expand elsewhere. Similar stories can be told from all over the developing world, where the profit motive provides the *incentive* for entrepreneurs to take risks and move into untapped markets — to the benefit of those whose needs have been neglected by governments.

A final characteristic about for-profit schools may be noted. In all the examples I have surveyed in my IFC work, from Brazil to South Africa to India, for-profit schools invest heavily in social responsibility programs, in particular, offering bursaries, scholarships and/or loans for those too poor to afford fees. When critics talk about educational entrepreneurs they tend to forget that such people are not one-dimensional but can also be concerned with what Adam Smith felt was the highest form of humanity — beneficence.

Finally, we can see how the profit motive has helped solve a common objection to moving toward markets in education — that of the "information problem." Put simply, the objection is that the consumers of education — parents and students — cannot know enough about schooling in order to make informed choices about educational quality. In Brazil and South Africa, for example, however, the education companies are

well-established educational brand-names, which, make no mistake about it, are very keen to advertise on billboards, newspaper, radio and television. So: how does anyone know whether they can trust the local entrepreneur who has set up school? Because he or she is a franchisee for an established educational brand-name whose quality control procedures are known and respected throughout the country. What the brand name conveys to parents is that the school is conveying something of meaning and value to their children, and at a reasonable price, and that is why they are happy to send their children there.

New Labour in the UK has taken its critics by surprise. Treading on toes on which even Lady Thatcher feared to tread, they have brought in a reform that has the potential to transform the educational scene. Just as Thatcher's privatization program has spread worldwide, the policy of Education Action Zones may well spread further afield if successful. But critics are worried, in particular because they fear that this unleashes the spectre of the profit motive in education. I have pointed to arguments here that suggest that this should not be feared. If the Education Action Zones really are a step toward privatization, then this would not necessarily be undesirable. Of course business has imperfections. But to ignore the imperfections of governments is odd. Citizens of developing countries are less sanguine; if someone is needed to get education right, the lesser of two evils is usually not government, but business. I am not convinced that the same sentiment should not apply in the UK. And why not in Canada too?

Endnotes

1. James Tooley, *Disestablishing the School* (Avebury: Aldershot, 1995); Tooley, *Education Without the State* (London: Institute of Economic Affairs, 1996); Tooley, *The Higher Education Debate: Challenging the Assumptions* (London: Institute of Economic Affairs, 1997).

2. E. G. West, *Education and the State* (Indianapolis, Liberty Fund, [1965], 1994).

3. W.B. Stephens, *Education, Literacy and Society 1830-70: the Geography of Diversity in Provincial England* (Manchester: Manchester University Press, 1987).

4. John McMurtry, "Education and the Market Model," *Journal of Philosophy of Education*, Vol. 25 no. 2 (1991) .

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by Robert Skidelsky

THE FAILURE OF CENTRALISM: WHY BRITISH STATE SCHOOLS SHOULD BE MORE INDEPENDENT

Au Royaume-Uni, les gouvernements conservateurs ont centralisé l'éducation, s'arrogeant de pouvoirs sans précédent pour en refondre le contenu et la structures. Le New Labour de Tony Blair affirme que l'éducation est la grande priorité. La solution qu'il propose au problème des écoles qui ne répondent pas à leur mission est la « zone d'action sur l'éducation » — un concept qui, en théorie, laisse la porte ouverte à la possibilité de privatiser la gestion des écoles. L'auteur esquisse ce qu'il estime être les principales lacunes de ce modèle et indique quels changements seraient nécessaires si l'on décidait de remplacer l'approche dirigiste par une formule basée sur le choix et la diversité.

There is one theme in British education which has survived every change in intellectual fashion and ideology, from the rise and fall of academic selection and the corruption of the comprehensive ideal, to the fierce debates over teaching methods and the content of the national curriculum. It is, quite simply, that the men in Whitehall know best how to run the state school system.