The Third Way for Education: privatisation and marketisation

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Dexter Whitfield founded the Centre for Public Services in 1973. His work for the Centre includes research into public services, the development of employment and public service plans and social and economic audits. He has published a number of influential books and acts in an advisory capacity to public bodies and trades unions in the United Kingdom and abroad. His convincing article, on the powerful forces behind the creeping privatisation of education, makes very sobering reading.

A new era of privatisation is emerging, driven by globalisation, neo-liberaVthird way ideology, trans-national companies and business interests. Whilst public ownership and the welfare state remain strong in most European states, the flotation and trade sales of nationalised industries and state corporations in the United Kingdom is virtually exhausted, hence the core services of the welfare state - education, health, social services, social security (pensions) and housing - form the next phase in the marketisation of the state.

Conservative governments between 1979-97 established quasi-markets in education with open enrolment, local management of schools, opt outs from direct public control, competitive tendering for support services and a performance management regime consisting of standards, performance league tables, inspection, and the centralisation of funding.

Labour's third way modernisation project is based on a minimum reversal of Tory legislation. In practice, this has meant the continuation of the Conservatives' transformation of public services, although some policies are repackaged and justified by different objectives (Whitfield, forthcoming). The Labour Government continued the commitment to:

- The transition to a performance-competition state in which, albeit voluntary, competitive tendering is legitimised across the public sector in place of compulsory tendering of defined services.
- A national programme of privatisation, although on a smaller scale.
- Externalisation and transfer of local authority functions and services to the private and voluntary sectors. Thi§ has speeded up since 1997 primarily because of Labour's belief in the enabling model of government and their neutrality on who provides services.
- Escalating corporatisation and commercialisation of the state, with increasing use of company structures.
- Substantially increased role for private capital funding of the infrastructure and public services.
- A flexible labour market with performance related pay in selected services such as education.
- A greater commitment to promote fairness and flexibility but making redistribution and equality matters of local choice.

Why Privatise Education?

It is significant that those with a vested interest in privati sing education consistently claim that it is only a matter of value for money, and that by selecting the most efficient supplier, more children can be educated to a higher standard. 'More for less' is the mantra. Choice and competition are an integral part of this system.

However, more fundamental issues lie behind such transparent and simplistic claims. First, the annual global education market is estimated at $2,000bn with the USA and United Kingdom markets valued at $700bn and £60bn respectively (Edu Ventures, 1999). Public expenditure accounted for 89% of total education expenditure in developed countries and 75% in developing countries according to a World Bank survey of 41 countries (Patrinos, 1999). So the scale of new 'markets' is enormous which accounts for the intensive lobbying by trade and business organisations for global markets and minimal regulation. The real agenda is capital accumulation, not efficiency or choice. Children are already big business - US retailers estimate that girls between seven and 14 spend $24bn annually and influence a further $66bn parental purchases *(Financial Times, 26* September 1999).

Secondly, the intention is to transform the labour process, reduce the cost of labour, try to marginalise the trade unions in order to weaken opposition to such policies. Thirdly, to tailor and prioritise education and training to the needs of business. Finally, to transfer part of the cost of education from the state to the individual in order to pursue a low-taxfminimal-government model and to establish a market in which parents and students choose between competing suppliers.

Different Forms of Privatisation

Education is a public good but the privatisation lobby makes a distinction between public provision and private production. Schools and health care will remain free at the point of use but delivered by private contractors from privately operated facilities.

As a locally delivered public good it cannot be privatised via a traditional large scale sell-off. Instead, privatisation develops in a piecemeal and fragmented manner and it is only by examining the range of different initiatives, taking a long term perspective, that it is possible to identify the real consequences of government policy. The privatisation of education is increasing in seven ways - outsourcing support services, inspections, trammg and related services; private finance for school buildings; private management of schools and LEAs; privately led information and communications technology projects; vouchers and personal accounts; and zones and partnerships. Each is discussed in more detail below.

1. Outsourcing Services to Schools

The Best Value performance management regime in local government came into effect in April 2000 which requires local authorities to review all services they provide, whether directly by private contractors or voluntary organisations, on a five-year cycle. Teaching is excluded but education management and support services are included. Local authorities must challenge why they provide the service, compare performance with others, consult with users and the community, assess the competitiveness of services and examine a range of options for future delivery of the service. Although Compulsory Competitive Tendering was abolished in January 2000, local authorities are required to assess outsourcing and privatisation options and to develop markets if there is no available private market. In effect, the Ofsted inspection regime has been extended to all local services with the creation of a Best Value Inspectorate.

Also, outsourcing of Ofsted inspection work has enabled firms such as Nord Anglia and CBT to establish themselves as increasingly large players in this field. They are by no means the only ones; currently there are a significant number of companies exploring ways of gaining access to this market by probing how they can package and operate services, reducing public resistance and increasing their own capacity by recruiting staff with LEA experience. Many own and operate 'public' transport, utilities, communciations and prisons - now they are coming for the children. For example, Group 4, a private company already involved in owning and managing prisons, are bidding for education service contracts and indeed the Labour government is inviting such firms to do so.

2. PFI and the Education Infrastructure

The Private Finance Initiative (PFI) requires the private sector to Design, Build, Finance and Operate (DBFO) facilities, usually for 25-35 years (7-15 years for equipment). The private sector finances construction and is repaid by the state, in regular payments for the use of the buildings and for the services provided under a facilities management contract. Payments for PFI projects are classified as revenue, not capital, and do not start until the building is completed. It thus has enormous short term political appeal.

However, the Private Finance Initiative is no longer about additionality nor is it about the limits of the public sector capital spending programme. The government is adamant that under PFI local authorities pay for a service, they do not acquire an asset. All assets such as schools which are built or purchased under the PFI remain in the ownership of PFI consortia until the end of the contract.

In the longer term it is inconceivable that PFI projects will be confined to buildings and support services or that only a relatively small part of the education infrastructure will be privately provided. PFI consortia have a vested interest in the quality of teaching and performance of schools they operate because this helps to maintain full capacity and maximises income from third party use of facilities. The division between core and non-core is not fixed in stone but is fluid depending on changes in teaching techniques and the division of labour thus giving private companies an opportunity to expand into educational services; by their nature private companies are constantly searching for means of diversifying and expanding markets.

It isn't far-fetched to suggest that if the provision of the schools' infrastructure can be turned into a service, there is no barrier, other than ideology, to prevent this service extending to core teaching. An emerging owner-operator industry in which a few multinational firms will own most of the (new) schools will increasingly be able to dictate the terms and conditions to LEAs and schools. The creation of a secondary market in which investments in PFI projects are bought and sold on financial markets will also have a similar effect. Thus, we will see increasing commercialisation of education and business involvement in projects, sponsorship help to create the ideological conditions and practical opportunities for more extensive private involvement in the supply of education.

There is, however, a clear alternative to the PFI. The government could adopt the European convention of the General Government Financial Deficit which would enable public bodies to borrow against their assets and revenue stream and for this not be counted against public borrowing.

3. Local Education Authorities

The government has twice advertised for companies to express their willingness to takeover the functions and services provided by LEAs. Facilities management companies such as SERCO and W.S. Atkins are expected to be added to the existing 10 approved contractors. Another is Group 4, as already mentioned, the well-known operator of pri vate prisons!

Many of these firms have acquired educational and training companies in order to build up the educational experience and credibility - this sector has had some 30 takeovers valued at £lbn in the last 16 months.

It is not simply a matter of LEAs deciding which services to outsource, but consultants and contractors, accompanied by the DfEE, assessing services to determine what is feasible and profitable to outsource. This is providing opportunities for private firms to explore the potential for markets and set the terms on which they will enter into contracts.

4. Private Management of Schools

Private management of schools is starting with the takeover of 'failing schools' although this process is at a more advanced stage in the USA. Nonetheless, high profile firms such as Edison and Educational Alternatives Inc. have a very poor track record with broken promises of new computers, wage cuts and poor educational performance.

5. leT Led Privatisation

Most information and communications technology (ICT) led education projects are dominated by private contractors with declining public sector input and control. Many claim to be partnership projects but the sorry reality is that they are deskilling and reducing the capacity of the public sector.

6. Vouchers and Personal Accounts

Vouchers enable the holder to access both public and private sector schools or other services. They are highly controversial because they channel public money into private schools. Although they are presented as increasing choice, they are a means of marketising the schools system and leave the real choice with private schools. The theory is that successful schools prosper and unsuccessful ones go to the wall.

Voucher schemes in the USA have proved to be expensive, decrease accountability and channel public money into private schools at the expense of investment into the improvement of the public school system. There have been repeated and largely unsuccessful attempts, funded and orchestrated by right-wing organisations, to pass state legislation for voucher schemes. A few small schemes operate in Ohio and Wisconsin but these are not statewide having been confined to Cleveland and Milwaukee. In the United Kingdom a nursery school voucher scheme introduced by the Conservative Government was abolished by the Labour Government in 1997. It had proved to be costly, time consuming to administer and ineffective.

7. Zones and Partnerships

The zonal approach has been used by government to experiment with new quasi-public organisations and the promotion of private sector involvement. The Conservative Government launched Enterprise Zones, Urban Development Corporations (UDCs), the Estate Renewal Action Fund, City Challenge and the Single Regeneration Budget.

The Labour Government reinvigorated the zonal approach with health, employment, education and community safety zones and the New Deal for Communities. The first phase of 25 Education Action Zones (EAZs) are intended to raise standards in 'socially disadvantaged areas' with 'under-performing' schools. EAZs comprise two or three secondary schools one of which must become a 'specialist' school selecting up to 10% of its students on the basis of 'aptitude', plus associated primary schools (maximum 20 schools). Schools can opt out of the National Curriculum and national pay and conditions for teachers. EAZ's are run by Action Forums comprising representatives from schools, parents, business and the local education authority with one or two Secretary of State appointees.

Each zone receives an annual government grant of £750,000 with private business expected to fund and/or sponsor to the value of £250,000. Zones usually lack the presence of successful private businesses so large national firms such as British Telecom, British Aerospace and Andersen Consulting are supporting zones, usually in kind rather than hard cash.

World Trade Organisation Agenda

The marketisation and privatisation of education is not confined to Britain. The plans of the World Trade Organisation's General Agreement for Trade in Services (GATS) for the global liberalisation of public and private services could have a substantive impact on education worldwide. GATS sets out a framework of legally binding rules governing the conduct of world trade in services to ensure transparency and the progressive removal of measures which discriminate against foreign suppliers. Nation states sign up to a commitment to open services to market access on a ongoing basis through periodic negotiations. In addition to education, it covers over 160 services including health, social services, environmental services, libraries and leisure.

Services are widely defined, for example, education includes primary, secondary, higher and adult education. Each of these services is a multi-billion market hence transnationals and business interests are lobbying hard to gain access to these vast new markets. The WTO is singularly concerned ensuring the free flow of trade - social equity, health and education outcomes, working conditions and human need are not part of its remit.

The liberalisation of goods and services is based on two key principles, *most favoured nation* which requires countries to afford the same treatment to all GATS member states, and *national treatment* which requires foreign companies to be treated the same as national firms. Trade in services is classified in four modes, cross border supply, consumption abroad, commercial presence (provision of services by foreign-owned companies) and the movement of personnel. GATS defines government services as those which are provided on a non-commercial basis and do not compete with other suppliers. Since virtually all public and welfare services contain at least some element of private funding and provision, the degree is limited as to which nation states can protect core services against marketisation and privatisation under the current rules. The WTO has wide powers to deal with barriers to trade with a dispute settlement procedure and cross-retaliation provisions under which non-complying countries can be forced to change legislation, face retaliatory trade sanctions and/or financial penalties.

A new 'Millennium Round' of negotiations on further liberalisation was delayed by disputes in Seattle in 1999, although previously commenced negotiations on government procurement and subsidies continued. There is growing oposition to the WTO's plans

Many countries, such as Britain, are, behind a domestic 'modernisation' and reform agenda, committed to liberalisation. Building the foundations for liberalisation by introducing competitive regimes into public services, revising government procurement policies, creating purchaser-provider splits, restructuring the finance of services through per capita funding, commercial resource accounting and private finance via public-private partnerships, are all evidence of this.

None of these policies are inevitable, there are clear alternatives which maintain and improve public education and increase the capacity of nation states to challenge the neo-liberal marketisation agenda. It is these alternatives we need to vigorously and urgently promote at every opportunity.

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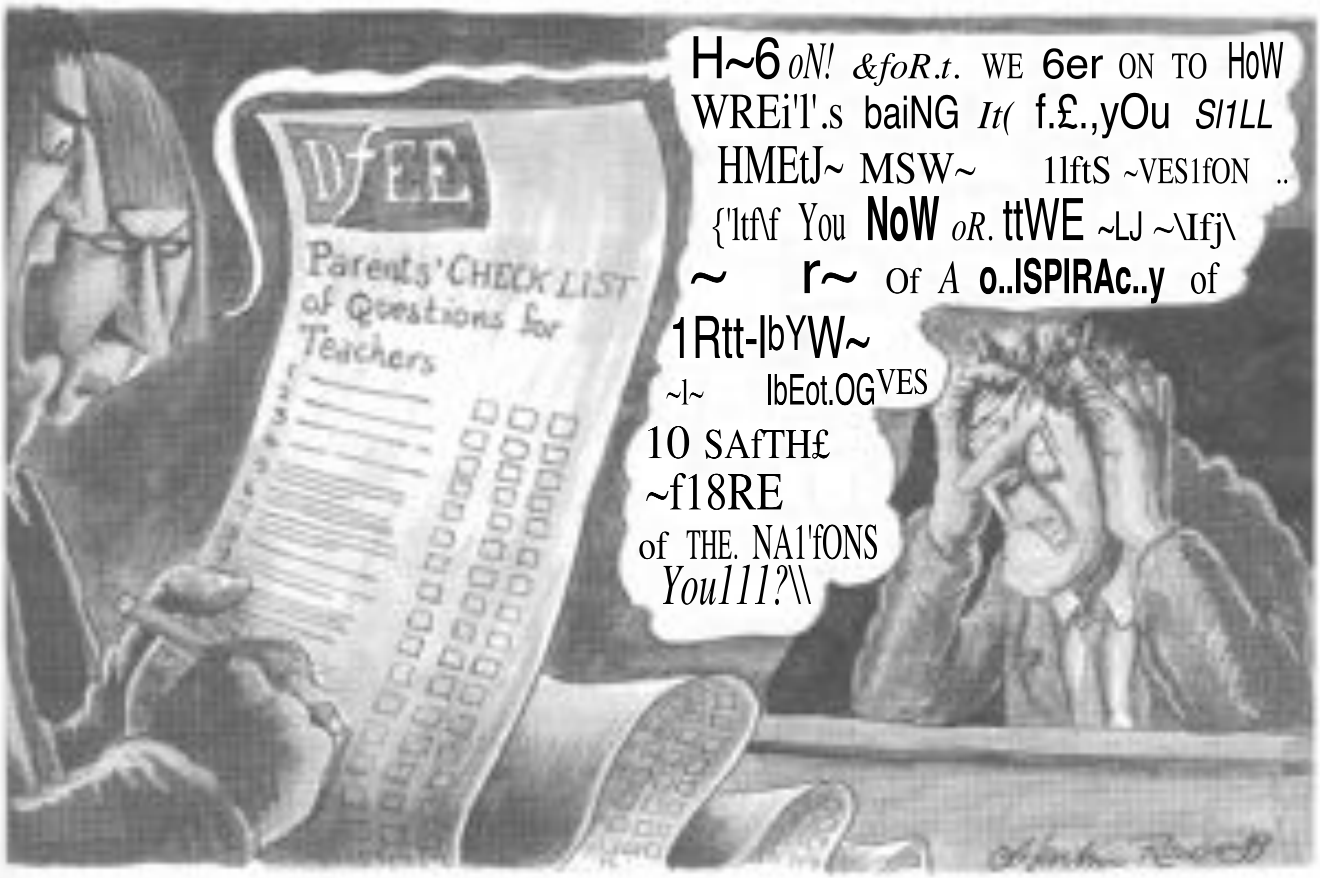

Martin Rowson, *The Times Educational Supplement*, December 10, 1999