Before talking about private sector involvement in specific recent education initiatives, I want us to think a bit about how what we are talking about here today relates to wider aspects of privatisation. I wrote my first paper on the 'privatisation of education' back in 1984 for an American journal, *Educational Leadership*. What was arguably important about that paper, and another one I wrote with a colleague a few years later, was that it tried to distinguish between different meanings of the term ‘privatisation’ and I think that remains important today, especially if we are posing the question of this conference: ‘Involving the Private Sector in Education: Value Added or High Risk?’ Because I shall want to argue that things which may seem to add value in the short-term may also pose a risk in the longer term.

So what might we mean by privatisation? Although the term is frequently used, it is often only loosely defined. David Donnison has argued that ‘its meaning is at best uncertain and often tendentious’ and he goes so far as to claim that it is designed ‘not to clarify analysis but as a symbol ... to dramatise a conflict and mobilise support’ - one way or the other.

There is certainly a lot of sensitivity about terminology. For example, I recently served on the Islington education commission and, while some people liked to refer to what has happened there as privatisation, others insisted that contracting out of services was not the same thing at all.

So let’s explore this a bit more. At its simplest level, the organisation of welfare services, including education, can be represented in terms of the relationship between sources of funding and provision (Figure 1). Rudolf Klein suggests that ‘the “pure” model of comprehensive state welfare’ is located in Cell 1. And has applied to most (though not all) mass education systems, where both funding and provision have traditionally been located firmly in the public sector.

**Figure 1: Modes of Welfare Provision and Funding (after Klein 1984)**

<table>
<thead>
<tr>
<th>FINANCE (FUNDING)</th>
<th>Public</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PRODUCTION (PROVISION)</th>
</tr>
</thead>
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<tr>
<td>Private</td>
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</table>

1
This might seem to suggest that privatisation involves a straightforward movement out of Cell 1 into Cell 4. However, this presents rather too static a picture to capture the complex set of potentially privatising processes involved in recent reforms in education. Heald argues that privatisation is a multi-faceted set of processes, which could entail one or more of a number of shifts away from the ‘pure’ welfare state model:

- charging for public services previously paid for out of taxation (Klein’s Cell 2)
- letting the private sector run a service that continues to be paid for out of taxation (Cell 3)
- selling public services and transferring their functions to the private sector (Cell 4)
- deregulating the private sector or liberalizing arrangements that previously prevented the private sector from competing with state-provided services (Cells 3/4 competing with Cells 1/2)

A similar range of things that might be involved is also illustrated in an American book on privatisation by Murphy at al.

Similarly, for Le Grand and Robinson in Britain, privatisation is broadly defined and may involve a decline in state provision, a reduction of state subsidies and more deregulation, as well as straightforward transfer of services from the public to the private sectors. It is possible to see examples of all these processes within recent education reforms. Even in the 1980s, Richard Pring noted an increase in the purchasing at public expense of educational services provided in private schools, contracting out of services to private providers, an increasing requirement upon parents in state schools to pay for services that had hitherto been provided free at the point of consumption and the introduction of student loans into the higher education system. The pace has, of course, quickened since then.

So, in Britain and indeed in many other parts of the world, there have been attempts to move away from the notion of there being ‘one best system’ of state funded and state provided education. Nevertheless, if we look strictly at the issue of funding, it is difficult to argue that education has been privatised on a significant scale. However, there has been a shift towards more devolved systems of provision with increased emphasis on parental choice and competition between increasingly diversified types of school sometimes run by a variety of different providers from public, voluntary and private sectors. In this context, marketisation might seem a better metaphor than privatisation, usually meaning the development of ‘quasi-markets’. My colleague, Ros Levacic, suggests that the distinguishing characteristics of a quasi-market for a public service are ‘the separation of purchaser from provider and an element of user choice between providers’, with the government controlling ‘such matters as entry by new providers, investment, the quality of service…and price’.

Marketisation and privatisation are clearly not coterminous. Privatisation often merely involves replacing a public monopoly with a private one. However, although there may be tensions between privatisation and marketisation, they are more likely to complement rather than compete with each other. And some aspects of marketisation contribute to privatisation in an ideological if not a strictly economic sense, even where quasi-markets are confined to public sector providers. Aspects of ideological privatisation include:
• fostering the belief that the private sector approach is superior to that traditionally adopted in the public sector
• requiring public sector institutions to operate more like those in the private sector
• encouraging private (individual/family) decision-making in place of political and professional judgements

The increasing emphasis on competition and choice has also brought with it what I have called a ‘hidden curriculum’ of marketisation. Stephen Ball similarly claims that ‘insofar as students are influenced and affected by their institutional environment, then the system of morality 'taught' by schools is increasingly well accommodated to the values complex of the enterprise culture’.

The other thing that may kick in in this context is an increasing commercialisation of education. For example, the growing influence of commercial organisations as consultants in public provision can itself contribute to a change in the ethos of the sector. More direct commercial penetration is evident in the increasing use of commercially sponsored materials in the classroom. In a situation of increased competition between schools, alongside ongoing budgetary pressures, there is a strong temptation for schools to enhance their market advantage through glossy commercially sponsored materials and attractive ICT resources. Although we do not yet have the situation graphically illustrated for the USA in Alex Molnar’s book ‘Giving Kids the Business’, there has been considerable concern expressed by various consumer groups in this country and demands for stricter guidelines. And the Right as well as the Left have become worried by the so-called McDonaldisation of education, which it sees as posing a threat to traditional national values.

Thus, even those reforms that merely foster competition between public sector providers may move provision away from the tradition welfare state model, while technically remaining within Klein’s Cell 1. While they might strictly be regarded as elements of marketisation, they could also be considered a prelude to privatisation in the fuller sense of the privately funded and privately provided education that people like James Tooley might favour. Many critics of devices like devolved budgeting, internal markets, cost-centres and self-governing state schools competing in the marketplace, have been seen as examples of ‘creeping privatisation’.

Tanya Burchardt and her colleagues at the LSE recently sought to build some of these considerations into a more complicated map of welfare than that suggested by Klein. Their ‘wheel of welfare’ shows different combinations of public and private provision, public and private finance and public and private decision-making (Figure 2). Onto this, they map various directions of movement out of the ‘all public’ sector characterised by public provision, public finance and public decision (similar to Klein's Cell 1). These movements include outright privatisation, contracting out, the marketing of public services, the introduction of user charges and the use of vouchers. Strangely, they include quasi-markets as well as the conventional welfare state in the 'all public' segment, when the advantage of their model over Klein’s is that it potentially allows one to distinguish between the two by including a segment that entails public funding and provision but private decision-making, as in many aspects of marketisation. So private involvement of the sort being discussed here today needs to be seen as part of a bigger picture that is not just about public expenditure on
private services.

**Figure 2: Classification of Public and Private Welfare Activity** (after Burchardt et al 1999)

**KEY**

**Inner Circle – public decision**

1a eg ‘pure public’ services
2a eg publicly provided services paid for by user charges
3a eg contracted-out services purchased by the state
4a eg contracted-out services paid for by consumer

**Outer Circle – private decision**

1b eg publicly provided services bought with vouchers
2b eg publicly provided services bought by individuals
3b eg privately provided services bought with vouchers, tax reliefs or grants
4b eg ‘free market’ services
Nevertheless, Burchardt and her colleagues do show that, in relation to total educational expenditure in England, there was a reduction between 1979/80 and 1995/96 from 65.5% to 52.4% in the proportion of expenditure falling within the classic welfare state public provision/public finance/public decision-making segment. There was doubling of free-market services, a small increase in contracted out services and a significant increase in the purchase of privately-provided services with state finance. In terms of the total budget, the changes appear relatively small, and many related to non-compulsory phases of education, but there will have been further shifts since 1997 under New Labour including contracting out of core services to schools.

Even if full-blown privatisation may not be on the immediate agenda with the arrival of Third Way policies, public-private partnerships and a ‘what works rather than who does it’ approach to education policy, even some of these relatively minor shifts of emphasis may themselves have long term consequences that we need to be aware of before we move too much further down these paths.

Let me explore this a bit more through evidence drawn from research I have been involved in over the past decade or so on City Technology Colleges and Education Action Zones. In the case of CTCs, the proportion of private funding has been much less significant than originally suggested, though it has not been negligible. What this did show was that, long before EAZs were floated, it was known that British companies were reluctant to contribute on the scale envisaged. In EAZs themselves, our ESRC-funded research and an analysis by Joe Hallgarten and Rob Watling for the Institute of Public Policy Research, all suggest that a number of zones have struggled to raise even the £250,000 worth of contributions officially required. Even fewer have raised it from private sector businesses as opposed to charitable Trusts. Some zones appear to have raised only a few thousand pounds, including one with none at all.

Furthermore, the amount of direct funding, as opposed to services in kind, has been very limited at around 30% of the total. As well as this direct funding in cash, the main private sector contributions have been in material resources, especially curriculum resources and ICT equipment, and human resources, with company employees providing advice and managerial services, curriculum enrichment and mentoring of headteachers and pupils. Much of this help has undoubted benefits. But, valuable as these non-cash contributions often are, they may not always be quite as valuable as they appear. Ways of accounting for sponsored time have been contentious with claims of exaggeration. For example, should you charge the time of a businessperson who hears children read at normal commercial consultancy rates or at learning assistant rates? Then there are issues about motives. These are likely to be mixed. Altruism and service to the community are certainly among them. Upskilling the workforce may also be involved. But providing resources to a zone may be also helpful to a company in terms of brand recognition for a new generation of consumers. It can also be a way of breaking into a lucrative market more directly. A number of ICT resources and surveillance systems have been supplied to CTCs and EAZs as part of business sponsorship and then led to sales of the same equipment in other schools and authorities. Thirdly, there is the crucial question of sustainability. In some EAZs, business involvement has fallen away sharply when either the expected benefits to business have not
been forthcoming, or the benefits have been realised sufficiently not to justify further effort or when a particularly enthusiastic individual in a company has moved on. This can particularly affect the participation of business members in Education Action Forums.

But perhaps more worrying than the commitment of particular individuals and particular companies is what happens when education ceases to be a particularly attractive field for corporate investment and involvement as a whole. If you read a brochure from Capital Strategies, called ‘The Business of Education: An Analysis of Business Developments in the Education and Training Marketplace’, it is clear why companies that have had no historic involvement in education might find it attractive now – the pamphlet predicts a rise in the value of business opportunities from outsourcing in education from £2.5bn to nearly £5bn in the next few years. It tells us about one new company that is just entering the market because it is becoming clear that ‘this government is genuinely committed to the use of the private sector in the delivery of public services…and there are currently few players with the capacity or track record to participate in this potentially massive market…There is currently a window of opportunity to buy and build a substantial outsourcing business with an initial focus on education but with the clear future intention of moving into other government sectors’. What happens to education, one has to wonder, when other areas of investment and involvement become more attractive?

So, at one level, there is a possibility that the developments I have been describing will lead to increasing levels of private involvement and privatisation over time, but there is also the opposite danger that the private sector might pull out over time. The risk to the quality of education may thus not be so much now, but later on. We all know, as that quote implied, that the human resource capacity in the private companies for work in education is so limited that most of the people who are actually involved are former LEA employees and sometimes some of the best of those. In the short term, this might mean that the private companies employing them successfully turn round failing schools and LEAs, though that is by no means ensured and is anyway likely to involve central government money and support as well as private sector involvement. But, in the medium term, there is a potential self-fulfilling prophecy in the making. There is a danger that the best people leave LEAs and maintained schools to work for private sector providers, that the public sector is then seen to be underachieving and that this in turn justifies further outsourcing. Successful public sector employees, such as the ‘Newham Two’, who move into high-profile jobs in the private sector may unwittingly contribute to this process. Symbolically, it is therefore very important that we find ways of enabling such people to assist others from within the public sector. Otherwise, if public sector capacity is undermined, what will happen in the longer term when the private sector moves on to seek easier profits elsewhere? This is one reason why we must always maintain a strong public sector and, to that extent, the notion that it is what works rather than who does it that matters may prove to be misguided in the longer term. It would therefore be folly to undermine democratic control or the public service ethos at the centre of our education system, however many new partners are involved in its delivery at any one time.

There are those who say what does it matter if private involvement raises achievement now? And there is a sense in which that is right, provided we keep an eye on equity as well as achievement. But whether either private sector involvement or even levels of funding have
been entirely responsible for the sorts of results from CTCs that were announced very recently, I would rather doubt, though they were no doubt one factor. Whether they were the major factor in the above the norm rise in SATs results in EAZs, I would doubt even more. It seems highly unlikely that private funding or private involvement has been decisive, though a lot more analysis will be needed. And whether even current levels of private involvement will prove sustainable must be questionable.

Finally, though, I want to make one thing clear. None of this is to argue against partnership working across sectors. I have long been a strong advocate of it, particularly in multiply disadvantaged areas. But we do need to be clearer about what motivates different partners. One company involved in developing commercial partnerships with further and higher education institutions defines such a partnership as any such relationship ‘where the results further the objectives of the institution’. All well and good you may feel, especially when the thrust of this firm’s publicity is that such partnerships are win-win situations for both parties. Unlike some of my colleagues, I actually believe that they can be, but there can also be significant conflicts of interest. And, as some PFI schemes have demonstrated, what looks like win-win in the short term, may not look the same later on. We may also need to recognise that there may be a distinction between for profit and not for profit partners. There may also be differing motives between local employers and large multi-nationals, though these distinctions are much more complicated than simple good guys/bad guys ones.

Most important though is the context in which any partnership takes place and, in my view, it is vital to ensure that it is one of a democratically accountable service with a long-term and sustainable commitment to public service. What I have tried to show is that there are many ways of undermining that ethos which fall short of outright privatisation but which may contribute to it in the long term unless we are very careful about maintaining capacity in the public sector.

And, in this connection, I was very struck by something I read last week by Martin Carnoy, one of the world’s leading economists of education. Drawing on detailed analyses of the relative effectiveness and efficiency of public and private sector educational provision in the USA and Chile, he concluded as follows:

‘A privatization reform would likely increase educational inequality without improving educational effectiveness. In terms of our core values…privatization could also leave the educational system worse off than it actually is, despite all its flaws’.

So, in involving the private sector, let’s make sure that we factor in the potential long-term costs as well as any immediate benefits. That is not to defend the public sector status quo as such, but to remember and celebrate its positive features in a context where it is too often just assumed by politicians and the media that private is by definition best. In the longer term, untried private solutions to present problems might actually do more harm than good.
References

Murphy, J., Gilmer, S.W., Weise, R., Page, A., 1998. Pathways to Privatization in Education. Ablex, Greenwich, CT.

This is the text of a paper delivered at an NUT conference on ‘Involving the Private Sector in Education: Value Added or High Risk?’, London, 21 November 2000.