Making Rights Realities

Does Privatising Educational Services for the Poor Make Sense?

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Introduction

Over the last decade there has been a growing interest in the role that for-profit private providers of educational services can play in universalising access to basic education in low income countries. The mechanisms suggested include promoting "low cost private schools for the poor" and supporting the public financing of privately managed schools using vouchers. Neither offers a panacea to complex problems and there is much special pleading. This paper makes the case for continued emphasis on public financing and provision of basic education to promote equitable development. In so doing it accepts that private interests can and do have do have roles to play in educational development in low-income countries. However, there are limits of capacity, motivation, and financing that mean that the provider of last resort will always be public in all but the most fragile states, and that the access to education of the poorest will be best served by public investments that prioritise equity and are directed at redressing imbalances and since social justice.

This paper[12] sets the scene for the debates about whether private schools for the poor make sense. The first section defines terms to reduce the ambiguities inherent in debates around privatisation. Its concern is with low price schools rather than low cost schools since this is what determines if they are accessible to the poor. The second section asks which children are likely to be most attractive to low price private schools and links this to an analytic framework of Zones of inclusion and exclusion developed by the Consortium for Research on Educational Access, Transitions and Equity (CREATE)[3]. The third part develops a simple taxonomy of types of demand for private schools. Finally six questions are asked that need to be answered before deciding policy on low-price-for-profit-private-schools (LPPPS). The questions are addressed to those who have yet to understand that markets cannot deliver rights or distribute public goods equitably, paying school fees is inappropriate for households below the poverty line, and that all modern democracies have a social contract with their citizens to promote public goods.

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[2] Draft paper with incomplete references made available for comment only.
[3] CREATEwas funded by the UK Department for International Development (DFID) to undertake reearch in Bangladesh, India, Ghana and South Africa

Terms of Engagement

Any discussion of the virtues and vices of public and private provision of education must define terms carefully. Some of the extremes seem clear. Schools can be wholly privately owned, unsubsidised, and unregulated on the one hand and wholly publicly owned, fully publicly financed and regulated by the state on the other. But even these apparently unambiguous categories can have blurred boundaries. Private ownership may involve those with close ties to public authorities, qualified teachers in private schools may have been trained at public expense, public schools may collect fees and contributions, and regulation may be more apparent than real and subject to conflicts of interest and rent seeking behaviour.

Confusingly, beyond any simple dichotomy of private and public schools there is a wide spectrum of arrangements for ownership, finance and regulation. Beneficial owners can be large commercial organisations, charitable foundations, small family owned business and individuals, religious and other faith based organisations, and employers (e.g. farms, mines, plantations). Some owners have legal identities and others do not. Some are registered not-for-profit organisations and others are registered for-profit businesses. In some tuition and other fees are charged while in others they are subsidised or not charged to all or some households.. Some are audited and some are not. Some are required to pay tax, others are not, and some evade taxes. Some fall under public inspection systems and follow national curricula, others do not. Some fall under self-regulation systems of registration and inspection organised by associations of private schools, others are only regulated by markets operating with imperfect information.

Alongside these ambiguities, overlaps and occasional obfuscations there are other definitional problems in the debates around privatisation and services to the poor. This can be illustrated with reference to five issues.

First, discussions of ***low cost*** private schools often fail to distinguish between low ***prices*** for those who attend such schools, and low ***costs*** for those who provide the services. Low prices are necessary if there is to be participation from the poorest households for the obvious reason that those below the poverty line can only afford the lowest prices. Low prices must come with low costs if such schools are financed from fees charged to poor households if they are to remain solvent. Low prices and low costs must come with very low teacher salaries since these are the main recurrent cost. Low prices may coexist with average of high costs if the low prices are subsidised by voucher schemes or something similar. So it turns out that what some mean by low-cost private schools - schools serving low income households with low running costs per student and low cost facilities - are schools which are charged with the difficult if not impossible task of providing good quality learning experiences with teachers paid low salaries under poor physical conditions.

From an economic private for-profit providers have an interest in the ratio between prices and costs since that is where their margins and profit are generated. Any market logic would suggest they should maximise the difference between prices and successful schools will do this by raising prices to the highest levels their market will bear leaving the less successful to survive with lower margins. The logic of the market and a competition between providers is not consistent with maximising profit by delivering high quality educational services to the poorest at low prices.

Another interpretation of low-cost private schools assumes that voucher schemes or some related arrangement (e.g. conditional cash transfers) provide capitation or fee payments related to the number of children. If these payments generate income per child similar to those in publicly financed schools they cannot be described as low cost. The schools are operating at the same average cost per child as public schools. The poor may be able to attend if the direct costs to households are minimised because of the public subsidy. Without such subsidy of such schools could not operate with low prices within reach of those below the poverty line. Payments to schools at average public levels of cost per child coupled with very low or no fees are therefore low price but not low cost.

Truly low price private schools must actually be free to households if they are to enrol the poorest who are well below the poverty line in low income countries. They cannot therefore operate without subsidy. If that subsidy is much less than the average cost per student in a public school there is a challenge to social justice and equity - why should the poorest receive lower cost schooling if they are in private rather than public schools?. But if the subsidies are raised to the level of an average publically funded school place then the school would no longer be low cost relative to the majority of schools which are publicly financed.

Without labouring the point further it is clear that we have to use terminology carefully and that, more often than not, debates around low price private schools are really about whether or not public authorities should subcontract private providers to provide educational services, and if they do so whether this will be efficient and will reach the poorest. Thus low-cost private schools should be described as low price schools with low paid teachers, or simply as cheap schools.

Second, private schooling has no clear identity. Many different things can be more or less private or public. Where a school is wholly financed from fees paid by students and parents it can be described as a privately financed school. However it may benefit from publically financed teacher training, subsidies for textbooks, exemptions from value added tax and other forms of taxation, and it may receive pupils who pay fees reimbursed by public scholarships or conditional cash transfers. There are many other possibilities.

Similarly public schools which subcontract services e.g. for cleaning, maintenance, security, and transport, may still be classified as public. If they employ additional teachers from funds raised from parents they may still be considered public up to the point where most of the recurrent finance is private. And if they are owned and run by non-state entities including faith-based organisations and philanthropic trusts but staffed by teachers on the public payroll they are both public and private.

Though private schooling is often contrasted with public school this seems to suppose that there is something intrinsically different about schooling financed in different ways. It is not clear this is true. There is no obvious sense in which the pedagogy and curricula of schools can be privatised unless it is copyrighted and patented and thus unavailable in the public domain without paying license fees. Privately financed schooling does not have these qualities, especially in low income countries. It should be a matter of public concern if it did. What happens in and around classrooms is recognisably similar in successful and failing public and private schools.

A key question remains what is private about private schooling? If it is not curricula and pedagogy, is it aspects of school management, the contracting of teachers, the deployment of the resources available, the chains of accountability, the relationships with parents, the selection by price inevitable with fee paying, the social exclusion favoured by some groups? And if so which if any of these attributes are inextricably linked to public or private ownership, finance, or governance?

Third, the private sector is often referred to as if it stands in a simple counterpoint to the public sector. But whilst States have unitary characteristics with officeholders with known responsibilities and accountabilities within bureaucratic systems of public administration, the private sector has no such coherence or public accountability. It is largely defined negatively as "not being public" rather than being positively located by defined attributes e.g. fee paying, for-profit, unaccountable to public authorities. Increasingly some commentators have begun to include not-for-profit community based NGOs who own and run schools as private providers as if they were similar to commercial for profit providers. This is clearly not the case. .

What is known as the private "sector" is in reality a collection of actors who have very different legal identities, motivations, governance and accountabilities. Large-scale domestic or international corporations have very different characteristics to domestic small and medium size enterprises. Informally organised household businesses are very different from community organised co-operative enterprises. We can note also that the organised private "sector" of employment and commercial enterprises in many low income countries is extremely small with very limited capacity. It may account for less than 10% of total employment. It may also have very few businesses that employ more than 20 employees. Informal sector activity may be much larger and involve a majority of the population. But schools are not informal organisations and nor does any country depend on non-formal education in the "private sector" as the core mechanism to deliver basic education.

Fourth, educational achievement in many low income countries has the characteristics of a positional good as much as those of an investment in individual or collective human capital. In emerging dual labour markets which offer vastly differential rewards to those employed in small but rapidly growing modern sectors where value-added can be high, educational qualifications mediate access to jobs. They determine who gets what in terms of income earning opportunities. Demand for private schooling is much more likely to be a function of differentiated demand for an education that offers a greater chance of gaining qualifications for access to modern sector jobs, than it is to be a signal of unsatisfied demand from those who are out of school and who may have never attended school. Competition between schools to drive up standards may in reality be better understood as a competition between households for comparative advantage within a largely zero-sum game of life chances than it is an expression of public commitment to national development goals. If so then the public goods aspect of investments in education, that seeks to mitigate inequalities, promote equal opportunities and deliver rights to minorities, will be overshadowed by rationing access to education by price.

Fifth, States have a unique responsibility for national development. It is not clear that those in different sectors of private activity share a commitment to the same goals as states. Externally owned private sector commercial providers have no necessary connection with national development. Profit maximising national enterprises will tend to seek income over social equity, and higher net wealth students than lower net wealth students to maximise margins. Not for profit providers, set up with goals and philosophies that may not mesh with national priorities, may also be uncommitted to national development... And it can be problematic for faith based organisations.

To keep things simple this paper will address its analysis to only two types of arrangement between the State and private educational providers. The first arrangement concerns the development of "low cost private schools for the poor" where private for-profit unsubsidised schools are used to provide schooling to those at or below the national poverty line. The second set of arrangements concerns the public financing and sub-contracting of service delivery to for-profit private providers through voucher schemes and other similar arrangements. Both these strategies have been advanced as ways to accelerate progress towards universal access to education within the frameworks of "Education for All" which have targeted 2015 as the date by which time all children should have access to basic education.

For Whom are Low Price Private Schools Intended?

There are many different ways of conceptualising access to education depending on the dimensions that are valued. CREATE has developed a model of zones of exclusion from education which it has used to shape its research in communities and schools and as a tool for policy dialogue (Lewin 2007). In each of the zones the patterns and causes of exclusion from education are likely to be different. They may also be different from community to community. The model charts participation by grade and identifies different groups of children of school age that fail to sustain access to basic education. Figure 1 presents the generic chart.

The generic model displays the nominal grade level along the x axis and an indicator of participation on the y-axis. It shows a system in which about 20% of children fail to enter grade 1, 45% reach grade 6, and about 20% complete lower secondary. The characteristics of each zone of exclusion are indicated in Figures 1 and 2.

Figure 1: CREATE Zones of Exclusion

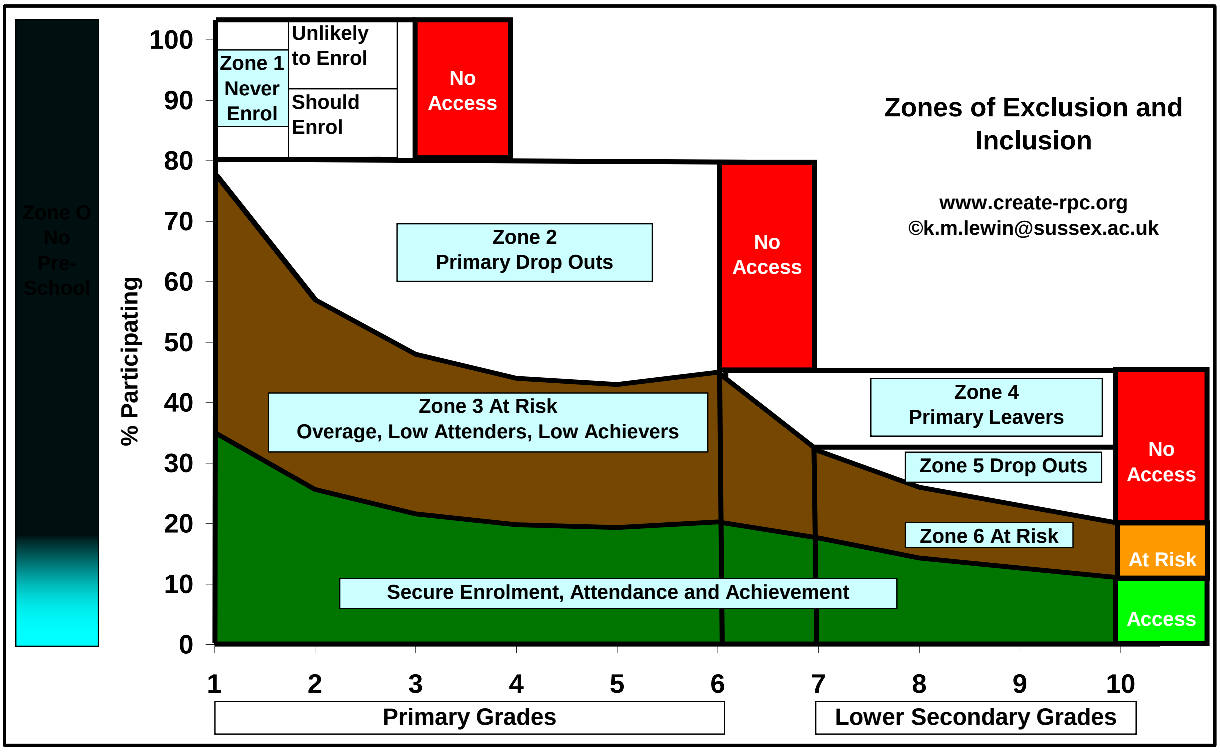


Figure 2 Zones of Exclusion

Zone 0 captures those excluded from pre-school.

Zone 1 contains those who never attend school. It includes those who could attend existing schools but do not, and those who are excluded by livelihoods, location, civil status, disability, social stigma or other vulnerabilities.

Zone 2 includes the majority of children who are excluded *after* initial entry, who drop out of school and fail to complete a full cycle. In an increasing number of countries these are the largest numbers of out of school children.

Zone 3 includes those in school but at risk of drop out, most obviously as a result of low achievement and poor attendance. These children can be described as "silently excluded" since they are enrolled but may learn little, attend irregularly, and/ or are over age.

Zone 4 contains those who fail to transit to secondary education as a result of failing to be selected, being unable to afford costs, or located far from a secondary school, or otherwise excluded.

Zone 5 includes those dropping out of secondary grades

Zone 6 contains those at risk of drop out from secondary school

Zone of Inclusion. This contains children who are the appropriate age for grade, attend regularly, and achieve in-line with national norms.

The model can be used to highlight the different zones where private providers may be attracted to operate in different education systems. This is important since privatisation may differ greatly between educational cycles, the characteristics of supply and demand vary by zone, and prices and costs are likely to be quite different for different levels. .

To illustrate this with reference to figure 1 some generic observations are as follows. **Zone zero** - preschool - is widely provided privately in low income countries with little or no state subsidised provision. Access is therefore rationed by price. Costs may be low or high depending on how provision is organised. In the worst cases children may be “warehoused” in large groups while their parents work in circumstances which provide some childcare but little of educational benefit. In contrast high quality and higher price preschools often exist for the children of the relatively wealthy. In some countries fee-paying participation in preschools associated with high demand public schools is used as a method to ration access.

Zone 1 contains children who never attended school and are not likely to in future. These are disproportionately the poorest, those from excluded social groups, children with disability, illegal migrants, and those with nomadic lifestyles. They may include both urban and rural residents. The cost of reaching these children are likely to be higher than those from groups that are not disadvantaged. The prices that such households can afford are low. The reasons for non-enrolment vary but when they are structural they may be difficult to overcome. This zone is likely to include illegal migrants, those with disability, nomads, ethnic minorities, and children from other socially excluded groups. Children inside Zone 1 are unlikely to be attractive to low price for-profit private providers.

Zone 2 (and **Zone 5**) includes children who enrol in school and drop out at primary or secondary level. The most common reasons for drop out in low income countries are the costs of participation, including opportunity costs, and the lack of perceived relevance of schooling for future livelihoods and wellbeing. Many other factors may be significant in different community contexts. This group is unlikely to be attractive to private for profit providers unless the reasons why they have dropped out are understood and addressed. If the reasons are cost to household then fee paying will continue to exclude. If the reasons are to do with lack of perceived relevance and low achievement leading to low motivation these will continue to be a barrier. And the opportunity costs of returning to a fee paying school are higher than they are to a fee free school. Drop outs may re-enrol but the cheapest option for them will always be to return to a fee free public system. Some may enrol in private fee paying “second chance” schools to acquire qualifications with a labour market value that they have failed to acquire.

Zone 3 (and **Zone 6**) are those in school who are characterised as being “silently excluded” in primary or secondary school. Simply put this will include those who are attending irregularly, are substantially over age for their grade, and are in the lowest quintiles of achievement. These students find learning challenging. Those who are silently excluded are likely to be disproportionately drawn from poor households, though not all will be. Those with aspiring parents and resources may well be willing to pay for private schools that offer special programmes that offer in return the promise of more individual attention, remedial programmes and support to improve achievement. If this is so then this reflects a differentiated demand for schools which are perceived to be of higher quality. Those who transfer leave behind empty places in public school systems.

Zone 4 embraces those children who fail to make the transition to secondary school. Who goes to which secondary school is a critical issue in almost all low income countries. It is a strong determinate of life futures. Secondary schooling is a prized positional good for which those who can afford it are prepared to pay high prices. Private school operators may be attracted to secondary school provision for those unable to access fee free public schools where there are capacity limitations. In low enrolment Africa and South Asia there may be less than half the number of places available than there are primary school leavers creating opportunities for not state providers.

The **zone of secure enrolment, attendance and achievement** is the one likely to be of most interest to for profit private providers. These children are least problematic in motivation, enrolment status, attendance and achievement. They are disproportionately wealthy and urban, and more likely to have educated parents who value school achievement. It is in this zone are the children who will have the resources to attend higher cost fee paying schools and where demand for higher quality may drive school choice.

Patterns of Demand for Low Price Private Schools

Several different types of demand for private schooling coexist in low income countries. It is useful to spell out their characteristics. **First,** in some low enrolment countries there is demand arising from an absolute shortage of school places. This is not uncommon at secondary level in countries where Education for All programmes have rapidly increased the numbers of primary school leavers at rates well in excess of the growth in secondary school places (e.g. in Malawi, Tanzania, Uganda, Zambia). This demand can be called ***excess demand***.

Second, excess demand can coexist with what can be called ***differentiated demand****.* This occurs when parents and students are dissatisfied with public schools and seek something different or better. In South Africa high price independent schools founded during apartheid remain alongside ex-white public schools that supplement their income with fees and remain in high demand. There are very few low price private schools largely because state schooling is widely available and fee free to those in the poorest quintiles of income. Where there are low price private schools these are small in scale, focused in pockets, and often serving displaced and migrant communities. In Sri Lanka the highest demand is for national public secondary schools with some well established high low price private schools catering for those with particular preferences and the financial resources necessary to pay fees. Private tuition is common, some of which is low price. Almost all is supplementary rather than the first choice provider. In China high price private schools have been growing as a result of differentiated demand. Where migrants are disqualified from local school attendance in their destination community there is some lower price private schooling but this is less driven by differentiated demand than simple lack of available supply.

Differentiated demand also appears in relation to faith and cultural identity based schooling. Faith based schools offer an alternative to secular public schools. Fee paying high price private schools serve families who value academic standards, social exclusion, and broad curricula and who judge that many public schools fail to meet their needs. Madrassas and some Christian mission schools can be described as low price private schools which may or may not be fee paying or its equivalent.

Third, is demand that is predominantly driven by labour market employment practices, credentialism, and competition for social mobility. In this case educational achievement can be regarded as a positional good that provides access to well paid jobs and social status. More education and higher qualification may signal real differences in capability. If there is qualification escalation as a result of surplus demand the screening functions of educational attainment and qualifications may become more important. As a positional good in economic terms, education locates individuals relative to others in a zero sum game which benefits those who have more over those who have less. ***Positional demand*** is of growing importance. This interacts with the first two types of demand and is best understood as a competition between households and individuals, rather than schools, for scarce benefits that has global as well as national characteristics. It is reflected in the growing availability of league tables, candidate performance lists, and school choice driven by narrow considerations of examination performance and employability.

Fourth and lastly, economic liberalisation has resulted in more permissive attitudes towards private schools. This has stimulated demand through deregulation and light regulation and purposeful facilitation. As private schools have developed they have invested in generating demand through advertising, responding to differentiated demand, and creating opportunities to attend schools that were previously unavailable. To the extent that most of these providers are for-profit and commercially motivated they seek to expand through advertising and marketing what they regard as their unique selling points e.g. examination results, safety (especially for girls), social exclusivity, boarding facilities etc. The purpose of this ***induced demand*** is to increase market share and profitability. Induced demand includes within it the manipulation of differentiated demand and positional demand. As with much advertising and public relations promotion campaigns narrative can trump veracity and hyperbole eclipse reality.

A selection of charts of enrolment data from different school systems can be used to begin to see where the different types of demand and opportunity for the private sector may exist. These are presented below. The dotted line shows the number of children in each grade age group in the population. The other lines chart enrolments by grade in each of the years since 2000.

In South Africa the great majority of children are enrolled through to grade10. There is little scope for excess demand since most are within reach of a public school. The historical fragmentations of South Africa society have created private schools which are mostly high cost and socially stratified. Above grade 10 where dropout accelerates and it becomes clear that levels of achievement are very problematic private second chance institutions are common.

In strong contrast, Malawi clearly has many children who enrol in primary school and then drop out. As in all the other countries there are opportunities for differentiated demand. At secondary level in Malawi there is likely to be excess demand fuelled by a shortage of secondary school places relative to the size of the school age population.. The period after liberalisation in Malawi induced demand existed as entrepreneurs crowded into what was then a very profitable sector for new enterprises. Now it seems effective demand has stabilised. It is limited by affordability since very few outside the top quintile of income distribution can afford private schooling.

In Kenya there is fairly full enrolment through to grade 7 and 8. Private schooling below this level is competing with public schools and seeking to attract those who can pay. Over rapid expansion which has been poorly managed may have degraded public school quality induced demand for private schools. Private school operators have tended to target middle income households and high density population areas where affordability is greatest. At secondary school level as in Malawi there is excess demand since the number of children enrolled is much less those in the secondary age group.

The same is true at secondary level in Tanzania. However enrolment patterns have changed dramatically as a result of recent initiatives on Education for All. In 2000 there was excess demand with far fewer children in grade 1 than there were in the age group. This is now not the case in primary grades as almost all children of primary age are enrolled. Private schools will be competing for the same children that are enrolled in public schools.

Aggregate enrolments across India are misleading since there are very large differences between states. In general, and especially in the Northern states above grade 3 or 4 there are fewer children enrolled than there are in the age group. Under the Indian programme to universalise access to primary school more and more states are providing enough public school places to enrolled all children. Differentiated demand is common whereby those with sufficient resources positional advantage through attendance at fee paying institutions where access is rationed by price.

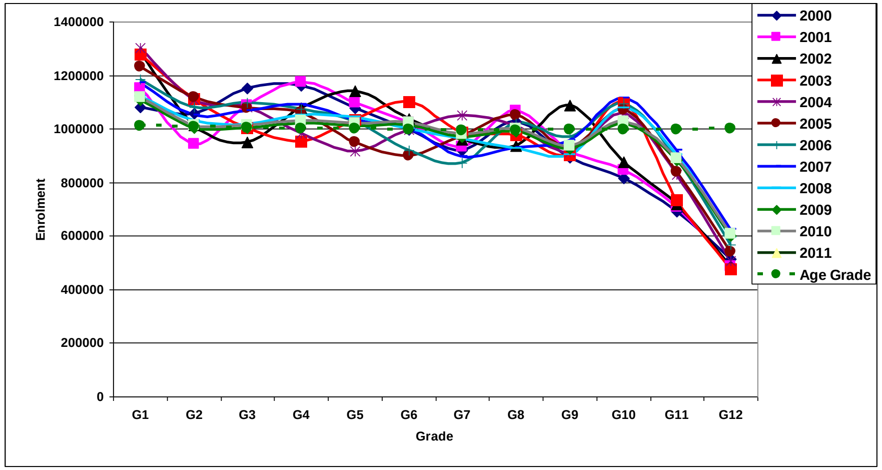
Sri Lanka has full enrolment through to senior secondary. There are very few private schools operating and most of those that do exist cater to the children of the wealthy. As in other Asian countries tuition is very common across most social groups and is a form of private schooling over an above normal day schooling. This is invisible in simple enrolment charts.

Cambodia has an evolving enrolment patterns common to the early stages of progress towards universal access. Enrolments in grade 1-5 include many overage children and some underage. It is unlikely to many of these are in private fee paying schools since a large proportion of the population is at or below the poverty line. At secondary level enrolments are low and excess demand may support some private secondary schools but these will be limited in number as a result of income distribution.

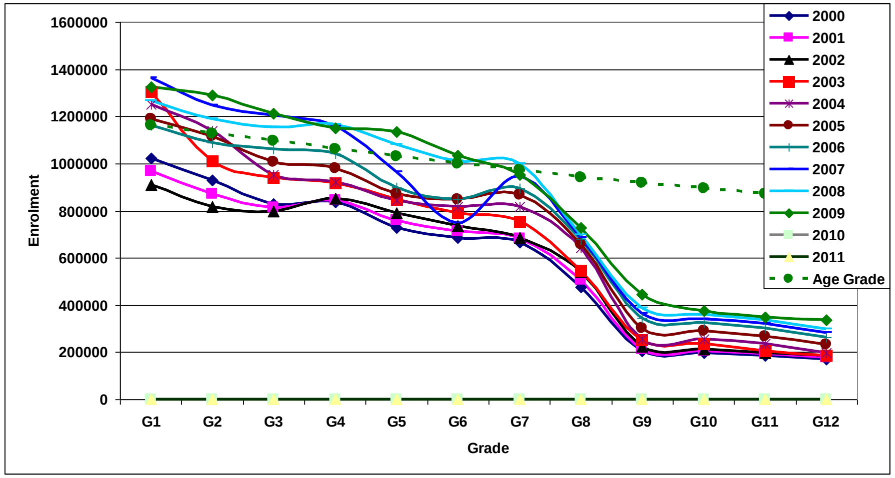
In contrast Vietnam has high enrolment through to grade 10 and very few truly private schools that are fee paying. Above this level enrolments are much less than the numbers in the age group and, as in China, it is possible that some private community schools will develop.

The charts below invite reflection and analysis. They provide reminders that private service providers may be responding to different types of demand at different levels. The opportunities and risks of privatisation have to be seen in the light of the characteristics of different zones of inclusion and exclusion, different patterns of participation, and for a fully analysis, patterns of income distiribution..

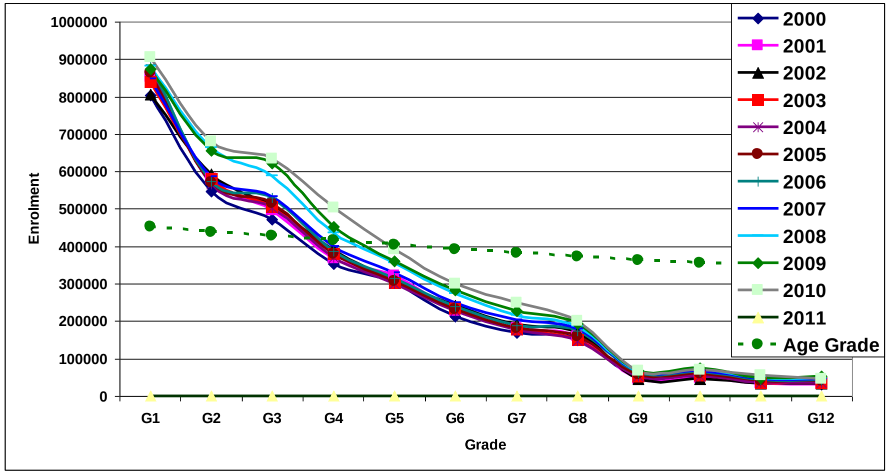
South Africa



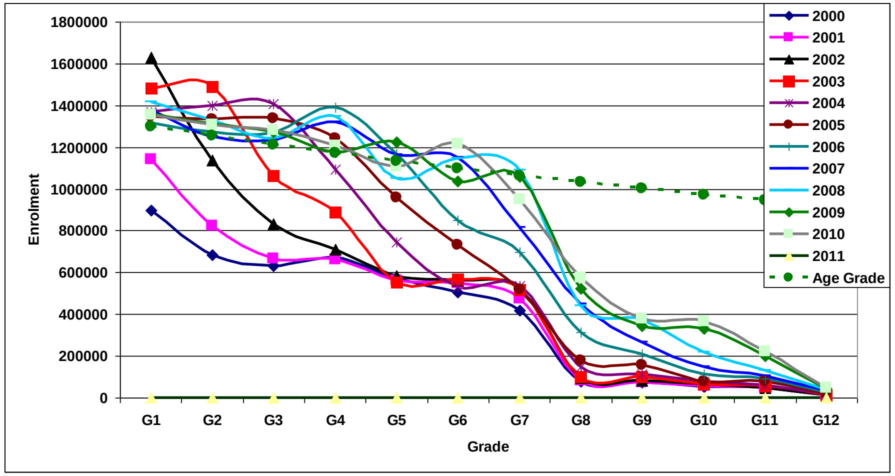
Kenya



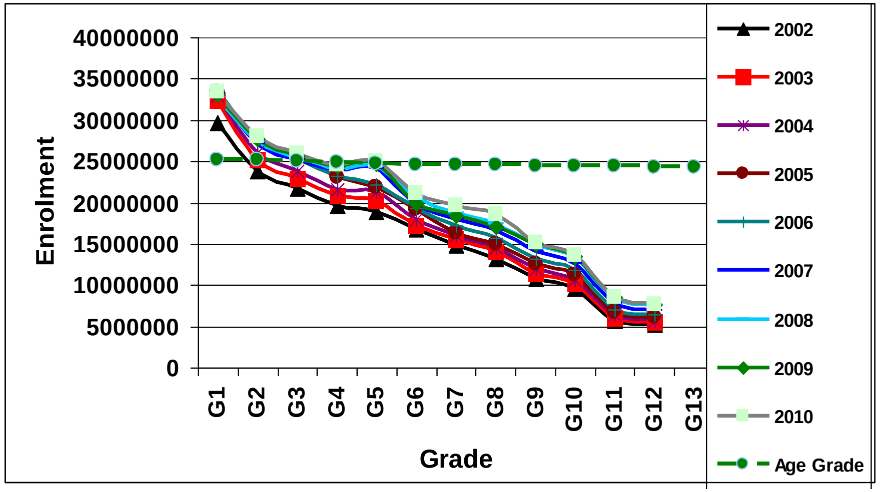
Malawi



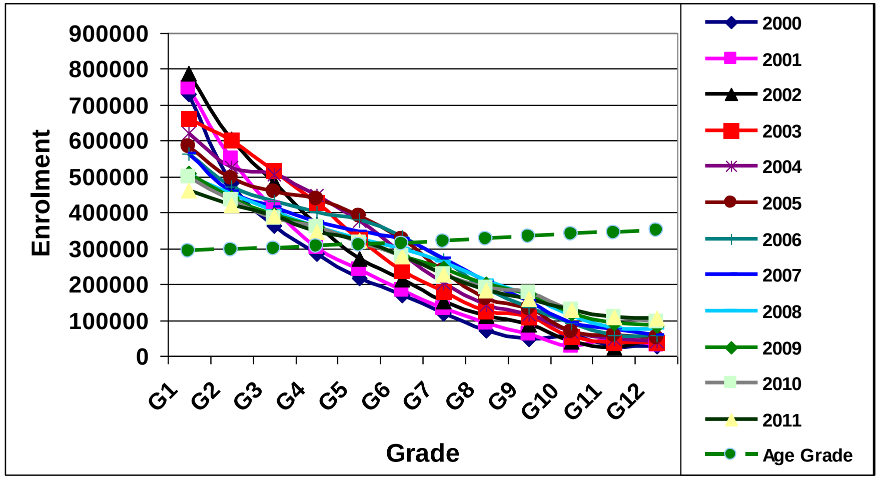
Tanzania



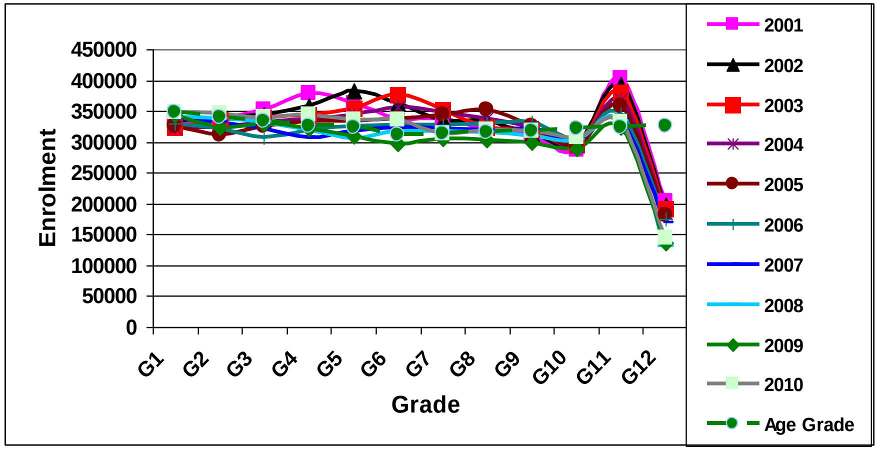
India



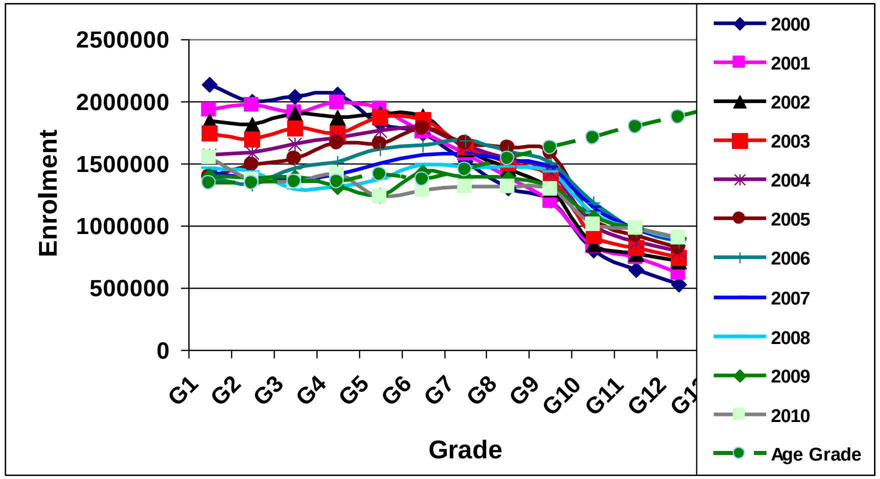
Cambodia



Sri Lanka



Vietnam



Questions for the Acolytes of Low Price Private Schools[4]

There are a number of questions that need to be addressed by those engaged with the policy issues that surround low price private schools. Here is a short list to help 'make rights realities'[5].

Question 1. Will the engagement of the private sector guarantee the equitable delivery of the right to education to every child?

All children have had a right to free basic education since the UN Declaration on Human Rights in 1948 and the UN Convention on the Rights of the Child (1989). This right was reaffirmed at the Jomtien (1990)[6] and Dakar (2000)[7] Global Education Conferences, by the UNICEF School Fee Abolition Initiative[8], and most recently by the UN Secretary General's commitment to "Education First" (2013)[9]. Thus, U.N. member States remain committed to providing fee-free schools that impose no costs on the households, especially the poorest. States are the "provider of last resort" and have to ensure that no child is excluded from quality education by price. Fee- paying private schools undermine the right to free education of quality and ration equitable access by price.

Question 2. Since publicly funded and managed education systems have delivered massive increases in access to education and are now working on improved quality why change a successful strategy and privatise services?

The fact that some States are falling short of delivering on their promises to universalise access to basic education should not overshadow celebration that the number of children out of school has halved over the last 15 years from about 110 million to 60 million (GMR 2012)[10]. Those out of school are now less than 9% of the world's children. Over 50% of those out of school appear to be in just 10 of the 200 U.N member states which include Nigeria, Ethiopia, Cote D'Ivoire, Burkina, Niger and Pakistan and some states in India. Overwhelmingly These gains have been publicly led, financed and delivered through the expansion of fee free public school systems. The largest gains have been where there have been massive programmes to support the growth of free public schools e.g. in Ethiopia (+160%) and Tanzania (+100%) and in low enrolment states in India. China's ascent to the second largest global economy has built on near universal access to education[11]. Where there have been much smaller gains e.g. Pakistan (30%) and Nigeria (15%), private provision has not compensated for poor governance and lack of political will[12]. Not surprisingly the highest performing school systems in middle income and rich countries remain predominantly publicly financed, especially for the children of low income households.

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[4] A version of these questions has been developed for circulation at the G20 meeting September 2013.
[5] Lewin K M Making Rights Realities: Researching Educational Access Transitions and Equity. http://www.create-rpc.org
[6] http://www.unesco.org/new/en/education/themes/leading-the-international-agenda/education-for-all/the-efa-movement/jomtien-1990/
[7] http://www.unesco.org/education/wef/en-leadup/evaluations2.shtm
[8] http://www.unicef.org/education/bege_61665.html
[9] http://globaleducationfirst.org/about.html
[10] http://www.unesco.org/new/en/education/themes/leading-the-international-agenda/efareport/
[11] As is the case in many other high performing countries including Finland, Canada, the United Kingdom, and Cuba.
[12] http://www.unesco.org/new/en/education/themes/leading-the-international-agenda/efareport/

Question 3 If private provision does not increase access, if fee paying choices are rationed by price, and if some public schools perform better than some private schools, then why should educational services be privatised?

There is no convincing evidence that fee-paying private schooling can increase access or that choice is driving up standards. Recent research on a chain of private schools in Ghana indicates only one child out of over 400 interviewed had ‘never attended’ school. These private schools are therefore recruiting children who were already enrolled in other schools. The "low fee" required for each child amounts to as much as 30% of income in the poorest households and is thus unaffordable[13]. In the richest state in Pakistan, the Punjab, only 14% of rural children in the lowest quintile attend private schools, and private school costs to households are nearly five times greater than those of public schools. Participation in private schools has grown very slowly from 34% to 36% of the total between 2007-2012 and overall participation in primary school appears to have remained static according to the most recent data. The most common cause of drop out is the cost to the household of schooling[14].

In Uttar Pradesh in India detailed community level research shows that private schools cannot operate at fee levels low enough for the poorest to attend[15]. In Andhra Pradesh it is clear from Young Lives longitudinal data that households do choose and change between schools with a high frequency. In urban areas most choice reflects movement between private schools (rather than between public and private). In rural areas there is some migration to private schools as rising incomes make this possible, but this is of already enrolled children from richer households seeking higher quality, not unenrolled children entering private schools[16]. Choice driven by education as a positional good leaves unanswered questions about the impact of such choice on national cohesion, the intergenerational transmission of inequality, and the utilisation of the pool of talent in the whole population of children..
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Where poor households borrow money to finance fees, as they do in Ghana, this can compromise expenditure on health and nutrition and lead to debt with very high interest rates. Microcredit loans can average over 40% annual interest and money lenders charge much more[17]. Some fee collection is also known to be coercive[18]. If for-profit schools serving the poor generate significant financial returns for their beneficial owners they do so at the expense of the incomes of the poor. Co-operative community ownership with returns reinvested in supporting the cost to households of schooling may be preferable.

International studies of achievement do not produce consistent findings that privately financed schools outperform public ones, especially when appropriate value added controls are applied[19]. In many countries including the UK there are public schools that perform as well or better than private schools and the curves of performance between public and private schools overlap. The problem is not that there are no high performing public schools but that there are not enough of them in locations that provide fee free access to poor households.

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[13] Riep C B 2013 (forthcoming) Pearson plc: A case study of corporate-led privatizations and profiteering in education*
[14] Pakistan Social & Living Standards Measurement Survey, May 2013
[15] Harma J PTA 23 School choice for the poor? The limits of marketisation of primary education in rural India. Pathways to Access No 23. CREATE; University of Sussex www. create-rpc.org
[16] James, Z and Woodhead M and (forthcoming) Choosing and changing schools in India’s private and government sectors
[17] Bannerjee A and Dufor E Poor Economics: Barefoot Hedge-fund Managers, DIY Doctors and the Surprising Truth about Life on Less than $1 a day. Penguin , London.
[18] Cases are reported of children being between to encourage fee payment and direct intimidation of parents in arrears (Akaguri above)
[19] Schleicher A Personal communication 2013

Question 4. Is it possible for private sector engagement result in the filling of the resource gaps needed to finance universal access to basic education?

It is sometimes argued that private sector participation is needed to leverage additional resources, because poor States wishing to universalise access to basic education cannot afford the costs. This is odd for two reasons. The Dakar (2000)[20] promise that "no country with a credible plan would fail to universalise basic education for lack of resources" was reaffirmed in Dakar in 2013[21]. It should mean what it says. The replenishment of the Global Partnership for Education (GPE) should ensure the reality of this pledge[22]. Second, a credible plan has to respect the basic arithmetic of public financing of education. The demographics and educational cost structures of low income countries mean that States have to invest at least 5% of GDP and 15% of public expenditure in education (3% of GDP and 9% of public expenditure) and costs per child have to be around 12% of GDP per capita at primary and no more than 20% at lower secondary[23]. This is plausible only if domestic revenue is sufficient and likely to account for 20% or more of GDP. This may require fiscal reform and tax justice. If countries chose not to allocate these sums, and some continue to allocate less than 3% of GPD and less than 10% of public expenditure, then universal access will remain financially unsustainable. If revenue generation and allocation is insufficient to universalise access to public schools, it is also likely to be insufficient to provide subsidies to private providers.

Finally magnitudes are important. By some estimates the total venture fund capital mobilised in the UK in 2012 was about the same as the wage bill of the two Manchester Premier league clubs, and comparable to the education budget of just one medium size African country. Philanthropic and commercial injections of capital which are not loans or equity stakes anticipating future returns, though welcome, are very small in relation to the scale of needs. The corporate profits of global businesses are different. Their magnitudes are comparable to the currently projected additional costs of Education for All, though this is not to suggest there is a simple relationship between the two[24].

Question 5. Why should public subsidies be directed at profitable businesses and what are the opportunity costs to public investment of the transfer of resources to private providers?

Public support for private providers has opportunity costs. Subsidies and grants for construction and running costs assume the failure of local money markets to provide risk capital to underpin growth of small businesses, and weakness of prices in markets for the services on offer. But some things do not add up. Successful fee paying private schools can be very profitable and have high cash flows. Analysis of income and expenditure of private schools in Ghana[25] and Malawi[26] suggests that teacher salaries may be less than 25% of fee income. Schools charging around a

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[20] http://www.unesco.org/education/wef/en-leadup/evaluations2.shtm
[21] http://www.unesco.org/new/en/dakar/about-this-office/single-view/news/global_consultation_on_education_in_the_post_2015_development_agenda/
[22] http://www.globalpartnership.org/
[23] Lewin K M (2008); Strategies for Sustainable Financing of Secondary Schooling in Sub Saharan Africa. Secondary Education in Africa (SEIA): Africa Human Development Series; World Bank, Washington DC pp170 + CD Rom including Case Studies
[24] GMR estimates and those in Lewin (2008) suggest that the EFA funding gap is currently about $ 16 billion. This is comparable to declared profits from many large global corporations - Google, Apple, Microsoft, J P Morgan, Goldman Sachs etc.
[25] See Riep and Akaguri above
[26] Chimombo, J, Meke E, Zeitlyn B and Lewin K M (2013) Forthcoming. Increasing Access To Secondary School Education In Malawi: Does Low Cost Private Schooling Deliver On Its Promises?

dollar a day (more than those below the poverty line can afford) with 500 students and teachers paid 4 dollars a day can generate around $90,000 a year. With a pupil:teacher ratio of 25:1 the teacher salary bill is only $14,400. This suggests that $75,000 is available to pay non salary running costs, property rents and profits in economies where GDP per capita is between $1,000 and $1,500. These kinds of schools need no subsidy. Other kinds of private schools e.g. village level single proprietor family enterprises in dwelling houses, may be described as "subsistence private schools" with small enrolments, irregular and much lower fee income, and revenues and costs barely sufficient to balance[27]. These schools may linger on the edge of viability and have high turnover. It is not clear why they should be subsidised if the opportunity cost is to divert investment from more sustainable conventional public schools.

Voucher schemes, where money follows student choice, seem to offer opportunities to use public finance to support private service delivery with competition, accountability and efficiency gains[28]. But vouchers change the nature of the relationship between the service provider and the receivers of services and involve significant transaction costs with high expectations of capacities to administer and regulate. There are obvious risks. Schools have incentives to minimise costs, especially teachers salaries, once vouchers have been received and may strategise to "game" whatever performance indicators are identified. School choice depends on information that may not be freely available and may be manipulated[29]. Providers within an area may collude to distort markets and bribe households to enrol children in exchange for a proportion of the value of the voucher. Concentration and the development of large, efficient, and profit seeking formulaic providers may result in reduced choice[30]. And if top up fees are allowed schools may be stratified by price and result in the exclusion of the poor from the highest performing schools[31].

***Question 6. What are the systemic risks associated with privatising educational services and are they acceptable*?**

Systemic risk is a major issue for the privatisation of educational services, but is rarely addressed. Private providers are thought to be more accountable than public entities to their clients, and to be able to manage risk effectively. However, the risks they manage are theirs, not those of an education system. This was evident in the recent unanticipated closure of 10 Swedish "Free Schools" owned by a financial company that ceased trading leaving about 10,000 students to find alternative schools[32]. Research in Ghana indicates that when changed family circumstances render fees in private schools unaffordable, the risk of losing the right to education descends on the child not the school[33].

Another kind of systemic risk concerns the de-professionalisation of teachers and violation of their employment rights. In low-fee private schools wage rates may be based on piece work with ‘pay as you go’ arrangements based on fees actually received. Contracts may or may not exist and be enforceable and may be subject to change and termination without notice[34]. Private school teacher salaries may be a

[27] Chimombo et al as above
[28] Patrinos H http://www.wise-qatar.org/content/school-vouchers-education-innovation-funding
[29] As is reported to have happened in Indiana http://bigstory.ap.org/article/ap-exclusive-gop-donors-school-grade-changed
[30] Both BRIDGE schools in Kenya and Omega schools in Ghana seek to provide standardised schooling on scale using franchise models inspired by fast food chains and mobile phone companies. Both explicitly seek to generate large returns for their beneficial owners from profits generated from fee income.
[31] As has been true in Chile and will be true in the Philippines if the proposed scheme is adopted.
[32]http://www.theguardian.com/education/2013/may/31/free-schools-education
[33] See Akaguri above
[34] 2005 Lewin K M, Sayed Y Non State Secondary Schooling in Sub Saharan Africa? Exploring the Evidence in South Africa and Malawi. DFID, London

half, a tenth or even a twentieth of those of government teachers. In South Asia much of the labour force in private schools receives wages of a dollar day or less and may be paid one tenth or one twentieth of the salary of a government teacher and below national minimum wages. The majority are female. Numbers of unqualified teachers are often high in order to keep down wage costs, turnover may be such that a majority of teachers change every year, and there are few incentives for teachers to develop within a career structures that value systematic professional development that can motivate, and reward and enhance capabilities.

If private schooling is more than a small proportion of total enrolment the systemic risks can be considerable. Fees may be raised and price out segments of the population; margins of return on capital may fall causing closure and migration to other business opportunities; competition may lead to concentration on examination orientated learning and institutionalised private tuition; large providers may establish collusive relationships with State bureaucracies[35], and ethnic rivalries may create separate school systems antithetical to national unity[36]. Small businesses like private schools are notoriously likely to fail, with a majority not surviving beyond the fifth year. Private contractors of services to States have no necessary obligation to continue to deliver services indefinitely, or in locations that may be difficult, dangerous and unprofitable. Most worryingly the private sector may ebb and flow with the business cycle and scale down private provision in economic recessions as effective demand softens as appears to be the case in Malawi.

Conclusion

The arguments in favour of continuing to invest in the development of publicly financed and run basic education school systems are compelling. First, public systems are guarantors of the right to basic education. Second, public systems have delivered much additional access at affordable costs and include many schools of quality as well as those which underperform. Third, public systems reach children in communities of little commercial interest, and can promote Rawlesian[37] equity where investment of public resources is pro-poor. In all countries some public schools out perform some private schools and *vice versa,* demonstrating that performance differences do not depend only on school type, and that free public schools can sponsor inter-generational mobility. Fourth, resource gaps are unlikely to be filled by private sector initiatives in sustainable ways since these require appropriate fiscal policy, the translation of political will into public financing, and pro-poor redistribution of educational opportunity. Fifth, the opportunity costs of diverting public finance to largely unregulated private-for-profit providers are substantial. Sixth, systemic risks are real where dependence on private sector delivery of public services increases, and where self regulation is likely to be fragile, lacking in transparency, and may be subject to elite capture.

These arguments make a case for public investment in schools systems. This comes with obligations for sector reform with relentless pursuit of improved levels of efficiency and effectiveness, and constant attempts to enhance equity and ensure whole population benefits from improved quality. The challenges are extensive and persistent. They mirror those for the reform of other systems that deliver public goods for which it is counterproductive to ration by price - e.g. basic healthcare, public security, clean water. These will be hindered not helped by diversion of resources to

[35] Lewin K M 2007 The Limits to Growth of Non-Government Private Schooling in Sub Saharan Africa Pathways to Access No 23. CREATE; University of Sussex www. create-rpc.org
[36] Mono-ethnic private school systems are developing in some countries with possible consequences for social cohesion e.g Malaysia
[37] *A Theory of Justice*. Cambridge, Massachusetts: Belknap Press of Harvard University Press, 1971.

private providers of services, unless these serve public purposes efficiently. In low income countries with weak states and largely unregulated private providers of services, the invitation is to build modern states that can provide public goods of quality. If responsibilities for social development and educational provision are divested to a mixed bag of market driven providers with a mixed set of motives the risks would seem high of being unable to universalise access to basic education.

Decisions as to how best to make use of the undoubted strengths of the private sector in ways which interact constructively with the public sector will be politically shaped. The role of the state in development is at the core of the debates around privatisation. Demand from wealthy and middle income households for private educational services is likely to grow and can release resources for use in public systems. Aspects of infrastructure, learning material production, and training may benefit from engaging for profit and not for profit providers within appropriate procurement and regulatory structures. And where there is doubt about efficacy of public or private contracting small scale experiments and independent evaluations of effects can be very informative.

However, the obligation of states to translate rights to education into realities is clear. Most investment in public capacity to develop education systems is needed where capability and performance is weakest in poor countries with low levels of attainment and achievement. This can help build good governance, reinforce collective national identities, generate confidence in States, promote reciprocity in the social contracts that modern states have with their citizens to collect taxes and provide public services. It can help reconcile the tensions that come from balancing national development priorities, individual aspirations and the development of education as both a positional good[38] that allocates private life chances and a public good[39] underpinning collective wellbeing. It can reduce the dependence that is so much part of the political economy of post-colonial states seeking national identities, especially in multi ethnic States, and can enhance national ownership of educational development strategies in a globalising world.

Public school systems have served OECD countries well and have contributed to more equitable development, and the realisation of social contracts between governments and those they govern. They must remain at the core of making rights realities. Investment in the next generation of children's knowledge, skill and capabilities is too important to be left to the vagaries of imperfect and largely unregulated markets and the ambitions of supply chain entrepreneurs. Today's children deserve governments, and external aid programmes that deliver on promises to promote universal access and equal opportunities. This has to be blind to household incomes, and result in the kind of affordable learning that is a public good that comes without a price to children.

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[38] Hollis M 1982 Education as a Positional Good Journal of Philosophy of Education Volume 16, Issue 2, pages 235–244, December 1982

[39] Samuelson, Paul A. (1954). "The Pure Theory of Public Expenditure". *Review of Economics and Statistics* **36** (4): 387–389.

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