Globalised, Commodified and Privatised: current international trends in education and education policy[1]

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1. Introduction

My aim here is to try and say something about the privatisation of education and of education policy as an international phenomenon of increasing significance. That is, how the world of education is changing and education is changing in the world. I want to convey some sense of the international reach, complexity and dynamism of the education services industry (ESI).

I want to do this not as a set of abstract political possibilities that may be created by GATS (General Agreement on Trade and Services) negotiations or the fulminations of the World Bank, but rather as a set of very practical, on-going developments in a real global economy of educational services. And I am not referring here to the very well documented trade in higher education students (worth approximately 55bn US dollars a year) but both to developments at school level and more generally within the formation of policies of public sector reform and the privatisation of policy itself. However, it is important to say for the outset that privatisation is not a stand-alone process. It is intimately imbricated in concomitant processes of public sector reform and changes in the form, scale and modalities of national states.

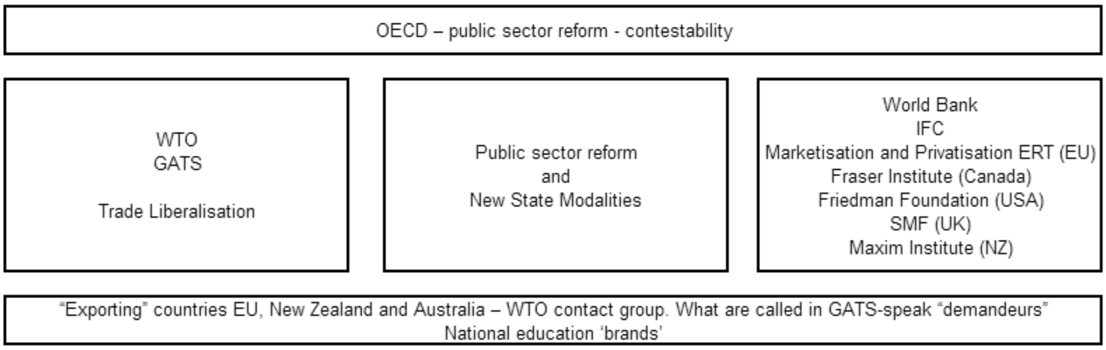
I want to address briefly first some aspects of the new international education economy, second some examples of the multiple forms of current educational privatisations, and third concomitant changes in the form and modalities of the state, and finally point to some of the relationships among these things. This builds upon previous work, reported in Education Plc (Ball 2007). Here as in that book I am searching for forms of sociological language to represent and concepts through which to analyse public service markets. I shall make my points in part by using illustrations. I hope to indicate the volume and scope of global educational 'privatisation(s)', but only some forms of privatisation are dealt with.

2. The New International Education Economy

The development of new kinds of global education businesses and a new economy of education business both cut across the public-private education division, and work to render educational services, of all kinds, as forms of commodity which can be traded and from which profit can be extracted. This economy and these businesses or edupreneurs, as the conservative forum the Cato Institute has termed them (www.cato.org/pubs/pas/pa-386es.html), are multi-dimensional. They work across various levels and forms of education, in different fields, in delivery, management, curriculum development, programmes, connectivity, training and professional development, and through PPPs (public private partnerships) and PFIs (private finance initiatives) – that is the ownership and management of the state schooling infrastructure - and as I shall go on to show they work within policy itself. As the Cato Institute puts it "Education companies, or edupreneurs are entering the education marketplace in droves with creative, cost efficient products and services for students of all ages".

- o The education services market operates on a global scale, involving major construction, management and accounting companies (as well as many smaller national and local firms) and is seen as a major investment opportunity by international finance corporations and private equity firms.
- o Parts of state education services and infrastructure in many countries are now owned or run by foreign management or investment companies.
- o These are 'emerging markets' for foreign direct investment (FDI), and are part of a more general surge in such investment which began during the 1990s and which form part of the 'portfolio investment' of commercial, financial and private equity companies – public services are increasingly a focus for investment and profit.
- o These businesses operate across a terrain of policy possibilities created by a global, multi-lateral policy infrastructure that both directly and indi-

Figure 1: The discursive and political Infrastructure of privatisation



rectly privileges private solutions to public problems.

Discursively and politically these developments I outline here are made possible and are legitimated and supported by a array of multi-national organisations and interest groups. A powerful and broad discursive formation is established around a set of multifarious sites of articulation and practical support (see Figure 1).

Despite only contributing 0.5% of educational spending in the 1990s the influence of the world bank is disproportionate and is 'felt through policy advice, consultants, offshore training of officials, selectively authored reports, as well as debt conditionalities' (Kelsey p. 10). In practical terms the World Bank Group offers an education investment information facility, known as EdInvest. This is a forum for individuals, corporations and other institutions interested in investing in education in developing countries and provides information for making private investment in education possible on a global scale. Through its commercial arm, the IFC (International Finance Corporation), the World Bank offers financial support to companies wanting to start-up or expand their activities in public services markets (e.g. Investing in Private Education, IFC 2001). The current IFC priorities are:

- Technology based education companies and projects
- Financing of student loans and cross-border accreditation
- IT development and 'for profit' education companies.

These 'investments have to meet IFC's required rate of return and only be made in an enabling policy environment that reduces or diminishes restrictive regulations on the education market' (Kelsey p. 11).

The OECD also provides discursive scaffolding for privatisation of public services through the notion of 'contestability' and there are a multitude of fundamentalist, pro-market foundations and think tanks, particularly in the United States, which lobby and campaign for 'research' and fund privatisation initiatives – e.g. John Templeton Foundation, Cato Institute, Milton and Rose D. Friedman Foundation etc. etc.. There is also an emerging regulatory framework for international 'flows' of private educational services – or more accurately a framework of 'de-regulation' -through the work of GATS (General Agreement on Trade and Services). While not officially part of the GATS agenda of trade liberalisation of education services are subject to a draft protocol signed by almost 40 countries interested in or willing to engage in cross-border movements of such services. This group of countries, sometimes known as the 'contact group', is animated in particular by New Zealand, Australia and Norway, all countries which give a high priority to 'education exports' as part of their national economic strategy. Furthermore, a plurilateral request on higher education has been tabled at the WTO (World Trade Organisation) by New Zealand supported by 5 other countries, targeting Argentina and 13 other countries on access to the delivery of private higher education services. The GATS rules on public services state that once any service is delivered nationally by non-state providers then access by outside providers cannot be denied. With private providers at higher education and school level Argentina would appear to have no grounds for restricting the entry of overseas for-profit providers to its system. Alongside GATS there are also a growing number of bi-lateral agreements for cross-border supply. The US has or is negotiating such agreements with Costa Rica, Nicaragua, Bolivia and Peru.

3. The International flow of education services and capital investment

I can illustrate some aspects of the flow of international capital which is made possible by the infrastructure outlined above with some examples from England. The English education services market (public and private) is increasingly penetrated by overseas capital and UK companies are also looking for investment opportunities overseas. I will take examples from two very different forms of investment and business activity – contracting out or 'outsourcing, and PFI schemes.

3.1 Contracting Out

Contracting 'refers to a process whereby a government procures education or education-related services, of a defined volume and quantity, at an agreed price, from a specific provider for a specified period where the provisions between the financier and the service provider are recorded in contract' (Patrinos 2005 pp. 2-3).

In 2003 Edison ran one-quarter of the 417 contracted-out schools in the US, teaching 132,000 students in 20 states (see Saltman 2005). EdisonschoolsUK a subsidiary of Edison corporation is importing its US management model to England as an 'international new venture'.

An American education company is being paid £1 million to take over the management of a north London comprehensive school and improve its results.

Edison Schools, the largest private operator of state schools in the United States, took charge this week at Salisbury school, in Enfield, on a three-year contract.

Part of the company's payment will be based on pupils achieving better GCSEs grades and scores in national tests for 14-year-olds.

The management team is being led by Trevor Averre-Beeson, a former head of Islington Green school in north London. He is credited with taking it out of out of special measures and making it one of the most improved in the capital. Two of his former deputies there have joined him at Salisbury school.

Mr Averre-Beeson said it was a "radical step" to outsource the management of a community school to a private business.

"It's a very different way of doing things," he said. "We are bringing together two sets of brilliant experience, from Islington Green and from Edison." (The Guardian March 2007)

At present this sort of management out-sourcing activity is small scale in England (4 schools, 14 Local Education Agencies and 2 Children's Services have been out-sourced, some have now returned to Local Authority control) and there are few new opportunities. The companies point to a lack of "political will" (interview with Andrew Fitzmaurice, CEO Nord Anglia). There have been a number of companies interested in such possibilities but the market has not as yet developed in a way which makes this work profitable, that is the out-sourcing of groups of schools.

… essentially being the managers of a group of schools is what we aspire to. And I've been saying since, well since the beginning of the labour government that the model for us is exists in the independent sector, which is the Girls Public Day School Trust, which has 25, 30 schools, I'm not saying that everything in that model we would mirror and we are certainly not interested in it being intellectually or socially exclusive come to that, but in terms of a managerial model its interesting. (Neal McIntosh, Chief Executive CfBT)

In principle that's something we would be quite interested in if the government now, or at any point in the future, was to do a Sweden and allow the private sector to- to operate schools within the state system, then we would certainly be interested in that … in Scandinavia at the moment there are some, I think, some very interesting examples of school systems that are owned in different ways: private sector, voluntary sector, faith, state … this is the sort of thing that could be in either or both political manifestos the election after next. (David McGahey, Director of Education Services VTES)

The Trust schools initiative in England (Education and Inspections Act 2006) may make this more possible but remains to be seen.

In Sweden this has developed much more vigorously, almost 15% of state schools are now run on a contract basis by private or voluntary sector providers.

Apart from Salisbury school, three other English state schools have been contracted out to private companies, two are run by company called 3Es, which was recently acquired by GEMS - a Dubai based education and health management company, which also recently bought a chain of English private schools. The other contracted-out school in England was run by Nord-Anglia.

Nord-Anglia owns schools in Moscow, Pudong (Korea), Warsaw, Shanghai, Bratislava and Berlin and in 2005 entered into a joint venture with UAE company ETA Ascon Group to launch Star British schools in the UAE. Nord-Anglia CEO commented that “We hope Star British School will be the first of many such schools in the region and beyond” (www.asdaa.com.) [This venture came to nothing but Nord-Anglia is now running a group of government schools in Abu-Dubai]. Also in 2005 it sold its stake in two schools in the Ukraine for £1.3m. Nord-Anglia was the UK’s largest provider of private nursery places with its Chain of Leapfrog Nurseries. It is one of 5 national school inspection companies it holds the contracts for schools in the North West of England and the contract for Further Education. And in a joint-venture with Amey, a construction company now owned by the Spanish firm Ferrovial, runs contracted-out Local Education Authority services in Waltham Forest (north London). In 2004 Nord-Anglia sold its chain of 10 UK private schools to GEMS for £11.9m and in 2007 sold it nurseries to Australian company ABC Learning which already owned the UK chain Busy Bees and has nurseries in the USA.

An oversupply of children’s nurseries has forced Nord Anglia to sell its 88 kindergartens to an Australian rival for less than half the price it paid for them.

Nord Anglia was until yesterday the country’s largest nursery school operator, owning the Leapfrog, Jigsaw and Petits Enfants brands. It will receive £31.2 million for a business it built through £73 million of acquisitions three years ago.

Nord Anglia, which charges fees that are in line with leading private day schools, has struggled to generate profits.

The company will use the cash to pay off its debts, and concentrate on its faster-growing and more profitable international schools, aimed at the children of expatriates, and its educational services division, which helps to support Ofsted and to run the London Borough of Waltham Forest’s education services. (Times online 14th August 2007)

Education services is a developing market, and states (national and multi-lateral) are market-makers, this is not some kind of spontaneous neo-liberal free market, its dynamics have to be understood alongside the dynamics of and changes in the state and the role of the state in shaping industry behaviour and economic transactions (Burch 2006). Burch makes the point that state policies can create incentives and pressures for public sector providers to use private sector services (see looks in particular at the effects in this regard of NCLB(No Child Left Behind) in the US). She also notes that vendors of services ‘have sought to leverage NCLB mandates as part of their marketing strategies’ (p.2593). I have noted the same thing in England (Ball 2007). “Across the country, urban school systems are relying on the services and products of specialty-service providers to jump-start compliance with NCLB.” (p.2582). She identifies four functions which ‘are central to the new educational privatisation: test development and preparation, data analysis and management, remedial services, and content area-specific programming’ (p. 2588). US school districts historically have contracted with outside vendors for services in each of these areas but NCLB has accelerated this trend considerably.

As indicated above the education services industry is a dynamic market which is driven in part by mergers and consolidations and international expansion. Increasingly the education businesses like other firms are seeking to diversify and internationalise and are continually looking for new market opportunities, especially when market growth in the UK is modest. However, as Caves (1974) points out firms do not become multinationals unless they are good at doing something and experience in the UK can be used as a basis from which to expand overseas.

- ‘The UK experience has served as the underlying model for much of the development internationally of SBM’ (www.cea.co.uk).
- Nord Anglia’s reputation and expertise with British education gives it a rare opportunity to capitalise upon the demand in overseas markets for improved quality in education provision (Company annual report 2006 p. 8).

These businesses may or may not be increasing their risk as they expand overseas – that remains to be seen. As noted already, the increasing international activities of especially US and UK education business is made possible by the increasing liberalisation of public services both through national commitments to GATS and various bi-lateral agreements, and in the future through appeals to WTO tribunals.

3.2 PFIs and PPPs

With DBMO (Design, Build, Management and Operation) of state institutions by private capital, Public Finance Initiatives or Public Private Partnerships, or what the World Bank calls ‘facility availability’ (with ‘input’ and ‘outputs bundles’), private investors finance, build and run facilities which are leased-back to the state over a 25-30 year period (like roads and bridges but also schools and hospitals). In 2003 the UK PFI debt market stood at £8.2bn up from £4.9bn the previous year. New investment in PFIs 2003 was £6.7bn. In 2003-4 the Swedish construction firm Skanska did the most PFI business in the UK at £3bn., followed by Balfour Beatty, and Japanese company Kajima. The County of Offenbach and city of Cologne in Germany both have large PPP schemes involving over 90 schools in the former and 7 in the latter. The first part of the Offenbach scheme was awarded to a subsidiary of French construction company Vinci, the rest of the scheme and the Cologne project went to Germany company HOCHTIEF. The companies will run the Offenbach schools for 15 years and the Cologne schools for 25 years. Vinci recently bought out most of the PFI work of 'beleaguered' UK construction and services company Jarvis. The government of New South Wales (Australia) is currently building 10 schools using PPPs, financed by private investors funds. P3S as they are called in Canada (an example of 'policy borrowing' from the UK), have been used extensively for school building (and other state infrastructure), in particular in British Columbia and Nova Scotia which has over 30 P3 schools

This first order activity in turn generates a 'secondary market' in the 'selling-on' of PFI contracts, which is of considerable investment interest to banks and private equity. Innisfree is the leading infrastructure investment group in the UK sponsoring and making long term investments in PFI and PPP infrastructure projects. In 2006 Innisfree had a platform of 47 PFI infrastructure projects with a capital value of some £8 billion covering health, education, transport and government accommodation (e.g. university hostels). Innisfree provides a channel for institutional investors to invest in PPP/PFI assets and has to date raised £1.12 billion for investment in PFI and PPP project companies. Innisfree's investors include leading UK institutional investors such as the Prudential and Hermes and local authority pension funds. Overseas institutional investors from Sweden, Germany, Switzerland, USA, Canada and Japan currently provide 42% of Innisfree's funds.

Star Capital Partners, an Euro 581m private equity fund, acquired the Secondary Market Infrastructure Fund (joint venture between Abbey National and Babcock and Brown) in 2003. SMIF acquires interests in infrastructure assets from investors and developers in PFIs. (e.g. Varndean school, Brighton from Jarvis and HSBC's equity interest in the Falkirk Schools project for £18m). In 2003 SMIF had assets of £120m in 23 interests in education, local authority and health (with an underlying asset value of £2bn). STAR is backed by a network of core partner European banks, including: The Royal Bank of Scotland Group, Santander, Espirito Santo and One Equity Partners (STAR website).

4. Selling Policy

The third field of education services for-profit activity I want to highlight is the export and sale of education policy, public sector reform and school improvement. There are two dimensions to this: (1) the dissemination of policies between western countries in a 'free market' and (2) the 'loan' or 'imposition' of policies on developing countries through projects, development aid or structural adjustment 'conditionalities'. Again let me do this by illustration and the example of UK company Cambridge Education. This will reiterate several of the points I have already made.

CEA (Cambridge Educational Associates, later renamed Cambridge Education - CE) was established in 1987 by Derek Foreman, ex-Deputy Director of ILEA and Brian Smith ex-Deputy Director of Cambridgeshire LEA. It deals in LEA consultancy and outsourcing and currently runs contracts to manage local authority services in Islington, Southwark and Scilly Isles. It conducts Ofsted inspections of schools and does ICT training, and offers Interim management and PPP support and administers the Teacher Pay Reform programme and project manages several academies (new schools in the English education system). It has an annual turnover of around £50m. In 2000 CEA entered into a joint venture with Mott Macdonald (turnover 2003-4 £342m and profit of £7.8m) an international Engineering Project Management Consultancy working in transport, property, healthcare, communications, energy, leisure and utilities (Company Annual Report).

CE also operates extensively in selling, directly or through aid contracts, school reform solutions. 'Globally, Cambridge Education works with governments, donors and development agencies to raise the quality of education. We bring innovation and expertise to help build local solutions (company website)'. Among many other examples CE is currently working with:

- National Government of Thailand
- Provincial governments in China
- Education Ministry in Hong Kong

- o California
- o New Orleans
- o City of New York
- o DfiD, EC, Word Bank, ADB projects (Papua New Guinea, Eritrea, Bangladesh, Cambodia) etc. (Working in partnership with Universities, NGOs and other private companies).

Two examples of such work are in Ghana and The Maldives:

- o Ghana: Support to Planning, Budgeting, Monitoring and Evaluation. Cambridge Education assists Ghana to improve its education sector performance by strengthening its management capacity and systems. Project duration: 2004 to 2005. Cambridge Education provided support to the Ministry of Education, Youth and Sport, Ghana, to improve resource management, through developing planning, budgeting, monitoring and evaluation (PBME) systems. The focus of this support was to develop the capacity of the Ministry to review and revise the Education Strategic Plan, the overarching policy document for the education sector and to improve, cost and evaluate operational plans around key policy goals.
- o Maldives: Strengthening the Framework of Education

Cambridge Education was chosen by the Asian Development Bank and the government of the Republic of Maldives to provide and manage technical assistance in three areas: legislation, finance and materials development. Project duration: 2005 to 2006. Cambridge Education supported the Maldives in drafting legislation for a new Education Act; in developing a sustainable financial framework for increased and equitable access to post-secondary education; and in enhancing capacity to develop learning and teaching materials for lower secondary grades. Key activities included assessing and reviewing current education legislation (policy, priorities and reform needs); carrying out a stakeholder consultation; drafting/finalising key sections of new education legislation; assessing current education finance and needs of students for financial assistance; carrying out a poverty and economic assessment survey; drafting a Medium Term Financing Framework/Expenditure plan; reviewing current lower and upper secondary school curriculum and needs; developing curriculum and training materials according to identified needs; and training curriculum developers.

CE is also active in the US in doing Charter school reviews, working with the KIPP (Knowledge is Power Programme Foundation) which runs 57 state schools, and with the Gates Foundation. New York, the US's largest school district with 1.1m students has hired Cambridge Education to lead the introduction of a programme of 'school reviews' based on the English Inspections model, (a contract worth around $6.4m a year). CE is training New York reviewers so that they can assume full-control of the review system in coming years. As the tabloid New York Sun put it "The British have arrived: They're Reviewing City Schools" (July 31st 2007). The newspaper goes on to say that the City's mayor learned about the English Inspection model "from Sir Michael Barber [ex-adviser to Tony Blair and now Global Expert in Mckinsey and Co.] who has worked as a consultant for the city's education department".

Companies like Cambridge Education 'sell' policy, 'sell' reform and 'sell' school improvement, as ready-made, off-the-shelf, generic packages of 'ideas'. All of this is then both a form of 'policy entrepreneurship' and at the same time a process of policy transfer, and a mechanism of 'policy convergence'. The companies are delivering 'development' and aid policy (for a profit), developing local policy infrastructures, and embedding prevailing policy discourses, directly or as 'spillovers' into the local policy systems. This can also be seen as what Kelsey (2006) calls 'regulatory re-territorialisation'. The company consultants are 'carriers of global institutionalized management concept (Hansen and Lairidsen 2004 p. 515). These are generic discourses which at the organisational level have no specificity to education or schools. They encompass as set of recurrent policy trends that include 'various aspects of new public management (NPM), such as deregulation, contracting-out, agentification and privatisation' (Bache 2003 p. 301). They also 'sell' or institutionalise further opportunities for private participation. In the development of a basic educational provision in many developing societies private involvement is built into the systems from the start. This also involves to insertion and naturalisation of western models of organisation, education, leadership and employment, and the extension of the commodification and commercialisation of education, through forms of what Mihyo (2004) calls 'intellectual dumping'.

5. Conclusions

Education services businesses vary in size and capability and it is likely that we will see more acquisitions and failures and more vertical integration. The most successful international companies, at present, seem to be those which are subsidiaries or divisions of international management services companies (Mouchell Parkman, Cambridge/Mott Macdonald) or management and ICT specialists (Capita and Serco) or the large accountancies and consultancies (PriceWaterhouseCoopers, KPMG, Touche Deloitte), although some of the smaller UK 'niche' companies are expanding modest abroad (Edunova and Prospects). The future of the public/private providers, like GEMS and Nord-Anglia, seems less certain.

However, this is not a simple story about the inevitable expansion of global business interests and the search for new sources of profit. There is a complex inter-relation here between companies and states (at least in the West), the relationships, as Kelsey suggests are 'reciprocal and contradictory'. 'Globalised capitalism needed the state, first to restructure and then to "enable" its profitable operation and expansion across borders' (Kelsey p. 4). Increasingly nation states provide stability and legitimacy and act on behalf of their own national businesses to promote and finance educational services, and use public policy to stimulate the outward investment dynamic, and operate as a broker for social and economic innovations, as well as attending to the focused allocation of its resources – this is what Jessop (2002) calls the work of the 'competition state' and is the development of NISs (National Innovation Systems). 'National competitiveness has increasingly become a central preoccupation of governance strategies throughout the world' (Watson and Hay 2003, p. 299). Furthermore, 'there is a wide range of government support measures for exporters, reflecting the easily identifiable benefits from increased overseas trade' (Tavares and Young 2005, p. 12). The state works to develop appropriate meta-capacities and supports the development of 'new policy narratives' which in turn mobilise support behind new accumulation strategies. The state also acts as a 'commodifying agent' rendering education into commodity and contractable forms, and works through public sector reform measures to recalibrate public sector institutions to make them homological with 'the firm' and amenable to the processes of the 'market form'. States also create the economic and extra-economic conditions within the public sector which enable businesses to operate and to extract profit. On the other hand, capital, it is argued, offers the state a means of achieving efficiency gains in education, in terms of quality improvement while at the same time cutting costs (Hoxby 2003). There is a mutual conditioning and accommodation between state and capital and PPPs of a variety of kinds are increasingly common. As Burch (2006) points out and illustrates there is no simple zero-sum process here of public or private provision but often the emergence of new forms of public/private collaboration. Thus, as (Leys 2001, p. 80) points out: 'It is not that the state has become impotent, but that it is constrained to use its power to advance the process of commodification'.

1) Paper presented at the PRESOM workshop on education privatisation, 6 October 2007, Berlin, Germany

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