

Privatisation of Education: a framework¹

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1. Introduction

It is the overall objective of PRESOM to “establish a scientifically based assessment of the impact of privatisation and liberalisation in the EU upon the functioning of the emerging European Social Model from different points of view and to contribute to the development of policies for the public and private sectors aiming to strengthen this model of society” (www.presom.eu).

The assessment of the effects of privatizing education has to start from a clear conception of the term “education”. I will discuss this briefly in the second section. In the third section we ask what is meant by “privatizing education”, and in the fourth section the main instruments and methods of education privatisation are presented. The last section deals with the question how to evaluate (the effects of) privatizing education.

2. Education: commodity or public good?

As an economist, I am used to think of education as a service. In this view education is basically a commodity which may be produced by a range of public, public-private and/or private producers (see Table 1).

However, at least in the Anglo-Saxon language context, education means more than this. In this context, education of an individual begins with birth (or even before) and continues throughout the life of a person. Deliberately produced education, which might be associated with formal education, is only part of the whole. In this broader sense, family members, friends, colleagues, but also characters in plays, theatres and cinemas, religion etc. may contribute in significant ways to the education of a person.

Education then is part of the socialization of an individual. That is, education is not only the transfer of information, knowledge, know-how etc. from a teacher to a pupil, but also comprehensively imparting of the culture of a specific society.

In so far as education imparts the values and rules of a society which are necessary to know in order to

survive and become a successful member of this society, education plays a crucial role in stabilizing and reproducing societies. And in this sense education is of course a public good, and furthermore, education is also an important input to produce further public goods as for example “social stability”.

Although we concentrate in our work package on higher education as part of formal education, I think that we have to assess privatisation of higher education in the context of this broader view of education. Only then we might be able to escape the fallacy of evaluating different forms of education systems from a purely economic point of view. Therefore I invite you to consider this wider frame of education in your contributions today.

Specific for higher education is furthermore that usually or often also research activities are involved. For example, PhD-students and other scholars have to write a thesis. Hence, students are not only on the receiving side of knowledge production but also producing knowledge themselves. Therefore, the public good dimension is of crucial importance in higher education.

3. What is education privatisation?

In this and in the following section I go back to the more narrow conception of education as a service. This seems appropriate when the issue is privatisation.

Privatisation has been defined as (Belfield/Levin 2002, 19)

“... the transfer of activities, assets and responsibilities from government and public institutions and organizations to private individuals and agencies.”

Other meanings of privatisation are the commodification or marketization of formerly public goods, and/or the liberalization from public regulations.

In our context, “education privatisation” is a general term including a large number of different educational programmes and policies. We might think of privatisation in three variants, namely

Table 1: Percentages of public and private funding of tertiary education in the OECD (1995, 1999)

OECD countries	1999		1995	
	Public sources	Private sources ¹	Public sources	Private sources ¹
Australia	52.4	47.6	64.2	35.8
Austria	98.7	1.3	97.6	2.4
Belgium	100.0	n	–	–
Canada ²	59.3	40.7	59.1	40.9
Czech Republic	84.7	15.3	71.0	29.0
Denmark ²	97.7	2.3	–	–
Finland	97.4	2.6	–	–
France	85.7	14.3	84.3	15.7
Germany	91.5	8.5	92.7	7.3
Greece	99.9	0.1	–	–
Hungary	76.6	23.4	80.3	19.7
Ireland	73.4	26.6	69.7	30.3
Italy	80.3	19.7	82.8	17.2
Japan ³	44.5	55.5	42.8	57.2
Korea	20.7	79.3	–	–
Mexico	71.8	28.2	77.4	22.6
Netherlands	77.6	22.4	88.3	11.7
Norway	94.4	5.6	93.6	6.4
Poland ⁴	82.8	17.2	–	–
Portugal	92.9	7.1	96.5	3.5
Slovak Republic	91.9	8.1	–	–
Spain	74.2	25.8	74.4	25.6
Sweden	88.4	11.6	93.6	6.4
Switzerland	96.7	3.3	–	–
Turkey	95.3	4.7	96.6	3.4
United Kingdom	63.2	36.8	63.9	36.1
United States ²	46.9	53.1	–	–

Notes:

- 1 including subsidies attributable to payments to educational institutions recieved from public sources
- 2 Post-secondary non-tertiary included in tertiary education or missing
- 3 Post-secondary non-tertiary included in both upper secondary and tertiary education
- 4 Public institutions only

Source: Greenaway/Haynes 2004, 307

1. private provision of education;
2. private funding of education and
3. private regulation, decision making and accountability.

Private provision

Here privatisation means the change from state or public provision of educational services to the provision and management of education by private agencies and organizations, for example by religious groups, by charities, by for-profit firms, and other interested parties.

Private funding

In this case privatisation means that parents and students pay directly for educational services rather than indirectly through taxes and government expenditures. In most practical cases, however, families and government bear the costs of education together. If, for example, universities charge tuition fees, these cover usually only a certain fraction of total costs, and they have therefore to be complemented by public funds.

Hence, privatisation in this sense occurs when a portion of total funding is paid by private households instead of by the government.

Private regulation, decision-making and accountability

The third variant of education privatisation refers to the definition of quality standards of educational services. This occurs when the (private) consumers of these services, i.e. the students and their families, determine directly ("voice") or indirectly ("exit") the satisfactory standard of services instead of governments via regulations. Thus, a further aspect here is the freedom to choose the educational institution according to the preferences of the student or the family.

However, even in cases where private individuals play a significant role in defining the quality standards, schools and universities are seldom completely free in their operations. In most cases the educational institutions have to meet state accountability requirements.

Combining variants of privatisation programmes

All three types of educational privatisation may be implemented simultaneously, but they may also balance each other. For example, the private provi-

sion of education may be complemented by strict government regulations concerning the teaching and materials used in school. On the other hand, also substitute relationships exist between different forms of privatisation. As an example one might think of a system where either vouchers are offered to enable children to attend schools, or to grant parents tax credits in order to finance school fees.

The combination of public and private characteristics may result in quasi-markets for education, in which governments keep on playing an important role in terms of setting quality standards, while (private and public) suppliers operate in a regulated competitive environment.

4. Instruments and methods of education privatisation

A large number of instruments and methods has been employed in privatizing education. Some of the most usual ones are:

1. Introduction of educational vouchers
2. Introduction of options to choose among different public and/or private providers of education services
3. Liberalization of regulation of education services
4. Contracting out of specific (additional) services (e.g. catering)
5. Introduction of tax credits and deductions for educational services
6. Granting subsidies and assistance to private schools
7. Introducing the option to choose home-schooling
8. Increasing competition between schools and education agencies

According to the evidence which has been produced by the UNESCO-study (Belfield/Levin 2002, 53 et sequ.), education privatisation seems to be dominated by the introduction of school vouchers and the introduction of options to choose among different schools (school providers).

5. Evaluating education privatisation programmes

When evaluating education systems or changes in education systems, the broader concept of education (which I was mentioning at the beginning) has to be invoked again. We have then to ask whether a chan-

ge in the educational system contributes to the achievement of a range of socio-economic objectives. In order to substantiate these objectives, one might use Article 26 of the Universal Declaration of Human Rights, which refers to education. Three rights are formulated there:

1. Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit.
2. Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance and friendship among all nations, racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace.
3. Parents have a prior right to choose the kind of education that shall be given to their children.

Corresponding to these rights, three objectives may be identified, which may be complemented by a fourth and purely economic objective of cost efficiency. Formulated as questions, these for objectives are (see also Belfield/Levin 2002, 35):

Does the envisaged privatisation programme

1. result in a more equitable access to education for all students?
2. result in improved social cohesion via the education system?
3. give more freedom of choice to the people seeking education?
4. result in (cost) efficiency of the provision of education?

The impact of privatisation programmes, measured in these four areas, may be positive and/or negative. Hence, a comprehensive evaluation will necessarily consider the net benefit – positive or negative – of privatisation in each area.

Equity

Equity in education may be defined as the equitable access of students to education irrespective of gender, social class, race, language origins or geographical location. Evaluation may be carried out via the input or the output side. On the input side it is to

be assessed whether every student receives an appropriate amount of resources to be able to participate in the learning process according to his specific capacities. On the output side the question is whether all students leave the institution with sufficient skills and a fair chance at the labour market.

Social cohesion

Education, at least as it is understood in most societies, is supposed to be more than just delivering specific information to the pupils. The education system plays a critical role in the socialization of human beings.

The “production” of social cohesion by the school system may be envisaged in two different ways. First, if all citizens of a country have gone through a common school system, as a result there may emerge a broad common understanding of social values, goals, political perspectives and so on. This in turn enables a society to take collective actions and social decisions necessary for a society to cope with changing socio-economic environments.

Second, schools may provide social skills to the individual person which might reduce social tensions (conflict resolution capacity, etc.) and, even more important, school education may convey to the students a theoretical and practical understanding of the importance of “social responsibility”.

Freedom to choose

On purely economic terms, more freedom of choice is an advantage because the matching of supply and demand tends to be improved. Furthermore, the accountability of education providers is increased if there is the “exit-option” for the consumers.

On the other hand, choosing between different providers implies transaction costs for the consumer.

Efficiency

The efficiency criterion refers to the efficient use of resources in the process of producing education services. The usual definition of economic efficiency, i.e. to maximize output with a given input, or alternatively, to minimize inputs to produce a given output, is difficult to translate into the education business. How do we measure “output” in this context? How do we simultaneously measure quantitative (number of alumni) and qualitative results (career of the alumni) of the education process?

Hence, in order to effectively evaluate education services in terms of efficiency, an elaborated system of measuring costs and output is necessary.

The considerations I have put forward are not more than a preliminary framework for discussing the topic of the privatisation of education, and they may seem too simplistic or incomplete. All the more I would like to invite comments and critique in order to develop further this matter.

1) Paper presented at the PRESOM workshop on education privatisation, 29 June 2007, Ljubljana, Slovenia. This paper draws on the UNESCO-study on education privatisation by Belfield/Levin 2002

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