

Commercialization or Citizenship: The Case of Education

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School-level education has been a policy field where the contradictions between citizenship and commercialisation approaches have been particularly clear in government policy. The concept of citizenship entitlement is highly developed in education. Partly because so much of its provision is compulsory, partly because in a democracy all political parties are required to advocate opportunities for social mobility, there is an almost universal expectation that education should be available as a right, not needing to be purchased in the market – though in practice in the UK and some other countries this ideal has always been heavily compromised by the existence of fee-paying schools to which many wealthy people send their children.

The strong element of compulsion exists because, if having their children educated was voluntary, many parents would fail to do so. This would create problems of social order and might weaken the eventual economic capacity of these children. It is therefore difficult to apply one fundamental attribute of the market, freedom of consumer choice. It would be even more difficult to apply the other fundamental attribute: the payment of prices which reflect the production costs of the good or service offered. If this were applied, even fewer parents

would have their children educated, or they would buy very cheap and inadequate schooling. In principle compulsory consumption could be combined with all other attributes of the market: parents could be left free to choose from a range of private school suppliers, and to pay fees. There would however be severe political objections to enforced payment of private consumption. Education presents particularly difficult problems for a full application of market logic – which would mean treating it like any other good, offered for sale according to supply and demand – without distorting and degrading the service provided.

Markets and private firms therefore hover on the margins of the compulsory education system, in two main forms: the introduction of market analogues without privatisation into the school admissions system; and the contracting out of educational services, including increasingly the teaching of subjects in schools, to firms. Both will be explored below.

Making Markets in Education

For parents and their children, the choice of school which a child will attend is the most market-like

aspect of the education system. Governments eager to introduce elements of the market have therefore concentrated attention on extending parents' freedom of choice in this field. However, for the reasons outlined above, they have had to do this without use of the price mechanism. This limits heavily the degree of marketisation that can be introduced, as it eliminates two fundamental roles of price within a true market: as a unitary indicator which is considered to summarise all relevant qualities of an item of the good in question, enabling it to be compared with rivals and facilitating choice; and as a rationing device for distribution. Governments have found solutions to these deficiencies. However, the result has been, not a happy compromise creating something new between citizenship and markets, but a dysfunctional stalemate. The problem of the absence of price as a quality indicator can in principle be tackled by constructing analogues to guide customers, and doing this has been a major element of policy. The main solution found by the Conservative Government and continued by Labour has been the introduction of official tests of pupils' performance, administered at ages seven, eleven, fourteen and sixteen. The results of these are published and used to rank and compare schools. Parents are encouraged to use them as indicators of quality when choosing schools for their children. At the same time, schools' performances in the annual GCSE and A Level GCE examinations are calculated, ranked and widely published in the press. All this facilitates a market-like process, but it has two principal defects which may distort educational provision.

First, partial indicators encourage schools to maximise performance on those items reflected in the indicators alone. If success in certain examinations is measured and published, the rational school will concentrate on those at the expense of other activities. There have been many examples of this, leading to demands that government adjust the indicators used so that they cover all relevant areas, and government has been responsive to these pleas. But there are two limitations to this strategy. First, if indicators multiply, they become too complex, and people find them difficult to appraise. As Onora O'Neill observed in the third of her 2002 BBC Reith Lectures, as targets become more and more technical and complex, and are changed with increasing frequency, the 'public' ceases to be able to understand them at all.¹ The new accountability is not to the public at all, but just to the political

centre. Second, as she also observed, the vast volume of work involved in record keeping and target-making means that the attention of professionals is increasingly focused on these, giving them less time for genuine engagement with the real public, their clients.

A second and highly contentious issue has been the use of pupils' performance as a judgement on school quality, when it is well known that children's academic achievements depend heavily on their social background. The Labour Government initiated a system of baseline testing to reflect this: children are tested on entry to a school; subsequent test performances can then be compared with their initial achievements to assess the value added by the school. The White Paper that eventually became the Education Act 2002 announced that indicators based on these baseline results will eventually be published alongside – but not instead of – the raw data. But many parents may be more interested in the raw data. They want to know both what the school achieves and the quality of its raw material, for in this way they can select schools with suitable fellow pupils for their children. The indicator system sends signals which can be used to reinforce social segregation. In any case, as Brighouse has pointed out, general school measures tell parents very little about the particular balance of characteristics that they seek for their child.²

Test scores have not been the only forms of quality signal developed by governments to make markets for school choice. Further indicators are provided by the reports of Ofsted, the Office for Standards in Education, introduced by the Conservatives to give more impetus to change and higher public prominence to school inspection than the school visits of HM Inspectorate of Schools. Ofsted grades schools into various categories, including the highly negative ones of 'having serious weaknesses', or 'requiring special measures' to improve them.

A further technique has been the development of different types of school. In some parts of the country the old 1944 system of a distinction between grammar schools and residual schools was never abolished, and New Labour has no objection to this situation continuing. The Conservative Education Reform Act 1988 had provided for the establishment of Grant Maintained Schools (GMS). To encourage schools to become GMSs the Government introduced certain inducements, such as generous capital and other grants which were not available to

LEA schools. GMSs were permitted to select up to 15 per cent of their pupils from outside their catchment areas, using whatever criteria they liked. GMS status therefore served as a signal to parents that this was a school in favoured financial circumstances and to some extent able to recruit pupils of its choice – a strong market signal.

In practice the implications of this policy were limited: not many GMSs were introduced; their distribution through the country was very uneven. Their contribution to increased choice and to a market in schools was therefore small, arbitrary and sometimes negative. Further extensions of this experiment were stopped by the Labour Government of 1997, which also changed the status of existing GMSs to that of foundation schools; for many purposes, including the crucial question of admissions, they were brought back under LEA responsibility.

However, at secondary level Labour also embarked on an alternative policy of its own for inserting new forms of school within the state system but possessing attractive qualities which would mark them out from ordinary schools. The 2001 White Paper proposed a major expansion of the existing experimental policy of 'specialist schools'. These seek to develop expertise in certain particular kinds of education – such as technology, arts, sports, business studies. To help them fulfil their particular mission, they will be able to select up to 10 per cent of their pupils based on ability within their chosen specialisms. The Government intends that 40 per cent of all secondary schools in England should be 'specialist' by 2005, with a further group in the category of 'working towards' specialist status. (The Government has now said that ultimately it wants all schools to have some kind of specialism.) In addition to LEAs, voluntary bodies, religious organisations and private firms can apply for the right to establish them. In addition to their limited selection right, specialist schools will have the right to pay teachers more than other schools. Schools which have been successful specialist schools for five years will have the chance to become advanced specialist schools, receiving more funding than those around them but also having some responsibilities to develop materials and training and provide services for these others.

The Government argues that specialist schools do not mark a return to selection, because a diversity of specialisms will be recognised, not just general

academic ability, and no school is prohibited from working towards specialist status. It is in fact more concerned to make markets than intensify selection, the emphasis of the arguments of the White Paper being on expanding diversity in order to increase choice. However, since superior funding and privileges are to be a mark of specialist schools, it is clear that they are being marked out as more desirable, and not just diverse.

The White Paper introduced a further distinction among schools in its concept of the 'successful' school, formal criteria for defining which will be devised. Under certain conditions 'successful' schools might be permitted: to pay higher salaries to their teachers; to be exempted for teaching parts of the National Curriculum; and to expand their size irrespective of local admissions and school size policies.

The Conservative Education Reform Act 1988, which introduced the tests and the Ofsted model, concomitantly gave parents increased rights to choose individual schools within their local authority, rather than being allocated to their neighbouring school. Schools were then given incentives to attract parents, as they were rewarded financially if they could compete successfully with their neighbours in recruiting pupils. Labour retained all these policies and, as we have seen above, is strengthening some of the mechanisms which divert pupils numbers and resources to certain schools.

Together all these policies over the 1988 to 2001 period have put in place a powerful market analogue whereby customers (parents) are equipped with information to find the most successful schools, and providers (schools) have strong incentives to attract customers. This might seem to be a highly desirable situation, but it has a number of negative consequences. If, as the 2001 White Paper implies, all that is happening is that diversity is being expanded so that customers with different tastes can find providers to match, there would be little to worry about, apart from a large number of minor frictions when supply and demand for particular school characteristics did not match in certain areas. In reality however it is not a question of a wide diversity, but a ranking of 'good' and 'bad' schools. Test and examination results, Ofsted reports, the eventual designations of 'successful' schools all point in the same direction. In theory specialist schools will cover a wider range of attributes, but many of them will be 'specialising' in those areas of

the curriculum which deliver the high test scores. Clearly, demand for these will exceed supply. In a true market the price of 'good' schools would rise to bring demand and supply into equilibrium. But this second, controversial role of price as a means of rationing is ruled out by the citizenship principles of the national education system.

The market approach therefore has to operate without substantive prices. In doing this however it does not produce a compromise, but continues to violate citizenship principles. As 'good' or popular schools use their additional resources to expand, 'poor' schools, starved of both pupils and resources, will necessarily decline, and will either eventually close or be left with a residuum of children whose parents do not care. Alternatively, poor schools, shaken out of their complacency as the spiral of decline envelops them, will make determined attempts to improve. In doing this they have an uphill task, as resources and pupils continue to haemorrhage from them.

If nearly all pupils end up in the successful schools while the poor schools decline, there are further negative components. It is a long, slow process. Schools cannot expand quickly, and during that period whole cohorts of children will pass through helplessly declining schools. It is also possible for schools to grow too big to continue with their current regimes; a successful school might be undermined by its very expansion. Further, in many parts of the country the closure of some schools and the removal of pupils to a different one imposes high transport costs on children, which government is already reluctant to meet.

But more insidious than these problems is a perverse analogue of a school fee which emerges when elements of the market are introduced into a theoretically non-selective system. If the supply of places in 'good' schools cannot rise to meet demand, there is competition among parents. This competition is resolved in ways which cannot be reconciled with the citizenship model. Schools' achievements are determined by two factors: the initial cultural capital that pupils bring with them (the quality of the raw materials) and the quality of the education which the school provides (the school's added value). While parents are 'customers', their children are the raw materials which are fashioned by the school to produce the end product. The customers thus make their own contribution to their children's schools' performance, and hence

to the schools' ability to acquire resources. Schools therefore have an incentive to admit children from parents likely to contribute strong social capital and to reject those who lack cultural capital. Children's educational potential therefore serves as a curious analogue of a school fee within the new price analogue system; the higher the ability of a child, the better chances its parents have of acquiring the school place they wanted; and the higher the subsequent 'profits' of the school. If this process proceeds unchecked, inequalities of achievement between schools which attract the 'best' pupils because of their own past record, and those which are unable to do so, will spiral. The quality of education of those in unfavoured schools will deteriorate. Any role which schools might play as channels of social mobility will be completely undermined.

The citizenship approach to these problems first limits schools' ability to choose their pupils in order to reduce the onset of the spiral of inequality; and second and more important takes direct action of various kinds to improve education quality in poor schools. The market and citizenship approaches are here mutually incompatible. The former works by using parental choice to encourage inequalities between schools to accumulate, and then redistributes resources from poor to successful schools. The citizenship approach tries to limit the destabilising effects on schools of parental choice, redistributes resources to poor schools, and takes many direct action measures to improve their performance.

Contradictory though they are, the Labour Government seeks to honour simultaneously the citizenship model and the new marketisation strategy. Since 1997 it has undertaken many measures for directly improving poor schools, and *Schools – Achieving Success* set out further strong and imaginative new policies for doing the same. The 2002 Green Paper proposed a number of measures for recognising vocational forms of education alongside academic ones – though in doing so it threatened even more complex indicators and measures of performance. But the 2001 White Paper had sustained and even reinforced all elements of the market analogue approach which constantly undermine the efforts of these schools to improve by encouraging parents with strong cultural capital to avoid them. Additional resources will be steered towards both successful schools and those experiencing particular difficulties; both specialist schools and those in

areas of deprivation will be able to offer higher pay to help them recruit the best teachers. Every help offered to schools with problems is counteracted by an equivalent help offered to the privileged. There is little to prevent many of the former becoming residual schools for children unable to find a place in either a specialist school of some kind or a residentially favoured comprehensive; and somewhere in the middle there will be schools excluded from both contradictory redistributive flows. The solution held out by the White Paper for resolving these dilemmas was to increase the number of specialist schools and aspirants to that status, in order to ensure that they are not just a small elite. But the more that this is done, the more extreme is the ghetto to which the residual schools are consigned.

In many policy areas, in particular those concerned with the distribution of income, it has been made clear that New Labour's concept of egalitarianism means trying to move the lowest percentiles of the population closer to the median, while remaining unconcerned that the distance between the median and the top percentiles is increasing. The schools policy of the 2001 White Paper is a perfect example of this philosophy: it is concerned to ensure that the lowest percentiles achieve higher standards than they do at present, while creating mechanisms for ensuring that the upper percentiles move even further ahead. As a policy for increasing the all-round educational performance of the national workforce, this is entirely coherent. However, as a policy for securing equality of opportunity it cannot escape its internal contradictions. To the extent that competition for good jobs is a zero-sum game, the mechanisms of parental and school choice analysed above ensure that improving further the quality of schools available to those with most cultural capital wipes out any compensatory measures taken to help poor schools.

[...]

[Omitted here are sections that detail the commercialization of the Local Education Authorities themselves, through privatization of some and the imposition of commercial criteria of operation on others, and the way this has undermined public oversight. The author argues that, together with the difficulties inherent in creating markets in the education sector, this creates the potential for abuse or corruption as the central government becomes entangled in intense lobbying relationships with a small number of players who are competing for long-term contracts.]

Contract-winning as the New Core Education Business

Non-market approaches to private sector involvement are very dominant in the new policies for commercialisation of citizenship services. Because the Government is not sure how to commercialise these areas, it wants information from insiders. Because it is desperate to maximise this new role of the private sector, it wants to make its offers to private firms as attractive as possible. It is therefore eagerly vulnerable to intensive lobbying by firms who see major opportunities of soft profits.

The Labour Government itself has sometimes been tough with contractors, for example imposing penalty clauses in contracts if they fail to deliver improved standards in schools which they take over. It could perhaps give greater guidance to local government staff on how to drive hard bargains in contract negotiations with private sector firms. To date all responsibility for educating LEAs in private-public partnerships seems to have been delegated to the firms themselves, who are unlikely to include this among their lessons.

The overall approach is courting the worst of two worlds, with both marketisation and citizenship losing out, not this time because of a clash between them, but because both clash with the practice of insider lobbying and preferred bidders. This approach runs all the risks of service deterioration of commercialisation discussed above, without the advantages – keen pricing, genuine choice for ultimate consumers – which the true market can often bring. It carries all the disadvantages of state involvement in commercial transactions – the formation of privileged circles of suppliers – without the restraining hand of the public service ethos which has been discarded in favour of a commercial one. Although the whole exercise is being carried out using the rhetoric of free-market economics, in reality it returns us to the world of relations between government and monopoly-holding 'court favourites' against which Adam Smith and others developed their initial formulations of that economics.

Government contracts within the commercialising welfare state are very attractive. As we have already noted, they are necessarily long-term – as much as 25 to 30 years in the case of buildings, such as schools. It would in fact be very difficult for, say, an LEA to contract out management of its school admissions services to a different firm every year or two, as the learning curves involved in getting to

know the district and its schools would impose considerable inefficiencies. This process makes it very difficult to deal with dissatisfaction with the quality of a service being offered. Also, during a seven-year period a contractor can expect to develop very close relations with personnel in the contracting authority, making it a highly privileged insider when the contract eventually comes up for renewal.

Furthermore, in its eagerness to commercialise, the government has heavily subsidised most of these developments. For example, government invested £1.8 million in the New Models projects, most of which money went to private firms, though most of the work for the experiments was carried out by LEAs. The information flow within the projects is entirely unidirectional. The firm learns everything it wants about how the LEAs work and about their finances; they are told nothing equivalent about how the firm operates. It is then in a good position to bid to take over selected parts of the LEAs' work. The firms are in effect being subsidised in their attempts to secure profit-making contracts.

The character of the firms which have entered the new market is instructive. A number have emerged specifically around it. Their founders have usually been former teachers or LEA staff who saw the chances of higher incomes by going private at a time when the Government has been cutting expenditure on administration within public service, but subsidising higher spending on it if the same services are provided privately. These firms draw almost entirely on existing LEA staff for the personnel with which they will replace such staff if they win a contract.

Other participants in the market are firms which have lengthy histories in other economic sectors, and which have developed education service branches in response to government encouragement: for example, Arthur Andersen and PriceWaterhouseCoopers, both accountancy and management consultancy specialists; Group 4, security services and private prisons specialists; W. S. Atkins, an earlier spin-off of commercialised local government building and other services. Serco, experienced in missile warning systems, private prisons and young offenders' institutions, acquired QAA, a school inspection firm, in late 2000. Amey Roadstone, primarily a highways construction corporation, has linked up with Nord-Anglia, a specialist education firm.³ These companies all have prior widespread experience of and success in how to win government contracts of various kinds. They have highly developed lobbying resources in Whitehall and Westminster and

extensive contacts within government. It is these attributes which have given them their past success in winning government contracts, and which have encouraged them to enter the new sector of commercialised public education services, the substantive business of which is quite new to them. This is arguably the only added value which they bring to the education system. It is the value of the Whitehall insider, a value which is relevant to the delivery of education only because Government has decided to contract out; it is therefore not a quality which constitutes a reason for contracting-out in the first place or which delivers anything to the ultimate consumer of the services.

The risks inherent in this system of privileged contract insiders will multiply as the model spreads out to individual schools. As LEAs are weakened so that they cannot authoritatively monitor what is going on in schools' contracting activities, there are virtually no checks on how contract relations will be managed between highly skilled corporate lobbyists and voluntary governing bodies.

At the heart of the problem is the fact that these new education markets are being fashioned by government in response to firms' requests that they be created. It is not the case that an unsatisfied demand exists to which firms are responding; the demand is shaped to suit what the suppliers want to do, not what consumers want to receive. We must again remember that it is government, not the citizen-consumer, who is the customer in the commercialised welfare state.

[The previous discussion to which this refers is encapsulated in the following passage from Chapter 1:

The citizen has a link, through the electoral and political system, to government (national or local). Government has a link, through the law of contract, with the privatized supplier. But the citizen has no link, neither of market nor of citizenship, to the supplier; . . . services users are not technically customers. And following privatization they can no longer raise questions of service delivery with government, because it has contracted such delivery away. (p. 21)]

Conclusions: Democracy, Authority, Citizenship

If a service is an attribute of citizenship, it is managed through concepts of rights, participation and democratic authority. Fundamental to the historical

operation of the British education system was the role of elected councillors wielding political authority; LEAs administered an area's schools under the formal authority of councillors. Parents could in principle make representations to councillors about the quality of services or problems they had with their children's schools; and LEA staff were able to take firm action on such issues as individual schools' admissions practices because they acted as public authorities.

In practice the system did not always work like that; unless parents knew how to exercise pressure, the local political system could easily slip into lethargy, and this may have been particularly likely to occur in one-party dominated areas with low educational expectations – a situation that characterised many Labour towns and cities. And unless there was dynamic professional leadership, LEA staff could also be inactive. But these weaknesses are open to reform; the mechanisms exist, they only want energetic stimulation. The mechanisms themselves have to be stripped away as the public education service is redefined to become a commercial service like any other. So long as the special citizenship characteristics are recognised, commercial firms are at a disadvantage in rivalling LEAs as providers. This is especially the case when virtually all the staff deployed by the private firms are former LEA staff; all that distinguishes them from their colleagues remaining in the public sector is that they lack the latter's public authority. If however most of the special attributes of public service are defined away and its activities translated into commercial terms, the balance shifts radically the other way; being outside the public sector is, by a trick of definition, changed from being a disadvantage to an advantage.

Because the actual delivery of education in schools was until recently seen as the core business, initial commercialisation was concentrated on authority functions. This was paradoxical, as the normal situation is for privatised industries to be monitored by public regulatory authorities. In education it has been the other way round. When Ofsted was established in 1994, it differed from the existing HM Inspectorate of Schools in contracting out rather than maintaining its own staff. Initially over 80 per cent of inspection teams were provided by the staff of LEA advisory and inspection services. However, many individuals discovered that they could earn more money by setting up inspection consultancies. Today, about 75 per cent of school

inspections are contracted out to private firms, in an 'industry' which was already worth around £118 million in 1997.⁴

When a private firm is invited to take over an LEA's functions because the authority is deemed to have 'failed', the administration of education in that area ceases to be a matter for local democracy, and does not even become one for local consumers. Instead it becomes a contractual relationship between central government and a privileged provider. Even when services for a 'failing' authority are provided by another LEA, the principle of local democratic accountability is broken. Within the 'failed' area the new authority providing the services has the same status as a private contractor; it does the work as part of a market contract, not as an element of local democracy.

When an LEA enters a commercialisation arrangement voluntarily, the situation might seem different: the private firms are merely contractors, agents subject to the will of their principal, which remains the legally constituted local political authority. But the political context is one in which, as we have seen, central government clearly favours the agents over the principals. Further, the fact that the LEA staff on whom the political authority depends for information and advice have been put into the position of competitors with rather than watchdogs over contractors, combined with the long-term nature of the contracts, make difficult any effective control of agent by principal. The system is too new for us to judge how extensively chains of subcontracting will develop, but if they do the current situation on the privatised railways demonstrates clearly how attempts by public authorities to regulate become caught in the labyrinth of contract law and inter-firm deals.

Now, the Government rarely speaks of commercial firms alone. LEAs are also invited to consider hiving off their services to religious organisations, voluntary sector partners, or even to other LEAs who may be able to offer a more efficient service.⁵ Schools, like hospitals, have increasingly come to depend on volunteer help to overcome the staff shortages caused by their inadequate budgets of the 1980s and 1990s. However, commercial firms have far stronger incentives to push their role and win contracts than do voluntary organisations, especially as the efforts which a firm makes to win a contract can be offset against taxation as an acceptable business expense. Far from encouraging a growth in the role of the voluntary sector, commercialisation

is likely to drive out its existing contribution. This has already happened in the case of careers advice services privatised during the 1980s by the Conservatives. At first charitable organisations bid for and won some of the contracts to replace the public service here. Gradually most have dropped away, being replaced by profit-making firms.

The provision of services by one LEA to the population of another raises different issues. A providing LEA cannot act as a democratically responsible local authority in the territory of another. As the Government's provisions make clear, within that territory the new LEA takes the form of a company, operating a commercial contract; similarly when a school takes over a poorly performing neighbour. This becomes another way of redefining the public authority role of local government as no different from commercial activity. The same is true for

voluntary bodies; they take on the legal form of private contractors if they take on public education contracts. Another example is Connexions, the body established in 2001 to take over all supervision of the national careers advice service for young people, and various special services to young people with certain problems. Its local branches, which provide services for groups of local authority areas, are established as limited liability companies rather than as normal public-service organisations. The local units already remarkably incorporate named private firms into their formal governance structure. As this model grows, the normal mode of delivering local education services becomes that of the privileged insider commercial firm; the firm becomes the only acceptable form of organisation; and public service becomes an anomaly within its own heartland.

Notes

1. 'Called to Account', O. O'Neill, Lecture no. 3 in 'A Question of Trust', the BBC Reith Lectures (2002).
2. 'Against Privatizing Schools in the UK' by H. Brighouse, *London Review of Education* (2003).
3. *Times Educational Supplement*, 25 May 2001.
4. *Times Educational Supplement*, 19 December 1997.
5. Letter from Secretary of State to CEOs explaining her new 'brokerage' concept of LEAs, 6 July 2001.