

Mortgaging Our Children's Future

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Introduction.

The New Labour government came to power in 1997 with a mantra of "...education, education, education...", and education has certainly been toward the top of its priorities since then. The historic second term in office for New Labour has brought a new zeal to 'modernise' the education system. Ministers talk of maximising 'innovation', 'dynamism' and 'diversity', promoting 'choice' and 'localism' in a vigorous attack on the 'bog standard comprehensive', which former Secretary of State Estelle Morris 'wouldn't touch with a barge-pole'.

The language of this reform agenda is important because it implies the continuation of the politics of post-war social democracy. Headline policy initiatives focus attention on plans to target resources on deprived areas or to give additional power to frontline professionals. However, closer inspection reveals an entirely different and less progressive agenda that can be summed up as 'modernisation by privatisation'. From Local Education Authorities (LEAs) to individual schools, the private sector - management consultants, outsourcing firms and a new breed of 'education corporation' - is being thrust upon the education system to sort out 'failing' schools and LEAs, and educational institutions are increasingly being encouraged to act as if they are commercial organisations, with new powers to borrow and trade their services for profit.

'Modernisation by privatisation' needs to be understood as broader than just the privatisation and marketisation of education. It is part of a project to radically restructure the welfare state and society to better meet the demands of the global economy. In this context, education is increasingly at the forefront of contemporary industrial and economic policy in two important ways.

The first is common to all areas of the public sector, and aims to provide increased opportunities for the private sector to engage in public service design and provision as a means of creating new markets. The second aims to make the UK competitive in today's 'knowledge-based economy'. In this context, the education system is required to embed the skills needed by employers and create opportunities for lifelong learning as a means of constantly retraining the workforce. Developing vocational skills is presented as promoting social inclusion through creating the opportunity for employment and lifelong learning as a means to

increasing fulfilment of the individual. However, increasing vocationalism may also undermine the democratic and social functions of education, and in the way that it is being implemented - through targeting and selection - simply serve to entrench existing divisions and inequalities in society. The implication of the increasing focus on lifelong learning (while in itself an undoubtedly progressive concept) in the context of a flexible labour force, is that individuals will be more and more responsible for making themselves competitive in the labour market and thus also for coping with the risks of failure.

The New Labour government in the UK is not alone in pursuing this radical reform agenda. Governments across the world, facing (and advancing) the pressures of globalisation, are also interested in similar policies. A complex global framework of legally binding agreements and institutions, such as various development initiatives and the General Agreement on Trade in Services (GATS), is also being erected and implemented, creating the possibility of huge global markets for a new breed of education corporation. As a result, there is massive pressure across the globe for governments to redefine education as a saleable product that can be bought and sold on a world market. The report also considers the shape of the emerging 'global market' for education and some of the possible implications of this.

This report argues that a great many initiatives in current education policy are in effect privatisation. It seeks to expose the gap between headline policy and the social implications of how it is implemented and to challenge the definition of current policy as 'modernisation'. In doing so it considers the following areas:

- The privatisation and marketisation of LEAs
- The privatisation and marketisation of state schools
- Education and Regeneration
- Corporate influence in schools
- The privatisation of school buildings – The Private Finance Initiative
- Privatisation through contracting out and school procurement.

Left unchecked, the effect of 'modernisation by privatisation' will be to undermine democracy, embed and institutionalise inequality and even, paradoxically,

to stifle innovation and growth in the global and UK economy. However, concerted action on the part of parents, teachers, community organisations, trade unions and campaigners *can* make a difference.

The first step in this process is to understand the political and social dynamics of contemporary policy. The next is the development of alliances and strategies not just *against* modernisation by privatisation and the retrogressive social agenda that accompanies it, but *for* an alternative modernisation agenda for public sector and education reform based on democracy, social inclusion and genuine equality. This pamphlet aims to summarise the raft of current initiatives and reform proposals in the secondary education sector in an analytical context. Further pamphlets in the series will do the same for Higher Education and will also advocate strategies for opposition and a new democratic modernisation agenda.

PART ONE: CONTEXT

Chapter 1

The Economic Context: Structural Adjustment of Public and Private Sectors

Introduction

This section addresses the role of education reform in facilitating the 'structural adjustment' of society and the economy to better suit the needs of business and capital for profits in the global economy of the 21st Century. This is manifest in the restructuring of both the public and private sectors.

Education is at the forefront of the government's 'modernisation agenda' to reform public services. Education is seen as particularly important as both a major area of the public sector and a crucial part of future industrial strategy. By 2005/6 education will consume £68bn a year (or around 16% of all government spending).¹ It is also seen as the primary means of equipping a highly skilled and flexible labour force with the ability to attract investment, create jobs and promote prosperity in which lifelong-learning will enable constant and rapid retraining and re-skilling.

Thus education is at the forefront of the agenda to fully deliver the successful 'competition state', whose main aim is to increase Gross Domestic Product (GDP). In this context, education faces radical reform. The promise of long-term and stable government funding streams and the ability to be involved in a major determinant of the shape of future workers, consumers and citizens means that the education sector is increasingly seen by private firms as a lucrative market opportunity to be exploited for profit.

The government sees an increased role for the private sector in the financing and delivery of education as a key means of meeting its objectives. In the process New Labour is attempting to redefine what is meant by increasing private involvement in the public sector, largely in an attempt to persuade us that contemporary initiatives are not privatisation.

This section outlines the various aspects of the economic and industrial context of the privatisation of education in the UK over the next decade.

The Modernisation Agenda

The present New Labour Government is rapidly pursuing what it calls a 'modernisation agenda' for public services. This is based upon the broad ideological platform of achieving a de-politicisation of public sector reform, which is borne out by the 'what works' and 'no ideological barriers' slogans. Of course, this in itself is a political statement and aims to defuse criticisms that the real objective is the deconstruction of the welfare state.

Within this broad ideological framework, the Prime Minister has outlined four aspects of the modernisation agenda for public services (Blair, October 2002):

- *High national standards and full accountability* – underlining the importance of performance management and bench-marking as witnessed in the multitude of inspection and rating mechanisms: Best Value, Comprehensive Performance Assessment, Office for Standards In Education (OFSTED) inspections and league tables of pupil attainment and other performance indicators. However, performance management and inspection has also been used as a lever for privatisation, with failing schools and LEAs targeted for intervention to enforce privatisation.
- *Devolution to frontline staff* – to encourage diversity and local creativity which aims to circumscribe vested interests and to make markets.
- *Flexibility of employment* – which is presented as promoting employee flexibility, but can also lead to casualisation and insecurity.
- *The promotion of alternative suppliers and providers* – which is justified as promoting user choice but it is also, in conjunction with promoting diversity in the type of public service provision, about making markets in public services.

As is argued below, education is regarded as more than just a public service because it is also at the forefront of the Chancellor's attempts to modernise the economy:

"the greatest constraint on the growth of British productivity and prosperity today is to realise the educational and entrepreneurial potential of our own people." Gordon Brown, Mansion House Speech (26 June 2002).

The modernisation agenda thus sets the framework for education reform. Rigorous inspection is designed to enforce consumer choice and the capacity of the sector to simultaneously meet the desires of the private sector for stable and guaranteed market opportunities and a cheap, flexible and market-responsive labour force.

Offering Up New Public Sector Markets: The Emerging Corporate Welfare Complex

The 1960s and 70s saw the emergence of a military industrial complex made up of defence contractors, transnational corporations, financial institutions, business associations, intellectuals associated with the business class and politicians. A comparable three part 'corporate welfare complex' is now emerging (Whitfield, 2001). The three elements of the corporate welfare complex are:

- The first part is based on a relationship between public (client) agencies and a relatively small number of private contractors. Both clients and contractors share a similar ideological position and set of vested interests which dictate that the state will outsource an increasing range of services and functions. This goes beyond direct service delivery *per se* to include the huge army of consultants that advise on the best model for service delivery, ways of outsourcing it and on arms length performance management systems.
- The second is based on an owner-operator infrastructure largely supported by the rapid and continued extension of PFI contracts in which the financial institutions, contractors and facilities management companies take control and ownership of what are ostensibly public buildings and facilities, paid for with public money. It is important to note that the impact of this goes far beyond the narrow technical and financial scope of the contract to have implications for employment, local economic development and public space.
- The third is based around regulatory and financial concessions to business. Public money is used to give tax breaks, subsidies, local and regional grants and to remove obstacles to entice businesses to locate in particular areas (Whitfield, 2001).

Delivering a 'Competitive' Labour Force in the New Knowledge Economy

There is often a simplistic causal relationship drawn between education inputs and outputs of economic growth (Wolf, 2003). This is certainly partly behind the government's education reform agenda:

"the reform of secondary education is critical for improving the economy's productivity performance which is key to long-term growth and sustained increases in national living standards. Britain also requires a world class work-related education and training system. Higher skills not only make individuals and firms more productive and encourage the take-up of new technologies and working practices. They enhance social justice by increasing the power of those with low skills" (DfES, July 2002).

However, it is also, more importantly concerned with social and economic *transformation*. The post-war education system was suited in many ways to the dominant form of mass-production and heavy industry. It selected relatively small proportions of children to advance through the higher stages of the education system to become an elite class of middle and upper managers, while the majority ended their formal education at age 15 or 16 to work in mass production industry, the manual trades and service sectors.

The continuing radical reform agenda is at least partly a reaction to the demise of mass production industry and the need to develop larger numbers of differently skilled service sector workers and administrators. While there is also the ever present search for the magic entrepreneur-creating formula, this should not be understood as an expansion of the benefits previously enjoyed by the middle classes to the working class. Rather, it should be understood as the restructuring of the working class (further pamphlets in the series will consider this idea in more detail). A great deal of the service sector work which has replaced heavy industry is part time, subject to an equal degree of management control and is low paid. Importantly, the transition has not led to the establishment of a post-industrial utopia but to increasing economic insecurity for many sections of society, especially over the long-term.

This perception of the role of education as driving industrial change is reinforced by a glance at the accompanying social and economic change that runs alongside this. The comprehensive education system of the post-war welfare state promoted skills and the ability of the individual to satisfy his or her own life needs through enabling them to find employment. However, it also promoted wider social values of social cohesion and stability and at its best promoted the personal development of the individual.

In the current vision, education is increasingly facilitating two important social changes which result from de-industrialisation and the declining economic security of a large portion of the labour force:

- Delivering the skills-base needed for a competitive labour force, capable of attracting and retaining investment and competitiveness. Education is to be tailored toward the skills needs of the new economic sectors which are seen as important in gaining a competitive advantage in the global economy.
- Delivering a flexible labour force capable of constant retraining to cope with casualisation and industrial change. In this new global knowledge economy, success is to be achieved by embracing flexibility in order to compete more effectively.

New Labour and Education for a New Economy

"More people need to be better educated than ever before if we are to be a successful high-skills economy. The decline in semi-skilled and unskilled jobs is irreversible. To make a significant impact on national competitiveness and productivity we need to focus on the full range of abilities and skills" (DfES, 2002).

"A generation ago Britain tolerated an education system with a long tail of poor achievement because there was a plentiful supply of unskilled and semi-skilled jobs. This is no longer the case...To prosper in the 21st century competitive global economy, Britain must transform the knowledge and skills of its population. Every child, whatever their circumstances, requires an education that equips them for work and prepares them to succeed in the wider economy and in society" (DfES, September 2001).

"We must reap the skills benefits of an education system that matches the needs of the knowledge economy. It is estimated that by 2004 the UK economy will have a skill shortage of 150,000 network ICT workers alone. If our education system does not quickly respond to this demand for new skills the damage to national economic performance will be considerable" (Morris, 2002, emphasis in the original).

"Matching people's aspirations to the skills employers need will be a key priority. It is critically important that we strengthen the link between learning and employment, starting in the schools" (DFEE, 2001).

Less generous critics might suggest that this is simply a necessary means of 'coping' with the effects of the highly flexibilised and casual labour market created by

three generations of economic restructuring which has undermined trade union power, wage rates (relative to profit) and employment protection.

"There will be rapid changes in the knowledge and skills required for particular jobs, so everybody needs to be motivated to engage in lifelong learning. At least half our young adults should at some stage enter higher education if our economy is to have enough people with higher-level skills" (DfES, 2002).

"skills and knowledge are the key resources that enable people and the economy to cope with change. Education and training are the new welfare state – they should be cradle to grave. By 2010 we must have laid the foundations to ensure that young people and adults in work have the knowledge and productive skills to match the best in the world." Estelle Morris, Speech to the Confederation of British Industry (DfES, November 2001a).

Lifelong Learning

The policy focus on lifelong learning appears progressive. Indeed, a genuine policy of fulfilling the individual through lifelong access to education would offer the opportunity for continual personal development. However, lifelong learning is also linked to the 'better functioning' of the flexible labour market, with little or no protection for workers from the competition in European and global labour markets.

While the logic of lifelong learning as part of a coherent industrial strategy is presented as impenetrable, the effect of transferring the responsibility and risk of unemployment from society to the individual is clear. The state is to be an enabler, creating the opportunities for individuals to generate their own success in a competitive labour market.

"Each of us makes our living in an economic environment which is changing rapidly and fundamentally. Our competitiveness as a nation and our livelihoods as individuals increasingly depend on our ability to manage and respond to this change, securing our competitive advantage through our skills, innovation and creativity. Businesses and individuals play the central role in this. But we are firmly of the view that Government has a vital proactive part to play. Government has a responsibility to serve as an enabling force, providing the right support to achieve success and prosperity - and in so doing widening the circle of winners in all regions and communities" (DTI, February 2001, Chapter 1).

Social goals are to be met by satisfying these skills demands and therefore hopefully generating

employment in the new 'knowledge economy' of the 21st Century. The implication is that social goals are now subject to success in market competition, rather than being protected from it.

It is notable that the above quotation from a DTI white paper stresses the importance of businesses and individuals but ignores other organisations and levels of society such as trade unions and communities. Government is described as an 'enabler'. This is in marked contrast to the logic of the welfare state in which the responsibility for unemployment and for creating jobs was collectivised through the state. The state in that model was a collection of institutions which allowed society to socialise risk and policy making and consisted of partnership between (nationally located) business, politicians and trade unions. Though the quotation above suggests that the restructuring of risk will result only in 'winners', the reality is that those who don't have the skills needed by the rapidly and constantly shifting labour market face the rough challenge of adapting or facing the consequences. The hidden message is that the price of failure is to be carried by the individual rather than society.

Summary

Education is now at the forefront of the government's modernisation by privatisation agenda for public services and is also the lynch-pin of long-term industrial and economic strategy. Modernisation by privatisation involves a direct attack on some of the key values associated with the comprehensive education system and the wider welfare state.

The position of the education system at the heart of industrial and economic strategy has two integrated dynamics, both of which aim to shape the education system around the needs of the market. The first of these needs is for long-term, stable and guaranteed markets. The second is shaping the education system to deliver a workforce with market-responsive skills. While skills strategies may be important in meeting social need, it is also crucial that the key social changes that accompany these aims are fully understood. The focus on the equality of social groups contained in the comprehensive system is being undermined in favour of a focus on enabling the individual, in which education is increasingly about promoting access to the labour market rather than personal development..

Chapter 2

The Policy Context: Choice Diversity and Markets

Introduction

"My starting point is that our public services have to meet the needs of the individual... we have to understand the needs of the consumer... The Labour Party has always stood for empowering individuals and that has to be true for public services too... In short we need to establish a regime based upon **Choice and Diversity** for everyone" Charles Clarke, Secretary of State for Education and Skills (Clarke, 28 February 2003).

Diversity and choice have become the buzzwords of New Labour's education policy. While Ministers and spin doctors present this as a new and bold strategy for inclusion, there is in fact nothing new about the ideas behind it. A glance at the old debates around choice in state education also reveals an alternative agenda that is the exact opposite of inclusivity. There is a 'policy gap' between the headline ideas and justification for overall education policy and many of the initiatives intended to implement it. The reality of the social implications of policy is often lost in this gap. This section highlights the contradictions between the headline 'spin' and the reality of New Labour education policy.

The Importance of Failure for a Politics of 'Reform'

The end of 1990s were marked by constant talk of the 'failing' education system. National newspapers ran articles claiming that the education system was in crisis (The Guardian, <http://education.guardian.co.uk/specialreports/educationincrisis/0,5477,83269,00.html>). At least some of this rhetoric was part of the normal cycle of changing governments where the incoming government, fresh from opposition party politics, claims that everything that the previous government did had failed and that they are now left with the arduous task of resurrecting the system. The perception of prior failure is necessary for the subsequent process of

claiming that the new government has achieved startling successes.

However, the crisis debate, and the willingness of the government to engage in it, endured well beyond the change-over of governments in 1997. Heavyweight figures from all ends of the political spectrum agreed on the existence of crisis and failure, if on little else. For instance, Andrew Adonis, the influential Downing Street adviser argued that the comprehensive system had failed the working class (Adonis, 1998), and Chris Woodhead, the government's inherited Chief Inspector of schools, regularly appeared in the media berating teachers, failing schools and LEAs.

Added to this has been the proliferation of statistical performance measurement designed to quantifiably assess performance between different schools, Local Education Authorities and even national education systems. The generation of performance indicators such as those produced in domestic league tables or by the Organisation for Economic Co-operation and Development (OECD) have been used selectively to show either satisfactory or failing performance, according to political whim. While domestic comparisons have focused attention on crisis 'blackspots' at home, international comparisons have been particularly drawn upon to demonstrate the existence of crisis in the system as a whole. This has been especially powerful in the context of the widely held assumptions highlighted in the previous section about the relationship between economic growth and educational performance.

Neither the proclamation of crisis or the selective use of international comparisons is exclusive to the UK. Alison Wolf of the Institute of Education argues that:

"the French government's longstanding commitment to get 80 per cent of the age cohort to baccalaureate level was the direct result of a Cabinet visit to Japan at the height of its economic success, at which it was observed that this was the Japanese high school graduation rate. Germany is engaged in an agonising

re-appraisal of its school system following the poor results of German teenagers in international tests" (Wolf, 2003).

The role of this perception of some sort of educational crisis which has repercussions for economic success is paramount in understanding the political trajectory of reform, because it internalises the cause of crisis within the education system itself. External factors such as poverty and social dislocation are blamed on the education system itself:

"Through explaining economic decline and enduring poverty in terms of failure within the state's infrastructure, attention is deflected away from the essential injustices of [free market] capitalism. The management of the public sector is called into question and the demands for reform prevail" (Whitty et al, 1998).

The apparent crisis in the education system, then is a useful ideological device used to plant the perceived need for reform in the minds of the public:

"The failure of comprehensive schools is regularly claimed, as though something repeated often is thereby made into a fact. Yet by the usual indicators of effectiveness, standards have risen substantially" (Chitty et al, July 2001).

Again this is something that has also been noticed in other countries attempting neo-liberal reform:

"The crisis in education is one with which we are familiar – so familiar in fact that proof of such a crisis is no longer necessary because it has become naturalised" (Shaker, 1998a).

Promoting Competition: Diversity and Choice

In line with the modernisation agenda, education reform is crucially shaped by an understanding of the need to develop new markets in the public sector for business and also by a crude polarisation of state and market. Thus reform initiatives in education, as well as health, are often justified by establishing a picture of what is old, redundant, monopolistic and rigid and contrasting it with an image of the 'diverse', 'modern', 'responsive' and 'innovative' supply of services to schools and pupils which will result from reform.

This polarised and simplistic model of transformation is portrayed in the following table found in a government document spelling out New Labour's investment and reform plans:

	Old Model	New Model
Values	Every child of equal worth	Every child of equal worth
Mission	Opportunity	Opportunity and attainment
School Structure	Uniformity and isolation	Specialism and collaboration
Headteachers	Following orders	Powerful and effective leaders
Teachers	Working alone	Professionals leading a team
School Performance	Failure unchallenged	Ladder of improvement
Accountability	Weak	Strong
Resources	Boom and bust	Sustained investment

DfES (2002a).

Reform is based on the two inter-related principles of diversity and choice. In the government's spin, this is to enable the education system to reward success and move away from the 'one-size fits all' mediocrity which is associated with the comprehensive system. However, in the pursuit of diversity and choice, the focus is shifted to an aggressive individualism which is in reality about making markets and competition between both children and organisations (schools, LEAs, service providers). The companion of diversity and choice is thus competition and it is being promoted at two distinct levels:

- *Through parent choice:* New Labour have effectively continued the Conservative policy of promoting the principle of parent choice over the school their children attend. Parents are to be able to use published league tables and Office for Standards in Education (OFSTED) inspection reports to inform a consumer choice between schools offering education with differing focuses. Schools are intended to compete against each other for pupils and in the process to increase quality (Morris, 2002). Parents are thus faced with a plethora of diverse school options. Specialist Schools (in any one of eight subject areas) sit along side Beacon Schools, City Academies and City Learning Colleges. The push for increasing numbers of faith schools is also part of this approach.
- *Through provider choice:* Increasing the choice of schools over what services they need and who they get them from is promoted as a means of achieving efficiency and promoting innovation. Schools are awarded greater freedom over where they source their services from in order to gain market based efficiencies. Greater choice for schools effectively means that they can source services from the private sector rather than merely from their Local Education Authority.

Right-Wing Free Market Ideology in Disguise

There is nothing new about the concepts of diversity and choice. In fact they revive the ideas of some of the most right-wing thinkers behind the reforms of the 'new-right' governments in the UK (Thatcher), US (Reagan), New Zealand (Roger Douglas) and Chile (Pinochet) in the late 1970s and early 1980s. 'Choice' in education emanated from ultra right-wing academics and think-tanks such as Edwin West, Milton Friedman, The Institute of Economic Affairs, The Adam Smith Institute and the Centre for Policy Studies. More latterly it has been espoused by international organisations dedicated to privatisation like the International Finance Corporation (part of the World Bank group – see chapter nine). These ultra right-wing free marketeers argue that any state provision is tantamount to restrictions on freedom and have been behind the promotion of voucher schemes, where the state provides vouchers redeemable against a certain amount of education defined in monetary terms. If this isn't sufficient to meet the needs of a specific individual then she or he (or their parents) have a clear choice to pay extra for more or better quality education.

What these right-wing thinkers do not speak about is the exponentially increasing inequality that results from the rich being able to confer ever greater benefits on themselves and their children which, in turn, allows them better access to life chances and a greater chance of being able to confer the same resources and advantages on their own children.

New Freedoms and Flexibilities: Making Markets

This sort of competition is a direct attempt to engineer markets in educational support services and education delivery. The government has allocated a great deal of money with which to do this. The document, *Education and Skills: Investment For Reform* (DfES, July 2002) won a massive £12.8bn increase for education spending over the three year spending review period and, in the process, gave life to the new legislative provisions contained in the Education Act 2002 (DfES, July 2002a). The main pillars of the reform package which extend the principles of the modernisation agenda to the education system are:

- *Earned autonomy* – schools deemed to be successful will be offered new powers of flexibility to vary teachers terms and conditions and the national curriculum;

New Localism: The Push to Marketise the Public Sector from Within

A substantial part of the agenda for education reform is being shaped by arguments for a 'New Localism' being promoted by academics and think-tanks like the New Economics Foundation and the New Local Government Network. The apparently progressive language of arguments for a New Localism appears to be based on democratic renewal at the local level and the delivery of public services tailored to meet local social need. However, at the heart of New Localism lies a much more retrogressive agenda of privatisation.

Initiatives such as Foundation Hospitals, City Academies, 'fair funding' and 'earned autonomy' powers for schools all stress the move to local control. However, the real thrust is to shift control of management and provision away from accountable local authorities. These are to be replaced by management and partnership boards with the power to undertake marketisation from within by borrowing independently from the private capital markets and by trading on a commercial basis. Foundation Hospitals are to be able to charge for non-NHS services to patients and have the freedoms to set their own 'market based' levels of pay and conditions for staff.

The idea is that local service provision will reflect the character of the local area but this may also mean unequal provision between affluent and working class areas. In this way, New Labour's support for initiatives like City Academies or Foundation Hospitals, based on the ideas of the New Localism, is actually a continuation of the policies of the Conservatives such as Local Management for Schools.

- *Increasing Intervention* – weak or failing schools will face greater intervention either from the Secretary of State or from other successful schools;
- *Privatisation and marketisation* – successful schools will be able to form federations with other schools with headteachers who are assessed as successful being their 'Chief Executives'. School companies will be able to borrow privately and make a profit from selling education services;
- *Partnership with the private sector* – schools will be given new powers to form partnerships with the private sector.

These new freedoms and flexibilities mean that schools require markets from which to 'purchase' goods and services. The government has made it clear that it is not acceptable for schools to have only the choice of goods and services offered by their own LEA (DfES, October 2000). Where schools lack the capacity to engage in contracting services from the market, brokerages are to be set up to advise them on such

decisions (DfES, October 2000). The government has passed new legislation to allow LEAs to trade their services and to increase the number of functions which can be contracted out (DfES, 2002b). The DfES has also underlined its commitment to promoting private sector involvement by intervening in LEAs identified by OFSTED as failing. In many of these interventions, the imposed solution has involved the outsourcing of services to the private sector.

It is crucial that 'market making' be understood as being additional to, or more comprehensive than the extent of private ownership of assets or the delivery of services. Even where the private sector is not present, schools, governing bodies and LEAs have been directed to act as if they are in a market context. This can be termed 'marketisation' and its impact far exceeds the direct impact of privatisation.

Selection and Standards: Markets for Children

Part of the rhetoric of reform is that through a consumer approach on the part of parents, choice will lever up standards by rewarding successful schools. There is a reverse logic at work here because a corollary of diversity and choice is that those schools perceived to be 'good' will be over-subscribed. The government has accounted for this by allowing schools a limited amount of selection. The result of this is that the performance of the system as a whole is depressed, not enhanced:

"It is not true that selective local systems push up standards in all schools. A value-added analysis comparing selective and non-selective LEAs shows that where schools in an area are organised on selective lines (as in 15 of the 150 local authorities) the overall impact is to depress the educational performance of these communities as a whole. Grammar schools may do well for the able children they select, but the evidence indicates that the performance of the other 75 percent is lower than in non-selective systems. It points to a significant depression of achievement by a lowering of standards of around two to three percentage points in those communities where selection at the age of 11 is still the norm." (Chitty et al, July 2001).

Alongside the past experience that 'good' schools boost the price of local property, this selection becomes a clear barrier to what New Labour claim is still the guiding value of their reform attempts – to maintain the equal worth of every child. Roy Hattersley sums this new selection up:

"[selection] more often by interview than examination and therefore specially designed to meet the needs of the articulate and self-confident middle classes" (Hattersley, 25 February 2002).

The effect of selection, in combination with published performance league tables, is that those children perceived to be more able become coveted by schools anxious to maintain or boost their performance.

The Role of Performance Measurement

As with other areas of the public sector, education has been increasingly subject to external performance measurement. Started by the previous Conservative government, schools and LEAs must be inspected by OFSTED.

Performance Management does not only play a role in justifying the need for systemic reform, it also provides an ongoing tool to enforce that reform by highlighting schools and LEAs unwilling or unable to pursue marketisation and restructuring from within. The role of OFSTED in privatisation under the Labour government has been crucial. OFSTED inspections identify 'failing' schools or LEAs which can then be targeted as needing help from the private sector (Blunkett, March 2000). Therefore, many privatisation initiatives have directly followed critical OFSTED inspections. In some cases, such as in the London Borough of Hackney or Southwark, the DfES or its predecessor have directly intervened to encourage privatisation after critical reviews (Ball, 2001).

The role of OFSTED in this process needs to be carefully considered, because many OFSTED approved inspectors are actually private consultants. The cross-over of interest and responsibility raises important issues of public interest. There are three areas in which a small number of private firms have potentially conflicting interests:

- Several private firms operate school inspection services and employ OFSTED approved inspectors.
- Many of these same firms are also on DfES approved list of contractors approved to offer consultancy services to LEAs and schools.
- Many are also on the DfES approved list of contractors approved to offer educational services.

There have been no formal complaints, allegations or any evidence of collusion, but the structure clearly does nothing to prevent this from happening. Table 1 overleaf demonstrates the cross over of responsibilities:

Approved Contractors and Inspectors

School Inspector Training	Serco, Nord Anglia, Cambridge Education Associates, Tribal Group.
School Inspection services	Serco, Nord Anglia, Cambridge Education Associates.
Approved List for Consultancy	Capita, Serco, Nord Anglia, Cambridge Education Associates, Arthur Anderson/Birmingham City Council/APS Keele, Deloitte & Touche, Ernst and Young, DBI Associates, KPMG, Office for Public Management, PriceWaterhouseCoopers, Lorient,
Approved List for Providers	Capita, Serco, Nord Anglia, Cambridge Education Associates, Centre for British Teachers, WS Atkins, Tribal Group, Bevan Ashford, Arthur Anderson / Birmingham City Council/ APS Keele, Include, Pannell Kerr Forster/Prospects/Nabarro Nathanson, CEM, Camden LBC, Hampshire LEA, Essex LEA/Windsor and Co.

OFSTED Website: Training in Inspection Skills list, List of Inspection Contractors; Local Government Chronicle 2002.

Summary: Education for whom? /Education for what?

There is a slight of hand at work in secondary education reform, which involves the shift in emphasis of who and what education is for. It emerges clearly in chapter one in the discussion about the economic context for education reform as part of structural adjustment to make society, the state and the labour force more responsive to the needs of the market. It is also present in government policy, but it is hidden by the language of modernisation which in many cases appropriates the concepts of social democracy but attaches these to ideas which have historically belonged to ultra right-wing interests. To the right-wing and to business, education serves the purpose of producing pliant workers and consumers. This is not a rejection or ignorance of the social role of education but a manifestation of their conception of what society is: a collection of individuals following their own interests. Ultimately the current trajectory of reform has as its target not just the restructuring of the economy, but of society too.

PART TWO: POLICY IN PRACTICE

Chapter 3

The Privatisation and Marketisation of LEAs

Introduction

In October 2000 the then Department for Education and Employment released a policy paper which marked out its intentions for LEA reform. This involved the increasing delegation of funding from LEAs to schools and a reduction in the number of services provided by LEAs to schools. The expressed objective was to open up a market in education support services, with the private sector being increasingly involved in the provision of these services to schools. Between 1999 and 2001 a number of LEAs, deemed by OFSTED to be failing, were also subject to DfES interventions to enforce privatisation.

Restructuring the LEA

The October 2000 DfEE document *The Role of the Local Education Authority in School Education*, envisioned LEAs establishing more open markets for schools by addressing:

- “the lack of adequate information about what is available, on what terms, from the Local Education Authority and from alternative sources;
- the lack of procurement skills at school level, and competing time pressures which limit schools’ ability to secure the best possible deal;
- the packaging and pricing of services in a way which may obscure true costs and militate against choice rather than encouraging it;
- for some functions and in some areas of the country, the lack of any genuine alternative to the home authority as supplier” (DfES, October 2000, p 13).

Specifically, LEAs were to encourage external providers to enter the market to give the majority of schools a real choice over supplier. In addition, they are to have new

powers to trade their services across authority boundaries, proposals which directly mirror the new powers to be given to local government more broadly (ODPM, June 2002). Additionally, pilot public-private proposals for new ways of offering LEA services were invited (DfES, October 2000, p15).

LEAs are also to act as agents of the privatisation of school services. They have been instructed to pass on increasingly large shares of funding directly to schools (see ‘Fair Funding’ below). Authorities that do not pass on the full amount have been threatened with legislation to force their hand (DfES, October 2000). Effectively, the policy is to make the LEA the conduit for privatisation by becoming either a focal point for schools to purchase services as a direct (although privatised) supplier, or to have the LEA act as a broker, advising schools on their procurement decisions. This is a direct attempt to make markets in the education sector.

LEA New Models Project

The DfES has carried forward the agenda set out in the October 2000 paper on the new role for LEAs in its ‘New LEA Models’ project, whereby DfES funding is allocated to support the development of these new models which can then be used as templates. A consideration of these pilots reveals a number of illuminating themes:

- **Privatisation** – The overwhelming theme throughout the pilot projects is to increase the role of the private sector and to transfer services from LEAs to private ‘partners’.
- **Breadth of Scope** – The scope and level of these partnerships makes them unlike previous outsourcing arrangements which have awarded contracts for the operation of single school services or single service contracts (such as catering or cleaning) across a

number of schools. Instead, these Partnerships often focus on a wide range of services including traditional areas, such as catering or cleaning and facilities management, but also including management functions and frontline delivery.

- **Market Making** – Another core theme is an attempt to make markets in education services. Brokerage and information services are being developed where private partners will offer schools advice on procurement decisions. In some of these (notably the Black Country School Improvement Partnership) this involves consultancy services to advise on consultancy services! Further, an evaluation report by Capita, commissioned by the Black Country Partnership, found that the results of the pilot were ambiguous and recommended that a further outsourcing be considered as a way of moving forward with the project (Capita, 2002)!

- **Developing Private Sector Capacity** – Part of the attempt to make markets is developing the capacity of the private sector to engage in delivering education services. The London Partnership is to develop skills transfer between the public and private sectors. The Tower Hamlets project appears as if its sole justification is to enable the development of Serco's expertise in this area. What is not commented on is that this effectively involves public money subsidising private sector training and development. The DfES writes of the Tower Hamlets project that

"Serco, for its part, will gain experience of working at the edge of education management and the venture will support Serco's desire to break new ground in the field of public private partnerships" (DfES, Standards Web site).

- **Transfer of Practices** – Part of the intention of the project is that methods and models of privatisation are developed that can be copied across the education sector and indeed the public sector as a whole. A number of the projects demonstrate their relevance in this regard. For instance, a number of projects (Black Country, Essex, London Partnership) are based around the idea of trading services between LEAs, and the Tower Hamlets project is justified as for

"the benefit of education, local government and public services more widely...The project will extend the bounds of public private partnerships in core public services" (DfES, Standards Web site).

- **Erosion of Social Democracy** – The logic of the 'enabling model' and the devolution of power to frontline managers is extended to justify the removal of the management of education services from LEAs under the direct control of elected members to Partnership Boards, other governance structures,

head teachers and to consultancy firms. This process separates democratic accountability from service delivery.

- **Choice over service suppliers** – is an expressly political function, but in these management structures it is being transferred away from elected local politicians, largely into the hands of consultants. This is because, despite the rhetoric, there is an explicit recognition that head teachers and school governors lack the capacity and expertise to engage in direct commissioning, hence the need for brokerage and consultancy services. As with all outsourcing this is further embedded through the locking-in of the interests of the private sector in the form of the contract. However, it is much more severe where that contract is for management services and is of long-term duration which undermines public sector management capacity. Again, all outsourcing involves some transfer of capacity to engage in service provision from the public to the private sectors, particularly where staff transfer is involved. These model strategic partnerships often go further than this though because the position of private consultants is being entrenched as the key source of expertise on developing and managing services.

- **Extension to Core Services** – There has long been an argument that non-core support services can be transferred to the private sector without effecting core service delivery. However, these model strategic partnerships often cross the artificial divide between non-core and core services. In some cases this is explicit. A widespread theme is to engage the private sector in advising head teachers and school governors on management policy and practice. The North Romford project includes an element of the partnership to deliver a Raising Standards programme to "demonstrate improvements to the educational outcomes of children". The London Partnership involves the professional development of teachers. The North Somerset Partnership includes Special Educational Needs. The Oxfordshire and West Berkshire partnership with Capita is to look at developing a teacher supply agency, (which will employ frontline staff) and Subject Specialist Advice is included as one of the first areas to be taken forward in the partnership model.

- **Recreating the LEA in Private Ownership** – Much of the rhetoric and justification for new models of LEA working has highlighted the devolution of user power to schools. The need to develop brokerage services demonstrates that this is not practical, because schools (head teachers and governors) do not have the capacity to engage in commissioning services. Moreover, some of the New Model Projects explicitly reverse the logic of devolving purchasing power to

schools and promoting competition between suppliers. The aim of the Wirral Project is "to remove the burden of non-education critical tasks from the head teacher and other school staff". The project has established a one-stop shop for service delivery, with fixed prices operated by Jarvis who also advise on maintenance needs. This merely recreates the functions of an LEA within the partnership structure so that Jarvis operates the services rather than the local authority. It is anything but competitive because Jarvis are both a contractor for the provision of maintenance and advisors on when it should be carried out at a fixed price, thereby undermining the central logic of marketisation; to induce competition on price.

At the same time as encouraging the restructuring of LEAs to increase private involvement, the DfES has also encouraged other direct partnerships with the private sector, particularly after critical OFSTED inspections. Partnerships between LEAs and private firms often offer the privatisation of the entire management process with the creation of Partnership Boards to oversee the operation of education in a Local Authority. The government has committed itself to this policy:

"we have recognised that if we are to deliver what will be the greatest programme of school building and modernisation this country has ever seen, we need the support and skills of the private sector. Bringing the financial and management skills of private companies to focus on complex and challenging tasks, coupled with performance based payments, will provide value for money and quality in services...in the longer term I want the relationship between government and business to be based upon a realistic appreciation of the strengths of each party" Estelle Morris Speech to the Confederation of British Industry (DfES, November 2001a).

"we are entering a new era of partnership where Local Education Authorities are free to engage in smart partnerships to deliver excellent education", Stephen Timms Speech to the New Local Government Network (DfES, November 2001).

Functions Out-sourced in LEA Partnerships

- The provision of a 'strategic management team' or recruitment of senior managers
- Personnel services (including recruitment)
- Finance and administrative services
- School admissions
- Strategic planning
- School improvement services
- Special needs provision
- Early years
- Adult education services
- Transport to school services.

LEA Partnerships were initially launched on the back of a wave of critical OFSTED reviews, underlining the importance of the role of performance measurement as a tool to prise open the public sector to private penetration.

The key characteristic of these partnerships is that a private sector partner takes over the responsibility for a range of functions in a management capacity, rather than being engaged for a single service contract.

The involvement in management, especially where Partnership Boards replace LEAs (or even where the LEA becomes part of a private company), are potentially much more pervasive than outsourcing, EAZs or PFI because:

- The private sector is involved in policy making
- They are much closer to frontline delivery.

There is scope for the contractor to develop an interest in other service areas, especially through the government's focus on schools as a dawn till dusk facility, part of which entails situating other community and social services within schools.

Example LEA Partnerships

Aside from those LEAs involved in the DfES New Models project, there are a range of LEAs where these partnerships have been developed, often explicitly at the behest of the DfES and often after critical OFSTED reviews. A small number of these are described briefly below.

Leeds

In February 2000, Leeds LEA was severely criticised in an OFSTED Inspection Report. Immediately following this the DfES and the City Council appointed PricewaterhouseCoopers to advise them, who concluded that:

"we do not believe that the current LEA in-house service delivery mechanism has the capacity to bring about the fundamental and rapid change required in a timeframe which is acceptable".

They went on to recommend the establishment of a Joint Venture Company (JVC) in which the City Council would have a 50% stake. Estelle Morris endorsed this option and Capita, WS Atkins and Serco emerged as competitors for the partnership (Wood, 2001).

However, after being unimpressed by the presentations made by all three, political pressure being applied by Leeds MPs and a high profile local campaign against the proposals, a new arms length company called Education Leeds was established in April 2001. 1500 staff have transferred to Education Leeds who have a 5 year £3.7m contract with Capita to provide strategic management support. The company is run by a board consisting of Peter Ridsdale (high profile chairman of Leeds United Football Club), two deputy Chief Executives of Leeds City Council plus two Directors of Capita Strategic Education Services.

The LEA New Models Project			
LEA	Partners	Aims and Activities	Progress
Black Country – SIP Partnership Dudley, Sandwell, Walsall and Wolverhampton LEAs	University of Wolverhampton Leadership Centre Capita (Consultants to evaluate the work of the Partnership)	<ul style="list-style-type: none"> Promote access to range of SIP consultancy services; Establish School Improvement Traded Standards Agency (SITA); Establish accreditation framework for SIP services and suppliers; National database of accredited suppliers and services. 	<ul style="list-style-type: none"> Appointment of Development manager; secondment of staff from LEAs; Established database of suppliers; Advert issued for new suppliers Capita engaged as consultants; DfES Grant £100k.
Essex LEA	Deloitte and Touche (Consultants)	<ul style="list-style-type: none"> Status of partnering arrangement to be decided; Consultancy services to schools Business management services to schools; Data and research; Franchised programme to raise achievement. 	<ul style="list-style-type: none"> Phased implementation; Engaged Consultants; Consultants engaged to offer advice on partnership; Cambridge Education Associates, Mouchel and Serco QAA are front runners; Successful partner to be announced in Summer 2002. DfES Grant £100k.
Hampshire LEA	Vosper Thornycroft and Symons Consulting	<ul style="list-style-type: none"> Increasing use of Head Teachers as Associated School Improvers; Training and accrediting in techniques of 'working in schools other than own' 	<ul style="list-style-type: none"> Assessment Centre used to select associate school improvers; Vosper Thornycroft to advise on management and planning; Symons Consulting to evaluate the project; DfES Grant: £145k.
North Romford School Improvement Consortium – Havering LEA, Local Schools	KPMG	<ul style="list-style-type: none"> Explores potential of closer working between schools including pooling school resources for: Procurement of goods and services; Rationalisation of support services; Raising Standards; Development and management of performance indicators for above. 	<ul style="list-style-type: none"> Project Manager appointed to work with schools and KPMG; Bank account for pooling resources opened; Procurement exercise for 'multi-agency service provision' by December 2002; Raising Standards contract by September. DfES Grant: £110k.
London Partnership – Hammersmith and Fulham, Tower Hamlets, Kensington and Chelsea LEAs	Pricewaterhouse Coopers	<ul style="list-style-type: none"> Develop cross LEA expertise; Establish capacity to deliver services elsewhere; Aid professional teacher development and thus recruitment and retention; Skills transfer between partner LEAs and between public and private sectors; Explore involvement of PwC and other private firms over the long run. 	<ul style="list-style-type: none"> Phased Implementation, including recruitment of staff and establishment of constitution, complete; Providing advice to Enfield LEA; Final Report produced and considering options for continuation; Intention is to widen the partnership; DfES Grant: £280k.

North Somerset Partnership – North Somerset LEA	Capita Education Cambridge Education Associates Local Stakeholders (Unions, head teachers association, governors)	<ul style="list-style-type: none"> Transition from direct supply of services to commissioning and enabling approach; Partnership to provide SIP and SEN; Long term partnership contracts with suppliers ("both major and subsidiary suppliers"). 	<ul style="list-style-type: none"> Establishment of Partnership Board to manage service commissioning and valuation to be operational by Summer 2002. Consulted stakeholders and held 'simulation exercise'; DfES Grant: £220,860.
Oxfordshire LEA – Oxfordshire, West Berkshire and Wokingham (now withdrawn) LEAs	Capita	<ul style="list-style-type: none"> Explore regional collaboration on service delivery and establishment of regional centre for back office functions; 10 areas of possible collaboration between LEAs and private sector: admissions, pupil data, advisory services, personnel (including recruitment and retention, finance and payroll, governor support and development, student support, ICT, property. 	<ul style="list-style-type: none"> Variety of scoping and options appraisals carried out using Capita; Costing and business plans (by Capita) of four areas for pilot working: Specialist Advisory Services, subject specialist advice, recruitment and retention, governor services and pupil data; Oxfordshire and West Berkshire are looking at 'joint value added teacher supply agency' possibly in partnership with private sector. DfES Grant: £350k.
Surrey LEA	Office for Public Management	<ul style="list-style-type: none"> Separation of small core of LEA functions from wider service delivery; Core to be 'smallest size appropriate'; Market analysis of providers and demand. 	<ul style="list-style-type: none"> Initial work completed; preferred option to create JVC to become operational in April 2003 DfES Grant: £95,603.
Tower Hamlets LEA	Serco Institute	<ul style="list-style-type: none"> To develop public private partnership practice; Serco to gain experience of education and to break new ground in PPPs. Developing Serco management and evaluation tools for use in the education sector and identifying and promoting this as best practice. 	<ul style="list-style-type: none"> DfES Grant: £350k.
Wirral LEA	Jarvis Pc.	<ul style="list-style-type: none"> Establishment of one-stop shop for all schools' Facilities management needs; Use of private sector in improving school assets; Provision of a wide range of suppliers; Separating core and non-core service delivery by removing FM and other services from schools management; Brokerage for services in partnership with Jarvis; Jarvis developed Preventative Maintenance Plan: 	<ul style="list-style-type: none"> One-stop shop established; Jarvis is to carry out inspections and advise on ongoing maintenance needs; Review of further services to be included such as cleaning in primary and nursery schools and catering; DfES Grant: £50k.

Local Authority	Contractor	Details
Bradford	Serco	School improvement, admissions and Special Educational Needs.
Hackney	Nord Anglia And Learning Trust	School improvement and ethnic minority achievement. Learning Trust is Arms Length Trust running all services.
Haringey	Capita	Management contract – no outsourcing of services.
Islington	Cambridge Education Associates	Seven years and worth £78.2m. Mott Macdonald as partner.
Leeds	Arms Length Company: Education Leeds and Capita	Capita is strategic management partner to Arms Length Company.
Lincolnshire	Centre for British Teachers	School improvement and advisory services.
Rotherham	Windsor and Co and Essex LEA	Brokerage for traded services.
Sandwell	Nord Anglia	Provision of Senior Managers
Southwark	Atkins	5 year contract for entire LEA except early years and Adult education which are scheduled to transfer at later date.
Surrey	PPP in procurement for private partner.	LEA trading company to trade with other LEAs.
Swindon	Tribal	Tribal to appoint senior management
Thurrock	Capita	Capita provided strategic management.
Walsall	Serco	School improvement.
Waltham Forrest	EducAction (Serco and Amey)	Joint Venture between Serco and Amey running most LEA services.

Islington

In December 1999, following a critical OFSTED review and direction from then Secretary of State David Blunkett that Islington must outsource its LEA services, Cambridge Education Associates took over Islington's LEA services. The contract was for £78.2m over seven years and was awarded despite intense opposition from parents, campaigners and trade unions (*The Guardian*, 4 September 2002).

Since then Cambridge Education Associates have imposed significant budget cuts of £800,000 for 2001/2 and a further £700,000 for 2002/3. The firm has also been penalised £300,000 for failing to meet targets on pupil exam performance (*The Financial Times*, 6 December 2001). Since taking over the contract, OFSTED have reported that there is an attitude of unease between schools and CEA and that there are major difficulties in recruiting and retaining teachers (OFSTED, March 2001).

Southwark

Southwark Council transferred its education services from the LEA to WS Atkins in 2001, in a contract worth around £30m a year (Atkins February 2001, *Municipal Journal*, 2-8 February 2001). The transfer followed the direct intervention of the then Schools Minister Estelle Morris and a further KPMG report which recommended that the Council advertise for a partner to assist in service delivery. A new Director of Education was appointed, ironically from Bradford, (another 'failing' LEA targeted for intervention and privatisation). Moreover, ten days before WS Atkins were announced as having won the contract, Southwark's head of school improvement announced that he had a new job as Director of Education at WS Atkins.

In April 2001 LEA staff, including educational social workers, special educational needs advisors and educational psychologists all transferred to WS Atkins. Originally there were plans to transfer further services such as Early Years and Adult Education Services but these have now been delayed.

There have been a range of problems with performance since WS Atkins took over, with schools failing to meet performance targets, falling into special measures after critical OFSTED inspections and a failure to find places for all children in the authority. The school places fiasco led to a resignation within WS Atkins and local MP Stephen Hughes to comment

"I am incensed that those students, all of whom by

definition have already been let down by Southwark Education have now been left without a school again because WS Atkins made promises that were either false or that they have been unable to keep – in which case they should not have been made in the first place” (*Southwark News*, January 31 2002)

The problems have not stopped there for WS Atkins. Not only have parents complained about the level of service, but trade unions report an anti-trade union culture in which industrial relations are constantly on the point of collapse. By December 2002, WS Atkins performance in improving educational performance was revealed as shambolic. Pupil attainment statistics revealed that:

- By the end of Key Stage 2 the number of pupils attaining the DfES expected Level 4 was:

worst in the country overall;

worst in maths;

worst in science;

5th worst in English.

- By the end of Key Stage 3 the number of pupils attaining the DfES minimum expected Level 5 was:

3rd worst in the country overall;

worst in maths;

3rd worst in English;

2nd worst in science.

Added to this, Atkins cannot claim that it has increased performance relative to other LEAs. Analysis of Southwark's performance at Key Stage 2 and 3 revealed that performance had on the whole declined relative to (OFSTED defined) statistical neighbours (Hackney, Haringey, Lewisham, Lambeth and Islington) and other inner London Boroughs over the period since Atkins had taken over in terms of Key Stage 2 Level 4. Relative improvement was also down in relation to statistical neighbours and other inner London Boroughs at Key Stage 3 Level 5 in Maths over the same period. Relative performance across the board was down in relation to the rest of the country, statistical neighbours and other inner London Boroughs over the period 2001-2.

OFSTED statistics also showed that poor performance and declining improvement in relation to elsewhere was not the result of lower public spending. Figures indicate that spending per pupil has risen dramatically in the Borough from £4080 per pupil in 1997/8 to £5040 per pupil in 2002. The increase is the 8th largest in the country over that period and places Southwark in the

10 highest spending LEAs in the country (see DfES Statistics Website).

Together this data indicates that Atkins are **neither efficient nor effective** in the operation of the contract and is a major piece of evidence in support of arguments against privatised LEAs.

Swindon

Swindon Borough Council announced in May 2002 that it would be creating an Education Partnership Board to govern a partnership with Tribal Group to manage education services. The contract involves Tribal recruiting the top two layers of the new education management team and developing a brokerage scheme to advise on procurement decisions (Swindon BC, May 2002).

North West LEA Partnership

Capita Strategic Education Services has drawn up a consultation paper for several Local Authorities in the North West. The paper looks at a possible collaborative venture between Blackburn with Darwen, Blackpool, Bolton, Oldham, Bury and Rochdale and possibly an external partner. The report recommends the establishment of a 'Partnership Trust' which would be a separate legal entity, owned by the local authorities and any external partner that they appointed. The Trust would outsource certain aspects which could not be fulfilled by existing staff (who would be transferred to the Trust under the TUPE legislation), such as "management of the Trust". The report also envisages that services currently provided by LEAs (and some additional ones) be separated into core and non-core services. The Trust would be obliged to provide core services but where insufficient economies of scale were present non-core services would not necessarily be provided (Capita, February 2002).

Summary

The restructuring of LEAs has an integral and explicit element of privatisation, even if this is not always through the transfer or sale of public assets. The increasing delegation of school budgets and the making of markets in educational and other support services effects privatisation through the back door. The rationale for this restructuring is also flawed from a public management perspective because subsequent new models and proposals actually replicate some of the functions of the LEA, principally the benefits of reaping economies of scale in purchasing goods and services and removing these tasks from teachers and front-line educationalists, albeit often in the private sector.

A further point of motivation appears to be the development of the capacity of the private sector to engage in new models of privatisation that can then be copied across the education sector and more broadly over other areas of the public sector also. This back door privatisation through marketisation is being augmented by the direct privatisation of LEAs, particularly where they are deemed to be failing. While this trend appears to have slowed since 1999/2000 this may be the result of the problematic experiences of the firms that have been involved, many of who have experienced negative financial consequences arising out of stock market falls since that time. It is also true that the experience in privatised LEAs, as the above discussion shows, has not been smooth. The fact remains that through the direct take-over and restructuring of the LEA, the privatisation of education is advancing at a pace.

Chapter 4

The Privatisation and Marketisation of State Schools

Introduction

A direct corollary of undermining LEAs has been the transfer of power to individual schools. Chapter three noted that the Fair Funding formula is a necessary element of the re-structuring of the LEA. However, recent reforms have gone further than this. The Education Act (2002) gives new powers to 'successful schools', including the powers for schools to form private companies individually or in partnership with one another and expands the Academy programme. The central trend in all of these measures is the expansion of new freedoms for local school managers to vary the curriculum and teachers pay and to engage in new types of commercial activity. This builds on earlier initiatives such as Excellence in Cities which push toward differentiated local provision. The move toward differentiated local provision on a school by school basis and to local pay bargaining has huge implications for the future of the comprehensive system.

Fair Funding and School Procurement

Crucial to these proposals is the delegation of budget control to schools, under the 'Fair Funding' formula, so that they can act as consumers in a market place where education services can be bought and sold:

"The self managing school is key to delivery of high standards, and needs the maximum freedom to make decisions and manage resources so as to achieve demanding targets. That means having a real choice of provider wherever possible, so that they can decide on the best and most cost effective service" (DFEE, October 2000).

The LEA are to guarantee a choice of suppliers for goods and services. The clear result of transferring funding and procurement decisions to individual

schools is that block public provision by the LEA is broken up. The implication is making markets in education services.

School Companies

Restructuring LEAs and diverting funding to schools though, has proven insufficient to guarantee the radical shift in service provision that the government wanted. Schools, aware of their capacity problems in delivering services, have often retained the LEA as their chief supplier. However, provisions in Section 11 of the Education Act 2002 allow schools to form companies to both buy and sell goods and services. While individual schools are allowed to form companies, the accompanying guidance from the DfES makes it clear that the government envisages that it will be more usual for groups of schools to form companies. The rationale for this is spelled out as:

- Enabling schools to gain economies of scale in purchasing from suppliers.
- Enabling schools to gain from divisions of labour by pooling resources and staff in purchasing.
- Enabling schools to make a profit by selling education services, including those which are LEA functions to other schools and LEAs (DfES, 21 January 2003).

The first two justifications for school companies offer a useful insight into the aims of the government because these are the very same advantages that are offered by purchasing and service delivery through the LEA. The granting of these powers to schools is part of a concerted attempt to undermine LEAs in their traditional role. The final justification reveals the other part of the motivation for schools companies – privatisation. Enabling schools to form their own companies and to trade services to make a profit means enabling schools to become privatised

institutions. While many of their assets will remain in the public sector and their chief funding streams will be from the state, they will nevertheless face significant pressure to take on a commercial logic. They will also be allowed to undertake private borrowing to do so.

The DfES guidance on schools companies is anxious to highlight several limitations on the implications of the legislative and regulatory provisions:

- This is an optional power and schools are not being coerced to form companies.
- Schools' companies will be separate legal entities from the member schools.
- Borrowing by schools' companies cannot be offset or guaranteed by assets owned by the schools and debts will be limited to the company.

However, the reality is that this competitive commercial logic will have all the same potential pitfalls that operates in the rest of the private marketplace:

- Schools' companies will seek to make maximum possible revenue which, since they will be selling services to other schools and LEAs, will mean that it will be they that pay the price.
- Schools' companies will be liable to take-over by other schools' companies and corporations such as those currently seeking to expand into education including multi-national corporations.
- There will be significant scope for conflicts of interest, since there does not appear to be any limitation on schools companies selling services to their own member schools. This will especially be the case where third parties (individuals or organisations) take over some or all of the schools' company.
- Because 'earned autonomy' powers will only be granted to 'successful' schools there is substantial threat that existing 'diversity' and inequality in provision will be compounded and exaggerated by the same cadre of elite schools taking on company status.
- Some supporters of the schools' companies legislation suggest that it may be a catalyst for greater local collaboration between schools and individual teachers (Hallgarten, 2003). However, the logic of the schools' companies is that there will be co-operation between some schools but competition between these partnerships and other schools will intensify. It also offers, as Hallgarten accepts, the possibility that the benefits of such competitive co-operation are retained by only a small number of schools that are able and have the appetite to take advantage of the legislation, again exacerbating existing inequalities.

- The process of developing a schools' company offers the potential of schools being run for an entirely different purpose than providing education to local children.. Instead, they could become driven by the commercial imperatives of profit making.

The ultimate effect of allowing schools to form companies is privatisation from within. It is entirely consistent with the push to commercialise and marketise education on a grander scale. Unfortunately, it also undermines some of the very values that the comprehensive education system was built upon.

City Academies

City Academies are the latest initiative in the government's programme to transform the 'bog standard comprehensive' that former education secretary Estelle Morris says she "wouldn't touch with a barge-pole" (*Guardian*, 25 June 2002).

City Academies are part of the strategy of intervening in 'failing schools':

"City Academies, to replace seriously failing schools, will be established by partnerships involving the Government, and voluntary sector, church and business sponsors. They will offer real change. The aim will be to raise standards by breaking the cycle of under-performance and low expectations", David Blunkett, Speech to Social Market Foundation (DfES, May 2000).

In line with the headline policy trend, City Academies are to be concentrated in deprived areas. They are also illustrative of one of the many new forms of privatisation because City Academies will remain state schools, in the sense that they offer free education and are funded almost entirely by the state, but they will be independent of the LEA or any other public body and will be established as a company limited by guarantee. Academies will be controlled by their governing body made up of "sponsors from business, faith or voluntary groups" members of the local community, including a representative of the LEA, staff and parent governors (DfES Standards web site). There are no limits to who can sponsor Academies. Nor do they have to have any expertise in education. For a contribution of 20% (maximum £2m) of the cost of building a new, or refurbishing an old school building to form a City Academy, the sponsors will be given control of a modern independent school set up as a company limited by guarantee. Sponsors will receive the entire school budget, directly from Whitehall, very much in the same way as the Conservative's Grant Maintained Schools.

Initially sponsors were 'invited', but not obliged, to include LEA or elected representation on school governing boards. They now have to have at least one member of the LEA on the governing body. However, sponsors will be:

"given considerable freedom over management structures and processes and other features such as the length of the school day, out of hours learning activities and to encourage partners in mentoring, curriculum delivery and work experience" (DfES Standards Website, Key features of a City Academy).

While the first half of the above quotation from the DfES web site reveals that private owners are to be given full ownership and control of schools, they are also given authority to invite others to participate in 'curriculum delivery'. The artificial divide between core and non-core services is therefore thoroughly obliterated: City Academies can be wholly owned and operated by the private sector and will be given full power to employ frontline teaching staff:

"It will be the responsibility of the City Academy to agree levels of pay and conditions of service with its employees, and to employ appropriate staff numbers" (DfES Standards Web site: Key features of a City Academy).

In line with the pursuit of diversity, City Academies are obliged to have an area of specialism and allowed to select up to 10% of their pupils according to aptitude in relation to this specialism.

Critics have argued that City Academies are at the forefront of promoting selection and the end of the comprehensive ideal of equality of opportunity:

"the City Academies will take their place as another tier in the hierarchy of secondary schools – more special than specialist schools, more technological than city technology colleges and, of course, superior in public esteem to the bog standard comprehensive schools. This is just another item in the programme of covert return to selection" (Hattersley, 25 February 2002).

The Bexley Business Academy

The Bexley Business Academy was the first and most dramatic of the new City Academies and opened its doors to students in September 2002. As its name suggests, the Academy has taken the Business strand of specialisation and is billed as a revolutionary new type of school. Indeed, a short visit to the school's website confirms the impression of a radical step change in comprehensive education. The Academy has modern state of the art facilities and is housed in an impressive new building designed by renowned architect Sir Norman Foster. The school has impressive floodlit all weather outdoor sports facilities and indoor sports halls and gymnasium. There is also a cyber restaurant and

performing arts complex. There is a general abundance of up to the minute Information Technology equipment. At the heart of the Academy though is a 'business court' with a live feed to the London Stock Exchange where students "will actually get the feel for what the cut and thrust of business is really all about". Students will also "learn the necessary skills, if they desire, to actually form and manage their own companies...enabling them in turn to become the entrepreneurs of the future".

The Academy is sponsored by David Garrard who is also the Chair of Governors. The academy is set up as a Trust company limited by guarantee. The Trust Company is run by a four strong board of trustees including David Garrard who is also chairman of the Garrard Educational Trust, Minerva plc the Business Services firm and a member of the London Development Agency. The Board of Trustees will delegate the management of the academy to a Board of Governors made up of the Trustees and representatives of academia, industry, business, the staff and community.

Charter Schools

Charter schools have been part of a vast wave of education privatisation in the US and are similar in some ways to City Academies here. There are around 2700 Charter Schools in the US, serving more than 650,000 children.

They are publicly funded schools owned and managed by the private sector under contract to the local education board or state. A 'charter' or contract between the state or local education board and the operator is supposed to ensure 'accountability'. The introduction of Charter schools requires that there is already a marketised and individualised student finance system in place where each student effectively carries with them an individual state payment, whether this is in the form of a voucher or not.

There have been a spate of reports of problems in Charter schools. *Education Week*, have reported that the California State Board of Education has reduced funding to 46 Charter Schools after finding that they failed to follow state funding levels. Several other states and local education boards have revoked the charters of individual schools after finding problems with the quality of education, administration and discipline problems.

Charter schools have also attracted much criticism and opposition from local campaigns concerned about their ability to operate outside the normal channels of accountability. Other criticisms have centred on the ability of Charter schools to employ unqualified teachers and generally to pay lower wages to less experienced and qualified staff. There are also criticism that Charter schools increase the average cost of education per pupil in a given area because they undermine economies of scale associated with local supply of services by the education board.

Charter School resources: <http://www.nea.org/charter/>
<http://www.aft.org/research/reports/private/Chartfin/>

Middlesbrough

There are two City Academy projects in Middlesbrough, one already opened and one in development. Unity City Academy involved the effective merging of two secondary schools, both of which were deemed to be failing. Its sponsor is Amey Plc a leading PFI contractor. Amey was involved in a major grouped schools PFI deal in Glasgow and is also involved in the London Underground PFI project. What is interesting about Amey's involvement in the Unity City Academy is that the firm has made it quite clear that it sees its influence as extending beyond the provision of the initial sponsorship of £2m:

"Amey's vast experience will not only be of benefit to the running of the school but will also assist the children as they prepare themselves for the world of work" (Amey, August 2001)

The company has also drawn on its experience of education in Middlesbrough in bidding for education services contracts elsewhere (Amey, Summer 2002).

The second Academy project in Middlesbrough has come under fire from local campaigners because of its sponsor – the Vardy Foundation who also run the Emmanuel Technology College in Gateshead. The Emmanuel College came to prominence when it was revealed that the College taught a creationist view of biology based upon a rigid understanding of the bible and specifically rejecting Darwin's theory of evolution. The Vardy foundation was established by Sir Peter Vardy who was Chairman and Chief Executive of the Reg Vardy group of car dealers. The Middlesbrough Academy is to have extensive links to the Emmanuel College with several of its senior staff and governors having been associated with it. Parents groups have raised concerns over the character of teaching that the school may undertake (www.coulby.net.free-online.co.uk/framesmca/histroy.htm).

Excellence in Cities

The Excellence in Cities programme perfectly demonstrates the government's focus on diversity and has seven main 'policy themes' which are developed at the local level. These are:

- *City Learning Centres* – based in secondary schools and are intended to 'improve education standards'.
- *Specialist Schools* – The DfES report that the "specialist Schools Programme is central to the Government's goal to increase diversity and improve standards in secondary education. The programme helps schools, in partnership with private sector sponsors and supported by additional government funding, to establish distinctive identities through their chosen specialism.

There are eight different specialist areas: languages, sports, arts (performing, visual or media), business & enterprise, technology, engineering, science, and mathematics & computing. Schools can also combine two specialisms. Schools designated in their chosen specialist area are referred to as 'Colleges' (e.g. Technology Colleges). There are currently nearly 700 specialist schools and Charles Clarke has announced that there is to be at least 2000 by 2006 (DfES, February 2003). They can select up to 10% of their pupils on grounds of aptitude in relevant specialist subject areas.

- *Beacon Schools* – are an attempt to disseminate best practice by identifying a high performing school.
- *Gifted and Talented* – this strand provides 'intensive support' for pupils in 810 secondary schools. It is intended to target able but disadvantaged 'and often underachieving' pupils and to generate local support.
- *Learning mentors* – are also intended to work in schools to breakdown barriers to learning through the development of one-to-one relationships with pupils.
- *EiC Action Zones* – these are described above in the Education Action Zone section.
- *Learning Support Units* – work with pupils with challenging behaviour to keep them in mainstream schooling and minimising disruption in class rooms.

Selection

Selection is a common theme running through the government's policies to increase diversity. This is justified as modernisation of the education system to meet the needs of the 21st Century economy. Modernisation in education is centred on the role of the individual and ensuring equality of opportunity is perceived as strengthening the capacity of the successful to compete:

"equality of opportunity will never be achieved by giving all children the same education. It is achieved by tailoring education to the needs of the individual...In the fight for equal opportunity we may have emphasised the equality too much and the opportunity too little." Estelle Morris (*The Observer*, 23 June 2002).

Equality of opportunity is thus based around providing individuals with the best opportunity for advancement (Morris, 2002a).

Earned Autonomy

The 2002 Education Act offers successful schools the opportunity to gain freedoms from areas of the national curriculum and the national agreements on Teachers pay and conditions. The full details of these freedoms have yet to be announced but the trend toward granting new freedoms for individual schools is clear.

Summary

The trend in many of the initiatives outlined above is toward greater freedom for individual schools to pursue diverse methods of delivery and types of service in a market context. The implication is that the individual schools will take on an ever greater commercial management logic. There may be no whole-scale transfer of schools and other assets to the private sector, and the state may still pay for education but this is still effectively privatisation involving an important shift in emphasis from public service as part of the welfare state to commercialism as part of a corporate welfare complex.

These new freedoms mean that there will be different provision between different schools. The key implication of this is that this difference will in effect mean inequality. The new freedoms also raise important questions about the future of national pay bargaining for teachers.

Chapter 5

Education and Regeneration

Introduction

Regeneration projects are currently reshaping the way our towns and cities look. They are also having a major effect on the social make-up of urban communities. There is an increasing move to link different areas of public policy together, such as education, health, community well being and local authority service delivery through regeneration projects. Education is particularly important in this as schooling has become a major determinant of the attractiveness of a locality. This section briefly introduces some of the emerging debates surrounding regeneration and the modernisation agenda.

Regeneration at the Heart of Local Privatisation

Regeneration projects are increasingly the hub for the 'modernisation' not just of housing and infrastructure but also a huge range of other local services. Many housing renewal schemes are now linked to job creation schemes and plans to create one-stop-service access points, new schools, health and community centres. While this may appear to be a good example of joined-up government and placing services at the heart of the community, there are also other less progressive agendas at work.

Combining Funding Streams

Regeneration projects offer the opportunity to combine several (often large) funding streams that can have a much larger impact than other more traditional funding. This is also underlined because the money is being spent in a deprived area.

Levering-in Private Finance

Large parts of regeneration schemes involve privatisation. They will involve PFI or large scale PPPs, for instance to rebuild schools, health centres, libraries,

leisure and community facilities and infrastructure such as roads and open spaces will all be privately financed either by the developer or council-led projects in partnership with private developers.

Procurement and the Local Economy

Local authorities and other public agencies usually assign contractors to finance and build these capital projects using procurement. Procurement is where a public body, such as a local authority, chooses to pay for a third party to provide goods or services rather than to do so directly. EU rules on procurement mean that it is difficult for public bodies to ensure that the labour and goods needed, for instance in construction projects, are sourced locally. The result is that procurement often results in many of the benefits of public spending (such as employment, knock-on demand and training) being lost to the local area.

The scale of spending in regeneration projects, particularly in construction, means that it is often large national or even multi-national firms that bid for and ultimately win the contracts. Many of these firms will also operate internal corporate financial systems which involve strategies to minimise their tax payments. Thus where school building and refurbishment projects are grouped together in large grouped schools PFI (see section below on PFI), or where these projects are attached to large scale regeneration projects, the full benefits of the public investment are not necessarily felt in the local economy.

Privatised Management and Support Services

PFI projects will usually involve the management and operation of support services such as cleaning, catering, grounds maintenance, security, repair and maintenance which are usually outsourced to private contractors. The linking together of several projects from housing, to education, health, leisure health and community services means that the potential effect of this is huge.

Re-engineering the Social Mix: Regeneration or Gentrification?

Regeneration projects have sometimes come under fire from critics for re-engineering the local social mix by moving out the existing (usually) working class population and attracting an often young urban middle class to replace them. This happens in a number of ways:

- Through offering existing residents 'temporary' accommodation in outlying areas for several years while the project gets underway. Once settled in the new area many people will then not want to uproot again in order to return.
- Sometimes an area becomes so dilapidated that people simply move out. Existing housing can then easily be replaced with new private, high cost, housing. In this instance there is often no problem with offering the small number of remaining residents accommodation in the area when the project is complete.
- The balance in the local area between private and public (or social) housing is often subtly altered so that there are a greater number of private homes for sale than previously. This will also alter the class make-up of an area.

It is well documented that schools appealing to middle class parents will create a premium on local house prices. It is thus in the interests of developers to include substantial modernisation of local schools as part of regeneration projects. This modernisation, though, is unlikely to stop at the refurbishment of buildings and will often include service delivery.

This process raises large questions about the purpose and beneficiaries of regeneration. It also again raises questions about the role of education. In this context, education is part of a strategy to open up markets to financiers, construction contractors, facilities management firms and the new breed of education corporations interested in taking over direct education provision, for instance in the form of City Academies.

Extended Schools: The One Stop *Privatisation* Shop

The government has announced that the plans to locate community services in schools will be taken forward by 'extended schools'. 240 such schools will provide:

- Health and social care
- Lifelong learning
- Family learning
- Parent support
- Study support
- Sports and arts
- ICT access

These schools, especially when created by PFI (either through new build or refurbishment) or by all age Academies, will offer the private sector the perfect opportunity to take over a range of previously local authority services in one fell swoop.

Privatised Urban Villages

In the US around 12% of the population live in gated communities. Gated communities are housing estates sealed off from the rest of society, sometimes literally by gates and private security. They are often a reaction to crime or the fear of crime and involve the creation of a near universal set of services on the 'inside' which leads to social, and often political, segregation:

"the key point is that those living behind gates become detached from mainstream society, not only physically but politically. In the US, gated communities offer privatised services – from recreation to rubbish collection, not to mention security – behind their walls. The result is a growing trend to opt out of involvement in local government and the payment of local taxes, so undermining local democracy. A number of gated communities have even incorporated as separate entities entirely independent of local government. This voluntary exclusion is mirrored by the involuntary exclusion of those trapped in the ghettos of the socially excluded." (Minton, 2002).

The new trend toward Urban Villages in this country mirrors some of these features and often includes the building of shared facilities in an attempt to generate an entirely new community. In this model, the developer provides security, heat, power, water, telecommunications, waste collection, recycling and sewage. It is easy to see how the process of gentrification can be carried forward using this model. The target middle classes, who developers and regeneration specialists often want to attract, are secure in the knowledge that they are sheltered from the existing population who will often have a well known reputation locally, especially in relation to crime. New school systems will be required, which must be radically different. The radical step change in substance and particularly in presentation of education is important to give parents and potential parents confidence that there has been a significant break with the past, with all that implies for local history and community. The question must also arise, however: as this process develops, where will the shiny new schools be located – inside or outside these urban villages?

Other Area Based Initiatives in Education – Education Action Zones

Education Action Zones (EAZs) were at the forefront of the government's plans for education when they came to power in 1997. Speaking in 1999, when inviting interest for the second wave of zones, Tony Blair marked his continuing enthusiasm:

Magnet Schools and Gentrification for 'Balanced Communities' – The US Experience

"Magnet schools which now exist in almost every US city, are placed in blighted areas with the aim of enhancing the neighbourhood and improving educational opportunities for students. In New York for example, the highly academic magnet school recruits city-wide by open examination but also provides a quota of places for local low-income students. The schools have been a key to the retention of middle class families in US cities since the 1970s and are widely seen as contributing to de-segregation." (Minton, 2002).

The above quotation appears in a report for the Royal Institute of Chartered Surveyors. The report gives a well argued and well researched critique of gated communities and the link between their emergence and the growing social polarisation of society in the US. It argues that there is a significant danger, because of the structural similarities between the US and UK economy and society, that gated communities will arise here. It suggests that the engineering of balanced communities is one possible solution to this, and gives a high priority to the planning of schools investment to achieve this.

However, there is a danger that the result of this social engineering approach would surely be that local people would be squeezed out of the local economy by rising house prices. The solution to the problem of social inclusion/exclusion is not that the working class and middle class live closer together. This fundamentally fails to deal with the initial causal problem of social exclusion, which is the gap in income and socio-economic status and capacity between social groups.

Even when outside these new separated residential enclaves, schools may themselves take on similar attributes. The rise in the use of gates, fences, closed circuit television cameras and security guards in schools is similar to that in housing, and is borne in many cases out of the same reaction to crime and the perception of crime. The implications though are far reaching and include the privatisation of public buildings and public space, which is a direct attack on the idea of socially owned infrastructure that is central to social democracy and the welfare state.

"Education Action Zones allow local partnerships – school, parents, the community, businesses and local authorities – to find radical and innovative solutions to their problems. We are committed to seeing them work, and each gets up to £1million a year for at least three years ... they will need to change attitudes and approaches in order to seek solutions to long standing problems, working with businesses and other partners..." (DfES, www.DfES.gov.uk).

In fact, there are two types of EAZ. The first – statutory, or large zones – were established in the School Standards and Framework Act 1998 (DFEE, 1998). Over 1300 schools are contained within the 73 statutory EAZs, which are established for a maximum of five years .

Large EAZs are made up of partnerships of a wide range of public and private actors who sit on a governance committee called the Education Action Forum. The Forum sets an Education Action Plan which is approved by the Secretary of State and contains performance targets for the zone. EAZs are intended to receive funding from both the state and their partners. Statutory EAZs receive £750,000 a year from the DfES and are required to attract sponsorship of £250,000 from the private sector with the government providing further match funding (DfES, Standards Website).

Excellence in Cities (EiC) Action Zones (or small zones) are similar but also form a key element of the EiC project. There are currently 102 EiC Action Zones which are non-statutory and operate under EiC Partnerships who manage the zone and typically concentrate on a single secondary school and its feeder primary schools. Day-to-day management is provided by a Project Director who can be seconded from the school or contracted from the private sector for a specific period. Each EiC Action Zone receives £250,000 a year from the DfES, with partners expected to provide a further £50,000 in match funding (DfES Standards Website).

Private Partners

EAZs have been developed with a range of private partners including local football clubs (Leicester City and Blackburn Rovers) and businesses with a particular local link. Other notable private partners include major multinationals, utilities and technology companies consultancy firms and, of course, firms on the approved list of education service providers:

Utilities	North West Water (Wigan), Yorkshire Water (Sheffield).
Technology Companies Information Systems (Newham)	BT (Barnsley, Herefordshire, Newcastle, Newham), Research Machines (Basildon), Bull
Consultancy Firms	KPMG (Brighton), Arthur Anderson (Newham), Capita (Newham), PricewaterhouseCoopers (Southwark).
Education Service Providers	Capita (Newham), Nord Anglia (North Somerset).
Other MNC	Cadbury Schweppes (Birmingham x 2,), American Express (Brighton), BP Amoco (Hull), IBM (Lambeth), Shell (Lambeth) ICL (Lambeth), Procter and Gamble (Newcastle), Tate and Lyle (Newham), BAE Systems (Plymouth), Kellogg's (Salford and Trafford), HSBC (Sheffield), McDonalds (North Somerset), Nissan (S. Tyneside), Rolls- Royce (S.Tyneside).

Source: (LGC, 2001)

The extent of these partners' involvement varies massively. Some are interested in no more than supporting a local initiative. There are concerns that some are interested in more than this. Primary among these are concerns that companies are solely interested in the advertising potential that these opportunities offer. There has been much concern in North America about the level of corporate advertising on 'free' school materials donated by firms. Of still more concern is that these firms are actually developing curricular content and frontline delivery. In North Somerset, for instance, McDonalds sponsors reading lessons, while KPMG, BT and American Express provide both pupil and teacher mentoring (LGC, 2001).

However, despite the DfES' bullish statement that "zones attract large amounts of outside support", most zones have attracted business support in kind rather than in cash. The Local Government Chronicle reported that much of the business sponsorship has actually been provided 'in kind', raising concern that schools lose control of what the 'sponsorship' provides and the private sector gets to expose its brand in a school setting (LGC, 2001). This was substantiated by the National Audit Office who also that financial controls in EAZs were not up to acceptable standards. Of a projected £2.5m the Zones had actually raised only about 50%. The report further noted that the incorporation of business people into the Zones presented a potential conflict of interest (NAO, January 2001).

Despite concerns that EAZs would act as a 'Trojan horse' (Regan, 2000), business confusion over their role (Dickson et al, 2000) has meant that they have failed to fully deliver the modernisation and privatisation programme. The Blairite Think Tank, the Institute for Public Policy Research (IPPR) have reported that EAZs "have not proved an attractive place for the private sector to increase their involvement in education" (University of Leicester, January 2001).

Corporate Towns and Cities

The discussion above shows how regeneration can radically alter the political geography and culture of a town or city. Regeneration can provide the link between Area Based Initiatives in education such as City Academies, Excellence in Cities, Education Action Zones and similar zonal policies in Health (Health Action Zones), economic development (Business Improvement Districts) and housing. The result could be the privatisation of large swathes of local areas, with massive implications for local government. The social make up of these areas will contribute to huge changes to local political affiliation and voting patterns.

Summary

The privatisation of education is also being enacted through holistic local policies which are often tied together by regeneration projects. The result is a massive change in the political and social make up of a school's catchment area and potentially also on the vision and purpose of education within local schools. Schools are not just on the receiving end of this though, they are actually a fundamental aspect of the social engineering process. The proliferation of Area Based Initiatives, whether successful or not can be seen in this context.

Chapter 6

Corporate Influence in Schools

Introduction

As the old and false divide between support services and core service delivery is obliterated by contemporary privatisation initiatives, so corporate influence over the curriculum grows. This operates at a number of levels. At governmental level, skills audits which ascertain the needs of the labour market influence what is taught in schools. This may be seen as perfectly acceptable and indeed a sensible aspect of a strategy for employment and economic growth so long as this is not the only pressure shaping the curriculum. However, there are more direct examples of corporate involvement in shaping the curriculum, from privatised state schools to in-school advertising the trend is growing. However, it is nowhere near as developed as the trend in North America. A consideration of the situation there may well offer a glimpse of a possible future for in-school corporate influence.

Benevolent Social Responsibility or Shaping Young Minds?

There is clearly a fine dividing line between benevolent corporate donations to schools and clear attempts to shape young minds in a way that is beneficial to business generally or a single product or corporation specifically. While many corporations see education as part of their Corporate Social Responsibility efforts, a clue to the motivations of some corporate involvement in the classroom is offered by the following quotations from US agencies engaged in brokering corporate influence in schools:

"Through these materials, your product or point of view becomes the focus of discussions in the classroom...the centrepiece in a dynamic process that generates long-term awareness and lasting attitudinal change...take your message into the classroom, where the young people you want to reach are forming attitudes that will last a lifetime", Lifetime Learning Systems (Quoted in Consumers Union, 1998).

"The Kids we're reaching are consumers in training" Joseph Fenton of Donnelly Marketing (Quoted in Consumers Union, 1998).

It is clear that motivations range from the desire to 'give back something to society', to the promotion of a particular commercial interest (through for example advertising) to the promotion of a set of universal assumptions and practices related to being good workers and consumers.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a growing business area in itself. CSR is essentially a concept whereby companies voluntarily accept to monitor their impact on the local communities and environment. In many ways it is a response to protest and pressure group action, especially related to environmental pollution or fair trade and exploitation. It even gained global institutional recognition in the UN's Global Compact with a series of large multinationals such as Coca-Cola and Nike.

However, CSR is also becoming a necessary part of the projection of the right corporate image and can even be an attempt to tap into the very lucrative market of 'ethical consumers'. However, caution should be exercised. CSR is used in some of the most notorious industries such as petro-chemicals and textiles manufacture. Education is an opportunity for firms to extend their CSR policy in 2 ways:

- Financial contributions to schools to evoke a caring and socially concerned image
- The opportunity to shape young minds in an environment in which their brand can be given credibility and a sense of trust.

There is also a further dynamic which involves recognition of the changing economic and industrial climate as described in Part One. The first industrial revolution was based upon access to certain raw materials, notably wool, cotton, water and later coal and iron ore for steel production. The second industrial revolution centred on cars and chemicals and was based crucially upon natural resources such as oil. The dependence on oil is still there for all to see, but the

contemporary economy also has new needs. The focus in media headlines on the impact of the knowledge-based economy may be overplayed in some senses, but even so it has huge implications. This means that there is a rush to turn knowledge and information into commodities that can be bought and sold in a market.

Levels of Business Involvement in the Classroom

Business influence in-schools can be manifest at a number of levels:

- *General domination of the ideological landscape:* This is particularly noticeable in the continual shaping of the education system according to the skills needs of the labour market and in the moves of government to more closely associate curriculum development with the business agenda.
- *Business influence over the management style of schools:* The ever greater introduction of commercial imperatives into the management agenda as exemplified through the new schools companies regulations.
- *Through the use of business sponsored and provided educational materials.*
- *Through other forms of in-school advertising and sponsorship.*

In-school Corporate Influence in North America

There are a host of ways in which the private sector is influencing public education in the US and Canada. Alex Molnar of the Centre for the Analysis of the Commercialisation of Education has offered a breakdown of these by separate categories, four of which are described below (Molnar, October 2002). With reference to the North American and international landscape it is also possible to add the further categories of the Local Corporate Curriculum and Testing.

Sponsored Education Programmes

This is a well established and growing phenomena in North America and has attracted a large amount of controversy. Firms offer pre-packaged education

programmes and sponsored materials to cash strapped schools on the look-out for new and innovative materials. Many of the sponsors have a direct interest in the area covered by the course and supportive materials.

Molnar cites a range of examples:

"The Life and Health Insurance Foundation has a high school education programme; Merrill Lynch offers 'Money Matters in the Millennium,' a 'financial literacy' curriculum, and Young Entrepreneur Kits to teach students how to start their own business; and the Archery Manufacturers and Merchants Organisation offers middle schools a kit called 'Archery Alley'. Lifetime Learning Systems developed the 'Quality Comes in Writing' programme for the BIC pen company ... and MasterCard international wanted to help students learn money management skills" (Molnar, March 2000).

Such materials have also been accused of presenting an openly biased message to children. The Consumers Union notes that Procter and Gamble, a leading disposable nappy manufacturer (Pampers), provided schools with an environmental study pack called *Decision Earth*, that

"taught that clear cut logging is good for the environment ('it mimics nature's way of getting rid of trees') and that disposable diapers [nappies] are better for the environment than cloth ones. It did not mention that P&G, the country's (US) leading manufacturer of disposable diapers, had financed the study that produced those favourable results" (Consumers Union, 1998).

The Consumers Union has also documented the distribution of free text book covers containing advertising

"Cover Concepts Marketing Services, Inc. (Massachusetts) has signed up high schools in 99 cities to receive four million free book covers 'plastered with ads,' according to the Wall Street Journal. "The cost to advertisers ranges from \$25,000 to \$195,000 ... For their money, they get a captive audience" (Consumers Union, 1998).

Text book covers have also been used by Corporations who have been accused of less obvious 'subliminal' advertising. The tobacco giant Philip Morris distributed 13 million text book covers with their name on it and a picture of a young snowboarder with the words "Don't Wipe Out. Think. Don't Smoke". The covers were recalled when a high school teacher organised a press conference for his students who had noticed that the snowboard resembled a lit cigarette (Molnar, October 2002).

Electronic Marketing

Marketing and corporate messages have also entered the learning environment through electronic means. An important media for this has been the introduction of computers and the internet into schools. In Canada, local education boards have been accused of colluding with sponsors and advertising agencies in collecting marketing data about children for a fee. Bill Bonner has documented the introduction of a parental permission form used in Calgary before children are able to use the schools internet facilities for educational purposes. The permission form, which must be signed by parents allows schools to release data on the students first and last names, age, gender, and address down to post code to a marketing company (Bonner, October 2001). A citizens movement in Seattle forced another education marketing company ZapMe! to remove banner advertisements from computers in schools (Molnar, October 2002). Advertisers have also sought to colonise the relatively new opportunity provided by screensavers on school computers to reach school children (Shaker, 1998).

Even more intrusive and controversial has been the use of in-school television broadcasts. Channel One, a commercial television station beams a daily news broadcast containing lucrative advertising programmes into 350,000 classrooms in the US. In return, schools receive free use of satellite dishes, VCRs and television monitors as well as other Channel One broadcasts (Nunn and Worth, 2001). There are also other examples such as DirecTV which has announced plans to give educational programming to 50,000 secondary schools in the US and fit a further 2,000 schools in low income areas with the equipment needed to access it (Molnar, October 2002).

School Sponsorship

Schools in the US have also followed practices widely adopted in the sporting world, to gain sponsorship for buildings and events. Molnar reports the naming after a local supermarket and the defence of local officials that

"American corporations spend billions of dollars on the Olympics. All we're saying is, 'Why don't you spend some of that on our public schools?'" (Molnar, October 2002).

He goes on to document other examples such as schools replacing gym floors with new ones bearing corporate logos at \$10,000 each and other schools auctioning advertising space on everything from school books to the whole school building (Molnar, October 2002). He also notes the rise of 'shoe schools' in California, where sportswear companies offer their

products to children in schools rich in athletic talent, in the hope that they will also attract future sports stars. He even quotes local educationalists as suggesting that the practice has reached the stage where parents and children shop around for the best deals in terms of "exposure and benefits" (Molnar, October 2001).

Exclusive Agreements

This is where schools and education authorities sign exclusive deals with companies such as Soft drink producers that only their products can be distributed in-school for in return for payment. During 2001 this practice came under fire from the US Department of Agriculture who criticised schools for sending mixed messages about nutrition. Initially Coca-Cola reacted by announcing that it would no longer pursue such deals but Molnar reports that they have since continued the practice (Molnar, October 2001; October 2002).

The Local Corporate Curriculum

In Canada, it has been reported that there have been instances of local businesses and employers shaping the curriculum at a school and even sitting in on interviews with students who will be selected for certain programmes (Shaker 1998).

Testing

In line with the rush to commodify knowledge and information in the form of teaching products, there has also been a movement of the private sector into the realm of testing. Linked to both the commodification of information and the trend toward the individualisation of education, increased testing means that there is an increasing 'market' for testing companies. Four of these dominate the US market for writing, administering and scoring school tests. These are:

- NCS Pearson employ more than 5,000 people in more than 30 locations across the world. Its parent firm is Pearson Plc who also own *The Financial Times* and other titles.
- Harcourt Educational Measurement are owned by Reed Elsevier Plc the global publishing and information company. Harcourt provide testing for state schools across the US.
- CTB/McGraw Hill, who are owned by the giant publishing firm, McGraw Hill and score more than 20 million test documents a year from US schools.
- Riverside Publishing are owned by Houghton Mifflin who are in turn jointly owned by a consortium of

investment funds. Riverside is the testing arm of the firm that also engages in teacher education, secondary school curriculum content and educational publishing.

Corporate influence in the UK Classroom?

Citizenship and Partnership

One of the ways in which the increasing power of big business and multinational corporations can be balanced is through effective citizenship education in school. The ever increasing sophistication of corporate advertising and the monopoly ownership of the media mean that it is ever more important that children are taught the ability to think critically and independently. The government's newly launched Citizenship curriculum is one vehicle through which this could be developed. However, it seems that corporate influence is at work there too. Barclays bank sponsored the February 2003 Partners in Citizenship Conference, jointly with the DfES. The conference brought business and education leaders together

"to examine the challenges and benefits involved in creating education-business partnerships" (Barclays New Futures website March 2003).

This is part of Barclays' 'New Futures' project which offers grant awards to schools to engage in projects related to the Citizenship curriculum on a competitive basis. Barclays also produce accompanying booklets on topics such as 'Preparation for the World of Work', 'Social Inclusion' and 'Community Partnerships' to give examples of Citizenship based projects in other schools. These publications are in themselves largely uncontroversial. However, they do mark the willingness of large corporations to enter the classroom and to begin to shape the curriculum and usually include the prominent placement of the company's logo.

Schools Minister Stephen Twigg has underlined the importance of the role of business in shaping the Citizenship curriculum:

"young people must learn about...business realities....business and education partnerships can help young people develop as citizens and improve pupil's educational standards...it means businesses such as Barclays going into schools - and bringing students out of schools so the pupils gain an understanding of life outside the school gates" (Twigg, 25 February 2003).

Sponsored Materials and Advertising

Procter and Gamble don't only promote educational materials in the US. There have been recent reports in the press about their educational materials in the UK too. A journalist for *the Observer* wrote of her surprise when her children returned home from school with three sets of corporate branded educational materials in one week. The Procter and Gamble offering was contained in a box marked 'very serious homework' and consisted of a science experiment to see how well an Ariel soap tablet could eradicate a Ketchup stain. The pack also contained a glossy chart, sporting the slogan Ariel Supporting Education which "involved listing the members of our household, their ages and the number of washes and type of detergent used". The same writer also received an encouragement from the Parent Teacher Association to 'think Persil' when shopping because of a reward scheme that they operated and an invitation to join a local health club where the school had enjoyed a day out (*Observer*, 15 December 2002).

The Consumers Union also found evidence about firms such as Kellogg and MacDonalds. Kelloggs' materials misrepresented nutritional arguments about breakfast cereals and prominently displayed its logos. MacDonalds classroom materials featured examples of the fast-food chain's environmental credibility. Both Kellogg and MacDonalds are involved in Education Action Zones here and MacDonalds produces teaching materials for distribution in schools. BT, also involved in a range of Education Action Zones, runs a road show on communications which utilises teaching materials which prominently feature its logo (BT Website). Cadburys have distributed materials stating:

"Chocolate is a wholesome food that tastes really good. It is fun to eat at any time of day and gives you energy and important nutrients that your body needs to work properly" (Cited in Monbiot, 2000).

British Nuclear Fuels have explained to school children that "accidents happen all the time" and MacDonalds' materials had word puzzles which asked children to find the names of the company's products (Monbiot, 2000).

There are also other corporate programmes related to schools such as the popular consumer reward schemes where firms give away loyalty bonuses in the form of vouchers for schools to redeem against books or computers. Both Tesco and Walkers Crisps have run such schemes. At the end of 2001 the Consumers Association Which undertook research into these and was highly critical. It found that for the Tesco Computers for Schools scheme, the longest running (since 1992) 4,490 vouchers, or £44,900 of shopping, gives school a scanner worth £80 and 21,990

vouchers (£219,900) are needed for a computer worth £900. The report was also critical of a similar promotion by Walkers Crisps and the *News of the World* who offered 'free' books to schools. The report found that it took up to 50 packets of crisps worth £15 or seven weeks of the *News of the World* or the *Sun* worth £21 to earn schools one book, worth £4. The report also raised concerns about the health and nutritional effects of these schemes, one based on crisp consumption and the Tesco scheme had in the past offered extra tokens for snack food and drinks such as Pringles, Sunny Delight and Coca-Cola (*Which*, 6 December 2001; *Guardian*, 6 December 2001). The National Audit Office has also been critical of the mixed message sent on nutrition and diet by schools participating in such schemes (National Audit Office, 15 February 2001).

Summary

Schools are coming under ever greater pressure to allow commercial and corporate influence inside schools and over the curriculum. Such influence allows business to shape young minds in ways that are contrary to the task of shaping balanced and enquiring minds. The practice has already taken hold in the UK, but it is to North America that we should look to see what the future might hold, unless there is concerted action on the part of parents, teachers and the wider community to halt the spread of corporate influence over the curriculum.

Chapter 7

The Privatisation of School Buildings – The Private Finance Initiative

Introduction

It is not only education delivery that is being targetted by the private sector. Virtually all school building projects now have to be channelled through the Private Finance Initiative (PFI). The most common form of PFI in Britain has four elements: Design, Build, Finance and Operate (DBFO). It is usually in the form of a long-term contract over 25 - 35 years (7-15 years for equipment). The private sector finances construction and is repaid by the state, in regular payments, for the use of the buildings and services provided under a facilities management contract (see Centre for Public Services, 2002).

What is PFI?

Finance

Money is at the core of PFI. Since New Labour came to power in 1997, the Chancellor has set very tight public borrowing rules which are used to restrict the amount of capital spending on infrastructure – buildings, land and assets – that public bodies and local authorities can engage in. Even with increased spending levels, since the 2001 Budget and the 2002 Spending Review, the government still uses PFI to build new school buildings. However, because the debt incurred through PFI is with the private rather than the public sector, this spending does not contribute to public sector borrowing in the government's accounts. This is known as 'off-balance-sheet financing', because public bodies pay the debt off from the revenue rather than capital budget.

Of course this money still has to be paid back. PFI consortia are simply borrowing money against the cast-iron guarantee that the public sector will continue to pay the annual fee, from which it can pay back the loan and also make a profit. Critics often point out that the government is able to borrow much more cheaply than the private sector and that the consequent payment of

higher than necessary interest rates, in addition to profits for contractors, is a waste of public money. Moreover, the private sector is usually able to re-finance after the initial construction phase (when the risk of cost and time over-runs is greatest), and receive a much improved interest rate for the remaining period. In this sense, PFI simply allows the private sector to make money out of public spending entirely subsidised by tax payers money.

Design and Build

The design and build aspect of PFI is, in principle, the least controversial aspect because the private sector has always provided construction services. However, because the design and build function is closely tied to financing, this area has in reality been one of the more controversial aspects of PFI. In the process of negotiating a PFI deal, it is necessary to prove that the deal represents Value for Money, i.e. it is cheaper than the public sector alternative. This often leads to 'rigged' Public Sector Comparators where figures are hard to justify and often do not compare like with like.

Added to this are competitive pressures, between rival PFI contractors and consortia, and the profit motive. The result is that estimated costs are often artificially driven down and the private sector may seek to lower costs by cutting quality in the design and build phase, leading to buildings that do not match their requirements in terms of function or longevity. The problem of lack of experience in negotiating Output Specifications – which lay down the public sector expectations of the building – has also contributed to substandard construction and specifications in PFI buildings (Audit Commission, January 2003).

Further, a longer-term problem is that the design and build, as well as operate, aspects of PFI assume that "Taxpayers no longer need to own" public buildings such as schools and hospitals (Treasury Private Finance Panel, 1996 p7). Although the government is keen to stress the 'buying a service' approach, frequently only

the capital value of PFI/PPP projects is cited rather than the much larger combined capital and operating costs. For example, a London Borough of Haringey secondary schools project is an £87m capital project, but the total PFI payment is £233m over 25 years.

Operate

PFI deals often specify that the contractor or consortium 'operate' the building. This means that so called 'non-core' services which are often called 'facilities management' or FM services are operated by the private sector. These are split into 'hard' and 'soft' services. 'Hard' services are those such as repairs and maintenance which are directly connected to the asset, its availability (for example, all parts of a school being available for use) and therefore to the payment of the fee. These services are always an integral part of the PFI project and will be carried out by the private contractor. 'Soft' services are support services such as cleaning, grounds maintenance, reception and catering which are not directly connected to the availability of the asset. There is scope for these services to be retained by public sector in-house services. For example, PFI schemes in schools in Stoke-on-Trent and a hospital in Blackburn both exclude certain support staff on the grounds that they were good quality services, proved by benchmarking, and were likely to keep on improving.

The inclusion of the 'operate' aspect of PFI is often the centre of trade union criticism because it involves previously public sector employees transferring to a private contractor. While terms and conditions of employment are protected for some, over the long-term they are usually eroded as a means of cutting operating costs and improving profitability. The ability to cut staffing costs is a large lure for the private sector and often lies behind proposed 'efficiency' savings. In some cases this is masked by the apparent willingness of private firms bidding for contracts to respect the rights of transferred staff through enhanced Transfer of Undertakings Protection of Employees (TUPE) agreements. The reality is that these are often worthless. For instance, a landmark agreement in a grouped schools PFI contract in Newcastle saw all workers granted full TUPE rights for the length of the contract. However, after signing, the contractor Mitie then sub-contracted support services to other firms, not bound by the terms of the TUPE agreement. Another way in which TUPE protection is overcome is through the increasing staff turnover that often results from privatisation. The new workers that are employed to replace those that initially transferred from the public sector are not covered by the TUPE legislation but can be covered by a TUPE+ agreement.

As a result of the ability to make savings and thus enhanced profits, there is pressure from the private sector to include more services as part of PFI deals. But cutting staffing costs leads to lower levels of experience, higher staff turnover and lower quality service provision.

PFI and Schools

PFI has been used by the Government to engage in a rapid school building and refurbishment programme. While at first these projects were at the level of individual schools, they have proven unpopular because of their small size which make it difficult to achieve economies of scale. As a result, they have tended to grow in size, bundling many schools together in order to achieve the needed economies of scale for the contractor. The majority of schools' PFI projects have been to replace or renovate existing schools and have included ongoing operating and maintenance services as part of the contract (although there are also some ICT and catering contracts). There are currently 19 fully operational PFI projects (involving more than 200 schools), 41 signed but not yet fully operational projects (involving more than 140 schools) and a further 24 schools PFI projects in procurement. In total, the bundling of schools in these projects means that more than 500 hundred schools are affected (DfES, May 2002). The government has made £750m in 'credits' available for schools PFI projects in 2002/3 and a further £850m in 2003/4. The fact that this capital investment is only available through PFI marks the government's determination to use the mechanism. Indeed, such is the enthusiasm, that one of the criteria that LEAs must demonstrate in order to be approved for PFI 'credits', is that they contribute to the development of PFI/PPP: "Proposals which push out the boundaries of PFI and other Public Private Partnerships will be welcomed" (DfES, 2001a).

Despite, or perhaps because of, the government's commitment to PFI in schools, there has been much criticism of it. Specifically, this centres around financial criticisms, allegations of asset stripping, opposition to the transfer of staff, as well as to the involvement of the private sector in aspects of core delivery and criticism of poor performance and costly mistakes.

Financial Criticisms

As with all PFI projects, schools PFI has faced criticisms that far from levering in extra capital investment, it is an expensive and needlessly bureaucratic method of financing school improvements. Critics argue that capital spending in schools should be undertaken directly by the state which could fund it by borrowing at an interest rate far lower than that achievable under PFI. Moreover, costs associated with arranging the PFI deal – which can be extensive (including consultants fees, officer time, retraining, redeployment and redundancy costs) – and the necessity of providing the private sector with profit would be avoided. Additionally, there are concerns that in PFI deals the public sector is tied into long-term and expensive contracts which may not produce the desired results over time.

The debate about the Public Sector Comparator as an adequate assessment of the Value For Money of a PFI scheme reached a head in January 2003 when the

Audit Commission, usually an advocate of privatisation, reported that the PSC was an ineffective tool for establishing Value For Money (Audit Commission, January 2003).

Risk Transfer

In return, advocates of PFI argue that it is an effective way of transferring risk to the private sector, in particular during the construction phase. However, as the Audit Commission notes, this risk transfer is largely limited to day-to-day managerial risks rather than the overall risk of project failure:

"...there is a statutory risk that LEAs must bear, and cannot transfer to PFI providers. If there is a major problem with a school building, the bottom line is that the LEA must step in if the PFI provider fails to respond appropriately, because it is the LEA's responsibility to provide the education service" (Audit Commission, January 2003).

Asset Stripping

PFI schemes are often accused of asset stripping the public sector. For instance, a PFI deal may be funded through the selling off of assets such as school buildings or playing fields. In the high profile case of Pimlico School, the costs of building a new school were to be met by the building and sale of housing on the old school site. Rather than refurbish the existing nineteenth century building at considerably lower cost, the Government attempted to enforce the PFI deal (Ball, 2000). The school's governing body and local campaigners managed to block the deal, arguing that refurbishment would be 30% cheaper and allow them to retain the existing building and the school's play area. Since the PFI project was rejected, however, they have been denied access to funds to allow this refurbishment, leading the chair of governors to comment:

"We are faced with the bizarre conclusion that, although Pimlico School's accommodation is so deficient as to warrant £25m to replace, it remains perfectly capable of delivering the curriculum without repair or improvements." (Singh, 2000).

The Pimlico example demonstrates that in assessing the 'Value for Money' of PFI in procurement decisions, the apparent cost does not always include the transfer or disposal of assets which the public sector – whether it be individual schools or LEAs – must bear.

Transfer of Staff

There has been much publicity generated by Trade Union campaigns about the transfer of staff in PFI schemes. Trade Unions complain that PFI initially creates a two-tier workforce where most existing staff are offered protection of most of their terms and conditions (but excluding continuing pension rights), but some existing staff and new joiners are often paid

less and have less favourable terms and conditions. Over time, they argue, the lower terms and conditions are harmonised across the contract.

While this has been vociferously pointed out by trade unions, it is not merely a sectional issue, because lowering pay and terms and conditions can have a wider impact on the quality of service provision and the local economy. Lower wages and terms and conditions often mean that less qualified and less experienced staff are attracted. This problem is intensified because experience shows that transferring staff to the private sector dramatically increases staff turn-over rates, meaning that existing experienced staff are quickly replaced with less qualified and inexperienced replacements. Lower wages and more insecure employment also simultaneously lower spending in the local economy and create more demand for public services, thus having a double impact on the local area.

Poor Performance and Mistakes

There has been substantial publicity surrounding the poor performance of contractors in PFI projects. 4Ps report that a great many problems in schools PFI projects have been caused by misunderstandings about the standards and specifications of construction work in the contract document (4Ps, October 2001). The Audit Commission has also published research into the performance of 17 of the first 25 PFI schools to open, in comparison to schools built via traditional procurement. They included an assessment of building and design quality by the Building Research Establishment. The BRE concluded that traditionally funded schools were better across architectural design, building services design, user productivity, ownership costs and detail design. BRE also commented that the quality of materials used in the design and building of the PFI schools would have implications for maintenance costs and residual value of the building at the end of the 25-30 year period. The Audit Commission research also found that the cost of cleaning and care-taking was higher in PFI schools (Audit Commission, January 2003). However, the approach of the Audit Commission, like that of the 4Ps, is that the problems are of a technical nature and can be smoothed over by better training, advice and information. They therefore completely ignore the political dimension of the PFI.

Furthermore, the simple logic remains that the contractor will always seek the most cost effective way of delivering their obligations in the contract. The quality of materials and specifications and ultimately the service is second to the cost. Moreover, flexibility to make alterations is constrained because each aspect of the contract is carefully priced for both cost and risk, meaning that alterations are likely to be very expensive. This is a structural element of PFI, not merely a technical detail that can be rectified.

Chapter 8

Privatisation through Contracting Out and School Procurement

Introduction

The discussion above has shown that there is an increasing push for decentralised purchasing of education and support services from the market on the part of schools and new organisations outside the LEA. There are though important lessons to be learned from past experience of privatisation through contracting out support services, especially how this sort of privatisation can undermine many of the social goals associated with education provision. This section considers the recent history of school meals privatisation to demonstrate the point. The Centre for Public Services has in the past carried out research into cleaning and other school support services and found similar themes to those highlighted below.

School Meals

The recent history of policy toward school meals is a national scandal. In 1980 the Conservative Government ended the obligation for Local Authorities to provide children with a school meal with the exception of those children who received a free school meal. The same Education Act removed the obligation for the meals to be sold at a fixed price or for them to meet basic nutritional standards. In 1986 the same Government then reduced the entitlement to free school meals and in 1988 imposed Compulsory Competitive Tendering (CCT) on school meals services (Local Government Act, 1988), forcing local authorities to compete with the private sector on the basis of cost.

Prices, Nutrition and Social Inclusion

In 1997 the Centre for Public Services produced a report on the impact of the reform and CCT in school meals in the East Midlands and found that:

“competitive tendering has been largely governed by financial decisions and many authorities have imposed savings on the service, which have led to

price increases, poorer quality meals, and cuts in labour costs”.

“CCT and budget cuts have led directly to major reductions in employment and hours. Overall the combination of budget and job cuts in a labour intensive service, has led to reduced services with lower school meals take-up, lower quality meals, increased use of sandwich only provision, greater use of convenience and pre-prepared foods. These trends clearly have implications for Children's health” (Centre for Public Services, April 1997).

The Labour government has since re-introduced minimum nutritional standards for school meals and has commissioned several important national survey's into child nutrition and health. However, while a step forward, these standards have been criticised for not being stringent enough (BBC, 12 July 2000). The National Diet and Nutrition Survey of Young People found that young people generally had nutritional deficiencies and ate too much sugar, fat and had insufficient intake of fibre, vitamins and minerals (Food Standards Agency, 2000).

Added to this, research in 2001 showed that school meal prices had risen over the preceding six years ahead of inflation, despite high levels of continued subsidy from Local Authorities. The research also showed that around half of all provision is now in the private sector (UNISON, 2001) up from less than 8% in 1995 (Escott and Whitfield, 1995).

Separate research carried out for the DfES has indicated severe problems with free school meals within this context. It was found that 20% of children entitled to free school meals were reluctant to take them up because:

- Fears from parents and children that they would be stigmatised – children reported teasing as a result of taking free school meals and the study found that many schools operated token or list systems which accentuated embarrassment at the point of payment. In some cases there was also segregation of children with those having free school meals separated from other children by social practices operating in the

school such as other children eating lunch at morning break-times while those taking free school meals were unable to do so. Some schools also operated a cold meal only service where pre-packaged free meals were readily identifiable by their packaging. The study also found, particularly in secondary schools, that cafeteria style eating areas were difficult for free school meals recipients because tokens did not fully reflect the cost of an actual meal. The study found that the redeemable value of the token was much less than the average spend of other children and that embarrassment was often caused by unclear pricing and labelling. Children sometimes had to have a smaller meal or exclude a drink to be able to use the token. The study recommended that this practice be stopped;

- Concerns about the nutritional quality of food – this was a general concern expressed. However, it was more pronounced in those cases where free school meal tokens could not buy a full meal with children reporting that the token may only be able to purchase an unhealthy option rather than more nutritional alternatives. The study found that “the value of the free meal rarely permits pupils to eat a well balanced meal”.

In reaction to both these issues, there has been a mounting campaign in Scotland for universal free school meals of a high nutritional content. The campaign drew together research and evidence about social inclusion and free school meals and the nutritional content of school meals and the impact of dietary related ill health on the Scottish economy to press for a School Meals Bill (Brown and Phillips et al, 2002). A Bill which would have legislated to provide universal free school meals was defeated in the Scottish Parliament by 74 votes to 37 (see Campaign for Free School Meals in Scotland <http://www.govanlc.com/schoolmeals>).

Service Quality

Neither study made explicit links between the problem of the poor nutritional quality and problems associated with discrimination toward free school meals recipients and privatisation, beyond noting that “schools where outside contractors managed the cafeteria appeared to do little to monitor prices to ensure that pupils could buy an adequate meal for the value of their free provision” (Storey and Chamberlin, 2001). However, there are clear links between privatisation and the problems raised. Because private contractors are interested first and foremost in profit they have a natural incentive to:

- Raise prices.
- Cut the cost and thus quality of the food provided.
- They have also pushed for the restructuring of the

Income and Food Expenditure

What the survey did not highlight was the importance of this source of nutrition to poorer families.

- The lowest 10% of income group households spend only £25.80 a week on non-alcoholic food shopping which is less than half the amount of what the 5th decile income Households spend and substantially less than the national average of £62.90. The highest earning ten percent of households spend more than £110 per week;
- However, despite the small amount of money that the poor can spend on food shopping relative to higher earners this still represents a greater proportion of their total expenditure. The bottom 20% of income households spend more than 20% of their income on food whereas the national average is only 16%;
- These trends are even more pronounced when expenditure on food is broken down. It has long been argued that poorer families spend less on fresh food than their more affluent counterparts. When expenditure figures are analysed across a Basket of Staple food stuffs including Poultry, Fish, Fresh Milk, Milk Products, Cheese, Eggs, Potatoes, Vegetables, Fruit the poor spent noticeably less than higher earners but this was again a greater proportion of their overall. The chart shows the amount of expenditure by the ten income groups on this Basket of Staple Food products. While the poorest 10% of households spend less than £8 a week on the basket of staple foods identified here, the median income group (5th decile) spend nearly double this amount of money and the mean average of expenditure is more than double. The highest earning 10% of households spend more than three times as much on these staple foods.
- However, despite these large disparities in actual spending, when considered as a proportion of total weekly expenditure the lowest three income groups all spend more than 6% of their total expenditure on these items whereas the average is only just above 4%. The highest earning households spend less than 3% of total expenditure on these foods.

This data shows that poorer households are disproportionately vulnerable to changes in the price of food in particular. Statistics also show that older people are also more vulnerable to changes in the price of basic food stuffs than are other age groups:

- Households where the head of the household is over 65 and over 75 spend least (£47 and £34.70 respectively) on food shopping out of all age groups. This is also considerably less than the mean average of nearly £62. Again, though these figures are small relative to other age groups, they represent a greater proportion of expenditure for older people. Over 65s households spend nearly 18% of their total expenditure on non-alcoholic food shopping against a national average of around 16%. For the over 75s this is even more pronounced: they spend over 20% of their total expenditure on non-alcoholic food.
- Households where the head of the household is over 75 spend only £11.52 on the same basket of Staple Foods. This is less than any other age group except the under 30s. However, while this figure represents nearly 7% of expenditure for over 75s, it is less than 3% for under 30s.

See Centre for Public Services, 2002a; Office for National Statistics 2002.

school meals around cafeteria style delivery where children purchase individually priced items rather than a set school meal, thus increasing the average cost of a meal.

The excerpts at the top of the box opposite from UNISON's *Company Update* demonstrate this.

The Treatment of Staff

There have also been serious concerns about how staff are employed by catering contractors. One of the prime ways of cutting costs is to reduce labour costs and there have been many instances of:

- Cuts in the numbers of jobs
- Cuts in pay
- Cuts in hours
- Cuts in summer time retainers
- Worse holiday and sick pay entitlement

In 1995, a study for the Equal Opportunities Commission assessed the impact of CCT on school catering. It found that at that time only 7% of all contracts had been won by the private sector. However it also noted that the process of tendering by Local Authority Direct Service Organisations had led to less beneficial pay and terms and conditions for school meals staff, most of whom were women working part time. The study found that in 11 case study Authorities that were able to provide relevant data, the effect of CCT had been to reduce the total number of jobs by more than 2000 posts or 10%. Nearly all of the authorities that were able to provide data on the number of hours worked by staff had seen a reduction in the number of hours worked by catering staff. There had also been moves to cut pay and other terms and conditions, such as sick pay, and to increase the use of temporary agency staff and a much higher rate of staff turnover (Escott and Whitfield, 1995).

Summary

The EOC research reveals the complexity of the impact of contracting out and competitive procurement. It is not a simple story where direct provision is of good quality with satisfactory employment conditions and the private sector cuts quality and the terms and conditions of staff. The whole competitive structure introduced through CCT and to some extent carried on through Best Value, means that where contracts are retained in-house by Direct Service Organisations they also have to make sacrifices over service quality and labour conditions in order to compete with the private sector on price. Again the process of marketisation far

Problems in Service Quality

- "Pupils, school meals staff and parents are unhappy with the school meals at two of **Bristol's** schools since **Compass Group** took over the contract. At St Mary Redcliffe and Temple Secondary School pupils have threatened a boycott of their canteen after being taken over by Compass subsidiaries Scolarest and Chartwells last September. Lunches are smaller and more expensive. Dinner ladies have also said that they have been told to cut portions and use lower quality ingredients" (UNISON, May 2002).
- In May 2002 Headteachers in the **East Riding** pledged to take the school meals service back in-house after an industrial dispute between staff and **Martins Food Services**. The private contractor threatened to summarily cut staff pay by sacking them and re-employing them on lower pay and worse conditions.
- In **Hackney** in April 2002 **Initial Catering Services** (subsidiary of Rentokil PLC), a major national contractor for schools meals services, gave staff and schools two days notice that they would terminate the service. Staff protested and continued to serve meals from stocks until the end of term despite being threatened with not being paid. Initial warned schools not to discuss employment matters with school meals staff and Hackney council refused to take responsibility, arguing that they were not the employer, although staff believed that the application of Transfer of Undertaking Legislation would mean that they returned to being Council employees at the end of the contract. After much public protest by the staff, Hackney council won a Court Injunction to force Initial to carry on for two more days until the end of the term and further negotiations produced an agreement to continue to the end of the summer term, after which the whole LEA was to be privatised in a Trust structure (The Guardian, April 2 2002).
- Complaints were made in November 2001 about the standard of service and quality of meals supplied by **Sodexho** in **Wiltshire**. Meals were said to be inadequate and delivered late. In response, Sodexho said: "The portion size is set by the county council ... We have a two-hour window for delivery. ... We do try to get as close to the time they want as we can. ... Some of the men we deliver to need twice as much, but of course we can't afford to give them another meal." (UNISON, November 2001).
- In October 2001 a contract between **North East Lincolnshire Council** and **Initial** made 300 staff redundant. The Council had decided to move to a sandwiches and soup contract with Brambles (Serviceteam). Initial refused to pay redundancy to the workers arguing that it was a transfer to the Council and Brambles. The council disagreed and a legal battle ensued over the responsibility for the staff (UNISON, October 2001).

exceeds the direct impact of privatisation because even publicly owned and controlled agencies and bodies take on behaviour 'as if' they were a commercial organisation.

PART THREE: THE EUROPEAN AND GLOBAL CONTEXT

Chapter 9

The Global Market for Education: The UK at the Vanguard of Privatisation Worldwide

"In a rapidly changing world, education has become more important than ever before. Faced with increasing globalization, the rapid spread of democracy, technological innovation, the emergence of new market economies, and changing public/private roles, countries need more highly educated and skilled populations, and individuals need more skills and information to compete and thrive." (World Bank, 1999).

Introduction

The political and economic context set out in part one is necessarily replicated across all advanced industrial, and even emerging market economies. The need to compete in a dynamic global economy has led national governments to:

- Promote a flexible workforce; and
- Compete for mobile domestic and foreign investment.

A key task for the state has thus become the development of a globally competitive workforce capable of attracting and retaining investment, as well incubating domestic business development and innovation. Education is at the forefront of this. The global scale of the education 'market', including the total sum of public and private expenditure on education, is thus being eyed jealously by big business and transnational corporations all over the world.

The Global Education Market

Every year the World Education Market conference brings together corporations, governments and educators from across the world to discuss increasing access to this lucrative area. At the 2002 conference, the US education market consultants Knowledge Quest Ventures estimated this market to be worth more than US \$2000bn a year (Knowledge Quest, 2002). On

top of this, there is a widely held view that as lifelong learning becomes more and more important in the developed world, and as the percentage of GDP spent on health and education in the developing world increases, this figure will grow exponentially.

The only barriers to private corporations exploiting this lucrative market are:

- Public rather than private provision (ie where there is no market because the state monopolises provision).
- Barriers to 'trade' (ie where opportunities for the private sector may exist but these are regulated by domestic regulations on foreign providers).

There are major pressures world wide to tackle both these obstacles. The European Roundtable of Industrialists (an influential business lobbying group) has argued that "education is a market opportunity and should be treated as such" (Monbiot, 2000).

As this pamphlet reveals, the UK is moving rapidly toward eliminating the first barrier to market opportunities and is being used as a model overseas for new methods of financing and operating education services (International Financial Services London, September 2001). However, the process involved is complicated. It requires not only allowing the private sector to enter the education sector, but also the redefinition of the education process so that it can be packaged as saleable products:

- PFI schemes where the Design, Build, Finance and Operate functions have been integrated as a package is one example of this in terms of buildings and infrastructure;
- City Academies are allowing the private sector to develop the whole school education product;
- A commissioning and outsourcing culture, alongside technology based learning, is also allowing firms to develop core curriculum products;

- LEA privatisation is allowing the packaging of management 'products' (such as School Improvement, Intervention, human resources, purchasing, admissions management, finance, IT support) that can be bought and sold and indeed this is the very aim of some of the pilot projects;
- In the Higher and Further education sectors government policy is intentionally and simultaneously blurring the distinction between the two sectors (separating research from teaching, as identifiable and consumable processes), as well as repackaging learning into nugget-sized and modular sections that can be taken alone or added on to one another. Not only does this strengthen the demand side as a market driver, but it also contributes to the overall picture of life-long learning as a facilitator of labour market responsiveness;
- There are growing fears that educationalists who supply consultancy services to private education providers, especially online content providers, will find that the materials they design are then the property of the private company and they will thus be prevented from re-using their own ideas. Ultimately this could lead to a market in branded education products and the foreclosing of debate in some areas because of potential breaches in copyrights.

While the UK is being used as the basis for the export of many aspects of contemporary privatisation, the UK has also borrowed some ideas from the US, for instance City Academies which closely mirror privately run Charter Schools in the US (Custance and Nickson, January 1999; Regan, 2000; also see chapter four).

Edison Inc

The Edison project began as an audacious attempt to take over up to one in ten US state schools by 2020. In doing so Edison was one of the major drivers behind the Charter school movement.

Initially the company looked as if it may achieve its aim. By 2002 the company had in excess of 130 schools and had other large scale transfers lined up. However, the company has become embroiled in controversy about educational standards in its schools and its accounting practices, which have been criticised by the Securities and Exchange Commission. The prominence of Edison has led to it being a target for campaigners and activists resisting the privatisation of education (<http://pasaorg.tripod.com/>). The company's share value has since fallen, it has suffered from the general change in the investment environment since 2000 and is now having difficulties raising the initial capital to begin some of its larger schemes. The company has also suffered 16 cancelled contracts.

It has been said that the company was put off bidding for LEA and school contracts in the UK by the low level of state spending per-pupil on education which wouldn't be sufficient to return a profit (Palast, 2000).

There are a number of global structures in place which promote the privatisation of the public service infrastructure, including the education system. In particular, the dominant economic orthodoxy of neo-liberalism promotes the complimentary ideas that governments should engage in only those functions that the market cannot provide and also that controlling inflation is the number one target of economic policy.

This orthodoxy is propounded in a variety of important and influential international institutions such as the:

- International Monetary Fund (IMF)
- World Bank
- European Commission (EC)
- Organisation for Economic Co-operation and Development (OECD).

It is also central to less formal institutional structures such as the Group of Eight (G8) industrialised countries and the annual World Economic Forum for influential business leaders, bankers and academics. The role of the IMF as an inflation and public spending policeman has come in for particular attack (Stiglitz, 2002).

In some areas, such as the EU, this orthodoxy is even more formally entrenched. Within the European Union, the Stability and Growth Pact sets down agreed limits for public borrowing and spending which ultimately limit the amount of direct service provision that the state can engage in. Within the Euro area this is even more sharply entrenched because interest rates cannot be set nationally to vary the ability of the state to borrow from the capital markets. In the UK, despite being outside the Euro area, the government is no longer fully free to engage in borrowing to centrally fund public sector investment because the New-Labour government has given independence to the Bank of England (with a mandate to vary interest rates according to an inflation target rather than a public sector borrowing target) and the Chancellor has erected strict rules which limit the capacity of the state to borrow.

Privatisation of education and the making of markets for education corporations and other firms wanting to profit from education around the world is being directly advanced in a two pronged approach. First, development policy, at a variety of levels, is being shaped with this in mind. Second, and more universal in reach, the global trade agenda is being expanded to incorporate education as tradable product. These two prongs of policy are complimentary and the UK is at the forefront of their advocacy worldwide.

The Development Consensus

The UK is at the forefront of the global development consensus. Gordon Brown, Tony Blair and Clare Short (*The Guardian*, 22 February 1999; 2 December 2000; 1 February 2002; 27 June 2002) have led the world in arguing for debt and poverty reduction in the developing world. While their campaigning is intended to drive IMF, World Bank and global development policy forwards, the thrust of their approach is entirely consistent with the global development consensus advocated and implemented through these international institutions (DFID, 2000; World Bank, 1999). This consensus is centred around the reduction of developing country debt in return for policy reform which is claimed to ensure poverty reduction rather than be diverted into the bank accounts of allegedly corrupt officials and politicians. Policy reform centres around the following key principles:

- Advancing a secure investment environment – the rule of law, property rights and minimal and consistent regulations are said to increase the likelihood of attracting foreign investors, who can feel sure that their investment is safe.
- Developing markets and private sector capacity – this is advised as a means of both gaining credibility with the private sector and ensuring that possibilities of corruption on the part of developing country leaders is side stepped.
- Democracy and good governance – to ensure social stability and consent around the political system thereby foreclosing debate around democratic alternatives and protecting the enshrinement of guarantees on property rights.
- Development of pro-poor policies with a focus on health and education - this is regarded as essential to ensure that debt reduction achieves the practical goal of reducing poverty (World Bank, 2002).

The World Bank has made education one of its priorities and a strong theme throughout its work is privatisation. This theme is exemplified by the early drafts and consultation documents on the 2004 *World Development Report* which contains a strategy to expand a programme of reform similar to the UK Modernisation Agenda to public services on a global scale (World Bank, 2002a). The UN *Education for All* project is closely linked to poverty and debt reduction through the IMF's Heavily Indebted Poor Countries Initiative (IMF, August 2001), Poverty Reduction and Growth Strategies (IMF, March 2002) which implement debt reduction and the new G8 sponsored plan for Africa (G8, June 2002; June 2002a). Within all of these initiatives is a concern to promote universal access to education but also that this be provided in partnership

with the private sector. The International Finance Corporation (part of the World Bank) is also developing programmes to assist the private sector in developing educational capacity in the developing world (IFC, 2001). The Digital Opportunities Taskforce is actively developing the potential for technology enhanced distance provision, alongside private partners such as Accenture (previously Anderson Consulting) (Accenture, June 2002).

The World Bank's International Finance Corporation: EdInvest Project

The International Finance Corporation is part of the World Bank, charged with promoting private investment and engineering markets in the developing world. The IFC runs several programmes, such as EdInvest, aimed at promoting the development of private education systems in the developing world.

EdInvest is a an 'education investment facility'...for making "private investment [in education] possible on a world scale". It was started in 1998 in the Human Development section of the Bank and has since been moved to the International Finance Corporation section. It is presently managed by the Centre for British Teachers, who run school inspection services in Lincolnshire but also operate all over the world.

EdInvest promotes the privatisation of education all over the world, through the use of toolkits and technical advice on PPPs and voucher schemes. EdInvest also provides funding and other support to education investment projects in the developing world so long as they are *in the private sector show a good chance being profitable*.

The IFC and EdInvest also provide market intelligence aimed at encouraging the development of a global education market. For instance a presentation made by an IFC employee to the World Education Market Conference in 2002 presented the potential education investors with a detailed breakdown of projected education demand and market opportunities across the globe over the next 20 years. The presentation also went as far as suggesting that the typical individual consumption may be as much as \$4,500 each for on-line learning. While this is a blatant attempt to dangle a carrot to investors, the assumption of such high revenue streams in the developing world is bizarre since 29% of all people in the least Developed countries live on less than a dollar a day.

While it is undoubtedly true that ensuring that the benefits of debt reductions flow to health and education is more progressive than if they were diverted to military spending or corruption, it is also true that in combination with making and opening up global markets, it creates the possibility of huge global markets for the types of firms currently cornering the market in UK public services, including education.

A key factor in the exploitation of these potential markets is technological development. This is particularly so in the education sector, where the possibility of tapping emerging markets for education (particularly, in the first instance: China and Latin America) caused a massive expansion in e-learning investment, and partially fuelled the boom in technology stocks in the late 1990s. New startups in firms hoping to capitalise in the world education market, especially technology enhanced distance learning, proliferated in the late 1990s and speciality investment analysts such as Eduventures were set up to scope the scale and opportunities in this new growth area. Since then, hopes have taken a knock as a result of the collapse in the value of global technology markets and more recently as a result of revelations about accounting practices in major new-economy companies such as Enron, WorldCom and even BT and Vodafone. In this environment the global education market has witnessed a wave of mergers and consolidations (Eduventures Website: Walsh, 24 January 2001). While it appears that the stock market crisis is well entrenched and based upon fears about the long-term performance of many firms, over the long run the global education market is likely to develop as long as market opportunities can be secured and technological development allows the development of large economies of scale.

The General Agreement on Trade in Services

A major policy tool in creating the necessary global market for education is global trade liberalisation. Trade liberalisation is advanced through negotiations in the World Trade Organisation (WTO). The WTO's remit is to:

- Promote free trade in traditional manufactured goods.
- Expand the scope of trade to include new areas such as services.

Services trade is liberalised through the General Agreement on Trade in Services (GATS). This agreement and constant attempts to expand its coverage have attracted much publicity and the attention of pro-democracy and anti-poverty campaigners because vital public services such as health and education could potentially be liberalised. In short liberalisation means the opening up of a sector to global trade between private providers and 'consumers'.

There are four aspects of trade in the GATS agreement:

- Mode One: *Cross Border Supply* – this is the provision of education from one country to another. Distance education, whether in traditional format or through technology enhanced media like the internet and digital satellite television is an example of this.
- Mode Two: *Consumption Abroad* - This is where the consumers or their property travel to another country to obtain education. Foreign students, educational exchanges as well as UK students travelling abroad to abroad to study would be included here.
- Mode Three: *Commercial Presence* – This is where an education provider (public or private) would set up in another country.
- Mode Four: *Presence of Natural Persons* – This consists of teachers and other education workers travelling to another country to 'supply' and education service (WTO, 1995).

Article I.4 of the agreement appears to exempt public services from liberalisation. However, this only applies if services are

"supplied neither on a commercial basis, nor in competition with one or more service providers" (WTO, 1995).

Legal analysis has shown that because most public services involve a mix of public and private provision and often an element of competition, that this is insufficient to automatically exclude them from liberalisation (Ministry of Employment and Investment BC, 2001; Shyberman, 2001).

The WTO and some national governments (including the UK) have claimed that education and other public services can be made exempt from liberalisation under the agreement. This is entirely true, but it requires each member state to explicitly exclude education in its 'schedule' of commitments. It also ignores the fact that exemptions are temporary and the purpose of the agreement is to engage in progressive liberalisation in ever more sectors.

The UK government has maintained its stance that primary and secondary education and health care may be excluded from liberalisation (DTI, 10 October 2002). However, at the same time the government has been rapidly expanding privatisation, leaked EU documents demonstrate a willingness to demand education sector liberalisation in other countries (GATSwatch website) and the government has pronounced its willingness to pursue liberalisation in the NHS by conducting recruitment campaigns targeted at foreign healthcare workers and by shifting patients overseas for treatment.

Trade Unions and public bodies across the world, including Education International (Education International, 14 November 2001) have reacted angrily to the prospect of the GATS levering privatisation and exposing them to the full force of global competition. There are also fears that new technology enhanced forms of distance learning will radically restructure the educational process, undermining quality, freedom and pluralism of thought and significantly de-professionalise and restructure the role of frontline education workers (Nunn, 2001).

Summary

The privatisation of education in the UK is running alongside a similar global project. The UK is both a forerunner in this, acting as a case study for PPPs, contracting out and the restructuring of the state education system on market based principles, and a key actor in the redefinition of public services world wide through its aggressive support for trade and service sector liberalisation and privatisation.

PART FOUR: IMPLICATIONS OF PRIVATISATION

Chapter 10

The Implications for Democracy, Quality and Employment

Introduction

The privatisation of education via the various policy frameworks, from PFI to City Academies and LEA Strategic Partnerships brings with it a host of implications for the future of education. Of particular concern are the implications for:

- Democracy
- Social inclusion and equality
- Impact on the quality of education
- Employment
- The local, national and global economy.

Social Democracy

Contemporary privatisation initiatives redefine and undermine the democratic control of education by:

- Replacing the control of democratically elected local councillors with consumer choice in planning student numbers.
- Replacing LEAs accountable to local councillors with private firms accountable to a legal contract.
- Replacing LEAs with management by school headteachers who are advised by private consultants (especially where brokerages are set up to overcome shortages of skills in procurement) and involving increasing power for private managers accountable to share holders and auditors rather than public managers accountable to the local population.
- Replacing LEAs with Partnership Boards and other governance structures in new organisational models of LEA, which do not usually include citizen, community or staff representation.

- Replacing the directly controlled provision of support services through the LEA with purchasing from both small and large firms in the private sector.
- By private ownership and control over assets which were previously publicly owned such as school premises and other facilities (for example sports and recreation grounds).
- Restricting democratic scrutiny over policy decisions and information through commercial confidentiality.

A further key element of the erosion of social democracy via modernisation by privatisation is undermining the *purpose* of education:

- Planning to meet local social need is atomised via consumer choice and the transfer of LEA powers to a number of different sites, including the self managed school, school companies and new types of school such as selective Specialist schools and City Academies.
- The redefinition of education around narrow specialisms and especially the increasing focus on business and labour market related skills means that the broader social role of education as preparing individuals for a life outside work which includes membership of society is undermined. Bernard Regan has eloquently captured this argument:

“There is more to education than preparation for the world of work – there is preparation for life, of which work is only one part” (Regan 2001)
- The aggressive focus on individualism, for instance through the attack on the comprehensive system, further undermines the social in favour of the individual role of education in an echo of Thatcherite policy goals. There is no denying that increasing employment is a key driver of social inclusion. However, reducing education to its role in supplying the labour market is a thoroughly retrogressive step not only for the individual but also for democratically constituted society.

Democracy, Society and Culture

Patrick Ainley underlines the importance of the impact of increasing vocationalism on democracy, society and culture:

"...culture can not be genetically inherited, everything known has to be re-learned by each new generation. This would be true even of so-called 'primitive societies' that anthropology supposed existing without history. However, learning might also be posed in terms of how societies learn from historical experience; as for example how Germany and other countries learnt from the experience of fascism, or from the ultimate failure of the socialist experiment in the former-Soviet Union, or the lessons we have not begun to learn in Britain from the experience of Empire...such real social learning would be collective and democratic, open to different interpretations and to debate...instead knowledge and skill are individualised and limited to portfolios of information and competence, while learning is separated from leisure and popular culture. Education and training's main purpose becomes social control outside of work and managing organisational change within employment" (Ainley, 2001).

The very basis of social democracy is public ownership and control of assets and services provided for the benefit of all. By transferring assets to the private sector (PFI), by undermining both public ownership and control of service provision (LEA privatisation, City Academies) and by introducing markets and competition as the driving force of public service provision (devolved budgets, user choice and performance measurement), contemporary education policy is radically undermining social democracy.

Impact on Social Inclusion and Equality of Opportunity

The comprehensive system was based upon equality of opportunity, all pupils (rich or poor, male or female, regardless of colour or creed) were to receive equal access to education. Progressive educationalists have always pointed out that, while commendable, this does not guarantee equality of outcome. This was because formal equality in state schooling completely ignored advantages that the private education system may be able to confer on its pupils and because educational achievement is not solely determined by the formal education system but also by the range of resources which a family may be able to mobilise for the benefit of their children:

- Parental time, energy, experience and attitude to educational progress and achievement.

- Learning resources in the home such as books, computers, internet (and fast internet) connections etc.
- Family stability.
- Warm, clean, safe home and home life with adequate space to do homework.
- Exposure to ideas and experiences from an extended vocabulary to stimulating and educational holidays.

As a result, middle class children often benefited. Working class and poorer children suffered from greater economic insecurity, poorer diet and access to a warm and safe setting in which to do extra work and also through relative lack of access to educational resources. Much emphasis has also been put on the difficulties of working class children having to translate between the language of the establishment in the education system and regional dialects which were often assumed to be more prevalent in working class homes.

The New Labour government has exploited this weakness in the comprehensive system to argue that it is addressing equality of outcome by targeting greater resources at schools in deprived communities and therefore attempting to use the education system to address the out of school inequalities that often hampered the achievement of equality of outcome in the past. However, this is a bogus claim because:

- In reality increasing parental choice over schools favours parents with the time, inclination and resources to make most effective use of that choice, for instance through moving to an area close to a 'successful' school, which inflates local house prices in some areas while contributing to sink school/estate problems in others:

"while they [the middle classes] are often happy to live in mixed areas, parents are not prepared to settle for local standards of education. This is a huge factor behind middle income, middle class flight from inner city areas and is also behind the soaraway prices in areas with good schools, enhancing the hot and cold property pattern" (Minton, 2002).

- The residual choice left to others is limited and therefore undermines equal access and further reinforces the negative perception of those schools.
- Narrow performance measures and the publication of league tables gives schools and teachers an incentive to take children with less problems or who may appear to be easier to teach to the required standard and thus misrepresents 'success' and drives the 'market' in parental choice over schools.

- Teachers are encouraged to choose schools where life might be easier which in reality is those that suffer from less social problems. This will increasingly, be compounded by new initiatives as successful school companies endow their schools with additional resources and successful schools who have 'won' earned autonomy powers and which can thus offer greater professional autonomy, alongside new powers to vary teachers pay to reward success.

Some critics also argue that parental choice is secondary to the selection of pupils by schools. Clyde Chitty, Professor of Education at Goldsmiths College, argues that:

"Those who favour the idea of greater selection and diversity within the secondary system often argue that this will lead to greater choice of school for many parents. Yet all the available evidence indicates that in a divided and layered system, it is normally *the schools that choose parents*, rather than the other way around" (Chitty, 2001).

Increasing School Selection of pupils means that:

- Successful schools, where demand outstrips capacity, in a competitive system are automatically in the position of being able to choose their pupils according to wide range of 'oversubscription criteria' (DfES, 2002) which, despite minimal safeguards, may be manipulated to operate a selection policy.
- Selection in this way generates the opportunity for inequality on a host of grounds including race and gender.
- Promoting school's ability to select by religious affiliation as in the promotion of single faith schools has wider implications for the stability of relations between communities.
- Selection according to aptitude opens the possibility of even less equality of opportunity than selection according to examination performance (as in the Grammar school system) because of a relative lack of transparency. Allowing specialist schools and city academies to select in this way thus undermines equality of opportunity.
- This is especially so in a context of competition where the most 'able' pupils will be likely to boost grades and school performance leading to a virtuous circle where successful schools select the most able pupils who then contribute to the success of the school and so on.

Ultimately the effect upon social inclusion is to cement existing inequalities and patterns of social inclusion and exclusion.

What is often missing from debates about the relative success of the comprehensive system is realistic analysis of its success in meeting its own social goals

of equality of opportunity, many of which required coherent and complimentary policies outside the system itself. New Labour's attempts to kill the comprehensive system off come just 50 years or so after its introduction, and 18 of those were spent under avowedly unfriendly right-wing Tory governments. In that time the comprehensive system has been part of a move toward greater equality of opportunity for social mobility if not for the obliteration of class differences. It is noticeable that its greatest degrees of success came where there were also successful complimentary policies attached to it such as egalitarian school meals policies, the expansion of higher education and access to the further education system (which is a necessary intermediate gateway) or public housing and other welfare provisions which alleviated the dampening effects of poverty and inequality on children's attainment in school.

'Enabling' the transfer of Social Risk

'Risk transfer' is a catch-phrase in contemporary public policy debates, which originated in justifications for PFI where it is argued that the risk of failure to deliver infrastructure improvement is borne with the private consortia. Current New Labour education policy involves a very different type of risk transfer as part of the wider dismantling of the welfare state.

As life chances are increasingly defined against the measure of success in the labour market, the thrust of education reform, with its pre-occupation with skills (and also increasingly entre-preneurialism), is centred on a massive transfer of the risk of failure (unemployment) from the state to the individual. In the past the welfare state sought to protect individuals and groups from this sort of marginalisation. It provided not only a welfare safety net but assumed the responsibility for providing employment through public spending and industrial policy. In this way the risks associated with unemployment were carried by the whole of society through the state.

Education reform though, is part of the redesigning of the state to divest society of these responsibilities. The increasing vocationalism of secondary education, the individualised lifelong learning agenda and the desire to make education a flexible and skills based consumable product is aimed at 'enabling' individuals to carry their own risk of unemployment. *The real crux is that the development of this 'enabling' and individualised model goes hand in hand with a 'welfare to work' agenda and neo-liberal reforms of industrial policy (connected to EU competition policy and the agenda of the WTO). Crucially this involves the subjugation of social policy to the market rather than the other way around.*

Impact on the Quality of Education

Privatisation, in its various forms, can undermine the quality of education provision:

- Commercial imperatives of private firms - it is often forgotten, especially when reading the hype and rhetoric in corporate propaganda, that private firms have one primary goal: profit maximisation. They are interested in privatisation projects because they appear to offer stable and large revenue flows. There is an all too evident conflict of interest between profit seeking and education, especially where corporate involvement in the curriculum is involved. Business requires pliant workers and consumers whereas society requires well rounded individuals committed to the community and with the intellectual and moral development to be able to determine between the interests of business and the interests of the wider community. Influence in the education sector offers them access to a major sphere of children's development that had previously been outside their reach. Television, the internet and other children's and youth media, as well as the public sphere more generally, are all dominated by commercial messages arising from sectional interest. School ought to be an environment where these influences can be contextualised and understood, not an extension of them.
- The quality of support services – There is considerable evidence that privatising support services through contracting out or through establishing new forms of delivery vehicles such as Joint Venture Companies or strategic partnerships, leads to falling quality. This is because:
- Staff turnover is often higher because of lower wages and less advanced human resource policies.
- Lower wages and poorer terms and conditions mean that staff brought in to replace those leaving are often less well qualified and experienced.
- Staff are often under pressure to work quicker leading to mistakes and a tendency to cut quality.
- Private contractors have an incentive to cut the costs and thus the quality of the materials and other supplies that they use in construction or infrastructure such as schools.

In addition, privatisation in other areas has led to the public sector often being locked-in to private suppliers, regardless of quality. Once a long-term legally binding contract has been signed (in the case of PFI schools 25-30 years) re-negotiation or the use of alternatives is extremely difficult. As privatisation progresses, capacity

in the form of staff, infrastructure and buildings and knowledge, will all be gradually transferred to the private sector meaning that the state will no longer be able to control the process and may be left paying for a sub-standard service which it cannot easily improve. The ability to re-tender PFI contracts and formal quality assurance such as Best Value Reviews do not provide adequate protection from the structural dependency in the private sector that privatisation of key service areas creates. *Computer Weekly*, reporting on a failed IT contract between the London Borough of Lambeth and Capita commented that the council had a:

"powerful contractual weapon and it is all but useless. The Council cannot dispense with Capita's services. There are many reasons: the time and costs involved in finding a new supplier...disruption of the relationship means disruption of the service. The Council has found itself locked into a supplier whose activities are too closely interwoven with the Council's services" (*Computer Weekly* April 2000).

Privatisation is likely to lead to the degrading of education quality not its improvement. This is especially so when looked at from the point of view as education for life rather than merely training for work

Impact on the economy

Because education is such a major sector in the national and global economy, privatisation of education has significant negative economic implications:

- Reducing the wages of staff through 'efficiency savings' also reduces the amount of money available to local people to spend in their local economy.
- Increasing casualisation exerts a downward pressure on wages in the local labour market.
- Recycling public expenditure on education away from genuine community benefit to shareholder profits reduces the likelihood that the money will be spent in the local economy, thus further depressing local demand and the labour market.
- Reducing local pay and employment also reduces the fiscal base of the local and national economy thereby harming tax revenues.
- Increased economic insecurity creates greater demand for welfare services and public expenditure.

Ultimately the effect is to contribute to downward and deflationary pressures on the economic cycle, which in turn leads to recession and social destabilisation.

When viewed from a global perspective this is doubly worrying. The replication of the same privatisation agenda globally will mean that substantial amounts of people (who in the past were employed by the state in

the delivery of key public services) will be less economically secure thus having a global effect on spending and aggregate demand. Because the trade liberalisation agenda promoted by the UK and enforced through the GATS will also lead to some services (including some frontline education services) being transferred abroad to cheaper countries where labour costs are lower there may also be a competitive dynamic to this, where workers compete for the same work globally and in the process create a further downward pressure on their jobs, pay, terms and conditions.

The expansion of the liberalised trade regime to public services, through the GATS, and privatisation, pursued under the banner of development policies, may create huge potential markets for outsourcing and management firms who have 'cut their teeth' on UK privatisation. However, it could also lead to the global depression of wages and demand. It has been noted recently that privatisation has contributed to global deflation and the suppression of development (Stiglitz 2002).

Conclusion

Many contemporary government 'modernisation' policies utilise a progressive headline agenda. Increased expenditure on infrastructure and buildings as well as revenue spending, the promotion of increasing local control, of opening up schools and other public assets to be community resources and the targeting of extra resources to areas of social need are all welcome policy headlines. However, the reality of many of these is that they are accompanied by a much less progressive privatisation agenda that threatens to completely negate their impact and further to undermine

the key social values associated with the comprehensive system, which alongside the NHS was the jewel in the crown of the welfare state.

Where the comprehensive system sought to equalise the differences and inequalities between social classes New Labour's preferred system reinforces those class inequalities. The goal of the reform package is to ensure that the education system provides the labour market with the skills needed to attract and retain indigenous and foreign investment. It is therefore implicitly prefaced on the deconstruction of the welfare state and the principles of equality that were associated with it:

It is interesting that while many privatisation initiatives (City Academies, PFI, LEA strategic Partnerships) claim to provide new and additional investment, the reality is that funding continues to be provided by the state. The distribution of state funding is substantially changed under privatisation however, because the benefits are reaped by private firms hungry for profit. A significant amount of increased public spending on education will not then find its way into classrooms for the benefit of our children but will increasingly subsidise the costs of high and unaccountable salaries for executives of 'education corporations', consultants and rewards to shareholders. This is part of the corporate welfare complex.

Involved in this is a process of risk transfer. This is not as the proponents of privatisation argue the transfer of financial risk to the private sector. Rather it is the transfer of social risk from society and the welfare state to the individual. In this way, reform of the education system should be understood as part of the general New Labour project of 'modernisation by privatisation', which involves the dismantling of the welfare state and the ideals that underwrote it.

	Welfare State Comprehensive Model	New Labour Ideal Model
Values	Equal education for all groups	Individualised education
Goals	Offset differences between social classes / preparation for life of which work is only one part	Social mobility for individual but re-inforced divisions between social classes/preparation for work
Admissions	Long-term planning to meet social need	Market led, selection
Accountability	Democratic representation	Consumer accountability of market for parents and children and monitoring of performance indicators
Teachers	Energised by social mission	Demoralised by de-professionalisation, performance monitoring and attacks on employment conditions
Head Teachers	Education led	Increasingly managerial and business led
Funding	State funded	State funded
Risk	Socialised	Individualised

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