Private Profit, Public Loss:
Why the push for low-fee private schools is throwing quality education off-track

Ten-point briefing on the new report by the Global Campaign for Education

1. LFPS and the right to education: Governments worldwide have recognised education as a fundamental human right for almost 70 years; since then, they have made repeated commitments to ensure education for all. Despite this, 121 million children are still missing out on primary or lower-secondary education. A growing chorus of influential actors are advocating for increased privatisation of education, and specifically the expansion of so-called ‘low-cost’ or ‘low-fee’ private schools (LFPS), as a solution to the education crisis. Central to this argument is that public education has been tried and has failed – but these arguments overlook the reality that in many developing countries the public sector has long been chronically underfunded, preventing long-term investments and institutional capacity-building needed to assure quality and equity in education. The Private Profit, Public Loss report examines the evidence behind the major claims made in favour of increased privatisation, as well as the potential of a public alternative to achieve quality education for all.

2. The ‘great growth industry of the 21st century’: expansion of LFPS and donor support: This description of education by the CEO of Pearson appears to be backed up by the figures. UNESCO data from 2014 indicates that 13 percent of primary school enrolment, and 25 percent of secondary enrolment, is in private schools. However, a breakdown of UNESCO’s 2012 data showed the rate is higher in developing countries – at all levels. For example, at primary school-level, just five percent of enrolment was in private schools in developed countries, yet 13 percent went to private schools in developing countries. There is a rapid increase in many countries such as Peru, Nigeria, Kenya, and Ghana. A potential reason for this upward trend is the expansion of chains of for-profit, low-fee private schools, such as the profit-making Bridge International Academies which predominantly operate in Kenya and Uganda, along with their well-known impending expansion into the Liberian education system. There is considerable money to be made from even relatively low fees - Bridge, for example, is expecting to earn a profit of US$500 million in the next 10 years. There is also donor support - including from bilaterals like DFID, regional banks and the World Bank (including the International Development Association).

3. Private Profit, Public Loss: The GCE report focuses on LFPS, with closer examination of the following arguments:
   1. Low-fee private schools offer better quality education
   2. Low-fee private schools are affordable for all
   3. Low-fee private schools expand access to education for the most excluded people
   4. Low-fee private schools are more efficient and innovative
   5. Private schools bring choice and competition that drive up standards across the system, and respond to parental demand.

4. LFPS and quality education: the FFA describes an education of quality as one which fosters creativity and knowledge, and ensures the acquisition of the foundational skills of literacy and numeracy as well as analytical, problem-solving and other high-level cognitive, interpersonal and social skills. Unfortunately, very few, if any, studies of private schools address this full definition; much of the evidence – particularly regarding LFPS – relies heavily on test scores as a proxy for quality education. There is also an acknowledged natural bias in favour of private schools more generally: that the majority of children attending come from higher socio-economic backgrounds, giving them advantages (such as literate parents, good nutrition) which are known to lead to better educational outcomes. When controlling for some of these aspects, studies covering a multitude of countries have found no clear private sector quality advantage – much less one in LFPS. In Nigeria, while there was some evidence in a DFID report that LFPS were outperforming public on tests and other proxy indicators for quality, it was noted that, while private appears
better than public, “in reality, it is ‘less bad’.” In India, another study stated that “it would be a fallacy to propose that low-fee private unregulated schools...are a panacea for ensuring equitable quality education for all children.”

The presence of a trained, qualified and well-supported educator is one of the most critical factors in determining good quality education. Low-fee private schools, including chain schools, frequently rely on unqualified and untrained teachers, often on short-term contracts and extremely low wages. In terms of training, in Ghana, half of teachers in government schools have not been trained – but this rises to 90 percent in low-fee private schools.

5. ‘Affordability’ of LFPS: Operators and promoters of low-fee private schools frequently refer to these schools as ‘affordable’, emphasising that the fees are within reach of even the poorest families. However, in Nigeria, for example, the cost of sending just one child to a low-fee private school would cost nearly 20% of the annual minimum wage – which is itself far above the actual income of the poorest households, particularly given that the government recently declared that 60% of the population lives below the poverty line. In any case, poor people are already contributing to public education via taxation; often at a proportionally higher rate than the well-off because of regressive tax systems that rely on consumption or sales taxes. Fees for low-fee private schools are a double charge, taking more money out of the pockets of those least able to pay. Even for those that can or make the effort to afford LFPS, there are serious sacrifices to be made, as fees reduce disposable income to spend on essentials such as food, medicine, clothing, shelter and clean water. This leads to a host of problems: hunger, sickness, poverty and indebtedness. Ultimately, however, the harmful effects of fees in education are well-known and have been repeatedly acknowledged – including by the very institutions and governments which are enthusiastically embracing low-fee private schools today.

6. LFPS for the most marginalised? Low-fee private schools have certainly appeared in urban slums that are not served by the public sector, and some chains of low-fee private schools are explicit about targeting slum settlements. For some families living in such areas, low-fee schools are the only option available, which also applies to poorer families – who cannot afford to travel and shop around for alternatives. However, in almost every developing country, there are more primary-aged children out of school in rural areas than urban, and there is little evidence of private schools in such under-served places. Nationally representative evidence from rural India suggests that private schools are not just disproportionately likely to be established in urban areas, but also that they need public infrastructure (roads, educated women to become teachers) to exist.

The burden of fees means that girls are disproportionately likely to be out of school. Discrimination also happens through implicit or explicit selection of students, which is more prevalent in the private sector. In Chile, for example, 90 percent of independent private primary schools screen students prior to admission – compared to 32 percent of public schools – and select the ‘best’ students available. As many private schools rely on test scores to attract ‘customers’, they also have an incentive to discriminate against children whose circumstances create barriers to academic success, as has been the case in the USA and India. Evidence from Nepal observed that children with disabilities have been denied admission to private schools. There is also evidence showing that low-fee private schools are generally not enrolling children who are out of school – but rather they bring in students who were previously in other schools.

In 2014, 35 percent of out-of-school primary-aged children lived in conflict-affected regions – arguably the most difficult and excluded group of children to reach. While for-profit low-fee chains are not currently common in truly fragile contexts, earlier this year the Global Business Coalition for Education announced that the Vitol Foundation (one of its members) will be “partnering with Bridge International Academies and McKinsey & Company to develop a low-cost, high-quality education model for Syrian refugees at scale”.

7. Efficient and innovative? Private school supporters claim that they are more efficient and innovative than public schools, using this as a justification for increased public expenditure on private provision. However, low-fee schools can be unsustainable and subject to frequent closures, openings and re-openings. School closure affects academic performance, and leaves schools with set-up and transaction costs that a more sustainable model does not need to bear, casting further doubt on their true efficiency. Far from cutting edge innovation, practice in low-fee private schools often harps back to long-discredited principles, with chain schools putting an emphasis on standardisation to maximise scale and profit. The most obvious innovations in low-fee private schools are low-cost standardised education, technology as a replacement for skilled teachers, and ‘pay as you go’ schemes which come at the expense of quality.
8. Choice, standards and parental demand: Proponents of education privatisation argue that providing choice in the education market, and specifically introducing private schools which are more directly accountable to parents, will drive up quality across the board. There appears to be limited evidence that parents exercise ‘exit’ or ‘voice’ in a way that drives up quality in the private sector. While there is some limited evidence of parental engagement in decision-making in low-fee private schools, there is no evidence of users exiting schools due to quality concerns. Parents appear to use ‘signals’ to inform their choice – such as teacher engagement and even large class sizes (as a mark of popularity) – and these signals serve as proxies for the direct observation of education quality. Finally, there is a documented lack of evidence of public schools responding to competition. Countries where the private sector is responsible for a greater proportion of school provision fail to outperform systems with less private involvement. Lastly, parents may be enrolling children in private schools against their true preference – which is for good quality, free public schools – and are doing so due to the lack of alternatives.

9. Privatisation, inequality and social segregation: Education is one of the strongest tools a government has to reduce inequality, lifting up the poorest citizens and levelling the playing field. At the same time, high levels of participation in private education, and increased choice and competition, can lead to greater social stratification, and undermine education’s inequality-busting potential. Education can break the cycle of poverty, and research has demonstrated that public spending on education (and health) lowers inequality. When an education system provides the option for wealthier families to opt out of failing public systems, it can lead to ever more poorly funded public schools, and a divided society where the most marginalised children – in particular girls and children with disabilities – are left behind. It also undermines support for public schools, as those families with greater economic and political influence no longer have a stake in them.

PPPs which outsource public education delivery to low-fee private schools are increasingly the subject of debates and government policy proposals. Some – not all – PPPs attempt to address cost barriers to education by providing education free at the point of use, but there remain concerns beyond affordability: poorly- or unqualified teachers, scripted instruction, cost reduction by driving down investments in facilities, and negative equity impacts, including potential discrimination based on disability, ethnicity or minority status.

Voucher systems can offer the poorest families the option to ‘buy’ their way out of failing schools, avoiding the situation where they are abandoned in the lowest quality schools as richer families opt out. Both the World Bank and DFID have made the case for vouchers arguing that these can lead to improved educational quality and access, while redressing inequity in the poorest countries. Yet a 2009 meta-study of evidence shows relatively small achievement gains for students with vouchers. In Chile, the country with the most substantial experience of voucher schemes, there has been a pushback against vouchers due to severe stratification of the education system.

10. Public first for quality education: The evidence casts considerable doubt that the route to quality education for all lies in the increased pursuit of privatisation, but it is undeniable that public education systems are in crisis. Government budgets have not kept pace – indeed, there has been chronic underfunding of education – and the teaching profession has been widely undermined both by low pay and by the spread of untrained teachers. It is not enough to criticise private schools, but it is fundamentally critical to strengthen the public education system. The following six actions are needed in terms of establishing an alternative to privatised provisioning:

1. Increasing confidence in public education
2. Increasing the financing of public education
3. Making education spending progressive and increasing scrutiny
4. Increasing governance and accountability in the public sector
5. Increasing quality and equity in the public sector
6. Ensuring public regulation of private education providers
Global Campaign for Education policy demands:

Governments must:

- Develop and implement national plans to finance and provide universal access to free, quality, public education, with stronger measures to strengthen governance and equity. Do everything possible to raise and allocate sufficient financing for free, quality public education systems according to national education plans.
- Commit and plan to improve education governance and accountability in the public education system.
- Put in place effective regulatory and monitoring frameworks for private education.

Donors must:

- Rapidly increase funding for the expansion of free, public education of high quality in low-income countries, including through the Global Partnership for Education.
- Refrain from directing aid to profit-making and fee-charging schools, or companies that profit from education in the poorest countries. Support greater domestic resource mobilisation to ensure enough resources are available for delivering free, quality education for all.
- Allocate 20 percent of aid to education, with at least 50 percent targeted to basic education.
- Respect basic principles of aid effectiveness, ensuring that aid is co-ordinated, predictable, and long-term and, where possible, is provided as education sector or general budget support.
- Support developing-country governments to strengthen their capacity to regulate existing private school providers effectively in line with human rights principles.
- Act collectively to defend free public education for all in international organisations such as the World Bank, UNESCO, and the UN Human Rights Council; this means prioritising the strengthening of public systems, and taking a shared approach to scaling down funding to private providers in low-income countries.

Civil society must:

- Promote a positive vision of how public education can be effectively reformed (to improve quality and equity) and credibly financed.
- Engage actively in policy development and monitoring of education, seeking to build public awareness and exposing poor performance and/or corruption, to ensure greater accountability across education systems.
- Support the active participation in school and education governance of teachers, parents, communities, and children and young people. Raise awareness of the impacts of privatisation policies and work with local communities to advocate for rights-based education policies.
- Carry out independent scrutiny of education budgets and spending, track actual spending and its equity impact at all levels, and share information in an accessible form with citizens.
- Lobby governments to establish clear national standards for education providers, including those in the private sector, and to establish effective monitoring and redress mechanisms.