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## **Privatization of Education**

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### **Abstract**

*This paper highlights emerging trends, programmes and policies in privatization of education in Western countries. These trends are educational vouchers, choice of private schools, private school liberalization, private contracting of specific services, tuition tax credits and deductions for parents ,subsidies and assistance grants to private schools,home-schooling and private payments for schooling and competition between schools and between education agencies.*

Privatization is the transfer of activities, assets and responsibilities from government/public institutions and organizations to private individuals and agencies. Also privatization is often thought of as 'liberalization' – where agents are freed from government regulations, or as 'marketization' – where new markets are created as alternatives to government services or state allocation systems (Levin, 2001).

The trend towards privatization is strong: it is taking place in many countries and within many sectors of the economy particularly the education sector – because it is a large expenditure item in Government budget. Education can be privatized if: (a) students enroll at private schools; or (b) if higher education is privately funded. In the first case, the government no longer provides schooling; in the second case, the government is no longer funding education through

taxpayers' money or loans. In general, it is helpful to think of privatization in three forms.

1.Private provision

2.Private funding

3.Private regulation, decision-making and accountability

**Private Provision:** Education can be provided by private agencies; such as privately owned and managed schools or universities. It need not be provided through government-run institutions; instead, religious groups could operate private schools, for-profit entrepreneurs, charities, or other interested parties.

**Private Funding:** Education can be funded by private individuals rather than through government subsidies. Privatization may therefore mean that parents pay for schooling rather than the government (via tax revenues). Often, private schools are supported directly through tuition fees paid by students' families, but in many cases, both families and governments contribute funds in a cost-sharing approach.

**Private Regulation, Decision-making and Accountability:**

Education services can be monitored by those who receive the services directly, i.e. the students and their families. They will make sure that the education is of satisfactory standard – either by refusing to enroll at poor quality schools ('exit') or by demanding a better service . Thus, privatization can include giving parents more choice over what goes on in schools, or what types of school are available, even where all these choices are within the public sector. Also, governments can regulate education: States often set compulsory schooling laws and monitor schools' performance through inspection systems, audits and accountability frameworks.

Most privatization policies fall into one of the above three forms. So, privatization of education can be undertaken by either:

- a) increasing the number and proportion of private providers;
- b) raising the amount of funds contributed directly by the users of the services (i.e. students and their families) and lowering the amount contributed through subsidies; or
- (c) enhancing parental monitoring of schools and school choice over government rules and regulations. Each of these approaches may be taken simultaneously.

***Privatization Policies and Programmes in Education*** :Privatization trends are developing as education policies across each of the three sectors of primary, secondary and higher education . Some of the programmes and policies which are very popular in Western countries with regard to privatization are reviewed below:

***Educational Vouchers***: Vouchers are educational coupons that entitle each student to a prescribed amount of schooling (Levin, H.M., 2002). Historically, in Western countries schools have been funded through taxes paid by local communities, by regions, or by the national government; the total funds are then divided amongst the students living in that community. It is most often seen in Western countries.

A voucher system could be very different: Each student could be allocated an annual amount of funding that could be used to enroll in any eligible school. The schools can obtain revenues based on the number of students who enroll: if not enough students enroll in a particular school, that school could have to cut its costs or close. Education under a voucher system still involves government funding, but it need not involve government provision of schools. By giving parents the power of being able to freely use the voucher, private

choices –and therefore private accountability – would be significantly expanded.

***Choice of Private Schools:*** To maintain control over the provision and funding of education, government agencies may allow parents to make choices between schools (Henig and Sugarman, 1999).

Historically, in many countries enrollment in a school has been determined by residential location: children were expected to attend their local or neighbourhood school. In many situations, this is still the case. However, where there is adequate transportation and a sufficient number of schools, it may be feasible to allow enrollment in any private school. These policies are often called ‘open enrollment’ or ‘school choice’ programmes. These programmes create greater choice for parents, although these choices remain limited to include public schools only.

***Private School Liberalization :***With fewer regulations, private institutions may be better able to respond to changes in students’ needs, and in the prices of key inputs, such as teachers. Private schools are managed through laws and government rules. However, the danger is that these schools may become overly bound by rules, regulations, and traditions and bureaucratic practices that lead to rigidities and inefficiencies. Liberalization would involve reducing the ‘red tape’ and bureaucracy that private schools face, making them more efficient and more flexible. One way to reduce the number of rules is to create new schools that are clearly exempt from them. During the 1990s, many states in the United States passed laws permitting charter schools; these are government-funded schools, but they are subject to fewer regulations than regular public schools.

***Private Contracting of Specific Services:*** Private schools provide a range of services under the title ‘education’.These include instruction, but they also provide food, sports facilities and welfare counseling. Many of these ancillary services could be provided by private firms

under contract rather than by government agencies. Ultimately, students and their families are concerned with the quality of the education they receive, not with who has supplied that service . If private contractors are more efficient at delivery, then governments may seek to encourage more contracting of educational services. This may be the most common approach to privatization, and politically the least contentious when reduced to specific services . Given this large number of services that schools provide that are not directly educational, numerous companies can emerge as contractors to the schools for textbooks, food, transport and cleaning services. In the United States in the 1990s, a new niche opened up in the form of Educational Management Organizations (EMOs): these companies supply management services to schools (i.e. student assessment, budgeting and administration). Private contracting may therefore allow a school district to concentrate on education without also having to operate a cafeteria or transport service.

***Tuition Tax Credits and Deductions for Parents:*** One way to encourage private expenditures on education is to make those expenditures exempt from taxes. A tax credit is where either the total amount or some portion of the permissible expenditure is subtracted from the amount of tax that is owed by the individual. A tax deduction is where the permissible amount is deducted from the gross taxable assets of the individual . If families benefit from either type of tax advantage from the purchase of education-related services, they are likely to buy more of them. If families benefit from either type of tax advantage from the purchase of education-related services, they are likely to buy more of them .

***Subsidies and Assistance Grants to Private Schools:*** One way to foster competition between public and private schools – in a form similar to that of an educational voucher – is to give subsidies or assistance grants directly to private schools. These grants are made

available in many countries (Australia, England and Wales, France, Germany, Holland, Hungary, Japan, Poland and Sweden)

***Home-schooling and Private Payments for Schooling:*** Some families believe that neither existing public nor private schools can deliver an appropriate or desirable education for their children. These families may opt out of the education system entirely and school their children at home .In the United States, home-schooling is a legitimate way of meeting the compulsory schooling laws, and over 800,000 students (1.7 per cent of all school-age children) are estimated to spend at least two years as home-schoolers (Baumann, 2002).

***Competition between Schools and between Education Agencies:*** One way of creating an education market is to encourage school – or agencies at other levels – to compete with each other. Where a school has a captive market or monopoly, it is less likely that it will respond to students’ needs. In contrast, where families have a choice of schools, they will select the one that best meets their needs. Therefore, one privatization reform would involve creating systems wherein schools compete with each other to offer the highest quality education.

Overall, there are many opportunities to privatize the provision, funding and accountability of educational services. Indeed, international reviews of the demand-side and supply-side policies show that many countries have implemented some form of privatization (Patrinos, 2000).

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