

For-Profit Schools

What Are For-Profit Schools?

There are two types of for-profit schools. The first kind is a school that operates as a business and attempts to make a profit from its educational operation. The school receives a fee for each student it enrolls. The second kind is an educational management organization (EMO) that contracts with school districts and charter schools to operate public schools. The most important difference between the two types of for-profit schools is that EMOs usually manage schools receiving public funds. Most for-profit schools function as EMOs.

For further discussion of for-profit schools, see the following NCSPE articles:
Occasional Paper 14: Levin, Henry M. 2001. "Thoughts on For-Profit Schools." http://www.ncspe.org/publications_files/7_OP14.pdf
Occasional Paper 22: Fitz, John and Brian Beers. 2001. "Educational Management Organizations and the Privatization of Public Education: A Cross-National Comparison of the USA and the UK." http://www.ncspe.org/publications_files/495_OP22.pdf
Occasional Paper 47: Levin, Henry M. 2002. "The Potential of For-Profit Schools for Education Reform." http://www.ncspe.org/publications_files/179_OP47.pdf

Why are for-profit schools controversial?

For-profit schools seek to use the principles and practices of business to improve schools. Therefore, the main concern of management is realizing profits and promoting growth. Proponents of for-profit schools claim business models will benefit students, because financial success depends on providing a quality education. Schools must improve if they are to compete for students. Opponents fear for-profit schools will make students a secondary concern and eliminate beneficial programs that are too expensive or take shortcuts to enhance profitability. The potential advantages and disadvantages of for-profit schools are listed below.

What are the possible advantages of for-profit schools?

- **Greater Efficiency.** For-profit schools have incentives to be efficient and to eliminate unnecessary expenses.
- **Increased Competition.** To gain fees and attract students, for-profit schools are encouraged to offer quality educational programs and produce successful results.
- **Responsive to Clientele.** For-profit schools treat families as customers. Thus, each school must adapt to the needs and desires of its student population.
- **Encourages Innovation.** As with any business, a for-profit school benefits from offering new products. This induces for-profit schools to experiment.

What are the possible disadvantages of for-profit schools?

- **Lack of Knowledge.** A proven blueprint for operating a for-profit school does not exist. Thus, management teams may make costly errors.
- **Misguided Focus.** The fundamental purpose of a school is to educate, not make money. Essential school functions may conflict with realizing profits.
- **Eliminated Services.** For-profit schools may minimize or eliminate social services readily available in public schools, because of the large cost.
- **Large Added Costs.** The unique costs of running a for-profit school, such as promotion and marketing may serve to drain instructional resources.

For further consideration of the debate surrounding EMOs, see the following NCSPE articles:

Occasional Paper 60: Bulkley, Katrina E. 2002. "Recentralizing Decentralization? Educational Management Organizations Charter Schools' Educational Programs." http://www.ncspe.org/publications_files/144_OP60.pdf

Occasional Paper 69: Bulkley, Katrina and Jennifer Hicks. 2003. "Educational Management Organizations and the Development of Professional Community in Charter Schools." http://www.ncspe.org/publications_files/133_OP69.pdf

What is the size of the for-profit school sector?

Since there are only a very small number of for-profit schools, they have had a limited influence on education. For-profit efforts have benefited from the charter school movement. Of the estimated 417 schools managed by EMOs, 320 operate charter schools (Molnar, Wilson, & Allen, 2003). Recent years have seen the development of large, influential EMOs, such as Edison Schools, Mosaica Advantage, and Chancellor-Beacon. But these corporations have struggled to show profits. There have been few systematic evaluations of for-profit schools and available reports show mixed results for academic achievement.

Where can I find out more about for-profit schools?

Information about for-profit schools located on the NCSPE website can be found at <http://www.ncspe.org/inforead.php?mysub=4>

For additional information on for-profit schools see:

Miron, Gary and Christopher Nelson. 2002. *What's Public about Charter Schools: Lessons Learned about Choice and Accountability*. Thousand Oaks, CA: Corwin Press.

For additional information from internet resources see:

The Edison Schools website at:
<http://www.edisonschools.com>