



The Business of Education

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Private Provision

Before 1990s, private provision was mainly:

- Private not-for-profit schools (mostly religious)

New types of providers in the 1990s:

- Private for-profit schools (e.g. Edison, National Heritage)
- Home schools (e.g. White Hat Management)
- Providers of supplemental services such as tutoring, summer school, music, and sports (growing industry)

Funding sources for these new providers:

- Publicly, through state/district charter and NCLB mandate
- Privately, through tax credits
- Privately, as parents demand more education-related services



(A) Instructional Services:

1990s showed that it is not easy to beat the public schools. Private providers realized:

- No easy administrative savings
- No demonstrably superior pedagogy over public schools
- Additional costs in marketing, establishing brand equity, politicking, and community-building
- Few economies of scale (franchising not easy)
- Competitive response of public schools

Private providers now more judicious in contracting to offer instructional services, and now moving toward other services



(B) Supplemental Services:

Under NCLB, supplemental services must be available for students in schools failing to make Adequate Yearly Progress

Approx. \$600-\$1500 per student (reasonably generous – public schooling is about \$10 per hour per student)

Choice of providers:

- Option of provision from public schools, for-profit or non-profit non-religious agencies (faith-based organizations can participate, but do not have a big presence)
- 160 in CA, 75 in TX, 50 in NY, 30 in CO, 12 in OR



Stories:

- What are these services?
- How is effectiveness/efficiency determined?

- Choices of services (political):
 - Vouchers? Flat contracts to providers? Public schools lock-in with districts?

- Funding of services (fiscal):
 - Will there be cuts in other Title I services? Extra spending? Differential spending across districts?

- Impact of these services (educational):
 - On families? On school behaviors? Do teachers notice better tutored students?



What are these services?

Organizational variety:

- Many 'mom-and-pop' in-state providers
- Community organizations: YMCA, Kiwanis
- Public school provision
- *Big players:* Sylvan Learning Systems, Edison Schools (Newton Learning), Princeton Review, Kaplan
- *Emergents:* Club Z! In home Tutoring Services, Brainfuse.com, Kumon North America, EdSolutions Inc.

Pedagogical variety:

- Alignment or otherwise with state standards
- Cyber schools / distance learning / in-school / at home
- Subject-specific

Pricing variety



How is effectiveness/efficiency determined?

Difficult to evaluate:

- Variety of programs with different goals
- Students get ~ 1 hour per week

Current set of evaluations:

- “Not compelling” / scientifically based

Providers chosen by districts/parents (with little information)

Which providers will grow?

Growth determined by:

- Showing up (some providers operate in every state)
- School/community tie-in (public schools may have an advantage)
- Winning information campaign (providers with a good marketing strategy or demonstration of effectiveness may do well)



Same fate as instructional service providers?

Will this be a case of private companies with high initial expectations and then a reality check on how profitable the market is?

Still not easy to beat the public schools:

- No easy administrative savings
- No demonstrably superior pedagogy
- Additional costs in marketing, establishing brand equity, politicking, and community-building

But:

- ❖ National market may give economies of scale
- ❖ New market without entrenched public sector may mean that private companies get in first