WORKING GROUP 02

CHAPTER

3

Political economy of education – Implications for efficiency, equity and social justice

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Abstract:

Discussing the relationship between economics and education from a political economy perspective, this chapter focuses on the mediating factors of state structure, legal frameworks and culture, political and religious ideologies, class, ethnicity and gender. This contextual approach to the relationship between economics and education underpins the key argument that investing in human capital is necessary but not sufficient to make education a force for societal progress and human flourishing. The chapter considers the aspects of educational investment and financing that policymakers should incorporate into their decision–making, and their implications for social equity. The chapter examines two recent trends in educational governance – meritocracy and marketization and privatization.

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CHAPTER

3.1 Introduction

In 2014, Thomas Piketty's book, Capital in the 21st century, became a global sensation by highlighting the apparently inexorable rise in economic inequality within and between nations. In his book, Piketty **(2014)** refutes the claim that, in the long run, industrialization and economic growth will reduce inequality. Instead, he shows that, apart from a short period between 1914 and 1950, when most of the world was devastated by economic depression and war, inequality had been steadily rising since the onset of industrialization, and it now approached levels comparable to those of the early nineteenth century.

According to Piketty, one key to reversing this bleak trend was education. By investing more in education, governments could raise the supply and quality of skills in their populations, which would in turn reduce income inequalities. Piketty thereby re-iterated one of the noblest and most important ideas of modernity – that education is key to creating more equitable, just and flourishing societies. However, critics soon pointed out that things might be more complicated. Specifically, some educational researchers criticized Piketty's reliance on a human capital perspective on education, arguing that human capital thinking had itself informed a large number of educational reforms, which had been instrumental in exacerbating the very inequalities criticized by Piketty himself **(Dale, 2016; Robertson, 2016; Klees, 2017)**.

...over the last few decades, patterns of access to and financing of education have been deeply involved in exacerbating the social and economic disparities we witness today.

However, in his recent book, Capital and Ideology **(2020)**, Piketty is more nuanced in his view of education. He shows that, over the last few decades, patterns of access to and financing of education have been deeply involved in exacerbating the social and economic disparities we witness today. In this sense, education has become a means for defending privilege as much as a means for overcoming privilege. Here higher education (HE) plays a crucial role. To make this point, Piketty **(2020, p. 710)** quotes an 1872 statement by a French educationist:

Obliged to submit to the law of the majority, the classes that call themselves superior can preserve their political hegemony only by invoking the law of the most capable. Because the walls of their prerogative and tradition are crumbling, the democratic tide must be held back by a second rampart made up of brilliant and useful merits, of superiority whose prestige commands obedience, of capacities of which it would be folly for society to deprive itself.

What this unapologetic statement makes clear is that in a democratic society, education does not only serve equality. It also contributes to promoting inequality beneath a veneer of justice.

These examples point to the complexity of the relationship between economics and education. In accordance with the UNESCO mandate, in this chapter we explore how education may contribute to more equal and socially just societies. In order to do so, however, we need to understand the manifold and ambiguous ways in which economics and education interact in different geographical, cultural and political settings. It also means that we must explore how education may, in some contexts, contribute to the reproduction of inequality and even to the creation of new inequalities. In other words, in order to imagine how education can be a part of the solution, we must also realize how it can be a part of the problem.

WORKING GROUP 02

CHAPTER 3

3.2 A Political Economy

In order to unravel the complexities of the interplay between economics and education, we adopt a political economy approach. The term 'political economy' dates back to the eighteenth century but remains contested. Today, there are widely different versions of political economy, including Marxist approaches to public choice theory **(Klees, 2017)**. In this chapter, we use the term in a broad sense – implying that economic processes and outcomes are embedded within social relations in the widest sense of the term. The relationship between

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education and economics is not a direct one. It is mediated by state structures and legal frameworks, by culture as well as political and religious ideologies, and by social relations of class, ethnicity and gender. ‘Political economy’, as employed here, resonates profoundly with the notion of ‘context’ to the extent that it provides a contextually informed approach to the relationship between economics and education. This also implies that the ‘political economy’ indicates an interdisciplinary approach to education and economics. In this chapter, we draw especially on studies from political science and sociology in addition to the ‘economics of education’. In addition, a political economy approach to context also implies a comparative perspective on the relationship. The relationship between education and economics is mediated by very different political and institutional arrangements and patterns of social relations. Therefore, it is articulated in very different ways in different settings. In this respect, this chapter draws especially on research in comparative education – the field of educational research that specializes in developing and assessing comparative approaches to educational processes, including the relationship between education and economics.

Finally, it should be noted that ‘political economy’, as employed here, implies an inescapable evaluative or even moral dimension. At the same time, it aims to be unbiased (not subject to special interests, ideological or otherwise) although it does not purport to be value-free. It is well known that Adam Smith, one of the founders of the tradition of political economy, was not an economist in the modern sense of the word, but a moral philosopher. According to Smith **(1776, 1970)**, and to much of the tradition that he was instrumental in founding, the most fundamental question of political economy does not concern economic efficiency per se, but rather how economic processes may serve to advance the social good – that is, the well-being of society as a whole.

WORKING GROUP 02

CHAPTER 3

3.3 Methodology: evidence & context

Given the scope of this chapter, we must necessarily draw on a wide and varied range of scientific evidence. In general, the social sciences are characterized by considering information of a composite nature (quantitative and qualitative data) and employing a wide variety of research approaches to analyse the data, ranging from those closest to positivist and post-positivist to critical, interpretivist and humanistic **(Della Porta and Keating, 2008)**.

This point is especially pertinent from a political economy perspective. As it implies an inter-disciplinary approach, it necessarily takes into consideration not only different sources but also different conceptions of evidence. In order to assess the complex interplay between economics and education, this chapter will need

to cover research questions at a number of different levels – from more straightforward questions associated with the impact of certain models of educational financing on the enrolment of students in HE, to broader questions concerning the ways in which neoliberal policy trends condition the changing roles of public and private education providers in different contexts. While quantitative data (e.g. educational statistics) are crucial to answering the first kind of question, answering the second kind of question requires evidence of a different nature, including critical policy studies. In the latter case (and as emphasized by the interpretivist tradition in the social sciences), it becomes obvious that researchers' perceptions are an inescapable part of the analysis and its results. Since this is an inevitable condition, it does not detract from the scientific validity of such studies. It means, however, that we have to 'control' for potential bias by including a broad range of studies in our assessment, rather than basing our conclusions on the findings of a single author.

Finally, in a chapter appearing under the heading 'Context', it should not be forgotten that contextual information is in itself a crucial form of evidence. In educational research (and, indeed, in the social sciences more generally), we are rarely dealing with direct causality **(Hammersley, 2003)**. Even the (apparently) simplest of relationships are mediated in ways that make context crucial for final outcomes. In order for this assessment of economics and education to serve as a reliable source of evidence for policy-makers and practitioners, we will therefore have to be highly sensitive to this contextual mediation. For this purpose, we also include case studies in our assessment. While such studies are often dismissed as inferior (or 'anecdotal') sources of evidence, we argue that for our purposes they serve an important role, not just in demonstrating how economics and education interact in specific settings, but also in strengthening our general understanding of the contextual mediation of the relationship between economics and education.

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WORKING GROUP 02

CHAPTER 3

3.4 The structure and argument of the chapter

The chapter's main argument is that investing in human capital is necessary but not sufficient to make education a force for societal

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progress and human flourishing. The social outcomes of educational investment depend on the modes and distributional patterns of such investment. Therefore, we need to look closely at the specific ways in which human capital is cultivated and valued under the aegis of different education policy and financing regimes to assess the implications of educational investment for social equity and human flourishing.

Our examination of these issues is divided into two parts. Firstly, we focus on two recent trends in education governance that have significant, albeit ambivalent, implications for social equity and human flourishing. The first of these is meritocracy, and the second is marketization and privatization. Following authors like Markovtis **(2019)** and Sandel **(2020)**, we argue that while meritocracy has traditionally been considered a 'leveller' (since it insists that educational opportunities should be equally open to everyone), it increasingly creates large disparities of income as well as social esteem between different forms of education and jobs. In this respect, the increasing role of education as an arbiter of social relations of power and status may have deleterious consequences for social equality as well as for human flourishing.

Similarly, ambivalent effects are associated with marketization and privatization. While marketization refers especially to new forms of educational governance ('quasi-markets') that claim to make educational organizations more efficient, responsive and innovative by exposing them to market pressure, privatization refers specifically to the multiple ways in which the private education industry increasingly participates in and re-shapes education around the world. In some contexts, marketization and privatization may serve to strengthen the provision and organization of education. They may create more flexible modes of educational provision, thus creating new opportunities for groups traditionally marginalized in

public education systems. In many cases, however, marketization and privatization reinforce disparities between educational institutions and the different social groups they serve. In some cases, they directly compound the inequalities associated with meritocratic sorting. One case in point is the worldwide increase in the use of private tutoring as a strategy for obtaining admission to prestigious educational institutions. Furthermore, marketization and privatization are often associated with an impoverished conception of education. Here, education is frequently understood in narrowly instrumentalist terms as a matter of developing the competences required by contemporary labour markets. While this role of education is highly important (and also deficient in the majority of contemporary education systems), it simultaneously seems to ignore the importance of 'public spiritedness' in all its forms as an equally constitutive aspect of education.

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The second part of the chapter discusses in more detail how such trends of educational governance affect patterns of investment in and financing of education systems around the world. We note that even if government expenditure on education in most low-income and lower-middle-income countries has risen, more is needed in order to meet commonly accepted international benchmarks. Just as importantly, we note that expenditure on education is increasingly allocated to post-secondary education rather than to primary and secondary education. This applies not only to domestic expenditure but also to external aid, which has stagnated in recent years.

This trend is consistent with the premises of meritocracy, which put a premium on HE credentials in social advancement. However, it is important to consider the ways in which investment is made in HE; to the extent that this investment competes with investment in secondary and (especially) primary education, its effect would not contribute to greater social equality. Another element to bear

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in mind is that increased access to HE does not necessarily benefit the students themselves – neither in terms of skills formation, nor in terms of human flourishing. Discussing the cases of HE in Africa and Latin America, we show how rapid expansion of post-secondary education may lead to serious problems of under-funding, poor quality and high rates of attrition. This affects economic growth as the skill levels and profiles of graduates may not meet the requirements of contemporary labour markets. However, it also negatively affects human flourishing. As students realize that prospective employers do not value their credentials, legitimate aspirations for better lives through education are frustrated with deleterious consequences for citizenship and social cohesion.

The chapter consists of two types of text. The main text aims to provide an overview of the most important issues raised by the relationship between education and economics, and it is therefore written in relatively general terms. This text is supplemented by text boxes, which discuss relevant issues of the chapter in more localized terms. The use of text boxes aims to provide the chapter's general discussions with the kind of contextual detail and complexity that befits a chapter contributing to exploring the importance of 'context' in education.

WORKING GROUP 02

CHAPTER 3

3.5 Education as a public and private good

One reason why education is a chronically contentious issue is that it functions simultaneously as a public and a private good. As suggested by Labaree **(1997)**, at least three different social functions of education can be distinguished. The first is 'democratic equality' – preparing students to act as enlightened and responsible citizens of a democratic society. The second is 'social efficiency' – equipping students with qualifications

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that will make them productive members of the workforce. In both cases, education serves as a public good. It serves the public interest – understood variously as the political order or the market order. However, while democratic equality is egalitarian in nature, social efficiency is inherently inegalitarian. It consists of allocating individuals to differential positions in a stratified social order. In this respect it is related to the third function of education, which allows education to be appropriated as a private good. As machines of selection, education systems produce 'positional goods' **(Hirsch, 1976)** for which individual students compete and which can be converted into social and economic advantage.

While Labaree's **(1997)** conceptualization of the functions of education is in many ways an extrapolation of the history of American education, its relevance is much broader. Thus, it remains highly pertinent for understanding the role of education in today's global context. However, the content of each of these functions, as well as their relative importance, have changed markedly. In many countries (e.g. EU countries) the universalist political ideal of 'education for democracy' has partially been supplanted by the more particularistic ideal of 'education for national coherence'. Similarly, the OECD-instigated discourse on 'the knowledge economy' **(OECD, 1996)** has re-fashioned the 'social efficiency' argument. As most states have come to consider education a crucial determinant of national economic competitiveness, it now becomes a matter of urgent state concern to ensure that education is organized in such a way as to optimize the competitive position of the nation as a whole. In this respect, the 'public' function of education as human capital formation on a national and global scale remains of crucial importance. Arguably, however, the most important change is the increasing importance of education as a private good. This applies to the producer side where private actors – commercial as well as philanthropic – not only serve as educational suppliers but also

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actively participate in setting the terms of educational policy **(Ball and Youdell, 2008)**. At the same time, it also applies to the consumer side as students are increasingly enjoined to view education in economic terms – as an investment in individual human capital on which they should seek the maximum return. While this development is most evident in commercialized education systems, it can also be observed in less commercialized systems like Nordic ones where tuition remains free even at the tertiary level.

In the following sections, we examine these developments in more detail. We start out with the consumer side, focusing on the discourse of 'meritocracy' in which the promotion of education as a private good is shrouded. Subsequently, we turn to the producer side in order to highlight how education has been re-organized and re-purposed to allow for much more active private participation in educational provision, administration and policy-making.

3.5 .1 THE DISCONTENT WITH MERITOCRACY

Meritocracy is one of the most influential educational and social ideals of modernity. It claims that social opportunities and economic rewards should be distributed solely on the basis of individual achievement. Ability and effort should decide the life chances of each person – not 'extraneous' factors such as social origin, gender, ethnicity or sexual orientation.

The principle of meritocracy has played a highly important role in creating avenues for social mobility and breaking monopolies of traditionally dominant groups on positions of social power and prestige. Furthermore, meritocracy remains more important than ever in the sense that many education systems continue to exclude and marginalize segments of their populations based on factors such as social origin, gender, ethnicity and sexuality.

However, as systems of meritocratic allocation of life chances have evolved, it has become increasingly clear that there is also a darker side to the principle of meritocracy. As indicated above, meritocracy is at odds with the democratic mission of education – that of creating autonomous and equal citizens. Meritocracy not only accepts that equality of opportunity will lead to inequality of outcomes. Nestled within a hierarchical conception of education and the social order more generally, it actively aims to produce unequal outcomes. However, even considered in its own terms – replacing a fixed social order with a dynamic, 'socially mobile' one in which there is no inherent relation between starting positions and final outcomes – meritocracy has become increasingly deficient.

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In one sense, the discontent with meritocracy should come as no surprise. When Young **(1958)** coined the word 'meritocracy', he considered it to be a negative phenomenon. The author was therefore appalled when, shortly before coming to power in 1997, Tony Blair stated that 'New Labour is committed to meritocracy' **(Sandel, 2020, p. 66)**. Young **(1958)**, Markovits **(2019)**, and Sandel **(2020)** point out two main problems with making meritocracy the principle of educational and social justice. The first is that, in crucial respects, meritocracy has not delivered on its promises. Meritocracy promised to put an end to a social and educational regime based on stratification. In contrast to the hereditary privileges of an aristocratic or class-based society, meritocracy set out to create a dynamic society where positions of social and educational advantage could not be inherited, but would have to be won by each generation, and each individual, through their own abilities and hard work.

As shown by Markovits **(2019)** and Sandel **(2020)**, however, this opposition between 'hereditary privilege' and 'meritocracy' has proven false. According to meritocratic principles, in almost all societies that allocate

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educational and social advantages, something like a 'hereditary meritocracy' has emerged. The problem here is not simply that meritocracy gives rise to inequality. This is not surprising since inequality of outcomes has always been as crucial to meritocracy as equality of opportunities. Rather, the problem is that such inequalities have huge inter-generational consequences. Over the last 50 years, income disparities between persons with a college degree and persons without a college degree have grown significantly. From the mid-1960s, a partner's remuneration in an elite law firm has grown from five times to forty times a secretary's salary **(Markovits, 2019, p. 18)**. No less important, disparities between tertiary education institutions and the certificates they issue have also widened enormously. Credentials from top-tier, 'world-class' universities (especially Ivy League universities) reap enormous benefits in terms of salaries and social status while credentials from lower-tier universities only provide very small benefits or none whatsoever. Credentialism **(Collins, 1979)** has fuelled competition at all levels. This is especially palpable in top-tier universities where competition constantly intensifies – thus making them even more selective. In the mid-1970s, Stanford University accepted nearly a third of applicants. In 2019, it accepted less than 5 per cent **(Sandel, 2020, p. 61)**. To be admitted to selective universities, students will spend their high school years (and, in many cases, their entire childhood) preparing intensively for the admission process **(Markovits, 2019, p. 41)**.

If meritocracy is hereditary, this is because admission to highly prestigious educational institutions has become virtually impossible for students who have not attended elite schools and received private tutoring and expensive test preparation. Today, less than 4 per cent of Ivy League students come from the bottom fifth of the income scale **(Sandel, 2020, p. 23)**. From the perspective of social equity, a vicious circle has formed: students who graduate from top-tier universities are picked for professional jobs, which pay several times the

amount paid to individuals with lesser credentials, or none at all. This gives them opportunities to provide their children with elite schools, private tutoring and professional admission consultants to ease their way into the same top-tier universities from which they graduated themselves. No fraud is involved here, and hereditary meritocracy is definitely not a new 'leisure class'. As Markovits **(2019, p. 87)** notes, members of the meritocratic elite have to work extremely hard to retain their educational and economic privileges. However, the vast majority of contemporary populations are effectively excluded from playing the meritocratic game, no matter how hard they work.

The second problem is that meritocracy as a social ideal may be inherently flawed. In his recent book on meritocracy, Sandel **(2020, p. 95)** writes that 'at a time when racism and sexism are out of favor (discredited though not eliminated), credentialism is the last acceptable prejudice'. Sandel points out that people who achieve high credentials and the accompanying economic and social rewards are led to believe that they deserve those rewards in contrast to people who do not secure them. Equally insidious, Sandel points out, is that the disadvantaged have been socialized to have the same beliefs – even though in many cases the so-called merit of high credentials has only been possible because of differential starting points in financial and social capital.

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This point was already crucial to the scathing criticism of meritocracy that Young **(1958)** conducted. He pointed out that in one sense the ideology of meritocracy involves a more profound form of cruelty than previous social orders. In the meritocratic game, every failure is a personal failure. In a society of entrenched class stratification, those at the bottom can claim that they have simply been unlucky to have been born in the wrong social class. In a meritocratic order, they have nobody to blame but themselves. Their failure reflects their lack of merit.

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Therefore, as Sandel **(2020, p. 24)** puts it, meritocracy generates hubris among winners, who believe they are entitled to their privileges, and resentment among losers who believe that they themselves are to blame for not succeeding. In this sense, meritocracy breeds attitudes that are 'at odds with human flourishing and corrosive of the common good' for winners and losers alike **(Sandel, 2020, p. 120; cf. Markovits, 2019, p. 24)**. From an ethical standpoint, it is equally crippling for both groups.

However, the problem is not just ethical but also political. Young's **(1958)** book (written in the form of a satirical sci-fi novel) ends in a devastating revolt against the meritocratic regime. Similarly, Sandel **(2020)** points out that the ways in which ideological assertions of meritocracy have developed have produced a backlash in contemporary societies. The United Kingdom (UK) provides one example, with the Brexit vote to leave the European Union, and the United States (USA) provides another with the election of Donald Trump as President. Furthermore, the global expansion of meritocracy has intensified competition and increased inequality, even in states with strong traditions in the public provision of education **(e.g. Lapidus, 2019)**. Thus education in the future will experience continued turbulence; some societies may retain the power of credentialism and meritocracy but in others it may be diluted and even displaced.

3.5 .2

MARKETIZATION AND PRIVATIZATION OF EDUCATION

When education is seen primarily as a way to increase human capital and make economies more competitive, a marketized approach to the sector logically follows. During the last four to five decades, education systems around the world have been

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restructured by moves towards marketization and privatization. In line with previous research **(e.g. Whitty and Power, 2000)**, we make a distinction between marketization and privatization. We understand marketization as the reorganization of a given social domain through the introduction of market mechanisms (e.g. choice, competition). Marketization is closely related to 'neoliberalism' in the sense that it involves steering non-market domains through market principles in order to achieve increased efficiency and innovation. Privatization, on the other hand, implies the direct involvement of private parties in social transactions previously organized on a non-market basis. This may take the form of a transferral of property rights from the public to the private sector (e.g. privatizing postal services or railways). It may also take more 'hidden' forms **(Ball and Youdell, 2008)**, like private parties providing services to the public sector. In the case of education, examples of this are consultancy services, development of curriculum material and testing systems, in addition to a plethora of back office functions. Hidden privatization may occur as a form of covert governance where privatization can only succeed if it is kept out of public view. However, it may also occur unintentionally – for example, as a side effect of marketization processes, which create unforeseen opportunities for private companies to make themselves indispensable for the workings of public education itself. To provide one example, both aspects of hidden privatization are present in the growth of shadow education outlined below.

In the following subsections, we examine, firstly, marketization – focusing especially on quasi-markets – and then privatization – focusing especially on the global education industry (GEI). However, while marketization and privatization are conceptually distinct, they are entangled in practice. Whenever relevant, aspects of privatization will therefore appear in our treatment of marketization, and vice versa.

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3.5 .2 .1

THE EMERGENCE OF MARKETIZATION AND PRIVATIZATION

Dominant philosophies on the governance of education have shifted significantly in recent decades, bringing with them changed perceptions of the related roles of the state and private sectors. The principles of the 1948 United Nations Universal Declaration of Human Rights remain generally accepted. Article 26 declares **(United Nations, 1948)** that:

Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available, and higher education shall be equally accessible to all on the basis of merit.

- Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance, and friendship among all nations, racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace.

- Parents have a prior right to choose the kind of education that shall be given to their children.

These principles have underpinned the notion that governments have the responsibility to provide free and compulsory education, at least at the basic levels, which is usually taken to mean primary and lower secondary schooling.

However, general views on the ways through which such education is provided have shifted significantly, in particular, to allow for an increased role for the private sector. Across the globe, this is widely associated with the ideology of neoliberalism **(Harvey, 2005; Ward, 2014a&b; Chitpin and**

..since the 1980s, new forms of educational governance have emerged and more and more countries have introduced scope for parents to choose the school to which they send their children.

Portelli, 2019). Starting in such countries as the UK, New Zealand and the USA, government policy deliberately encouraged elements of marketization in public schools to improve efficiency and encouraged the expansion of the private sector alongside the public one. At the post-compulsory stages of education, especially tertiary education, this brought the introduction of fees sometimes underpinned by loan programmes that had become prominent even in the 1980s **(Woodhall, 1987)**.

The massive expansion of education also drove changes. In 1948, primary education was far from universal around the world, and in some countries, even upper secondary education designated an elite status **(Baker, 2014; Benavot and Resnick, 2006)**. HE was even more exclusive and accorded strong social status and employment opportunities to those who attained it. By the second decade of the twenty-first century, this picture has changed markedly. Receiving HE is only possible by sharing costs between governments, families and other actors. The expansion seems to accord expanded opportunities that move towards equalization of opportunities, but the reality is of great stratification within systems.

3.5 .2 .2

QUASI-MARKETS IN EDUCATION

In most public education systems, students are usually assigned to the school closest to their residence. However, since the 1980s, new forms of educational governance have emerged and more and more countries have introduced scope for parents to choose the school to which they send their children.[1] The basic idea of school choice is that families, who are free to change their children's schools, exert pressure on educational providers by creating a quasi-

[1]Even though in some places there is no school choice, there is residential choice. Research in the USA has produced evidence that parents move to neighbourhoods where schools are better and are willing to pay more for houses linked to school performance **(Black, 1999)**; this also leads to schools' stratification.

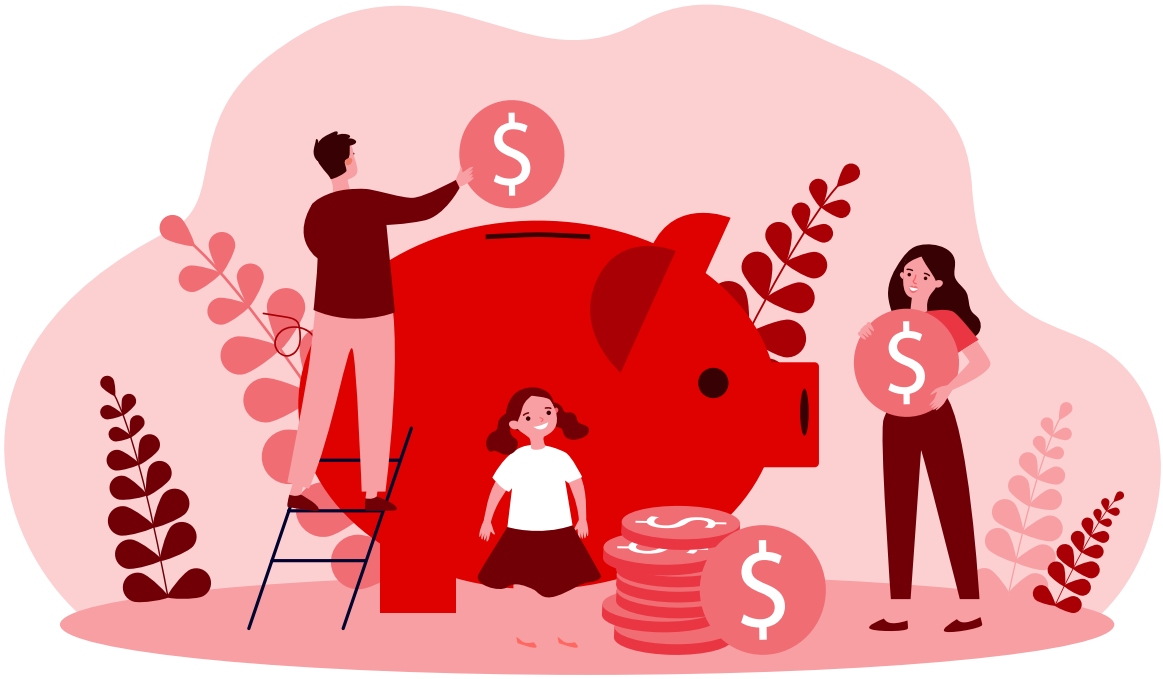
The 'school choice' opportunities for parents depend on the types of schools allowed to provide compulsory education and their admission requirements, which vary across countries and levels of education.

market that is more effective at improving the school system than the traditional control exercised by public authorities. They are called quasi-markets because public financing involves regulating the price of a school place; thus, unlike in a pure market, prices are not set as a result of the interaction of supply and demand.

The 'school choice' opportunities for parents depend on the types of schools allowed to provide compulsory education and their admission requirements, which vary across countries and levels of education. The range of choices often includes: public schools (controlled and managed by a public education authority), private government-subsidized schools (controlled and managed by private actors and receiving most of their funding from the government), independent private schools (controlled, managed and financed by private actors) and home-schooling (children are educated at home by parents or tutors and must meet compulsory school requirements) **(OECD, 2019b)**.

The most relevant policies to encourage school choice are vouchers, charter schools and supply-side subsidies for private schools. Voucher programmes involve competitive financing formulas for schools in which educational spending follows school enrolment; if a student leaves the school **(exit, in Hirschman's (1970) terminology)**, the funding will go to the new chosen school. Charter schools (or 'academies' in the UK context) are publicly funded, privately managed schools that enjoy higher levels of pedagogic and organizational autonomy than public schools. Supply-side subsidies for private schools involve the provision of public funds to already existing private schools in the school system. They do not necessarily follow a competitive funding rationale (as is usually the case with many charter school programmes and especially with voucher schemes) **(Patrinos, Barrera Osorio and Guáqueta, 2009; Verger, Moschetti and Fontdevila, 2020)**.

Proponents of school choice argue that competition can raise the



quality of education in public and private schools, mainly if funding is attached to enrolment, as in the voucher system. Thus, schools have financial incentives to attract and retain students by providing quality education and being more responsive to families' demands. Advocates of school choice also claim that the establishment of more autonomous schools can lead to innovations in curriculum, instruction and governance, all of which contribute to improved outcomes **(Friedman, 1962; Chubb and Moe, 1990)**. They also argue that the introduction of market mechanisms in education will expand the educational opportunities of the most disadvantaged students, thus enabling them to leave their low-performing neighbourhood schools for higher-performing ones **(Moe, 2001; Hoxby, 2003)**. The assumptions behind this view

...the likely effect of school choice is segregation in the school system with potentially adverse consequences for equity in learning opportunities and educational outcomes.

are that the proper functioning of market accountability will incentivize the availability of a greater variety of educational projects, parents will have relevant information about schools, and schools will have limited ability to select their students.

Critics of school choice argue that the main assumptions of market advocates are divorced from reality **(Hening, 1994; Levin, 1998; Fiske and Ladd, 2000)**. Thus, they claim that the likely effect of school choice is segregation in the school system with potentially adverse consequences for equity in learning opportunities and educational outcomes **(Epple and Romano, 1998)**. There are basically three reasons behind segregation or 'cream-skimming' in a school choice system: (1) better-off families take better advantage of choice opportunities than poorer families **(Schneider, Teske and Marschall, 2000; Cullen, Jacob and Levitt, 2005; Bifulco and Ladd, 2007; Epple, Romano and Urquiola, 2017)**; (2) schools prefer students from high-income families and/or with high ability, which is something that triggers reverse selection dynamics, that is, many schools choose the families they want to enrol instead of the families selecting the school **(Epple and Romano, 1996, 1998; Mizala and Torche, 2012)**; (3) parents choose schools with a higher socio-economic level, because they prefer to distinguish themselves with what they perceive as a 'better' peer group environment owing to social closure, or because they expect that a high socio-economic environment – which is usually associated with more academically able peers – has a positive effect on educational results or other outcomes **(Hsieh and Urquiola, 2006; Mizala and Urquiola, 2013)**. School stratification can have long-term unintended effects on social mobility. For example, disadvantaged students may not have inspiring role models who are generally found in schools with a greater social mix. In general, social stratification between schools can threaten social cohesion, as children are not used to social or ethnic diversity.

School choice programmes can be nationwide – as in Chile,

School stratification can have long-term unintended effects on social mobility.

Denmark, New Zealand, the Netherlands and Sweden – or small-scale and targeted at groups defined by geography, educational level, etc. For instance, they can be targeted at low-income students in a particular district or region. Small-scale voucher programmes (also known as targeted vouchers) can be publicly funded or privately financed. The voucher may or may not be accompanied by add-on payments; it can be flat – with all students receiving the same amount of resources – or means-tested, with the funds inversely related to a student's family income.

A number of studies have evaluated the effect of vouchers on educational outcomes. Epple, Romano and Urquiola **(2017)** reviewed the theoretical and empirical research on school vouchers. At the theoretical level they found that most models suggest that voucher systems have a tendency towards stratification by ability and/or income. The empirical studies suggest that being awarded a voucher has a statistically non-significant effect on educational achievement. But, at the same time, there is evidence that in some cases, or for some subgroups of students, or specific outcomes, vouchers can have a statistically significant positive effect on those who use them. They conclude by arguing the need to continue researching this subject, refining the methodologies to obtain robust results. They also suggest that the adverse effect of vouchers can be mitigated by appropriate policy design.

Latin America has significant private sector participation in education **(Verger, Moschetti and Fontdevila, 2018)**; however, until recently there was little information on school choice policies implemented by the different countries. Elacqua, Iribarren and Santos **(2018)** aimed to fill this gap by examining private school trends in Latin America; they also reviewed the policies adopted to strengthen mixed schooling systems. A contrasting case is Chile, where a nationwide school voucher programme was introduced in

Private education, often government-subsidized, is growing across middle-income and low-income countries;

1981 by the military dictatorship, an experience that generated substantial research by both national and international scholars **(see text box 1)**. Private education, often government-subsidized, is growing across middle-income and low-income countries; one case that deserves some comment is India, where for some years the benefits of private schools for the poor have been widely touted **(see text box 2)**.

Given the observed consequences of vouchers, but also of other forms of quasi-markets in education, some countries have reformed their systems and regulated private provision more strictly. The intention has been to limit the adverse effects related to stratification and inequalities in educational opportunities and, at the same time, preserve the positive effects that choice can have on other outcomes. Some countries have introduced funding formulas that account for student background characteristics – for example, the Netherlands and Chile provide schools with a higher per-pupil subsidy for disadvantaged children **(Bearse, Glomm and Ravikumar, 2000; Mizala and Torche, 2017)**. To prevent selection of students by schools, several education systems have introduced centralized admission systems where a government agency processes school preferences declared by families and assigns schools based on priorities defined by law (e.g. Amsterdam, Belgium, Chile, New York City, New Orleans, Boston) **(Abdulkadiro lu, Agarwal and Pathak, 2017)**. They have also banned add-on fees to prevent social stratification within schools by family wealth and have excluded for-profit schools as eligible providers (Chile, Sweden) **(Cummings, Mizala, and Schneider, 2021; West, 2017)**. The latter measure was adopted after it was found that for-profit schools were more likely to select students on the basis of academic and social characteristics, but also because there is increasingly widespread discomfort with the idea of channelling public funds into private profit. Finally, school choice systems have also introduced minimum quality standards and increased their

...charter schools have a higher proportion of African-American and Hispanic students than public schools.

capacity to monitor and assess the quality of school provision, both public and private (Chile, most states in the USA, the UK and the Netherlands) **(Elacqua, Iribarren and Santos, 2018)**.

A charter school is a public school managed by the private sector under the auspices of a state government. Charter schools started in the early 1990s in the USA; today, they serve roughly 5 per cent of public school students there. They are mainly located in urban areas, and their prevalence varies across states and districts. Charter laws also vary across states, but all charter schools have the following characteristics: (1) they cannot charge tuition; and (2) they cannot impose admission requirements, and, if oversubscribed, must select from their applicants by lottery **(Epple, Romano and Zimmer, 2016)**.

Epple, Romano and Zimmer **(2016)** review the evidence on charter schools. They conclude that charter schools have a higher proportion of African-American and Hispanic students than public schools. But, they do have proportionally fewer students with special needs than public schools. The effectiveness of charter schools is not uniform. Overall evidence suggests that, considering the differences in populations served, charter schools are not, on average, producing improvements in student achievement compared to public schools. As always, this average hides the fact that many charter schools outperform the public school average and vice versa.

Verger and Moschetti **(2017)** analyse the academic literature **(up to 2015)** on school choice, considering vouchers, charter schools and other school choice programmes. In general, the results tend to be more negative than positive, especially in terms of educational inequalities, inclusion and school segregation. They also found negative effects in terms of teacher satisfaction, accountability, and students' non-cognitive outcomes and skills. With regard to families' satisfaction and engagement, school choice seems to perform

policies that are less conducive to market competition and/or that follow an affirmative action rationale, such as targeted vouchers, are more likely to yield more positive effects on learning outcomes without necessarily undermining equity

better. Nonetheless, it is inadequate to draw universal conclusions, as the effects of voucher programmes and charter schools may vary depending on policy design variables and the context in which they are applied. Specifically, they show that more deregulated and market-like voucher and charter school programmes exacerbate school segregation and educational inequalities.

On the other hand, policies that are less conducive to market competition and/or that follow an affirmative action rationale, such as targeted vouchers, are more likely to yield more positive effects on learning outcomes without necessarily undermining equity **(Verger, Moschetti and Fontdevila, 2020)**. Darling-Hammond and Montgomery **(2008)** arrive at a similar conclusion in relation to the heterogeneous results of charter schools in the USA. In places where market competition is seen as the main way to improve the quality of education, the charter school authorization system is lax, there are more lower quality schools with parent and teacher participation and, consequently, with a lower level of monitoring and accountability. However, when the charter school option is seen as a way to promote participation and innovation, charter schools' authorization depends on local governments, with higher participation of parents and teachers, greater degrees of public scrutiny and responsibility, and better educational outcomes compared to public schools.

In sum, the effects of voucher programmes and charter schools vary depending on context and policy design, including government regulatory capacity and the nature of the incentives available to the private actors. However, the evidence shows that quasi-markets introduce a wide range of challenges in relation to educational equity, socio-economic segregation, school segmentation and public accountability **(Epple, Romano and Urquiola, 2017; Verger and Moschetti, 2017**).

...quasi-markets introduce a wide range of challenges in relation to educational equity, socio-economic segregation, school segmentation and public accountability

TEXT BOX NO. 1: THE CHILEAN SCHOOL CHOICE SYSTEM

In the early 1980s, the military dictatorship undertook sweeping reforms in many Chilean markets. In education, a country-wide school choice system was implemented, transferring public schools to municipal governments. The government paid a flat per-student subsidy to all schools – public and private – that is, they did not charge tuition fees and students could attend the public, private-voucher or private-independent school of their choice. In contrast to US voucher systems, whereby the subsidy is given to the family, in the Chilean case, funds are allocated directly to the school selected by the family, a system known as 'funds follow the student'. As a side-effect of this marketization process, the universal voucher system paved the way for private sector participation as a provider of publicly financed education. As a result, the proportion of school-age children attending public schools declined from 78 per cent in 1981 to 37 per cent in 2014, and those attending private-voucher schools increased from 15 to 54 per cent. Enrolment in fully private schools remained at around 7 per cent throughout this period.

The Chilean school choice system became one of the most deregulated in the world. Private-voucher schools, unlike public schools, could select their students and could be explicitly for profit. The restriction to charge tuition to supplement the voucher subsidy was eased in 1993. Public schools were allowed to charge fees only at the secondary level, although in practice, few of them did. At its inception, the Chilean per-student subsidy was flat; it did not vary with family socio-economic resources. The flat voucher and the ability to select students provided strong incentives for private-voucher schools to select socio-economically advantaged

students who had, on average, HE performance and were less demanding in terms of resources. At the same time, the add-on fees system provided an additional avenue for private-voucher schools to select students based on their socio-economic status.

Research on the Chilean system agrees that it helped attain universal coverage, but did not produce noticeably higher quality or equality in access to good-quality education. Studies that examine test score gains in private-voucher schools compared to public schools generally found positive but very small or insignificant effects **(McEwan and Carnoy, 2000; Mizala and Romaguera, 2000; Lara, Mizala and Repetto, 2011)**. Hofflinger and von Hippel **(2020)** also found that school competition did not raise children's achievement. At the same time, school choice policies are associated with socio-economic inequalities in educational achievement and socio-economic segregation between school sectors and across schools within the same sector **(Hsieh and Urquiola, 2006; Elacqua, 2012; Mizala and Torche, 2012; Valenzuela, Bellei and de Los Ríos, 2013; Bellei and Muñoz, 2021)**.

Research on the Chilean system agrees that it helped attain universal coverage, but did not produce noticeably higher quality or equality in access to good-quality education.

The 1980s reforms came with an explicit neoliberal ideology and were directly inspired by Friedman's **(1962)** theory. After the transition to democracy in 1990, right-wing parties strongly defended the market-oriented voucher system. The center-left Concertación coalition accepted the voucher system, but worked consistently to regulate it, with gradual but growing success **(Mizala and Schneider, 2014)**.

In 2006, demonstrations by secondary students generated an urgent need to debate these issues. With this aim, President Bachelet established the Presidential Advisory Council on the Quality of Education that same year. As a result, a new General Education Law was approved in 2009, including measures designed to regulate the effects of privatization, as well as new oversight bodies. Also, a reform known as 'Preferential School Voucher', implemented

in 2008, transformed the flat voucher system into a means-tested one **(Mizala and Torche, 2017)**. Further, in 2015, during the second Bachelet administration **(2014–18)**, structural reforms were approved by Congress, which maintain families' school choice, but forbid private-voucher schools from charging add-on fees, operating at a profit or selecting students. Moreover, public school administration is being transferred from municipal governments to 70 new local public education services.

All these recent reforms have transformed the Chilean school choice system from one of the most deregulated in the world to one that more closely resembles the Netherlands' school choice system, where the government fully funds private-voucher schools, has a means-tested voucher, and prohibits extra fees and student selection. Although the Chilean case may be extreme, its experience nonetheless holds potentially valuable lessons for other countries. The Chilean case also provides lessons for the political economy of reforms that seek to regulate privatized education systems, which generate much opposition from the private educational sector and the families of this sector **(Cummings, Mizala and Schneider, 2021)**.

TEXT BOX NO. 2: PRIVATE SCHOOLING IN INDIA

About 37 per cent of students in India, from pre-school to senior secondary, are enrolled in Private Unaided Recognised schools **(Government of India, 2019–2020)**. The proportion has been increasing, at about 1 per cent per year, over the last five years **(KPMG, 2020)**. Researchers have attributed this increase to parental preferences on matters of quality **(Tooley, Dixon and Gomathi, 2007; Tooley et al., 2010)**, means of instruction – specifically English instruction **(Sarangapani, 2009; Sarangapani and Winch, 2010)** – and continuity from preschool through to secondary education **(Juneja, 2007)**. The increase in enrolment is noted even in the so-called 'budget school' segment, which suggests that the poor are also sending their children, both boys and girls, to private schools with English instruction. Thus, the private school sector has a renewed importance in education policy, research and advocacy.

Key neoliberal considerations such as efficiency, accountability and value for money **(Sarangapani and Mukhopadhyay, 2018)** have become the basis for examining the role of the state not only in the management of schools – in determining the salaries, qualifications and contracts of teachers – but also in regulation through recognition and financing models.

The emergence and growth of a non-state or 'private' school sector has colonial roots. By 1870, Britain was introducing compulsory education laws in the UK, but in the colonies, including India, the growth of schools relied on 'voluntary' efforts with a limited amount of financing in the form of 'grant-in-aid' **(Jain, 2018a)**. The colonial state's oversight was limited to inspection and the examination system, both of which had distorting effects on pedagogy, teacher status and service conditions **(Kumar, 1988, 2014)**. The landscape included

The emergence and growth of a non-state or 'private' school sector has colonial roots.

the significant presence of missionaries who ran schools for a range of social classes and groups, including 'untouchable' castes and girls. Several community efforts led to schools being funded philanthropically, and private education with English instruction, modelled on elite British schools and accessed by indigenous elites, emerged. Schools providing 'English medium' education that were funded by student fees and linked to the promise of colonial employment also emerged at this time **(Jain, 2018a)**. Thus 'private' schools, emerging from and serving a range of social and private interests, were significant in the educational landscape at the time of Independence in 1947.

The Education Commission (1960–64) noted that about 33 per cent of educational institutions were private – and they dominated in preschools (up to 70.9 per cent) and secondary schools (69.2 per cent) **(NCERT, 1970, quoted in Jain, 2018a, p. 54)**. The Education Commission also noted a range of problems associated with this pervasive private school sector: stratified clientele based on class, variable quality, financial precariousness and unscrupulous management **(Jain, 2018a)**. However, its recommendation of a neighbourhood-based common school system was never implemented. In the Right to Free and Compulsory Education Act of 2009, up to 25 per cent of total private school enrolment is expected to be made up of students from the weakest economic groups in the neighbourhood (between ages six to fourteen). The respective state government provides the fee, according to a fixed calculation. This is being implemented to varying degrees throughout the country, based on informed rules **(Mehendale et al., 2015)**.

According to Article 19(1)(g) of the Constitution of India, private persons are entitled to establish and maintain schools, although this right is not absolute and is subject to reasonable restrictions. It also permits schools to be regulated in order to ensure that

..while private schooling is permitted by law, private schools are required to be for profit and are generally registered as societies or trusts.

the constitutional objectives are protected **(Ambast, Gaur and Sangai, 2017, p. 10)**. Thus, while private schooling is permitted by law, private schools are required to be for profit and are generally registered as societies or trusts. While initially regulatory norms dictated that salaries of teachers must be at par with the state schooling system, there have been changes in regulations governing the use of tuition fees; in several states, for example, teachers' salaries are fixed based on fee collections. States have also relaxed the entry requirements needed to establish a school; for instance, infrastructure requirements such as playgrounds can be officially overcome by signing contracts for use of municipal grounds in the locality **(Sarangapani and Winch, 2010; Jain, 2018b; Sarangapani, 2018)**. The medium of instruction is also a matter of choice and, with very few exceptions, private schools offer education in English, which is both a status symbol and widely regarded as essential for employment in the private sector. The medium of instruction is thus an important consideration in school choice, enough to feature in the election manifestos of political parties; on winning elections, ruling parties in some states have proceeded to issue government orders to convert government schools that mandatorily offered education in the regional language/mother tongue to English instruction.

Several studies comparing government and private schools draw on the idea of a weak state which cannot hold teachers accountable, while the market orientation of private schools keeps them efficient and effective. They find positive effects of private schools on teacher absenteeism and learning outcomes, on 'greater accountability', 'time on task', 'value for money', and on even teacher satisfaction in working for improvement of their community, albeit at low salaries **(Kremer et al., 2005; Kingdon, 2006; Muralidharan and Sundararaman, 2011, 2015)**. There is also a tendency among researchers to demonize public school teachers as negligent, apathetic, unprofessional and unaccountable,

There is evidence of school clientele stratification in both government and private schools – along class, disability and communitarian lines.

who are more interested in politics and money, thus perpetuating caste- and gender-based discrimination **(Kingdon and Muzammilm, 2003; Vasavi, 2015)**.

A more complex picture of the dynamics of class, pedagogy and quality across school types emerges when the analysis takes into account the stratified nature of Indian society and the various private players involved in schooling. There is evidence of school clientele stratification in both government and private schools – along class, disability and communitarian lines. Pedagogical forms in these schools also seem to vary according to the social class of their students **(Jain, 2018a; Sarangapani, 2018)**. Claims regarding learning gains in these private schools, after controlling for household characteristics, are found to be marginal or nil **(Chudgar and Quin, 2012)**. An experimental study involving school vouchers found that the initial learning gains accessed through vouchers in private schools were later reversed **(Karopady, 2014)**. Schools catering to the poor, whether government or so-called 'budget' private, tend to have pedagogies that are rote-based and involve drill and repetition. Instruction in English only seems to exacerbate the use of such methods. The few exceptions to this are in public schools and schools run by religious charities **(Jain 2018b; Sarangapani, 2018; e.g. Shankar and Linden, 2014 on associated teachers' beliefs)**.

The shadow education sector receives increasing attention because of its role in maintaining and exacerbating social inequality.

FORMS OF PRIVATIZATION IN EDUCATION

Shadow education: the global growth of private supplementary tutoring

The period since the last decade of the 20th century has brought huge growth in the so-called shadow education system of private supplementary tutoring **(Bray, 1999, 2017; Byun, Chung and Baker, 2018)**. The shadow metaphor is used because much of the content in the sector mimics that in schooling: as the curriculum changes in schools, so it changes in the shadows. Initially, it was particularly prominent in East Asia **(Zhang and Yamato, 2018)**, but it has now become a global phenomenon and is present even in Nordic countries, which have long had a reputation for egalitarianism and high-quality schooling that does not need to be supplemented **(Christensen and Zhang, 2021)**.

The shadow education sector receives increasing attention because of its role in maintaining and exacerbating social inequality. Because it is a private sector activity, middle- to high-income families are able to invest more than low-income families. As such, shadow education maintains stratification, often undermining government efforts to equalize opportunity **(Zhang and Bray, 2018)**.

Throughout the world, the greatest driver of demand for shadow education is social competition. This is especially evident during final examinations that determine opportunities for further study and/or employment. Families increasingly consider schooling to be inadequate to meet their aspirations and view shadow education as a supplementary component to secure the required advantage. As more and more families access shadow education, others feel pressure to participate or risk being left behind.

To some extent, this pattern reflects the global expansion of schooling noted above, in line

with advocacy by UNESCO and others in the Education for All (EFA) movement **(UNESCO, 2000)**. As primary and then lower secondary education became universal, upper secondary and then university education were needed to provide a point of difference. Indeed, some societies have reached the point at which a university degree is not enough, and postgraduate qualifications are necessary.

These patterns have two implications. Firstly, in previous eras young people might have left school early because of a lack of opportunities; now they can compete with others using shadow education to assist in that competition. Secondly, because unit costs are greater at higher levels of education, government budgets are stretched. This may impact on the quality of education, causing frustrated families to seek private tutoring to bridge perceived gaps in education. Insofar as education is a positional good **(Hollis, 1982)**, a major aim among parents is to secure better grades for their children and then access to more prestigious schools and universities to enhance the career choices and life chances of their offspring. Yet once one group of parents does this, others feel obliged to do the same until patterns build-up to what Lampl **(2017, p. 2)** calls an educational 'arms race'.

...the greatest driver of demand for shadow education is social competition.

The EFA movement has also unintentionally contributed to the growth of shadow education insofar as the expansion of schooling has been achieved at the expense of quality. Many families perceive schooling to be inadequate, particularly when classes are large, and teachers do not have the necessary resources to work with big classes **(UNESCO, 2015a; World Bank, 2018)**. In countries where teachers and schools are heavily involved in extra-curricular tutoring, such as Cambodia, Myanmar and Turkey, governments struggle to provide EFA in the mainstream system due to a lack of capacity and necessary resources. Schools retain teachers through the income they earn from tutoring. Instead of adopting policies to prevent the growth of

3

CHAPTER

such a phenomenon, governments have tolerated teachers charging supplementary fees to tutor their students, since it allows them to continue underfunding the system. In such contexts, shadow education is a cheap way of sustaining the 'free' system of public schooling.

Shadow education may be supplied by teachers seeking to supplement their incomes through informal tutoring, and by university students, retirees and others working on an informal basis. In Egypt, for example, a 2014 national survey indicated that 36 per cent of sampled lower secondary students

received private (one-on-one) supplementary lessons outside school, 15 per cent received private group supplementary lessons outside school, and 5 per cent received private group supplementary lessons at school **(Sieverding, Krafft and Elbadawy, 2019, p. 571)**. Among these students, 71 per cent received tutoring from their own teachers.

More formally, shadow education may be provided by the commercial sector, and is diverse in terms of the size, type and market reach of companies. Around the world, the majority of companies are small and serve their immediate localities. In China, for example, one report **(MobData Research Institute, cited by Zhang, 2019, p. 27)** groups industry operators into three categories: (1) nationwide companies operating with branches in first- and second-tier cities that are on their way to reaching third-tier cities; (2) region-wide companies operating across one province or municipality, with branches mainly in first-, second- and third-tier cities; and (3) smaller enterprises which range from one-person workshops to medium-sized companies. The first category accounts for less than 5 per cent of the market share, while the third category accounts for the majority **(see text box no. 3)**.

TEXT BOX NO. 3: CHINA'S EFFORT TO DEINDUSTRIALIZE AND DECAPITALIZE SHADOW EDUCATION

During the 2000s and 2010s, shadow education grew substantially in China, and in 2020 it constituted a parallel system with nearly half a million registered companies **(Zhang and Bray, 2021)**. Online tutoring was dramatically boosted in 2020 by COVID-19, directing millions of students to digital learning. The Key Laboratory of Big Data Mining and Knowledge Management reports **(2020, p.**

17) that the online education consumer market grew from RMB8,520 (US$1,230) million in 2013 to RMB88,430 (US$12,780) million in 2020. The corresponding market penetration rate increased from 6.8 per cent in 2013 to 15.0 per cent in 2019, and jumped dramatically to 85.0 per cent in early 2020 when COVID-19 struck. During this period, BigTech companies and accompanying capital flooded the marketplace and contributed to an enormous expansion of online tutoring and to advertising wars between the major players. Existing problems, including false advertising, consumer rights violations and low-quality tutoring, worsened.

The Chinese Government tackled these problems in 2018 and 2019 with some success. However, policy-makers found that once shadow education became a target for national and international capital investment, the sector grew uncontrollably. In addition, concerns intensified regarding the larger issues of the capitalization and industrialization of tutoring, which had become a stand-alone system with backwash for school operations.

As a result, in 2021, the Central Committee of China's Communist Party and the General Office of the State Council jointly released a policy titled 'Further Reducing the Burden of Homework and Out-of-school Tutoring for Compulsory Education Students'. The policy aimed at 'double reduction', that is, of school homework and external tutoring. The overall goals were to protect student well-being, reduce study and financial burdens, and alleviate parental anxiety. The measures targeted the for-profit nature of capital, which was viewed as the cause of many negative aspects of the shadow education industry. The overall policy was followed by a series of regulations addressing specific aspects, such as tutoring materials, fees and tutors' qualifications.

The policy measures were particularly aimed at deindustrializing and decapitalizing shadow education; they reduced the size of the

market, and were compatible with government efforts to decapitalize private (minban) schools. At the level of compulsory education, academic tutoring providers were required to operate as not-for-profit institutions. While these providers had previously been most in demand during summer and winter holidays and weekends, these times were now prohibited with academic tutoring restricted to work day evenings. Accompanying measures addressed public schooling, and the Government collaborated with the media and schools to promote rational consumption and parental responsibility. After-school programmes were developed, and the school day at the compulsory education level was extended to 5–6 pm.

Most of these measures focused on the supply of education. The official discourse is very clear: that schools should be the principal institutions fulfilling educational goals. Schools, the discourse adds, should not place the responsibility for education on families and shadow education, and should provide equitable and quality education for all. From this perspective, shadow education should be limited and no more than a complement to schooling where necessary.

Schools, the discourse adds, should not place the responsibility for education on families and shadow education, and should provide equitable and quality education for all.

On the demand side, after-school programmes absorbed some of the child-care and homework support that had previously been provided by the tutoring providers. However, research by Zhang **(2021)**, before and after the double-burden reduction policy, shows that one third of parents still considered shadow education necessary and anticipated continuing with it despite the ban. Many middle-class parents in big cities became anxious as a result of the policy, since the competition remained fierce for their children but they had fewer choices in the market.

The policy had an immediate impact on shadow education providers, especially in the capital market, and on other registered tutoring companies. Four months after its implementation, the industry saw a sharp drawback

of capital investment, and many big companies went bankrupt. The companies that previously were among the largest in the world saw a cut of at least 50 per cent of their academic tutoring. An estimated 50 to 70 per cent of employees in these tutoring companies were expected to lose their jobs. However, many turned to hidden self-employment online or offline. These hidden activities signalled that while the legitimate tutoring companies were subject to fierce regulations, the black market expanded in response to the persistent demand. Self-employed tutors and informal classes mushroomed, and parents with social and financial capital formed 'learning pods' for group tutoring. In response, the Government released regulations and sample contracts that reminded parents of the potential risks of illegal tutoring. However, as long as parents still felt that school did not give their children the learning they needed (i.e. personalized attention), and competition continued in the stratified system, the demand for tutoring would not disappear just because the tutoring provided by legal companies had been reduced.

The policy has yielded complex implications for equity. Families that previously had little access to tutoring felt it showed a strong commitment to equality. At the other end of the scale, the privileged social elite who could arrange private tutors rather than be dependent on the companies were hardly affected. Among lower-middle- and middle-middle-class families, many felt that the policy made life more difficult: they previously had many choices in the marketplace and could compare prices and choose affordable tutoring services, but now they had to either reduce tutoring – leaving their children's fate mostly to schools – or risk using black market tutoring which is full of uncertainties in terms of quality, safety and price.

The double-reduction policy is a unique example of a strong state confronting a strong market.

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Rather than merely criticizing the negative dimensions of privatization and marketization

Parental anxieties may appear to be educational anxieties, but they reflect status anxieties and social construction of achievement and success in a hierarchical society of deepening social stratification and accelerating change.

in education, the Chinese Government took action. The determination to regulate tutoring at national and local levels is to be applauded. Yet, as society develops and expectations for education expand and diversify, schools alone cannot fulfil all educational goals and solve all social problems, especially when there is tension between the private and public good. As shown in comparative studies **(e.g. Christensen and Zhang, 2021; Zhang, 2021)**, the root of shadow education problems in China lies not only in education but also in the wider society. Parental anxieties may appear to be educational anxieties, but they reflect status anxieties and social construction of achievement and success in a hierarchical society of deepening social stratification and accelerating change.

THE GLOBAL EDUCATION INDUSTRY: TRENDS AND EMERGING ISSUES

The participation of private institutions in the provision of education is the most well-established manifestation of the education privatization phenomenon, but it is neither the most widespread nor the most profitable. In recent decades, new forms of privatization, commercialization and profit-making in education have emerged and spread; the concept of the GEI has gained salience due to its attempt to capture and decipher this phenomenon **(Verger, Lubienski and Steiner-Khamsi, 2016; do Amaral, Steiner-Khamsi and Thompson, 2019)**.

The GEI is a dynamic and rapidly evolving sector, with constant product trend changes, innovations, rebranding, and mergers and acquisitions between companies. Investment advisors, such as GSV-Advisors and HolonIQ, calculated that the value of the global education market was US$4.9 trillion in 2015 and that this number would at least double by 2030. The USA accounted for

about 28.9 per cent of the GEI in 2020, although the sector is growing exponentially in other countries such as China **(Research and Markets, 2021)**.

The GEI covers a broad range of goods and services that interact with and penetrate public education systems around the world. The evolution of the internet and learning technologies has widely facilitated the cross-border supply and the transnational nature of many GEI services. These services include the educational programmes of private institutions (from K–12 to life-long learning), but also a much broader range of goods and services that are sold to public – as well as private – educational institutions **(Williamson and Hogan, 2020)**. Some of the most relevant of these goods and services are Educational Technology (EdTech) hardware, online e-learning and teaching platforms, educational materials (such as textbooks, both digital and analog, curricular packages, etc.), test preparation and certification services, learning analytics and management systems, school/university organization software, edu-marketing and students' recruitment services, private tutoring and supplemental education services, behavioural management applications, teacher training programmes, and school improvement and consultancy services **(see text box no. 4)**.

TEXT BOX NO. 4: THE RAPID EVOLUTION OF EDTECH AND THE DIGITALIZATION OF EDUCATION[2]

The EdTech industry has expanded exponentially in the last few years. The massive school closures triggered by the COVID-19 pandemic have forced the adoption of online learning and communication technologies in numerous educational settings. However, this is merely part of an upward trend that began many years before the pandemic.

Technological giants such as Google, Apple, Windows and Facebook have promoted their educational divisions and products. These companies have a global reach, but in some regions face competition from less well-known tech companies such as Tencent and Alibaba, both based in China. Also, more well-established and conventional edu-businesses such as Pearson or McGraw Hill are moving towards digital education. As part of their business strategy, many of these big companies are acquiring numerous start-ups and other small businesses in the sector.

Personalized learning platforms have gained more salience in the current context. Thanks to integrated assessment tools and related algorithms, personalized learning allows instruction to be adapted to the learning pace of the user. The business model behind these and other learning products usually consists of regular subscriptions, or a one-time purchase, or giving free access to users. In the latter case, companies receive advertising income or sell users' data to third parties in return.

EdTech developments can contribute to improving the educational experiences of many students. However, as we show below, these developments also raise concerns that include data privacy, public accountability, economic efficiency and the professional autonomy of teachers.

The massive school closures triggered by the COVID-19 pandemic have forced the adoption of online learning and communication technologies in numerous educational settings.

[2] Source: Hogan, Sellar and Lingard **(2016)**; Bolea **(2020)**; Williamson and Hogan **(2020)**; **(WG2- ch6, section 3)**.

CHAPTER 3

Edu-businesses are at the centre of the GEI, but their economic success is contingent on their interaction with a broader configuration of actors and systems of rules, which are also key in making and reproducing educational markets.

The goods and services of the GEI are produced and delivered by a broad range of economic actors, among which profit-oriented edu-businesses with the capacity to operate transnationally stand out **(Ball, 2012)**. Edu-businesses are at the centre of the GEI, but their economic success is contingent on their interaction with a broader configuration of actors and systems of rules, which are also key in making and reproducing educational markets **(Amaral, Steiner-Khamsi and Thompson, 2019)**. These include: (1) trade associations dedicated to optimizing opportunities for investors looking to capitalize on the education sector; (2) private investors, including private equity funds and venture capital; (3) public funders via punctual subsidies or the establishment of longer-term public–private partnerships with GEI actors; (4) consumers, from individual consumers – families, students, teachers – to educational institutions and local/national governments; (5) coalitions and interest groups advocating pro-market regulations in education; and (6) regulators, including national and sub-national regulators, but also international trade agreements that contribute to liberalizing international exchanges and sales and international guidelines to help governments interact with edu-businesses **(Junemann, Ball and Santori, 2016; Verger, Lubienski and Steiner-Khamsi, 2016)**. One example of the latter is the General Agreement on Trade in Services (GATS). Since the 1990s, World Trade Organization member countries have been negotiating the liberalization of a range of services, including educational services, within this trade agreement. The GATS has contributed significantly to the development of the GEI by providing enormous fiscal and administrative facilities for edu-business in accessing education markets abroad, and selling their education services internationally **(Robertson, Bonal and Dale, 2002; Verger, Lubienski and Steiner-Khamsi, 2016)**.

In addition to economic factors, political factors are key in the construction and

Since the 1990s, World Trade Organization member countries have been negotiating the liberalization of a range of services, including educational services, within this trade agreement.

scaling up of the GEI, and in understanding the ever-changing nature of this industry sector. Several advocacy networks, which include edu-businesses, policy entrepreneurs and/or philanthropic organizations, are very active in supporting the expansion of different factions of the GEI, the business strategy of specific corporations or, more broadly speaking, business-oriented reforms that are conducive to commercialization and marketization in education **(Au and Lubienski, 2016; Fontdevila, Verger and Avelar, 2019)**. Currently, the most important competitors in the global education services industry are large transnational corporations such as BenQ, Blackboard, Cisco Systems, Huawei Technologies, Kaplan, Microsoft, Oracle, New Oriental Education & Technology Group, and Pearson PLC **(Research and Markets, 2021)**.

The rise of the GEI is not an isolated phenomenon, as other sectors beyond education have also witnessed similar globalizing and marketizing trends. Indeed, as a result of neoliberal policies in a globalized economy, the growth of market forces, logics and dynamics is present in many areas of activity that were previously thought to be outside the realm of the market **(Verger, Lubienski and Steiner-Khamsi, 2016)**. Nonetheless, the emergence and expansion of the GEI also reflects particular changes and trends in the education sector, which include increasing performance pressures for educational institutions; the prominent role of data-gathering as a governance strategy; the integration of information and communication technologies for learning and testing within instructional improvement strategies; the increasing educational demand in most developing economies; and the fact that the global economy and technological advances constantly require the re-skilling and up-skilling of the labor force.

The level of penetration and the configuration of the GEI vary by region. GEI expansion has been more widely documented in Anglo-Saxon countries such as the

Online learning platforms have the potential to bring supplementary education to socially disadvantaged households, or to support students with learning or sensorial disabilities.

USA, the UK and Australia where important sums of governmental and/or philanthropic funds are available for edu-business products and services. However, in other contexts, for linguistic, political and/or economic reasons, the most well-established Anglo-Saxon edu-businesses have not proliferated. For instance, in Chile, there is a very dynamic and heavily subsidized network of school improvement and consultancy services that are mostly made up of small-scale local players **(Osses, Bellei and Valenzuela, 2015)**. And in many continental European countries, services such as education consultancy or external assessments tend to be directly provided by the state or are more frequently outsourced to public universities than to for-profit companies **(Verger, Fontdevila and Parcerisa, 2019)**.

THE GEI DEBATE: EFFECTS ON THE QUALITY, EQUITY AND DEMOCRATIC GOVERNANCE OF EDUCATION

Proponents in favour of strengthening the participation of private interests and profit-making in education see advantages in the rise of the GEI, including educational expansion at a lower cost, the promotion of innovation in education, and the possibility of individualizing education and instruction. Online learning platforms have the potential to bring supplementary education to socially disadvantaged households, or to support students with learning or sensorial disabilities. In developing countries in particular, EdTech solutions are increasingly seen as a cost-effective way to promote individualized learning and to address issues related to excessively high student–teacher ratios. There are also those who consider EdTech solutions a tool to hold teachers accountable and strengthen the control of educational delivery **(Adelman et al., 2015)**.

A recent literature review of EdTech in low-income countries (LICs) shows that technology interventions focusing on self-led learning and improvements to instruction raise learning outcomes more effectively than

...access to technology initiatives such as one laptop per child may have improved students' digital skills, but their effects on academic performance have tended to be null or even negative.

other interventions such as those aiming to control teachers' and students' behaviour, and to expand access to technology through the distribution of laptops, tablets or similar devices **(Rodríguez-Segura, 2021)**. In fact, access to technology initiatives such as one laptop per child may have improved students' digital skills, but their effects on academic performance have tended to be null or even negative **(Yanguas, 2020; Rodríguez-Segura, 2021)**.

Other voices argue that technology, and other GEI products, when properly adopted in educational systems could 'unlock the creative skills and initiative of its teachers' **(Schleicher, 2017, Amaral, Steiner-Khamsi and Thompson, 2019, p. 2)**. Nonetheless, there are also those who consider that the professional autonomy of teachers could be undermined by the prescriptive and algorithm-based learning materials of the EdTech industry **(Williamson and Hogan, 2020)**.

Critics often refer to the challenges triggered by the emergence of the GEI in terms of democracy and accountability. To them, the increasing participation of large transnational corporations in the governance and delivery of education entails the undermining of democratic control of public education. In this respect, the shift in accountability structures away from democratic to corporate/consumer arrangements runs the risk of reshaping the orientation of education as a public good **(Komljenovic and Robertson, 2016)**. That is, corporations are legally accountable primarily to their stockholders and must work first and foremost to create returns for those investors, which are not necessarily aligned with those of the customers, that is, teachers, students, their families, their communities and society at large **(Verger, Lubienski and Steiner-Khamsi, 2016)**.

The GEI can also generate efficiency challenges for public education systems. In fact, beyond the acquisition of educational hardware, which tends to be costly, there are additional expenses associated with their maintenance

...the data ownership and privacy issues of GEI products, especially when teaching, learning or assessment services collect users' data and do not provide sufficient data protection guarantees.

and regular updating. In 2017, the OECD organized the Global Education Industry Summit with the aim of promoting networking between the EdTech industry, governments and schools.[3] Specifically, the summit attempted to address increasing concerns regarding the unregulated nature of the relationship between the public and education industry sectors. This relationship is often governed by a 'wild west' of commercial practice that derives from poorly informed purchases, something that in turn 'could imply a huge drain on schools' resources' **(OECD, 2014, p. 3)**.

Finally, there are those who highlight the data ownership and privacy issues of GEI products, especially when teaching, learning or assessment services collect users' data and do not provide sufficient data protection guarantees. Part of these data might be highly sensitive and violate students' privacy by, for instance, allowing the surveillance of students, harming their reputation or being used for predictive sorting purposes **(Nemorin, 2017; Wyatt-Smith, Lingard, and Heck 2019; Bolea, 2020)**. Initiatives such as Responsible Data for Children (RD4C), promoted by UNICEF, have recently emerged in an attempt to address such concerns.[4]

3.5 .3

FINANCING MODELS IN EDUCATION: IMPLICATIONS FOR HUMAN DEVELOPMENT

3.5 .3 .1

TRENDS AND PATTERNS OF EDUCATION FINANCING IN LICS AND LMICS

Education is essential for the development of individuals and societies, and crucial to the

[3]For further reading on critical issues in the EdTech industry **(WG2- ch6, section 5)**.

[4]https://rd4c.org/index.html#principles

process whereby modern states disseminate a consciousness of common loyalty or shared citizenship **(Green, 1990)**. In practice, few if any states have been willing to leave education provision to the vagaries of the free market. However, the path to development is not the same for all countries; those with low resources have less capacity to promote quality and equity in their educational systems and fulfil the promise that education carries. Indeed, there is great inequality in education spending between countries. In 2014, annual spending on education reached US$4.7 trillion worldwide. Of this, 65 per cent is spent in high-income countries (HICs) and 0.5 per cent in LICs, despite the fact that both groups of countries have similar school-age populations. Governments represent on average 79 per cent of total spending (fluctuating from 82 per cent in HICs to 59 per cent in LICs) and households 20 per cent on average (fluctuating from 18 per cent in HICs to 29 per cent in LICs), while donors represent 12 per cent of total spending on education in LICs and 3 per cent in lower-middle-income countries (LMICs) **(UNESCO, 2019b, see Table 1)**. Indeed, in the education of an average child aged 18, the average LIC government will have invested around US$1,300, while the average HIC would have spent about US$110,000 **(Al-Samarrai, Cerdan-Infantes and Lehe, 2019)**.

Indeed, in the education of an average child aged 18, the average LIC government will have invested around US$1,300, while the average HIC would have spent about US$110,000.

Since lack of education and unequal access to quality education are essential sources of inequity, international organizations have defined standards and goals for countries. These goals are based on guiding principles, such as reducing poverty and inequity, and they have indicators that allow progress to be monitored and reported.

In 2015, the United Nations established a new sustainable development agenda for 2030 and all member countries adopted a set of goals to end poverty, protect the planet and ensure prosperity for all. Sustainable Development Goal 4 (SDG 4) aims to promote lifelong learning and guarantee inclusive and quality education for

UNESCO (2015c) assumes that in LICs, government expenditure in pre-primary, primary and secondary education will need to increase by 50 per cent, from 2.6 to 3.9 per cent of GDP, between 2015 and 2030.

all. Indeed, education is essential to achieve the SDGs; it is vital for promoting human rights and dignity, eliminating poverty and improving sustainability. But access is not enough – we need to ensure the quality and relevance of what people learn throughout life in a complex and changing world. Tackling inequality in education is critical to the success of the Education 2030 agenda because the extent of inequity in (and as a result of) education is shocking **(UNESCO, 2015d)**.

In order to achieve the 2030 goals, which include ensuring good quality, universal pre-primary, primary and secondary education in LICs and LMICs, and the necessary conditions to achieve such an education, such as teacher–student ratios, teacher salaries and school infrastructure, a relevant exercise is to estimate the costs involved. Allowing for differences in educational goals, for example, different levels of pre-primary education and completion levels of secondary education, studies report the estimated average annual cost – during the period 2015–2030 – to range from US$240 to US$340 billion **(UNESCO, 2015c)**. Thus, economic growth and government spending on education will need to increase in LICs and LMICs. UNESCO **(2015c)** assumes that in LICs, government expenditure in pre-primary, primary and secondary education will need to increase by 50 per cent, from 2.6 to 3.9 per cent of GDP, between 2015 and 2030. The total annual financing gap between available domestic resources and the amount necessary to reach the education targets should be filled by external resources, thus, donor aid for pre-primary, primary and secondary education must increase significantly **(Wils, 2015; UNESCO, 2015c)**. Considering domestic funding, UNESCO's GEM Report estimates that there will be an annual funding gap of at least US$39 billion per year during the period 2015–2030 in LICs and LMICs to meet the SDG4 commitments **(UNESCO, 2019b)**.

Besides the lack of education financing, it is relevant to consider the issue of equity in spending;

In 2000, the governments of only six countries spent more than 5 per cent of GDP on education, but by 2015 there were thirteen countries in that category.

for instance, how the education budget is allocated to the different levels of education (primary, secondary, etc.). To the extent that investment in HE competes with investment in secondary and (especially) basic education, its effect would not contribute to greater social equality.

Credentialism is also something that should be considered, since it implies that the universalization of basic and secondary education may not lead to a more equitable social order, if the more privileged maintain their competitive advantage by stepping up investments in their own or their children's human capital.

GOVERNMENT EXPENDITURE HAS GROWN BUT MORE IS NEEDED

The Education 2030 Framework for Action (UNESCO, 2015c) established two benchmarks for public financing of education in order to achieve the 2030 educational goals: governments should allocate at least 4 to 6 per cent of GDP and/or allocate at least 15 to 20 per cent of public expenditure to education. In 2017, the average global public education expenditure was 4.4 per cent of GDP, with regional averages ranging from 3.4 per cent in Eastern and South-East Asia to 5.1 per cent in Latin America and the Caribbean. The average global share of total public expenditure dedicated to education was 14.1 per cent, ranging from 11.6 per cent in Europe and North America to 18 per cent in Latin America and the Caribbean **(UNESCO, 2019b)**.

Most Latin American countries (LACs) dedicate a larger percentage of their GDP to education than many wealthier countries. In 2000, the governments of only six countries spent more than 5 per cent of GDP on education, but by 2015 there were thirteen countries in that category. The average percentage of GDP allocated to education in 2015, based on 22 Asian countries, was 4.4 per cent, with seven countries spending more than 5 per cent. The OECD average was 4.8 per cent of GDP, a figure surpassed by seventeen

TABLE 1: FUNDING SOURCE AS A SHARE TOTAL OF FUNDING				
	LIC	LMIC	UMIC	HIC
GOVERNMENT	59	73	75	82
HOUSEHOLDS	29	24	25	18
DONORS	12	3		
TOTAL	100	100	100	100
(PERCENTAGE OF TOTAL EDUCATION FUNDING, 2014)				

Source: UNESCO (2019b)

of the twenty-nine LACs and ten Asian countries for which data were available **(OECD, 2017)**.

In 2015, LICs allocated around 3.7 per cent of GDP to education **(UNESCO, 2017a)**, and 4 per cent in 2017 **(UNESCO, 2019a)**. LMICs allocated approximately 5 per cent of GDP on education **(UNESCO 2017a)**. LICs increased their share of public spending on education from 14.9 per cent in 2012 to 16.1 per cent in 2017 and LMICs increased their share of public spending on education from 15.6 per cent in 2012 to 16.4 per cent in 2017, which means that in recent years both LICs and LMICs, on average, have achieved the benchmarks for public financing of education **(UNESCO 2015b, 2019a)**.

However, averages aside, many countries are still not allocating enough resources to basic education; in fact, 43 out of 148 countries from different income groups are not meeting the benchmarks **(UNESCO, 2019b)**. In general, the poorest countries,

...many countries are still not allocating enough resources to basic education; in fact, 43 out of 148 countries from different income groups are not meeting the benchmarks.

with larger school-age populations and greater educational challenges, spend a larger part of their budget on education, but they have trouble mobilizing sufficient domestic resources. For instance, since tax income alone is not enough, education financing by African governments is still inadequate, thus per capita expenditure on education remains very low. Hence, most African countries have to rely on international aid to sustain education financing to cope with their fast-growing young populations. The main challenges for these countries are to increase or maintain economic growth, and leverage the dividends from growth by increasing spending on education, by reallocating spending, raising more revenue or both. They also need to increase tax revenues by reducing tax avoidance and evasion.

In addition, not only is the total amount of spending on education important, so is its distribution. In 2016, the share of public education expenditure oriented to primary education was on average 35 per cent, with percentages ranging from 47 per cent in LICs to 26 per cent in HICs. In the case of secondary education the world average was 34 per cent of total public education expenditure, with variations from 26 per cent in LICs to 38 per cent in LMICs. This behaviour is explained by the higher share of youth in richer countries who remain in school and complete secondary education. If we compare the median level of government education expenditure per student for the different groups of countries in 2017, LICs spent more than eight times as much on tertiary education per student than on primary education per student; the ratio was two times in LMICs and 1.3 times in HICs. In addition, HICs spent more than six times as much per student on tertiary education than LICs, but 32 times more per student on secondary education and 41 times more on primary education **(UNESCO, 2019a)**. In countries with high socio-economic inequality, to the extent that the financing of tertiary education is done at the expense of basic and secondary

In 2014, in LICs, households accounted for 29 per cent of total spending in education; in the 14 lowest income countries household expenditure accounted for 49 per cent.

education, these inequalities are deepening.

HOUSEHOLD FINANCING IS BECOMING MORE RELEVANT

Household financing plays an important role in education finance. Considering household expenditure, many countries overcome the suggested threshold of 4 per cent of GDP allocated to education. The available data show that the poorer a country, the larger the burden on households **(Table 1)**. In 2014, in LICs, households accounted for 29 per cent of total spending in education; in the 14 lowest income countries household expenditure accounted for 49 per cent. In contrast, household expenditure in the 10 highest income countries represented only 13 per cent of education expenditure. For LMICs, the share of household expenditure on education was 24 per cent in 2014 **(UNESCO, 2019b)**. This is mainly explained by the need to offset the lack of resources allocated to education by poorer governments **(Steer and Smith, 2015)**.

According to UNESCO **(2019a)**, 30 per cent of household expenditure was invested in tertiary education globally, with this percentage increasing to almost 70 per cent in some middle-income countries. Data for 2016 show that in countries like Ethiopia and Uganda, household expenditure represented around 40 per cent of primary education and 25 per cent of tertiary education financing; in El Salvador household expenditure represented 30 per cent of primary education and 30 per cent of tertiary education financing.

Also, remittances from abroad play an important role in household expenditure on education in LICs and LMICs – they are much more important than official development assistance (ODA)[5].

[5] ODA is government aid that promotes the economic development and welfare of developing countries; it is the main source of financing for development aid.

Remittances increased household education spending by 35 per cent in 18 countries in sub-Saharan Africa and Central, Southern and South-East Asia **(UNESCO, 2019a)**.

Finally, while data for household financing are not scarce, they are not standardized, so are inadequate for monitoring international goals. In particular, it is not possible to easily determine trends of household expenditure for LICs **(UNESCO, 2019a)**.

EXTERNAL AID IS STAGNATING AND IS NOT APPROPRIATELY ALLOCATED

External aid to education needs to significantly increase with respect to 2010 levels to compensate for the deficit that LICs and LMICs face in achieving the education goals. UNESCO **(2015c)** states that donor aid across educational levels should increase at least six-fold; the Education Commission **(2016)** states that international finance for education should increase by about 5.6; and ODA is expected to rise from US$13 billion to US$49 billion **(Education Commission, 2016)**.

However, external aid has remained stagnant since 2010; only in 2016 did aid to education surpass the amount spent in 2010, reaching an all-time high of US$15.6 billion in 2018 **(Table 2)**. Of that, around US$6.5 billion was allocated to basic education, US$3.0 billion to secondary education and US$6.1 billion to post-secondary education in LICs and LMICs **(UNESCO, 2020)**. This contrasts with growing support for health, at US$20 billion annually; in addition, investments in infrastructure have doubled in the past decade **(IFFEd, 2020)**. The share of education in total ODA, excluding debt relief, declined sharply from 10 per cent in 2010 to 7 per cent in 2017, mainly because donor countries prioritized other sectors like health, energy or the environment **(UNESCO, 2019b)**. Multilateral and bilateral aid for education from official donors, which amounted to 13 per cent of all international aid by 2010, has been falling and is now at 10 per cent. All aid oriented to education in developing countries amounts to only US$10 per child **(IFFEd, 2020)**.

Multilateral and bilateral aid for education from official donors, which amounted to 13 per cent of all international aid by 2010, has been falling and is now at 10 per cent.

In terms of allocation, during the entire 2002–2018 period, the amount of aid to post-secondary education was similar to aid allocated to basic education and much higher than aid given to secondary education **(Table 2)**. In recent decades, seven of the fifteen largest donors increased aid to post-secondary education and decreased aid to primary and secondary education. This is because post-secondary education tends to be aligned with donors' strategic interest in generating ties with countries' future leaders. This aid, in the form of scholarships, exchange programmes or other support for students' mobilization, benefits students studying in donor countries, but does not necessarily strengthen HE systems in developing countries **(UNESCO, 2017b)**. In 2012, about 72% of direct aid to post-secondary education was in the form of scholarships, exchange programmes or other support for student mobilization **(UNESCO, 2015b)**.

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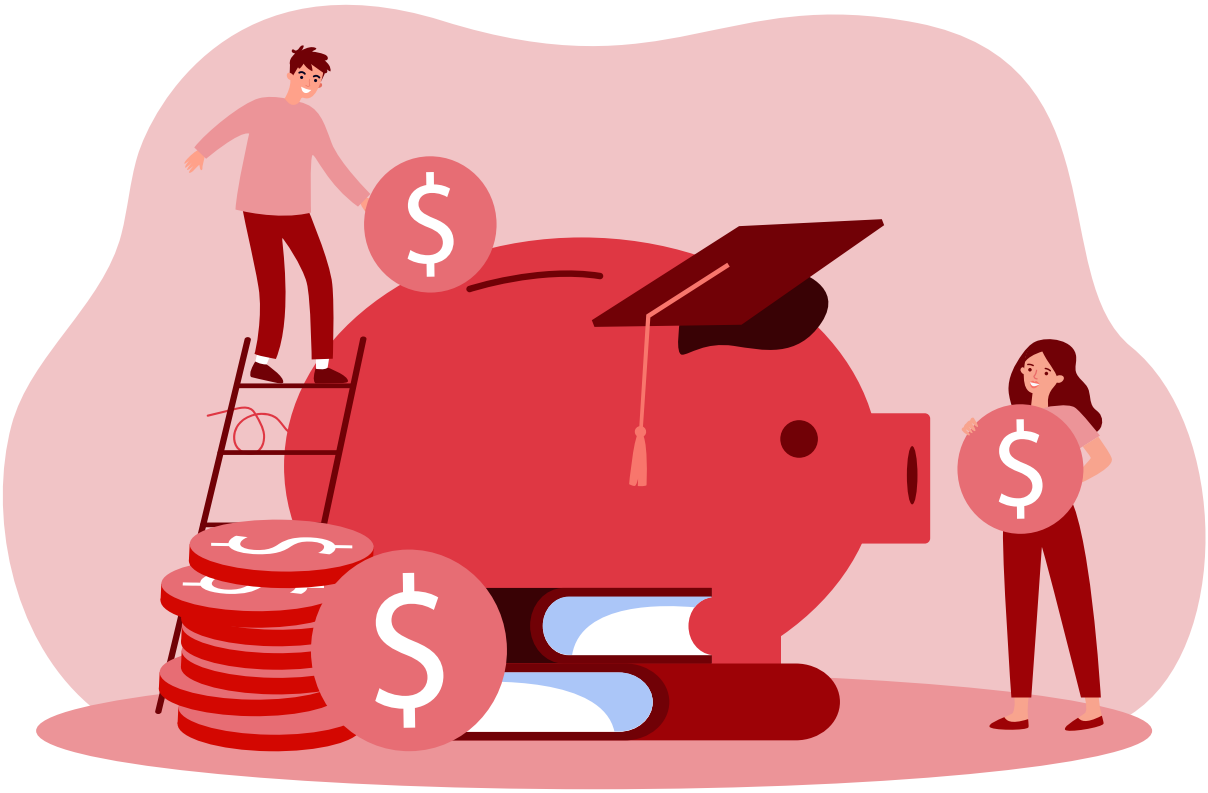
In recent decades, new donors from emerging economies have played an important role. Brazil, China, India and South Africa have committed to international aid in primary education (by financing infrastructure and sustainable development projects) and also in scholarships and international exchange programmes for post-secondary and tertiary students, perhaps seeking to offset the influence exerted by industrialized countries through these mechanisms. These countries have also disbursed resources to finance programmes to support the educational system, such as coordination agencies, infrastructure maintenance and teacher training **(UNESCO, 2015b)**.

FINANCIAL TOOLS FOR BOOSTING EDUCATIONAL GOALS

The international community has realized the need for tools that could help finance the education deficit of LICs and LMICs in order to move towards the 2030 goals. It is clear that a more rational and coordinated approach to allocating aid resources across countries is urgently needed.



To that end, two different instruments have been proposed in the last decade. The first is the Global Partnership for Education **(GPE, 2020)** Financing and Funding Framework, and the second is the International Financial Facility for Education (IFFEd), proposed by the Education Commission **(2016)**. Education Cannot Wait, created during the World Humanitarian Summit in 2016, is a fund dedicated to education in emergencies with the aim of repositioning education as a priority on the humanitarian agenda.

In sum, the world is not on track to meet the SDGs by 2030 **(UNESCO, 2019b)**. Increasing internal financing – through economic growth and increased tax revenues – as well as external aid is essential for achieving the goals. However, the impact of the recent COVID-19 pandemic is an important obstacle for both

TABLE 2: TOTAL AID TO EDUCATION DISBURSEMENTS BY LEVEL OF EDUCATION 2002-2018 (CONSTANT 2018 US$ BILLIONS)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2021	2012	2013	2014	2015	2016	2017	2018
BASIC ED.	2.7	3.0	3.3	3.9	4.2	4.8	4.8	5.6	5.9	5.6	5.0	5.3	5.0	5.5	6.4	6.1	6.5
SECONDARY ED.	0.9	1.0	1.2	1.1	1.5	1.8	1.8	2.4	2.3	2.1	2.2	2.6	2.6	2.4	2.8	2.8	3.0
POST-SECONDARY ED.	2.4	4.0	3.8	4.2	4.6	4.8	4.5	5.1	5.2	5.1	4.9	4.9	4.6	4.9	6.2	5.4	6.1
TOTAL	6.0	8.0	8.3	9.2	10.3	11.4	11.1	13.1	13.4	12.8	12.1	12.8	12.2	12.8	14.4	14.3	15.6

Source: UNESCO (2020)

sources of financing, as most countries have increased budget deficits. The need to prioritize the response to the public health emergency and to strengthen safety nets will likely reduce resources available for education. In relation to household financing, the COVID-19 pandemic has led to reduced incomes and increases in health spending, making it difficult for some families to cover education costs. Donor countries are also experiencing a reduction in income due to slower growth and, at the same time, they need to allocate funds to face the effect of the pandemic. These reduced budgets could translate into a drop in education aid of up to US$2 billion by 2022 **(UNESCO, 2020)**. In fact, the UK, as a consequence of COVID-19, has slashed its international aid budget from 2020 onwards.

For this reason, it is essential, firstly, to intensify efforts to maintain the proportion of total

...external aid needs to be aligned with the needs of national education systems to effectively strengthen them.

aid allocated to education, in a context where global official aid oriented to education has stagnated. Secondly, flexibility in the use of funds is required for finance initiatives to mitigate the effect on education of COVID-19, which has most severely impacted the most vulnerable students, further increasing inequality. Thirdly, multilateral bodies such as the GPE, rather than fragmented bilateral aid efforts, must be strengthened to increase development assistance to education. Also, external aid needs to be aligned with the needs of national education systems to effectively strengthen them **(UNESCO, 2020; World Bank, 2020)**.

3.5 .3 .2

CHALLENGES RELATED TO THE LINK BETWEEN EDUCATION INVESTMENT AND EDUCATION OUTCOMES

As noted, developing countries spend a relatively large part of their budget on education but struggle to mobilize sufficient domestic resources. Certainly, more resources are needed, but just as important are the strategies needed to allocate and match resources with educational needs.

As sources of financing diversify, a larger set of actors gain influence in spending decisions in the school system. In many countries, local governments have emerged as important actors in the allocation and management of school finance; in other countries, schools have a greater responsibility in the use of their budgets **(OECD, 2017)**. Finally, private education providers have become important recipients of public spending **(see section 3.3.1)**. Therefore, since there are different bodies involved in raising, managing and allocating school funds across countries, complexity has increased. The responsibility for spending these funds is shared among an increasingly wide range of actors. Consequently, adequate governance is fundamental; it is necessary to define roles and responsibilities and to align the allocation of resources with educational priorities, ensuring adequate accountability and

CHAPTER 3

Policies and programmes should be subject to impact evaluations, relating inputs to associated educational processes and outcomes; their results should be used to inform resource allocation.

transparency and balancing accountability with trust **(OECD 2017; UNESCO, 2018)**. Moreover, an adequate regulatory framework for the public funding of private providers to assure quality and equity is crucial **(see section 3.3.1)**.

The management of educational resources should be based on strategic objectives, bearing in mind policies and programme evaluation so that available resources are used to ensure equitable access to quality education. Policies and programmes should be subject to impact evaluations, relating inputs to associated educational processes and outcomes; their results should be used to inform resource allocation. However, there are significant challenges in evaluating the impact of policies and programmes on efficiency, quality and equity in education. Some of these challenges are the complexity of educational processes, the diversity of educational goals, the different types of school governance systems, and the importance of social and institutional arrangements in different policy outcomes **(OECD, 2017)**.

In effect, researchers and policy-makers have tried to understand which policies will best improve educational outcomes. The results of these studies, for both developed and developing countries, have generally been inconclusive. According to Glewwe et al. **(2014)**, there are at least two reasons for this. Firstly, the outcomes of a policy depend on many factors, such as the socio-economic level of the students, the way the schools are organized, the level of decentralization of the educational system, the incentives involved, etc.; then, what works in one country may well not work in another. For instance, in terms of school structure, there is evidence showing that equality of opportunity in educational outcomes is higher in integrated school systems than in differentiated school systems. An integrated school system is characterized by a structure that is common to all students over a long period, without segregating students based on

An integrated school system is characterized by a structure that is common to all students over a long period, without segregating students based on their performance.

their performance. In contrast, a differentiated school system has tracks or separate educational pathways (i.e. academic versus technical-vocational education) from an early stage **(Dupriez and Dumay, 2006)**.

Secondly, much of the literature focuses on evaluating the impact of certain inputs, such as teacher characteristics, class size, student–teacher ratios, etc., but has neglected how schools are organized. Therefore, it is methodologically difficult to determine the causal impact of school resources on educational outcomes. Quality of education is not observable, and the educational outcome is multidimensional; as noted, many factors, including parents' socio-economic status, different school resources, and the ways schools are organized, contribute to educational results. Thus, it is difficult to isolate and assess the impact of each on students' learning. Moreover, the same input can have different impacts in different educational and cultural contexts.

It is important to note that research on the relationship between spending and educational outcomes is not conclusive and should not lead to the conclusion that money (resources) does not matter. Many researchers have recognized that addressing pre-existing inequalities requires higher per-student spending for disadvantaged students. Recent studies conducted in the USA **(e.g. Jackson, Johnson and Persico, 2016; Lafortune, Rothstein and Whitmore Schanzenbach, 2018)** compare states that allocate additional money to their lowest-income school districts with states that do not. These studies show that greater funding for districts that serve the most disadvantaged students has a positive and significant impact. States that allocate additional money to their lowest-income school districts see more academic improvement in those districts than states that do not **(Lafortune, Rothstein and Whitmore Schanzenbach, 2018)**. Moreover, exposure to higher levels of public K–12 spending has a positive and significant effect on longer-term outcomes, like high school graduation rates, educational

HE enrolment is highly diverse across countries; while countries such as Brazil, Chile, Colombia and Venezuela have experienced significant expansion, in Central America, gross enrolment rates are still below 30 per cent.

attainment and adult earning power; further, these effects are much more pronounced for children from low-income families **(Jackson, Johnson and Persico, 2016)**. Similar results have been obtained in studies that evaluate the impact of the Chilean reform, implemented in 2008, which transformed the flat voucher into a means-tested one, adjusting the amount of the voucher according to the student's socio-economic status and the proportion of poor students attending a school. The reform had positive impacts on overall achievement and equality of educational opportunity **(Mizala and Torche, 2017)**.

3.5 .3 .3

FINANCING OF HIGHER EDUCATION: ISSUES OF EQUITY AND SUSTAINABILITY

HE has always had issues with equity and sustainability, and has consistently expanded globally **(Burrage, 2010)**. This expansion is explained by the significant incentives people have to attend HE. Educational attainment provides access to better job opportunities and is associated with higher earnings during a person's working life. Also, highly educated people are more likely to report desirable social outcomes. Further, education is not only profitable for individuals, but also generates public benefits, for instance, in terms of higher tax revenue.

These reasons, together with the growth in completion rates for secondary education **(Fiszbein, Cosentino, and Cumsille, 2016; Ferreyra et al., 2017)**, explain HE's expansion in LACs in recent decades. The regional average gross enrolment rate grew from 24.4% in 2000 to 44.3% in 2015; this growth is higher than in almost any other region **(Fiszbein and Stanton, 2018)**. Nonetheless, HE enrolment is highly diverse across countries; while countries such as Brazil, Chile, Colombia and Venezuela have experienced significant expansion, in Central America, gross enrolment rates are still below 30 per cent **(UIS, 2017)**.

In many LACs, the system expanded alongside economic

The massification of primary and secondary education in Africa has fuelled a significant increase in student enrolment in African universities.

growth, fiscal abundance and a rising middle class. As a result, access for all students grew, particularly for low- and middle-income groups who are less academically prepared than their more advantaged peers. Thus, the expansion has encompassed a more diverse body of HE students **(Ferreyra et al., 2017)**. This expansion gave rise to a new situation in which there are new students who were previously under-represented and new higher education institutions (HEI) and programmes serving them. Around 25 per cent of existing HEIs have been created since the early 2000s, and the private sector has opened most of them. The market share of private and non-university HEIs has risen in most LACs **(Ferreyra et al., 2017)**. This increase in variety has stimulated the entry of many students into the system. In Chile and Colombia, for instance, high-ability students had access to traditional selective programmes, while low-ability students gained access to less- (or non-) selective programmes, many of which were created during the expansion **(Fiszbein and Stanton, 2018)**. This link between the expansion of private universities and colleges and the shift to mass HE was also seen earlier in East Asia (Japan, Korea and Taiwan, among countries).

Over the last few decades, Africa has also witnessed tremendous growth in HE. The massification of primary and secondary[6] education in Africa has fuelled a significant increase in student enrolment in African universities. Private HE, which in 2006 accounted for 22 per cent of HE students in Africa, is growing in many African countries due to major government policy reforms **(Nyerere et al., 2017)**. This massification is leading to disproportionate ratios of students to lecturers **(Tlali, Mukurunge and Bhila, 2019)**.

Students joining these institutions are faced with various challenges

[6] Increasing enrolments in primary and secondary education in response to the EFA campaign have led to markedly increased primary and secondary enrolment rates **(Tlali, Mukurunge, and Bhila, 2019)**

related to lack of resources, congestion, alienation and subsequent workload for academic staff. In Kenya, for instance, massification began in the 1990s; the government had to establish several universities and chartered private universities, with the aim of taking in students from secondary school in order to increase the pool of high-skilled labour for development **(Republic of Kenya, 1988; Mwirichia, Jagerob and Barchok, 2017)**. However, the rapid growth of and enrolment in universities in Kenya has raised concerns among stakeholders regarding the quality of university graduates **(Kairu, 2014)**. Something similar has happened in Botswana, Nigeria, Ghana and elsewhere in Africa **(Sawyer, 2004)**. Nigeria is one of the African countries most affected by the overcrowding of HE, and the greatest effects were felt from 1998 to 2005. During this period, enrolment in universities increased by 24 per cent, with challenges related to quality, poor infrastructure and poor student well-being, among other problems **(Tlali, Mukurunge and Bhila, 2019)**.

The rapid expansion of the system in LACs, the characteristics of the new students, and perhaps the lax regulation of some HEIs has also raised questions about the quality of the programmes and, therefore, the equity of a system in which not all students have access to a high-quality institution **(Ferreyra et al., 2017)**. Indeed, in many countries, HE massification has been accompanied by a stratification of the system, between an 'elite' sector and the rest, which often comes with problems of quality. Thus, it is relevant to ask if HE's massification has improved social mobility and skill levels.

In over a dozen LACs, more than 40 per cent of students who enrol in HE do not complete a degree, either because they are still studying or because they have dropped out

Considering its outcomes, the system's performance in LACs is disappointing. In over a dozen LACs, more than 40 per cent of students who enrol in HE do not complete a degree, either because they are still studying or because they have dropped out **(Fiszbein, Cosentino and Cumsille, 2016)**. Only Mexico's and Peru's completion rates are near those of the USA (65 per cent). Also, students who enrol in and complete a

In most African countries, there is strong pressure to simultaneously increase access and improve quality in a context where resources are lacking and where there are still problems of corruption.

degree often take longer than the stipulated time **(Ferreyra et al., 2017)**. In terms of quality, if we consider international rankings, only ten universities in LACs are among the world's top 500 HEIs **(Times Higher Education, 2020)**.

In most African countries, there is strong pressure to simultaneously increase access and improve quality in a context where resources are lacking and where there are still problems of corruption **(Tlali, Mukurunge, and Bhila, 2019)**. In response to historical conditions, the majority of public HEIs in Africa have enrolled students beyond their capacity, which has resulted in overcrowding and negative consequences for educational quality. Increased enrolment has allowed access to HE, but the important issue of ensuring equity in students' academic success has received limited attention **(Tlali, Mukurunge and Bhila, 2019)**. A study by the Harvard University Anderson Research Group **(HUARP, 2006)**, based on country studies and a survey of African graduate students, estimated that, on average, only about 50 per cent of enrolled students in sub-Saharan Africa graduate.

There are several reasons for the high dropout and low graduation rates. Firstly, students, especially those from rural areas and low-quality secondary schools, are under-prepared academically. As enrolment increases, students from a wider range of socio-economic backgrounds and with different educational abilities are admitted into HE. This shows the importance of and the need for investment in quality primary and secondary education, which is necessary for learning throughout life. Secondly, many students from low socio-economic backgrounds, having enrolled in a programme, may find the tuition fees and living expenses unaffordable, especially if they do not receive any grants or scholarships. Thirdly, the frequent closure of campuses due to student protests has resulted in the loss of a semester or even an entire academic year, leading to students' disinterest.

The other issue related to HE is financing. Policy decisions relating

to tuition fees affect both the cost of tertiary education for students and the resources available to tertiary institutions. Cost-sharing between public and private funding takes a number of forms – from no tuition fees, such as in Norway, to fees that may exceed the average annual family income, such as in competitive universities

in the USA. Many countries try to set the tuition fees of public HEIs relatively low or free to assure equity. However, in cases when the socio-economic status (SES) of students in public HEIs is skewed to those of higher SES, HE may function regressively. In many East Asian countries, such as Japan, public HE has limited enrolment capacity, partly because governments are trying to maintain education and research quality among public HE institutions.

In several LACs, the ability of governments to expand access through public funding is limited. Most (but not all) Latin American public universities are currently tuition-free, leaving the financial burden of HE to the government. In cases where the majority of students in public universities come from the wealthier middle classes, this funding is very regressive. Cost-sharing is sometimes implemented even within the public sector; alternatively, Latin American governments have supported students' educational costs through different combinations of grants and loans. Indeed, despite their relatively low income, low- and middle-low income students have been able to afford private HE thanks to student loans and scholarships implemented in some countries **(Ferreyra et al., 2017)**. However, given the significant expansion of higher education, one relevant question is whether the returns to future graduates' education will be enough to repay their loans.

Economic returns to HE show significant heterogeneity across study fields and HEIs

Economic returns to HE show significant heterogeneity across study fields and HEIs **(Rodríguez, Urzúa and Reyes, 2016)**. This heterogeneity in returns, even for the same field, can be explained by differences in students' academic readiness and SES, which implies that not all students have access to options of the same quality. Indeed, selective universities have the largest-earning payoffs, while low-selectivity institutions may have very limited or even negative returns **(Hastings et al., 2013)**. Therefore, attempts to increase social inclusion through access to HE can have only limited success

in light of the heterogeneity of HEIs, students and programmes in the system. Recent experiences in Chile and Colombia show that increased access to low-quality HE in less-prepared students might lead to lower-quality jobs and social discontent. Consistent with the heterogeneity in returns, MacLeod et al. **(2017)** show, using data for Colombia, that college reputation is positively correlated with graduates' earnings growth; their results suggest that HEI reputation matters beyond signalling individual skill. Their results are consistent with the hypothesis that colleges add to skill and that their value-added varies systematically with their reputation. At the same time, as noted in **WG2- ch6**, there is a growing literature on the impact that technology is having on the job market and how it is causing some of the skills conferred by college majors to become increasingly obsolete, reducing their economic returns.

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In Africa's case, this rapid increase in enrolment is perhaps the most critical contributor to deteriorating quality because it has increased pressure on university funding, resulting in a lack of resources for key instruction inputs and research **(Tlali, Mukurunge and Bhila, 2019)**. Massification has had negative consequences on almost all public HEIs in Africa, including physical infrastructure, staffing, educational quality, graduate employment and student mobility. In addition, the private sector has increased access to mainly small, low-quality institutions, which, in most cases, should not be called universities.

Several studies on African HE over the last ten years have delineated the sector's main features. By far, the most striking trend has been the sector's continuing expansion. For instance, in sub-Saharan Africa, the gross enrolment ratio for tertiary education grew, on average, 8.6 per cent each year between 1970 and 2008, compared with the global average of 4.6 per cent **(Wachira, 2018)**.

The finance of higher education in Africa has undergone various changes. The main changes are

Recent research reveals a wide variety of high participation systems in HE, from highly differentiated vertical and horizontal systems, as in Japan, to homogeneous flat systems, as in Finland.

associated with the involvement of the market in higher education, the introduction of tuition and a reduction in 'free' universities. For some people, these changes imply a commoditized education, which seriously affects quality. The tuition fee in some cases covers the full economic cost, and in other cases, cost-sharing is implemented, whereby students meet the partial cost of their university education **(Oketch, 2016)**. When tuition fees were first introduced in the 1990s in countries such as Kenya, Ghana and Uganda, there were significant demonstrations against this policy.

The decline in government funding for HE, along with the rising costs of different services and products that universities provide, has led to a steady increase in student outlay over the last decade. There are no indications that costs will go down, nor are there signals that university education will be free again – as called for by some student associations. Higher Education South Africa admitted that tuition fees had risen annually, with variations among institutions, to keep pace with universities' running costs **(Makoni, 2014)**.

LACs have substantially increased the number of their high school graduates, which has been the main driver of HE's expansion. The market has responded with the creation of new HEIs. There are pending issues in this new scenario to avoid student frustration, and increase equity, quality and productivity. Firstly, the quality of secondary education needs to be improved. Secondly, there is a need to establish support programmes for less prepared students. Thirdly, the existence of externalities, liquidity restrictions and information problems implies that the market alone will not allocate resources to guarantee an education that contributes to sustainable development. Thus, the provision of information and government regulation is necessary.

To what extent then is the expansion of HE sustainable and equitable? Recent research reveals a wide variety of high

CHAPTER 3

Through education, a country has greater capacity to build knowledge and generate innovation, which makes the economy more productive and social life in general more vibrant and open.

participation systems in HE, from highly differentiated vertical and horizontal systems, as in Japan, to homogeneous flat systems, as in Finland **(Cantwell, Marginson and Smolentseva, 2018)**. In developing countries, the massification of primary and secondary education has fuelled a significant increase in the demand for HE, which is the result of rising social expectations, demand for the acquisition of social and cultural capital, and to a lesser extent, demand for HE graduate jobs. In general, high participation systems tend to reflect the socio-economic structure of the society to which they belong, generating a fragmented system with high SES students going to elite universities and middle and low SES students going to universities or HEIs of lower quality, with some even failing to complete university. Elite university credentials lead to huge benefits in terms of salaries and social status, while lower-tier university credentials bring only few benefits, or none at all, generating strong frustration. From the perspective of social equity, students who graduate from top-tier universities, who generally come from high-SES families, have access to good jobs that pay several times what is paid to the people with low or no credentials. This gives them the opportunity to send their children to elite schools, and give them private tutoring and expensive test preparation so that they can easily get into the same top-tier universities. Hence, meritocracy increasingly fails to deliver on its promise of social mobility. Furthermore, students without access to elite institutions find that potential employers do not value their credentials, frustrating their legitimate aspirations for a better life through education; this has detrimental consequences for citizenship, social cohesion and human flourishing.

This highlights the need for and the importance of investment in quality basic and secondary education as a necessary condition for lifelong learning. Comprehensive policies are also needed to ensure equitable and fair access to HE.

3.5 .4

IMPLICATIONS: HOW CAN EDUCATION ENHANCE HUMAN DEVELOPMENT?

There is a long tradition of viewing education as serving two contrasting purposes – human flourishing (or Bildung) on the one hand, and economic utility on the other. However, this opposition is simplistic. Education contributes to human flourishing in a number of economic and non-economic ways. In addition to its intrinsic value, education is associated with several benefits for individuals and society. It contributes to higher productivity and economic growth, and generates externalities – a more educated workforce fosters innovative ideas that lead to more and better jobs. Through education, a country has greater capacity to build knowledge and generate innovation, which makes the economy more productive and social life in general more vibrant and open. Education also translates into greater civic participation levels in voting and volunteering, interpersonal trust and political efficacy, all of which help build better societies. Educated individuals are also likely to live longer and healthier lives **(Brunello et al., 2012)**.

However, as we have shown in this chapter, the relationship between education and human flourishing is far from linear. Investment in education does not necessarily enhance human flourishing; in a number of contexts, it even serves to undermine it. Much here depends on the purposes as well as the political organization and social distribution of investment. We therefore conclude this chapter by highlighting a number of points to which policy-makers and other educational stakeholders should pay attention in order to ensure that education enhances rather than limits human flourishing.

...the relationship between education and human flourishing is far from linear.

While increased access heightens aspirations for social mobility, many education systems are only able to offer quality education to a minority of students.

3.5 .4 .1

DISPARITIES IN QUALITY AND INCLUSIVENESS OF BASIC SCHOOLING

Over the last few decades, the world has experienced significant progress in terms of access to education. Driven, not least, by the EFA movement, school enrolment ratios and access to secondary education have risen. However, in many contexts, increasing access to primary and secondary education is associated with highly uneven schooling quality. Quasi-universal access does not mean that all children are provided with a solid educational foundation. While increased access heightens aspirations for social mobility, many education systems are only able to offer quality education to a minority of students. Further, many school systems are far from inclusive. While substantial progress has been made, much remains to be done in terms of gender parity and ethnic and religious diversity. Additionally, other forms of diversity like disability and neurodiversity still tend to be neglected. Teaching to these forms of diversity is under-resourced and under-researched and this may in turn increase educational disparities **(WG2-ch4)**.

3.5 .4 .2

QUASI-MARKETS AND EDUCATIONAL EQUITY

In response to the financial strains and perceived inefficiencies of public education systems, many governments have introduced quasi-markets as new forms of educational governance that claim to make educational organizations more efficient, responsive and innovative by exposing them to market pressure. Indeed, since the 1980s, more and more countries have introduced scope for parents to choose the school to which they send their children. The most relevant policies to encourage school choice are vouchers and charter schools. In general, the effects of these policies vary depending on the context and

policy design, including the nature of the incentives that private actors face, and government regulatory capacity. However, the available evidence shows that quasi-markets introduce a wide range of challenges related to educational equity, socio-economic segregation, school segmentation and public accountability **(Epple, Romano and Urquiola, 2017; Verger and Moschetti, 2017)**.

3.5 .4 .3

INEQUITIES IN EXPANDING HIGHER EDUCATION

The increasing enrolment in primary and secondary education in developing countries, as a response to the EFA campaign, has not only led to an increase in completion rates for secondary education, but also to an expansion of higher education. This expansion means, on the one hand, that new students who are less academically prepared and from middle-low and low-income groups are attending higher education. On the other hand, existing institutions have been overcrowded or new (private) higher education institutions have been created to accommodate these students. All of which raises questions about funding, quality and the equity of a system in which not all students have access to high-quality institutions. In this new scenario comprehensive policies are needed to ensure equitable and fair access to HE, and to avoid student frustration. Some of these include improving primary and secondary education, establishing support programmes for less prepared students, and an active role for governments in regulating the system.

The increasing enrolment in primary and secondary education in developing countries, as a response to the EFA campaign, has not only led to an increase in completion rates for secondary education, but also to an expansion of higher education

3.5 .4 .4

CREDENTIALISM, MERITOCRACY AND SOCIAL STRATIFICATION

In most countries, expansion of access to HE has led to credentialism. As differential educational attainment (justified by the ideology of meritocracy) becomes the basis for allocation to differential social positions,

new forms of social stratification are created and consolidated. Educational attainment increasingly becomes a positional good strongly associated with social and economic status. One problem here is that meritocracy increasingly fails to deliver on its own promise of social mobility. In all societies, parents' educational background and SES remain strongly predictive of children's educational attainment. Therefore, educational attainment as a positional good tends to reproduce existing hierarchies of social and economic status. Just as importantly, the growing dominance of a meritocratic conception of education tends to sideline other and even more fundamental aspects of education. Thus, the expansion of HE may become more reflective of social struggles for status than a process by which people and societies can achieve their full potential and promote sustainable development by being creative and learning to live together with nature in peace and harmony. Similarly, rising educational levels may become more reflective of social competition than a way for people to acquire the knowledge and skills needed by contemporary labour markets. In this sense, credentialism and meritocracy may undermine the most crucial purposes of education.

In all societies, parents' educational background and SES remain strongly predictive of children's educational attainment.

RETHINKING SKILLS

Educational investment does not, in any linear fashion, entail rising skill levels. Owing to a range of factors, from underfunding to credentialism, education systems around the world struggle with various forms of 'skills gaps' or 'skills mismatch'. For instance, there is a wide gap between the required skills and competencies in many African countries **(World Economic Forum, 2017)**; also, one in three working-age persons in LICs and LMICs lacks the skills needed to secure quality employment **(World Bank, 2020)**. In the Global North, the problem is one of skills mismatch; according to the OECD **(2019a)** skills

There is an urgent need to provide children with the necessary skills to achieve their full potential so that they may contribute to a productive and fair society.

mismatch affects 20 per cent of employees in OECD countries. In addition, most members of the workforce do not participate in lifelong learning and continuous retraining, which is a problem since it is expected that, in a short period of time, available jobs will be in roles that do not yet exist.

There is an urgent need to provide children with the necessary skills to achieve their full potential so that they may contribute to a productive and fair society. Thus, compulsory education must ensure that those who finish school have the cognitive and non-cognitive skills necessary to be successful in contemporary societies. However, to be successful is not just a matter of meeting the skills requirements of labour markets. If non-cognitive skills are in dire need today, this is not just because creativity is needed for knowledge-intensive jobs. Many of humanity's current concerns, from climate change and trade, to the effects of the pandemic, social exclusion and the advancement of science, require that people be educated to understand, engage and have the right skills to approach problems collaboratively, from their respective domains of activity. Education must develop skills that are not exhausted in the cognitive field. We need to educate people who can work with others in search of solutions to complex problems that cannot be solved with just one type of knowledge. Solving complex problems requires an interdisciplinary approach and for this, intra- and interpersonal skills, such as teamwork, the ability to communicate ideas and the ability to listen to others are essential, so empathy is vital. Building these skills requires quality education and lifelong learning **(OECD, 2019b; Reimers, 2020)**.

Nonetheless, the question of skills formation and distribution should never be reduced to a technical issue of achieving a perfect match between the educational supply of skills and the demands of labour markets. Questions of skill should never be considered independently of questions of equity and ethics. This is because education should always serve

Improving equity in education must be a high priority for all countries; equity in education goes hand-in-hand with quality and efficiency.

human flourishing, but it is also because economic arrangements that neglect the question of equity can never be sustainable. Equity in education means that personal or social circumstances, such as gender, SES, ethnicity, migrant background, age, special needs or place of residence, do not hinder the achievement of their educational potential and that all people reach at least a minimum skill level of skills.

Equity issues must be considered at all stages of learning, whether in early childhood, school, tertiary, or adult education and training. In addition, countries should pursue policies to avoid school segregation and ensure that children have the opportunity to learn, play and communicate with other children of different social, cultural and ethnic backgrounds; this is essential for social cohesion. Improving equity in education must be a high priority for all countries; equity in education goes hand-in-hand with quality and efficiency.

3.5 .4 .6

GLOBAL PATTERNS OF EDUCATION FINANCING

The world is not on track to meet the SDGs by 2030. While governments, households and donor countries are the main funders of education, increasing internal financing through economic growth as well as external aid are essential for achieving the goals. In recent years many countries have not been allocating enough resources to education; in particular, the poorest countries face significant difficulty in mobilizing adequate domestic resources. In addition, external aid has remained stagnant – only in 2016 did aid to education surpass the amount allocated in 2010.

In this context, the impact of the COVID-19 pandemic is an important obstacle for all financing sources. According to the World Bank (2020), in LICs and LMICs, the pandemic is expected to negatively affect

According to the World Bank (2020), in LICs and LMICs, the pandemic is expected to negatively affect planned increases in public education spending, stagnating in most countries and decreasing in some.

planned increases in public education spending, stagnating in most countries and decreasing in some. Also, the pandemic implies reductions in income and the need for greater health spending in many households, thus making it difficult for some families to cover education costs. Moreover, donor countries are suffering from a reduction in income as a result of slower growth and a reallocation of funds to combat the effects of the pandemic; thus, the volume of aid will likely be reduced. For this reason, it is essential, firstly, to maintain the proportion of total aid allocated to education. Secondly, there needs to be flexibility in the use of funds to finance initiatives to mitigate the effect on education of COVID-19, which has most severely affected the most vulnerable students, increasing inequality. Thirdly, multilateral bodies such as the GPE, rather than fragmented bilateral aid efforts, must be strengthened in order to increase development assistance to education. External aid must also be aligned with the needs of national education systems to effectively strengthen them, and for this it is necessary to constantly provide contextualized support.

Further, the COVID-19 pandemic has resulted in a massive increase in the popularity of online teaching services and digital textbook providers, giving the private sector and commercial organizations a central role in essential educational services. This has meant the rapid growth of new business opportunities for the EdTech industry. Thus, it is important to perform a detailed analysis of the financial models and practices that have been implemented to finance the development and diffusion of educational technology during the crisis. Also, its long-term implications on public sector financing and the distribution of wealth in favour of a few corporate actors need to be studied **(Williamson and Hogan, 2020)**.

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