

A CHAIN OF LOW-COST PRIVATE SCHOOLS FOR ENGLAND

Low-cost private schools can show how genuine educational markets work, argues **James Tooley**

Private schooling in the United Kingdom is extraordinarily expensive, affordable only to those in the highest income bracket. But in developing countries a surprising phenomenon has emerged—low-cost private schools affordable even to those on the poverty line. Now chains of low-cost private schools are being created, consolidating the market, raising investment for educational improvements, and capitalising on economies of scale. I believe there is an opportunity for something similar in England. Perhaps there could be implications for Australia too—someone would need to sketch out similarities and differences between both countries in order to reach a judgement.

The inspiration

Across the developing world, low-cost private schools have become ubiquitous. I've been engaged in research in this area for nearly two decades now,¹ and the picture that has emerged is unequivocally positive: In urban areas, often 70% of children use private education, including in the poorest slums. In poor rural areas, the figure is 30%. Testing random samples of children and controlling for background variables, research shows how children in low-cost private schools significantly outperform those in government schools. Moreover, private schools are affordable even to those on the poverty line.²

As well as doing research, I've helped create a small number of chains of low-cost private schools and, through my writing and contacts, inspired

the creation of others. The largest chain is Bridge International Academies,³ which opened its first schools in 2009 and is now the biggest in the world with 100,000 children in schools across Kenya, Uganda, Nigeria, Liberia and India. Investors include Bill Gates and Mark Zuckerberg. A more modest chain I co-founded, Omega Schools, now backed by Pearson's Affordable Learning Fund, has 60 schools in Ghana and Liberia. These chains are inspiring competition: hardly a week goes by without some entrepreneur contacting me to ask for advice on setting up similar chains in Africa, Asia or Latin America.

I believe the opportunity exists to create a chain of low-cost private schools in England and other parts of the UK, catering for aspirational middle and working class families who can't afford the high fees demanded by existing private education.

Market demand

Would there be market demand? If one is interested, one can find data showing how government schools are not good enough for those in the lower quintiles of income, and this could suggest there would be market demand from aspirational families. For instance,



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international tests show poorer students are ‘less likely to succeed than their more advantaged peers’, while after years of compulsory state schooling 16% of adults in England are functionally illiterate.⁴ Such data is interesting, but I’m aware that parents might want to choose private schools for a wide range of reasons, including simply wanting control and accountability over their children’s education. So market demand for a chain of low-cost private schools could come about almost irrespective of the quality of government schools.

We believe that with fees of £52 per week—that is, £2,700 per year—we can create a viable education business. The key is to create a ‘no-frills’ model of schooling. ‘No-frills’ does not mean low quality.

Moving forward with this idea, I conducted some small-scale research in England (and in America too) to see if there was any demand for low-cost private schooling. My team at Newcastle University opportunistically interviewed parents on street corners, in marketplaces and the like in Newcastle in the northeast of England. The clear response from the majority of parents was that, yes, they would like to send their children to private schools, but of course they didn’t because they couldn’t afford to. But what if the schools were less expensive than normal private schools? Very much they’d want to apply. Parents indicated they’d be willing to pay for ‘quality of learning’ (82%) and ‘quality of teachers’ (65%). We prompted them to see how much they thought they could afford. Around one-fifth thought they could afford a school costing around £50 per week.

I had suggested this figure to them because I’d created an outline business model which had this figure as its goal. With a sympathetic private school principal in the northeast of England and a fellow academic from the university, we further developed this model. We believe that with fees of £52 per week—that is, £2,700 per year—we can create a viable education business. The key is to create a ‘no-frills’ model of schooling.

‘No-frills’ does not mean low quality. The model brings down costs by renting premises rather than

tying up scarce capital; rents for suitable buildings are lower than we expected. We’ll cut costs too by renting sports facilities. There’ll be none of the fripperies that seem to come with the territory of normal, high-cost private education. So there’ll be no Olympic-sized swimming pools, no cricket grounds, no planetariums, no magnificent (but expensive to maintain) old buildings.

Our teachers sometimes may be lower-paid than in the posh schools, but will be trained and mentored well to deliver a sound, academically-rigorous education. And they’ll be energetic and committed; perhaps some will come from those who are no longer enthused about working in the public sector but who may be willing to work for less if greater job satisfaction was guaranteed. We’ll teach English using phonics to ensure that all children learn to read. We’ll teach mathematics to mastery, not being afraid of teaching through rote learning where this helps mastery, and using software where appropriate to ensure all children advance. And we’ll emphasise good discipline, as demanded by all the parents we interviewed.

As a standalone school, it could be a somewhat attractive investment proposition, but it’s very attractive indeed if you think of a chain of, say, 10, 20 or even 50 of these schools. This would require an efficient head office for teacher recruitment, training and mentoring, quality control and curriculum development as well as strategic development.

From idea to reality

We’ve moved from the idea to begin grappling with the reality. We found a building that would be suitable with some adaptation to be the home of our first school in the city of Durham, just down the road from Newcastle. We created all the school policies and showed how we would adapt the building as required by private school regulations, and we’ve had our pre-opening school inspection. As this article goes to press, we’re awaiting the decision of the Department for Education on registration of our school, but we’re very hopeful that we’ll be able to open in September.

Meanwhile, we’ve had well over 100 expressions of interest from parents who’ve perused our website, without any marketing at all. Parents are from a wide range of nationalities and ethnicities, but all

are united by the common theme that they want private education for their children because they want the control and accountability that comes with that. Until we came along, however, nothing had been available to suit their pockets. And assuming our first school opens, we'll be looking for our second and third to open, and then slowly roll out the model to scale.

How affordable is it?

How affordable is £52 per week? Currently, private schools are unaffordable except to the richest income quintile in the UK. School fees are reportedly an average of £15,500 per annum;⁵ that is around £298 per week (dividing £15,500 by 52). Data on UK family *discretionary* income⁶ shows that this is only affordable to the richest quintile (Table 1, third column). (Discretionary income takes gross family income, subtracts (or adds) taxes (or tax credits), and further subtracts the amount required for necessities such as food, clothing and housing as well as costs such as school uniforms and books).

The richest quintile has on average £688 per week—so if two children are in school, even these families will use up *all* their discretionary income on fees. (Regional data doesn't give a better outcome: for example, average school fees in the northeast of the UK are 69% of fees in London but average discretionary income is only 49%, so school fees are *more* unaffordable in the northeast than in London⁷).

But see how affordable our fees of £52 per week become. Table 1 again (fourth column) shows that

£52 per week is affordable even for parents in the second poorest quintile—for one child at least (their discretionary income is £56 per week). Parents in the third quintile can now afford to send two children to private school (discretionary income £111 per week). With fees as low as we are offering, private education need no longer be the preserve of only the richest.

Progress towards Friedman's universal educational voucher has been almost non-existent in America and beyond.

Just do it

Many people, when they think of improving educational opportunities, tend to think in terms of reforms like the introduction of educational vouchers, where the state funds places in the parents' choice of school, public or private. I'm not optimistic that this is a viable way forward.

It is often inferred that the United States is the home of vouchers, so it comes as a surprise to realise that only 0.2% of America's children are using them.⁸ The person who inspired the idea of vouchers, the late Milton Friedman, expressed how he had been 'repeatedly frustrated' over 50 years of advocating vouchers by the 'adamant and effective opposition of trade union leaders and educational administrators to change that would reduce their control of the educational system.'⁹ Progress towards Friedman's universal educational voucher has been almost non-existent in America and beyond.¹⁰

Table 1: UK family income, gross and discretionary, and school fees (average and low cost)

Quintile	Discretionary income (per week)	How many children in private school can they afford? (average fees)	How many children in private school can they afford? (Low cost)
Poorest income quintile	-£23	-0.1	-0.4
2nd quintile	£56	0.2	1.1
3rd quintile	£111	0.4	2.1
4th quintile	£264	0.9	5.1
Richest income quintile	£688	2.3	13.2

Source: Data on discretionary income from Centre for Economics and Business Research (2017), 5-7.

In the UK, we too have had an unsuccessful brush with school vouchers from the 1970s onwards. The Institute of Economic Affairs' 'impressive academic studies'¹¹ convinced Rhodes Boyson, who was to become education minister in Thatcher's government, of the need for 'an extension of fee-paying private education'. This required 'either a cutback in taxation and generous scholarships for poorer families, or a state-sponsored voucher system for all.' While Boyson preferred the first approach, the universal voucher was more politically feasible; in any case, it would be a 'stepping stone' to private education for all.

For those who believe in free markets, it's an anomaly that education—so important for societies to function and for individuals to flourish—is usually firmly under state control, finance and provision.

With the Conservatives in power from 1979, Education Secretary of State, Sir Keith Joseph, wrote that he was 'intellectually attracted'¹² to educational vouchers. A national petition demanding vouchers strengthened the case. Yet at the 1983 Party Conference, Sir Keith announced the voucher was 'dead'.

State education's vested interests—the Department of Education, local education authorities and teacher unions—saw only risk. Moreover, they had little understanding of how educational markets work: they argued that the 'ebb-and-flow of pupils' would 'create difficult management and organisational problems for schools', ignoring that this 'ebb-and-flow' of customers is the reality for businesses every day. They could not envisage how private school supply could expand, given that starting new schools 'is a slow, expensive and risky business'.¹³

So the market solution to education floundered in the UK. Education thus remains a key area where the economic free market revolution has had zero impact. Our proposed solution will change that. We will ignore the political roadblocks and create a chain of low-cost private schools to demonstrate what a free market in education can do.

By creating a chain of low-cost, high quality private schools within reach of aspirational working and middle class families, we hope to accomplish three things. First, we will provide a demonstration model to show how demand for private schools is widespread, if the price can be low enough, and that the private sector is able and willing to respond to demand. Second, we hope to attract some philanthropy to provide scholarships so that even those on the lowest income quintile can have access to our low-cost private schools. Finally, the private school chain itself is likely to inspire competitors to enter the market, which in itself could bring down costs, so making educational opportunities even more affordable; private educational opportunities can therefore expand of their own accord and bring innovation and competition into the education sector for the benefit of all.

Towards free-market education

For those who believe in free markets, it's an anomaly that education—so important for societies to function and for individuals to flourish—is usually firmly under state control, finance and provision. Creating a chain of low-cost, high quality private schools, affordable to those on all but the lowest income quintile, that will stimulate competition in the sector, is a compelling route to challenging the government monopoly over education in the UK.

The proposed solution does not require any political change, it doesn't require anyone to get reforms through parliament. Politicians, constrained as they are by the tyranny of the thinkable, do not have to be persuaded of any arguments here. When there is a critical mass of people ready for change, then politicians can act in complete safety.

Let the politicians huff and puff about their essential role in education; they'll be huffing and puffing to catch up with us when they realise the world has moved on to a private future.

Endnotes

- 1 One of my earliest articles was in fact for CIS, see James Tooley, 'Private Education: What the Poor Can Teach Us', *Policy* 18:1 (Autumn 2002), 19-21.
- 2 See James Tooley, *The Beautiful Tree: A Personal Journey Into How The World's Poorest People Are Educating Themselves*

- (Washington DC: Cato Institute, 2009); James Tooley, 'Extending Access to Low-cost Private Schools Through Vouchers: An Alternative Interpretation of a Two-stage "School Choice" Experiment in India', *Oxford Review of Education* 42:5 (August 2016), 579-593; James Tooley and David Longfield, 'Affordability of Private Schools: Exploration of a Conundrum and Towards a Definition of "Low-cost"', *Oxford Review of Education* 42:4 (July 2016), 444-459.
- 3 <http://www.bridgeinternationalacademies.com/>
 - 4 Programme for International Student Assessment (PISA), 'Country Note: UK, Results From PISA 2015' (OECD 2016), <https://www.oecd.org/pisa/PISA-2015-United-Kingdom.pdf>; Literacy data from the National Literacy Trust, http://www.literacytrust.org.uk/adult_literacy/illiterate_adults_in_england
 - 5 Ben Chu, 'The Charts That Show How Private School Fees Have Exploded Over the Past 25 Years', *The Independent* (10 May 2016), <http://www.independent.co.uk/news/uk/home-news/the-charts-that-shows-how-private-school-fees-have-exploded-a7023056.html>
 - 6 Centre for Economics and Business Research Asda Income Tracker, 'Report: February 2017' (London: March 2017).
 - 7 For regional fees see <https://www.telegraph.co.uk/investing/funds/five-ways-to-meet-the-156653-cost-of-private-school/>. For regional discretionary income see Centre for Economics and Business Research Asda Income Tracker, 'Report: February 2018' (London: March 2018), 5.
 - 8 James Tooley, 'The Role of Government in Education Revisited: The Theory and Practice of Vouchers, with Pointers to Another Solution for American Education', *Social Philosophy and Policy* 31:1 (2014), 204-228.
 - 9 Milton Friedman, 'Prologue: A Personal Retrospective', in Robert C. Enlow and Lenore T. Ealy (eds), *Liberty and Learning: Milton Friedman's Voucher Idea at Fifty* (Washington DC: Cato Institute, 2006), ix.
 - 10 Some kind (not what Friedman would fully endorse) of universal voucher programs have been implemented in two countries—Chile and Sweden—but both of these came about because of very particular political circumstances (General Pinochet in Chile, and a peculiar conflation of social democrat forces in Sweden), which are unlikely to be repeated anywhere else.
 - 11 Quotes in this paragraph from: 'Appraisal', A.C.F. Beales, Mark Blaug, Sir Douglas Veale and E.G. West, *Education: A Framework for Choice. Papers on Historical, Economic and Administrative Aspects of Choice in Education and its Finance* (London: Institute of Economic Affairs, [1967] 1970), xiv, xv.
 - 12 Citations in this paragraph from Arthur Seldon, *Capitalism* (Cambridge, Mass.: 1986) 14, 36, 14, 15.
 - 13 Citations in this paragraph as above, 39, 38.

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