Unveiling privatisation trends and shaping education investment across Europe in times of economic crisis

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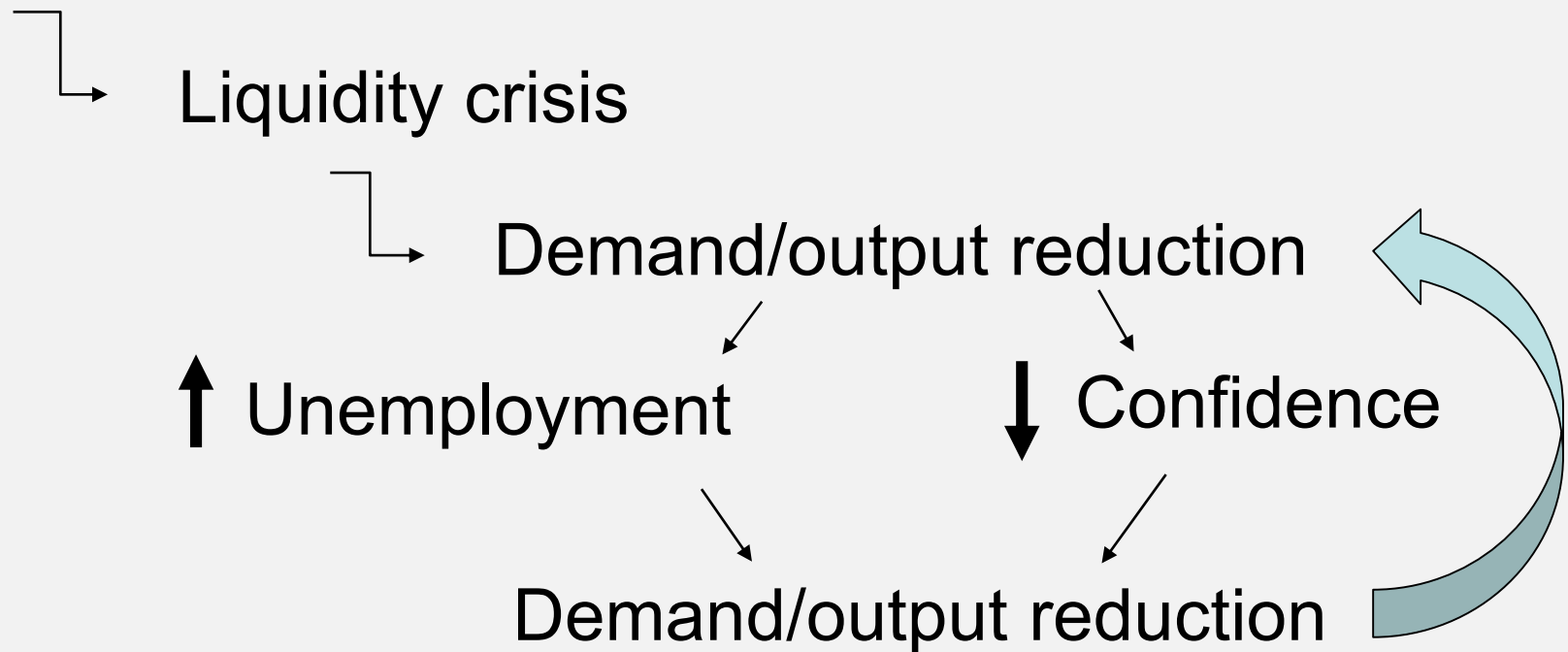Alison Milner

Emily Winchip

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Brussels

Anatomy of a crisis

The 'Shock'

Liquidity crisis

Demand/output reduction

↑ Unemployment   ↓ Confidence

Demand/output reduction

What stops the cycle?

- Business confidence returns 'in the long run'

- Recession *automatically* increases public spending (social protection) which injects demand into the economy.

- Governments may *choose* to spend more – creating demand

- Recession -> currency depreciation -> cheaper exports -> 'export led growth'

But . . .

- Stability and Growth Pact rules require national governments to reduce the size of their deficit as GDP contracts

- A single currency prevents depreciation (and export led growth)

- Contracting economy + SGP rules leads to public spending going down, and social protection spending going up. Is education expenditure 'crowded out'?

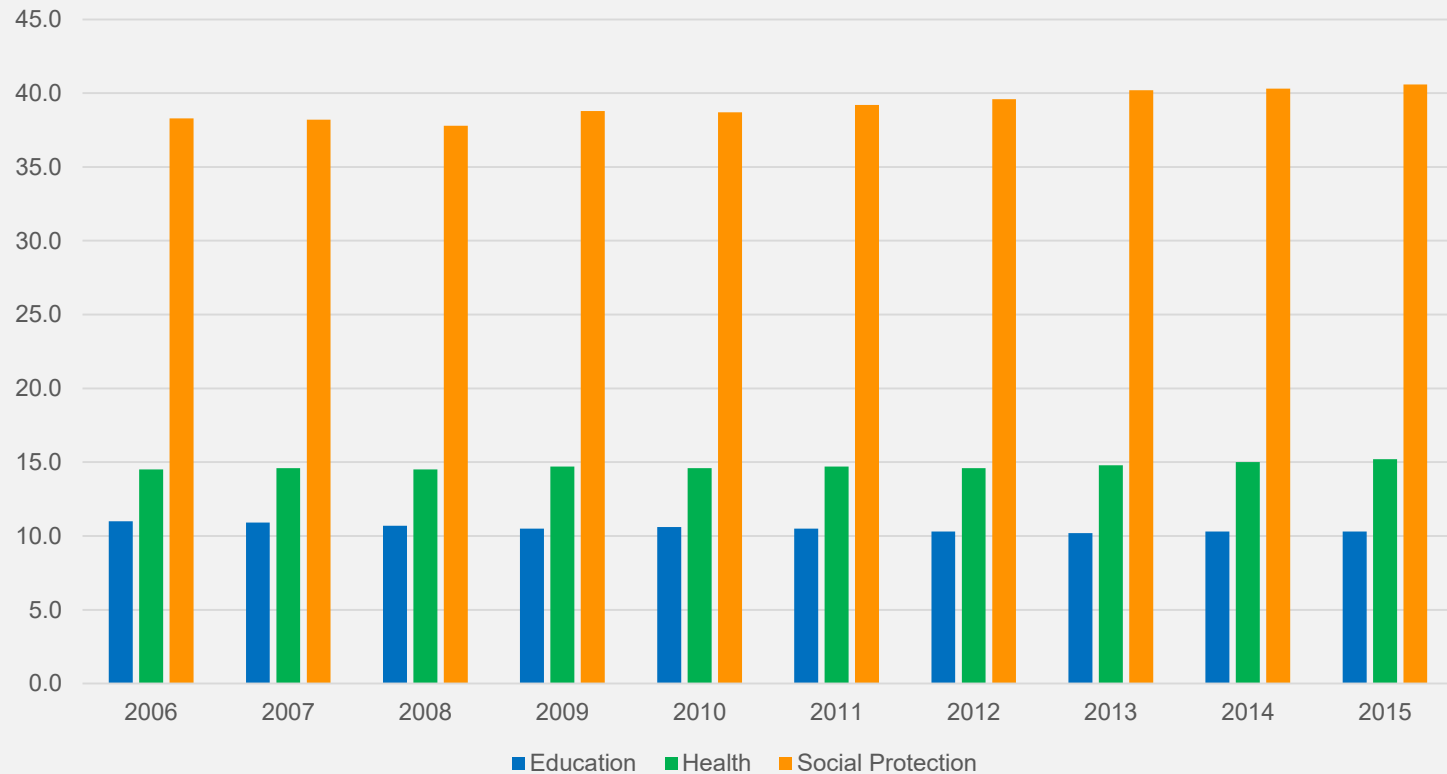EU28 overall public expenditure and education expenditure as % of GDP
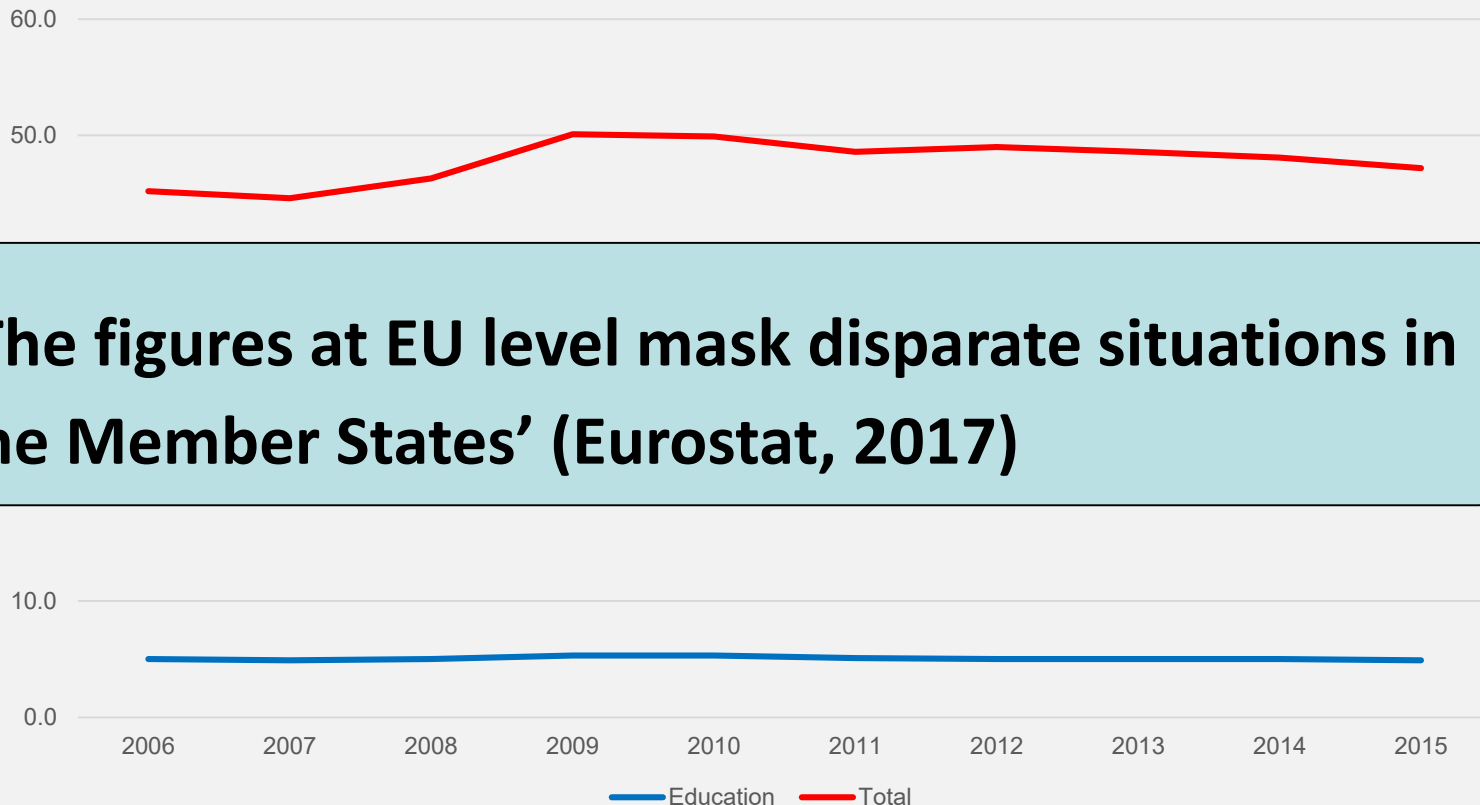
'**The figures at EU level mask disparate situations in the Member States'** (Eurostat, 2017)

Source: Eurostat (2017)

EU28 expenditure on education
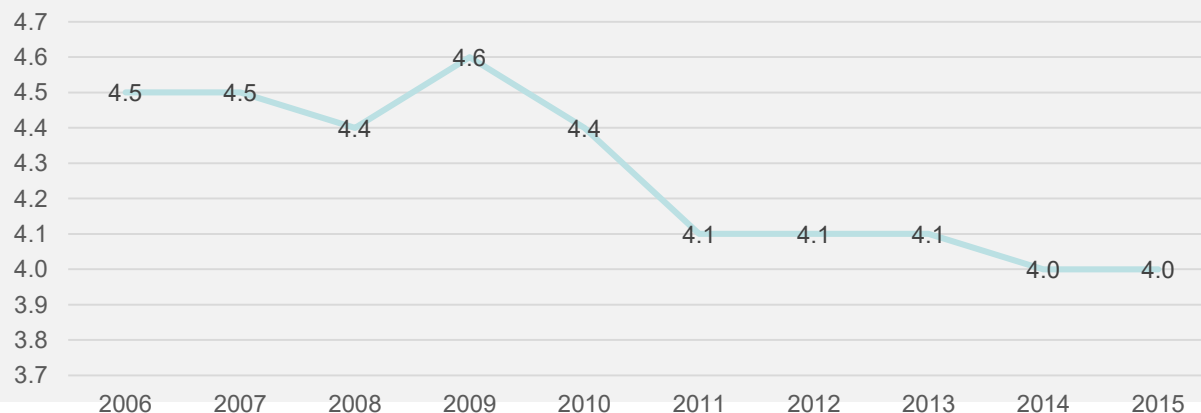as a % of total public expenditure

Source: Eurostat (2017)

Country case 1 - Italy

- Italy spend a low proportion of its GDP on education
- GDP growth poor (2012-2014 – negative, modest growth since)
- Education system has performance weaknesses

Government expenditure on education as % of GDP in Italy 2006 - 2015

Country case 1 - Italy

CSR (2014)

Adopt and implement the planned school reform

'*La Buona Scuola*' – school reforms

- Decentralised decision-making to school leaders
- Increased accountability
- Reduction in casual contracts (limited progress)
- Performance pay (rationed)
- Locally generated private sector funding

Country case 2 - Denmark

- Denmark spends highest % of GDP on education in EU
- System is relatively high performing

Government expenditure on education as % of GDP in
Denmark 2006 - 2015

"Education in Europe: Public Investment,
Privatisation and Reforms", Brussels
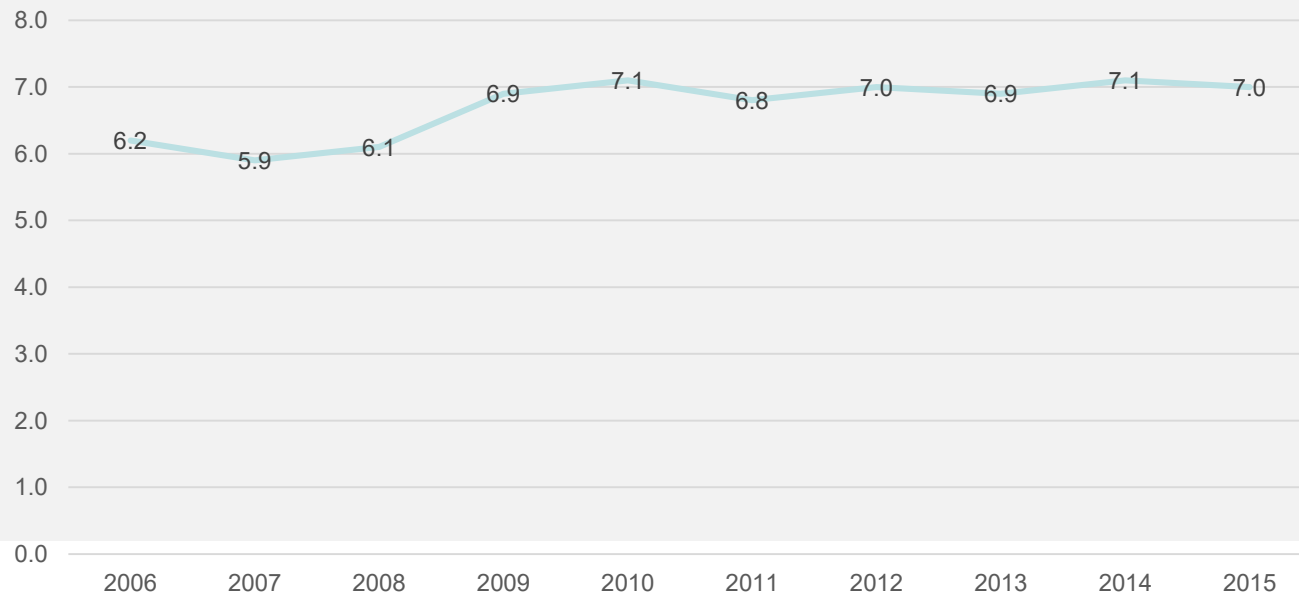
Country case 2 - Denmark

CSR (2012)

Implement announced measures, <u>without delay</u> (our emphasis) to improve the cost-effectiveness of the education system

CSR (2013)

Implement the reform of primary and lower secondary education in order to raise attainment levels and improve the cost-effectiveness of the education system.

Education and Training Monitor (2016)

The Danish Government introduced budgetary cuts across the education sector in the 2016 Budget Act. The cuts have the dual aim of reducing the overall cost of the public sector whilst improving the efficiency of the public sector as a whole, including the education sector.

Key conclusions about public investment

- The economic crisis has had a massive impact on public investment across the EU.

- Recovery is slow and patchy

- Public expenditure as a % of GDP has increased in recent years, but % on education has declined ('crowding out')

- Significant variation between countries and sometimes between education sectors in the same country

- No crude relationship between the European Semester and education expenditure cuts – some countries with better performing economies still made significant education cuts.

The European Semester: a path to privatisation?

The contradiction

- First order CSRs – enforce the SGP
- Second order CSRs – promote education as a source of economic growth

Squaring the circle: policy responses

- Increase 'efficiency' – 'get more for less'
- Shift cost to 'consumer'
- Introduce/increase private sector investment

Privatisation in schools

Private sector inspection of public schools

Performance-related pay for teachers

Personnel/human resources devolved to school level

Privatisation in higher education

Private sector CPD in public universities

Private sector provision of courses *within* public HEIs

Academic staff can be hired on temporary contracts

Key conclusions about education privatisation

- Privatisation of education is a significant issue

- Privatisation patterns look quite different across Europe

- Statutory education is most likely to experience 'internal privatisation' – making the system behave as if it were a commercial organisation

- Non-statutory sectors are a mix of internal and external forms of privatisation

- Higher education appears as the sector most classically privatised (ie significant private sector involvement) – reinforced by the Semester?

- The European Semester is not a crude driver of privatisation

- Privatisation in, and of, education 'creeps' (slowly, often almost invisible)