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GIVING THE 'HIDDEN HAND'

A HELPING HAND?

THE RHETORIC AND REALITY OF NEO-LIBERAL EDUCATION REFORM IN ENGLAND AND NEW ZEALAND

Liz Gordon
Department of Education,
University of Canterbury, NZ

and

Geoff Whitty
Institute of Education,
University of London, UK

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Abstract

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The Authors

Liz Gordon is Senior Lecturer in Education at the University of Canterbury, Christchurch, New Zealand and has recently been elected as a member of the New Zealand parliament. Geoff Whitty is the Karl Mannheim Professor of Sociology of Education at the Institute of Education, University of London, UK.

Address for Correspondence

Geoff Whitty, Policy Studies, Institute of Education, University of London, 55-59 Gordon Square, London, WC1H 0NT, UK
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REFORM IN ENGLAND AND NEW ZEALAND

Liz Gordon, Department of Education, University of Canterbury, Private Bag 4800, Christchurch, New Zealand

and

Geoff Whitty, Institute of Education, University of London, 55-59 Gordon Square, London, WC1H 0NT, UK

Introduction

In recent years, many governments have sought to restructure and deregulate state education. Central to these initiatives have been moves to reduce educational bureaucracy and create devolved systems of schooling entailing significant degrees of institutional autonomy and a variety of forms of school self-management. In many cases, these changes have been linked to an increased emphasis on parental choice and on competition between diversified and specialised forms of provision, thereby seeming to create 'markets' in educational services. Such neo-liberal policies received particular encouragement from New Right governments in the English-speaking world in the 1980s and early 1990s, but they have subsequently also been encouraged by the IMF and the World Bank in Latin America and Eastern Europe (Armove 1996). Even though these directions in education policy have not penetrated all countries (Green 1994), the similarities between the broad trends in many parts of the world suggest that education policy may be witnessing something more significant than a passing political fashion.

New Zealand and England/Wales have probably moved further towards the implementation of neo-liberal approaches to the marketisation of public education systems than most other countries, although privatization seems to have gone further in places such as Chile and other forms of marketisation have been introduced in China. Some judge New Zealand to be a little in front of England in the neo-liberal policy stakes at the present moment (OECD,
The New Zealand reforms have certainly ushered in a thorough-going experiment in free parental choice in the public sector, as well as granting considerable autonomy to individual schools. The English reforms have been more cautious in most respects, though budgetary devolution to schools has actually gone further than in New Zealand. The two cases illustrate the ways in which similar policy imperatives have been mediated somewhat differently by the traditions of different nation states and different political parties. At the same time, since both countries exhibit similar tensions within the New Right project to reform education, they provide an instructive context within which to explore the future prospects of that project.

Comparing education systems in any two countries is generally a problematic task, given historical, political and ideological differences which necessarily exist between nations. A comparison of systems in England and Wales and New Zealand, at the present historical conjuncture, is, we believe, somewhat less problematic than between other countries. There are marked and startling similarities in both the rhetoric of reform, and in the distance travelled towards the entrenchment of neo-liberal policies. The key difference between the countries at present is the continued existence and influence of local education authorities in England and Wales, compared to New Zealand where no similar bodies exist. Given continued attempts by the British Government to remove the influence (or even existence) of LEAs, there is, at the level of rhetoric, even less difference between the two countries. Despite the implementation of neo-liberal education policies in other countries, there are no other countries where reform has proceeded with such similarity of pace, approach, rhetoric and policy patterns.

Quasi-markets in England/Wales and New Zealand

This paper will examine the direction of school reform in these two national contexts. Our primary focus is the continuing tension between the imagined ideal of the 'free' educational market, and government policies to 'manage' what actually remains a 'quasi'
market in both countries. Much of the rhetoric surrounding current policies implies that the school system should ideally be left to the 'hidden hand' of the market - at least at some unspecified point in the future. Yet government policies which provide high levels of intervention in order to realise non-interventionist goals have not been unusual in either country over the past few years. The paper explores this dualism in contemporary education policy in an attempt to understand the key characteristics of neo-liberal state systems of education.

Levacic (1995) suggests that the distinguishing characteristics of a quasi-market for a public service are 'the separation of purchaser from provider and an element of user choice between providers'. She adds that a quasi-market remains highly regulated, with the government controlling 'such matters as entry by new providers, investment, the quality of service (as with the national curriculum) and price, which is often zero to the user' (p167). The lack of a conventional cash nexus and the strength of government intervention distinguish quasi-markets from the idealised view of a 'free' market, though few contemporary markets in any field are actually free from government regulation and many of them involve some element of overt or covert subsidy.

A quasi-market is not merely a halfway house between pre-existing interventionist models and a full market, although the quasi-market does have a number of characteristics of both systems. They link into and support what Gamble (1988) describes as the main characteristics of neo-liberal states - social markets and the 'small, strong state'. Quasi-markets provide the mechanisms for states to shed direct responsibility for education (and other services) while at the same time controlling the supply of social goods. The first of these requires a rhetorical invocation of freedom from government intervention, as when the British prime minister states that he believes in 'trusting headmasters (sic), teachers and governing bodies to run their schools and in trusting parents to make the right choice for their children' and looks forward to the day 'when all publicly funded schools will be run as free self-governing schools' (The
This seems to be consistent with the neo-liberal claim that social affairs are best organised according to the general principle of consumer sovereignty, which holds that each individual is the best judge of his or her needs and wants, and of what is in their best interests.

On the other hand, as MacKenzie (1993) points out, 'British governments have actually increased their claims to knowledge and authority over the education system whilst promoting a theoretical and superficial movement towards consumer sovereignty'. Neo-liberal systems of government have not eschewed intervention, but have changed its form. The rhetoric of the neo-liberal state abhors direct intervention, suggesting policy mechanisms should operate, as far as possible, by the principles of the free market. However, in the quest to achieve this policies often have to be framed in ways which are both heavily interventionist and strongly centralist in nature (Ball, 1993). Under welfare state forms, intervention tended to involve the control of inputs. This required heavy state intervention at the planning and implementation stages, but little or none thereafter. The neo-liberal state, however, focuses instead on policy outputs (Hood, 1995) within a decentralised system, which requires intervention not only at the planning and implementation stages, but also in management practices, the control of decentralised processes and the evaluation of the success of policies. In other words, the quasi-market state is forced to be far more interventionist in order, as it were, to eschew interventionism.

As Jessop et al (1989) note, the new model of the state, which distances the centre from policy effects within civil society, has contradictory outcomes. On the one hand, the state is both smaller and stronger, and is particularly well defended against the demands of groups within civil society. On the other hand, the withdrawal of the state leaves open political space which may be occupied by forces which work against the intent of policy. This in turn requires new political interventions which have two aims: first to protect and enhance the effects of policy change, and second to win and then maintain hegemonic
control over sites of policy intervention in civil society. The resulting patterns of policy intervention have two aims. The first is to enhance, as far as possible, the neo-liberal vision being portrayed in Government rhetoric; the second to deal with the realities of a system which, by its nature, requires rigorous and systematic regulation (Pusey, 1991).

In the remainder of this paper we want to examine specific policies as they relate to different aspects of this contradictory neo-liberal project. Here we are concerned with the reality rather than the rhetoric of reform. Quasi-market interventions follow no specific or pre-determined line, except inasmuch as they hold to a particular ideological thrust: emphasising the virtues of the 'private' at the expense of the 'public'. The particular policy patterns followed in both countries examined here are partly a reflection of the high level of contestation that has accompanied school reform but they also encapsulate the dualistic nature of the neo-liberal project. Many of the policies we will look at are intended as, and have been represented as, ideological showpieces for the 'market way' (Chubb and Moe 1992; Sexton 1991). Although often part of a broader strategy, there have been a number of separate micro-level initiatives, involving just a few schools (either carefully chosen or self-selected), or a few students, or a narrowly defined sector. This, compared with the universalising tendencies of the Keynesian settlement, is an extremely unusual pattern.

We wish to examine five specific aspects of policy initiative in this paper, which have been grouped to reflect the nature of the underlying political project. These areas by no means exhaust the possibilities of the education quasi-market; they have been chosen to reflect some of the key strategies that have been adopted in both countries. The five areas are: making schools autonomous; diversity and choice; bringing in the private sector; privatising provision; and accountability. A key tenet of neo-liberalism is that the private sector is the preferred site for the provision of services. This claim is underpinned both by a suspicion of the public sector as necessarily inefficient, and by a positive embrace of the private which derives from a celebration of the 'neutral' forces of the hidden hand.
However, although governments' attempts at 'privatization' have involved increasing encouragement of private sector involvement in the provision of education, the more prominent initiatives to date have attempted to make the public sector behave more like the private sector. It is to these initiatives that we first turn.

Making schools autonomous

The single largest change in schooling under the neo-liberal project has been the push in both countries towards the atomisation of the control of schools. School self-management has been advocated for a variety of reasons. The rationale is, perhaps, most clearly explained by Chubb and Moe (1990), who claimed to prove empirically that self-management provided the most effective schools, and argued that a combination of school autonomy and market forces provided the best recipe for school improvement. This argument is a direct derivation of public choice theory (Buchanan, 1978), which states that bureaucratic control is necessarily riddled with inefficiencies caused by the self-interest of bureaucrats. Properly harnessed, this approach argues, self-interest is a positive force. For example, in the free market, such self-interest fuels the drive for the maximisation of profits. State sector reform has been driven by the aim to mimic, as far as possible, private sector reform within the public sector and the decentralisation of control to self-managing schools competing in the marketplace can be viewed in these terms.

In neither country has the path to school self-management been smooth. Self-management requires schools to have control over the spending of the funds relating to the education of their pupils. In England and Wales the most extensive form of self-management is found in grant maintained schools. This is a voluntary scheme in which parents can vote for a school to 'opt-out' of its local education authority and receive its funding direct from a central government agency, the Funding Agency for Schools. Even schools which stay with their LEAs now operate with devolved budgets under
Local Management of Schools (LMS), with 85% of the LEA's budget passed directly to schools to spend as they wish. Because this includes funding for teachers' salaries, though based on average rather than actual salaries, these schools currently have more resources under their direct control than most New Zealand schools. In other respects, New Zealand has gone somewhat further down the track to self-management. The abolition of all regional education authorities in 1989 meant that funding was either completely devolved or completely centralised. All so-called 'operational' funding was immediately devolved to schools. Funding for teacher salaries, however, remained centralised and, due to the struggles of teacher unions, has largely continued to be so (see Gordon, 1992b).

Introducing full devolution of funding (or bulk funding) has been a huge political problem for the New Zealand state. There have been three separate initiatives to bring this about. The first was a 'trial' of bulk funded schools, which included around 3% of all schools, who voluntarily opted in during 1992. The second was the bulk funding of senior teacher salaries, which was announced by the Government in 1992. Salaries for these teachers were to be paid directly to schools, on the basis of average costs as in England and Wales. Unions responded by threatening to withdraw their involvement in the introduction of new curricula. The new scheme did go ahead, but on the basis that each school being allocated the actual costs of senior teacher salaries, with salaries continuing to be paid centrally. In effect, this is a mere paper transaction. The final initiative came in 1995, when the bulk funding trial was ended and schools were once again given the option to receive all their funding directly, by entering into a three year contract with the Government. Only 174 schools, or 6% of the total, had chosen to enter this scheme by the beginning of the 1996 school year.

Full devolution of funding thus remains incomplete (and widely opposed) in both countries, despite political pressure to introduce it. In its ideal form, school autonomy also requires Governors/Trustees to be able to negotiate salaries and conditions with each
teacher on an individual basis. Neither country has (as yet) introduced site-based negotiation of salaries and conditions on an extensive scale. In England and Wales, only one grant maintained school has so far withdrawn from national pay agreements, but some City Technology Colleges (CTCs), which operate outside both national and local agreements, have established in-house staff associations within individual schools or offered the less militant unions 'no-strike' agreements in return for recognition. In most other cases, Governors have chosen to maintain existing agreements, while LEA schools operating under LMS are bound by national salary arrangements. Although these now permit an element of performance-related pay at senior levels, most governing bodies have been reluctant to move down this path. In New Zealand, where there is only one teacher union for primary teachers and one for secondary, the fight to maintain a unified pay scale has been intense and continuous, making the teacher unions among the strongest industrial relations advocates in the country, within a national context which formally no longer recognises the existence of unions, let alone their right to advocate on behalf of members.

This is a clear example of the limits of state action under a neo-liberal model. In handing elements of central and local control to individual schools, the state has to rely on governors to adopt its policies. Schools, on the other hand, have in general been very reluctant to accept the full degree of 'autonomy' that is potentially on offer. The vast majority of schools in England, and all but three of the schools in Wales, have rejected grant maintained status even after being required by legislation to consider it. In New Zealand, many schools fear that once funding and decisions about funding are devolved, the level of funding will be reduced and responsibility for cuts in provision blamed on poor management practices at school level rather than central government action. The few schools that have agreed to enter the New Zealand direct funding system in 1996 indicates how reluctant schools are to accept this poisoned chalice. But, as Donald Hirsch (1995) has said of New Zealand: If it is no longer a system, then it should not be surprising that the centre loses control. A particular but unintended effect of the struggle
over self-management in both countries is that each now has a dual system of funding schools, which is hardly in line with the efficiency drive of the neo-liberal state.

Further moves towards school 'autonomy' appear at the present time to be stalled. In both countries, many schools have refused quite substantial short-term financial gains in order to avoid complete atomisation of the public education service. Without complicity by local Governors, decentralisation cannot be achieved, and a number of both Governments' further policy ambitions, at least as signalled in their rhetoric, are stymied. Further options to achieve neo-liberal goals are either coercion, which would have enormous costs in terms of political legitimation, or the provision of irresistible incentives for schools to consent to self-management which, in a climate of acute cynicism regarding Governmental commitment to state-funded education, would have huge fiscal implications. Neither Government has been able as yet to solve this dilemma, and we believe it will remain unresolved. However, one 'solution' to the stalemate, renewed calls for voucher systems, will be considered later in this paper.

Diversity and choice

The 1992 White Paper in England and Wales (DfE 1992) outlined five themes for schooling: quality, diversity, increasing parental choice, greater autonomy for schools and greater accountability. In recent years, the emphasis has been on choice and diversity. The rhetoric stresses the opportunities for parents to choose schools that are most suited to their children's needs. Yet there has been a great deal of evidence in both countries that parents are making choices for their children on the basis of perceived social, rather than educational, ideals (Lauder et al, 1993; Gordon, 1994; Gewirtz et al, 1995; OECD, 1994). Whilst most studies in both countries show that choices are made about equally on 'academic' and 'social' grounds, the academic choices are mainly a general wish for a good, traditional education, rather than the fostering of some specific talent. When a good education is perceived to equate with what schools in predominantly
white, middle class areas offer, such 'academic' choices are revealed as, in actuality, social choices. This research evidence undermines the viability of systems of school choice, as the political justification for them is predicated on the notion that all can choose.

The political legitimacy of new systems of school choice is also threatened by what Hirsch (1995) calls 'the other side' of school choice. Patterns of choice in both countries mean that certain schools have tended to fill up very quickly, and are in a position to close their rolls. In New Zealand, this entails schools entering into an enrolment scheme. As the schools themselves determine the criteria for enrolment, this means that parental boards of trustees are potentially in the position of becoming 'self-perpetuating oligarchies' (Hirsch, 1995), selecting only those who meet the characteristics of the current school population. As others are then not in a position to 'choose' these particular schools, this threatens Government policies of choice, although, at one and the same time, paradoxically enhancing the value of it. In this context, neo-liberal claims that choice leads to diversity of provision are hard to substantiate.

City Technology Colleges in England were certainly intended to be schools with a specifically technological ethos. Subsequently, funding has been provided to selected state schools to enhance their own provision for science and technology or modern languages; essentially to give them a special character. A similar scheme has been mounted in New Zealand. Yet, although the rhetoric emphasises the power of parental choice to make schools more responsive to diverse needs, many of these examples of new forms of schooling have actually been supply side initiatives at government instigation.

Ironically, if anything, parental pressure is making it difficult for such schools to be different. Certainly within English culture, schools judged to be good and hence over-subscribed, are most likely to be academically selective schools with socially advantaged
intakes. Although parents may choose new types of schools because they are different from the standard local comprehensive school, that does not seem to lead in England to a truly diversified system. Instead, those parents who are in a position to choose are choosing those schools that are closest to the traditional academic model of education that used to be associated with selective grammar schools. Even new types of school tend to be judged in these terms. One study showed many parents choosing CTCs not so much for their hi-tech image, but because they were perceived as the next best thing to grammar schools or even elite private schools (Whitty et al 1993). As a result, those schools that are in a position to choose often seek to identify their success with an emphasis on traditional academic virtues and thus attract those students most likely to display them. Some grant maintained comprehensive schools have reverted to being overtly academically selective, and only those that have clearly failed on traditional academic criteria are likely to risk deviating significantly from the dominant definition of excellence in their curriculum offer.

Power et al (1994) found 'no indications of any changes relating to the curriculum or pedagogy' and a renewed emphasis on traditional imagery in the way grant maintained schools presented themselves (p29). Furthermore, Bush et al (1993) have suggested that 30% of grant maintained 'comprehensive' schools are now using covert selection, which is also likely to increase their appearance of academic superiority. More generally, in a major empirical study of school parental choice and school response, Glatter et al (1995) conclude that there is no evidence to date of choice producing greater diversity in the school system and some evidence of a tendency towards greater uniformity. And, although they did not find that the English reforms had actually increased hierarchy, nor did they find it had been reduced to produce that horizontal diversity implied by the 'different but equal' rhetoric of Choice and Diversity (DfE 1992).

Thus, research findings suggest that reformed state schooling systems are not increasingly diverse, but are possibly increasingly homogeneous. This is consistent with
the conclusions of a recent Australian review of the evidence, which has suggested that 'paradoxically, the market exacerbates differences between schools on the basis of class, race and ethnicity, but does not encourage diversity in image, clientele, organisation, curriculum or pedagogy' (Blackmore 1995, p53). Regardless of the rhetoric of restructuring which stresses diversity, 'market status is maintained by conforming to the dominant image of a good school as being well uniformed, well-disciplined and academically successful' (Blackmore 1995, p48). Gewirtz et al (1995) suggest that one effect of the development of an education market in England has been a narrowing of the 'scope' of education, by placing 'almost exclusive emphasis on instrumental, academic and cognitive goals' (p174). Glatter et al (1995) suggest that the only real exceptions have been where government has actually intervened with funding to promote a different model of education, as in the case of specialist technology schools. Thus, despite the prevailing rhetoric concerning the 'power' of choice, it is government intervention rather than the market that has brought innovation on the supply side. Even so, this strategy itself has been met with only limited success (Whitty et al 1993). According to Walford and Miller (1991), even some of those intended beacons of an entirely new form of excellence, the English City Technology Colleges, may be abandoning that distinctiveness in favour of traditional academic excellence.

Meanwhile, in both countries, there have been concerted attempts to increase the role of the private sector in the provision of education, on the basis that, in line with neo-liberal ideology, private sector competition will help to improve state schools.

**Bringing in the private sector**

Interestingly, *Choice and Diversity* argued for parity of esteem only within the public sector, perhaps unconsciously acknowledging the British government's own ideological preference for private provision. Governments in both countries have sought to increase
the role of the private sector in the provision of education. Four aspects of extending the role of the private sector can be identified in the schooling policies of the two countries: direct involvement in the running of schools, sponsorship and school/business collaboration; special 'privately run' public schools; and funding for pupils to attend private schools. The fourth element will be considered below under 'privatising provision'.

In New Zealand the idea that schools are 'businesses', to be managed on private sector principles, has become increasingly strong since the reforms which were introduced in 1989. Subsequently, the notion of headteachers as 'managers' has filtered down with quite significant effects. Similar tendencies have been evident in England since the 1988 Act. In both countries, a new breed of headteachers is apparent, with weakened links to the professional project but increased managerial skills. With self-management, there has sometimes been a much sharper sense that the school governors and the senior management team are 'management' and teaching and other staff the 'workers' (Bowe et al 1992). Halpin et al (1993) suggest that, in the case of grant maintained schools, which have the most autonomy, the very process of running a self-managing unit can result in an increase in the distance of headteachers from classroom teachers. In some cases, though, headteachers themselves are coming under pressure from governing bodies acting like Boards of Directors and one dispute of this nature is before the (British) High Court at the time of writing.

The extent to which governors and trustees actually operate in this way has varied considerably. In the 1989 Act, the school trustees who were elected by parents had themselves to be parents of children attending the school, but that Act was later amended so that parents could elect anyone to a position on the board (Gordon, 1992). At the time, the Minister of Education noted that he hoped that more business people would become involved in running schools, but according to Wylie's (1994) survey most primary boards continued to have only parents on them. In England and Wales, the 1986
Education Act transformed the governing bodies of state schools by removing the inbuilt majority of allegedly self-serving local politicians, increasing the representation of parents and coopting local business people. Yet, in many cases, the new governing bodies have sided with the professionals against government policy.

Schools in both countries have developed closer links with the business community in other ways. In some cases this has involved direct sponsorship, with (usually local) firms providing equipment, sending speakers and offering work experience to students. Large chain stores and supermarkets in both countries have run schemes whereby schools collect receipts and later cash them in for computers, other equipment or money (in a very recent development, a large New Zealand chain store offered 2.5% of all till receipts as a direct donation to schools, for a one month period). Local firms may also sponsor schools for particular events, or assist in other ways with fund raising.

A major shift in school/business relationships in both countries in recent years is the direct or indirect provision of funding or resources by the private sector to schools. This funding is crucial; it partially makes up for a gradual real reduction in state funding for schools, particularly in New Zealand. As state funding is frozen or reduced, schools are forced to rely ever more heavily on funding from other sources, including businesses. One variation on this theme has become a major source of funding for New Zealand schools, but is not yet in England and Wales. Only New Zealand citizens and permanent residents are entitled to free schooling. For all others, schools are allowed to set any fee they choose, with a small amount ($450 per pupil) being paid to the Ministry of Education. Typical fees range from $6500 to $8000 per student per year. Many schools now sell their wares directly to Asian countries, in the hope of attracting fee-paying students. Some schools now have in excess of 70 such students, thus bringing in around half a million dollars per year. Schooling thus now constitutes a new, and rapidly increasing, export industry, with numbers of such students increasing by about 40% per year. This sale of educational places to Asian students in New Zealand probably marks
the current limit of the commodification in the compulsory phase of education and does not appear to be on the policy agenda in England and Wales.

However, England does provide the clearest example of an attempt to mix private and public control of education in the City Technology Colleges, which were launched amidst considerable publicity in 1986 with the intention that private sponsors would provide capital costs and the government recurrent funding. New Zealand has no CTC equivalent. However, a similar effect has been achieved with the use of the Integrated Schools Act (1975), which was set up to provide state funding primarily for struggling Catholic Schools. The Act allows that any school with a 'special character' can integrate into the state system, with the provision of full per capita funding less capital costs, which is to be met by the owners. In 1994 the integration of a fairly new private school, which only barely met the requirements of a 'special character' caused an uproar in one city. It was argued that there was adequate space in existing secondary schools, and that the integration of this school would pull students away from other schools. There is a similar provision in the 1993 Education Act in England and Wales, which has so far been little used, partly because voluntary aided status has long provided a place for Anglican and Catholic schools within the state system.

The project to bring the private into the public sector has met with mixed results. In some ways, the school/business relationship has flourished. In many areas schools have developed firm relationships with local businesses, which often include the provision of resources for the schools. Many schools in both countries have benefited from the large chain store promotions, although the link between the amount purchased and the outcomes raises both equity and ethical issues. However, there has been some reluctance on the part of private businesses to become full partners in educational provision and, in the case of CTCs, the British government certainly grossly overestimated the willingness of industry to provide capital funding for new schools (Whitty et al 1993). Since 1993, the government has therefore encouraged more limited forms of sponsorship in return for
enhanced representation on governing bodies. In New Zealand, though, business people seem to have little interest in helping to govern schools (unless their children attend the school).

Privatising provision

One of the earliest neo-liberal 'solutions' to the problem of state involvement in schooling was the notion of the voucher (Friedman, 1962). While the state would continue to fund schooling (and, indeed, would fund private schooling on the same basis as public schooling), vouchers would provide a mechanism by which states could withdraw from the provision of education. A key feature of voucher schemes is that they shift control over education from the providers of education to the consumers, thus promoting parental choice. In many ways, voucher schemes are a natural partner to neo-liberal state systems, as they meet a variety of political objectives in one move: promoting 'choice', removing state responsibility for provision of schooling, and reducing the power of providers in favour of 'consumers'. However, the Thatcher government's rejection of a system-wide voucher scheme in England and Wales in the early 1980s demonstrated that the political problems in implementing such a policy outweighed the perceived advantages at that time. Nevertheless, renewed calls for vouchers are evident at present and a voucher scheme for pre-school provision is being seen by some neo-liberals as a precursor of wider experiments.

To date, there has been no attempt to introduce a voucher scheme in New Zealand schools, even though groups such as the Business Roundtable (Sexton, 1991) have strongly advocated it. Nevertheless, it is clear from a speech made by the former Minister of Education (Smith, 1995) to a group of Canadian educators that vouchers are on the political agenda in New Zealand, although this speech precipitated a huge negative reaction which makes such a policy unlikely in the current political situation.
However, both countries have adopted partial voucher schemes, aimed at giving clever children from poorer families access to private schools. One of the first education policies announced by the Thatcher government when it came to office in 1979 was an Assisted Places Scheme which provided means-tested government funding to enable academically able children from poor homes to attend some of the country's elite private secondary schools. The scheme currently provides 34,000 places and plans to double it, and extend it to primary age children, have recently been agreed. In New Zealand, a similar scheme known as the Targeted Individual Entitlement (the language itself exposing the political origins of the scheme) has just been set up. From 1996, 160 children (initially) will be able to attend private schools with fees paid by the state. As in the English scheme, families will also be given an allowance for uniform costs. In both schemes, the students are selected by the schools and an evaluation of the English version found that a high proportion of the places were going to the children of 'distressed gentlefolk' rather than the working class and inner city children who figured prominently in the government's original rhetoric of legitimation (see Edwards et al 1989).

A further aspect of the privatisation of provision comes from moves to provide state funding for private schools. In England, direct funding of private schools largely disappeared with the phasing out of direct grant grammar schools by a Labour government in 1976 and current neo-liberal policies favour subsidies to individuals rather than institutions. However, there are actually considerable indirect subsidies, through the tax exemptions that most private schools receive as a result of their charitable status.

The private school sector in New Zealand is quite small (around 4% of the total school population compared with 7% in England and Wales), and there has been a long-term struggle over state funding. The main argument for such funding has always been that those who choose to send their children to private schools pay twice - once through their taxes, and again through school fees. Currently, in New Zealand, the state pays 50% of the salaries of private school teachers. A number of arguments are used to justify this
high level of support, the main one being that the private sector offers a diversity and choice which is not available in the homogeneous state system. More recently, the private school sector has become very pro-active through its national representative organisation, the Independent Schools Council, lobbying hard for increased state funding (ISC, 1995).

The neo-liberal project has provided a further justification for support of private schools. Such schools are held up in both countries as the 'ideal' form of schooling; an argument based on the public choice belief that the private is superior to the public, and supported on the grounds of (mostly) better examination results in the private sector. Thus private schools are said to offer both quality and diversity, thereby augmenting and improving state provision. The case for diversity through private provision is often made by overstressing the homogeneity and mediocrity of state schools. Thus, in his Canadian speech, the former New Zealand Minister of Education likened state schools to the McDonald's food chain.

Perceptions of the superiority of private schooling in both countries have been strongly influenced by the model of the elite (or 'public') British schools, which since the 'academic revolution' of the 1960s have self-consciously fostered an image of traditional academic excellence (Edwards and Whitty 1995). The success of these private schools in examination league tables often reflects the privileged social background of their students, and their better resources and smaller class sizes, rather than any inherent characteristics of 'being private'. Nor, in fact, do these particular schools exhibit much diversity. As a result, far from being a context for developing diversity, the private sector in England has actually made a major contribution to the perpetuation of that one-dimensional model of excellence to which 'good' schools in all sectors of both countries tend to aspire.

Proponents of voucher systems, or other forms of privatised provision, claim that the outcome would be an improvement in the quality and diversity of schooling (Sexton,
1991). It seems far more likely that such schemes would act to further enhance the existing social hierarchy of schooling. The only way to prevent (or at least limit) this would be to force all schools to select students in some way which removed selection bias. Evidence from New Zealand (Lauder et al 1994) suggests that the most effective option might be a system of balloting all students who applied to a school, but the elite private sector (and many elite state schools) would be unlikely to contemplate such a process because selection helps them to maintain their market advantage.

Accountability

Despite its rhetoric, the neo-liberal state is unlikely to abdicate responsibility for the shaping of education either to a 'marketized' public sector or even a fully privatized system. In both countries the rise of quasi-market systems of education have brought with them new, and sometimes enhanced, forms of accountability. Indeed, the application of new models of public sector management into the neoliberal state, in particular agency theory (Gordon, 1995), emphasises accountability. It assumes that state agents, whether they be central bureaucrats or individual teachers, are apt to act in their own interests, and against those of their clients; this being the natural effect of state systems where market discipline is absent. In both countries, new models of accountability in the education sector mark a significant break from older collaborative approaches. The old forms of Inspectorate worked firstly to support and improve schools and teachers in their work, and only secondly to assess that work. Inspectors were usually senior teachers of many years standing, and had a close relationship with education agencies and schools.

Not surprisingly, in neither country have new systems of accountability associated with quasi-markets in education gained acceptance among professional educators. This is partly the result of a deliberate separation of agencies of accountability from agencies of education. The Office for Standards in Education (OFSTED), the English central...
government department responsible for school inspection, engages private contractors to undertake inspections on behalf of the state. This was a compromise which replaced a more radical proposal to allow schools to engage inspectors directly. Nevertheless, inspection has been rigorously separated from advice and support. While Her Majesty's Inspectorate has traditionally been seen as part of the 'liberal educational establishment', the current chief inspector and head of OFSTED has identified himself publicly with its neo-liberal critics. The Education Review Office (ERO) in New Zealand is a stand-alone state agency, which is accountable directly to its Minister. At present, that Minister is the Minister of Education, but this is not necessarily the case. The separation of agencies of accountability from other educational state agencies, a key element of new public management systems (Hood, 1995), has two effects. The first is that the agencies are more or less divorced from national educational concerns and methodologies, and the second is that these agencies enter into a potentially competitive relationship with educational agencies.

As a result, OFSTED and ERO have quite problematic relationships with the education sector. At the national level, there is an uneasy relationship between OFSTED and the Schools Curriculum and Assessment Authority (SCAA), which advises the government on the National Curriculum and its assessment. ERO has been critical of the SCAA's counterpart, the New Zealand Qualifications Authority. Both agencies have been given a high degree of independence, or autonomy, in the belief that agencies of accountability should not be tied to existing policy and provision. The result, however, has been that schools have become victims of competing discourses about how they should operate.

OFSTED and ERO have developed methodologies which reflect a neo-liberal managerialist agenda. These methodologies have become increasingly similar as, for example, the Chief Executive Officer of ERO travelled to England to undertake a course on the OFSTED methodology. The stress in both instances is on the relationship of educational inputs to specified outputs. Schools are required to measure up to certain end
goals. The publication of 'league tables' of secondary schools in both countries is one example of such an approach, in that it is assumed by many that these accurately measure the performance of schools, and by implication whether they are effective institutions.

One effect of the reforms in both countries is that there is a dual system of accountability. The first takes place through the formal process of educational review, and is concerned with accountability to the central state which, as funder of education, has an interest in the outcomes. This approach is in line with new models of public management, as we noted above. The second approach is a much more powerful and direct form of accountability. The devolution of funding to schools on a per capita basis requires schools to attempt to maximise their rolls. In an open market situation, evident throughout New Zealand and increasingly in England, schools which do not attract students are penalised in a direct fashion by the withdrawal of funding and staffing resources.

There can be a direct conflict between the two approaches. A school, for example, which is extremely successful in attracting students may fail miserably on measures of managerial accountability. Indeed, there is evidence in New Zealand at least (Gordon, 1993) that many 'successful' schools tend to disregard formal rules of operation, arguing that their (market) success speaks for itself. Such an approach is not open to schools with falling rolls. In the quasi-market, then, the institutions of accountability concentrate on forcing unsuccessful schools to change their practices. Yet, even in this endeavour their usefulness is limited, as many of the problems they identify are endemic to the market position which the schools hold, such as lack of resources, discipline problems, poor teacher morale and inadequate building maintenance.

Wylie (1995) argues that in New Zealand new forms of accountability and managerialism 'may produce only a small gain for the substantial cost of foregone attention to teaching and learning, within positive, supportive relationships', though she also suggests that, in
reality, they may have 'more form than substance', so that other practices and values 'can be, and often are, given priority at the "chalkface"'.

**Conclusion**

Any attempt to analyse quasi-market systems of education is bound to recognise the tensions between political rhetoric and systemic reality and between policies of increasing state control and opening up public institutions to market forces. The dualisms which feature so strongly in this account are particularly evident in the systems of funding and accountability in both countries and the ongoing struggle to re-position private and state systems of schools. Schooling systems *inevitably* straddle the state/civil society boundary in any nation that requires compulsory education for all or any of its citizens.

Jessop et al (1991) note that there are plenty of forces within civil society which are antagonistic to the market programme. The story of schooling reforms to date, in both England and Wales and New Zealand, has demonstrated this clearly. Even the 'market' sector itself has proved markedly reluctant to become involved in the 'dirty' work of schooling where this requires private sector funding (for example CTCs) - except where clear benefits are apparent (as with the various chain store and supermarket promotions). Where such involvement has taken place it has been *ad hoc*, short-term, limited in scope or linked to a particular project or school.

In terms of funding and provision of education, then, the neo-liberal project has consistently been stymied by the lack of an obvious successor to the state in these roles. Furthermore, state withdrawal has been sharply contested at every stage. In neither country are programmes to reduce educational funding or provision popular, and a majority of the population in each has stuck stubbornly to the view that the state should provide education, health and other essential services. With every policy announcement, then, 'antagonistic forces' are encountered who wish to contest, reverse or alter the
direction of the reforms. In both countries, the current policy pattern is the outcome of more than seven years of struggle.

Our view in writing this paper is that the limits of the quasi-market have nearly been reached. At one level, the promotion of parental choice in both countries has met with some success in its goal of encouraging parents to look beyond the local school. However, the growth of what Donald Hirsch (1995) calls 'the other side' of choice, where schools do the choosing, threatens this budding market. Increasingly, those schools which are considered worth choosing are full, and it is the schools which do the choosing, thus reducing the benefits of choice.

There is no market alternative emerging which can alleviate this situation. Suggestions have included mergers, takeovers, new 'management' systems, conglomerates and various private sector solutions, but none seems likely to get off the ground at present, particularly in view of apparent failure of similar initiatives in the USA (Molnar, in press). It is partly for this reason that vouchers are back on the political agenda in both countries. Yet it is highly unlikely that a full voucher system will be implemented in either country. Both governments are committed to the neo-liberal agenda of reducing the proportion of public expenditure in relation to gross domestic product. A full voucher scheme which provided real choice across sectors would require a large additional expenditure by the state. An attenuated scheme would not guarantee full parental choice, and would rely on entrepreneurial development of schooling provision - and there is little evidence so far that this would be forthcoming on a sufficient scale.

Other political solutions also do not appear viable at the point. One is the possibility of a tax/social services trade-off. In return for a heavy reduction in income tax (or even its abolition), parents would bear the full cost of educating their children, with a safety net for low income people or state beneficiaries (funded by indirect taxation). Such a proposal, which privatises the funding of schooling may, or may not, also be linked to
the private provision of schooling. The state may either become an increasingly residual partner in school provision, or it may give away or sell schools, probably to local communities but possibly to profit-making institutions. This proposal does meet neo-liberal imperatives, but raises huge problems of political legitimation in societies which want state provision of schooling. As well, it would be extraordinarily difficult to force compulsory school attendance under such a system, as parents might choose not to pay the costs of sending a child to school.

The rhetoric of neo-liberal schooling policies is thus far removed from the reality, and is likely to remain so. Policies and practices in both countries are currently caught in the classic dilemma of state legitimation versus fiscal imperatives and there is an urgent need to find new ways forward. What is particularly disconcerting in both countries is the tendency of mainstream opposition parties, who might be expected to develop viable alternatives, to do little more than mimic the rhetoric of the New Right parties of government. As Henig (1994) says of similar tendencies in the USA, 'the sad irony of the current education-reform movement is that, through over-identification with school-choice proposals rooted in market-based ideas, the healthy impulse to consider radical reforms to address social problems may be channeled into initiatives that further erode the potential for collective deliberation and collective response' (p222).

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