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For-profit Schools in England

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For-profit Schools in England: the State of a Nation

Trends towards the marketisation of the schooling sector have led to suggestions that state-funded schools in England will soon be allowed to operate on a for-profit basis. This article has two aims: to contribute to understanding of the regulation and characterisation of existing for-profit schools in England; and to assess the claim that for-profit schools 'significantly outperform' all independent schools (Croft, 2010) by exploring the use of large scale databases including the National Pupil Database (NPD). This study highlights the growth of the for-profit sector, and the scarcity of legislation detailing the financial governance, educational oversight and staffing requirements of schools in the for-profit schooling sector. The for-profit schooling sector is found to be underperforming in terms of school inspection ratings at a level of statistical significance in comparison to the state funded schooling sector. Furthermore, performance indicators relating to GCSE and A level results suggest that the for-profit sector is underperforming compared to the not-for-profit independent sector. As such, the findings of this research have implications in undermining the neoliberal argument that has driven significant change in the schooling landscape in recent times.

Keywords: for-profit schools, academic outcomes, inspection outcomes, profit motive

Introduction

The majority of schools in England are operated by public and not-for-profit organisations, yet there is a growing body of for-profit independent schools and calls from some quarters to increase the role of the private sector in the management of schools, including in the operation of free schools, within the state sector (Miller, Craven & Tooley, 2014; Croft, 2010). Indeed, it has been reported that politicians from across the political spectrum have said that there would be no alternative but to allow for-profit companies to operate in state-funded education if there was evidence to support it (Barkham & Curtis, 2010; See, 2012). The existing for-profit sector in England is poorly characterised and under-researched. This study aims to address that, in part, by describing the existing for-profit sector in England, and examining the claim that the

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3 profit motive created through the market drives up standards (Croft, 2010). In this article we
4 examine the argument made by supporters of for-profit schools, develop current
5 understandings of what constitutes a for-profit school with particular reference to ownership
6 and governance, use national datasets to examine the characteristics of the for-profit sector, and
7 we compare educational outcomes for the for-profit sector with the not-for-profit independent
8 sector and all state maintained schools. Finally, we discuss our findings in relation to existing
9 literature and outline implications and future research directions.
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12 In the neoliberal economic model, it is assumed that competition created through the
13 market will lead to the most efficient outcomes at the lowest possible price (Hill & Welsch,
14 2009). In practice, this promotes the deregulation and privatisation of all industries (Davies &
15 Bansel, 2007; Thorsen, 2010). Neoliberalism can be seen to have shaped a radical
16 transformation of the schooling landscape in England in which the role of the state is
17 diminishing whilst private sector involvement and notions of the market-place spread (Ball,
18 2008; Tomlinson, 2015). Although for-profit providers are currently explicitly excluded from
19 participating directly in the compulsory state schooling sector, the trend in England is towards
20 increased involvement of the private sector. This has been manifest in, for example, changes in
21 legislation in 2011 and 2013 allowing providers of further and higher education respectively to
22 operate on a for-profit basis, and within the state school sector in the provision of goods and
23 services such as examinations and assessments, textbooks and temporary staff by private
24 companies operating for profit (Ball, 2015). Indeed, Dr Julian Huppert, MP for Cambridge
25 during the Coalition government reported in Parliament that 'there are a number of things that
26 we [Liberal Democrats] have simply not allowed to happen: for-profit schools...' (House of
27 Commons, 2014).
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32 The introduction of the academies and free schools programme represents another
33 move towards deregulation of the education system, leading to suggestions from academics and
34 politicians that state-funded schools will soon be permitted to operate on a for-profit basis
35 (Hatcher, 2011; HC Deb, 2012). Indeed, out-contracting services has included, in one case, the
36 outsourcing of the operation of a school by its trustees to a for-profit company (Ball, 2015) - a
37 consequence made possible as a result of defining the school as the charitable activity of the
38 governing body charity, rather than as an entity in itself (DfE, 2014). Junemann and Ball (2013)
39 highlight that reports, seminars and policy conversations are making an argument that 'the
40 disciplines of profit are what is needed to reform and re-energise the public sector. That is,
41 enterprise can succeed where the state has failed' (p.429). However, the success criteria are
42 undefined: for Croft (2011), the performance outcome measure of choice is Ofsted and ISI
43 inspection outcome. This is a narrow measure of success, taking account of outcomes over a
44 short period of time (typically 3 years). Parents and children are likely to have a wide range of
45 ways of conceiving educational success, which are likely to include ideas about how well school
46 enables children to achieve outcomes of value to them.
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50 A range of objections to for-profit schooling exist. These include the argument that
51 introducing the profit motive corrupts the relationship between the owner and the population
52 served, in this case what it means to be educated, crowding out values worth caring about
53 (Sandel, 2012). In such a marketised education system there exists the possibility that students
54 become viewed as high or low value assets to be nurtured or avoided (Ball, 2015) with
55 consequences for equity and access. This has been observed elsewhere in the world. Charter
56 schools (which can operate on a for-profit basis in some states of the USA) have been found to
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3 impede equitable access to educational opportunities (Lubienski, 2013). In Chile, where for-
4 profit schools participate in a universal voucher system, socio-economic segregation has
5 expanded over time (See, 2012). There further exists the possibility of monopoly or cartels of
6 schools operating within an area which could squeeze out other providers before raising costs
7 of education or reducing budgets, eroding the quality of education in that region over time
8 (Tooley, 2007). These longer term changes to the educational landscape, and to educational
9 relationships are important to be aware of, but the purpose of this article is to examine the
10 current state of the for-profit sector in England, and assess the performance of the sector in its
11 own measurable terms: does the profit motive drive up standards in the sector?
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14 **Blurred lines: defining for-profit schools**

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17 Although the Department for Education (DfE) in England acknowledges that schools in the
18 independent schooling sector can be run on a for-profit basis, they do not have a definition of
19 for-profit schools; nor do they hold a list of for-profit independent schools (DfE, personal
20 communication, 10 February 2017). Schools which are not funded by the government, as
21 identified by the DfE can be 'independent schools' or 'independent special schools.' Croft (2010)
22 states that a for-profit school is a school in the independent schooling sector operating without
23 a charitable trust vehicle (p.24). A charitable trust vehicle is a mechanism which recognises an
24 organisation as existing for charitable purposes (such as the advancement of education) and
25 ensures funds generated are invested for the public benefit. However Croft (2010) does not
26 detail what charitable trust vehicle schools can adopt. All detailed guidance documents and
27 'how to' guides ($n = 59$) available as part of the Charity Commission's Publication Scheme were
28 examined to recognise what charitable trust vehicles schools can adopt. There are two
29 appropriate vehicles for independent schools, depending on school income. Where income is
30 greater than £5000, charitable status is the appropriate vehicle (with a requirement for annual
31 submission of financial returns to the Charity Commission). For independent schools operating
32 on a charitable basis with an income of less than £5000 the appropriate charitable trust vehicle
33 is the submission of annual returns to HM Revenue and Customs to claim back applicable taxes
34 (The Charity Commission, 2014). As a result, we are defining for-profit schools as:
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39 schools in the independent schooling sector operating without charitable status (in
40 the case of schools generating an income of more than £5000) or without a
41 charitable mandate obtained from HM Revenue and Customs (in the case of schools
42 generating an income of less than £5000).
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46 This definition of for-profit schools provides clear and operational criteria through which to
47 identify and study for-profit schools. All for-profit schools are assumed to be operating in the
48 independent sector because academies, foundation schools and voluntary schools are exempt
49 charities, regulated by the Secretary of State for Education. However, it is important to note that
50 there are blurred lines between the profit and not-for-profit sectors. Schools in the for-profit
51 sector may not be motivated by the profit motive, but rather by the increased freedom afforded
52 by not operating with a charitable vehicle. Conversely, where a school does not operate on a for-
53 profit basis, profit exists within the independent and state school sectors. UK independent
54 schools are able to operate international schools for profit while their UK operation holds a
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3 charitable trust vehicle, and products and services are increasingly provided to all types of
4 school (including state maintained and academy and free schools) by private companies
5 intending to make a profit. Although all charities must serve a charitable purpose and must
6 have an identifiable benefit to the public, private benefits are permitted, but must be incidental
7 (DfE, 2014). This grey area is of relevance to the operation of private companies within the not-
8 for-profit independent and state sectors.
9

14 **Identifying the for-profit school population**

16 Working with the definition of for-profit schools above, we compiled an up-to-date database of
17 the for-profit school population in August 2016, complete and accurate to the best of our
18 knowledge. All organisations with charitable status have a legal requirement for their records to
19 be held on a National Charities Register (The Charity Commission, 2014). As such, the absence
20 of charitable status and being listed on the National Charities Register provided a verifiable
21 indicator through which to recognise for-profit schools generating an income of more than
22 £5000. Schools operating on a charitable basis generating an income of less than £5000,
23 however, do not obtain charitable status. A search of HM Revenue and Customs' Services and
24 Information Site for Charity Money, Tax and Accounts was conducted to find an equivalent
25 record of such organisations. As no records were returned it was not possible to determine
26 whether schools generating an income of less than £5000 were operating on a charitable basis
27 or not. However, given that the average annual school fees for independent schools are £16,500
28 per child, it is unlikely that schools operating on a charitable basis would be exempt from
29 gaining charitable status as this is more than three times the minimum £5000 threshold (Davis,
30 2016). If this sector is to be held up for scrutiny and to be held accountable, public records of
31 school type need to be updated to include schools operating on a for-profit basis.
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36 A population list of all independent schools in England highlighting which schools were
37 contained on the National Charities Register was obtained from the DfE (August 23 2016). This
38 contained a total of 2640 independent schools operating in England. Excluding schools with
39 charitable status left a total of 977 schools. This population was reduced further as no data or
40 online records could be found for 34 schools on the list. This left a final population of 943 for-
41 profit schools operating in England.
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44 The remainder of this article presents an analysis of the for-profit school sector, and
45 where relevant, a comparison with the not-for-profit independent and state-funded sectors.
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47 **Methods**

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49 In order to find out about the legislation and policies relating to the governance and
50 management of for-profit schools, a detailed search of government legislation and policy was
51 carried out on the following sources: www.legislation.gov.uk and
52 www.gov.uk/government/policies using the following search terms: independent school, for-
53 profit school, for profit school, proprietorial school, proprietary school, academies, free schools,
54 maintained schools, governance, regulation, audit, monitor, compliance, policies, rule, funding.
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3 A secondary data file matching the for-profit school population with data from the three
4 sources below was created:
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- 6 (1) Edubase was used to identify school inspectorate, school ownership, school location and
7 school status of each for-profit school.
- 8 (2) Ofsted was used to identify school inspection reports for all for-profit schools recorded
9 as using Ofsted as an inspectorate on Edubase (n = 655). School inspection reports
10 were identified for 624 for-profit schools (95 per cent of this sample). The schools for
11 which no reports could be found were identified to have opened in 2016 and as such, it
12 was assumed that this sample of schools had not been subject to an Ofsted inspection
13 since opening. The rating from the most recent school inspection for each school was
14 recorded for each for-profit school.
- 15 (3) The National Pupil Database (NPD) was used to access the most up-to-date and
16 complete GCSE and A level attainment data available at the time of the study for all
17 schools in the three sectors of interest. This constituted 2012/13 KS4 GCSE performance
18 data for all relevant for-profit (n = 220), state-funded (n = 3998) and not-for-profit
19 independent (n = 688) schools in England and 2014/15 KS5 A Level performance data
20 for all relevant for-profit (n = 73), state-funded (n = 2338) and not-for-profit
21 independent (n = 521) schools in England. We are grateful to the DfE for providing this
22 data. The smaller number of for-profit schools for which GCSE attainment measures
23 exist reflects the composition of the for-profit sector: many are new schools, special
24 schools or preparatory schools which do not enter students for GCSE examinations.
25 There are others which offer international programmes such as the US High School
26 Diploma.
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31 In addition, the following data sources were used to inform comparisons
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- 33 (4) Statistics at DfE were used to collect data relating to school ownership, school location
34 and school status for state schools.
- 35 (5) Statistics at Ofsted were used to collect national averages relating to school inspection
36 outcomes for all state-funded schools in England.
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39 The secondary data file was imported into SPSS. Chi-square goodness-of-fit tests were used in
40 the case of categorical variables to determine if the observed group frequencies of for-profit
41 schools differed to national averages sourced for the state-funded schooling sector at a level of
42 statistical significance (Elliott & Woodward, 2007; Allen, Bennett & Heritage, 2014). As raw
43 scale attainment data was available for all school groups, independent samples t tests were used
44 to test differences in the population means at a level of statistical significance for attainment at
45 the end of key stages 4 and 5 (Allen, Bennett & Heritage, 2014).
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48 **Findings**

49 The findings are presented under the following headings: (under) regulating schools; growth of
50 the for-profit sector; characteristics of for-profit schools; inspection providers and outcomes;
51 and academic outcomes.
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(Under) regulating schools

In this section, we consider how legislation applies to for-profit schools, particularly in relation to financial accountability, staffing, ownership and governance.

All schools in the independent schooling sector are subject to the same regulations in the form of the Education (Independent School Standards) Regulations 2014. In terms of financial management, these regulations make no mention of profit or financial regulations, excluding the brief mention of funding for Local Authority (LA) sponsored pupils. In association with the fact that the DfE does not hold a list of for-profit independent schools this illustrates that the government has not put in place specific audit requirements for independent schools operating on a for-profit basis. This contrasts with schools operating with charitable status, which must submit financial returns to the Charity Commission (Charity Commission for England and Wales, 2016).

Comparing this to the state-maintained schooling sector, all schools are subject to DfE-led financial management regulations to avoid the misuse of state funding. Illustrative of this, maintained state schools must complete the schools financial value standard and assurance document and LAs oversee and can intervene in the financial management of these schools (Education Funding Agency (EFA), 2016a). Although LAs do not oversee the financial management of academies and free schools, ostensibly providing school leaders more control in terms of school budgeting decisions, academies and free schools must still adhere to the financial regulations outlined in the Academies Financial Handbook (Roberts, 2017; EFA, 2016b). In August 2011, the Secretary of State for education became the Principal Regulator for academies and free schools. Schools in the for-profit schooling sector can therefore be characterised as under-regulated in terms of financial management in comparison to the broader independent sector and state-funded schooling sector. Limited financial regulations in addition to the presence of the profit-motive make parents, pupils and local authorities (in the case of children and young people in care) vulnerable to financial exploitation. This is an argument found in news coverage raising concerns that for-profit schools do not invest in the education of pupils, but rather act in line with a motivation to obtain or maintain high operating profits (Boffey, 2011).

In terms of school staffing requirements, the Education (Independent School Standards) Regulations 2014 highlight that school staff members must not be barred from working with children or be working in contravention of a prohibition order. The Education (Independent School Standards) Regulations 2014 do not detail specific qualification requirements for staff, including teachers, working in the independent schooling sector. In comparison to this, teachers working in maintained state schools must meet the conditions noted above for working with children, in addition to holding qualified teacher status (QTS). Due to increased freedoms granted to academies and free schools in 2012, these schools are becoming more aligned with the independent sector, with teachers working in academies and free schools no longer required to hold QTS or an equivalent teaching qualification (DfE, 2012). The DfE (2012) justified this change stating that this would 'help schools improve faster' (para.5), although limited evidence supporting this claim was provided. This finding demonstrates how the ideological argument in favour of reduced regulations has sculpted school staffing requirements in academies and free schools to mimic those in place in the independent and for-profit schooling sectors. In market theory, competition is expected to lead to the most efficient

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3 outcomes at the lowest price. With staff salaries typically counting for more than 70% of school
4 expenditure, staff pay is one way to cut costs, with schools able to achieve this by employing less
5 qualified members of staff. Again, the ways in which such under-regulation has the potential to
6 shape the system over a longer period of time needs to be monitored. As Junemann and Ball
7 (2013) have argued, current policy changes such as the exemption of academies and free
8 schools from national arrangements on the pay, conditions and certification of teachers are
9 setting the scene for a context in which for-profit providers not just could be, but would want to
10 be part of the state schooling system as the increased flexibility and freedom create conditions
11 in which there are possibilities for profit-making (p.429), including income from the state.
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14 Finally, in terms of school ownership and governance, the Education (Independent
15 School Standards) Regulations 2014 highlight that an individual or group, referred to as a
16 school proprietor, can own and manage a for-profit school(s) and that no school governors are
17 required. In contrast to this, an individual cannot own and manage a school in the state-funded
18 schooling sector. Instead, charitable groups or LAs (in the case of maintained state schools) and
19 foundations or trusts (in the case of academies and free schools) take on this role with the
20 support of school governors or school trustees (DfE, 2017a; DfE, 2017b; Roberts, 2017). This
21 characterises the for-profit schooling sector as more autonomous in terms of regulations in
22 comparison to the state-funded schooling sector. However, as the DfE (2017b) states that the
23 purpose of school governors and school trustees is to hold 'executive leaders to account' (p.9)
24 for the educational performance and financial management of a school, it does raise the
25 question of how school leaders in the for-profit schooling sector are held to account. Using data
26 from the DfE and Edubase, we found that in 16 per cent of all for-profit schools ($n = 162$), the
27 school proprietor is also the school head teacher.
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31 ***Characteristics of the for-profit sector***

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37 In mapping the for-profit sector, we examined the growth of the sector, the age ranges for which
38 for-profit schools are legally allowed to provide for, the proportion of schools that are special
39 schools (for children whose needs cannot be met within a mainstream setting), school
40 ownership and the geographical distribution of for-profit schools.
41

42 The first for-profit school that remained open at the time of the study (August 2016)
43 was established in 1910, demonstrating that the sector cannot be characterised as a new.
44 However, it is a sector that is expanding and figure 1 illustrates the rapid growth of the sector:
45 since 2010, 254 new for-profit schools have opened (representing 27% of all for-profit schools)
46 in comparison to 432 new schools in the state-funded schooling sector (representing 2% of all
47 state-funded schools) (DfE, 2017c). The for-profit sector is expanding at a greater rate than the
48 state sector, although all schools which closed prior to 2016 are excluded in this analysis.
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53 [Figure 1 near here]
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3 The majority of for-profit schools are mixed ($n=851$), with approximately 3% single sex
4 girls' schools ($n=32$) and 6% single sex boys' schools ($n=60$). As of August 2016, there was a
5 range in number of pupils on roll from 0 to 3930, with a mean of 123 and a median of 62. Many
6 of the smallest schools are alternative providers, schools that cater for children with social,
7 emotional and mental health difficulties, schools with a particular religious ethos, special
8 schools, or schools which have since closed.
9

10 For-profit schools are unevenly distributed across England (see table 1), with a mode of
11 3 and a range between 0 and 33 for-profit schools per local education authority (LEA). The
12 LEAs containing the greatest concentration of for-profit schools are all in the south, except for
13 Lancashire. In the marketisation of the state system through the academies and free schools
14 programme, there has been found to be exclusion of pupils from less advantaged backgrounds
15 through the use of biased catchment areas (Hatcher, 2011; Green, Allen & Jenkins, 2015).
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25 Out of the 943 for-profit schools identified, 39% ($n=364$) were registered to provide for
26 the primary and middle school years (i.e. for children up to age 15, before the end of key stage
27 4) and 61% ($n=579$) catered for children up to age 16 (the end of key stage 4). Of the latter,
28 61% also taught children who reached the end of key stage 5 at the school. That is not to say
29 that all of these schools enter children for end of key stage examinations such as GCSEs or A
30 levels. Edubase records a high proportion of for-profit special schools: According to Edubase,
31 61 per cent of for-profit schools ($n = 578$) in England are recorded as 'Other Independent
32 Schools.' All other for-profit schools ($n = 365$) in England are recorded on Edubase as
33 'Independent Special Schools' which Edubase (n.d.) defines as independent schools catering for
34 children with special educational needs. Analysing DfE (2016a) data using a chi-square test for
35 goodness of fit (with $\alpha = .05$) indicates that the proportion of special schools to other schools in
36 the for-profit schooling sector is different to that of the state-funded schooling sector at a level
37 of statistical significance, $\chi^2(1, N = 943) = 6906.782, p < .001$. Whereas 39 per cent of for-profit
38 schools are special schools, just 5 per cent and of state-funded schools and 8 per cent of
39 independent not-for-profit schools are special schools. This does not take account of alternative
40 providers in either the state or independent sectors. This is interesting area of activity, with the
41 intersection of the state as local authorities can commission special education in the private
42 sector where children's needs are unmet in mainstream schools.
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46 Analysis of the proprietors of for-profit schools revealed that of the 943 for-profit
47 schools identified, 277 (29%) exist as part of a larger schooling organisation. The largest
48 providers of for-profit schooling in the UK at the time of the research were Cognita Schools Ltd
49 (35 schools), Cambian Group PLC (28 schools), Priory Education Services (20 schools), Alpha
50 Schools Ltd (12 schools) and Alpha Plus Group Ltd (11 schools). Within the management of
51 these companies, there was crossover between the state and for-profit sector; for example the
52 founder of Cognita was the Chief Inspector of Schools between 1994-2000 (Cognita, 2015) and
53 the former chief executive of the Alpha Plus group Ltd is now head of the executive board of
54 Academies Enterprise Trust (AET, 2017), which operates 61 state-funded academies. Larger
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3 chains, whilst providing opportunities for economies of scale previously accessible to LEAs, may
4 reduce local autonomy over decision-making. These private chains are positioned such that
5 they could become academy sponsors, should the prohibition on profit be lifted for state-funded
6 academies.
7

8 Some of the proprietors of smaller for-profit schools have other business concerns such
9 as nurseries and children's residential care homes. We found examples of on-site alternative
10 provision at children's care homes, meaning that vulnerable children are having care and
11 education provided on the same site by the same people. Whilst this has the possibility of
12 providing a nurturing and caring environment, the safeguarding role in such a situation is
13 carried out by the same people. The proliferation of small for-profit schools in this sector
14 should be monitored closely. Children's care, is being increasingly provided by private
15 companies. Associated with the transfer of children's care services to private contractors has
16 been the separation of properties from care delivery, declining performance and declining
17 profitability of providers (DfE, 2015). This has taken place over a 20 year time period. Such
18 incremental, 'invisible' devastation has been described in the environmental sphere as 'slow
19 violence' (Nixon, 2011). This concept highlights that the repercussions of actions may not be
20 seen for generations, an idea that may well apply to the social and political sphere here in the
21 gradual deregulation of the education system.
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26 ***Inspection providers and outcomes***

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28 Ofsted inspects all schools in the state-funded schooling sector (Ofsted, 2016a), whereas schools
29 in the for-profit sector have greater freedom over inspectorate used. Ofsted inspects for-profit
30 schools which are not part of an association, such as the Independent Schools Inspectorate (ISI)
31 or the School Inspection Service (SIS) (DfE, 2016b). Most schools in the for-profit schooling
32 sector (70%) use Ofsted as a school inspectorate rather than join an association. All non-
33 association independent schools will have a standard inspection within 3 years from September
34 2015, with those judged to require improvement re-inspected within 2 years.
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37 Whilst state-funded schools are not charged a fee for regular inspection, for-profit
38 schools are subject to inspection fees. Small schools, defined as those with 150 pupils or less, are
39 charged an inspection fee of £200 plus £9 per pupil. Large schools, defined as those with 151
40 pupils or more, are charged an inspection fee of £1666. There are also additional fees for
41 required follow-up inspections (DfE, 2016b). Given the numbers of students on roll in for-profit
42 schools (available for 98 per cent of this sample), it can be calculated that inspecting all non-
43 association for-profit schools once generates Ofsted an income of over £800,000, plus any
44 income generated from follow-up inspections. The Education Act 2011 introduced legislative
45 change to permit Ofsted to charge fees to schools requesting additional school inspections
46 (Morris, 2011). At the time of this change, Labour MP Stephen Twigg highlighted that the
47 introduction of a fee-based service challenged the impartial nature of Ofsted ('Editorial: Schools
48 and Scheduled Ofsted Visits', 2012). The availability of choice of inspectorate raises concerns in
49 relation to the school inspectorate model adopted in the for-profit schooling sector which
50 promotes choice in line with neoliberal values. If for-profit schools are dissatisfied with Ofsted's
51 evaluation, there are other school inspectorates providing the same service.
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3 Ofsted evaluate schools in relation to a range of variables including leadership and
4 management, learning and assessment, and behaviour and welfare to reach a school inspection
5 rating ranging from outstanding (1) to inadequate (4). For maintained schools graded 4
6 (inadequate), the school is forced to convert to an academy. If an academy is graded 4, the
7 regional schools commissioner, Secretary of State for Education or the Education and Skills
8 Funding Agency can terminate the agreement with the existing academy trust and move it to
9 another trust. For schools in the for-profit sector graded 4, the school must produce an action
10 plan to be monitored by Ofsted, and if improvements are not made, the DfE may close the
11 school.
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14 Croft (2010) compared the Ofsted school inspection outcomes of schools in the for-
15 profit (n = 294) and not-for profit (n = 1170) independent schooling sectors finding that 84 per
16 cent of for-profit schools were rated 'outstanding' or 'good' in comparison to just 66 per cent of
17 not-for-profit independent schools. A similar investigation was made in this research report to
18 reflect any changes since Croft's study, however, an additional comparison was drawn between
19 the most recent school inspection rating of schools in the for-profit (n = 624), and state-funded
20 (n = 20,947) schooling sectors utilising Ofsted (2016b) data. Figure 2 illustrates the Ofsted
21 inspection outcomes of for-profit and state-funded schools. A chi-square test for goodness of fit
22 (with $\alpha = .05$) illustrates that the inspection outcomes of for-profit and state-funded schools are
23 significantly different, $\chi^2(3, N = 624) = 202.205$ $p < .001$ (see appendix 16). Whereas 89 per cent
24 of state-funded schools are rated 'outstanding' or 'good', just 75 per cent of for-profit schools
25 meet this same standard. Recent analysis of non-association independent school (the group to
26 which for-profit schools belong) Ofsted inspection outcomes has identified a decline in
27 outcomes, with increasing numbers of such schools being judged as inadequate (DfE, 2016).
28 This finding illustrates that the state-funded schooling sector outperforms the for-profit
29 schooling sector, undermining the neoliberal suggestion that the profit-motive is an effective
30 mechanism through which to encourage improved performance, where performance is defined
31 as inspection outcome.
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36 [Figure 2 near here]
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39 *Academic outcomes*

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41 A range of performance measures exist at age 16, with Progress 8 and Attainment 8 introduced
42 by the government as the headline school performance indicator in 2016. The most up-to-date
43 attainment data obtained from the NPD predates the introduction of this measure, so the
44 measure used in this study was the percentage of pupils achieving 5 GCSE passes at A* to C in
45 schools in state-funded (n = 3021), independent not-for-profit (n=648) and for-profit (n = 133)
46 schools. All special schools were excluded from both samples to prevent a skew in the data due
47 to an awareness of the higher proportion of special schools operating in the for-profit schooling
48 sector. The purpose of the analysis in this study was to describe the sector as a whole.
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51 The average percentage of pupils obtaining 5 or more GCSE passes at grade A* to C were
52 50.45 (for the for-profit independent sector), 54.20 (for the state sector), and 59.88 for the not-
53 for-profit independent sector. A t test illustrated that a higher percentage of pupils in schools in
54 the state-funded schooling sector (M = 54.20, SD = 19.139) achieve 5 GCSE passes at A* to C in
55 comparison to pupils in schools in the for-profit schooling sector (M = 50.45, SD = 34.619),
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3 however, this difference is not at a level of statistical significance, $t(135.575) = 1.241$, $p = .217$,
4 two-tailed. A further independent samples t test illustrated that pupils in schools in the not-for-
5 profit independent schooling sector ($n = 648$, $M = 59.88$, $SD = 37.363$) outperform pupils in
6 schools in the state-funded schooling sector ($n = 3021$, $M = 54.20$, $SD = 19.139$) in terms of the
7 average percentage of pupils achieving 5 GCSE passes at A* to C at a level of statistical
8 significance, $t(721.388) = -3.762$, $p < .001$, two-tailed, $d = 0.19$, 95% CI [-8.636, -2.713]. This
9 finding illustrates that the not-for-profit independent schooling sector outperforms the for-
10 profit independent schooling sector, again undermining the suggestion that the profit-motive is
11 an effective mechanism through which to encourage improved performance.
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14 At key stage 5, we used average A level point score per pupil as a measure to compare
15 performance in the for-profit ($n = 73$), not-for-profit independent ($n = 448$) and state-funded ($n =$
16 2172) schooling sectors. Special schools were again excluded from all groups. An
17 independent samples t test was used to examine if for-profit schools ($n = 73$) outperform not-
18 for-profit independent schools ($n = 448$) in terms of the average A Level points score per pupil.
19 This t test illustrated that not-for-profit independent schools ($M = 233.72$, $SD = 23.132$)
20 outperform for-profit schools ($M = 224.23$, $SD = 23.823$), $t(519) = 3.240$, $p = .001$, two-tailed, $d =$
21 0.4 , 95% CI [3.739, 15.258], at a level of statistical significance. Whilst this finding cannot
22 explain the difference in performance across the KS4 and KS5 level, it does indicate in line with
23 previous findings reported in this research project that the profit-motive is not an effective
24 mechanism through which to encourage improved performance.
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29 In comparison with the state-funded sector, the t test illustrated that schools in the for-
30 profit schooling sector ($M = 224.23$, $SD = 23.823$) achieve a higher average A Level points score
31 per pupil than schools in the state-funded schooling sector ($M = 203.98$, $SD = 19.941$) at a level
32 of statistical significance, $t(75.430) = -7.177$, $p < .001$, two-tailed, $d = 0.92$, 95% CI [-25.865, -
33 14.627]. This finding is interesting as it does not fit the model of school performance identified
34 at the KS4 level.
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41 Discussion and conclusions

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43 This study aimed to examine the current status of the for-profit sector in England, to identify
44 some key differences between this group of schools and the not-for-profit independent sector
45 and the state-funded sector; and to assess the success of the current for-profit sector in terms of
46 the arguments made by supporters of for-profit schools. This study has developed our
47 understanding of this under-researched sector, and enriches current discussions surrounding
48 the neoliberal transformation of schooling in England. It also informs calls to increase the role
49 of the for-profit sector in the state sector.
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52 Our findings must be treated with some caution. Identifying and characterising the for-
53 profit school population was a challenge because so little recognition and oversight exists.
54 Although the study was carried out recently, the rapid growth of the sector coupled with the use
55 of secondary datasets (which may contain errors), and the closure of some of the schools in the
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3 study since the end point of data collection means that any analysis is reflective of one moment
4 in time. However, the study does provide an insight into the current status of, and trends
5 within, the for-profit school sector using criteria of identification that other researchers are able
6 to apply.
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8 We found a total of 943 for-profit schools to be operating in England (578 schools and
9 365 special schools). It is a sector of growth, with strongest presence in London and the South
10 East. There is a higher proportion of special schools to other schools in comparison to the state-
11 funded schooling sector. There is also a high proportion of small schools.
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13 We found that the for-profit schooling sector is under-regulated in comparison to the
14 state-funded schooling sector. This was evidenced through the lack of regulations existing in
15 relation to the financial management of for-profit schools, in addition to limited regulations
16 existing in terms of the educational oversight and staffing requirements of for-profit schools.
17 The alignment of policies relating to academies and free schools with those operating in the
18 independent sector is a cause for concern for those opposed to the operation of for-profit
19 providers: lack of oversight of this sector in other countries such as India has led to the *de facto*
20 operation of schools for-profit (Tooley, 2007). Furthermore, the weakening of the state's role in
21 education reduces the accountability of schools to the communities they serve as the recent
22 withdrawal of Wakefield City Academies Trust from the sponsorship of 21 schools in Yorkshire
23 demonstrates. There needs to be greater use of short- and long-term evidence to inform the
24 debate about the role of profit making companies in education.
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28 Although a narrow range of performance measures were used to examine patterns in
29 school performance outcomes, this research project found that (i) schools in the for-profit
30 schooling sector underperform in terms of Ofsted school inspection ratings in comparison to the
31 state-funded schooling sector; (ii) schools in the for-profit sector underperform at KS4 in
32 comparison to the not-for-profit independent sector, but show no significant difference with
33 schools in the state-funded sector; (iii) schools in the for-profit schooling sector achieve a higher
34 average A Level points score per pupil than schools in the state-funded schooling sector, but a
35 lower average than other independent schools. These findings undermine the argument that
36 the profit motive is effective at improving school performance. There is evidence that this is
37 consistent with the US picture: in a review of outcomes of American charter schools, Lubienski
38 (2013) draws on a number of studies to argue that in terms of student achievement, charter
39 schools are no better, and are often worse, than public schools.
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43 Finally, the study highlights the increased risk of financial mismanagement and
44 unqualified staff resulting from under-regulation and lack of scrutiny of the sector. Given that
45 many small providers in the for-profit schooling sector are working with vulnerable populations
46 - for example as alternative providers for children who have experienced trauma or other social,
47 emotional or mental health problems, there is a need for greater scrutiny and oversight of these
48 schools, particularly where a school proprietor is the same person as the owner of the
49 residential care home.
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52 This understanding calls for a re-evaluation of the consequences of educational policies
53 that have introduced and seek to expand market mechanisms in the state-funded schooling
54 sector, such as the proposed introduction of profit-making. As an interim measure, one way of
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3 increasing transparency and accountability would be to include 'for-profit' and 'alternative' as a
4 category of school (or independent school) in educational databases.
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6 A future programme of research is likely to focus on a wider range of performance
7 outcome measures of the sector, and also the long-term impacts in the sector as a whole. The
8 NPD could be further used to create a control group for a like-for-like measure rather than a
9 whole population comparison. Other useful indicators might include the the destination of
10 school leavers and pupil attainment measures controlling for intake and prior attainment.
11 There is also scope for further qualitative work focusing on the curriculum offered and
12 educators' experiences working in these schools, or on the actual profitability of for-profit
13 schools.
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16 17 18 19 **Disclosure statement**

20 No potential conflict of interest was reported by the authors.
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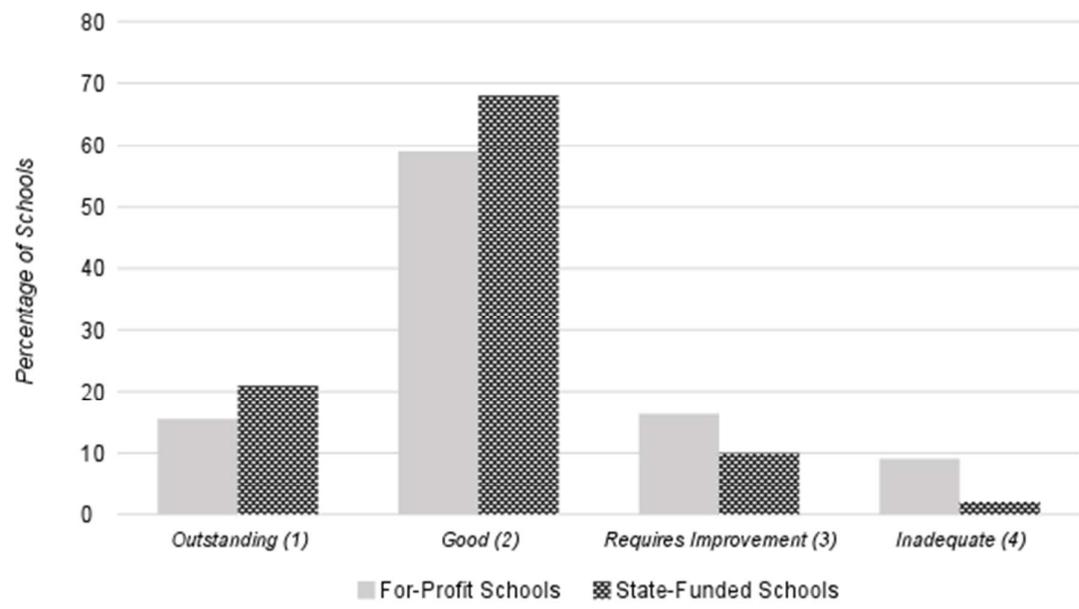
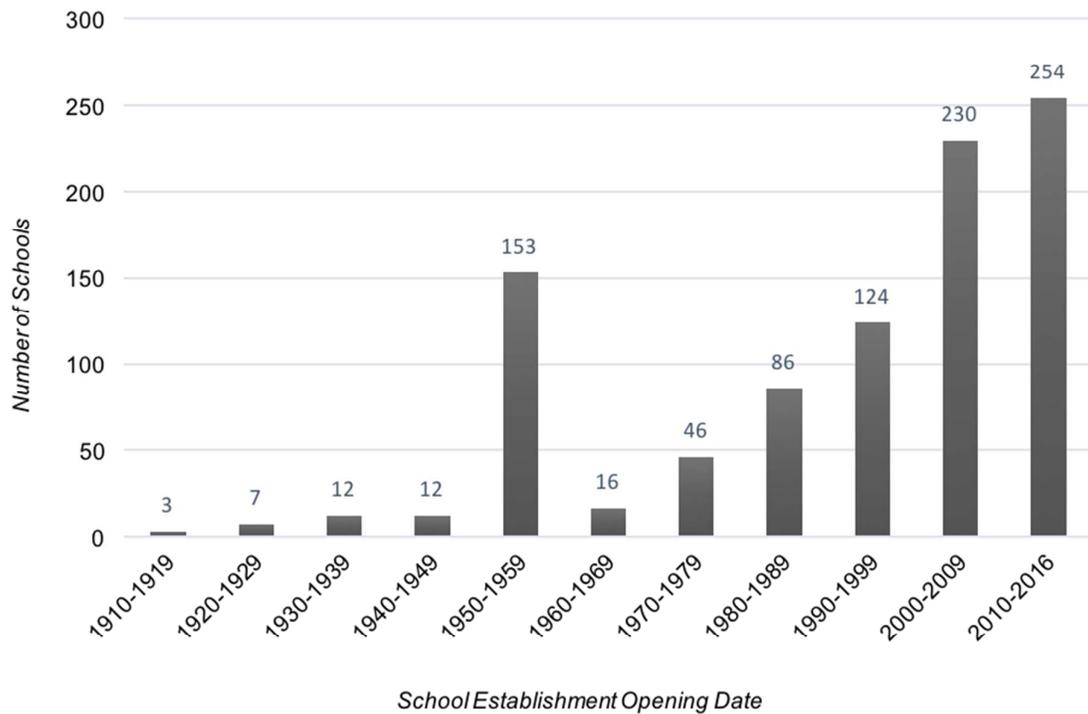


Figure 1. School Establishment Opening Date of For-Profit Schools

Figure 2. Ofsted Inspection Outcomes of For-Profit and State-Funded Schools

Greatest for-profit provision		Least for-profit provision	
<i>Local Education Authority</i>	<i>Number of for-profit schools operating</i>	<i>Local Education Authority</i>	<i>Number of for-profit schools operating</i>
Kent	33	Blackpool	0
Lancashire	32	Gateshead	0
Kensington and Chelsea	32	Isles of Scilly	0
Surrey	28	Luton	0
Essex	25	Newcastle upon Tyne	0
Hampshire	23	Poole	0
Camden	22	Portsmouth	0
Cambridgeshire	21	Reading	0
Wandsworth	20	Redcar and Cleveland	0
Birmingham	19	Rotherham	0
Leicestershire	16	South Tyneside	0
Staffordshire	16	St Helens	0
Westminster	16	Swindon	0
		York	0

Table 1: Geographical hot and cold spots of for-profit provision

Sector	Average % students obtaining 5+ A*-C at GCSE	Average A level point score per pupil
For-profit	50.45	224.23
Not-for-profit independent	59.88	233.72
State	54.20	203.98

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Table 2: Outcomes at end of key stages 4 and 5 by sector

For Peer Review Only

Greatest for-profit provision		Least for-profit provision	
<i>Local Education Authority</i>	<i>Number of for-profit schools operating</i>	<i>Local Education Authority</i>	<i>Number of for-profit schools operating</i>
Kent	33	Blackpool	0
Lancashire	32	Gateshead	0
Kensington and Chelsea	32	Isles of Scilly	0
Surrey	28	Luton	0
Essex	25	Newcastle upon Tyne	0
Hampshire	23	Poole	0
Camden	22	Portsmouth	0
Cambridgeshire	21	Reading	0
Wandsworth	20	Redcar and Cleveland	0
Birmingham	19	Rotherham	0
Leicestershire	16	South Tyneside	0
Staffordshire	16	St Helens	0
Westminster	16	Swindon	0
		York	0

Table 1: Geographical hot and cold spots of for-profit provision

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Sector	Average % students obtaining 5+ A*-C at GCSE	Average A level point score per pupil
For-profit	50.45	224.23
Not-for-profit independent	59.88	233.72
State	54.20	203.98

Table 2: Outcomes at end of key stages 4 and 5 by sector

For Peer Review Only

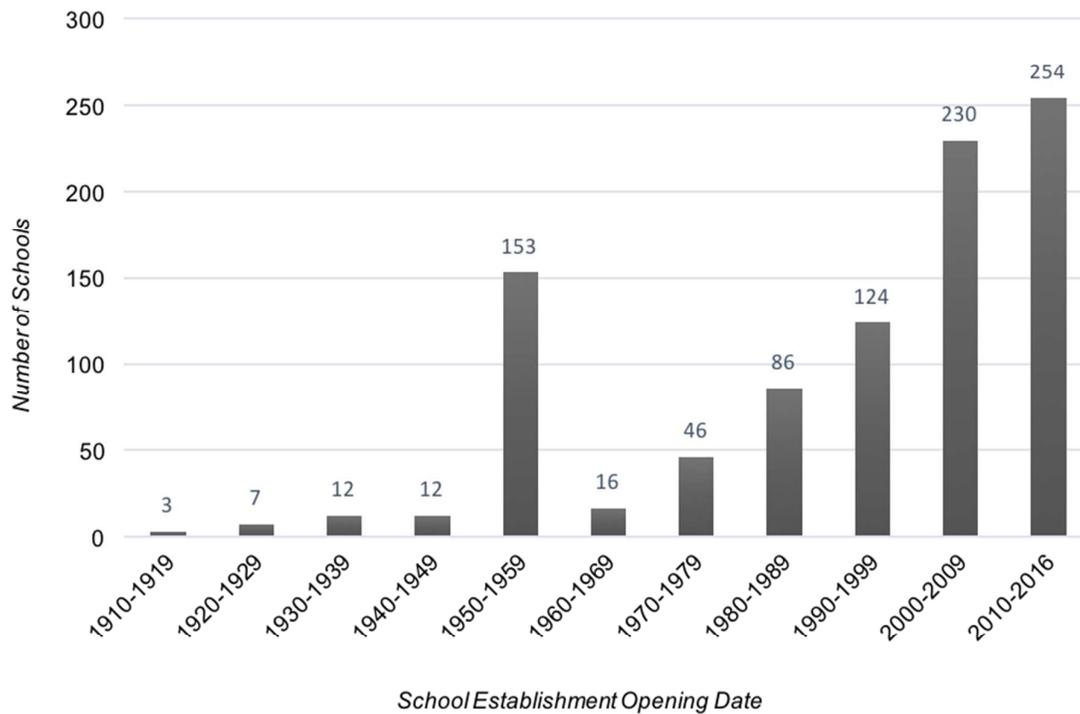


Figure 1. School Establishment Opening Date of For-Profit Schools

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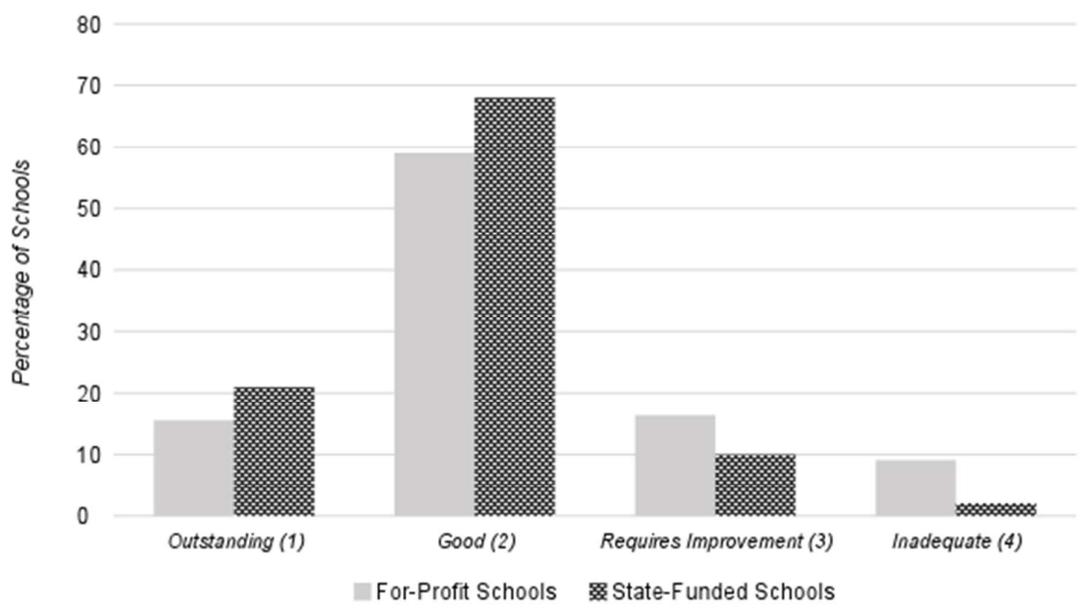


Figure 2. Ofsted Inspection Outcomes of For-Profit and State-Funded Schools

Peer Review Only