

Education and Market: How Could It Be Different and What Is New?

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This discussant paper concentrates on two issues. The first pertains to the cultural characteristics of the education market in Asia and in East Asia in particular. It examines the notion of privatization in some Asian countries and observes that the arguments for privatization are very different from those that prevail in the west. The second issue has more far reaching implications. It pertains to the changing role for schooling in a knowledge-based society. The paper explores the implications of such a change to the market in education.

Deregulation versus Marketization

There is a recent move of "privatizing" schools in East Asian societies. It started with governments' deregulation efforts. The general tendency is to provide schools with the funding that public schools are given, but to deregulate the constraints on how such funds must be spent. This has been the nature of the move to establish Independent Schools in Singapore in 1988, and the subsequent series of moves to deregulate public schools (Tan, 1997). There is also the recent trend of privatization and deregulation in Mainland China, where public schools are selected to become deregulated schools in one way or another, with various degrees of partnership between the governmental and non-governmental sponsors (Cheng, Cheung and Yip, 1999). Shanghai, for example, has just converted ten of the best public schools to a type of private school. Such moves of deregulation are largely underpinned by concerns with efficiency, rather than with parental choice (or market in the Western sense of the term). Almost all such moves are argued for as ways of giving schools more freedom, which permits them to provide quality education.

In a most recent visit to a "converted (zhuangzhi)" school near Chengdu in the province of Sichuan [2], a medium-developed province in China, I was able to confirm that the school receives almost the same amount of income as other public schools. The school used to be a public school. It is now a "publicly funded but privately assisted" school that charges fees. The only major regulatory advantage for this school is that it has the freedom to "fire and hire" teachers according to their qualifications and the needs of the school. Typically in public schools teachers, who are on the public payroll, have virtually lifelong tenure and can only be re-deployed to other positions in the education sector. The fee-paying does change the family background of the parents of the schools, but that does not seem to have raised any concern. "Parents are prepared to pay higher fees for quality education, anyway", the teachers in the school respond. They regard it as "fair" for parents to pay more for better education.

Of course, it is difficult to argue that deregulation is totally free of elements of marketization. The efficiency gain, as is anticipated by such deregulation, is achieved by allowing the selected schools (usually the best schools) to maximize the use of public funds, freeing them from the public system for allocating students and other

bureaucracy, and allowing them to charge fees to supplement public funding. There is therefore opportunity for some parental control, since they contribute to the resources. However, since such schools are few, are elite, and are selected by the government, they are not seen to be in competition with other schools. Indeed, they are seen as schools that are selected to become more elite than they were in the public sector. This is to say that "market" does not figure as an argument for privatization of schools in these societies.

One contextual factor to explain this has to do with the school-family interplay. In East Asian societies, schools are given much more respect than their counterparts in the West. It is only recently that school doors are being opened to parents for visits during school hours, and this is still rare. Parents seldom think of interfering with school affairs. They adore elite schools, but it is not a tradition for parents to think of having a say in school affairs.

Hence, the move toward deregulation, which is often loosely but inappropriately classified as "privatization", favors only the elite families. Such families are privileged to start with because of their social status and financial capability. They are given more privileges when their children are admitted to such deregulated elite schools.

However, in these societies, such a move to privilege the privileged does not seem to attract much opposition. There could be two explanations. The first, and perhaps the most essential, is that meritocracy prevails in such societies. Students are admitted to the deregulated schools because of their academic merits, and there is a general trust in academic merits as a fair yardstick for selection. In such a culture of meritocracy, schools legitimately choose students, rather than parents choosing schools as a matter of rights. In China, for example, in most of the private schools I visited, both the parents and teachers seem to concur that since students are selected on the basis of merit, it is only fair for them to pay more in anticipation of education of higher quality. "The real unfairness," they argue, "is when students are admitted by connections through the back door, when such students do not have that kind of caliber and do not deserve that kind of education." Such arguments might seem odd to an observer from the west, but the notion of "equity" that is fundamental to any allocation in a western society does not seem to be on the Chinese parents' or teachers' agenda when it comes to education.

The second explanation is that societies like Singapore and China are basically planned societies. Despite the move toward more liberal policies in recent years, a collective tradition still underlies the political ideology, and the public is used to the government making selections. Hence, the governments have the legitimacy to assign deregulatory advantages to preferred schools.

A similar scheme for deregulation, known as the Direct Subsidy Scheme, was however vetoed by the legislature in Hong Kong in 1991. The argument against the scheme, put forward by the Democrats, was that public money should not be used in a scheme that favors the elite. That is perhaps an indication that the political ideology in Hong Kong has already deviated from the East Asian tradition.

Markets: The Industrial Version

The emergence of the private schools in Mainland China also is a new phenomenon, particularly the spontaneous emergence of schools in totally non-governmental endeavors. As Cheng and Delany (this issue) have discussed, there are various definitions of private schools in China. Such definitions reflect the reality that there is a huge gray area between private schools and public schools. The variations in "private" schools demonstrate the numerous possibilities where the "private" sector could participate in education, and the diversity of different viable partnerships.

Pertinent to the present discussion is that all these "private" schools survive under some societal needs, or market demand. This poses a very interesting question to observers of China's education. The general standard of public schools in China is very high. Unlike elsewhere in the West, there is little complaint about public schools in terms of their standards of quality. Then, why should private schools ever exist? When we confine the analysis to primary and secondary schools evidence seems to suggest at least two answers to this question.

One, rich parents whose children failed in public schools backed private schools as a way to provide their children with alternative ways to social success. In such an attempt, there is the belief that additional resources could bring educational advantages. This accounted for the first batch of private primary and secondary schools that emerged in mid-1980s. As a consequence, many of these schools had a high concentration of students who had failed elsewhere. The private schools survived only when they could claim some success in transforming these students into academic achievers. However, such achievements are assessed in the same arena as those in good public schools, e.g. public examination results. Hence, private primary and secondary schools in China do not seem to emerge because of parents' "choice" for an alternative type of education.

The second reason for the existence of private schools is that parents who can afford fees want their children to be better prepared for their future. In a very conforming society, many such private schools are just duplicates of the most elitist schools in China, with heavy emphasis on examination results, but with also rich campus lives and rich extracurricular opportunities. Parents contribute to private schools that guarantee not only comprehensive campus lives (there is no shortage of this in good public schools), but good future higher education, typically through attachment to overseas universities.

In a way, all such private schools in China are just alternative ways of running schools in a tradition appropriate to the industrial society. In such a tradition, schools are legitimately seen as a means for screening, as a way to legitimately select the elite few who are to become intellectuals. In China, university graduates are still classified as "high intellectuals" and, with an enrolment of only 5-6 percent for higher education, they are indeed few. The majority of the population is sifted off by the education system to become laborers in cities or farmers in rural areas. Indeed, higher education is still in China the only means for a person to legally change from rural to urban citizenship. All these echo the traditional observations of those who criticize the human capital theory of the 1970s.

One may argue further that the schooling system per se is modeled after the industrial production process. The entire schooling process resembles a production line. There are

quality control mechanisms at different junctures. Only those who pass the test are seen as legitimate products. Others are either discarded or treated as second rate products. The process is to select the best at the end. It is also a one-off process. One can fail the test only once; there is no means for second trial.

In Asian systems, the trust in meritocracy legitimizes the screening function of formal schooling. There is a general assumption that those who do better in academic studies deserve education in better schools. This is an assumption that is not always shared by people in the West. In such societies of meritocracy, the concept of equity goes only as far as children of the poor are not deprived of opportunities for competition. Hence, even with privatization, the fundamental motive is not so much about rights and choice, but ways of building more high quality schools.

The Changing Scene

The economy is changing rapidly from industrial to knowledge-based, as is evidenced by the rapid growth of the service sector. This poses a different set of conditions for the employment structure and hence for the needs of education. It is perhaps time to start exploring the nature of the "market", with special reference to education, in the knowledge era.

Discussions on market and education inevitably invite discussions about equity. The underlying philosophy of the market discussion is that parents (sometimes employers) act as consumers of education. The benefit of the marketization of education is in allowing consumers to have a say in the production process, hence hopefully enhancing the quality of the product. The disadvantage of marketization is then that the richer would be able to buy the better, which is likely to perpetuate social disparity.

Perhaps we should examine the notion of disparity. In an industrial society, there is a pyramidal structure in employment: massive raw labor at the bottom, and the few elite at the top. The population reduces as we move up the manpower hierarchy. Such a pyramidal structure is reflected in the education system: massive "uneducated" or failures of the education system at the bottom, and the few elite intellectuals (presumably PhD holders) at the top. Again, when we move up the hierarchy, the number is reduced at each step.

Such a pyramid is also seen as relatively static. Although there can be significant social mobility, a secondary school graduate is often seen as largely disadvantaged, when compared with a university graduate, in terms of lifelong career prospects. This is reflected in their post-qualification incomes, and indeed this is the basis of calculating the rate-of-return for education in the Economics of Education. Academic qualifications are taken as proxy for knowledge, with lifelong significance.

The picture changes in a knowledge-based society. A pyramid may still remain. That is, we do not expect a classless society. However, the pyramid is of a different shape. There is a higher mobility within the pyramid. The knowledge structure has changed, and the relationship between the pyramid and academic qualifications has also changed.

First, the pyramid is different in shape because there is much smaller management span

in the workplace. A typical production line in a traditional mass production factory may have some 40 to 50 workers, with one supervisor. In a typical office in the service sector, usually there are fewer than ten rank-and-file workers under one supervisor. The management span is even smaller in a technology-smart workplace.

Second, mobility is much higher in a knowledge-based economy than in an industrial society. It is well known that in a society with large service sector, there is a high rate of job mobility. There is also high mobility across occupations. It has become increasingly rare for a person to pursue just one career in a lifetime. It is less noticed, though, that such mobility also involves vertical mobility. That is, it is much easier for a person to move up the career ladder today than in the past, but it is equally easy for a person to move down the career ladder. In other words, there are not only frequent horizontal shifts across careers, but also frequent vertical shifts along the career ladder.

Third, unlike the case with the industrial economy, there is little room for raw labor. With the expansion of the service sector comes the need for systemic knowledge at almost all levels of work. While intellectuals were meant to be the selected few in an industrial society, most workers have to be intellectual in one way or another in a knowledge-based economy. Meanwhile, changes in the workplace have also prompted workers to undertake renewal of their knowledge. Hence, not only do workers have to possess considerable knowledge, they also have to possess the capacity for lifelong learning.

Knowledge and Learning

Under these circumstances the implications for learning, and hence for education can never be over-estimated. Learning is lifelong, not as rhetoric, but as a real need for survival. Changing environments, changing technologies, changing markets, and the consequent changes in knowledge, all require people to undertake lifelong learning. The implications for education are tremendous, but the following are the more obvious.

First, the role of education as a means for transmission of information is being challenged. If information is anyway conveniently accessible by individuals through technology, what is then the role of the schools? One argument is that education now is for learning to learn and learning to be, that is learning how to lead a learning life in the future. If that is the case, then the entire notion of schooling has to be revisited. The change in medical education, where "problem-based learning" has prevailed over most medical schools, is a very illuminating example. Instead of filling students with information and knowledge, students in PBL now learn how to acquire information and knowledge on their own (often through group work) and to apply them to solving problems that a medical doctor encounters in real life.

Second, the notion of "graduation" is being challenged. If what students learn in schools soon becomes obsolete, what is then the threshold for "graduation" and when should a student graduate? With that comes a reappraisal of the meaning of a credential. A degree or a diploma does not give a person a lifelong qualification of competency. No certification can immune a person from continuous learning. Although this is almost common sense in many societies, in most places in the world certification is still meant to last a lifetime, and could sometimes be antithetical to the idea of lifelong learning. We

have to ask, what is now the half-life of an academic qualification?

Third, specialized programs in education are facing challenges. In many major cities in East Asia, vocational education at the school level is in crisis. With the expansion of the service sector, employers and students are looking for generic skills such as communication, international languages, information technology and other factors such as attitudes and ethics, rather than for specific vocational skills. Although universities are still largely structured according to academic disciplines, increasingly, learning programs are cross-disciplinary. Although departments pretend that they produce graduates for specific professions, there is an increasing mismatch between what the graduates have learned and what they practice. Even if they practice what they learn in their first careers, their future careers almost certainly require new learning. Such situations are perhaps more obvious in North America, and now Western Europe, but are also emerging in many major cities in Asia.

Fourth, with the development of information technology, the distinction between formal and nonformal learning programs has blurred. Learning could now become individualized, popularized and equalized. Many nonformal programs are now available on the Web, and the difference between them and formal programs at distance learning institutions is collapsing. Even formal non-distance learning institutions have to justify their existence by proving the worth of on-campus learning. The weakening of the distinction between formal and nonformal is not surprising, when we observe the general weakening of social barriers due to the development of information technology.

A New Look at Market

All these bring us to have a new look at the market in the realm of education. The basic economics of education may remain the same. That is, earnings will continue to be associated with learning, and perhaps even more so in a knowledge-based society. What is new, perhaps, is that educational credentials can no longer be a good indicator of lifelong earning, as was the case with rate-of-return analysis in an industrial world.

Two additional elements ought to be mentioned in this discussion of changing conceptions of the education market. One is that in the information era there is neither permanent success, nor permanent failure. Nobody is guaranteed lifelong success, and the role of credentials tends to be rather short-lived. The other is that a change of career often implies fresh learning in a new area. Credentials that lead to certain levels of earning in one career may be recognized very differently in a new career.

This does not necessarily mean that one's income would fluctuate more in a knowledge-based society. It does mean that, however, that one's value to the society (that is, if we believe in incomes as fair recognition of one's contribution) is based on more generic dimensions, such as one's leadership traits or ability in facing challenges, rather than on tangible educational credentials. The emphasis will be more on the person, rather than on the knowledge that the person possesses at a particular time. Academic credentials and educational assessments very weakly reflect such non-tangible elements in a person.

Two examples may help illustrate the point. Example one: It is quite common for an employer to recruit, say, a graduate of Anthropology to work in an investment bank and

remunerate her with a salary that has nothing to do directly with Anthropology. Example two: In many parts of the world, in the USA, Bangalore and Hong Kong alike, it is increasingly common to see young people, who are not successful in formal education, being employed in the Information Technology business and demonstrating high performance. The social credibility of credentials is under threat, because they do not carry information that is now required by the society. The educational credential may still play an important social role, but then it should be able to reflect abilities that transcend career boundaries.

Nevertheless, most education systems are still providing educational credentials whose real association to career expectations is vague or unknown. Such a mismatch is likely to continue for some time. In this context, the competition and market within the education system may not reflect the market at large beyond education. All in all, knowledge and learning, which have become essential to one's career development, have gone well beyond school campuses and schooling years. We now face the question: To what extent could we still count on schooling as a contributing factor to social equality or inequality?

This observation does not repeat the objections to human capital theory. Those objections tried to refute the direct relations between education and ability, and argued that the invisible hand behind the screening function of educational credentials was not economic, but social or political. Such objections to the human capital theory, however, admitted that education did have a screening function.

In a knowledge-based society, the screening function of formal educational credentials diminishes. Instead of screening young people out of the education system, the education system is now expected to provide unfailing learning opportunities for everyone. Instead of maintaining dead-ends in the system that ensure a majority will legitimately stay as uneducated laborers, education systems are now expected to make sure that everyone is equipped with knowledge of one kind or another. Lifelong learning is now no longer only a desideratum for individuals, it is a necessity for economic and social development.

It is in this context that the OECD declared in 1996 that lifelong learning should be used as the guiding framework for development. Similar policy frameworks were recently established in Norway (1997), the Netherlands (1997), UK (1998), Australia (1998) and some of provinces in Canada. In some places a name change is being contemplated, such that the Ministry of Education would be replaced by a Ministry of Lifelong Learning. In Asia, Singapore launched in 1998 the campaign "Thinking society, learning schools" as the comprehensive framework for education reform. Taiwan recently published a policy paper titled "Reform for Lifelong Learning". Hong Kong has just launched an overhauling education reform which uses lifelong learning as its framework and is titled "Learning for life".

The knowledge-based economy does not promise a more equitable society. There will still be disparity, and the disparity could be as remarkable as it is in an industrial society. It is quite likely that social discrimination will still be discrimination about knowledge. However, while it used to be the amount of knowledge that mattered, now those with the best capacity for grasping new knowledge and new ideas will win the

social competition. While the education system used to be the key-player in maintaining strata in manpower, that function is gradually lost because of the increasing reliance on in-service, second-route (or third- or fourth-route), mid-career or between-career learning.

If this argument is valid, then the notion of the market in education has to be re-visited. In a knowledge-based society, the market of knowledge and learning mainly exists beyond schools. Schools will provide only initial opportunities for learning that ultimately plays a relatively minor part in one's success or failure. We might then face a paradoxical situation. If we are "optimistic" about the power of education we can expect it to be transformed to train individuals for lifelong learning capacities. However, if that is realized, then perhaps education will restore its role in social discrimination, whether we like it or not.

Notes

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[2] The "Experimental School with English Medium" which is a junior secondary school in the county of Dujiangyan. The visit was held on October 21, 1999.

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