

**OUTSOURCING THE GOVERNING OF EDUCATION:  
THE CONTEMPORARY INSPECTION OF SCHOOLING IN ENGLAND**

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**ABSTRACT**

The schools inspection service in England has been privatised and private companies manage it, through contracts. These companies hire flexible and part time inspectors who may be led by a small number of permanent HM inspectors. This shift in the highly regulated inspection service has introduced new methods of operation, market based behaviours and commercial confidentiality into the education sector and contrasts with the older, elite, judgement-based advisory work of their predecessors. Knowledge is produced and used by new actors for new purposes. The outsourcing of school inspection is a significant step in governing education, and indicates a future development in its governing knowledge.

**KEY WORDS**

Privatisation; Contracts; Outsourcing.



**SISYPHUS**

**JOURNAL OF EDUCATION**

**VOLUME 2, ISSUE 1,**

**2014, PP. 88-105**

# Outsourcing the Governing of Education: The Contemporary Inspection of Schooling in England

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## INTRODUCTION

England had school inspectors prior to the formation of a national system of education but the organization, scope and practice of inspection has changed continuously over time, and especially in the last thirty years. Inspection has altered in line with changes in the governing of education, and the latest stage, the privatisation of a state agency itself, is the focus of the paper. The new inspection companies and their market problems are explored here, and one of the interesting aspects of this change in inspection is the shift in both the producers and the production of system knowledge as inspection changed. The knowledge base of inspection has shifted from being personal, elite and experiential judgement, used in the state steering of education, to a publically available, unrestricted, coded and regulated data-based reporting, used for market choices and comparative performance information. Importantly, this knowledge is the property of the company contracting the inspection as well as of the government. Knowledge gained from inspection does not develop reflective, inspectorial judgement but instead contributes to company market advantage and the sale of services.

Contemporary state governing solutions include alliances or partnerships with private companies although states differ in their involvement with the

private sector in the delivery of public policy. England appears to be turning its public sector — from health, transport, social services and education — into a field for private enterprise, through a policy of outsourcing (Ball, 2012; Ball & Junemann, 2012). In 2012, the Financial Times said:

The collective growth of the sector — dominated by FTSE 100 giants G4S, Capita and Serco — means Britain is in the grip of the biggest wave of outsourcing since the 1980s (Williams, 2012, p. 4).

There are great variations in the arena of Public-Private Partnerships, and this paper has emerged from a study of the school inspection service in England and the use of private contractors to manage the regulation and inspection of schools<sup>1</sup>. This business sector has grown rapidly across the world in different areas and circumstances. Unlike the older national systems of education, with their organized actors and hierarchies, this area is an entangled world of networks, venture capitalists, cross-border companies, and market pressure groups, all involved in the commodification of education, and its trade.

Businesses of various kinds, with limited or wide interests in education and other fields, are present in surprising ways in education arenas, and this is especially the case in England. Encouraged by the state, and even pampered by it, they have a new role as the state organizes itself to govern at a distance.

There are five different areas of private sector involvement in English state schools, these are: providing ancillary services [supply teachers, Technology, CPD], — a £600 million a year business — delivering important national education programmes [Careers Centres, Teachers' Pensions]; heavy involvement in infrastructure modernization [new school buildings]; providing specialist and supplementary education [private tuition, prison education, pupil referral units, work-based learning] and managing some local education authorities and schools where existing providers are judged to be failing (Muir, 2012, pp. 4-5). They may be actual providers of schools, of everything related to or needed by schools, or caretakers of historic state functions. In the last ten years, these education businesses have grown as they have begun to operate in new areas of education or in equivalent areas in public contracting. They have grown as a direct consequence of government policy and local financial cri-

<sup>1</sup> Governing by Inspection: Education Governance and School Inspection In England, Scotland and Sweden ESRC Bilateral RES 062 23 2241A.



ses. These contractors are organized in profit making organizations, mutual companies and foundations, but their contracts are achieved in competition and are similar to each other. They may operate across segments of the public sector, sometimes closely allied to education, at other times varying widely. They are or they contain education businesses and find profit from contracts and additional school services. For some time, Ofsted, the government agency inspecting education services in England, has used contracts to manage its school and social inspections. This process of outsourcing its work has produced education businesses that manage inspection contracts as one of their areas of interest. Their purpose is clear. What is not so clear is why the state is now using them to deliver key education services. They are a recent phenomenon and have become omnipresent in a short time, although at the same time, they are not well known publically. They have advantages in cost and accountability but as Cuban has said, outsourcing:

will flourish because when you do not know what to do, you experiment, experiment, and then experiment some more (Washington Post, 2013).

Experimentation should not be treated as forced on government by financial crisis, or driven by ideological hostility to the welfare state but, at least in the English case, as a deliberate governing strategy in education. Inspection is just one part of a policy of creative destruction!

The paper now briefly introduces the history of the education inspectorate in England, and its redesign as the agency, Ofsted; it then discusses the rise of inspection contracts and the companies which hold them, and considers their problematic status and how they work. Finally, outsourcing is related to the concept of a shadow state.

## SCHOOL INSPECTION AS A BUSINESS

In an education system which was heavily stratified into a restricted elite secondary education and a mass elementary education, the official purpose of education was limited, and the tools of governance ranged from central grants, examinations, handbooks and inspections. Oversight of the system, particularly its efficiency, depended upon the judgments of the school inspectors, Her Majesty's Inspectors, the HMI. With the exception of financial data [about the central

grants to the local authorities], the system was without data. The reports and judgments of the inspectors were the main source of information about the working of the system of education. At the same time, the inspectors did not view themselves as state servants: the idea of independence was an important sustaining myth for the inspectorate — «our cherished independence of judgment» (Allen, 1960, p. 235). They were an elite with a strong esprit de corps

HM Inspectorate relied on a strong collegiate tradition and shared experience (as well as internal guidelines) to achieve reliability and common practice (Maclure, 1998, pp. 21-2).

So, the Inspectorate 'offered advice' to schools and government, it was not regulatory; it offered a form of mediating power between institutions, expressed within conversations and reports, at a time when the system was increasingly seen as 'a central system, nationally administered' or 'a partnership between central and local government and the teaching profession'. The HMI had elite power, and in England, from the late 19<sup>th</sup> century until the 1980s, this meant their judgement counted and not evaluation or empirical data. From the 1980s as public judgment and output based criteria were being established, HMI produced their own research and sampling techniques for national Primary Surveys and published analytic studies, based on an accumulation of inspection reports. Yet the more public or visible they were, the more their judgements were challenged. New questions about standards and accountability raised questions about their independence and their value: their knowledge base gradually changed over time — it had to be produced so that it could be read publicly; its validity was challenged; it began to be codified.

School inspection was radically redesigned in the early 1990s, following a new Schools Act which introduced intensive school testing and rankings. The Office for Standards in Education (Ofsted) began to inspect schools in yearly cycles, and soon within only two days notice of inspection. Within a few years, it began to inspect local education authorities [the democratically elected area authorities], teacher education institutions, 16-18 years, independent [private schools] and early years education [nurseries and childcare]. This process of the extension of responsibility into new areas of provision and an intensive and punitive inspection regime continued. At the moment, there are two types of school inspector: Her Majesty's Inspectors (HMI), approximately 400, the senior inspectors of the system; and Additional

Inspectors (AI) employed by external companies [Regional Inspection Service Providers (RISP)], employed on contract, approximately 2000 in number. An HMI accompanies contracted AI inspectors on 6-7% of inspections, including 75% of those of secondary schools. Reports produced by the outsourced inspectors must be checked and signed off by HMI before publication. Outsourced inspectors must be monitored by HMI before working independently. The AI inspectors may work for several RISP contractors, or just one; they are self-employed and are chosen by the contractor when they are needed.

In the first years of Ofsted, there were a large number of recognised inspection companies or agents but the number fell rapidly as the inspection contracts became focused on regional divisions and streamlined scale of operation. So, the number of external inspection contractors fell from 39 in 2004, to 24 in 2005, and by 2008/9 to 5. Today, there are three main contractors: CfBT Education Trust, covering the North of England, SERCO Education and Children's Services, covering the English Midlands and Tribal Group, covering the South of England. There is an additional contractor, Prospects, with responsibility for one Early Years inspection contract. I look now at the four main inspection contractors and at their wider business interests.

Serco, which holds the inspection contract for the English Midlands, operates across many different fields and several countries: it has become a powerful general service company. Among its operations are public and private transport and traffic control, aviation, military and nuclear weapons contracts, detention centres and prisons, and schools. It operates passenger trains and sea ferries, immigration detention centres; prisons; airports and air traffic control services; and hospitals. Apart from a large inspection contract, Serco has contracts to manage and operate some local education authority services to schools, a point I will return to later. Serco was selected by Ofsted to run its Inspection services to schools, further education colleges, and work-based learning organizations in the Midlands in 2009 for a six year period. This contract is valued at £55 million. Although it had no direct experience of inspecting schools, Serco was confident that its experience in managing three local government education services and managing national contracts in other policy areas [like prisons and hospitals], enabled it to be successful in winning the Midlands contract. This experience is generic, drawn from a wide experience in performance based systems, and managing teams, logistics and innovative software systems. The emphasis on systems is a crucial element in the work of service sector companies, like Serco, as technology is

used to harness efficiency and automation. Of course, the entire business is focused on profit.

Their general capacity to manage systems across wide fields means that it has to present itself as an education business when it deals with schools. It cloaks itself in a peculiar and yet typical language of business, education and performance:

We are delighted to be appointed by Ofsted and are excited about introducing our ideas and capabilities to support the improvement of inspection services. Our first priority will be to build up a strong and professional base of Inspectors, Managers and supporting staff. We are really looking forward to working with Ofsted, with existing and potential new Inspectors, and with all the educational establishments that provide learning services to children, young people and adults in this central region of the UK. This appointment underlines our position as one of the leading private sector providers of educational services in the UK. We are committed to ensuring these services will ultimately result in higher attainment for the children and young people in our region (Serco selected by Ofsted to run Inspections 25 March 2009 Press Release).

Serco's version of business in public education is covered by reference to its values: it works with 'customers in a collaborative, flexible and imaginative way' and it understands public sector 'principles and passions' and shares its professional's 'standards of conduct'. This new discourse of improvement, of capability and of a value brand is common to the RISP contractors, as it is to other private actors in education for example, chains of school academies. It is intended to have a persuasive power for educators and parents, as it is not necessary to use this discourse in obtaining an inspection contract, which will be based on value for money and efficiency criteria.

Another large mixed profile service company, Tribal, inspects nearly a third of state schools, employs 1200 inspectors and delivers about 25,000 inspections a year, including in Further Education colleges, work-based learning providers, maintained schools, independent schools, child minders, child-care settings, and Initial Teacher Education providers. It describes itself as the leading provider of student management systems to UK universities, school, college and nursery inspections, and information systems on Children's Services to local authorities. Tribal trains its inspectors through face-to-face and

online support. Tribal is an education business, and inspection contracts are only one part, a crucial part, of its growing business. It is through its experience of school inspections that it has been able to develop and sell a Schools Improvement programme, using its support technologies, which it promotes as transformational: it brings together ‘results, processes and culture’ for performance improvement, and it ‘professionalises’ school to school networking on improvement (Tribal 4 November 2010 / Press Release).

The Tribal online shop sells diagnostic and learning software, including school self evaluation tools. All this will be useful in the next stage of its business development, working with or developing chains of Academy schools: in the space of two years, Academies have grown across England from about 200 to 2300 in number. Apart from English school inspection contracts and new business in school improvement and Academy chains, Tribal works overseas, mainly in the Middle East, on schools inspections in Abu Dhabi and have a contract worth up to £6m to conduct school inspections there. Inspections are used therefore to build the capabilities of the company in the English and international markets.

In 2010, Tribal obtained another inspection contract in Early Years education, which meant that it then employed 245 ex-Ofsted inspectors as part of the contract. Tribal stated that their new employees were enthusiastic and positive about their training in Tribal. Again, like Serco, Tribal invokes a new language of education: its inspectors will make a ‘strong and positive difference to the lives of families and young children’ in their area. They will also be efficient, maximise productivity, streamline complaints and review processes. The complex operational processes in inspection will be managed through their proprietary software-led system of inspection workflows. It is these technology driven systems that give companies like Tribal their business advantage in education, as the complexity of regulation, compliance and inspection involves questions of logistics, investigation, assessments, reports, and document management. In 2011, Tribal stated that this involved the completion of 1,548,928 tasks in Early Years inspection alone, and yet Tribal increased the efficiency of its Early Years inspection contract by 352% in 2010, and by 185% in 2011. It is working under contract, with a fixed price, and with permanent regulations, and its workflow software that produces its profit margin. Again, like Serco, it is the knowledge gained from contract management which can be sold on to other markets — in the Academy business or Abu Dhabi, for example.



The old public sector was mainly organized locally, and on a small scale, with little exchange or partnerships between authorities. These companies have an advantage over the democratic local authorities; they focus on profit and they invest in technology. Sturgess, from Serco, describes the early advantage that they had

Governments turned to the private sector for IT services largely because there was no in-house capability in this field and, given the pace of change, there was little point in developing it. What has changed in recent years is the expansion of the associated support services which private sector firms are capable of managing on behalf of clients. The term most commonly used is 'business process outsourcing', and the range of services variously includes asset management, financial management (including payroll, pensions and accounts), human resources administration, procurement and supply chain management and help desks and customer information (Sturgess, 2007, p. 22).

These firms grew out of specialist back office companies, with generic interests in technology driven business logistics; and their operating knowledge across different sectors developed from efficiencies of scale.

CfBT [originally the Centre for British Teachers, since 2006 the CfBT education trust] is the third main education inspection contractor in schools (state and independent), the learning and skills sector, initial training education and childcare. It employs about 700 inspectors, on contracts ranging from 20 days to 120 days per year. It makes great claims for its supportive environment for inspectors, including pastoral support, and for their professional development; it provides some evidence that there is high satisfaction with its school inspections. Like the other two companies, its inspection contract is across state and independent schools, FE colleges, work-based learning, and children's centres, but unlike them, CfBT is a charity and not profit making. Synergies between inspection, evaluation and consultancy provide an expertise-based business model, and it has a research programme, Evidence for Education (EfE) which identifies, develops and disseminates evidence-based good practice. It has contracts to provide major school improvement and consultancy support to Lincolnshire and Lambeth local authorities. It has its own chain of associated Academies and Free Schools.

The fourth education business, Prospects, has an inspection contract for Early Years education. It grew out of a network of local authority youth career

offices in London in 1996. In 2012, it employed a staff of 1500 [directly or flexibly], works in 60 sites and has an annual turnover of £80 million. Most of this expansion is due to public sector contracts from government departments or agencies. Its business includes youth services, employment services, training and skills services, and into economic and community regeneration. Following its education contracts, the rapid expansion of Academy schools since 2010 has enabled it to create its own chain of academy schools, directly providing schooling and not just services. It has also acquired companies that allowed its services to grow; particularly a data software provider, which will probably take over all internal services across Prospects wide field, and at the same time, allow growth into new areas and provide an additional commercial service.

In 2010, Prospects obtained the contract from Ofsted for the inspection of Early Years education providers [for example, child minders, preschools, day nurseries and children's centres] in the Midlands and North of England. In this area, there are 55,000 providers and Prospects employed over 200 inspectors. This is a large and valuable contract and it is clear that a new company, like Prospects, had to convince its employer, Ofsted, and Early Years professionals in its area that it knew what it was doing. Its documentation makes constant reference to its 'professional inspectors', who are 'trained' and 'dedicated'; they have a 'thorough knowledge and understanding' of their work, the 'highest professional standards' and collect 'robust evidence'. They explain that although this situation is new, a private inspection company, that they work directly to Ofsted, following their instructions, quality assuring their work and reporting back to Ofsted. Their reports will then appear on the Ofsted website within 20 days. Its business discourse covers similar ground to the other contractors. It offers probity and stability, through its procedures, track record and image, and yet, for its investors, it makes it clear it is a commercial company, albeit in the public sector, and intends to develop the Early Years area into further profit making services. Prospects already provide consultancies, training, inspection preparation and web design, for example, and it is constantly looking for voluntary, public or private sector organizations who can expand the range of its education business, including policy and lobbying companies, and with any companies 'looking to enter the Early Years market'.

Although each company has a different history, they all operate an opportunist business model and have moved into inspection contracting because it



offered expansion opportunities. The knowledge gained from these contracts is used for profit, for synergy, or for additional service sales. They are now specialists in income generation and producing profit in the field of public sector education.

## CONTRACTS, MARKETS AND INSPECTION

Even though these companies are taxpayer dependent and work on lengthy contracts, they work in a business model with instabilities. In this section, some of their problems will be analysed. As a consequence of the financial collapse of 2009/10, CfBT lost 13% of its income and 100 staff members, closing its businesses in the US and Singapore. A rapid shift in government policy meant that it lost a profitable contract in youth services at only three months notice and most of its staff, and became involved in a legal battle with its local authority partners. Even public sector contracts are not free from risk. For example, when Prospects and Tribal won the Early Years contract, they employed the experienced inspectors who had been working for Ofsted for up to 25 years. However, within two years, the institution of a new regulation framework for inspection in 2012 mean that over 300 early years inspectors, working for the two companies had to sit an assessment. Large numbers of inspectors failed the assessment and criticised Ofsted [which was responsible for the design and management of the assessment process]. Prospects and Tribal 'were surprised at the number of experienced and well-qualified inspectors that failed the assessment and are now faced with shortages of inspectors in some areas of the country' (Gaunt, 2012). These inspectors were now deemed incompetent. Prospects was caught between its employer and contract manager, Ofsted, and its employees. It could not continue to employ these inspectors if, because of a change in regulation, they were now 'incompetent' [even if longstanding and experienced ex-Ofsted employees]. Yet they were now to lose significant numbers of inspectors, through a process of assessment which was viewed as poor, and managed by its employer, Ofsted.

Prospects said publicly, and had to say as a contractor, that:

Any inspector carrying out early years inspections is assessed and must demonstrate they meet the required level of competence in such inspections. While a minority of inspectors have not met the standard, Prospects has suf-

ficient capacity in our pool of competent employee and freelance inspectors to meet our obligations and ensure safety and quality are not compromised (Gaunt, 2012).

In fact, many of its inspectors were demoralized and stressed by this event: although a change in regulation was always followed by an assessment, this was the first time it involved dismissal on such a large scale. It was widely felt that this was a serious attempt to lose the professional, longstanding inspectors and employ self employed, freelance staff, to 'casualise' inspection. Indeed, it was stated that Prospects offered the 'failed' inspectors their jobs back as freelancers on lower rates of pay (Gaunt, 2012).

Risks to the company brand may even result from profitable contracts. Serco had held a ten year contract with the city of Bradford to manage and operate the local education authority, providing education support services to the City's schools, and to raise standards (Serco Press Release, 2001). It had similar contracts with the towns of Walsall and Stoke-on-Trent. It claimed that it had improved these local authority services hugely, upgraded their examination results and their Local authority grading. These contracts were worth millions of pounds and involved hundreds of schools. Walsall's education services were taken away from the local authority and compulsorily outsourced to Serco in 2002 by the Secretary of State for Education in London. Ofsted had viewed the Council and its education service as a failing service; its schools failed inspections and were in special measures. Serco took over its services and its staff, brought in new management and restructured the service. Within 2 years, Walsall [and Serco] was re-inspected and showed a 'spectacular improvement' [according to Serco]. Yet in 2013, Walsall terminated its 12 year contract with Serco, worth «£345m».

The rapid rise of Academies, by voluntary or enforced action, post 2010, had destabilized this contract. These schools were becoming independent of the local authority and would begin to buy services from outside Walsall. Serco's contract with Walsall, in which they acted like a local authority, was becoming an irrelevance when the Academies were moving into independent action, or combining into chains of schools. Serco lost a lot of income from the loss of this contract, but it was even more concerned with damage to its brand as an effective and productive education business. It didn't want its reputation to suffer. The following year its contract with Bradford was terminated as well after ten years after wide consultation between the local authority

and parents and governors. Bradford wanted to take back strategic control of its education services to achieve its regional planning objectives [School Matters, Sept 2011, p. 2]. Serco's confident statements the previous year, 2010, were about how its work in Walsall and Bradford had been very successful, and 'their' schools had improved at twice the national rate for school improvement. This was the direct result of Serco's 'introduction of new management, improved relationships with schools, motivated staff, shorter decision-making chains, more efficient processes and effective use of technology'. A 2010 Press release by their Managing Director for Education said:

I would like to congratulate the staff that work either for Serco, for the partner local authorities, or other partner agencies who are committed to creating a better future for the children they serve. We are delighted that we have been able to play our part in improving exam achievements and will continue to bring our values, skills and resources into delivering better children's services (SERCO Press Release, 2010).

This achievement, if it was one, was nullified by the loss of these important contracts in education, mainly because of a change in national or local policy, neither of which it could shape or control. These inspection contractors work in a privileged but unstable relation with government. They have enormous benefits from national contracts, financially and in knowledge and experience. They have had a fortunate entry into a new field of education business. This will last as long as the outsourcing of national and regional government continues. But their business model still depends on government funding. The tap on the government pipeline can be turned off, as well as on.

## OUTSOURCING AS GOVERNING

Outsourcing has grown significantly over the last 20 years and recently new arguments about the risks involved and the high cost have been strongly made. One event has come to symbolize the problem, and this was the security debacle at the 2012 Olympic Games in London, where a private contractor, G4S, failed critically, causing the only major malfunction in the whole complex process. With vital services, the state cannot opt out of responsibility:



If a contractor messes up, the government has to fill the resulting gap. Bringing in an alternative private supplier — the marketeers' solution — simply does not work when time margins are short, training is required and budgets are tight... Contracting parties need to maintain constant vigilance. Departments and councils need permanent, real-time intelligence about what the contractor is up to. If they don't have it, they run the risk of service failure (Walker, July 2012. The Guardian).

Outsourcing has worked in parallel with the segmentation of the education service and its transformation into measurable objects. In this process, local authority bidding for government monies, tendering processes, and contracting, depended on the production of data, and so did national government controls and performance audits. Education business companies make a virtue out of their technological sophistication; they reduce complexity in contract processes, they manage workflow efficiently and they boast about their scrutiny procedures. They argue, like Serco does, that contracting produces new clarity and visibility in public service improvement, and they are used to increasing accountability and standards of service; for example:

Performance management is integral to how we do business — if we fail to deliver on our commitments, we fail to make a profit — so you can imagine that this is a subject that exercises our minds often (Sturgess, Serco, 2004).

These businesses exist as hybrids between the market and hierarchies; they work as a heterarchy, a system of organization with multiple forms of connectivity, entangled relations and layers of interaction [Jessop 1998]. They profit through different forms of activity — sales, services, consultancy, contracts and provision — and yet, in our case, they are almost welfare dependent on government sources. They operate in a sphere in which actors move between advocacy, public service, consultancy and entrepreneurship, often with a single visible identity. Their multiple concerns — surveying new sectors, proposals, partnerships, contract scrutiny — means that focus moves constantly. They discipline themselves through a dependence on technology which makes accountability, performance and control overriding and pervasive. Their discourse is about efficiency but cloaked within a language of public service.

They are working within the grain of contemporary governing. The public have learned to act as consumers, and move between public/ municipal and



private providers. Contract culture and outsourcing is not new anymore, it has existed in England for 20 years. Market opportunities are created all the time as the state opens new areas to privatization and performance management regimes. As large public services — like education — are broken down into smaller parts — like careers service, skills centres, child guidance, staff development, training — it became easier to open them to private contracts (Whitfield, 2010, p. 99).

A dominant and early version of outsourcing was defined by the number of voluntary and non-profit organizations which were working in complex arrangements with government. The idea of the 'shadow state' has grown out of an attempt to define:

a para-state apparatus comprised of multiple voluntary sector organizations, administered outside of traditional democratic politics and charged with major collective service responsibilities previously shouldered by the public sector, yet remaining within the purview of state control (Wolch, 1990, p. xvi).

In England, the situation has altered so that a variety of organizations, with different relations to profit making [charitable foundations, mutual companies and commercial companies] now operate in this sector. As Trudeau explains, this can lead to «divergent assemblages of state and civil society relations that reflect hybrid arrangements of state and civil society functions» (Trudeau, 2008, p. 673). Their hybridity leads to semi-autonomy and to a disciplining of their independence, as they are subject to regulation, audits and contract changes, as well as close micro-interventions. Influence, through different scales, «travels in multiple directions» (Trudeau, 2008, p. 684) in this contract relation.

The governing of education in England has changed fundamentally in recent decades. It is managed by punitive regulations, market stratagems, commercial actors and advanced technologies, and even sensitive core elements of the system, like inspection, are operated by private entities. The advantages of outsourcing more and more of the education service are several: tax and employment costs are lowered; local authority power is weakened; there are benefits of scale; and, government is not directly responsible for the service. The rise of public awareness of the extent of outsourcing and its failures has made the subject more politically sensitive. Private companies of different kinds have found great advantages in obtaining profitable government

contracts: they can produce additional services from the knowledge gained in their operation, and they can generate generic advantage from software driven efficiencies, which are applicable in other realms. They can be surprised by the instability of contracts however; a change of national or local policy can end contracts, and sometimes with great difficulties. Profitable areas are not stable and new sources have to be sought constantly.

The consequences of this shadow state of entangled public-private relations and actors appear to be that coordinating mechanisms and audit have to be applied with greater and greater force, and that unrecognized costs emerge. Coordination, if it still exists as a governing practice, involves a market, mixed in with public sector hierarchies still in place, and an entrepreneurial set of knowledge networks. A recent report — the Shadow State — raised a number of issues with outsourcing: and the power of private companies that apply to the study of English inspection (Williams, 2012). The English education system was a hierarchical and a central/local democratic system with variation, tradition and excellent practice. It did not have a lot of public data but what there was could be accessed. Private companies use commercial confidentiality to protect their business which makes it difficult to understand how they work, how they get and operate contracts, and on what basis they can be audited or evaluated. School inspection in England can have major consequences for the school; it can lead to loss of staff and pupils, and even school closure. The fact that this could result from the action of a private company, appearing as a public agency, is still not well known. The widespread use of outsourcing has occurred within public sector institutions and the public has little knowledge of their existence. Ofsted is regarded as a powerful state agency yet it is also a series of private oligopolies, usually profit making, operating with flexible labour, and focused on brands and expansion.

The problem of outsourcing is two fold: should the state relinquish its responsibility for its democratic functions to the private sector; and should public monies be used to support this private business sector [upon which it is also dependent]? There is another, little discussed problem with outsourcing, and that is, state and professional governing knowledge is being lost and these private companies take this knowledge and use it for their market expansion. Outsourced contracts lead to a loss of knowledge about the public sector and its practices, within government and the public. Private companies have the potential to become the shapers and brokers of public services which only



they really know. It is not uncommon in English government for advisers to be used from the private sector to shape the regulation of their industry. Outsourcing, including the outsourcing of inspection, signals fundamental shifts in the nature of governing.

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Received: January 9, 2014

Final version received: March 10, 2014

Published online: May 12, 2014

