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Public Schooling for Profit

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The for-profit education movement got under way a decade ago when ambitious entrepreneurs became convinced that they could succeed where public educators had failed and make money in the bargain. Ten years later, Edison Schools Inc., the largest for-profit company in the business, has yet to find its way into the black. After a bruising battle to get control of schools in Philadelphia, Edison is struggling financially and besieged by critics who argue that the company has overstated its academic performance. The decline in Edison's fortunes is attributable in part to questionable management and overly rapid expansion. But the broader message may be that there is no quick, profitable way to turn around schools. That seems to be the case in Michigan, where a liberal charter-school law has attracted more than 40 commercial companies, which manage about three-quarters of the more than 180 charter schools that dot the state. A series of recent reports by Western Michigan University's Evaluation Center revealed that these ostensibly public for-profit schools were increasingly resembling private schools in terms of their admissions and public information policies.

The Michigan for-profit schools have discouraged the enrollment of disadvantaged and disabled students, presumably because they cost more to educate. The for-profit companies boasted of improved student performance in their ads and year-end reports but often refused to make public the test scores that would support their claims.

Data from Michigan and several other states suggests that failing schools do not improve as a consequence of for-profit management and that commercially run public schools often perform no better than other public schools. Increasing awareness of that data has prompted districts to write tough contracts that let them fire education companies that do not meet specific performance targets.

This heightened scrutiny comes at a bad time for Edison, which was still struggling to reach profitability when the Securities and Exchange Commission announced that the company had provided inaccurate information about its revenue and

maintained inadequate financial records. The announcement, combined with a history of red ink, further hurt the company's public image.

Edison has long insisted that its fortunes would improve with "economies of scale." The flaw here is that renovating schools, buying computers and training teachers remain expensive, no matter how many times you do it. Some experts argue that economies of scale do not exist in education, especially in a charter system, where schools are meant to vary in focus and size. In addition, the costs of managing large systems have proved to be high.

Edison's fortunes show that there is no cheap way to rescue failing schools and that the prospect of a swift turnaround and explosive educational progress was a mirage all along. The only way to improve public education is to provide every child with a bright, well-trained teacher and an orderly, well-run school. That tends to be labor-intensive — and expensive — and may never be profitable on the scale that the stock market requires.