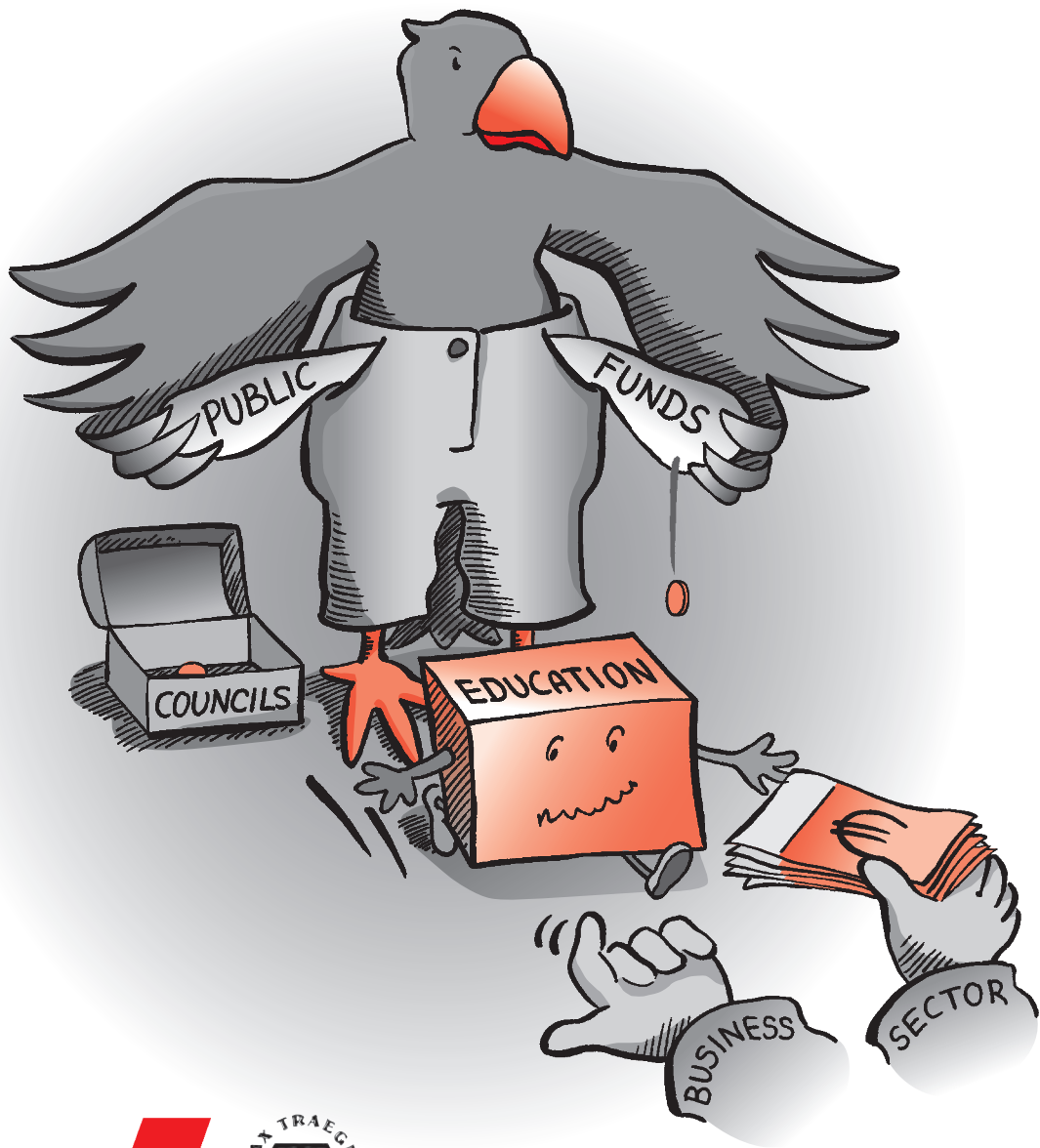


# Privatisation Report no. 8

## Strip to the bone, then privatise? Public education in Germany



**Published by:**

**Gewerkschaft Erziehung und Wissenschaft**

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Ulrich Thöne and Ulf Rödde are responsible for the contents of this publication under the terms of the German Press Act.

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ISBN: 978-3-939470-43-4  
Article no.: 1348

This brochure can be purchased from the GEW Shop ([www.gew-shop.de](http://www.gew-shop.de), e-mail: [gew-shop@callagift.de](mailto:gew-shop@callagift.de), fax: +49 6103-30332-20); minimum order: 10; € 2.00 each; price including postage and packaging € 6.90 gross at time of publication.

Individual copies can be ordered from:  
[broschueren@gew.de](mailto:broschueren@gew.de), fax: +49 69/78973-70161; € 2.70 including postage.

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# Foreword

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There have always been private education providers in Germany. In many cases they were founded and run to fill gaps in the public education system or to instigate reforms. Then there were the faith schools with their own specific style. These gave rise to many valuable ideas, above all alternative teaching methods, especially because working conditions and pay were comparable to those in the public education sector and profit was not the principal motive behind the institution.

This has changed – as this edition of our Privatisation Report illustrates. The public education system faces a challenge.

For one thing, there has been a dramatic increase in private education. Major companies have long since realised that there is money to be earned from schools – on a big scale and with public funding guaranteed by governments. Education is a growth sector, as dissatisfaction with the performance of underfinanced public provision spreads. At the same time, the commercial principles of market management – whose global failure we are currently witnessing and suffering – are still being applied in state institutions, helping market mechanisms and competition to take root there as if nothing had happened. Moreover, public education establishments continue to charge fees and introduce new ones.

We are all expected to compete with one another: public schools among themselves, private schools among themselves, and private schools with public schools. This competition reminds me of a cartoon back in the 1970s. A group of very different animals are given a test: they have to climb a nearby tree. Some, like the elephant, demand to know what is so fair and conclusive about this test. Answer: everyone has to solve the same task!

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The political agenda behind this contest is to demonstrate that public schools are incompetent, that private ones can do everything better, and that the future belongs there.

What impact will this have?

The unequal opportunities we already see will be exacerbated. There will be even more social selection, and with it a greater population divide. Democratic participation, staff consultation and the right to monitor management will be curtailed. The content of education and the skills that are taught will be geared entirely towards economic expediency.

Teaching staff will be less able than ever to campaign together for the right material and equipment in their schools. Ultimately they will be trained to bicker among themselves over thoroughly inadequate resources. There will be no place here for solidarity, or for a commitment to achieving education for all!

We have to prevent it.

***Education must not be subordinated to the dictates of market and money. Education must remain a public good.***

Education is and remains a human and civil right. Access for all must remain free of discrimination. Content must continue to be guided by the desire to impart cognitive, social and cultural skills and develop emancipated personalities capable of participating in the democratic process.

We have to assert these objectives internationally. That is why the European trade unions in Education International have resolved to campaign together on behalf of public education. This brochure sup-

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ports that campaign with an up-to-date overview of the trends towards ever more privatisation in all fields of education in Germany. To facilitate international exchange, we have decided to publish it in both German and English. I am grateful to everyone who has contributed to producing this little booklet, and above all to Matthias Holland-Letz.

**Ulrich Thöne**

Frankfurt, 16/9/2009



# I. What is at stake?

***Public responsibilities continue to be privatised. Neoliberal politicians, companies and foundations with close links to the business world are exerting pressure for market-oriented reforms – even in schools, universities and other education facilities.***

The education sector is actually expanding all over Germany: more schools are offering full-day timetables, colleges are offering a wider range of courses, there is more care for children under three, more further training. But market fundamentalists take the view that this can only be achieved with the help of private providers. Moreover, education politicians with neoliberal ideas are making state providers introduce commercial structures. The catch phrases are “autonomy”, “budget responsibility”, “stronger management”, “reining in participation” and “output-oriented operation”.

***“Every state service will be reviewed to establish whether it is necessary and whether it can be privatised.”***

(Staatskanzlei in the CDU-led government of Hessen)<sup>1</sup>

The justification regularly proffered is: “The state must become leaner and more efficient”. What the government representatives and mainstream media fail to mention is that a series of national governments under Kohl, Schröder and Merkel and many governments of the federal states have already placed the country on a severe diet – “Starving the beast” in the true spirit of American neoliberals. Compared with other industrial countries, the public sector in Germany finds itself close to the bottom of the ladder. Education facilities are accordingly under-financed. It would take at least € 22 billion a year to raise spending on education alone to the average for OECD countries.<sup>2</sup>

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Is there some political strategy behind this? Strip them to the bone, then privatise? To create new markets for companies and investors on the look-out for juicy returns? To give institutions close to the employers even more influence over what happens in classrooms and lecture halls?

In autumn 2009, the teachers' trade unions in Europe began a campaign to fight the continuing privatisation of education. After all, for staff privatisation means: lower pay, fewer social benefits, a greater workload, insecurity due to precarious status. And also negative effects for many pupils and students, nursery children and their parents, and people keen for further training: less quality, less equality of opportunity, higher financial contributions. Part of Germany's contribution to this campaign across Europe is this Privatisation Report no. 8. The report is being published in German and English.

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## 2. The German Constitution on private and state education

**First of all, a look at the past: What was the role of private education in Germany before the steamroller of liberalisation began flattening the country? According to the Constitution, education is the task of the German state. The federal states, or “Länder”, are responsible for implementing it in their own territory. But there has always been private provision, too.**

### 2.1 Schools

Private boarding schools, Waldorf schools, Lutheran grammar schools, Catholic colleges to train in care for the elderly – all of these are private. Or to be more precise, they are run by “free” (i.e. non-state) providers. The Constitution grants them a firm place in the education world.<sup>3</sup> “The right to establish private schools is guaranteed”, says Article 7 (4) of the Basic Law (*Grundgesetz*, GG). The state also provides that private schools must meet a number of requirements. One of these, stipulated in Article 7 GG, is that “a segregation of the pupils according to the means of the parents is not promoted”. In concrete terms: private schools for the rich only are not allowed. How much parents *can* be asked to pay is currently a matter of contention between the owners of private schools and the state regulators.<sup>4</sup> Article 7 goes on to say that approval will be withheld “if the economic and legal position of the teaching staff is not sufficiently assured”. Which means that starvation wages and exploitative contracts for teachers are likewise forbidden. In 2007 8.5 per cent of all schools providing general education were being run privately.<sup>5</sup> The percentage of vocational colleges was 21.4 per cent.<sup>6</sup>

According to the Association of Private Schools (*Privatschulverband*), when private schools provide general education two-thirds of their funding is provided by the state. The GEW points out, however, that the taxpayer has assumed a much higher proportion of the costs: 80 to 90 per cent. Private sources are only responsible for the remainder,

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most of it in the form of parents' fees and donations. In order not to fall foul of the Constitutional rejection of segregation, many private schools ask parents to pay according to their income. Parents on a normal salary will nevertheless very quickly find themselves paying € 400 a month or more per child. Attending a Lutheran or Catholic private school often costs much less, and sometimes there is no fee at all. Private vocational colleges likewise receive state support: the state of Baden-Württemberg, for example, accepted between 54 and 80 per cent of the costs in 2005.<sup>7</sup> Teachers in private schools frequently earn 10 to 20 per cent less than at state schools.<sup>8</sup>

## **2.2 Higher education**

Over 95 per cent of students enrol at a state university (including the universities of applied science, or *Fachhochschule*). Barely 4 per cent are at a private university (excluding Church-run institutes).<sup>9</sup> State universities receive the bulk of their money from the budget of their federal state. They will also draw down grants from the federal government and third-party finance from public research establishments, companies or foundations set up by companies. Since 2007 the state universities in a number of states have been charging students fees (currently Baden-Württemberg, Bavaria, Bremen, Hamburg, Lower Saxony, North Rhine-Westphalia and Saarland).<sup>10</sup> These tend to be about € 1,000 a year. As a consequence, more and more working-class children cannot afford to study.<sup>11</sup> Private unis charge much higher fees: € 9,900 per annum is the rate, for example, for undergraduates pursuing a four-year Law degree at the private Bucerius Law School in Hamburg.<sup>12</sup>

## **2.3 Child care**

According to Article 6 (2) of the Basic Law, “care and upbringing of children are the natural right of the parents and a duty primarily incumbent on them”. Here the Constitution reflects what is known as the subsidiarity principle.<sup>13</sup> This means that first responsibility resides

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with the parents. The state initially entrusts the task of providing enough day care places to private providers. Only if this supply is insufficient do public authorities set up facilities of their own. That is why about 60 per cent of day care facilities are run by churches, charities or not-for-profit associations. About 30 per cent are operated by local councils. 10 per cent or so, according to the Federal Ministry for Families, are in the hands of private business.<sup>14</sup>

Public and not-for-profit day care is funded to the tune of about 80 per cent by local councils and federal states. The other 20 per cent has to come from the parents.<sup>15</sup> Private nurseries usually ask for higher fees than the others. In many industrial countries, looking after children in the pre-school sector requires a degree. In Germany, however, it is enough to train for two years at a post-school college and then take a year's placement ("probation year").

#### **2.4 Vocational training**

Many youngsters training for jobs will find themselves in the "Dual System".<sup>16</sup> Dual means that they divide their training between two places: a private company and a vocational college, the latter usually state-run. The company-based training is financed by the company. The costs of the state vocational college are borne by the state. "A good system, but unfortunately a lot of free-riding", concluded trade unionists back in 2004.<sup>17</sup> That is because these days only about a quarter of companies offer training.<sup>18</sup> This means that each year there is a shortage of between 30,000 and 60,000 traineeships. The Confederation of German Trade Unions (DGB) has been demanding for years that companies which fail to pull their weight by offering training should pay a levy. This should flow into a fund for financing the costs of training elsewhere.

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## 2.5 Further education

No other segment of education is as heavily privatised as further education, which includes continuous training.<sup>19</sup> The market is teeming with private sector providers in particular. The competition is tough. At the same time, Germany's public employment service, the *Bundesagentur für Arbeit* (BA), which is the biggest client for further education, has slashed its budget. Drastically:<sup>20</sup> in 1999 the BA invested € 7.84 billion in promoting continuous vocational training. In 2007 this had sunk to € 1.47 billion – a decline of 81 per cent.

The consequences for those employed in the field: lower wages, meagre social benefits, over 70 per cent of teachers here are paid by the hour and have no employment contract. Those who want this training usually have to dig deep into their own pockets. Whether they want to learn French in an adult education class or work towards the degree in Business Administration offered by the Chamber of Industry and Commerce, they will pay the bulk of the costs themselves. It's different in North Rhine-Westphalia:<sup>21</sup> under certain conditions people interested in further training can obtain an education voucher. Then the government of that federal state assumes half the costs up to € 500 per person.

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# 3. Neo-liberals strip the public sector: Germany compared

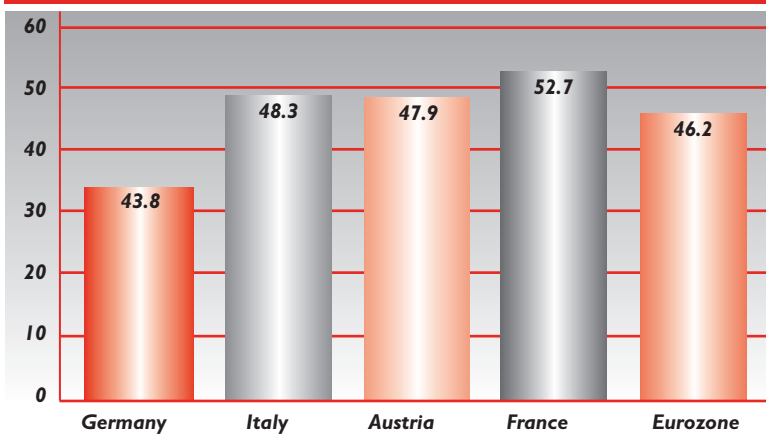
## 3.1 Education spending

Germany? “Two out of ten – Sit down!” Granted, the OECD, the Paris-based organisation representing the major industrialised economies, puts it more elegantly. But its meaning is clear. Its 2009 education report sets out the annual education spending of its members.<sup>22</sup> According to this, OECD countries spent an average of 5.8% of their gross domestic product (GDP)<sup>23</sup> on education in 2006. In Germany, the figure was 4.8% (2005: 5.1%). Clearly less than average. “Detention!” Germany must spend more, especially on schools, the OECD suggests.

## 3.2 Staatsquote

On his homepage, German Finance Minister Peer Steinbrück (SPD) proudly announces:<sup>24</sup> “In Germany, the public spending ratio has been continually reduced in recent years.” Back in 2003 it was still at 48.5%, by 2007 it was just short of 44%.<sup>25</sup> In other words: In 2007 total spending by federal, state and local government and the social insurance sys-

Fig. 1 a: Public spending ratio in 2007 (%)



Source: Federal Ministry of Finance<sup>26</sup>

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tems added up to barely 44% of gross domestic product. In Italy, Austria and France, by comparison, the ratio is significantly higher. The same is true of the Eurozone, i.e. the average for those countries that use the euro (see Fig.1a).

### **3.3 Public sector employees<sup>27</sup>**

“Whoever believes that in Germany a disproportionate number of people are employees of the state, is wrong.” This point is made by the Federal Ministry of Finance. In Germany, the proportion of public sector employees is a mere 13.4% of the overall working population. Another comparison: In the UK it is 14.1%. In France 16.7%. “Even in the United States the state employs more people than Germany,” according to the Federal Finance Ministry. “There it is 15.4%.”

### **3.4 Tax revenue**

What proportion of the gross domestic product goes to the state in taxes? You may be surprised: Germany turns out to be a tax haven for the wealthy and for corporations.<sup>28</sup> The OECD conducted a study comparing 17 industrial economies from Canada to Denmark.<sup>29</sup> The result for 2006: in Germany the state only raises 22% of GDP in tax. This ratio is so low that the only countries lower down the scale are the United States (20.5%) and the Republic of Slovakia (18%).

***“Tax revenue – as a proportion of GDP – is lower in Germany than in all the other major European economies.”***

(Federal Ministry of Finance)<sup>30</sup>

### **3.5 Inheritance and property tax**

The OECD studied the revenues from property taxes (including inheritance tax) in different countries in 2006 – each in relation to the total

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revenues derived by the state from tax and social insurance. For this, the Paris-based organisation scrutinised 30 industrial economies. The result:<sup>31</sup> In Germany the proportion is 2.5% and thereby sixth from the bottom – only Austria, Mexico, Hungary, the Czech Republic and Slovakia are ranked lower. The OECD average is 5.7%. Switzerland: 8%. United States: 11.1%. The OECD, which is hardly famous for endorsing trade union demands, goes so far as recommending that Germany and Austria “reconsider the abolition of gift and inheritance tax.”<sup>32</sup>

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## 4. How privatisation is spreading through the education sector

### 4.1 Schools

State schools have been under-funded for years. According to Professor Bernhard Nagel of the University of Kassel there is an annual shortfall of € 4.1 billion.<sup>33</sup> Meanwhile, many parents, especially from the middle classes, value education more than ever. Where does this lead? “At present, two to three private schools are founded every week in Germany,” a GEW report found in September 2009. And this is a huge market for commercial enterprises.

#### **Private schools: education companies on the march**

Independent schools are booming, not least in Eastern Germany, where authorities are trimming back the number of state schools in response to declining student numbers. Here parents often found private schools to fill a local gap. In Western Germany it is usually dissatisfaction with the state school sector that has led to a growth in private providers. Commercial enterprises are quick to profit from this trend. One example is Ernst Klett AG. This company was hitherto known primarily as a publisher of school textbooks. But in 2008 the Klett Group opened its first private school, a joint venture with the private education provider Kalaidos from Zurich: The “Swiss International School” (SIS), a bilingual all-day school in Fellbach near Stuttgart.<sup>34</sup> It combines a nursery, primary school and grammar school under one roof. Parents sending their children to the SIS primary school in Fellbach currently pay €606 per month in school and lunch fees.<sup>35</sup> “Under certain circumstances” bursaries are available, SIS is quick to point out.<sup>36</sup>

**“The market volume for private schools is large. We will be expanding further there.”**

(Philipp Haussmann, spokesman for the Board of Ernst Klett AG<sup>37</sup>)

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In September 2009 Klett and Kalaidos opened more SIS schools – in Ingolstadt and Friedrichshafen on Lake Constance. A fourth school outside Munich is at the planning stage.<sup>38</sup> All these are towns with substantial purchasing power. Klett has plenty of money for this expansion: In June 2009 the education business issued a second corporate bond, “Education Bond II” – and within four weeks had raised € 50 million from private investors.<sup>39</sup> “Around 2,700 new investors” participated, according to the Klett Group. This is in addition to many other investors who had earlier bought the “Education Bond I”.

The private school chain Phorms is also founding one school after another. The opening shot was fired at the beginning of the autumn term in 2006, in Berlin-Mitte.<sup>40</sup> Back then Phorms opened a bilingual primary school. Further primary schools, grammar schools and nurseries were to follow – in Berlin, Frankfurt, Munich, Cologne, Hamburg and Hanover. Their youngest offspring: the “Bilingual Primary School Phorms Frankfurt TaunusCampus”,<sup>41</sup> in the pretty little town of Steinbach. “Only 20 minutes’ drive from the centre of Frankfurt,” as Phorms is keen to have us know. The private school chain is planning a newbuild in Steinbach to accommodate up to 900 pupils.

In the medium term, Phorms intends to make a profit out of operating private schools. How? The parent company will sell services to individual schools, such as marketing, recruitment and curriculum development.

The fee parents have to pay each month depends on their income. For instance, attending the Phorms grammar school in Munich costs at least €105 a month.<sup>42</sup> The upper limit is €1,035 a month.<sup>43</sup> However, Phorms’ operators insist that they hope to achieve a socially mixed student body. Thus parents can “apply for a (partial) stipend towards the monthly fees”, points out the Phorms school in Munich.<sup>44</sup>

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Nonetheless, at the beginning of the school year 2009/2010 there was a row with the school authorities in Cologne.<sup>45</sup> The district refused to grant the Phorms school in Cologne permission to go ahead as a grammar school. The school “was reported to have failed to provide exact figures for parental contributions”, wrote to the *Kölner Stadt-Anzeiger*. According to the newspaper, this apparently caused the school authority “to question how mixed the social origin of the student body” was. In addition, there were doubts regarding teachers’ qualifications. Phorms Cologne is now planning to launch its grammar school next year.<sup>46</sup>

### **Private school operator TÜV**

The *Technischer Überwachungsverein* was originally founded for the purpose of technical testing, as its name suggests. That was yesterday. Today the TÜV Rheinland group based in Cologne is a service industry giant. It is active in 61 countries and employs 13,300 people around the world.<sup>47</sup> TÜV Rheinland is also a player in the private school market, operating twelve private vocational schools, mostly in Eastern Germany.<sup>48</sup> Their curriculum ranges from IT and tourism to media, fashion and cosmetics. Not only that, but the Cologne-based corporation also runs two private general schools. The TÜV Mittelschule in Leipzig<sup>49</sup> is an all-day school that educates up to the *Hauptschule* or *Realschule* leaving certificate, i.e. secondary level. TÜV’s website describes its location as “central but quiet, in the traditional musicians’ quarter”.<sup>50</sup> Parents pay € 195 a month.<sup>51</sup> TÜV Rheinland has also opened a private primary school in Görlitz in Saxony for the 2009/2010 school year, the Neissegrundschule.<sup>52</sup> Another school providing full-day facilities. Parental contributions: € 200.<sup>53</sup> The private schools are operated by a not-for-profit, limited liability company in Berlin: TÜV Rheinland Bildungswerk. “We are planning further general schools”, says Stephan Scholz, the managing director.<sup>54</sup> “Potential locations include Potsdam, Berlin and Dresden.”

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### ***The Volkswagen school***

And another company you would not expect to see in the private school sector is joining the fray: Volkswagen AG. It began the school year 2009/2010 by inaugurating the “Neue Schule Wolfsburg” in a joint venture with Wolfsburg town.<sup>55</sup> This is an integrated all-day comprehensive primary and secondary school for forms 1 to 12/13. It kicked off in August with 125 children. 299 families applied for a place for their child, according to the school itself.<sup>56</sup> Its specialisms are “internationality, natural sciences and technology, economics as well as art and culture”.<sup>57</sup> The Neue Schule Wolfsburg comes across quite generously: It does not charge parents fees.<sup>58</sup>

***“We will provide a significant proportion of start-up funding and actively support the school’s independent status.”***

(Martin Winterkorn, CEO of Volkswagen)<sup>59</sup>

### ***Private sector structures: state school turned business***

Meanwhile state schools are being organised along lines derived from the private sector. School directors are forced to focus their attention on marketing, controlling and budgeting. According to the website of regional news channel WDR, this is required by North Rhine-Westphalia’s new School Act.<sup>60</sup> “But many school directors lack the necessary know-how,” the TV channel reports. These skills are now being imparted by experienced business managers – at no cost to the schools. Because their “SeniorExpert” mentors are volunteering their services. The Duisburg-based Mercator-Stiftung and the Essen-based Stiftung Westfalen (see Glossary) are each supporting the project to the tune of € 360,000.<sup>61</sup>

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***“A school is certainly equivalent to a small or medium-sized enterprise.”***

(Annabel von Klenck, Mercator-Stiftung, Duisburg)<sup>62</sup>

The restructuring of schools began in 2002. Back then the Bertelsmann-Stiftung and the state of North Rhine-Westphalia (NRW) jointly launched the “Self-Governing School” project.<sup>63</sup> Running the project for the foundation is Wilfried Lohre, a former departmental head at the NRW School Ministry.<sup>64</sup> The idea Lohre wanted to put into practice sounded tempting. Schools were tasked with finding out how more freedoms could improve teaching. Instead of grades, they would try out different forms of assessment. When there was a vacancy, it was up to the school, rather than the district authority, to decide which teacher to employ. Unfilled vacancies are translated into spare funding. This can be freely allocated by the school. For instance, to refurbish the chemistry lab. Or to temporarily employ a musician for a few lessons. An important element of all this is self-evaluation. It is up to schools themselves to measure and judge whether the quality of their work their output – is improving. Other states quickly followed and founded similar projects of their own, including for vocational schools.

The GEW sounded the alarm early on.<sup>65</sup> If the hand of the school director is strengthened, the full conference representing teachers, pupils and parents (see Glossary) loses out, and so does the education authority. This weakens stakeholder involvement. And that’s not all. Giving schools control over their budget is not the same as giving them adequate funds. When positions for teachers are turned into money to employ temporary workers, “precarious working patterns” and “de-professionalisation” enter the scene. This, for instance, was the criticism voiced by the GEW’s branch in Lower Saxony.<sup>66</sup> Nor are trade unionists impressed by this re-orientation towards output.

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School inspections and comparative studies “necessarily place schools in competition with each other”, the Lower Saxon GEW warned.<sup>67</sup> The school’s local environment is not taken into account. Testing and evaluation alone, say the critics, will not in itself improve quality.<sup>68</sup>

Back to the “SeniorExperts” in NRW. Prompted by the CDU-led Ministry of Schools, they published a study in April 2009.<sup>69</sup> This included suggestions from 13 men – no woman – for all the things they felt needed to change in the self-governed schools. They bemoaned the “obstacle to innovation which is *Beamtenrecht* (state service employment rules)” and recommended “target-assisted management”. They suggested “customer orientation as a competition factor” and offered tips on “acquiring third-party funding”. These former managers of banks and industry do admit: “We SeniorExperts don’t know much about teaching”.<sup>70</sup> But “quite a lot about staff management, motivation and framework conditions”. The study was partly funded by the Mercator-Stiftung and the Stiftung Westfalen.

## **4.2. Product placement and corporate marketing in schools**

### **“Win at handicrafts with Mr Pritt” – How Henkel advertised in schools**

Another trend is that marketing strategists in many companies are targeting schools. It’s all about product placement. A case in point is the municipal Marienschule in Recklinghausen. “Prittelin is Mr Pritt’s girlfriend”, eleven-year-old Zulfia explains. “And Mr Pritt is giving her a bunch of flowers.”<sup>71</sup> Mr Pritt, who is the advertising mascot for the eponymous glue stick, features in every one of the pictures that Zulfia and her fellow pupils have painted. These colourful works were created at the all-day Marienschule in the course of an afternoon’s handicrafts activities. The primary school then submitted the pictures to the

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“Pritt Handicrafts Competition 2008” organised by the Düsseldorf-based firm Henkel, which manufactures the adhesive stick. Schools and nurseries around the country are eligible to take part. The winner gets €1,000.

The explanatory leaflet about the handicrafts competition is unambiguous: “Including Mr Pritt” was one of the “evaluation criteria”.<sup>72</sup> The head of the Marienschule did not see this as a problem. “We didn’t really think of it as advertising for Henkel,” the 49-year-old objects. The federal association of consumer watchdogs (VZBV, Verbraucherzentrale-Bundesverband) in Berlin, on the other hand, responded quickly. In November 2008 it called on Henkel to make a statement that it would desist from such activities in future.<sup>73</sup> The VZBV branded them a “violation of good practice”, exposing pupils and parents to “unacceptable influence”. Henkel refused to sign the statement. But at the same time the company, which won the 2008 German PR Award for its successful marketing techniques<sup>74</sup>, promised to mend its ways. Future handicrafts competitions, says Henkel, will not insist on Mr Pritt’s participation.

***“Welcome to school advertising. There is hardly a better place for targeting young people in such concentrated fashion.”***

(spread blue educationmarketing GmbH, Bottrop)<sup>75</sup>

Schools offer direct access to 13 million girls and boys around the country. Marketing experts estimate that 6- to 19-year-olds spend €20 billion each year.<sup>76</sup> And they influence how their families spend many more billions.

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**“Handelsblatt macht Schule”: pro-business teaching aids**

Sometimes, companies and pro-business associations also try to place their views and political objectives in the classroom. One example: the scheme known as “*Handelsblatt* macht Schule”<sup>77</sup>, organised by Handelsblatt GmbH in Düsseldorf, which publishes Germany’s leading business daily. This scheme is supported by the Deutsche Telekom Stiftung, computer manufacturer Hewlett-Packard, Microsoft and the consultancy firm Ernst & Young. Its “project partners” include the Federal Association of Private Schools in Germany, the Boston Consulting initiative business(at)school and the pro-business Institut der deutschen Wirtschaft in Cologne.<sup>78</sup>

The scheme has been running since 2003. It is supposedly designed to help make “business studies lively and practical”. For this purpose the good people of *Handelsblatt* provide “topical teaching aids” – “free of charge and easily accessible”.<sup>79</sup> The materials cover topics such as the economic system, globalisation, structural change and innovation. These are controversial issues. So do these “topical teaching aids” always present the different perspectives? Not exactly.

The selection of newspaper articles and source materials often fail to take note of views expressed by trade unions, globalisation critics and other stakeholders. A case in point is the module on “Innovation”. Here “*Handelsblatt* macht Schule” explains, among other things, the controversial new RFID technology.<sup>80</sup> This allows data to be scanned by radio waves. RFID chips can be found, for example, on freight containers in warehouses and on supermarket packaging. The teaching materials point out that “radio chips help with sales”. They say that the Düsseldorf-based retail chain Metro intends to “revolutionise retail” using RFID. However, data protection and consumer rights watchdogs are wary of the radio chips.<sup>81</sup> RFID technology makes it possible to

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monitor people – without them knowing. But students will not find any mention of that in these materials.

In another “teaching unit”, “*Handelsblatt* macht Schule” even launches a direct attack on Ulrich Thöne, General Secretary of the German teachers’ union GEW.<sup>82</sup> Thöne is quoted demanding that Germany increase its education spending to seven per cent of GDP so that it can catch up again internationally. “There are significant doubts about this idea in academic circles,” warns the text. The reader then learns that there is at best a loose correlation between education spending and the quality of the school system. There is no room for the fact that Ulrich Thöne’s argument is backed up by OECD findings.<sup>83</sup>

**“Your company profile will be embedded in the teaching aids.”**

(Advert in ZEIT for “*Handelsblatt* macht Schule”)<sup>84</sup>

An advert in the weekly newspaper *ZEIT* announces what else “*Handelsblatt* macht Schule” has to offer companies.<sup>85</sup> “Become a sponsor”, it suggests, and: “Your logo will be placed on all publications.” The advert goes on to reveal how popular the allegedly neutral information service is with teachers and students: “30,000 pdf downloads every month.” And: “You will reach more than 250,000 students aged between 15 and 20.”

Biased presentation? Commercial advertising? We asked *Handelsblatt* GmbH in Düsseldorf for a statement, naturally to be quoted in this publication. But the newspaper corporation stonewalled. “Thank you very much for your request,” came the response from Verena von Hugo, project head for “*Handelsblatt* macht Schule”.<sup>86</sup> “Following internal consultations I must inform you that we do not wish to contribute to your brochure.”

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### 4.3 Universities

#### **US education group Laureate enters the scene**

Bill Clinton was here. As was Lech Walesa, the former Polish President. And Kofi Annan, former United Nations Secretary General. There is never a shortage of high-profile figures when the private Business and Information Technology School (BiTS) in Iserlohn holds its annual “Campus Symposium”. This year its theme is “Green Business”.<sup>87</sup> Speakers from politics and industry ponder the question of how economics and ecology can be reconciled. This year’s star guest: Tony Blair, former British Prime Minister. The entrance fee for two days: €1,250. Plus 19% VAT.<sup>88</sup>

The BiTS in Iserlohn is a private university, training mostly for managerial professions.<sup>89</sup> Anyone opting for Business and Management Studies there today would pay about € 4,200 per semester.<sup>90</sup> That is another € 600 on top of last year’s fees.<sup>91</sup> In the autumn of 2009, 860 young men and women are studying here. Last year there were 700.

Since 2008 the self-proclaimed “Entrepreneurs’ University” has been a part of the Baltimore-based group Laureate Education.<sup>92</sup> The group evolved out of the American company Sylvan Learning Systems, but these days it operates over 45 universities and distance universities across the world.<sup>93</sup> These are mainly located in Latin America, but also Spain, France, China and Malaysia. 500,000 people are studying at Laureate institutions. Its business outlook is excellent, the group believes.

Elsewhere in Germany, private universities have had their ups and downs. “Uni Bruchsal to close” was the headline in *Financial Times Deutschland*<sup>95</sup> as the operators of the private Hanseatic university threw in the towel.<sup>96</sup> Private university Witten-Herdecke narrowly escaped

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the abyss.<sup>97</sup> Nevertheless, the number of private universities and technical colleges throughout the country is on the rise. While in 1995 there were just 24, by 2007 this figure had increased to 86 private establishments of higher education (not including the faith-based ones).<sup>98</sup>

***“In many countries worldwide, public universities are under-funded by national and local governments, and are unable to meet growing demand. This, in turn, offers opportunities for private institutions to build capacity.”***

(Laureate Education website)<sup>94</sup>

### **“University enterprise”**

However, the privatisation lobby is not placing its bets on private education providers alone. It has succeeded in re-structuring the system of state universities.<sup>99</sup> Their guiding model is the “unfettered”, “deregulated” or “entrepreneurial” university.<sup>100</sup> For instance:<sup>101</sup>

- **Autonomy**

State universities have been left to stand on their own two feet in order, so they can respond flexibly to competition, untrammelled by academic red tape. Many universities and technical colleges now administer their own finances and staffing.

- **Management**

New management structures are designed to run the “university business”. First and foremost: the University Council, a new body with far-reaching powers. In the state of North Rhine-Westphalia, for example, this council elects the head of the university. Private companies have a lot of clout here: around a third of the council’s external membership is drawn from the business sector, according to a study conducted by the Ruhr University in Bochum.

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But companies are also exerting a growing influence on what happens inside universities as cooperation partners, sponsors and donors. There are already 660 endowed chairs in German universities.<sup>102</sup> Around two-thirds of these are funded by businesses or their trust foundations. The Ruhr University in Bochum, for instance, has an endowed chair for internal medicine, funded – inter alia – by Novartis Pharma GmbH.<sup>103</sup> The University of Applied Science in Reutlingen has an “Endowed Chair in International Trade and E-Commerce” thanks to the Dieter-Schwarz-Stiftung (Lidl, Kaufland). Power supplier Vattenfall Europe AG and the pro-business Stifterverband für die Deutsche Wissenschaft jointly fund an “Endowed Professorship in Energy Management and Sustainability” at the University of Leipzig.

#### **4.4 Nurseries**

##### ***The strike***

According to the GEW, it was “the biggest strike there has ever been in Germany’s social and youth sector”.<sup>104</sup> Nearly 150,000 public employees, mainly nursery teachers and youth social workers, took part in an industrial dispute from May 2009. All over the country, many nurseries closed their doors. It was not until 27 July that a breakthrough was achieved, when public employers and trade unions struck a collective bargaining agreement. For the first time, nursery workers are now also covered by occupational health provision. Furthermore, employees at local authority nurseries, who used to earn no more than €2,000 gross per month, will be paid more.<sup>105</sup>

However, in the state of Mecklenburg-Western Pomerania most nursery employees get nothing. And why is that? Because here in the north-east of Germany only 20 per cent of child-care institutions remain under local authority control.<sup>106</sup> An unparalleled wave of privatisation has swept across the state since the 1990s. Wages dropped

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dramatically: gross hourly wages of €8 are widespread. The union is now hoping that the success of the strike in local authority nurseries will affect the private ones in the medium term. Daniel Taprogge, a collective bargaining expert with the GEW's regional branch in Mecklenburg-Western Pomerania, has announced his intention of talking to the independent providers.<sup>107</sup> A quick glance towards Münster shows that the figures can be made to work. Caritas is now calling for nurses' pay in private nurseries to be raised.<sup>108</sup> "Otherwise our staff will leave", predicts a worried spokesman for the Catholic charity. Caritas represents 760 Catholic nurseries in the Münster area.

### ***Private operators run company nurseries***

"Down by the station, early in the morning..." Nurse Susanne sings the first line, and the children gingerly join in. At Kinderhaus Hella, a child-care facility in Lippstadt/Westphalia, English is part of the curriculum. As is "age-relevant computer use", as Kinderhaus officials put it.<sup>109</sup> Up to 75 girls and boys aged between six months and twelve years are looked after here. The opening times are a dream come true for hard-pressed working parents: from seven in the morning till six in the evening, even during the school holidays. And if a parent has to work a late shift, it is no problem to drop their offspring off as late as two in the afternoon.

Kinderhaus Hella is neither a municipal nor a church-run institution. It is an all-day company nursery belonging to the Lippstadt-based car component manufacturer Hella, which employs 24,000 people worldwide.<sup>110</sup> Company nursery means: children can only get a place if at least one parent works for Hella. The nursery is run by the Gesellschaft zur Förderung von Kinderbetreuung (GFK), a not-for-profit association promoting child-care<sup>111</sup> based in Kassel. The GFK Group is just one of several corporate structures, such as pme Familienservice GmbH, Kinderzentren Kunterbunt and Giant Leap, who are making a profit from independent nurseries.

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### ***Successful fightback against the Federal Family Minister's privatisation plans***

In the autumn of 2007, Federal Family Minister Ursula von der Leyen (CDU) made a decision: To throw the gates wide open for private nursery providers like GfK.<sup>112</sup> The Minister wanted to compel states by law to fund nurseries run for profit just like the others. The minister felt this would improve provision and give parents more choice. Nurseries would be exposed to the pressures of competition, which in turn would lead to broader services and higher quality. At least, that was Mrs von der Leyen's idea.

But the GEW, some sections of the Social Democratic Party, the Left Party, churches and charities protested. "Hitherto it has been a consensus that education, nurseries and child-care should be kept out of reach of commercial enterprises," said GEW youth support expert Norbert Hocke. The critics pointed to negative examples in the UK and Australia. They told the story of ABC Learning, a listed nursery corporation based in Australia. For a while ABC Learning made its shareholders very happy. But in 2008 the nursery giant got into financial trouble. Thousands of parents did not know whether they would be able to take their offspring to ABC Learning the next day or not. Today ABC Learning is bankrupt. The resistance put up by the GEW and others won the day: the CDU Minister dropped her plan in September 2008.<sup>113</sup>

### ***4.5 Professional development***

Ilse Kowatschewitsch is furious. She is a trained professional, teaching German as a foreign language in state-funded integration courses – but she feels like a pauper.<sup>114</sup> The Munich-based teacher sums it up as follows: despite working a 42-hour week, her net average earnings are a mere €1,436 a month. If she was on Hartz IV benefits as a single

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mother with one son, and including any housing benefit, she would be getting € 1,472. And that's not all. The 43-year-old still has to pay her health and care insurance contributions in full. "Politicians keep saying how important my work is," she says, "but I wonder why it's worth so very little to them."

**"German teachers for immigrants often earn less than Hartz IV"**

(Headline in the daily paper tz on 23/6/09)<sup>115</sup>

The budget for language courses offered to immigrants is set by the *Bundesamt für Migration und Flüchtlinge* (BAMF – Federal Office for Migration and Refugees). BAMF pays only € 2.35 per student per lesson; the number of participants is limited to 20.<sup>116</sup> BAMF in turn is funded by Federal Interior Minister Wolfgang Schäuble (CDU). The pressure group "Aktion Butterbrot", which works with the GEW, wrote to the Interior Minister about this in April 2009.<sup>117</sup> They called for teachers to be paid a minimum fee of € 30 an hour, with federal funding to pay half their social insurance contributions, paid holidays, sick pay and help with professional development.

Stephanie Odenwald, further education expert for the GEW, complains of "underfunding" in the sector and a "lack of state responsibility".<sup>118</sup> Odenwald: "Professional development has come under the rule of the market." There has been a collective bargaining agreement stipulating a minimum wage since February 2008. But it will not benefit anyone until it is universally applied. This was rejected by employers in negotiation on 31 August 2009.<sup>119</sup> The ball is now in the government's court. It could overrule the employers' intransigence and make the agreement universal by decree.

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### ***Ernst Klett AG founds a private university for professional development***

Meanwhile, private education corporations have spotted the business potential in professional development for people who already have a university degree. The Stuttgart-based Ernst Klett AG, for instance, has now founded its Deutsche Universität für Weiterbildung (DUW – German University of Further Education) in Berlin-Dahlem.<sup>120</sup> The Klett Group announcement proclaims this “joint venture with the Free University of Berlin as a Public Private Partnership”. DUW launched in autumn 2009. Its target audience are working graduates. The private university’s business model is to offer them “further training through distance MAs”. Its key subjects include management, communication, education and health.<sup>121</sup>

The cost? If you choose the MA course “Education and Skills Management”, you will pay €625 a month.<sup>122</sup> The standard duration is 24 months, which makes €15,000. That is a lot of money. DUW officials recommend “paying for your studies through education funds” and refer students to the “banks’ education loans”.

To ensure your career boost pays off, this private university promises access to “valuable networks”.<sup>123</sup> Apart from the lecturers, this includes “partners in industry, research, the arts, politics and administration”. Contacts are forged in “joint projects and seminars”, DUW tells us. There is also a “shadowing programme”.<sup>124</sup> “Two participants can spend a day witnessing top leaders in action”, explains Professor Ada Pellert, who also presides over DUW. The first two top managers to be shadowed have already confirmed: Klaus Moosmayer of Siemens AG and Jörg Dräger from the Board of the Bertelsmann-Stiftung.

Thanks to DUW, Ernst Klett “has strengthened and developed its position in adult and further education”, as a company press release puts

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it.<sup>125</sup> “Klett has been highly successful in this growing market for ten years running.” The distance learning centres used by the Stuttgart-based group include the Apollon University for Health in Bremen, Wilhelm Büchner University in Darmstadt and the European Distance Learning University in Hamburg.<sup>126</sup>

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- 121 <http://www.duw-berlin.de/>, 26/8/2009
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## 5. The GEW's campaign demands

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- Education is not a commodity. There must be no more privatisation.
- Education must be free of charge and funded from the public purse. Education must be managed and evaluated in accordance with the aims and principles formulated democratically by public institutions.
- Education must remain a system to which everyone has access, without discrimination on grounds of sex, religion or political views, cultural or social origins.<sup>127</sup>
- The underfunding of education must stop. This means changing the policy of cutting taxes. The GEW calls for a clear increase in the top rate of taxation, a reintroduction of property tax and higher inheritance tax. Trade tax needs to be redesigned as a local business tax. The cut in the rate of corporation tax should be repealed and a tax levied on financial transactions.
- The GEW calls for the recruitment of more teachers in all fields of education and child care, combined with a substantial reduction in working hours to combat unemployment. A minimum wage should be introduced, making it unnecessary to top up income by social transfers (supplementary benefits).
- To tackle the huge construction backlog, a stimulus package should be adopted dedicated to preserving and improving the education infrastructure.

### Source

127 Cf. Porto Alegre Declaration from the World Congress of Education International in 2004



## 6. Glossary

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**Bertelsmann-Stiftung, Gütersloh:** Founded by Reinhard Mohn, the owner of Bertelsmann AG. Germany's most influential trust foundation. Holds 76.9 per cent of Bertelsmann shares. The reforms it initiated aim to privatise commercially viable components of the public services. It is a driving force behind the neo-liberal restructuring of the education and higher education sectors.

**Budget responsibility (for “independent” schools):** These schools are granted the right to manage some of their funds themselves.

**Bundesagentur für Arbeit, Nuremberg:** The Federal Employment Agency, whose tasks include paying out “ALG I” (the benefit paid during short-term unemployment, cf. “Hartz IV”) and placing job-seekers in recorded vacancies.

**Charities:** German Red Cross, Caritas, Arbeiterwohlfahrt, Volkssolidarität and other similar institutions dedicated to the welfare of specific groups in society.

**Deutsche Telekom-Stiftung, Bonn:** A trust set up by Deutsche Telekom AG.

**Dieter-Schwarz-Stiftung, Neckarsulm:** A trust founded by Dieter Schwarz, who owns the retail chains Lidl and Kaufland.

**District authority:** Administrative tier between federal state and local council responsible for a number of things including inspecting schools.

**Education funds:** Private investment funds which also grant loans to students.

**Education voucher:** A voucher funded by the state entitling the holder to attend an education establishment without charge. Designed to strengthen the “demand” side (e.g. people seeking further training, parents with pre-school children) and to stimulate competition on the “supply” side.

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**Full conference (in schools):** A consultative committee consisting of the school management and representatives of the teachers, pupils and parents.

**Hartz IV:** Taken from the name of the man behind reforms to unemployment laws, this term is used as shorthand for the benefit disbursed after the first year of unemployment (older workers: after up to two years); for a single person currently €359/month plus rent rebate and any supplements (heating, electricity).

**Institut der deutschen Wirtschaft, Cologne:** A business research institute funded by industrial and employers' associations.

**Mercator-Stiftung, Duisburg:** A trust set up by the Karl Schmidt trading family, one of the founders of the Metro chain.

**Output-oriented:** The school's "output" is measured in terms of the marks it has given, the number of school-leavers per year, pupil satisfaction, etc. This is intended to help parents and education authorities compare schools.

**Staatskanzlei:** Each federal state (Land) in Germany has a Staatskanzlei. This is an administrative department similar to a ministry but attached to the office of the state's prime minister.

**Stifterverband für die Deutsche Wissenschaft, Berlin:** An association with links to the employer community which engages in advocacy for market-based reforms in higher education.

**Stiftung Westfalen, Essen:** Created from the estate of Heinz Nixdorf, who established an IT company in Paderborn.

## 7. Statistics

### **Dramatic rise in private education providers**

**Date: 11/9/2009**

	<b>1995</b>	<b>2002</b>	<b>2007</b>	<b>Increase from 1995 to 2007</b>
<b>Number of private schools providing general education<sup>1</sup></b>	2,116	2,522	3,020	+ 43 percent
<b>Number of private schools providing vocational training<sup>2</sup></b>	1,483	1,822	1,926	+ 30 percent
<b>Number of pupils in private general education<sup>3</sup></b>	486,750	590,397	674,892	+ 33 percent
<b>Number of pupils in private vocational training<sup>4</sup></b>	142,746	197,831	237,408	+ 66 percent
<b>Grants to private schools from state governments<sup>4</sup></b>	€ 2.4 billion		€ 3.8 billion (2005)	+ 50 percent
<b>Number of (non-faith) private universities<sup>5</sup></b>	24	51	86	+ 300 percent
<b>Number of students at (non-faith) private universities<sup>6</sup></b>	15,948	33,287	71,130	+ 346 percent
<b>Grants of public money to non-state child care facilities (incl. council day nurseries spun off into owner-operated companies<sup>7</sup></b>	€ 3.15 billion	€ 4.36 billion (2000)	€ 5.7 billion	+ 81 percent

1 Statistisches Bundesamt, Bildung und Kultur: Private Schulen, Schuljahr 2007/2008, 8/12/2008, page 147

2 Statistisches Bundesamt, Bildung und Kultur: Private Schulen, Schuljahr 2007/2008, 8/12/2008, page 147

3 Statistisches Bundesamt, Bildung und Kultur: Private Schulen, Schuljahr 2007/2008, 8/12/2008, page 153

4 Statistisches Bundesamt, Bildung und Kultur: Private Schulen, Schuljahr 2007/2008, 8/12/2008, page 153

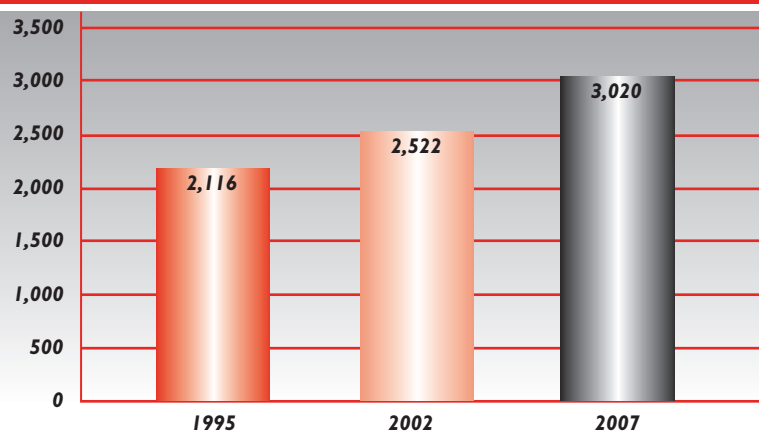
5 Statistisches Bundesamt, Bildungsfinanzbericht 2008, page 89

6 Statistisches Bundesamt, e-mail to the author of 30/6/2009

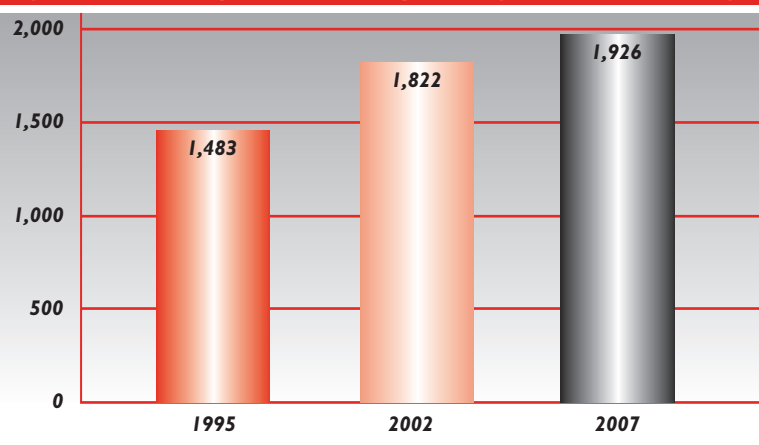
7 Statistisches Bundesamt, e-mail to the author of 30/6/2009

8 Statistisches Bundesamt, Bildungsfinanzbericht 2008, pages 34 and 85; further details provided over the telephone by Harald Eichstädt, lead researcher at the Education & Arts Financing Unit, Statistisches Bundesamt (Federal Statistical Office), on 28/8/2009

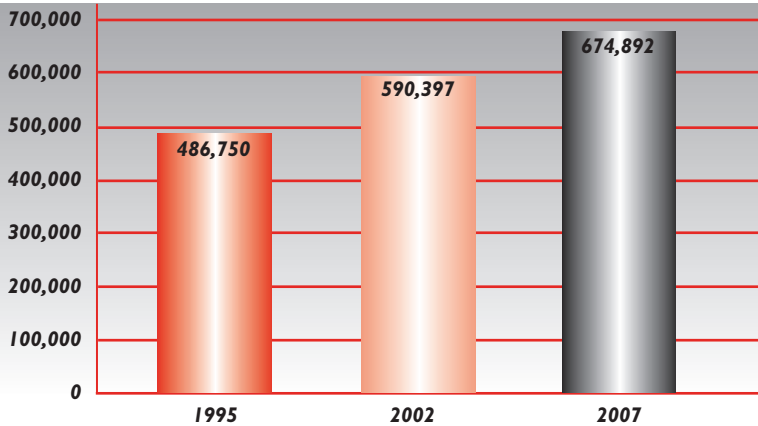
**Fig. 1: Number of private schools providing general education**



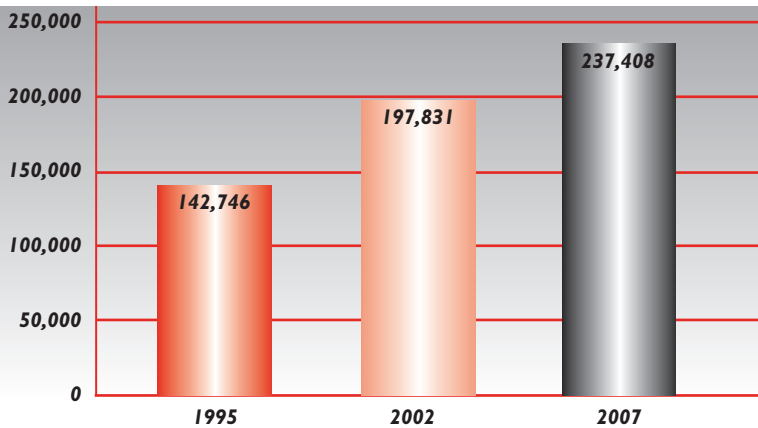
**Fig. 2: Number of private schools providing vocational training**



**Fig. 3: Number of pupils in private general education**

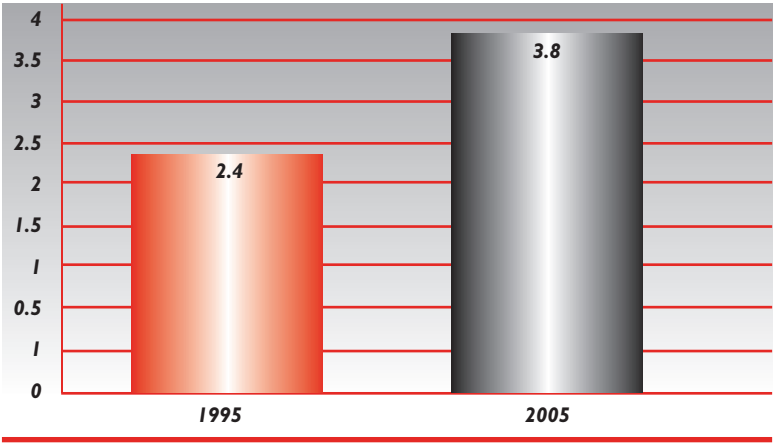


**Fig. 4: Number of pupils in private vocational training**

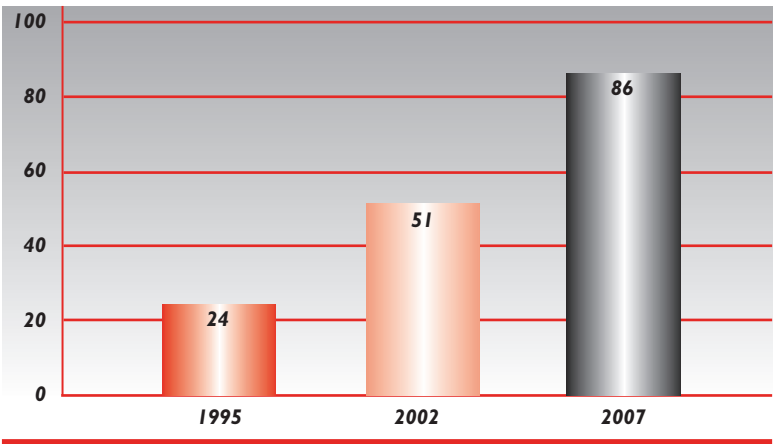


Source for all figures: Statistisches Bundesamt (Federal Statistical Office/Destatis)

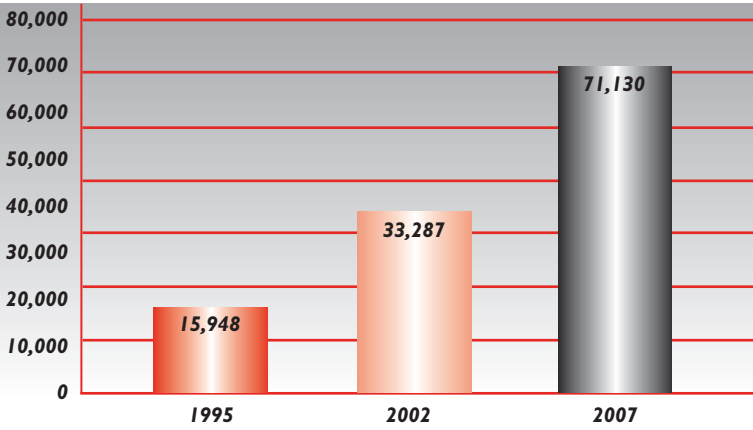
**Fig. 5: Grants to private schools from state governments (in €billion)**



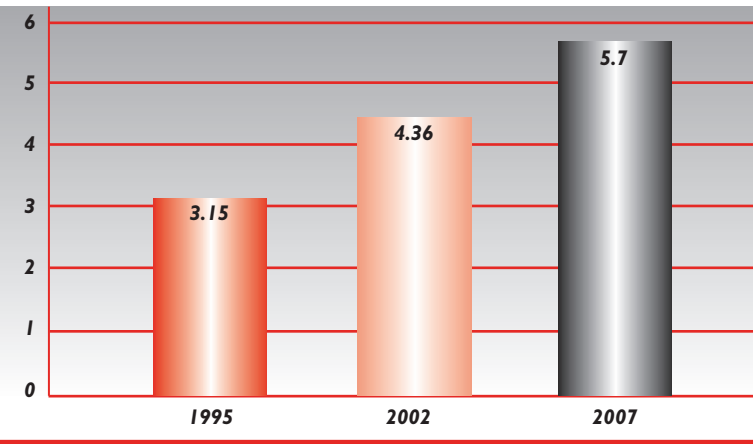
**Fig. 6: Number of (non-faith) private universities**



**Fig. 7: Number of students at (non-faith) private universities**



**Fig.8: Grants of public money to non-state child care facilities, incl. council day nurseries spun off into owner-operated companies (in €billion)**



Source for all figures: Statistisches Bundesamt (Federal Statistical Office/Destatis)

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**English version**  
**German version**