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**MARKETISATION, COMMODIFICATION
AND FINANCIALISATION IN HIGHER
EDUCATION: THE CASE OF BRAZIL**

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Paper Structure

Meanings in higher education:

- Marketisation
- Commodification
- Financialisation

Source: Literature review

Discuss their manifestation in the Brazilian context

Sources and Data:

- ✓ BM&F BOVESPA site
- ✓ Mergers and Acquisitions Reports (KPMG Corporate Finance)
- ✓ Census of Higher Education (INEP/MEC)

Privatisation v Marketisation

➤ *Privatisation*

- Growth and size of the private sector in some countries - US, Australia, Japan, Chile - (Hunt, Callender, Parry, 2016) and Brazil (McCowan, 2004 and Carvalho, 2015)
- Faster growth of for-profit firms - US (Morey 2001) and Brazil (Carvalho 2013)

➤ *Marketisation* ➔ Key indicators (Brown, 2011):

- Institutional autonomy
- Institutional competition (students, revenue and status)
- Price (tuition fees)
- Information

Commodification

- Naidoo and Jamieson (2005), Commodification in higher education → transforming of educational processes into a form that has an 'exchange' value, rather than an intrinsic 'use' value
- Lecturer → commodity 'producer' and student → commodity 'consumer'
- Trends → gradual commodification of higher education
 - Higher education as a public good is under attack
 - Twin influences of the GATT → education can be traded globally, and global corporations which are turning these claims into a reality
 - Development of eLearning technologies → using the internet is greatly assisting this process

Financialisation

- At the most basic level, financialisation is the increasing use of financial transactions to allocate capital
- Emergence of shareholder value → maximize dividends and keep stock prices high
- Business practices → financial performance measures
 - Return on equity, the adoption of international accounting standards, mergers and acquisitions
- Corporate restructuring activities → job loss and other cutbacks (Lazonick and O'Sullivan, 2000)
- In higher education → for-profit owned by publicly traded companies and private equity firms (Eaton et al 2016)

Brazilian Landscape

□ Political organization

- ✓ Federation and Republic

□ Demography and economy

- ✓ The largest country in South America and Latin America
- ✓ 7th largest GDP (PPP) → \$3,208 trillion
- ✓ 77th per capita \$ 15,680

□ Brazil's income inequality

- ✓ Regressive public transfers;
- ✓ Inequitable distribution of education;
- ✓ High wage differentials

□ Higher education system

- ✓ Public and private universities, university centers and faculties
- ✓ *Public sector* is free and comprised of federal, state and municipality institutions
- ✓ *Private institutions* → non-profit and for-profit
- ✓ Rapid expansion of private sector from 1990s
- ✓ More than 75% of enrolments and 87% of institutions in private institutions
- ✓ 18% of young people aged 18 to 24 were enrolled in higher education
- ✓ 13% of people above 25 graduated from higher education institutions

Brazilian For-profit Management Strategies

- ✓ **Sales of companies** (in whole or in part):
 - ✓ For foreign private capital
 - ✓ *Private Equity Funds* → investment funds of speculators or risk investors in closed groups (domestic and international)
- ✓ **Cost Reduction:**
 - ✓ Cutting administrative costs: staff, wages and the number of qualified lecturers (doctoral degree)
 - ✓ Learning in a classroom environment (face to face) replaced by distance learning
- ✓ 2007 – 2015 → Mergers and acquisitions in education → prominent position among the Brazilian economic sectors

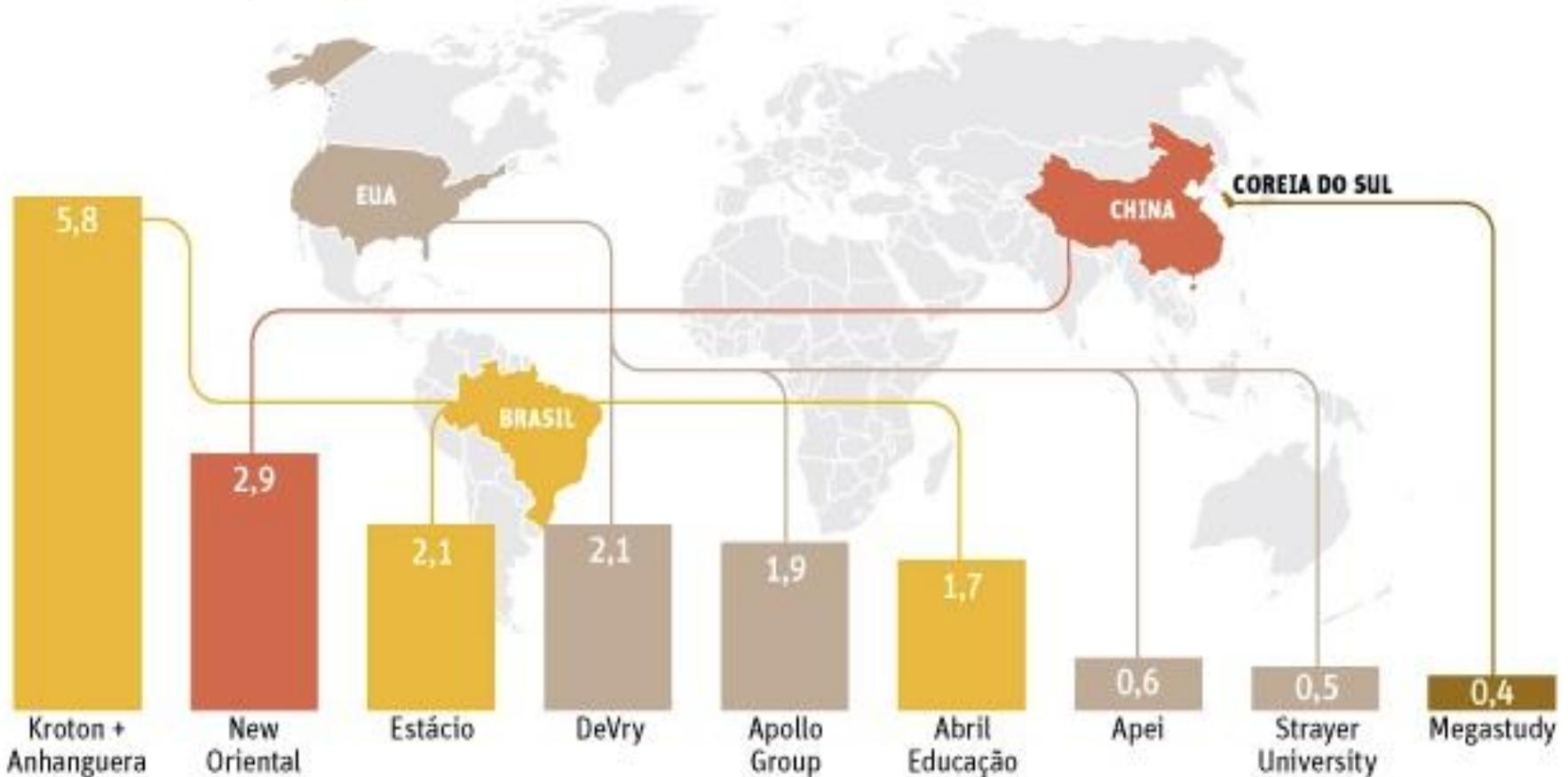
Brazilian For-profit Management Strategies

- ✓ Since 2007, a number of educational companies have been listed on the Brazilian stock exchange (BM&F BOVESPA)
- ✓ Since 2013, Anhanguera, Kroton and Estácio groups have become part of the Ibovespa index (equivalent of FTSE)
- ✓ Kroton group has traded American Depositary Receipts (ADRs) on the New York stock market → access to foreign investors
- ✓ Brazil is now credited with the largest higher education company in the world (Kroton-Anhanguera): more than 1 million students. It holds 45% of all for distance learning enrolments
- ✓ Of more than 2,000 institutions, the 7 largest have about 30% of the Brazilian private education market share

The biggest education groups in the world by market value

OS MAIORES GRUPOS DE EDUCAÇÃO DO MUNDO

Em valor de mercado, em US\$ bilhões***



*Lucro descontados juros, impostos, depreciação e amortização

**Em 2012

***Considerando as companhias de capital aberto, em 19.abr.2013

Fontes: empresas e Bloomberg

Final Remarks

- ✓ Raising funds through capital markets → capitalization concentrated in time → large scale growth
- ✓ Publicly Traded Education Companies: prioritise shareholders' interests (value of shares) and distance learning courses
- ✓ There is no control over the source of capital funds → ownership is spread further and allows corporate concentration
- ✓ Concentration of capital and property has been favoured by Government funding:
 - ✓ Treasure bonds provided by FIES (student loans program);
 - ✓ Tax exemptions come from Prouni (grants program)

Final Remarks

- ✓ Financial logic of the market and organizational strategies → negative implications on the educational process and teaching conditions
- ✓ Ministry of Education doesn't regulate the capital concentration in education
- ✓ Despite the economic and political crisis in Brazil, there is space for private interests due to a small number of young people aged 18 to 24 were enrolled in higher education
- ✓ The three trends (marketization, commodification and financialisation) has occurred in for-profit Brazilian higher education