

## **Invisible and Visible Hands in Uganda's Secondary Education Market**

Badru Musisi

Makerere University

Lecturer, School of Education, College of Education & External Studies

Email: bmusisi@cees.mak.ac.ug / b1musisi@gmail.com

Genza G. Musoke

Makerere University

Lecturer, School of Education, College of Education & External Studies

Email: musoke@cees.mak.ac.ug / musokegenza@gmail.com

Joyce B. Sessanga

Nkumba University

Dean and Lecturer, School of Education, Humanities and Sciences

Email: jbukirwa12@gmail.com

### **Abstract**

*In this article we analysed market and government mechanisms in Uganda's Secondary Education Market (USEM) using Adam Smith's invisible hand of economic rationality proposition. We highlighted: the rationale for USEM and the distinction between education industry and market, the market concept in relation to USEM, relationship between visible and invisible hands in USEM, accountability measure in USEM, and examples of market and government failure. We concluded that since all successful markets are subject to effective regulation, the visible hand must superintend its invisible counterpart more effectively. Finally, we recommend the need for the visible hand to strengthen its oversight role, mobilize more resources and improve accountability measures; otherwise, expansion of secondary education will be a misspent investment if the invisible and visible hands are left to fail.*

*Keywords:* invisible hand, visible hand, secondary education market, education industry, market, government failure

One of the most outstanding phenomena in the recent evolution of education in Uganda is the proliferation of schools founded by entrepreneurs, faith-based organizations and communities. This phenomenon followed in the wake of market liberalism; a political agenda that espouses free markets, private entrepreneurship, individual choice and limited state regulation in the provision of social services (Musisi, 2013 citing Stewart, 2005; Neville, 1998). Even education systems, whose mandate is to preserve and transmit the nations' unique cultures were not spared (World Bank, 2002). Thus, whereas it may take different forms in different parts of the world, market liberalism is premised on the same economic rationale of efficiency, choice and competition and is justified by scarcity of educational resources and failure of public education systems (New Internationalist, 2017).

Under the influence of market liberalism therefore, education policy reformers envisaged that individual choice in competitive education markets would render schools more effective in educating the young. In 1993 therefore, Government of Uganda (GoU) relaxed control and restraints formerly exerted on private education institutions, thereby reconfiguring its education strategy in light of the hitherto contrasting paradigm of public and private provision (Musisi, 2013). Currently, Uganda's Education Act of 2008 categorizes education institutions as government, government-aided and private (The Education Act, 2008). In this article, government and government-aided schools are referred to as government schools while all non-government schools are categorised as private.

The impetus to stimulate the private education sector was the belief that tuition-fee dependent schools would have a higher incentive to offer quality education in order to stay in business. Households seeking to maximize their children's human capital investment would choose schools that offer high quality education. Competition would then increase the likelihood that schools do their best to educate the young (Coulson, 2004; Hoxby, 2003). The market mechanism hereafter referred to as the *invisible hand* would then signal households and schools to produce educational outcomes society benefits from. Consequently, the Secondary Education Department (SED) of the Ministry of Education & Sports (MOES) stimulated private sector investment in education (Bennell, 2000), which resulted into a torrent of schools and a highly competitive education market. Currently, Uganda's education system is typified by private education institutions that are officially run as government regulated institutions but, which operate as semi-independent hybrids subject to a lax regulatory regime. They can set their fees, salaries and admission policies while adopting private-sector managerial practices (New Internationalist, 2017).

Accurate data on the private school sector in Africa are difficult to come by and official statistics are unreliable due to the size and complexity of the sector and its rapid statistical variations over time (Brey, 1996 in Musisi, 2013). However, MOES statistics show that since 1993, thousands of schools and institutions have been set up by private investors. The number of private secondary schools by 2010 was over 4000, which more than doubles government schools (MOES, 2013). Out of about 4666 secondary schools that were in the data base by 2015, government, private entities and communities owned 949, 3335 and 382 schools respectively. The 2012 – 2015 Education Abstracts show that over 60% of the secondary schools in the country were owned by private entities compared to 38.9% owned by government. Entrepreneurs, faith-based organizations and communities combined owned 82% of all secondary schools. The National School Census conducted in 2003, 2005, 2007, 2008, 2009 and 2013 indicated that 29.10%, 27.74%, 28.39%, 31.05%, 32.2% and 35.6% of the secondary schools respectively were founded by entrepreneurs (MOES, 2015). Entrepreneurs are private individual businessmen/women who venture into the education motivated by profit (Genza

& Musisi, 2018). Thus, once considered outside the education mainstream, the profit motive has come to the fore in USEM. If one goes beyond legal designations to focus on actual provision, for-profit reality is pervasive. In a number of ways, many schools pursue profits much as some tend to conceal their true intent (Levy, 2003).

This paper thus, analyses the role of the market mechanism (*invisible hand*) and government mechanism (*visible hand*) in USEM and highlights cases of market and government failure. The analysis is significant because education markets are such a complex phenomenon, whose configuration, conduct and outcomes must not be taken for granted. It is thus necessary to illuminate the structure and behaviour response of the key players and the likely education outcomes of USEM to give policy makers a glimpse the USEM dynamics. This can prompt policy makers to assess the equity and efficiency implications of the market and then design appropriate regulations, incentives and disincentives to elicit desirable educational outcomes from society's scarce educational resources.

### **Background**

The last quarter of the 20<sup>th</sup> Century witnessed growing interest in how education institutions are organized, how they relate with each other and the education outcomes thereof (Dill, 1997; Marginson, 2004). This interest was inspired by the realization that nations were committing substantial resources to education. Developing countries in particular saw education as the freeway to economic prosperity. Given the central role of the market in economic discourse, political economists advocated for application of market principles in education. The incessant advocacy nudged policy reformers into considering the market logic and principles in the provision of education. Consequently, researchers in the Global North started to examine education markets, focussing on deregulation of higher education systems, structure of higher education markets and conduct of higher education institutions (Teixeira, 2006). Research established that market-like devices were playing an increasing role in education with perceptible implications for regulation of higher education systems as well as the governance of education institutions (Teixeira, 2006). In this article we used parallels from such studies to illuminate USEM, in a Global South context, whose dynamics and implications have hardly been examined.

### **Theoretical Underpinning**

We invoked Adam Smith's Invisible Hand (IH) of Economic Rationality Framework or the Market Mechanism as our theoretical benchmark in this paper. The IH connotes a device by which pursuit of self-interest leads to allocation of society's meagre resources in its best interest (McNulty, 1967 in Musisi, 2013). It explains how millions of daily decisions taken by producers and consumers interact to determine what goods and services society produces, how they are produced and for whom they are produced. Adam Smith advocated for minimal state interference that if individuals are left to their own

economic devices, the results would be a harmonious and more equal society of ever-increasing prosperity (Cook, 2002 citing Smith, 1776). In other words, all economic activities occur when consumers and producers seek to maximize their own utility by making their desires known. Consumers express their desires by making purchases which prompt producers to satisfy those desires. Arbitration of desires and resources signals the need to increase production in case of a shortage or act otherwise in case of a surplus. It also signals changes in prices, quality, tastes and preferences. All these functions are accomplished quasi-automatically by the IH (Musisi, 2013 citing: Walberg & Bast, 2001; Stigler, 1957; Knight, 1946; Clark, 1915; Hayek 1948; Littlechild 1986; and Schumpeter, 1978).

Accordingly, among the many possible reasons, GoU endorsed a competitive education market on the premise that households would seek to augment their human capital investment by choosing only those schools that would be able to maximize children's academic achievement. In response, schools whose survival entirely or largely depends on attracting and keeping fee-paying students would seek to maximize their own utility by offering high quality education service (Henry & Gordon, 2003). The risk of losing students would compel schools to ensure that every child succeeds. Since educational outcomes that households seek align with those outcomes that society values and benefits from, the voluntary exchange between households and schools would augment desirable educational outcomes in the most efficient way (Hoxby, 1994, 2003; Walberg & Bast, 2001).

Economists however, concede that markets unfettered by government/public policy or the *Visible Hand* (VH), are untenable. The VH signifies a mechanism in which pursuit of the common good demands that government, through its political mechanisms allocates and/or oversees the allocation of society's meagre resources. It explains how government agencies are required to work with or guide the IH to determine what to produce, how to produce and for whom to produce in society's best interest (Wooldridge, 2012). The VH uses laws and regulations to force economic agents to act against their self-interests (Carroll, 2011). It is commissioned to enforce rules of integrity, transparency and fair dealing in competitive markets. Since routine market conduct is known to produce undesirable outcomes, the VH is designated to mitigate negative externalities by imposing structural and behaviour modification sanctions on markets (Dizikes, 2011). Principally, education embraces certain core values that unimpeded markets may not be inclined to espouse. In this regard, the VH is mandated to formulate and oversee the execution of policies that regulate the market in which parents, students, teachers and schools operate (World Bank, 2002). In this article we partake that if USEM is to augment its intended outcomes, it is critical that the VH superintends its invisible counterpart.

### **Education Industry vs. Education Market**

At this point, it is useful to draw a distinction between Education Industry (EI) and Education Market (EM) to clear the confusion that often leads to the exchangeable use of the two terms in education discourse. According to Leslie and Johnson (1974) in Texiera (2006), the term EM has been loosely used to connote: the number and types of education institutions in a nation, privatization of a nation's education system, increased reliance on competition among education providers and lack of central direction of higher education. On the other hand, economic theory construes EI as a pool of institutions that provide education service using similar inputs, technology and production processes in a nation. Each institution in the EI intends to maximize its own utility subject to constraints. In this paper the Secondary Education Industry (USEI) comprises government and non-government secondary schools both for and not-for-profit.

In the real sense, an EM comprises the EI and households who demand education, while the EI comprises only the supply side. This means that the EM comprises both the supply and demand sides, which means that analysis of EI and EM would not exactly focus on the same elements. Analysis of EI would focus on the education production function, education technology, number of incumbent schools, ease of entry and exit etc. (Texiera, 2006). On the other hand, analysis of EM focuses on the elements of the EI as well as the demand side elements such as economic scarcity, voluntary exchange, a common measure of value, competition between households, competition between schools, freedom of economic action, and schools and households competitive behaviour (Middleton, 2000; Texiera, 2006), among others. This distinction implies that households not schools define the EM. In this article, USEM connotes the totality of all secondary schools and all households who demand secondary education in the country.

Essentially, USEM comprises several sub-markets in which certain schools may or may not be competing directly with one another. Generally, schools in USEM fall in at least three discernible competition sets, depending on the perceived quality of education on offer and on the households that patronize schools in each particular set. The first set comprises the well-endowed and highly reputable schools for the rich, followed by upcoming schools for the middle income group and finally a multitude of poorly endowed schools for the poor (Musisi, 2013). This loose classification is suggestive of Rose's (2002) three-tier pyramid of private schools in Africa typified by few elite schools for the rich occupying the peak, a few intermediate schools for the middle income group occupying the middle and a broad base of budget schools for the poor, as illustrated in Figure 1.

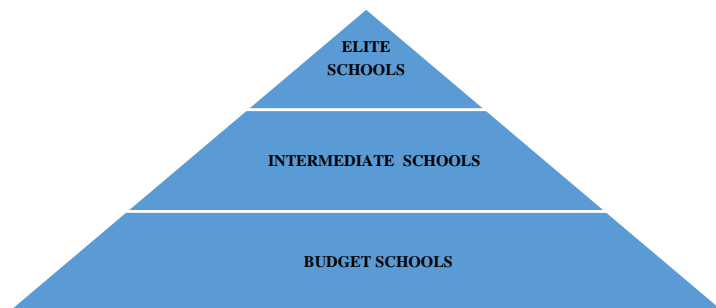


Figure 1. The three-tier pyramid of schools in Uganda's SEM adopted from Musisi (2013) pp. 88

Figure 1 suggests that in USEM, elite schools like Kibuli Secondary School, St. Mary's Kitende, Gayaza High School and Nabisunsa Girls School may not compete directly with intermediate schools like Mbogo College School, Kawanda Secondary School, St. Mark's College Namagoma and Kyaddondo Secondary School. Similarly, budget schools like Kampala High School, Mulago Secondary School, Church of God Secondary School and Makerere Highway Secondary School may not compete directly with their elite and intermediate counterparts. This is so because households differ in their ability to enrol a child in available schools (Lundström & Holm, 2011). Even among budget school patrons, some may prefer tuition-free to tuition-fee schools, while others may opt for the diverse faith-based schools depending on one's religious inclination. Other demand-side determinants may include gender, ethnicity, curricula offered, location etc. This implies that any regulatory framework designed for the USEI may not impact equally on all schools.

### **The Market Concept in Uganda's Secondary Education Context**

The term *market* derives from the Latin root *mercatus*, which means a place where trade occurs. It connotes a place where producers/sellers and consumers/buyers meet to negotiate mutually agreeable prices for goods they wish to exchange. This definition would render the SEM a place where schools and households meet to negotiate mutually agreeable fees for education service the two parties wish to exchange (Walberg & Bast, 2001). Other scholars define market as: a situation in which goods and services are sold to customers for a price paid in money (Fligstein, 1997), the behavioural relationship between producers and consumers (Dill, 1997), and a means of organizing exchange of goods and services based upon price (Magnison, 2004). The three definitions render SEM as; a situation in which education service is sold to households at a fee, a behavioural relationship between schools and households, and a means of organizing exchange of education service based upon school charges.

Whatever definition one may opt for, what is clear is that a free market sets stage for mutually beneficial, voluntary and free exchange of goods and services in which no outside authorities need to fix prices because buyers and sellers engage in exchange voluntarily. The extent and quantity of exchange relations depends on the different needs and wants of consumers (demand) and

the process of action which meets these demands (supply/production). The spontaneous relationship between demand and supply defines the value of exchangeable goods (the price) (Walberg & Bast, 2001). Middleton (2000) considers an ideal competitive market as one typified by economic scarcity, voluntary exchange, a common measure of value, competition between consumers, competition between producers, freedom of economic action and autonomous and self-interested individuals making market-rational choices.

Once consumers and producers meet physically or otherwise, their offers and bids create prices that are made known to all market actors. Prices tell producers what consumers are willing to buy and what producers are willing to sell. Prices transform subjective values into objective information, but only when consumers and producers are free to exercise their right to choose. Prices send signals to sellers and buyers who ensure that resources flow to their most efficient uses. This mechanism constitutes the IH of economic rationality exalted by economists for its ability to quasi-automatically solve intricate problems of what, how, and for whom to produce (Walberg & Bast, 2001). The exchange relationships so described is reminiscent of the schools-households relationship in USEM in the following ways: First, the schools-households relationship incorporates schools as producers and households as consumers of secondary education. Second, the two parties remain in contact concerning the exchange of education service at agreed fees (in tuition-fee schools). Third, the fees households are willing to pay for a child's education signal the quality and quantity of education service households are willing and able to purchase. Fourth, the school fees signify household preferences for elite, intermediate or budget schools.

In addition, Kivisto (2002) highlights three dimensions of education markets that are evocative of USEM. The first dimension is the consumer market, which signifies the demand and supply sides. On the demand side are students, prospective students and parents while on the supply side are the schools. The second dimension is the labour market, whose demand side constitutes employers and agencies seeking future labour in cohorts of secondary school graduates. The third dimension is the institutional market in which a school's status and reputation (elite, intermediate and budget) is the main commodity of exchange. Holtta (1996) in Kivisto (2002) opines that the three dimensions are closely related by way of school status. Perceived as reputable and prestigious institutions, elite schools in USEM are highly sought after relative to the less and least reputable intermediate and budget schools respectively. Even intermediate and budget school managers revere their counterparts in elite schools that they aspire to imitate. Intermediate and budget school patrons choose the less and least reputable schools respectively mainly because that is what they can afford. Otherwise it is likely that these patrons would prefer elite schools (Musisi, 2013). Emphasizing the role of reputation as a commodity of exchange in education markets, Fairweather (2000) in Kivisto (2002) stresses that neither the VH nor the IH, where schools compete for

enrolment, can explain the pattern of enrolment better than a school's reputation.

As a commodity of exchange therefore, a school's reputation is a key performance indicator in USEM's academic space, reflected in the school's inputs and outputs. On the input side: schools compete for financial and non-financial inputs such as fees, donations and other sources of income; quality and/or quantity of entering students; and good teachers to promote and/or sustain their reputation. On the output side: schools compete for the quality of academic and non-academic programs, high stakes examination results and consumption benefits (Rothschild & White, 1995). Accordingly, Margnison (2004) labels education as a positional good, whose quality is determined by the status of the school providing it. Indeed, schools in USEM pay considerable attention to reputation and image management. Schools deploy symbolic and pretentious representations intended to shape households' perception of a school's reputable (Musisi, 2013). The implication of such representations for children's learning outcomes is a matter beyond the bounds of this paper.

### **Argument For and Against the IH in Education Markets**

Some scholars who have ventured into empirical discourse about competitive education markets similar to USEM have expressed disquiet and scepticism about the idea of the rational utility-maximizing behaviour of the education market actors and the education outcomes thereof (Lubienski & Garn, 2010; Musisi, 2013 citing Kates, 2001; and Savoye, 2001). Sceptics submit that education is not precisely compatible to the rules that apply to ordinary commodities sold and bought in ordinary markets. They argue that knowledge cannot be produced in discrete identifiable units, sold, consumed and used up like a loaf of bread. Even when sold, knowledge still remains with its seller or producer i.e. the teacher or the school. Secondly, education is a collective good that by its nature should be available to all. Thus, education poses a big challenge for economic theory to design a socially optimal policy of investment in education and determine how to charge its users (Henig, 1994).

Furthermore, sceptics argue that the school production processes are extremely difficult to perceive by households who are usually detached from a school's pedagogic process. Lubienski and Garn (2010) argue that education markets present a much more complex picture of parental use of information about a child's learning in value-added terms. This suggests that the choices made by parents and even students themselves are not necessarily rational. No amount of experience, assurances, guarantees, promotional activities or even warranties can overcome the problem of information asymmetry that permeates education markets. Education market sceptics therefore take the competitive education market as a poor alternative to improving education service, and as a way to obscure problems associated with education quality (Brandisher, 2002; Shlosser, 2001; Tirole, 1988; Ogilvy, 1985 in Musisi, 2013).

In addition, the sceptics submit that competition is known to tempt education institutions to emphasize rote learning and grade production over



critical thinking and other skills that are more difficult to quantify (Gibbs, 2001). Evidence in other countries shows how schools in competitive markets pursue additional funding and partnerships with industry in the name of competition, which diverts their attention away from traditional academic inquiry (Lundström & Holm, 2011 citing Slaughter & Rhoades, 2009 and Glenna, Lacy, Welsh and Biscotti, 2007). Finally, sceptics blame the IH for giving schools incentive to discriminate against non-lucrative groups of students (Musisi, 2013). The critics therefore, assert that the profit motive has no place dictating who is taught, what they are taught, how they are taught and how schools are organized. They rest their case by castigating competitive education markets as crass, manipulative and unbecoming of education institutions (Brandisher, 2002; Shlosser, 2001; Tirole, 1988; Ptracca & Sorapure, 1998; and Ogilvy, 1985 in Musisi, 2013).

In response to such scathing disapproval, advocates of the IH in education settings concede that indeed education has many unique attributes that separate it from regular goods or services (Magnison, 2004; Walberg & Bast, 2001; Hanson, 1992). Advocates however, maintain that such unique attributes aside, the IH still has a legitimate place in the education enterprise. The fact that schools are institutions permeated with social meaning does not contradict reality that schooling can be bought and sold. Education is a commodity whose supply responds to cost, demand and other market rules. Even government and faith-based schools whose mission is not profits do compete in markets to hire staff, buy instructional materials and for a multitude of other required inputs. While such schools have missions that transcend the market, they are indeed real businesses that produce a real commodity and that do compete for inputs, students and parental support, if only in an attenuated way (Walberg & Bast, 2001).

In addition, most decision-making processes in private schools take place in markets because, unlike their public counterparts, private schools cannot count on a steady flow of tax payers' money and students assigned to schools based on where they live, as the case is in tuition-free public schools in USEM. But even then, public schools need to resolve the same type of business issues faced by ordinary enterprises such as reputation building, resource mobilization, staff employment, program development, client satisfaction and public goodwill (Hanson, 1992). While decisions for public and faith-based schools are made by elected members and the faithful respectively; the same schools would close should they fail to convince their constituents to make contributions or pay sufficient tuition to keep such schools financially solvent. Finally, the advocates rest their case that households that patronize elite, intermediate or budget schools are still consumers, who must take into account the direct and indirect cost of education such as tuition and non-tuition fees, travel time, school reputation and other substance of cost and quality (Walberg & Bast, 2001).

The above arguments and counter arguments show that each side has a compelling case. However, reality remains that USEM is here and here to stay in the imaginable future. So, the concern is not whether or not the IH is acceptable in education; the issue is how to make it work for the common good. Besides, market advocates do not call for complete deregulation of education systems. Even Adam Smith who favoured markets unfettered by the state, acknowledged the legitimate role of the VH in education (Chen, 2018; Teixeira, 2006). So the key issue is how the visible and invisible hands can work together to: make quality education accessible to everyone; give all children a wholesome learning experience to cultivate their human personality; and to ensure that children's educational outcomes are not determined by their wealth or background (The Internationalist, 2017). However, much as the relationship between the two hands is clear, things may not be as straight forward as they may seem to be more so in emerging markets like Uganda's.

### **Relationship Between the IH and the VH in USEM**

The mission of Uganda's MOES is to provide for, support, guide and co-ordinate, regulate and promote quality education and sports to all persons in Uganda for national integration, individual and national development (MOES, 2013). To achieve this mission, the ministry depends on its own departments and the private sector, under the Public Private Partnership arrangement (MOES, 2013). In this arrangement, the responsibilities of the ministry towards public schools include: ensuring that trained teachers are deployed, paying salaries and allowances to teachers, providing educational materials and other capital development inputs, providing national selection and admission guidelines for all pupils or students to be enrolled. In private schools, the MOES ensures that schools conform to the rules and regulations that govern the provision of education services in the country (The Education Act, 2008).

Similarly, Adams and Hill (2002) consider balancing public and private interest in education as the major task of the VH or policy makers. In this arrangement, the IH operates when households choose schools; while the VH operates when citizens support or oppose elected officials according to how well public interest in education is defined and how effectively schools are regulated. The VH ensures that schools operate in safe premises, meet minimum standards, and produce acceptable educational outcomes to support children's future economic and civic endeavours (Adams & Hill, 2002; MOES, 2013). Secondly, the VH determines the quantity of education that reflects public interest and that fits the levels of financial support, regardless of who provides the education service. Thirdly, the VH constrains conditions under which household-school transactions occur. This includes licensing schools to eliminate abysmal providers, and provision of accurate information about school performance to enable households make informed choices. In addition, the VH defines performance objectives and tasks that schools must accomplish (The Education Act, 2008). By defining these objectives in education policy, the VH seeks to protect society's educational interests. The VH is also expected to deal with

other forms of market failure such as the problem of adverse selection and moral hazard, colluding to fix school charges, teaching to the test, and cheating in high stakes examinations (Musisi, 2013). It also ensures that the poor, the girl-child, people in remote rural areas and people with disabilities and HIV/AIDS are not excluded from education. Teixeira, Jongbloed, Dill and Amaral (2005) stress the need to provide equal opportunities to all qualified individuals who wish to participate in education and that it is in the nation's interest that no talents are wasted, and that all people who wish to develop their capabilities are not restricted by any factors other than ability.

Accordingly, the SED of the MOES is mandated to: approve Boards of Governors in all secondary schools; train science and mathematics teachers; draft policy guidelines for licensing and registration of schools; popularize the Education Act (2008); implement the double shift programme; ensure accountability, transparency and efficiency in Universal Secondary Education (USE) placements; direct remittance of USE capitation funds; manage training of head teachers and school governors in centres of excellence; train School Construction Committees; and retool teachers and head teachers in ICT. By 2011, government had built 39 out of the targeted 41 seed schools in the deserving sub-counties. Other efficiency and equity improving programs include: promotion of girl-child friendly school environment to encourage girls complete secondary education; construction of more classroom space in over-enrolled public schools; partnering with private schools to expand USE program; and raising the aspiration levels of citizens who devalue investing in education (MOES, 2013). Such mandate places the VH at the centre stage in USEM, given its key role as provider, supervisor, advisor, regulator, patron and oversight.

Under the oversight of the VH, the IH operates when households' aspirations and resources dictate the choices they make such that enrolling a child in a school becomes a contract between the household and the school. The former maintains control by demanding accountability of results from the latter (Adams & Hill, 2002). Accountability requires expectations that schools would act in ways consistent with households' legitimate demands. This means schools should offer some form of account to households for the schools' performance. Accountability requires that households can exercise sanctions over schools in case the latter fails to meet the former's expectations. Thus, the accountability submitted by schools to households is the basis on which the school's performance is evaluated (Simkins, 2002).

Underpinning the success of USEM is the accuracy of accountability measures, which is critical in household-school exchange relationship and the education outcomes this relationship engenders. The VH ensures that an accurate measure of accountability is in place that details how well students perform and whether schools are able to offer the desired learning experiences and outcomes. Secondly, the VH ensures that the accountability measure is valid, reliable and able to capture the whole story of interest. Thirdly, the VH

ensures that the accountability measures match performance indicators with the intended objectives to provide guidance about how performance might improve and adequate means of judging performance. In USEM there are two systems of account: The first one measures student and school performance to enable the VH renew or revoke a school's accreditation. The second one measures student and school performance to enable households choose schools on merit and to decide whether to keep or withdraw the child from the school. So, the accountability system in USEM should provide incentives to schools to meet society's educational interests. Incentive and accountability systems represent inducement for schools to act. Ideally, USEM should have three dimensions of incentive-accountability combination: (i) one that determines the extent to which the performance indicators can satisfactorily detail how well students are taught and how well they learn at school; (ii) one that determines the extent to which key performance indicators can give schools the right incentive to meet society's educational interests; and (iii) one that determines the extent to which key performance indicators can guide households to choose schools on merit (Adams & Hill, 2002).

The key accountability measure in USEM is high-stakes national examinations administered by the Uganda National Examinations Board (UNEBC). Stakes are high because Uganda Certificate of Education (UCE) examinations and Uganda Advanced Certificate of Education (UACE) examination scores are used to make important decisions affecting students, schools and the internal efficiency of the education system. The school rankings and categorization deriving from the same scores are reported to the public. Besides, the system links the same scores to grade promotion, school graduation rates and in some cases teacher salaries and tenure decisions (Au, 2007). Generally, USEM operates on the assumption that UCE and UACE scores are reliable and objective indicators of a school's effectiveness in edifying the young. The same scores are used to detail students' performance, the extent to which schools give students the promised learning experience and the overall performance of the education system (Kellaghan, 2004). Accordingly, UCE and UACE scores represent the fundamental accountability measure that defines a school's reputation, household-school relationship, the outcomes this relationship engenders, and the overall performance of USEM.

### **Market (IH) and Government (VH) Failure in USEM**

Using UCE and UACE scores as a valid and reliable indicator of a school's market performance however, is fraught with the miscarriages that typify the IH and VH. First, ranking schools basing on raw examination scores does not take into account the differences in school intake. Cherry-picking elite schools produce exceptionally good scores while budget schools that forage for the left-overs are always ranked the lowest on the examination league tables. Secondly, no adjustments are usually made to these scores on a value-added basis. Thirdly, errors in measurement are seldom taken into account when judgment of merit is being made (Cobbold, 2009; Greaney and Kellaghan,

1995; Nicholas & Berliner, 2008). This situation distorts the incentive-accountability combination and the accuracy of the accountability measures in USEM. Since weighing a pig does not make it fatter, tormenting and drilling children to get impressive exam results does not mean improving the quality of their learning (The Internationalist, 2017). It is the learning process and not exam league table rankings that improve the quality of learning. So, accountability mechanism that places assessment above the quality of learning process is indicative of government and market miscarriage.

Furthermore, in USEM, the IH is ruthlessly swift when the schools' business side is problematic but the VH is sluggish to take action against schools whose educational side is equally problematic. This gives schools incentive to use underhand methods. Besides, teachers are under pressure to produce superb exam results or else they lose their jobs or bonuses. Schools that are terrified of losing their market image are increasingly adapting ruthless managerialism to produce the revered exam results. To justify the exorbitant school fees they charge, elite schools both public and private commit considerable resources on symbolic representations, image management and to producing impressive UCE and UACE scores as a show of the quality of education they offer. In reality however, all that most of these schools really care about is maintaining their elite market image and not the individual child (Musisi, 2013; New Internationalist, 2017). The information asymmetry that permeates USEM is thus another sign of market and government miscarriage.

Facing market sanctions to succeed or risk falling out of business, private schools engage USEM by taking a repertoire of student admission, retention, instructional and assessment actions whose outcomes may be educationally pernicious. Elite schools target the most lucrative applicants likely to elevate the institutions' reputation in the local systems of competition, employ unscrupulous ability grouping tactics in which low performing children are side-lined, employ teaching to test tactics designed to produce impressive examination scores, and some indulge in examination misconduct to make their exam results look superior (Daily Monitor, July 17, 2007 & February 27, 2009, Education News, January, February & March 2010; New Vision, November. 8, 2008; The Observer, May 13 & July 18, 2010 in Musisi, 2013). Such conduct casts doubt on the efficacy of the VH to determine and oversee what students learn, how they learn and the quality of the learning outcomes thereof. The fact that many schools can successfully game USEM depicts miscarriage of both the visible and invisible hands.

Further anecdotal evidence suggests a creeping commercialization in public schools too. Elite government aided schools are known to charge exorbitant fees comparable to those charged by elite private schools, yet over 50% of the staff in the former are on government payroll. The same schools spend money on inflated wages, excessive allowances, generous contracts for companies owned by governing body members as well as giving hefty kickbacks to MOES officials for favours. Meanwhile, evidence of the professed

improvement in education for disadvantaged children is demoralizing. Segregation and failure of the underprivileged and the vulnerable is unmistakable. Many budget schools are in a dismal state for they are chronically underfunded due to a low tax base, insufficient foreign aid and corruption. While government is spending more on education, this spending is not targeted to learning in particular. Besides, the need for government to contend with other priorities such as disasters, conflict and disease renders public provision of education even more challenging (Day et al., 2014).

Thus, the situation in most USE schools suggests a quantity-quality trade-off; characterized by depressing learning environment in the face of rising enrolment with class size in some schools exceeding 80 students (MOES, 2015, 2019). Sometimes the situation is so dire that an unknown number of households switch from tuition-free public schools to tuition-fee private schools in pursuit of a decent education. Meanwhile, what passes as behaviour modification sanctions imposed by the VH on substandard schools (Dizikes, 2011) is in most cases targeting private schools much as many of their public counterparts are in comparable or even worse conditions. This practice raises chance for rent seeking and corruption, which may explain why many pitiful schools are given a clean bill of health in exchange for bribes. Finally, use of exam scores as the selection mechanism is pushing more and more underprivileged children out of the school system instead of helping them to succeed (Bregman & Stallmeister, 2002). Evidence shows that the first cohort of children in USE registered a 25.9% drop-out rate (MOES, 2012), which represents wastage of meagre resources.

The foregoing expose however, does not mean complete failure of the VH and IH in the SEM. It simply shows how the VH is too constrained to exercise its full mandate effectively at a time when the IH that is pushing for augmented privatization, competition and high-stakes testing as the means of education service delivery in the country. Under the circumstances, the IH miscarries because the information asymmetry that permeates the SEM gives schools incentive to manipulate key performance indicators to maximize their own utility. On the other hand, the VH miscarries because of inability to enforce market rules given that its inspection, supervision and advisory support mechanisms are fragile, overstretched and irregular in coverage (Musisi, 2013). Thus, while the full scale of government and market failure is not clear, it is likely to have serious short- and long-term effects on Uganda's education output and outcomes.

### **Conclusion and Recommendations**

When Adam Smith advanced the proposition that an economy of selfish agents making choices for their own benefits can be organized to work for the common good, he did so as a statement of logical possibility. He did not mean that it must happen. Left to their own devices, neither the IH nor the VH on their own can engage in the kind of self-recrimination that can detail their own imperfections. Thus, if USEM is to augment desirable educational outcomes,

the VH must take lead to guide the IH. We recommend that the VH needs to contain the creeping predisposition of the profit motive from dictating whom to teach, what to teach, how to teach and how the teaching-learning process is organized. After all, it is in the interest of both government and the SEM to build an education system that can offer quality education to every child. To achieve this goal, the VH must understand the SEM dynamics and thereafter strengthen and target its inspection, supervision and advisory support more effectively. In addition, the VH needs to devise a clearer and a more comprehensive accountability measure that can detail what students learn, how they learn, how much they learn and the learning value added. Finally, the VH needs to mobilize adequate resources so as to augment the inputs required to provide for, support, co-ordinate and promote quality education to all students. Otherwise, expansion of secondary education, an unavoidable ingredient in building the country's prolific stock of human capital, is a misspent investment if USEM is left to drift into unchartered competitive space.

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