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Demand rationalities in contexts of poverty: Do the Poor respond to market incentives in the same way?

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ABSTRACT

Over the last decades, we have witnessed the centrality of demand-side education policies intended to improve access and conditions of schooling for the poor. Among these policies, voucher systems have played a prominent role as a mechanism to enhance choice and competition. Actors advocating for and boosting such policies, such as the World Bank, national governments or private corporations, share a common understanding of the ways in which poor people respond to specific market and policy incentives. This article develops a critique of the assumed instrumental rationality of mainstream policies and programmes that focus on market and policy incentives to influence the educational demands of the poor. In the first part, the article describes the main characteristics of demand-side financing of education policies and provides an interpretation of the instrumental rationality embedded in the theory of change of these policies. In the second part of the article, alternative frameworks to interpret the responses of the poor to market and policy incentives are presented and discussed. The final section of the paper reflects on the significant policy implications of this discussion for global education reforms.

1. Introduction

Demand-side interventions in education have gained increasing popularity in the last decades. International organizations and national governments have discursively and practically engaged in educational reforms that put their focus the demand for education (and less on supply) to ensure a better and more equitable distribution of public services. As Harry Patrinos defines it, demand-side financing of education is 'the principle of channelling education resources through students and their parents or basing school funding on enrolments or attendance' (Patrinos, 2007, p. 1). While supply-side policies tend to focus on the necessary human and material resources, they are considered insufficient to guarantee both equity and efficiency in education. Hence, demand-side interventions are assumed to bring more gains in 'higher enrolment, attendance, completion and achievement… and should also make it easier to institute choice plans' (Patrinos, 2007, p. 1). The ultimate goal of demand-side interventions is therefore 'putting the resources in the hands of those who demand education and not those who supply it' (Patrinos, 2007, p. 1).

The two most popular demand-side interventions in education are undoubtedly Conditional Cash Transfers (CCT) and vouchers. Both policies have gained momentum in the last years as powerful and efficient strategies for poverty reduction, particularly for increasing the school enrolment of girls in rural areas (World Bank, 2011, p. 17). CCTs are understood as policy mechanisms that compensate for under-investment in children's human capital. Conditionality acts as a correction mechanism for possible misguided decision-making in investment among disadvantaged families. The policy mechanism can be seen as a device used to ensure that a socially optimal investment in education is made (Fiszbein et al., 2009, p. 10). Vouchers are a means of financing education based on demand behaviour. Vouchers can be implemented via cash transfers to schools based on enrolment or by transferring funding directly to families. They are mechanisms associated with school choice and aim to incentivize the improvement of schools (both public and private) through competition to attract students (Patrinos, 2007). Efficiency gains are assumed since families, both rich and poor, will have the power to choose and to switch school thanks to the voucher.

Interestingly, the benefits of demand-side interventions for poverty reduction are associated with a certain behaviour seen in users. Factors that impede the poor in making the optimal decision in regard to educational demand are supposed to be corrected by policy mechanisms designed to efficiently re-orient users' decision-making. This article questions the instrumental rationality that is presumed in the

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behaviour of the poor when market incentives, such as vouchers, are used to induce school choice and educational efficiency. The article first provides evidence of the globalization of demand-side education policies for poverty reduction before moving to an analysis of the instrumental rationality embedded in market interventions, and more specifically in voucher mechanisms. Section four explores three alternative approaches to interpreting actors' instrumental rationality and makes use of empirical research to illustrate their modes of operation and their potentially different effects. Finally, the concluding section discusses the validity of this analysis and its policy implications. We argue that policy design based on the instrumental rationality of actors may generate undesired and inefficient effects in different social contexts. We defend the need to take into account the different motivations and characteristics of actors' behaviour in order to design fair and efficient education policies for poverty reduction.

2. The globalization of demand-side education policies for poverty reduction

There is little doubt that in the last decades, poverty reduction has become the most important objective of the global development agenda. Any review of the public goals of international organizations such as the World Bank shows the centrality that the fight against poverty has acquired. United Nations international summits from the Millennium Development Goals (MDG) to the Sustainable Development Goals (SDG) have affirmed that poverty reduction is the most salient feature of sustainable development (Sachs, 2012; Cremin and Nakabugo, 2012). There is also no doubt that education has played an important role in the agenda for development and, particularly, in reducing global poverty. The absolute dominance of the human capital theory as the main paradigm of educational development has put education first among necessary investments, intended not just to struggle against poverty but also to reduce poverty in a sustainable form (Verger and Bonal Zancajo, 2016). From this point of view, it is assumed that investing in education offers the possibility of breaking the intergenerational cycle of poverty and guarantees a long-term strategy to reduce it.

However, the incontestable presence of education in the agenda for poverty reduction has not led to a single education policy agenda. After all, agreeing on targets such as those established in Jomtien (1990) and Dakar (2000) with the Education for All programme, or those shared in the MDGs or the SDGs, does not automatically provide the policies necessary to achieve these goals. The process by which to determine the best policy strategies to combat poverty is much more open to disputes and debates, and subject to power relations. While the World Bank has clearly dominated the scene of education policy-based strategies for development during these decades, in the last years we have witnessed the rise a complex set of organizations with the ability and capacity to influence global national education policies in developing countries (Robertson et al., 2012), including international organizations, aid agencies, global Non-Governmental Organizations (NGOs), civil society organizations and private companies (Verger et al., 2012). Interestingly enough, while the multiplicity of actors has produced debates and divergences of opinion, their unequal levels of influence and, in some cases, their ideological alignment, have not impeded the emergence of convergent discourses and policy strategies. Neoliberalism has certainly affected the conceptualization of the anti-poverty agenda—especially in terms of making markets work for the poor (World Bank, 2004)—and has consolidated the main options (and omissions) in education policies (Bonal, 2007; Tarabini, 2010 Tarabini, 2010). But the specific shape of neoliberalism in education has not remained stable. From simple formulas based on the privatization of education, liberalization of education services or cost-recovery, mainstream education policies have evolved into sophisticated forms of school and teacher accountability, public-private partnerships or enterprise-like systems of school management (Ball, 2012).

One of the observable trends in education policy reforms is represented by the shift from supply-side to more demand-side interventions, and in particular to demand-side financing of education. The World Bank has mainly directed this change, and has particularly worked to expand secondary schooling and to overcome the financial barriers that poor sectors face after completing primary education (World Bank, 2005; Scott et al., 2016). Investing in education facilities, infrastructure, school curricula or school organizations has little effect on increasing the access and learning conditions of the poorest. Assuming that educational expansion is a limited means to combat poverty, mainstream education policies instead focus on demand-side policy reforms, which are seen as much more powerful mechanisms to improve access and even learning outcomes. Policies such as conditional cash transfers (Fiszbein et al., 2009; Bonal et al., 2012) or demand-side financing systems such as vouchers (Patrinos, 2007) have certainly become the preferred policy options for the World Bank and the most-recommended systemic reforms that education systems should undertake (World Bank, 2011). The success of fast-track social policies has ensured that such policies spread transnationally, as demonstrated by the *Opportunity NYC* programme[1] (Peck and Theodore, 2010).

There are several virtues associated with demand-side interventions, among them the capacity to transfer funding to families and students themselves and the possibility of avoiding political ineffectiveness, bureaucratic administrations and even economic corruption systems. Moreover, demand-side interventions are a strategic means to empower individuals and to help them to make decisions they know are better for them (World Bank, 2005). Instead of considering the poor as a social group to be served through unaccountable public services, demand-side interventions consider the poor as people who have the power to decide their own future investments. The role of the public sphere is therefore to make markets work for the poor (World Bank, 2006) and to avoid any attempt to simply deliver services which poor people might find uninteresting or even alienating. Needless to say, by transferring the power to choose and to administer resources to parents and students (clients) education systems may become much more shaped by their demands. School choice and the privatization of education agendas evolve in parallel with a set of reforms intended to empower people by giving them the necessary resources to decide on the type of services they can claim (Verger and Bonal, 2012). Often, the increase in demand-side interventions in education runs in parallel to an agenda of privatization of education services (Marginson, 1993; Carnoy, 2000), mainly through the consolidation and expansion of public-private partnerships (Patrinos et al., 2009).

In a context of financial constraints, demand-side interventions appear to be strategically less expensive social policies. Generally speaking, transferring economic resources to families is always less expensive than the provision of direct services. Creating vouchers for students to attend to private schools, a model that is currently expanding in several developing countries after the Chilean experience, or transferring cash to poor families, may be significantly less expensive than directly expanding public services. In Brazil, for example, the *Bolsa Familia* programme, which is the largest Conditional Cash Transfer (CCT) programme in the world, counts only for 0.5% of the GDP or less than 3% of the total social spending (Pereira, 2015). Other scholars have stated that the low cost of demand-side interventions such as vouchers can be explained by the hidden costs associated with these programmes. At times, private schools funded through vouchers are able to avoid low performing students, who are costly to educate, or manage to reduce the salary level and working conditions of their teachers (Hsieh and Urquiola, 2006; Carnoy, 2017). The smaller cost of

[1] *Opportunity NYC* is a Conditional Cash Transfer programme launched in 2007 by the mayor of New York City, Michael Bloomberg. The programme became the first CCT programme implemented in a developed nation and was inspired by the previous Brazilian *Bolsa Escola* and Mexican *Oportunidades* programmes.