

SCHOOL CHOICE AND EQUALITY

LEARNING FROM OVERSEAS EXPERIENCE

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Education Vouchers

Vouchers are either *universal*, applying to all children, or *targeted* at specific groups, usually the poor or those attending failing schools.

Universal Vouchers

Sweden

Sweden is the only European country operating a universal voucher scheme. The reforms occurred in 1992 when independent schools were guaranteed the right to receive funding from municipalities.¹ Vouchers were valued at 85 per cent of the average cost of a place in a local state school. In 1995 the figure was reduced to 75 per cent before being increased to 100 per cent in 1997.²

Any type of school that meets the requirements of the National Agency for Education (NAE) is entitled to this funding, whether religious, for-profit or charitable. Schools are prohibited from charging top-up fees and are not allowed to select pupils by ability. They must also meet specific academic standards and adhere to the national curriculum.³

The voucher system has resulted in an increase in independent providers. Before the reforms, independent schools in Sweden accounted for less than one per cent of pupils and few of those received any government funding.⁴ Most schools were municipal schools operating under the direct control of government. In the first ten years of the voucher programme, the number of independent schools rose from 90 to 475.⁵ According to the Swedish National Agency for Education there were 565 independent schools in 2004/05, accounting for 11 per cent of the 4,963 schools overall.⁶

An independent study found that competition from independent schools has improved results in state schools.⁷ Moreover, it has been found that new independent schools are more likely to be established in areas of under-performing state schools serving disadvantaged children.⁸

Targeted Vouchers

There are two types of targeted voucher. One is means-tested, and aimed at enabling children from poor families who meet specific income criteria to attend a better school. The other is targeted at giving the same chance to pupils who attend failing schools, irrespective of their income.

Milwaukee

In 1990, the city of Milwaukee, Wisconsin, established the Milwaukee Parental Choice Program (MPCP), a system of means-tested vouchers to give real choice to low-income families by paying for them to attend registered independent schools. The key to the reform was that it gave Milwaukee families with an income below 175 per cent of the poverty line (\$32,532 for a family of four in 2003/04), a voucher set at the cost of a place in a state school (around \$5,882 per year in 2003/04).⁹

In 1995, the MPCP was extended to cover religious schools and to allow up to a maximum of 15,000 pupils to participate. In January 2005, 13,978 pupils were using vouchers to attend 117 independent schools.¹⁰

Research by Jay P. Greene of the Manhattan Institute found that standardised test scores for pupils using vouchers in independent schools (for three or more years) were on average higher than for a control group of state school pupils.¹¹ In later research he also found that Milwaukee pupils using vouchers to attend independent schools graduated at a higher rate than those in state schools: 64 per cent compared with 36 per cent.¹²

Cleveland

A similar scheme started in Cleveland, Ohio, in 1995. Here, families with incomes below 200 per cent of the poverty line receive vouchers for up to 90 per cent of tuition fees to send their children to independent schools, including religious schools. High school students (aged 14-17) can receive \$2,700 and K-8 students (aged 5-14) can receive \$3,000. Those above the 200% line are only eligible if there are remaining funds available, and they only receive 75 per cent of tuition fees. In 2003/04, 5,098 pupils received vouchers to attend 45 independent schools.¹³

Research by Caroline Hoxby, of Harvard University, into the effects of targeted vouchers in Milwaukee and Cleveland found that students taking part in these programmes performed better in tests than a control group of similar students. In maths, for instance, the effect of the voucher programmes after between 2 and four years was an increase of 11-12 national percentile rank points and around 6 points in reading.¹⁴

Moreover, there is good evidence to suggest that the targeted voucher programmes are reaching the pupils they were designed for. In Milwaukee, the average income of families taking part in the programme was \$10,860 in 2000, with 76 per cent of students coming from lone parent households. In Cleveland, the average income was \$18,750 with 70 per cent of children coming from lone parent homes.¹⁵

Florida

Since 1999, Florida has been operating a targeted voucher programme known as the Florida A+ Plan for Education. This programme provides pupils who attend failing state schools (defined as those receiving an 'F' grade from the Florida Department of Education twice in a four year period), with 'Opportunity Scholarships' to attend independent schools (including religious schools) or another state school that has a grading of 'C' or higher. School grades are based on pupil performance in the Florida Comprehensive Assessment Tests (FCATs) in maths, reading and writing, as well as attendance, discipline and dropout rates. In 2004/05, 690 pupils used the vouchers to attend 34 schools and the average value of a voucher was \$4,241.¹⁶ Research by Jay P. Greene into the Florida A+ Plan found that 'Florida's low-performing schools are improving in direct proportion to the challenge they face from voucher competition.' The study further concludes that schools facing voucher competition showed the *most* improvements.¹⁷

Tax Incentives

Tax incentives usually take one of two forms: the first allows parents to claim a tax credit or deduction for approved educational expenses, like books, supplies, computers and independent school tuition fees. The second gives tax credits to individuals or businesses that pay into scholarship organisations dedicated to giving scholarships to children, often from poor backgrounds, to cover independent school tuition fees.

In 1987, Iowa enacted a law giving tax credits for educational expenses, including independent tuition fees. In its present form, families can claim 25 per cent of the first \$1,000 spent on educational expenses. In 2000, 141,500 families took the tax credit¹⁸ and in 2002, it was estimated that families gained a total of \$13.1 million.¹⁹

Since 1997, Arizona has provided tax credits of up to \$500 for individuals (\$625 for married couples) who pay into a School Tuition Organisation (STO). STOs give scholarships, mostly to pupils from poor backgrounds, which cover between 50-80 per cent of independent school tuition fees. Between 1998 and 2003, 47 STOs received donations totalling \$113 million, funding 77,000 scholarships for pupils to attend 312 independent schools.²⁰

In Florida, under legislation passed in 2001, businesses can receive tax credits of up to 75 per cent of their corporate income tax bill for donations to Scholarship Funding Organisations (SFOs). SFOs provide scholarships worth up to \$3,500 to attend an independent school to pupils from low-income families; considered to be those who qualify

for the federal Free and Reduced Lunch Program. During 2004/05, 11,400 pupils received these scholarships.²¹

In 2001, Pennsylvania enacted the Educational Improvement Tax Credit (EITC) programme, which gives tax credits of up to \$200,000 to businesses that contribute to Scholarship Organisations (SOs) or Educational Improvement Organisations (EIOs). Since August 2001, more than 2,200 businesses have given over \$127 million to the programme. Eligibility for the scholarship is means-tested, with the income limit capped at \$50,000 per family. In 2003/04, over 25,000 children received scholarships from 161 SOs.²²

The Supply side

The Netherlands and the USA offer the two most prominent examples of supply-side liberalisation that has made it far easier for new independent organisations to establish and run schools. In England, the final decision over school places rests not with parents, but with local education authorities (LEAs). The majority of parents, who cannot afford to opt-out of the state system, are lumbered with the schools in their catchment area and are entirely at the mercy of LEA allocation decisions.

These decisions operate according to a 'surplus places rule', which has resulted in children being sent to schools of their second and third choice, allowing unpopular schools to escape competition while popular schools are prevented from expanding. Although the government claims that there is no such *rule*²³, it does not deny that it is a common *practice*. As one LEA official frankly stated when speaking to the Select Committee on Education in the House of Commons: 'We are not in the business of moving children out of schools to go to more popular schools. We are generally not in the business of expanding schools to meet demand.'²⁴ The Government claims that it is strongly encouraging the expansion of popular schools (by ensuring that expansion plan decisions are made within 12 weeks with a 'strong presumption' in their favour, as well as providing capital funding for expansion²⁵), but, in June 2004, the then Schools Minister, David Miliband MP, could name only four popular schools which had been allowed to expand.²⁶ One year on, a grand total of seven were expanding.²⁷

Free schools in the Netherlands

Freedom of supply has been enshrined in the Dutch constitution since 1917. Any group of parents or other interested party has the right to set up an independent school once they have had an application approved by the Ministry of Education. Just 50 parents are

required to establish a school in municipalities with less than 25,000 inhabitants and 125 parents in areas with more than 100,000.

The ease of entry for independent providers means that around 70 per cent of children now attend independent schools.²⁸ It has also encouraged diversity. Among secondary schools, 32 per cent are state schools, 34 per cent Catholic, 27 per cent Protestant and 7 per cent do not fit any of these categories.²⁹ Moreover, due to the increased number of providers, the average size of schools is relatively small: an average elementary school has only 160 pupils.³⁰

Funding is based on a per-pupil payment system. Once parents have decided to send their child to a school, the full amount is paid directly from the Ministry of Education to that school. This system is not a voucher arrangement, where parents are given a physical cheque to spend at a school of their choice. Although the money follows the pupil in the same way, it is invisible to the parents. It does mean, as with the voucher system, that parents' right of exit is strong and if a school is unpopular it will be forced to close.

The amount paid for each child in primary schools is weighted according to their socio-economic background. Those from poor backgrounds can receive up to 190 per cent of the standard funding.³¹

Although it is easy to open a school in Holland, once in existence, schools receiving state funding are subject to strict regulations: all schools must teach the national curriculum, face regular inspections and take national exams. Additionally, every child has an 'educational number' by which their progress can be tracked. So, while this system has opened up supply, it has done little to ease the regulatory burden faced by schools.

Charter schools in the USA

During the 1990s many states in the USA also began to liberalise the supply of education with the introduction of charter schools. The idea is that a public authority, normally the state board of education or local school board, grants a charter (or contract) to a group of parents, a charity, or a business to provide a school. Charter schools do not charge tuition fees, and are non-religious and non-selective. The school board finances the school on a per-pupil basis, which means that, as in the Netherlands, if the school doesn't attract enough pupils, it will be forced to close. There are presently around 3,400 charter schools operating in some 40 states.³²

Again, like the Netherlands, the main intention of the reform was to encourage independent providers. Unlike in the Netherlands, however, another intention was to reduce central regulation of such schools, in order to free social entrepreneurs from the

bureaucracy facing normal state schools. Although the degree of such freedom varies greatly between states, generally, charter schools enjoy significantly more autonomy from direct government control than state schools. They are free to develop an alternative curriculum and they control their own hours, staffing and budget.

Charter schools also seem to have a positive impact upon student performance. In a recent study of 99 per cent of elementary charter school pupils, it was found that charter students were 5.2 per cent more likely to be proficient in reading and that 3.2 per cent more were proficient in maths than their counterparts in state schools.³³

Looking specifically at Arizona, Hassel and Godard-Terrell reviewed charter school pupil performance data and found that charter schools outperformed state schools, with 40 per cent of charter schools (compared with 27 per cent of state schools) defined as highly performing or excelling.³⁴

Another study by Jay P. Greene also found that students do better in charter schools. Measuring test score improvements in eleven states over a one-year period, he found that charter schools outperformed nearby state schools by 3 percentage points in maths tests and by 2 percentage points on reading tests.³⁵

But charter schools have not always outperformed state alternatives. In an overview of 21 studies that looked at charter school pupil attainment over time, Hassel found that nine studies showed charter schools making bigger gains in achievement overall than state schools; three studies showed bigger gains for specific types of charter school; five showed equal gains in charter and state schools and three showed fewer gains in charter schools compared with state schools.³⁶

Charter schools also tended to benefit black and Hispanic pupils. Looking at *all* charter schools in 2000/01, Hoxby looked at the 'odds ratio' that a student is black, Hispanic or poor in a charter school compared with the ratio in a nearby state school. She found that charter schools had a smaller likelihood of having white pupils and a much greater likelihood of having black and Hispanic pupils, as well as poor pupils. She concluded that charter schools '...are disproportionately drawing students who have suffered from discrimination...in the public schools'.³⁷ The Hudson Institute also found that 63 per cent of charter school pupils were non-white, with close to 20 per cent African-American and 30 per cent Hispanic.³⁸

Notes

¹ Bergstrom, F and Sandstrom, M., *School Choice Works! The Case of Sweden*. Issues in Thought, Vol 1, Issue 1. Friedman Foundation, 2002, p4. <http://www.friedmanfoundation.org/schoolchoiceworks/swedenstudy0103.pdf>

- ² Pollard, S., *A Class Act: World lessons for UK education*. Adam Smith Institute, 2001, p15. <http://www.adamsmith.org/policy/publications/pdf-files/a-class-act.pdf>
- ³ Hockley, T and Nieto, D., *Hands Up for School Choice! Lessons from school voucher schemes at home and abroad*. Policy Exchange, 2004, p11. http://www.policyexchange.org.uk/uploads/media/school_choice.pdf
- ⁴ Bergstrom and Sandstrom, 2002, p3.
- ⁵ Hockley and Nieto, 2004, p12.
- ⁶ Children, pupils and staff, Official Statistics of Sweden, 2005, Table 3.1 A, p. 82.
- ⁷ Sandstrom, F. Mikael and Bergstrom, Fredrik., *School Vouchers in Practice: Competition Won't Hurt You!* The Research Institute of Industrial Economics, Working Paper No. 578, Stockholm, Sweden, 2002, p23. <http://www.iui.se/> Also from <http://www.civitas.org.uk/pdf/Sandstrom.pdf>
- ⁸ Sandstrom, F. Mikael and Bergstrom, Fredrik, 2002.
- ⁹ *The ABCs of School Choice*, Friedman Foundation, 2004-2005 Edition, p38. <http://www.friedmanfoundation.org/ABC.pdf>
- ¹⁰ <http://www.dpi.state.wi.us/dpi/dfm/sms/doc/mpc04fnf.doc>
- ¹¹ Greene, Jay.P., and Peterson,P.E., Du, J. with Boeger, L., and Frazier, C. *The effectiveness of school choice in Milwaukee: A secondary analysis of data from the program's evaluation*. Program in Education Policy and Governance, Occasional Paper: 96-3. Harvard University, 1996.
And: Greene, Jay P., Peterson, P.E. and Du, J. *Effectiveness of school choice: The Milwaukee Experiment*. Education and Urban Society, 31 (2) Feb 1999. <http://www.heartland.org/pdf/21844y.pdf>
- ¹² Greene, Jay. P., *Graduation Rates for Choice and Public School Students in Milwaukee*. School Choice Wisconsin, 2004. http://schoolchoicewi.org/data/currdev_links/grad_rate.pdf
- ¹³ *The ABCs of School Choice*, p30.
- ¹⁴ Hoxby, C. M., *School choice and school competition: Evidence from the United States*. Swedish Economic Policy Review 10, 2003, p48. http://post.economics.harvard.edu/faculty/hoxby/papers/hoxby_2.pdf
A national percentile rank shows the performance of students in relation to the national average. A score of 72 per cent means you outperformed 72 per cent of the national population and 28 per cent outperformed you. A gain of, say, 10 percentile rank points, means that a student has moved past 10 per cent of students, nationally.
- ¹⁵ Greene, Jay, P., *A Survey of Results from Voucher Experiments: Where We Are and What We Know*. Manhattan Institute for Policy Research, Civic Report, No.11, 2000, p14. http://www.manhattan-institute.org/html/cr_11.htm
- ¹⁶ *The ABCs of School Choice*, p14.
- ¹⁷ Greene, Jay.P and Winters, M., *When Schools Compete: The Effects of Vouchers on Florida Public School Achievement*. Education Working Paper, No. 2, Manhattan Institute for Policy Research, 2003. http://www.manhattan-institute.org/html/ewp_02.htm
- ¹⁸ Kafer, K., *Choice in Education: 2005 Progress Report*. The Heritage Foundation, 2005. <http://www.heritage.org/Research/Education/bg1848.cfm>
- ¹⁹ *The ABCs of School Choice*, p24.
- ²⁰ *The ABCs of School Choice*, p11.
- ²¹ *The ABCs of School Choice*, p18.
- ²² *The ABCs of School Choice*, p23.
- ²³ *Department for Education and Skills: Five Year Strategy for Children and Learners*, 2004, p50. <http://www.dfes.gov.uk/publications/5yearstrategy/docs/DfES5Yearstrategy.pdf>
- ²⁴ *Right to Choose*, Conservative Party, p37. http://www.conservatives.com/pdf/righttochoose_education.pdf
- ²⁵ *Department for Education and Skills: Five Year Strategy for Children and Learners*, p50.
- ²⁶ *Right to Choose*, p37.
- ²⁷ *No Choice in Schools*. The Times. August 15, 2005. <http://www.timesonline.co.uk/printFriendly/0,,1-41-1735465-41.00.html>
- ²⁸ Justesen, M., *Learning from Europe: The Dutch and Danish School Systems*. Adam Smith Institute, 2002, p17. <http://www.adamsmith.org/policy/publications/pdf-files/learning-from-europe.pdf>
- ²⁹ Tooley, J., Dixon, P. and Stanfield, J., *Delivering Better Education: Market solutions for education improvement*. Adam Smith Institute, 2003, p15. <http://www.adamsmith.org/policy/publications/pdf-files/delivering-better-edu.pdf>
- ³⁰ Hockley and Nieto, 2004, p15.
- ³¹ Hockley and Nieto, 2004, p14.

³² The Center for Education Reform.

<http://www.edreform.com/index.cfm?fuseAction=stateStats&pSectionID=15&cSectionID=44>

³³ Hoxby, C., *Achievement In Charter Schools And Regular Public Schools In The United States: Understanding The Differences*. Heritage Foundation, 2004. http://www.heritage.org/research/education/upload/hoxbycharter_dec2.pdf

³⁴ Hassel, B and Godard Terrell, M., *The Rugged Frontier: A Decade of Public Charter Schools in Arizona*. Progressive Policy Institute, 2004. http://www.ppionline.org/documents/AZ_Charters_0604.pdf

³⁵ Greene, Jay. P., Forster, G. and Winters, M., *Apples to Apples: An Evaluation of Charter Schools Serving General Student Populations*. Education Working Paper, No. 1, Manhattan Institute, 2003. http://www.manhattan-institute.org/html/ewp_01.htm

³⁶ Hassel, B., *Charter School Achievement: What We Know*. Charter School Leadership Council, 2005. <http://www.charterschoolleadershipcouncil.org/PDF/Paper.pdf>

³⁷ Hoxby, C, 2003, p59.

³⁸ Tooley et al, 2003, p23.