

The Case for School Choice

And How To Fund It

Jennifer Buckingham

Schooling must be put back in the hands of the people who pay for it, making education 'public' in the true sense of the word.

Two principles underpin school choice. First, all parents—not only the wealthy—should have the freedom to choose a school for their child. Second, all parents should be entitled to the same basic level of public financial support for their children's education. School choice therefore exists when all families have the freedom and the means to choose the school that best meets their needs.

True school choice does not exist in Australia. School choice in Australia currently means the choice between a fully publicly-funded state school, a partially publicly-funded non-government school and entirely unsubsidised home schooling. Although this funding system limits choice to parents who are willing and able to pay tuition fees, more and more parents are 'opting out' of the public system; the number of children being educated in non-government schools and at home is growing annually while public school enrolments have stagnated. Even this limited school choice has been subject to a great deal of criticism. Non-government schools have been accused of creating social division, 'creaming' the best students from public schools and draining money from them, among other things.

It is apparently a widespread belief that parents who choose not to use the state school system should do so at their own expense. At one extreme, supporters of this argument propose that public funding should be withdrawn from non-government schools and invested in state schools. In doing so, they are effectively arguing that choice of school should be restricted to those who can afford to pay for their children's education twice—once through taxation and again through tuition fees.

At the other extreme, some writers claim that even publicly funded school choice is not enough, and that restricting choice to institutional schooling is not real choice; families ought to be able to choose any sort of educational setting, whether it be a traditional school or otherwise.¹

Either way, fundamental to school choice are the beliefs that families are primarily responsible for the educational needs of their children, that schools should be directly accountable to the people they serve, and that education funding mechanisms should make this possible.

Funding school choice

There are several possibilities for funding systems that facilitate school choice. Each has advantages as well as limitations. Nonetheless, each is preferable to the current system for the reasons that follow.

Charter schools

Charter schools offer greater choice within the public education system. The introduction of charter schools does not require a change in funding structures, but rather the state contracts education provision out to private and/or independent providers. In the US model, they can be run by non-profit or for-profit organisations.

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The school's charter, or contract, might be devised by the district or state education authorities. Charter schools must meet their educational obligations in order to receive continual state funding. Charter schools have been largely successful in the US, particularly in those states that have also established a separate authority to deal with them. Competition among students to enrol in charter schools is strong, and teaching positions are sought after.

While preferable to no alternative to state schooling, charter schools are a stop-gap measure. By virtue of their obligation to the state, charter schools are not truly autonomous and do not resolve the problem of state control.

Vouchers

Vouchers are one of the oldest and most well-known proposals for establishing school choice, first advocated by Milton Friedman in a paper published in 1955, and later refined in his book *Capitalism and Freedom* in 1962.

Vouchers are essentially an education bursary. A voucher system would provide each parent with government funds to spend at the school of their choice, state or non-government. Vouchers would be distributed irrespective of the type of school chosen, but might be means tested—higher income families might receive an education voucher of smaller value, which they are expected to supplement.

The major distinction between a voucher system and the current system is that the funding is student-centred and directed through parents, instead of going straight to the schools. The major advantage of a voucher system is that it removes the differentiation between state and non-government schools, and does not penalise parents for the choices they make. Low income parents would be allowed greater control and choice than is presently the case.

The major drawback of a voucher system is that by funding non-government schools on the same basis as state schools, it makes them vulnerable to the same level of government regulation. The success and popularity of non-government schools is arguably due to their greater autonomy and independence.

Tax credits

A tax credit system replaces government education vouchers with parents' tax-free dollars. Instead of

government taxing people, churning the money through various government departments and then giving it back to parents in the form of a voucher or bursary, parents spend their own money then claim it against their tax liability.

For those families whose tax liability is less than the maximum tax credit amount, their credits may be supplemented or substituted by a government bursary or voucher. In this way, direct public funding is used as a safety net rather than a universal welfare system. Likewise, since government involvement is minimised, the risk of state intervention in non-government education is also reduced.

The advantages of a tax credit system far outweigh those of a voucher system. The benefits of parents spending their own money are significant. Giving parents the means to pay for their children's education allows them more control over how and where they spend their money and empowers them to make decisions. Moreover, parents will be motivated to ensure they are getting value for money. An additional benefit of tax credits for education is the reduced cost of administration of funds. Schools themselves will receive a greater proportion of the education dollar.

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Full privatisation

A more radical proposal is the full privatisation of education, where the state neither funds nor provides schooling. Writers such as James Tooley advocate this as the only way to achieve true choice.² But however persuasive the arguments for such reforms might be in theory, they are unrealistic. For reasons of practicality they will not be considered in any detail here.

Ten questions about school choice

Resistance to true school choice in Australia is strong, characterised by ill-informed objections and often motivated by self-interest. This resistance is strongest amongst some of the most powerful and vocal people and organisations—including education unions, social-democratic politicians and their supporters—who claim that it will result in inequity and social injustice. Tellingly, however, they rarely claim that it will result in a decrease in educational standards.

In what follows, ten of the most common questions about school choice are identified and evaluated, with reference to both theory and available research evidence.

1. Is choice expensive?

A universal voucher or tax credit system could be expensive. Allocating full funding equal to the cost of educating a child in the public system to all children (many of whom currently receive only a fraction of this amount) would require governments to spend several billion dollars more on schooling. But these extra outlays would, at least in part, be offset by the efficiency of directing funding through families, and the downward pressure on schooling costs as a result of competition between schools.

Consider, for example, two families of equal size who have the same household income. One family chooses a state school, the other chooses a non-government school. Under the current system, one family takes advantage of taxpayer-funded education, while the other receives only a fraction of this government funding and pays the rest themselves. In effect, the non-government school family subsidises the choice of the state school family. This situation worsens if the family that chooses a state school has a higher income than the family that chooses a non-government school. The poorer family contribute their taxes to provide a 'free' education to the wealthier family.

Under a tax credit system, both families could claim the same amount of government assistance (in the form of taxation relief). One may still choose state schooling and the other non-government schooling, but neither family is financially disadvantaged by their choice.

2. Does choice encourage social segregation and undermine social cohesion?

One of the most common concerns about school choice is that if all families could choose their school, children would tend to congregate in schools with other children like themselves. It is feared that schools would become social, cultural or religious 'enclaves', and that children would not learn to understand and respect people who are unlike themselves.

In countries where school choice programmes have been introduced, the findings on social segregation by race, socioeconomic status and ability are varied. There is little evidence to suggest that schools would become segregated along racial lines. Research in the United States has shown that private schools are more racially integrated than public schools.³ Likewise, statistics on

charter school enrolments show that in 60% of charter schools, the racial composition reflects that of their surrounding districts; for another 35% of charter schools, the minority representation is higher.

Social stratification according to socioeconomic status is a more difficult issue to resolve. In the United States, most choice programmes are not universal, but are targeted at low income families. This makes questions of social stratification irrelevant. In England and Wales, however, quantitative studies of local areas, and of all students in all schools (8 million and 23,000 respectively), has shown that removing zoning laws and allowing parents to send their children to any school has resulted in decreased social segregation.⁴

In reality, public schools do not offer an ideal, heterogenous, inclusive environment—what Ken Gannicott calls the 'nirvana fallacy'.⁵ The current funding system, which favours public schools, is more likely to entrench differences in educational opportunity than a system that extends choice to all families.

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3. Does choice allow 'skimming', and create 'sink schools'?

Connected to concerns about social segregation is the fear that choice might privilege some students over others, that popular/better schools might 'skim' the best students, and that disadvantaged or 'problem' students might be left in poorly performing schools. Such a situation is often referred to as residualisation or the creation of 'sink' schools.

Research on school education reforms in New Zealand is informative on this matter. The 'Tomorrow's Schools' initiative, introduced in 1989, devolved school management to local school boards. Two years later, zoning laws were abolished and students were permitted to move from school to school. Detailed analyses of these reforms have highlighted both successes and problems, as a recent report by Edward Fiske and Helen Ladd outlined.⁶ In some areas, school choice invigorated the competing schools and improved education for all students. In one particular area, however, enrolments declined significantly in less popular schools, which the authors viewed as a negative impact.

In a review of Fiske and Ladd's analysis, Mark Harrison makes the important point that a distinction must be made between the institution (the school) and the individuals (the students).⁷ Declining enrolments

and/or declining average performance in some schools as a result of school choice does not necessarily mean that the remaining students in this school are any worse off. A decline in average performance due to declining enrolments may simply mean that the better students have left the school (and are now better off), not that the remaining students are performing worse. The remaining students may in fact be performing better than they were before, just not as well as the students who left.

There is evidence that school choice improves educational performance across the board.

Traditionally, state governments have had little motivation to stem the flow of students into the private school sector. Because non-government school students are subsidised at less than the cost of a state education, state governments benefit from children enrolling in a non-government school. School choice would require full funding to follow the student, so state governments could no longer remain complacent about the survival of their schools and employees.

Having guaranteed customers motivates businesses to provide only the minimum required service. An education monopoly motivates governments to provide schools that are just good enough to avoid large-scale voter rebellion. This is not to say that the intentions and the efforts of individual schools, teachers and employees of Departments of Education are not honourable, commendable or even outstanding, but they are almost powerless in the face of institutional ambivalence to innovation and improvement. Schools and educators must be given the means and the impetus to respond as they see fit to the needs of their students and communities.

4. What effect would choice have on 'social justice' and equality of opportunity?

One of the main objectives of the introduction of compulsory mass schooling was to ensure equality of opportunity. Taxpayer-funded state schools were established to provide access to education for children whose families could not afford to pay for it, or lived in areas where no other school was available. While this intention was noble, the alternative action—providing funding for poor children to attend existing schools

wherever possible—would arguably have been more beneficial.

This simple distinction between state funding and state provision of education is an important one. For as long as school education is compulsory and considered a public good, there will be a case for government funding. But it does not necessarily follow that governments must provide schooling, only the means to access it.

In the context of education, it is increasingly common for equality of opportunity to be conflated with social justice, yet these are quite different things. Equality of opportunity takes into account only inputs and process. Justice, however, is probably best understood as reward or penalty as deserved. Therefore,

justice is about due process and just results. As for 'social justice', F.A. Hayek argues that 'justice has meaning only as a rule of human conduct' and is by definition social.⁸

Discussions of 'social justice' and policy generally revolve around several conceptions, which can be broadly classified as social-democratic and liberal-individualist. A social-democratic approach to the question of equality in education would be a taxpayer-funded, common schooling system for all children. It would not

be enough for all schools to be the same, however, because socioeconomic advantage and disadvantage would accumulate in particular schools by area of residence. To combat this, some children would have to be assigned to schools outside of their local community so that each school has the same student mix. Families would have no say in where children attend school.

Ironically, in attempting to equalise outcomes by equalising the schooling experience of children with varying degrees of advantage and disadvantage, the common school makes non-school factors even more salient.⁹ When parents are not allowed to make decisions about what is best for their child, the aspects of their lives over which they have less control, such as their income and their own educational level, become even more influential. In other words, instead of mitigating the effect of family circumstances, enforced common schooling amplifies it by removing the opportunity for disadvantaged families to enhance their relative position. Poor or uneducated parents who cannot choose the

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school that offers the best opportunity for their children have no way of overcoming their social or economic disadvantage

A liberal-individualist approach would also advocate that all children have access to education. At the same time it would provide all parents with the freedom to choose how their children are educated. Taxpayer subsidisation would ensure that all families have the financial means to educate their children, yet would not dictate, within certain limits, how or where this money should be spent. This would give all well-meaning parents—wealthy, poor or otherwise—the opportunity to seek the best available education for their children.

Realistically, inequalities have always existed in free societies and, to some extent, always will. No model of schooling can, or should be, expected to remedy the ills of society. But if access, opportunity and freedom are the measures of social justice, then school choice comes closer to satisfying this objective than any realistic alternative.

5. If education is a public good, should it be publicly provided?

At least some minimum level of education is almost universally considered a public good—something that benefits a whole society. This means that all citizens, with or without children of their own, should contribute to the cost of education.

Leaving aside the problem of defining the common good in a heterogeneous society, if it is accepted that education ought to be collectively funded it does not inevitably follow that this education ought to be provided by government.

Some argue that because education promotes a common or collective good, whatever that may be, it should not be a matter for the private domain. Choice advocates, while accepting that education is a public good, claim that this is best advanced by allowing parents to be the primary decisionmakers.

As the author of *School Choice and Social Justice*, Harry Brighouse, notes:

The public goods argument treats children as a resource for society, whereas the proper approach treats them as vulnerable wards whose interests must guide society's approach to them.¹⁰

That is, the approach to education must have the welfare of *children* at heart, not the potential benefits to a society, although this is a by-product or externality. It follows then that those people who have utmost concern for children should be given responsibility for their education—that is, parents and families. Parents should not be restricted to schooling provided by the state in the name of the public interest.

6. Is choice democratic?

The democratic process, while desirable for electing government, is not flawless. By definition, it carries the wishes of the majority (and even that premise can be shown mathematically to be debatable) and therefore fails to reflect often diverse minority views. Furthermore, because governments are elected on a number of policies, it is not necessarily true that there is majority agreement on any single issue, especially one as complex as education.

Although governments may endeavour to provide schools that are inclusive, a one-size-fits-all common education system that tries to be everything to everyone often pleases no-one. When all children are required to attend schools that are part of a centrally-controlled school system, whose curriculum and values are dictated by government, there is far more risk of indoctrination than in a diverse school system accountable to the wishes of parents.

Some families' indifference towards schooling is frequently offered as confirmation that parents should not be given responsibility for their child's education. Denying parents the opportunity to make choices about their child's education, however, denies them a significant measure of control over their children's future and the result can be learned helplessness. School choice restores control to families.

Opponents of choice often argue that parents should instead be offered 'voice'—that is, 'consultation, discussion and joint action'—instead of the option of exit.¹¹ They suggest that improvement in schools can be brought about more effectively by parents' active involvement and participation.

There is no question that educational partnerships between parents and schools are important, and that parents' interest and involvement in their children's

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education is a great advantage.¹² School choice not only increases parental ‘voice’, but also lends weight to parental opinion and involvement. There is little reason for schools to take note of, or act on, parents’ concerns and ideas if parents do not have the option of exit.

7. Would choice destroy public education?

Among those who promote the value of a publicly provided education system, there is a remarkable lack of faith that it will be able to withstand competition from private providers. Those who extol the virtues of comprehensive public schools the loudest seem to be most afraid that comprehensive schools will be the first casualties of school choice.

The contradiction in these arguments should be obvious. If comprehensive public schools are truly the best way to educate children, they will have no problem attracting and retaining their students. To say otherwise is to suggest that parents either cannot or will not choose the school that is best for their children.

This is not to say that if, tomorrow, all parents were given the opportunity to send their child to any school, state or non-government, that there would not be an exodus from public schools. This is indeed possible, given the poor perception the public have of the quality of education and socialisation in the public education system.

In a choice system, at least some public schools could be operated as charter schools. Charter schools offer an alternative within the public sector for those parents who would like a public school that encourages their participation (some charter schools in the US demand it) and gives them an opportunity for a role in the school’s governance.

8. Choice increases accountability

The features of a monopolistic system of education are such that it is bound to experience difficulty in maintaining standards of excellence—the state purchases education (on behalf of its taxpayers), the state provides education and the state regulates education. There is therefore little external pressure or incentive to change or improve, either in educational practices or in efficiency. It is an act of faith for parents to expect a remote agent with no external accountability, such as a

government department, to always have their children’s best interests at heart.

School choice would break the state’s control over all aspects of education. First, it would make parents the purchasers of education instead of the state. In a tax credit system of financing education, parents spend their own money and schools would be accountable to them. Second, the state would lose its stranglehold over the families who cannot afford non-government education under the current system, and state schools would have to become viable institutions in their own right. Third, the market would join the state as regulator. Schools that do not offer parents the education they want for their children would experience a decrease in enrolments and be forced to change or close.

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9. How might teachers be affected by school choice?

Teachers and their unions have argued incessantly for increased spending on education. School choice funding mechanisms which provide a minimum per pupil expenditure for all students will require increased government spending. School choice also encourages private investment in education, meaning that the total investment in schooling will rise even further.

Under school choice, there would be more and varied employment opportunities for teachers. Conceivably, this would encourage more and better teachers to take up the profession. Where schools diversify and specialise, teachers can also specialise. This enables teachers to promote their particular talents and to use them to achieve the greatest benefit for both themselves and, more importantly, their students.

The breaking of the state monopoly on schooling, and the greater autonomy given to schools, could weaken the teachers’ unions. While some teachers might lament the perceived loss of job and salary security this will present, many will see this as an opportunity to liberate themselves from the constraints of fixed wages and conditions. They will experience the professional satisfaction that comes from the power to make and act on decisions that directly affect their schools, students and careers. Good teachers would thrive (and probably be rewarded with higher pay), and ineffective teachers would no longer be protected.

10. Would choice be limited because supply is not flexible enough to meet demand?

For choice to function effectively for all students, successful schools must be allowed to expand, unsuccessful schools must be allowed to close, and new schools must be allowed to establish themselves to meet demand. The conditions and processes of school registration and deregistration must therefore promote expedience, so that students are not trapped in failing schools because there is no alternative available.

Under the current system, the supply of schooling is inflexible. State schools have much of their resources tied up in capital, making either expansion or reduction an expensive and laborious exercise. The NSW state government has already begun to propose measures to alleviate this problem. Through private financing of school properties which the state then leases, the state relieves itself of the initial outlay for capital acquisition and is not tied to the site indefinitely.

Another obstacle to supply is the legislative condition that schools be non-profit enterprises. For-profit enterprises are able to raise funds more easily and more quickly than non-profit enterprises, which allows them to fill a gap in the market more swiftly.

Although for-profit companies are involved in technical and further education, as well as tutoring, legislation precludes them from providing schooling. This is perhaps because of fears that companies that act in their own interests will not have children's welfare at heart. Companies, however, that do not act for the benefit of their customers will fail. In the case of for-profit schooling, companies that do not provide clear benefits for children will close for lack of custom because the welfare of children and their own interests are inseparable.

Andrew Coulson claims that the absence of the profit motive from schooling has had a 'dramatic stultifying effect' and has disadvantaged education in two ways. First, the lack of an incentive structure that overcomes the risk of expansion has caused 'even the most popular non-profit schools to accumulate waiting lists of students instead of expanding to meet growing demand'. Second, preventing schools from making a profit 'discourages effective, results-oriented research and development'.¹³

Conclusion

We are yet to see a government brave enough to offer public subsidies to all students on an equal basis, irrespective of choice of school. But this is precisely what

is needed to bring about sustained improvement in schooling and to provide real equity in education. The present system, where families receive different amounts of public subsidisation based on the type of school their children attend, is inequitable in many ways. A funding system that provides all families with the means to enrol their children in the schools of their choice is the best way to ensure equity of access to education for all children.

Endnotes

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