

THE CASE FOR UNIVERSAL SCHOOL CHOICE

'The aim is not perfection but a less intolerable system—with a built-in improvement mechanism, the absence of which is the worst deficiency of the present system'

Lord Harris

INTRODUCTION

The last twelve months have seen a renewal of the public versus private schools debate, perhaps even more vigorously than ever before. Unfortunately, discussions have been limited by a narrow view of the options, revolving around the assumption that a public-private dichotomy in schooling is inevitable. We are moving ever closer to a blurring of this distinction. Yet there are still people who resist this change. Many, it seems, would prefer to revive the futile 'state aid' dispute of the 1960s than to accept the new challenges facing schools and move forward.

Given the apparent level of unqualified support for public schooling, one might reasonably conclude, firstly, that education has always been the province of governments and, secondly, that a government-provided education is the proven superior to a privately provided one. Neither of these is true.

Public education is a relatively new phenomenon, originally devised to complement church-run schools and private tuition. Colonial state governments decided around 130 years ago that education should be free, secular and compulsory (Keeves 1990), thus burdening their populations on three counts: 'free' education is, of course, not free because it is funded through mandatory taxation; the secular condition was the beginning of the 'one size fits all' concept which has since been discredited; and, making education compulsory gave governments the impetus to monopolise not only the funding but also the provision of schooling.

This state monopoly on funding and provision continues today. The federal Coalition government's attempt to reduce this monopoly by increasing funding to non-government schools has been widely criticised despite the stated rationale behind this policy being entirely logical. This rationale is, in short, that all parents are entitled to government assistance toward their children's education, no matter what sort of school they choose.

Some of the more vocal and powerful interest groups, such as the Australian Education Union and NSW Teacher's Federation, believe that parents who do not want a state-provided education for their child should forfeit their entitlements as taxpayers. As a result, governments have sought a compromise—private schools receive some government funding in acknowledgment of their constituents' rights as taxpayers, but not as much as public schools. The campaign against public funding of non-government schools has been so successful that, in the current climate, equal funding of all schools would not be politically expedient.

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. Schooling must be put back into the hands of the people who pay for it, making education 'public' in the true sense of the word. There is no justifiable basis for state schools to be considered more worthy of financial support than schools run by members of the community.

The stereotypes of public and private schools are persistent, but do not reflect reality. For every Scots College there is a Koinonia Christian Academy and for every Moree Technology High School there is a North Sydney Girls High. There is as much variety among non-government schools as among state schools, and the differences between schools are often not obvious. For example, on many levels, North Sydney Girls High has more in common with Ravenswood School for Girls than with the majority of state schools.

Given the increased levels of public funds being directed to private schools, with attendant accountability to the state, it is no longer accurate to distinguish between public and private schools on the basis of their funding source (Caldwell & Hayward 1998). The major distinction between them now is their governance. It is therefore more appropriate to describe public and private schools as state schools and non-government schools respectively. Public schools are operated by the state, whereas private schools are governed by church-based or independent organisations, and hence are non-government schools. This terminology has been adopted throughout the following pages.¹

Particularly in the last 30 years, the non-government school sector has been growing faster than the state school sector. State governments have failed to respond to the declining share of enrolments in state schools. In some areas the situation has now reached the point where many public schools are no longer sustainable in their existing form.

The most recent example occurred in March 2001. The NSW state government announced a major restructuring of public schools in the inner suburbs of Sydney due to declining enrolments, particularly in coeducational comprehensive schools. Teachers, parents and students were understandably upset at not being consulted prior to the announcement. Presumably many of these people believe in a public school system governed by a central authority. Yet they do not see how the situation to which they object is the direct result of the system they defend. If all schools were given the authority, the freedom and the resources to make their own decisions, such significant changes to schools could not be dictated and imposed by external agents.

Such independence can be brought about by school choice, under a funding system that empowers families, communities and educators, and is sensitive to needs at an individual and local level. As usual, the devil is in the details. And there are important questions to be resolved about the nature of education and the role of regulation of standards. Nonetheless, a growing body of research shows that school choice is both possible and desirable.

To be clear from the start, this book is not intended to be an attack on government schools, their staff or their students. Many government schools achieve great things against the odds. This is precisely the problem—they should not have to fight against

¹ Except when the text refers to the United States, where private schools (not including charter schools) do not receive any direct funding from governments and are therefore truly private.

the odds. Nor does it offer unequivocal support for non-government schools, many of which have taken advantage of the positional value afforded them by a limited market by pushing up fees and maintaining long waiting lists. Any criticism is directed at the system within which these schools operate.

School choice offers a way to release all schools from the constraints of the existing paradigm and to enhance the education opportunities and quality available to all children.

The idea of a new approach to school funding may seem radical and unrealistic to many. Conventional wisdom is difficult to challenge, because it is often based on misinformation and longstanding beliefs, both valid and invalid. When testing conventional wisdom, it is therefore important to start with facts and basic principles. The fundamental fact is that the current system of schooling is unsatisfactory. The basic principle of school choice is that parents should be in charge of their own children's education, for reasons that encompass both parental rights and educational imperatives.

Consensus on basic principles must be built before any useful discussion of policy prescriptions can ensue. Thus, the task for researchers and policymakers is to introduce new ideas in a way that is both palatable and pragmatic. In what follows, the current status of schooling is outlined. The case for school choice is then developed by evaluating and dismantling the case against school choice, and placing it in the Australian context. A discussion of tax credits as an option for funding school choice follows.

SCHOOLING: FACTS AND FIGURES

I. Schools

There are three main categories of schools: state schools, Catholic systemic schools and independent schools.

State schools form the public education system and are owned and operated by the state or territory government. Fees are voluntary and are typically less than \$200 per annum, so they are almost entirely taxpayer funded. Governance is highly centralised in state education departments. In 2000, there were 6,961 state schools in Australia (see Table 1), 30% of which are located in NSW and 20% in Victoria.

Catholic systemic schools and independent schools form the non-government school sector. Catholic systemic schools receive around 75% of their income from government sources (73% in 1999: DETYA unpublished data) and are governed by diocesan boards. A national body, the Catholic Education Commission, receives government funding at a per student rate equivalent to the second highest rate for non-government schools. This funding is then distributed to the diocesan education offices on the basis of an assessment of need.

Independent schools receive, on average, around 35% of their income from government sources (36% in 1999: DETYA unpublished data). Although there are some small groups of affiliated schools, in general each school is autonomously operated. Government funding of independent schools is calculated according to the estimated socioeconomic status of the school population. Each school is assessed individually and funded on a per capita basis. (More details about school funding mechanisms are given later.)

The remainder of the funding in the non-government school sector is from private sources, mainly derived from tuition fees paid by parents. Catholic systemic schools have a set fee for each level of schooling which is determined by the Catholic Education Office in their diocese. Among independent schools, however, tuition fees vary widely, from almost nothing in some community schools up to more than \$14,000 per annum in some protestant colleges (see Table 8).

Non-government schools must be registered with the Department of Education in the relevant state or territory. They must submit detailed reports of their operations, undergo rigorous evaluations of their curriculum content and physical environment, and must operate as a non-profit organisation.

In recent years there has been substantial growth in the non-government school sector, both in enrolments and the number of schools. The federal Labor government's 1985 'New Schools Policy' restricted growth in the non-government sector by placing strict, generally prohibitive, requirements on the registration of new schools. New non-government schools were allowed to open only if they were not in direct competition with an existing government school, and even then they initially received a fixed level of government subsidies, regardless of the income of the school or its students. From 1990 to 1996, an average of seven new non-government schools were registered each year (see Table 1).

The federal Coalition government abolished the New Schools Policy in 1997 and new non-government school registrations and enrolments subsequently increased to an average of 22 new schools each year from 1997 to 2000. Catholic schools have

maintained their majority share of non-government school enrolments, but the fastest growing category of non-government schools is non-Catholic independent (non-systemic) schools.

[Insert Table 1]

II. Students

It is now well known that there has been a ‘drift’ in student enrolments away from the state school sector toward non-government schools. There have been steady increases in non-government school enrolments, particularly since the 1970s, while state school enrolments have stagnated. Figure 1 shows the increasing proportion of enrolments in the non-government school sector since 1896—more than 30% of all school students are now attending non-government schools.

[Insert Figure 1 here]

This general national trend, however, conceals differences between the states and at different levels of schooling. Table 2 shows that the proportional size of the non-government school sector in each state and territory ranges from 22.6% of enrolments in the Northern Territory to 36.5% in the Australian Capital Territory. The largest non-government sector in terms of student numbers is in New South Wales, where there were 334,693 students in non-government schools in 2000 (ABS 2001).

Increases in enrolments in non-government schools are more marked for secondary students than primary students. In the transition from primary to secondary school, there is a tendency for state primary school students to move to non-government secondary schools. Table 3 shows that the proportion of senior secondary students (Years 11 and 12) in non-government Catholic and independent schools is greater than the proportion of junior secondary students, and much higher than the proportion of primary students. The increase in senior secondary enrolments is almost entirely attributable to independent schools.

[Insert Table 2 and Table 3]

The proportional increase in non-government school enrolments is significant, particularly in the important senior years, and the number of students concerned is large. In the last ten years, the non-government school sector has gained 140,000 students, an increase of 16%, while the much larger state school sector has gained only 55,000 students, an increase of 2.5%.

III. Socioeconomic status and students with special needs.

Both state schools and non-government schools enrol students from a broad range of parental and family backgrounds. The Productivity Commission’s 2000 *Report on Government Services* (SCRCSSP 2000) provides statistics on the number of children who are classified as having ‘special needs’. They include students from families with a low socioeconomic status (SES); students who are geographically isolated; students from a language background other than English; Indigenous students; and students with a disability.

Socioeconomic status

Socioeconomic status is an index of household income, parental occupation and parental education. No data comparing school sectors on this index is available, but this may change with the introduction of the new, SES-based, non-government schools funding mechanism. Household income figures from the most recent Census of Population and Housing (1996), however, provide some information about families in state and non-government schools.

Table 4 shows that state, Catholic and independent schools enrol students from families with a wide range of incomes. The number of students in the 'not stated, etc.' category is problematic as far as the percentages are concerned, but the numbers clearly show that the stereotype that non-government schools are exclusively for children from wealthy families is inaccurate.

[Insert Table 4]

Geographic isolation

Public schools presumably serve the majority of children in rural and isolated areas, although there are no statistics published in the usual sources to confirm this. In many cases, however, isolated students are home-schooled, either with or without state government distance education programmes, or they are sent to non-government schools with boarding facilities.

Language Background Other Than English (LBOTE), Indigenous children and children with disabilities

The Productivity Commission report provides figures for these three categories of special needs. By combining the state and territory figures to get national figures, we see that the proportion of students identified as having these special needs is higher in the non-government sector. Indigenous students are not a separate category in Table 5 as they are included in the LBOTE category under the Commonwealth's definition.

[Insert Table 5]

IV. Funding

The history of school funding

The first Australian schools were private, church-run schools established by the Church of England in the early days of British colonisation. The churches of Rome and Scotland set up schools soon after. It was not until the mid-1800s that the idea of government responsibility for education was seriously considered. The first allocation of government funding for secular schools occurred in 1848, its aim being to establish government schools in areas where children did not have access to church schools. Government subsidies to church schools were introduced in the same year. Initially, the two school systems had separate Boards of Education, and the government schools were seen as supplementary to the church schools (Anderson 1990).

In the 1870s, government subsidies to church schools were abolished, and 'free, compulsory and secular' education acts were passed. Education administration became highly centralised to combat perceived low standards in schools and to ensure that schools met the secular requirements. In response to their subsequent financial

difficulties, Catholic schools began a very successful recruitment campaign through their parishes, which saw their enrolments increase phenomenally. Throughout the period when there was no government funding of religious schools, Catholic schools, which could rely on the religious teaching orders, survived while other denominational schools floundered (Pascoe 2000).

Some government funding assistance to religious schools was reinstated in the 1950s, but many Catholic schools began to struggle, as a result of declining numbers of voluntary teaching staff. Because Catholics formed a substantial proportion of the voting demographic, government subsidies to Catholic schools became a key election issue. The Whitlam Labor government was voted into power in 1972 after making a promise to support all schools—public and private—on the basis of need (Centre for Educational Research and Innovation 1994).

The funding arrangements that have developed since then—a system of federal and state recurrent and capital grants—have allowed the establishment of hundreds of new schools. The fastest growing category of school is non-denominational Christian schools.

Issues in school funding

Calls for increased government funding for education are incessant. There are longstanding tensions between those who control education funding—usually people outside the education system such as politicians and government bureaucrats—and the people who are directly affected by education funding—educators, parents and public education lobby groups. For good or ill, the former group makes the decisions about funding.

The share of government spending enjoyed by the education sector has been remarkably stable in the last 15 years, despite the many changes in social policy and the significant increase in the share apportioned to social security and welfare expenditure. Yet because education funding has maintained its share as a proportion of GDP, it has increased in real terms as GDP has increased (Harrold 1998). As the proportion of retired and childless people in the Australian population continues to grow, it will become difficult for the education sector to maintain its current share of public spending, let alone secure an increased share. In this context, increased funding for education is more likely to be realised by encouraging and supporting policy that increases GDP than by demanding a larger slice of the funding cake.

Feeding into the reluctance of governments to respond to calls for increased funding is the resistance of teachers' federations and education unions to agree to performance measurement that might show a link between increased funding and improved outcomes. Without a rigorous evaluation of how money is spent, it is difficult to argue that more resources are either necessary or beneficial.

Even though government funding for both the government and non-government school sectors is increasing, particularly from the federal government, public education advocates claim that non-government schools 'drain' money from public schools. This is based on the notion that school funding is a zero sum exercise—an increase in funding to one sector implies a loss of funding to another. Budget figures

disproving this are often ignored, and it is a common argument that non-government schools are funded at the expense of state schools.

The assertions that non-government schools should not be publicly funded, typified in comments by Bev Baker, President of the NSW Federation of Parents and Citizens Associations (*Daily Telegraph* 21 August 2000), are echoed in the sentiments of Federal Labor MP Mark Latham (*Daily Telegraph* 1 September 2000), who has claimed (if rhetorically) that public subsidies for high fee schools are funded by 'working class taxpayers'. If by this he means low to middle income families, rudimentary calculations show that these families do not pay enough tax to cover their own children's educational expenditure, let alone anyone else's. Therefore, it is more likely to be high income childless families, who pay more tax, and families with children in non-government schools, who are subsidising the public education sector.

Support for public funding of non-government schools rests on the reasoning that all parents are taxpayers, and as such they are entitled to government assistance for the cost of their child's education, regardless of the type of school they choose. Presently, they must pay out-of-pocket expenses on top of their contributions as taxpayers if they exercise their freedom of choice in selecting a non-government school for their child. An even greater injustice is that parents who choose to educate their child at home receive no government support whatsoever. The reasons for governments to support and facilitate choice are not only economic ones. Choice is a fundamental part of a democratic society, and the benefits of school choice are many and varied. They are listed and explained later.

State and federal funding arrangements

It is compulsory for all children in each state and territory to attend school (or register as home-schooled) from the ages of 6 to 15 years (16 years in Tasmania). Under the constitution, state and territory governments are responsible for the provision of public education. The federal government provides some additional funding for public education, but carries the major responsibility for public subsidies to non-government schools, which are then supplemented by fees paid by parents.

In recent times, the federal government has been strongly criticised over the level of its support for non-government schools. Lack of attention to the state governments' role has led to widespread misunderstandings about funding of the different sectors. Letters and articles in the daily press consistently illustrate the pervasiveness of the false belief that non-government schools receive more government funding than state schools.

The 2000-01 Commonwealth budget allocates \$1.67 billion in funding to NSW schools—36% to state schools and 64% to non-government schools. At first glance, this appears unfair since the enrolment share in these sectors is approximately 70% and 30% respectively. Since school education is a state function, however, the bulk of public school funding comes from the state or territory governments. In 2000-01 in NSW, 92% of the \$5.4 billion in state government schools funding was for state schools and only 8% for non-government schools (NSW Department of Treasury 2000). This pattern is repeated without significant variation in each of the states and territories. Therefore, the effect of federal funding is partially to redress the imbalance in state funding.

State governments make only a nominal contribution to the cost of educating a child in a non-government school. Even when Commonwealth grants are included, each non-government school pupil receives significantly less in public subsidies than a student in a state school. Table 6 shows that state and federal expenditure varies widely between the states and territories. On average, each student who enrolls in a non-government school saves the state or territory government more than \$4000.

[Insert Table 6]

Per student expenditure in state and non-government schools

The figures in Table 6 include recurrent expenditures (such as wages and educational and curriculum services) as well as capital expenditures (such as acquiring and maintaining land and buildings) on state and non-government schooling.

The figures for state schools do not include the ‘user cost of capital’, which the Productivity Commission defines as ‘the cost of funds tied up in capital used to produce services ...The user cost of capital makes explicit the opportunity cost of using the funds to provide services rather than investing elsewhere or retiring debt’ (SCRCSSP 2001: 77). Put plainly, this means the cost to the government of not using the land and other assets associated with state schools for other purposes. The Productivity Commission estimates the ‘user cost of capital’ at \$1240 per student (SCRCSSP 2001: Table 3A.9). Non-government schools figures include the equivalent costs but are not supplied separately.

In state schools, government funding per student amounts to expenditure per student, but does not include funds privately raised by the school in voluntary school fees and donations. The average private income of government schools is not known, but can be estimated at less than \$200 per student.

In non-government schools, government funding per student represents only a proportion of the total expenditure per student. The balance consists of private income—mainly from tuition fees, although some schools receive substantial donations.

When funding from all sources—government and private—are included, average annual recurrent and capital expenditure per student in the state and non-government school sectors is not substantially different. In 1999 it was \$6425 and \$6777 respectively, but the state school figure does not include payroll tax or long-service leave and so underestimates the actual cost (SCRCSSP 2001; Department of Education Training and Youth Affairs unpublished data). As averages, these figures do not reflect the wide variation in per student expenditure in different schools, but they do indicate that the perception that the non-government sector in general is advantaged by much higher spending is incorrect.

The Productivity Commission’s *Report on Government Services* states that school expenditure is influenced by a number of factors:

influences beyond the control of governments, such as a high proportion of geographically isolated population and/or a dispersed population; policy changes in education, such as trade-offs between reducing costs and improving the quality of education and/or the accessibility of education; and

how well the education department and schools manage resources (SCRCSSP 2001: 74).

Each of these factors affects the state and non-government school sectors in the various states and territories to different extents. State schools are more likely to incur higher costs associated with socioeconomically disadvantaged school students and geographically isolated populations. Non-government schools have larger proportions of higher-cost secondary and especially senior secondary school students.

The third factor listed by the Productivity Commission is perhaps the most pertinent in terms of policy. How much of the public education dollar reaches the school, and why some schools achieve more than other schools with the same or fewer resources are important questions yet to be adequately acknowledged let alone answered.

Non-government school funding mechanisms

Education Resources Index (ERI)

Until recently, funding arrangements for non-government schools were based on the ‘apparent private income’ of the school. This is the aggregate of the school’s resources derived from private sources. The majority of this private income is tuition fees, but the apparent private income also includes the dollar value of donations, whether it is cash, goods, or services. That is, if someone donates a painting or some equipment to a non-government school, or spends time in a non-government school doing voluntary work, the in-kind value of these goods and services must be included in a school’s estimation of its income. The Education Resources Index or (ERI) is used to calculate the school’s funding category—the greater the apparent private income, the lower the government subsidy. State government funding to non-government schools is calculated in a similar way.

This funding mechanism can act as a deterrent for schools to increase their revenue from private sources. It is also a complicated, time-consuming procedure and is not necessarily an accurate indicator of the wealth of the school population. For example, a school with children from predominantly low to middle income families that enjoys a high level of donated goods and services may be classed as having a high private income and be placed in a lower funding category. The school might then be tempted to discourage people from volunteering their time. Another possibility is that a school charging high fees may actually have a sizable proportion of families who could not be described as wealthy. Put simply, the high private income of the school does not necessarily mean that all children in the school are from wealthy families.

Socioeconomic Status (SES) funding

New funding arrangements introduced this year are based on an index of the socioeconomic status (SES) of the school’s population. Under these arrangements, a school need only provide the residential addresses of its students, and the socioeconomic index of the school community is calculated according to SES indices derived from the most recent ABS Census. The lower the socioeconomic status of the school population, the higher the level of government funding.

This is clearly a more open method of determining the wealth of the school’s population, but it is not without its own problems. Funding is still calculated on a per

capita basis, but both the minimum and maximum levels of government funding have been increased. As a result, many non-government schools, including some of the high-fee independent schools, will be eligible for increased government funding. The federal opposition has claimed that the 62 wealthiest independent schools—known as ‘Category 1 schools’ under the ERI funding system—will receive an extra \$60 million under the new SES arrangements. Predictably, this has caused controversy.

Dr David Kemp, Federal Minister for Education, Training and Youth Affairs, disputes this. He maintains that the wealthiest schools under the ERI system are not necessarily the schools serving the wealthiest communities, and that the claims made by the opposition are based on this erroneous assumption. The new funding system will allocate 13.7% of AGSRC (Average Government School Recurrent Costs) per student in the schools serving the wealthiest communities. This translates to an average increase of \$43 per student in these schools in 2001, rising to \$198 in 2004 (Ministerial press release 31/8/2000). At the same time, it is true that some of the so-called ‘elite’ schools with the most assets, including ERI Category 1 schools, will be eligible for significantly more than this.

A major challenge to the validity of the SES funding system is that wealthy families who live in lower income areas are allocated the same SES as their area of residence. That this will contribute to the school receiving a lower SES index and therefore higher funding is a real possibility. The opposite scenario is also possible, however, where a not-so-wealthy family living in a high income area is assigned an SES score higher than their financial situation would warrant. Nonetheless, there is very little that can be done to avoid this other than to conduct an intrusive, time-consuming census of each school population, which may not be any more accurate.

It is easy to see why there is so much opposition to the SES system when schools that have a great number of assets and facilities attract a bigger increase in funds than many obviously needy state schools. Why there are state schools that are under-resourced when public education funding is at unprecedented levels is an important question for both state and territory governments.

Another objection is that the Catholic systemic schools are exempt from the SES-based funding. All non-government schools in the Catholic system are funded at a level negotiated by the Catholic Education Commission and the federal government in 1998, rather than each school being individually assessed. Under this agreement, the Catholic system receives an increased level of funding, but whether this is more or less than they would have received under the individual SES funding arrangements is difficult to determine. The situation with the Catholic systemic schools is not a special exemption, however, even though it may appear so. Under the proviso that no school would receive fewer funds as a result of the new arrangements, all non-government schools that would receive less under the SES system have had their funding maintained at the ERI level.

The Enrolment Benchmark Adjustment (EBA)

The Enrolment Benchmark Adjustment (EBA) was introduced by the federal government in 1997 to counteract the cost-shifting between state and federal governments that occurs when enrolments increase in non-government schools. As already noted, state and territory governments have the major responsibility for the

funding and provision of public education, whereas the federal government provides the bulk of the public subsidisation of non-government schooling. This means that when a child enrolls in a non-government school, the financial burden moves from the state or territory government to the federal government, otherwise known as 'cost-shifting'.

For example, there were 326,423 children in non-government schools in NSW in 1999. Using the per capita expenditure for 1998-99, if these children had been enrolled in state schools, they would have cost the NSW State government an extra \$1.4 billion.² The actual funding obligation of the Federal government was approximately \$856 million.³

A common misconception is that the federal government uses the EBA to transfer funds from state schools to non-government schools. This is not necessarily the case. The money spent on school education comes from one original federal source, but is allocated in several different ways:

1. General (untied) grants to the states and territories, which are responsible for providing public schooling but are free to choose how much to spend on the provision of this service;
2. Tied (recurrent and capital) and targeted grants to government schools;
3. Tied (recurrent and capital) and targeted grants to non-government schools;
4. Targeted grants for joint school programmes (such as national numeracy and literacy programmes), which are administered by the states and territories.

States and territories spend their general (untied) grants as they see fit. They therefore decide how much of these grants to spend on schooling. To recap, each child enrolled in a non-government school costs the state government less than a child enrolled in a state school, and the cost of educating that child is transferred to the federal government. The EBA calculates how much the state has saved by children enrolling in non-government schools and deducts 50% of that amount from the general grants to that state. It is the state or territory's decision whether to deduct this money directly from the education portfolio, or to absorb the deduction elsewhere in its budget.

The money withdrawn from the state's general grants goes back into the overall federal funding pool to compensate for the increased burden it has accrued as a result of an increase in enrolments in non-government schools. Non-government schools do not receive any more funding than they would qualify for under the per capita funding arrangements described above. The EBA is purely an adjustment to account for the shift in financial responsibilities between the state and federal governments. If there is

² The number of children in non-government schools (326,423) multiplied by the difference between the State's per capita contribution to public schools and the State's per capita contribution to non-government schools (see Table 6) = \$1,428,753,400. This would in fact be an underestimation of the 1999 costs.

³ The number of children in non-government schools (326,423) multiplied by the federal government's per capita contribution to non-government schools (see Table 6) = \$856,533,950.

no significant change in enrolments in the two school sectors (there is a 'buffer' of 0.05%), or if there is an increase in the government share, the EBA is not triggered.

The EBA also has an indirect function. By reducing grants to states and territories when there is a shift in enrolments towards the non-government sector, it creates an incentive for state and territory governments to minimise this shift. In this way, the EBA encourages a focus on the quality of public education in order to maintain or increase enrolments and therefore funding.

The EBA is defensible in theory. But in practice it is problematic. Instead of calculating the deduction to be made from the state government general grants on a per capita basis, the EBA uses the *proportional* change in enrolments compared to a 1996 benchmark. This results in the unfortunate situation whereby funding to state schools can be reduced (by states passing their general grants deductions onto the education portfolio) when enrolments in state schools, in absolute terms, have increased.

In Queensland, for example, from 1996 to 1999, enrolments in public schools increased by 14,190 students. Yet because the proportion of all students this represents was less in 1999 than in 1996, approximately \$5 million was withdrawn from federal grants to Queensland in 1999. Likewise, the federal government reduced general grants to NSW in 1999 by \$16.9 million because the proportion of children enrolled in government schools in that state had decreased from the 1996 benchmark—from 71.4% to 70% of enrolments. Yet the actual number of children in public schools had increased by 3091 students. The NSW State government retaliated against this perceived injustice by deducting \$5 million from state funding to independent schools. This state has since witnessed an extraordinary public conflict between the federal and state education ministers.

In March 2000, the Ministerial Council on Education, Employment, Training and Youth Affairs decided to review the EBA and recommend alternatives to the Federal Minister. No such recommendations have yet been made. In January 2001, the federal government announced that it would allow states to keep funds withdrawn under the EBA, on the condition that it is spent on education in maths, science and information and communication technology. For NSW, this means that around \$115 million will be returned to the state over four years. More importantly, it means that the EBA has effectively been abandoned and that public education systems will be funded irrespective of changes in enrolments.

Conclusions about funding

It is almost universally agreed that state schools play an important role in our education system. Many of those people who support public education also support the right of parents to choose an alternative. Opinion begins to diverge on the question of whether such choice should be supported through government funding and, if so, to what extent.

Federal government funding policy seems to be designed to facilitate competition. But if competition between schools is to have a positive effect, it is important that state schools have the resources to be able to compete with the non-government schools. The statistics quoted on page x show that per capita expenditure from all sources in the state school sector is roughly equal to that in the non-government school sector.

Yet, as a result of poor distribution of resources, inefficient budgeting, or other reasons, many state schools are apparently in dire financial difficulty. This is a systemic problem within the public education sector that must be addressed without delay.

Ultimately, the conflictive nature of the debate over school funding, and the improbability that it will ever be resolved while the current arrangements are in place, reinforces the need for a common system of school funding. If school education is to be publicly funded, it should be available to all students without discrimination. This does not necessarily mean a one-size-fits-all system of schooling. Choice should be available to all students, regardless of income and irrespective of the schools they attend.

A common non-discriminatory funding system would remove the divisions along the lines of school sectors and would arguably improve education for all children.

SCHOOL CHOICE: OPTIONS AND ISSUES

I. What is school choice?

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.⁴ 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 (Tooley 2000a). 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.

⁴ There is disagreement about whether growing dissatisfaction with public schooling precipitated this trend or followed it. It is likely to be a combination of the two.

II. Options for 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.

The school's charter, or contract, might be devised by the district or state education authorities. Essentially, 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 charter schools. 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.

The section 'Funding School Choice' takes up the discussion of tax credits for education in more detail.

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 (2000a; 2000b) advocate this as the only way to achieve true choice. 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.

III. Issues in 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. The evidence from overseas research is that their claims are unfounded and that educational standards are often enhanced.

Much has been written about school choice in the past. Yet although the logic and the reasoning was sound, it has necessarily been speculative. It has never been, and never will be, good enough to base policy on theoretical speculation. Policy ideas should not be adopted or abandoned purely on principle, irrespective of their practical effects. Both careful research and solid reasoning must be employed.

We are now in the position to re-examine the concept of school choice in light of an emerging body of empirical evidence demonstrating the strengths of school choice reforms and, just as importantly, their weaknesses. This allows policymakers and interested people to make informed rather than ideological judgments about the nature and efficacy of school choice.

In what follows, ten of the most common questions about school choice are identified and evaluated. In each case, the questions are addressed in terms of both theory and the available research evidence.

So much has been written about school choice, especially in the United States, that it is impossible to read and include everything. The following summary and analysis of the literature attempts to cover the major concepts and give acknowledgment wherever it is due, but it is probable that many ideas and names have been omitted. For reasons of space and clarity, this was unavoidable.

1. Is choice expensive?

Choice can be expensive, but is also efficient and equitable.

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.

As it stands, school funding takes no account of the financial circumstances of a family, but instead depends on the type of school they choose. According to the most recent national Census (1996), more than half of the 337,000 children whose household income exceeded \$78,000 per annum attended state schools (see Table 4). The other 45% of high income families, who sent their children to non-government schools, presumably pay the same amount of tax, yet must contribute extra to their children's education.

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.

A common funding system for all schools that facilitates choice extends to all families the freedoms that a minority of families now enjoys. It achieves this by seeking equity in parental means rather than between schools. Moreover, a tax credit system that helps parents to contribute to their children's education allows direct public funds to be targeted at the most needy children and families.

Decentralised funding is more efficient

Efficiency is a measure of inputs and outcomes—increasing efficiency means maximising the difference between costs and benefits. Efficiency is not about minimising inputs, although it can be expressed as minimising the cost of producing a given value of output. An efficient school or school system achieves the best possible outcomes with a set amount of resources.

An often overlooked fact is that there is very little difference in the average amount that state and non-government school sectors spend per student. There is evidence that non-government schools are, on average, more academically successful than public schools (Gannicott 1998; Kelley 1995; Kelley & Evans 1999),⁵ suggesting that non-government schools make more efficient use of their funds. That is, on average, they apparently achieve better results with a similar amount of money.

This has important implications for state school systems and their governing agencies. Many existing state schools are apparently under-resourced compared with non-government schools, possibly because the bureaucratic nature of a large centralised system means that less of the education dollar reaches the school. Funding directed through parents could alleviate this problem by reducing the cost of government administration.

In Australia's two largest state school systems—New South Wales and Victoria—funding levels decreased in real terms throughout the 1990s. Victoria experienced the greatest decrease, particularly in out-of-school expenditure, but appears to have improved learning outcomes, possibly as a result of structural reforms.

Table 7 shows that real in-school per student expenditure in New South Wales state schools rose by 3.5% in primary schools and fell by 6% in secondary schools over this period. (This includes state and federal funding). The lack of consistent standardised testing in high schools precludes drawing any conclusions about the effect of decreased funding on student performance, but improvements in primary-age literacy levels were small, albeit in a positive direction. Retention rates to Year 12 fell by 7%, which may explain some of the decrease in secondary school expenditure as senior school students are more costly.

In Victoria, per student funding fell by 1.5% in state primary schools and by 22.5% in state secondary schools, also with very little change in student-teacher ratios (a proxy measure of class size). This suggests that the decrease in funding is not at the expense of larger classes. The implementation of the 'Schools of the Future' self-managing schools reforms attempted to increase efficiency (maximising the learning outcomes achievable with limited resources) by giving schools more control of their resources. By 1996, approximately 92% of the Victorian recurrent expenditure in schools had been devolved to schools (Caldwell 2000).

Devolution of funding gave Victorian schools the autonomy to make decisions about the most effective use of their resources and more freedom to select staff that best met

⁵ Research by Kelley (1995) and Kelley & Evans (1999) found better results for non-government schools even when family-related factors were taken into account.

the needs of the school population. It is not possible, unfortunately, to present statewide test statistics that would demonstrate the impact of this strategy on learning outcomes because there is no baseline achievement data against which comparisons can be made. This situation exists for two reasons: first because no systematic monitoring of achievement had been conducted prior to the reforms; and, second because of union bans on providing student achievement information to researchers in the first phase of the reforms.

Instead, the judgements of school principals on the extent of improvement in teaching, learning and curricula were surveyed. On the basis of these surveys, it appears that student learning and achievement has been enhanced by the reforms. The Cooperative Research Project reported in 1998 that '84% of principals gave a rating of 3 or more on a 5-point scale of 'low' to 'high' on the extent to which the expected benefit of 'improved learning outcomes' had been realised in their schools (Cooperative Research Project 1998: 96). Parallel smaller research projects conducted in Victoria using a sample of schools have revealed promising results so far, even during the difficult transition period, with limited evidence of both improved literacy performance and teacher satisfaction (Wee 1999; Richardson 1999; Hillier 1999, cited in Caldwell 2000).

This evidence points to indirect links between the structural aspects of the 'Schools of the Future' reforms and gains in student learning, mediated through the Curriculum and Standards Framework implemented at the same time. Detailed analyses of the surveys point particularly to the benefits of schools 'taking up the capacities for self-management, targeting their resources at professional development programs in areas of high priority and tailoring their curriculum to meet the particular mix of learning needs in their school' (Caldwell 2000: 50).

The situation in other countries where site-based management reforms have been implemented is similar. In England, for example, the budgetary impact has been commendable, and research indicates that principals in England are satisfied that learning has been advantaged, with a large and increasing majority of principals expressing their support for decentralised resource management (Bullock & Thomas 1994). Comparable reforms in New Zealand were also considered a success by principals and teachers—albeit with some specific criticisms—but again educational outcomes cannot be demonstrated statistically (Fiske & Ladd 2000). The New Zealand reforms will be revisited in more detail later.

It should be noted that devolved funding—ie. self-managing schools or school-based management—is rarely sufficient in itself to generate improvements in teaching and student outcomes. Research is beginning to identify which characteristics of such reforms are related to positive changes and which are related to failure (Wohlsletter 1995). The continuation of such research is developing a best practice model of self-managing schools.

A study comparing the educational policies of countries participating in the Third International Maths and Science Study with their performance found that 'institutional variation across countries explains far more of the variation in student test scores than do differences in the resources devoted to education' (Woessman 2001: 74). Some of the significant features associated with higher test scores were a higher share of public education spending going to private institutions; a larger share of enrolments in

private institutions; schools with more decision-making powers; schools hiring their own teachers; schools determining their own teacher salaries; and individual teachers (not teachers' unions) having a lot of influence on the curriculum. All these features involve devolution of responsibility to schools and support the argument that the level of resources is less important than the way in which they are spent.

Not all non-government schools are out of the average family's reach.

Claims that non-government education is available only to the wealthy are false. The high-fee independent schools that dominate the image of non-government schooling are not typical. In fact, many non-government schools—including Catholic and independent schools—charge fees that make them accessible to families at a wide range of income levels. The Census data in Table 4 indicates that around one quarter of families with children in non-government schools have incomes less than average weekly earnings. This was confirmed in a more recent parent survey in Queensland (AISQ 2000).

Catholic systemic schools—schools that are under the authority of the Catholic Education Commission—charge a common fee within each state and territory. In the Archdiocese of Sydney, all Catholic systemic schools charge a maximum of \$1308 in annual tuition fees in 2001 (much less for primary schools), and this amount decreases if more than one sibling attends a school (Catholic Education Office 2000).

Independent schools set their own fees. Table 8 shows the range of annual tuition fees of the independent schools listed in the *Independent School Directory 1999-2000* (AHISA 2000). It can be seen that a significant number of these independent schools charge fees less than \$3,000 per annum—28% of primary schools and 25% of secondary schools.

[Insert Table 8]

A full listing of independent school fees is not available, but since AHISA members do not include schools belonging to a system (for example, most Steiner, Montessori, Islamic and Christian Community Schools), which typically have lower fees, the proportion of low fee independent schools in the entire non-government sector could be somewhat larger.

Figures collected by the Commonwealth Department of Education, Training and Youth Affairs support this. In 1999, average annual school fees and charges in all non-government schools was \$2,460. The average for Catholic schools was \$1,234 and the average for independent schools was \$4,719 (DETYA unpublished data).

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

The evidence does not support this, and in many cases shows the opposite.

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.

Several points must be made in addressing concerns about a lack of diversity in a school’s population. First, the evidence regarding social segregation caused by free choice is mixed, but in many cases desegregation has been found. Second, the current situation is at least equally likely, if not more likely, to cause social segregation. Third, schools are not the only places children learn about other people.

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 (Greene 2000a). 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 (Tooley 2000b).

Social stratification according to socioeconomic status is a more difficult issue to resolve. The research is mixed. 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. This research also indicated that the most disadvantaged schools did not become ‘sink’ schools but actually improved (Gorard & Fitz 1998; 2000).

In New Zealand, low-income and minority students were more likely than any other group to take advantage of school choice. The net effect was a decrease in social segregation (Harrison 2001).

Economist Caroline Minter Hoxby (1998) suggests that the lack of a significant increase in segregation arising from school choice in the US is explained by two factors. First, public schools are already quite segregated by race, ethnicity and socioeconomic status, owing to residential zoning patterns, so any increase in segregation must come from a high baseline. Second, competition between schools allows segregation to increase slightly in public schools and to decrease slightly in private schools. These changes offset each other and make the combined impact even smaller.

In reality, public schools do not offer an ideal heterogenous, inclusive environment—what Ken Gannicott calls the ‘nirvana fallacy’ (1998: 131). The current funding system, which favours public schools, is more likely to entrench differences in educational opportunity than a system which extends choice to all families.

Some families will still be restricted in their choices by geography or other factors, but there are strategies that might make access to school choice more equal, such as free travel. Such strategies do not require government intervention in education

provision, but rather help particular families to take advantage of the options available.

Coercion is neither the best nor only agent of tolerance and respect.

Parents have a responsibility and a natural tendency to do what is best for their children. Social policy should be a conduit for parents to fulfil this role rather than a mechanism of the state to coerce a particular end. The United States policy of ‘racial and ethnic manipulation of public school assignment necessitating forced busing of children out of their neighbourhoods’ (Haws 2001) is an extreme example of the creation of an artificial community at the expense of naturally-forming communities.

The idea that assigning children to common schools, thereby enforcing ethnic and socioeconomic mixing, contributes to a stable society by instilling common values raises several questions. Beyond the established mores and character virtues of a democratic society, who determines what values underpin ‘social cohesion’? How can we be sure that the government of the day is impervious to the influence of special interest groups? Should these values be imposed on all families? What evidence is there that public schools are better at achieving such social objectives even if they are acceptable?

In a multicultural pluralist society, do we try to ‘blend’ students or respect their differences? Simultaneously praising ethnic diversity and promoting cultural merging is counterintuitive. To take the point one step further, exactly who is threatened by schools that are culturally homogeneous? If schools that cater for Muslim students become more common when parents are given choice, why might this be considered undesirable when schools that cater for Catholic students are acceptable?

Contrary to concerns that allowing families access to private education poses a threat to social stability, evidence from the United States indicates that private schools do a better job than public schools in instilling civic virtues and promoting ethnic integration and tolerance. According to data from the US Department of Education, private school students are more likely to volunteer for community projects, have more cross-racial friendships and are involved in fewer race-related conflicts (Peterson 1997).

Concerns about social cohesion are pervasive even though most parents acknowledge the value of a heterogeneous school population that reflects the ethnic and socioeconomic mix of the community as closely as possible. Just because parents want their children’s schooling to take place in an appropriate environment, it does not follow that this environment must contain only people of their own socioeconomic class or ethnic background. It is more likely to be a case of priorities and values. Parents want their child’s school to reinforce the values they teach them at home.

For those people who fear that school choice will result in socioeconomic or ethnic ‘enclaves’, to the detriment of children, education and society, sociologist Charles Murray asks an important question: if you would choose a socially heterogeneous school for your child, ‘what makes you think that most people aren’t as sensible and fair-minded as yourself?’ (Murray 1988: 256). It is irrational—and arguably patronising—to assume that there is a large group of people who would behave differently (read less wisely) than you under the same circumstances.

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

‘Sink’ schools are not an inevitable consequence of choice.

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 (Fiske & Ladd 2000). In some areas, school choice invigorated the competing schools and improved education for all students. In one particular area, however, it was reported that schools did not respond well to competition and 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 (2001) makes the important point that a distinction must be made between the institution (the school) and the individuals (the students). 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.

Fiske and Ladd similarly assert that any problems identified are by no means insurmountable and that the lessons learnt could be helpful in preventing future problems. They also claim that literally every person they spoke to in the course of their evaluation agreed that the reforms have been beneficial overall and preferable to the previous system. Despite this positive response, many of these reforms are now being reversed after a change of government in 2000.

One of the drawbacks of a ‘quasi-market’ system, where government still funds and regulates schools, and choice involves only public schools, is that schools cannot be fully responsive to the market. It is difficult for failing schools to close and difficult for popular schools to expand. School choice reforms must take this into account. As noted, where choice reforms have caused problems for schools serving more disadvantaged population, there are strategies that can alleviate these problems. Such strategies might include intervening earlier in the development of problems to help schools respond. While government intervention is counter-productive in the long-term, it may be necessary as an initial safety-net measure to ensure that students do not suffer for any length of time while schools adapt to their new responsibilities and learn to take advantage of their new opportunities.

Furthermore, there is reason to believe that the problems experienced in New Zealand may not translate into the Australian context. In NSW, for example, residential zoning for public schools is now rarely enforced, yet the majority of families still send their children to the local school. Inequities that currently exist between schools in areas of differing socioeconomic characteristics are likely to be the product of flaws in the public school funding model.⁶

School choice decisions are not necessarily academically-based, although this does play a role. Surveys of parents in various Australian states show that other characteristics of a school, such as the school ‘ethos’ and discipline, carry more weight (Weston 1998; AISV 2000). Studies in the US have yielded similar results, with parents citing teacher quality, discipline, school safety, and religious instruction as important, along with academic quality (Howell & Peterson 2000).

Comprehensive schooling is not unequivocally the best way to educate children.

The case for universal comprehensive schooling is based on the claim that all children benefit from being in school with children of differing academic abilities. While there is some evidence to confirm that less academically able students benefit from the influence of their brighter peers, there is also evidence that students who are exposed to low performing groups tend to perform less well themselves (Hoxby 2000a). An important question yet to be answered is whether the pull-down effect of less able or less committed students is more or less strong than the pull-up effect of their brighter or more dedicated peers. Despite this uncertainty, universal comprehensive schooling confines students to schools in which they are possibly less likely to achieve their potential, ostensibly in the interests of other students. (It is interesting to make a comparison between academic and sporting pursuits. Academically selective schools are often the target of criticism, yet dissent about the ‘streaming’ of elite athletes into special programmes is rare.)

Uniformity in a school’s population is not necessarily disadvantageous. Perhaps the biggest challenge comprehensive schools face is meeting the needs of a broad range of students—from those with learning disabilities to gifted children. In the US, where charter schools have become the most common school choice option (albeit for a small minority), this scenario has developed spontaneously; around half of all charter schools are for ‘at risk’ students (Tooley 2000b). According to research published by Harvard University, local schools appreciated the diversion of such students into schools that welcomed them and were better prepared to serve them (Hess et al. 2000).⁷

⁶ Myron Lieberman (1993) and Mark Harrison (1996) suggest that students in public schools in middle class areas probably receive more public funding than their counterparts in low socioeconomic areas because (a) they attract the most experienced, most qualified and therefore most expensive teachers, (b) their grounds are more expensive (user cost of capital is higher, see page x) and (c) they are more likely to complete the more costly senior years.

⁷ Claims that enrolment in such schools stigmatises children can be countered with the argument that such stigmatisation is trivial compared with the embarrassment and difficulties that accompany adult illiteracy and unemployment, and is in fact a small price to pay for a better education.

One way that school choice might therefore improve educational quality is by facilitating the development of schools that cater exclusively for ‘problem’ students—those with learning or behavioural problems—even if only for a limited time, such as one year. Teachers in such schools could undergo specific training for this purpose and would probably require some extra financial support. Similarly, academically selective schools would continue to foster the talents of their students, and other schools might specialise in different areas, such as languages, technology, sports, or performing arts. Demand for such schools is already strong, and while existing schools of this type are not academically selective in the same way as selective schools, their performance in Year 12 final exams is strong.

Ultimately, the decision to attend a comprehensive or selective school, or a coeducational or single-sex school should be up to students and their parents. It should not be imposed by governments.

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

Evidence of the effect of school choice on educational quality in other countries must be considered in light of the constraints within the various systems. In the United States, for example, choice programmes are not universal and are often open only to disadvantaged (often minority) students. Therefore, studies showing improvement in school performance are confined to a non-random sample of students. Nonetheless, the evidence of benefits to students who are given the opportunity to choose their school is, in most cases, promising and, in some cases, striking. For example:

- Students in the Milwaukee Parental Choice Program, one of the longest running choice programmes in the US, have shown significant gains in maths test scores, equivalent to the gap between black and white students (Rouse 1998).
- School choice in Cleveland, Ohio raised the proportion of students passing the 4th-grade proficiency test by almost 6% (Vedder and Hall 1998).
- A Harvard academic who developed an index of educational freedom based on the amount of choice available to parents found that the US states with the greatest education freedom also had the highest achievement levels on national standardised tests (Greene 2000b).
- In the UK, 86% of 300 schools surveyed improved their performance when school choice was introduced (Levacic & Hardman 1998).
- Some of the most convincing and thorough research has been conducted by Caroline Minter Hoxby of Harvard University, who found that an increase in choice not only had a significant positive effect on measures of achievement ranging from test scores at school to wages at age 32 years, but also lowered per pupil spending (Hoxby 2000b).

Choice inevitably results in competition between schools to attract students and therefore funding. In New South Wales, the state education system is beginning to

respond to the competition it faces from non-government schools. A number of high schools in Sydney that have declining enrolments are being considered for closure and amalgamation (NSW Department of Education and Training 2001). These high schools are ostensibly being restructured to provide educational services that meet the demands of parents and students.

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. Even the recently abolished Enrolment Benchmark Adjustment removed only half of the estimated savings accrued from non-government school enrolments, the remainder staying in the state coffers. 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?

Social justice and equality mean different things to different people

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.

Once the criterion of access to education has been met, questions of equality turn to the ability of different people to benefit from the available opportunities. For example, do some children get a better quality of education than others because they are advantaged in some way? Can equality of opportunity in these terms be achieved through social policy and, if so, how?

Sociologist Christopher Jencks (1988) points out that although there is almost universal agreement that the concept of equality of opportunity is good and fair, there are many different ways in which equality of opportunity can be understood in

practice, based on different principles of what is just. Jencks gives several examples: moral justice prescribes giving more resources (whatever they might be) to children who try harder; humane justice ordains that more resources be given to children who are most disadvantaged; and democratic equality requires that all children receive equal resources. Each of these, as well as others Jencks describes, is worthy of consideration. Each leads to a different distribution of resources, yet none is entirely satisfactory.

Taking outcomes into consideration complicates matters further. Given equality of opportunity, are unequal outcomes unjust? For example, given equality of opportunity, if the son of a poor man grows up to become wealthier than the son of a rich man, is this unjust? If not, it shouldn't matter if the son of the rich man becomes wealthier than the son of a poor man, under the same circumstances. Apparently, it does matter, bringing us to social justice.

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' (1979: 4) 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. Both are frequently used to define social justice on the basis of distributive justice, yet this is not made explicit.

The social-democratic understanding of social justice regards society as a collective working toward a common good rather than a group of individuals acting in their own interests. The social-democratic concept maintains that the need of one person is more important than the liberty of another. In the liberal-individualist approach, individual liberty is most important and the needs of particular individuals are dealt with subsequently. The common good is achieved by the combined actions of individuals.

These philosophies lead to different definitions of justice. The liberal-individualist philosophy attests that inequalities are not unjust unless they are the consequences of intentionally discriminatory practices that disadvantage some members of a society. This is not to say that equality is not valued, but that the cost of pursuing equality of outcomes is high (especially in terms of liberty) and the end result will not be equality anyway. The social-democratic philosophy regards inequalities as primarily due to unequal opportunity, for whatever reason, and therefore as unjust.⁹

⁸ Rather than attempt to distil the millions of words that have been written about social justice into several paragraphs, the reader is directed to the following sources for deeper analyses of the issues: for a general discussion, see F.A. Hayek (1976); for education specifically, see Myron Lieberman (1993, Chapter 9) and John White (1994).

⁹ Thomas Sowell (1999) talks about 'cosmic justice'—the impossible quest to control for all factors that might lead to individual differences, even those that are beyond society's, or indeed anyone's, control.

Both of these approaches implicitly define inequality as bad, but why? If two people lead satisfying lives, but one has more money than the other, is this intrinsically wrong and should it be corrected? If not, what we are really concerned about is minimums. If we raise the minimum of a particular good so that, theoretically, no-one is at a level that constitutes suffering, does it still matter that some have more than others? Morally, it is not important that everyone has the same, but that everyone has enough (Frankfurt 1988). This is especially pertinent in a situation that involves something which is not of finite value, such as education. One person receiving more of something does not mean that another person receives less—the quantities are relative, not absolute.

In terms of education policy, justice and equity are rarely clearly explained by those who advocate it. There are many important questions: What are the criteria that determine whether a policy is socially just? Is equality of opportunity enough, and can it ever be achieved by policy? Is it enough to ensure that all children have access to education, or must they all receive exactly the same education so that none are unduly advantaged? If they all receive the same education, is it unjust that some students do better at school because of non-school factors, such as family environment? Further, why are some sources of difference perceived as unjust when others are not? For example, why is an advantage afforded by high income unjust when an advantage afforded by high intelligence is not?

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. The school assignment criteria would have to include socioeconomic status, ethnicity, religion, and academic ability. Such an approach has not been shown to be beneficial for all students but this is not the objective. The objective is to ensure that all students receive equal treatment.

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 (Tooley 2000a: 81). 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 school that offers the best opportunity for their children have no way of overcoming their social or economic disadvantage. Moreover, David Green (1991) suggests that attempting to achieve social justice and equity through 'equalising' is detrimental to those people it claims to assist because focusing on redistribution across a whole society means that less attention is paid to the children most at risk.

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.

The inevitable question is: What about the children of parents who are not well-meaning? The answer requires further evaluation of the concept of justice.

In the common school system, a proportion of children are potentially at risk of educational disadvantage as a result of factors largely beyond parents' immediate control, such as income, level of education and children's abilities. In the school choice scenario, educational disadvantage potentially arises because of the indifference and inaction of some parents. Which situation is more unjust? And which can more easily be improved?

To reduce family influences on educational outcomes in a common school system, families would have to be made more homogeneous. Income redistribution would have to ensure that all families have the same financial resources. Family structure would have to be dictated, as would whether one or both parents may work. Special consideration would have to be given to those children whose parents have had less formal education. This is clearly extreme. Yet this is what it would take to remove all factors that might advantage some students over others, leaving only the innate abilities and attitudes of the children themselves, which would still generate unequal outcomes.

Under school choice, only the small proportion of children whose parents are uninterested in their education would potentially be at risk. These families might be from a wide range of socioeconomic levels—lack of interest in education is not necessarily class-specific. The majority of such children would benefit from the better schools resulting from pressure from parents who are interested in the quality of their children's schooling. The remainder would, at worst, be no worse off than they would in any other school system, and probably better off.

The common schooling model achieves equity of access, but denies parents fundamental liberties. It also fails to achieve its goal of equalising outcomes by mitigating non-school sources of disadvantage. The school choice model ensures equity of access without compromising individual liberties. It offers parents a way of overcoming relative disadvantage without impeding any other family's interests. At the same time it encourages the involvement of civil institutions, be it the churches, community groups or schools themselves, to ensure that the needs of all children and families are met.

Realistically, inequalities have always existed in free societies and, to some extent, always will. As Stephen Gorard (1999: 29) points out, 'the governance of education, by itself, cannot be expected to solve major social injustices', but it is important to consider the alternatives. 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.

Concern for the less fortunate is not confined to governments.

Governments are not the only institutions concerned about the welfare of poor or otherwise disadvantaged children. Parochial Catholic schools are well-known and respected for their open enrolment policies. Although many parish schools operate with fewer funds than public schools, they often waive much-needed tuition fees for low income families who cannot afford them.

The provision of public subsidies has enabled the establishment of many Aboriginal community schools, which operate as non-systemic (independent) non-government schools. These schools do not charge fees, are governed by local communities and offer culturally sensitive education to hundreds of Aboriginal children—perhaps the most educationally disadvantaged group in Australia. According to Angus and Olney (1998), there were 23 of these schools nationally in 1998, and the authors note that

‘Experience belies the often-expressed concerns that egalitarian principles can only be upheld by centralised systems’ (p. 69).

Given the opportunity afforded by school choice, it is conceivable that even more schools would be able to offer support of this kind for all children with special needs.

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

Education is both a public good and a private good

Public education is often conferred a status approaching the sacrosanct. Why this is so requires analysis.

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 decision makers.

In his book *School Choice and Social Justice* (2000), Harry Brighouse explores the interface between the public good and children’s rights. He agrees that education is a public good ‘for the stability of civil polity’ (p. 41), yet suggests that the private benefits of education to individual children and their families are even more important. Brighouse claims that society has a moral obligation to nurture and educate children so that they themselves may become independent moral agents. It is primarily for this reason that a society is collectively obliged to provide children with the means to be educated, and not for the purposes of indoctrinating children into a particular social order.

‘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’ (p. 45).

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 be enabled to make the decisions they think are best for their children, not restricted to schooling provided by the state in the name of the public interest.

6. Is choice democratic?

Choice allows parents to make decisions about their children's education.

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 the 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 which tries to be everything to everyone often pleases no-one. When all children are required to attend schools that are part of 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. In the words of Stephen Gorard (1999: 28):

‘Central control of local schools tends to impose the policies and values of the state, and even where that control is established democratically, the prevailing majority view represents a dominant interest group which is potentially damaging to minority groups, whether based on religions, languages or cultures. Parental choice of schools, on the other hand, can be seen as a local form of referendum, with prospective parents as the electorate, but with the constituencies so small that local voices can be truly effective’.

This is not restricted to religious or ethnic minority views. It can also apply to methods of instruction. An example is literacy instruction in California in the 1980s and 1990s. In that state, all public schools adopted the ‘whole language’ method of reading instruction by decree of state education authorities. When California performed badly on national standardised literacy tests, public schools were forced to reassess this method of instruction. Fortunately in this case, response was relatively swift, but not before several million students had been disadvantaged (Palmaffy 1997). No doubt there were people opposed to the ‘whole language’ approach to reading from the start, but because the imposition of this method was universal, a whole system was affected rather than a portion of it.

Choice increases parental participation and satisfaction, and builds community.

Some families’ indifference towards schooling is frequently offered as confirmation that parents should not be given responsibility for their child’s education. Yet apathy is just as likely to be the result of lack of autonomy as an immutable attitude. Denying parents the opportunity to make choices about their child’s education 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.

It is also pertinent to ask which parents are we talking about? Interest in education and love for children is not specific to any socioeconomic or ethnic group. If it is the children of poor families we are most concerned about, evidence from the largest scholarship programme in the United States suggests that such fear is exaggerated if not entirely unfounded. The Children's Scholarship Fund offered 40,000 scholarships to children from families with incomes less than \$20,000 per annum and received 1.25 million applications. These families, among the poorest in America, were willing to spend \$1,000 of their own limited incomes to secure a better education for their children (Forstmann 2000).

If indeed parents lack the knowledge and the skills to make the best educational choices for their children, the public education monopoly has only itself to blame. According to Arthur Seldon (1986: 26):

'If state education denies choice on the ground that parents do not choose well, it condemns itself for failing to make them good choosers. Without the interposition of political influence, parents would over the decades have developed judgement in seeking schooling that would best equip their child for adulthood.'

Many studies have shown that parents who are given the choice become more involved in their children's schooling. Based on interviews with over 300 parents in New Jersey and New York, researchers concluded that school choice promoted social capital and built communities of concerned and engaged parents in both poor and middle class districts. Parents whose children attended schools that they had chosen were significantly more likely to be involved in parent-teacher associations, to engage in voluntary activities and to talk with other parents about their children's schooling (Schneider et al. 1997). Similar findings have been reported from studies in Milwaukee, San Antonio, Colorado and Los Angeles. Satisfaction with their children's school is also much higher among parents who have been given the opportunity to choose (Vassallo 2000).

In Australia, the impact of even limited choice has been felt by schools. In a recent survey, government primary school principals reported that 'Parents no longer accept what is offered without question. They have their own ideas about their children's needs and have become more confident about raising issues with professional staff members.' (Angus & Olney 2001: 17).

Choice and 'voice'

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 (Federation of P&C Associations 2000). 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 education is a great advantage (Rich 2000). As discussed earlier, far from precluding parental participation, choice actively encourages it. School choice increases parental 'voice'.

School choice 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.

As Harry Brighouse (2000: 57) explains:

'Concerned parents who are likely to use the option of exit will recognize...that exit from a school is costly for the child...and may seek to improve conditions within the existing school if possible. The option of exit provides the leverage that gets the voice heard. If we care about giving parents the ability to affect the behaviour of the school we should not make a fetish about the means through which they are able to do that; we should be concerned just that they have the most effective means available to them.'

As a mechanism to amplify and extend parental 'voice', school choice is invaluable.

7. Would choice destroy public education?

Parents will choose public schools if they are good schools.

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 those most afraid that comprehensive schools will be the first casualties of school choice. Implicit in this fear is the assumption that public schools will not be the preferred choice of parents.

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. Undoubtedly, there will be some parents of whom this is true, but in all other areas of a child's life, we do not restrict the responsibilities of all parents because of the failings of a few. In fact, we go to extreme lengths to preserve the integrity of parental obligations by allowing children to remain in families where they have been persistently maltreated. It is strange, therefore, that well-meaning functional families supposedly cannot be trusted with their children's education.

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. However, a survey of Victorians conducted by the Melbourne *Herald Sun* newspaper in December 2000 found that 54% of people would choose non-government schooling for their children 'if money was not an issue'. This suggests that, at least in that state, there is strong support for public schools.

Even if the potential shift from state to non-government was expected to be minimal, full school choice could not be implemented overnight. Measures would need to be taken in advance to ensure that all schools are able to take the necessary steps to

attract and retain students. This requires giving schools greater autonomy and, in some cases, more resources.

One example of public education being invigorated and benefiting from school choice occurred in Dearborn, Michigan. In response to the competition public schools faced from charter schools, the school district created special educational programmes and diversified. These programmes have proved very popular and successful, and have improved the education available to students in the public schools (*Detroit News* 05/02/01). Similar findings have been reported in Milwaukee and Florida (Innerst 2000).

In a choice system, at least some public schools could be operated as charter schools. Angus & Olney (1998: 25) describe charter schools as non-systemic government schools and suggest that these schools 'could become models of what is possible, examples which would demonstrate that there are opportunities for improvement which have not been considered or put into effect by systemic schools'. Charter schools also 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 give them an opportunity for a role in the school's governance.

8. Does choice reduce accountability?

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 such as a government department, with no external accountability, to always have their children's best interests at heart.

Educationist Peter Cuttance (1996) questions why we do not have public reporting on standards and improvement in learning across the school system. He suggests that the absence of such information allows the NSW Department of School Education to escape accountability and that this perpetuates poor performance.

'This lack of accountability at the system level is one of the main reasons why some students fail to achieve basic standards in literacy and numeracy at school. The Basic Skills Results come into the Department of Education year after year showing that certain groups of students are functionally illiterate, but those responsible for the system do very little to change this situation.' (p 4.).

If food provision was operated in the same way as schooling, the variety and value would be diminished immeasurably. Food is affordable, safe and varied because there is competition between providers to offer the best value, the consumers are the purchasers, and minimum standards of quality are regulated by both the market and an independent agency. Furthermore, there is an abundance of information about food quality, nutrition and value, so all people can make informed decisions.

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.

For choice to work to the benefit of all families, more information about school performance will be necessary. At present, most of this information is confidential, since schools and school systems have no incentive to provide it. If parents were given the opportunity to send their children to the school of their choice, they would demand such information and all schools would be compelled to provide it.

The state education system has a captive market and therefore has little to gain from making information about its performance available to the public. Non-government schools have also traditionally been reluctant to participate in standardised testing and to provide information about their performance. This is because some sections of the private education market have stabilised and stagnated. Only a certain proportion of the population is able to afford non-government schooling and therefore the number of schools required to meet this demand is limited. In an open dynamic market, where the distinction between state education and non-government education would probably blur even further (Caldwell & Hayward 1998), non-government schools would have to compete with their successful (and often cheaper) state counterparts, such as selective schools. The potential role of for-profit schools will be discussed later.

9. How might teachers be affected by school choice?

More employment opportunities would be available and good teachers rewarded.

Teachers and their unions have incessantly argued 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 be augmented 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.

A recent survey of government primary school principals found that principals in Victorian state primary schools, where funding has been devolved and enrolment zones abolished, were more supportive of parental choice and school-based management of funds than those in NSW, where funding is highly centralised. This suggests that principals who have experienced a greater level of parental choice and school autonomy are in favour of it (Angus & Olney 2000).

The present formal and informal regulatory frameworks of government school systems actively discourage success. Angus and Olney (1998) claim that schools that wish to expand are unlikely to have capital works requests granted by education departments if schools nearby are under-enrolled. Furthermore, schools that are conspicuously successful are often 'brought into line' using intake zoning and human resources policies. As a result, they say,

'There are no rewards in a bureaucratic sense for staff who are responsive to their local community or establish a profile for a school which leads it to become preferred' (p. 17) 'Without a complete separation [from the hugely complex administrative rule systems], the majority of teachers lack sufficient authority and confidence to experiment and persevere with innovations they have found successful' (p. 35).

School choice breaks the nexus between funding, provision and governance, allowing teachers freedom to excel and giving credit to those who do.

The potential problems foreseen by teachers and principals are not insurmountable

The above survey also found that, nationally, government primary school principals hold conflicting views about school choice: a lack of support for competition in education, based on their belief that competition policies do not improve educational standards together with a majority belief that parents should be able to send their children to the government school of their choice. According to the authors, 'they want choice without the negative consequences of competition' (p.33). What this boils down to is a rejection of school choice involving non-government schools.

The principals' objections to school choice were based on resourcing problems associated with unstable enrolment patterns and socioeconomic stratification. These perceived barriers to state school competitiveness are not insurmountable. Indeed, the report authors suggest appealing and innovative ways to overcome them, including establishing resource standards, reviewing school resource needs, independent monitoring of school funding and regulation of competition by, for example, an educational equivalent of the ACCC. None of these ideas precludes a school choice model and, in fact, they provide encouragement for it.

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

Existing structures should not be regarded as immovable obstacles to reform.

To think about education creatively, schools must be reconceptualised. A major stumbling block in school reform is defining a school in terms of buildings, desks and chairs instead of as a group of people and a mission. A good example of redefinition of schools in action is East Harlem, New York, where several small schools may occupy the same building or, alternatively, larger successful schools may be spread across several locations (Postrel 1991).

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.

In defining success and failure, the size of the school should not be the deciding factor on whether a school should be closed. If a school is performing well, but enrolments are less than the premises would warrant, the school might be moved to a different location or the school grounds used in other ways, rather than closing the entire school.

Efficiency is a measure of cost and outcomes—neither can be left out of the equation. A small school may be more slightly more expensive to run, but its academic outcomes may warrant the extra expense. Or, other cost-saving methods might be employed. For example, a small school may not be able to offer the full range of the curriculum or the same facilities as a large school, but might teach the core curriculum well and offer a more congenial environment. The choice between a small school and a large school, with their attendant advantages and disadvantages, could be left to parents. Partnerships between schools with complementing strengths and weaknesses are also a possibility.

For-profit schools could meet demand more quickly

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 (2001) 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' (p. 8).

Coulson proposes that market systems have a history of serving low income families better than any other method of distribution. An example of the profit motive at work is the rapid spread of technology into homes. Televisions, initially only available to the wealthy, are now in almost every home in Australia. Computers and internet access, as well as mobile phones, are fast approaching majority ownership. This is the direct result of competition, market forces and the profit motive. Another example is the availability of cheap, healthy and safe food and inexpensive, good quality clothing.

For-profit schooling is expanding in a number of developing countries, providing high quality education at relatively low cost. Among developed countries, the United States of America and Britain have allowed for-profit companies to operate schools (Tooley 1999), and many other countries, including Japan and Australia have allowed for-profit supplemental education services, such as 'tutoring schools'.

The potential benefits of for-profit schooling have been outlined in detail, and reports from the US, particularly in San Francisco and New York, are very promising. At this stage, however, it is too early to present a definitive empirical analysis of their actual performance (Lips 2000; Chubb 2001).

With the right funding system to support it, choice could be universal.

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.

First, it differentiates between schools and parents on an arbitrary basis and it does not take the financial circumstances of families or the quality of the school into consideration.

Second, it sets artificial constraints on the types of families who can choose non-government schooling, creating a small but discernible difference in the public and non-government school populations.

Third, it favours socioeconomically advantaged families in several ways: (a) they are the only people who can afford choice; and (b) public schools in socioeconomically advantaged areas tend to be the better public schools.

A funding system that provides all families with the means to enroll their children in the schools of their choice is the best way to ensure equity of access to education for all children. It would provide each family with a fixed minimum amount of funds to cover their children's educational expenses, irrespective of type of school and the family's income. Because all families are guaranteed a fixed amount, they each have the same basic purchasing power.

FUNDING SCHOOL CHOICE : A PROPOSAL FOR TAX CREDITS

I. Why tax credits?

The advantages of tax credits over any other funding system have already been mentioned, but why they are superior and how they might be implemented requires further explanation.

In his recent book, *What Did You Learn Today?*, Mark Latham promotes the introduction of 'community schools', or, in other words, charter schools (Latham 2001). Community/charter schools have many positive attributes. They give parents more choice *within* the state school sector, they are more accountable for their performance to both government and parents, and they have more administrative and educational autonomy. They do not, however, address several significant problems: churning of funds through government departments, central determination of the level of funding and incentives for efficiency.

The only way to address these problems is to fund children rather than schools. This can be done in two ways. One is to give parents a 'voucher' which they can use to enrol their child at a school of their choice. If it is a state school, the voucher would be sufficient to cover the full cost of educating their child. If it is a non-government school, the parent may or may not be required to supplement the voucher with private income.

The advantages of a voucher system are that it gives all parents the same basic purchasing power and choices, and it encourages competition between schools to offer the services parents seek. These are significant improvements on the current system, which is, in effect, an indirect voucher system. Parents who choose non-government schooling are given a partial public subsidy, but this money goes to the school on their behalf. A full voucher system would directly provide all parents with the equivalent of the subsidy they would receive in a state school. Or, vouchers can be adjusted in size in proportion to family income.

A voucher system also has disadvantages, chiefly that it does not solve the problem of state control through state funding. Funding of non-government schools by vouchers

administered through state governments provides impetus for government regulation of schools. So not only would state schools still be beholden to government, increased state funding of non-government schools would saddle these schools with the same problem.

Additionally, a voucher system which provides all students with a set amount does not put any downward pressure on prices. If schools are guaranteed a certain level of per pupil funding, they have no incentive to offer the same services at a lower cost. This is particularly pertinent for non-government schools, many of which could potentially provide schooling at a lower cost than state schools.

Tax credits offer all of the same benefits as vouchers, as well as solutions to many of their potential problems. In the US, where vouchers have been on the agenda for many years, there is a growing consensus that tax credits are a better way forward. This is primarily because of constitutional issues—direct public subsidisation of private schools is seen as a violation of the separation of church and state. Fortunately, Australia does not have this impediment to reform but, for reasons that will be outlined, a tax credit funding system for school education in Australia is also recommended.

II. What is a tax credit?

The essence of the tax credit approach is that parents pay for their child's education, but this cost is subtracted from their annual income tax payment.

Tax *credits* should not be confused with tax *deductions*. A tax credit is a dollar-for-dollar rebate on a person's tax bill. A tax deduction, on the other hand, is a reduction of a person's taxable income, so the actual amount recovered by the individual is less than the amount of the deduction.

For example, a tax credit of \$4,000 would give an individual a \$4,000 reduction of their tax bill. If their tax liability was \$10,000 they would pay only \$6,000, allowing them to keep \$4,000 they would otherwise have paid in tax.

A tax deduction of \$4,000, however, would give an individual a \$4,000 reduction on their taxable income. If their taxable income (after the tax free threshold) was \$30,000, a \$4,000 tax deduction would reduce their taxable income to \$26,000. This means they keep only the tax they would have paid on \$4,000. If the tax rate was 25%, the individual only keeps \$1,000 they would otherwise have paid in tax.

A tax credit for education would mean that families use money that they would ordinarily have paid in taxes to pay for their children's schooling. A family with two children and an annual income of \$50,000 might be liable for \$12,000 a year in income taxes. If they were given a tax credit of \$6,000 per year per child to spend on their children's education, their tax bill would be reduced by this amount and they would pay no income tax.

A tax credit might be refundable. That is, families whose income tax liability is less than the tax credit amount could be eligible for the difference as a cash payment or voucher. A family with two children and an annual income of \$30,000 might be liable

for \$8,000 a year in income taxes. If they were given a tax credit of \$6,000 per year per child to spend on their children's education, they would be entitled to a cash payment/voucher of \$4,000 to bring their education allowance to the same level as other families.

In Appendix 1, examples are given of how tax credits might work in practice.

III. Costs and benefits of tax credits

At present, people pay money to the government in taxes, which the government uses to purchase education services on their behalf. Tax credits allow parents to use this money to purchase education services for themselves. The shift may appear superficial, but it would have substantial ramifications: money would be saved by reducing the 'churning' of funds through government departments; schools would be funded on a much more transparent basis; schools would be primarily accountable to parents instead of the state; and parents would be empowered to seek value for their money.

In terms of government finance, revenue not collected is the same as revenue spent. People involved in this area might suggest that it makes account balancing difficult, if not impossible, and that vouchers are an easier means of achieving the same end. In fiscal terms, vouchers and tax credits might seem interchangeable, but the benefits of tax credits are non-fiscal : the psychological significance of parents spending their own money, whenever possible; and the diminution of the possibility for state intervention in non-government schools.

Universal tax credits would require a large increase in public spending on education. All those students who now receive only partial subsidisation would receive a larger amount. The extra funds required could be in the billions of dollars. The cost would only be partly offset by the reduced costs of government administration and the benefits of competition. It is possible to argue that education needs increased public investment. Others might argue, however, that increased private investment is more important, especially as the social welfare burden of an ageing population becomes apparent.

Australia's expenditure on primary and secondary education is comparable to that in other OECD countries. In 1997, direct public and private expenditure on non-tertiary educational institutions (mainly schools) was 3.9% of GDP. This does not include subsidies to households (such as Youth Allowance for students) or other financial aid for students. Figure 2 shows that Australia's expenditure on non-tertiary educational institutions is very close to the OECD average, but the proportion of this which is private expenditure is somewhat greater than average.

[Insert Figure 2]

The arguments for increased spending on education are strong. They include, but are not confined to: the observable under-resourcing of many state schools; comparatively low rates of pay for teachers; and the importance of a well-educated population for a stable society and a healthy economy. Latham (2001) proposes that the public funds used to 'prop up' and protect failing industries—what he calls 'industry welfare'—

would be more productively spent on improving education, so that fewer people in the future will be in the same situation. While the amount actually spent on ‘industry welfare’ may not be significant in proportion to the total education budget, the principle is valid—public money is often spent in ways that do not enhance the public good in any substantial way.

It is of utmost importance that increased spending is not seen as a solution on its own. For increased spending to have any real benefit, it must accompany a change in the way that it is used. There is no advantage in throwing good money after bad.

IV. The amount of the tax credit

Setting the amount of a tax credit is perhaps the biggest challenge in implementing such a system. Many things must be taken into account, not least of which is the establishment of educational standards or benchmarks against which schools can be judged.

Resource standards

There have been calls to establish ‘resource standards’ for schools. According to Angus and Olney (2001), previous formulations of such standards, proposed by the now defunct Commonwealth Schools Commission, took into account ‘class size, the number of specialist teachers per school, time allocated to teachers for planning, equipment and so on’ (p. 42). Angus and Olney suggest that such basic criteria would no longer be sufficient, and that ‘the starting point for a new set of standards should be an analysis of how the curriculum for the twenty-first century is designed and how it should be delivered to achieve the outcomes for which there is broad community consensus.’ (p. 43).

This idea is appealing. Rather than basing the value of the tax credit on the existing cost of educating a child in a government school—the Average Government School Recurrent Cost or AGSRC—a new set of standards could be devised based on essential educational outcomes. In this way, all schools could be expected to provide the minimum standard of education required. Its practical consequences, however, are difficult to predict. If the resource standards devised are less than the present AGSRC, substantial changes will need to be made to state education systems. On the other hand, resource standards determined to be greater than the present AGSRC will require an even higher public funding commitment.

Marginal Costs

The marginal cost of a child in a school system can vary considerably and this might also be taken into account. The amount of the tax credit must be not be so high that each student leaving a school takes away with him some of the funds used to educate the remaining students, but high enough that viable options are available to parents to choose a different school.¹⁰ To account for this, it may be possible to devise a model of fixed and variable costs of schooling for existing schools. If the tax credit covers

¹⁰ For a detailed discussion of this idea, see Salisbury et al. 1999

only the (estimated) variable costs of a child's education, new or expanding schools might apply for a loan or grant to cover fixed/capital costs to establish themselves.

The above considerations notwithstanding, for reasons of simplicity an amount of \$6,000 (which approximates the average cost of educating a child in a state school in 1998-99) will be used as an example hereafter.

V. Multiple options for tax credits

There are several options for tax credits:

1. **Restricted full tuition tax credits:** all families are granted a tax credit and/or bursary of equal maximum value that they can use at any school. Only money spent directly at a school can be claimed.
2. **Restricted means-tested tax credits:** the amount of tax credit or bursary is dependent on an index of household income and household size (number of people in family). The maximum value would be given only to a proportion of families. Again, only money spent directly at a school can be claimed.
3. **Partially restricted tax credits:** Some proportion of the maximum tax credit may be spent as the family chooses, that is, not necessarily on education. For example, of a \$6,000 tax credit, a minimum of \$4,000 is restricted and must be spent on schooling, and the remainder can either also be spent on schooling or not.
4. **Unrestricted tax credits:** All families are granted a tax credit and/or bursary which is either (a) of equal maximum value or (b) means-tested, out of which they must provide for their children's education, but the amount they must spend on schooling is not specified.

Each of these options has advantages and disadvantages, and the public cost of implementing them also varies. Table 9 sets out these potential benefits and problems and estimates the public cost of implementing each of these tax credit funding systems.

[Insert Table 9 here]

Means-testing

Several of these options involve means-testing—that is, making the amount of tax credit for which a family is eligible contingent on their income. There are arguments both for and against means-testing of education subsidies.

Arguments for means-tested tax credits:

- If all parents who could afford to were compelled to contribute privately to their children's schooling—state or non-government—public resources would be less strained.

- It addresses politically sensitive equity concerns by progressive redistribution of resources; financially disadvantaged families would be favoured.
- It would limit, or at least restrain, school fees. Families who now pay \$10,000 in private fees who also receive a \$6,000 tax credit would potentially be willing and able to pay \$16,000 per year, and some schools would be tempted to charge this much. Means testing reduces the amount that parents would be willing to pay.

Arguments against means-tested tax credits:

- People on high incomes pay more tax, both in proportional and absolute terms, and are therefore entitled to at least as much tax relief as anyone else.
- It makes the system more complex, but not necessarily more fair.
- It introduces the problem of implicit marginal tax rates. If the amount of the tax credit decreases incrementally with increasing income, moving from one income bracket into another results in a smaller tax credit and therefore a larger tax bill. This creates disincentives to earn more.

There is no simple or completely fair way to alleviate the public financial burden of universal tax credits for education. Presently, public funding for education is alleviated at the expense of parents who choose non-government schooling, wealthy or not. However, there are alternative methods of achieving at least two out of three of the benefits of means-testing: equity and fee-restraint. The alternatives to means-testing are targeted funding and ‘unrestricted’ tax credits, respectively.

Targeted funding

Means-testing tips the scales towards low income families by disadvantaging high income families. The same effect can be achieved by providing extra targeted funding to low income families or to children with special physical and/or educational needs.

This targeted funding might not necessarily come directly from the public purse. As suggested by Edwin G. West (1989), in such cases, other family members, community members or even businesses might be allowed to claim tax credits for education. For example, businesses might be allowed to allocate 10% of their tax bill to an education scholarship fund. A business that has a tax bill of \$50,000 could pay \$5,000 into an education fund and reduce their tax bill by the same amount. Eligible families could be given scholarships from this fund, and any money not distributed to needy students returned to the state at the end of the financial year (or other designated period).

‘Unrestricted’ tax credits

The limiting effect of means-testing on fees—reducing the maximum amount that parents would potentially be willing to pay—could be replicated by making all or part of the tax credit ‘unrestricted’. If at least part of the tax credit was transferable to other goods and services, families would be motivated to look for the best value, and schools would have an incentive to charge less than the full amount of the tax credit. A partially restricted tax credit might have a value of \$6,000, of which at least \$4,000 must be paid to an approved educational institution. Families who choose a school charging less than \$6,000 but more than \$4,000 would be able to keep the difference.

For example, a family who chose a school charging annual fees of \$5,000 would be able to keep \$1,000 to spend on other educational equipment or activities. In this way, school fees are still artificially elevated to a minimum of \$4,000 per student, but there is more incentive for schools to be competitive on price than if they were guaranteed a minimum of \$6,000 per student. The only way to provide a fully competitive situation is to make the whole tax credit unrestricted.

The exception would be families who receive a bursary instead of a tax credit. If they can claim a bursary only to the value of the school fees, their greater willingness to spend the maximum amount would make them attractive to schools. This might, at least in part, address concerns about low income families being disadvantaged in choosing popular schools.

Such an arrangement would also improve the situation of the growing number of children (estimated at approximately 5000 in the year 2000) whose parents choose to educate them at home. They would be eligible for the difference between the minimum amount payable to a school and the maximum amount claimable; in the above scenario this would be \$2,000 per student. Presently, home-schooled children in New South Wales receive only \$50 toward the cost of their education each year, which is the 'back to school allowance' paid to all children. In other states, home schooling families also receive little or no financial assistance.

VI. Concerns about tax credits

Irresponsible parents

Unrestricted tax credits are, admittedly, a new and therefore developing idea. There are potential problems. One is that some people will use this new-found freedom irresponsibly. This can be handled by existing or new laws targeted at the exceptional cases instead of limiting the rights and responsibilities of all parents (Coulson 2001). As noted earlier, we do not legislate how parents feed or clothe their children, but we do have laws that protect children from negligent or delinquent parents.

The first restriction on parents' use of tax credits is that schooling between certain ages would still be compulsory. A further restriction might be that this schooling must be 'approved', preferably by an independent regulatory body rather than the state. Parents who do not enroll their children in a school that meets the specified criteria, or who cannot show that they are meeting their child's educational needs in some other way (such as home schooling), would have their tax credit or bursary revoked and be liable for prosecution. There may also be a small proportion of parents who are not concerned about the quality or the substance of their child's education. These parents would benefit from the actions of more conscientious parents.

Instability of funding

Concerns have also been expressed about potential instability of funding under school choice. If funding follows the child, and parents can move their children between schools at whim, schools might not be able to budget effectively. One way to counteract this would be to make the tax credit redeemable at only one school per year, except under certain conditions. That is, if a parent who has enrolled their child

at one school using their tuition tax credit wants to change schools within the school year, they must pay the tuition fees at the new school out of their own pocket. Conditions for exceptions to this rule might include, among other things: if the family moves too far away for travel to be practicable; if the school is closed down; if the school demonstrably fails to meet its obligations to parents; or if the child is expelled and parents are unable pay for a new school themselves.

People who fear instability and change resulting from an education market should recall the myriad of changes in education policy and funding within and between successive governments. In this light, parent-driven school choice and child-centred funding might be considered the more stable alternative.

Quality control

Resource standards, as described earlier, are not without problems. By enforcing centrally determined standards or benchmarks, a de facto central curriculum is introduced. This gives schools less autonomy and provides an impetus for greater government regulation and intervention. Some might argue that parents should be responsible for ensuring that their children receive a quality education, but it must also be considered that not all parents are sufficiently educated or equipped to determine what appropriate standards might be. Externally devised benchmarks allow parents to judge whether their child and their school are performing at the appropriate level. They also allow parents to make comparisons between schools.

It has been said that ‘he who writes the test writes the curriculum’, but with careful planning this may not be the case. Some skills are not curriculum-specific, such as literacy and numeracy. If national benchmarks are set for skill levels, schools and teachers are left with the decision of how to teach these skills. By definition, such standardised tests measure only the basics and are therefore quite narrow. Parents will ultimately be left with the decision as to how much importance they place on them.

This could be the area in which state schools have an advantage. Those parents who do not feel confident in their own ability to follow their child’s progress may be attracted to schools that are governed by and accountable to the state. The important point is that parents have options and are free to choose.

The evidence regarding the relationship between centralised exams and student performance is mixed. One study found no relationship between the two when comparing the performance of countries with and without centralised exams on the Third International Maths and Science Study (Wolf 1998), whereas another study found that centralised exams led to higher national scores in maths and science (Woessman 2001).

A possible alternative to benchmarking is voluntary accreditation. This might be similar to, for example, the Heart Foundation’s “tick of approval”. If the accreditation is credible and the organisation that confers it is reputable, parents will be able to use this as an indicator of quality. Schools would not be forced to meet the requirements, but might choose to if it is attractive to parents.

It is also the case that an education market would regulate itself. Schools that do not achieve to expectation, or provide the services that parents and students require, will lose students and be unsustainable. Children will not be trapped in failing schools because, firstly, they have the option of going to another school and, secondly, schools will be forced to improve if they are to survive.

The roles of the Commonwealth and the States

As explained in Section 1 of this book, state and territory governments are primarily responsible for the funding and provision of public schooling while the federal government has become increasingly involved in the funding of non-government schools. If a common school funding system for all schools were introduced, the role of one of these levels of government would be considerably diminished.

Taxes are collected by the federal government, so a tax credit system of education funding implicates the federal government taking control over school financing. This would mean that the states and territories no longer have a role in determining or distributing school funding. Instead, they would be responsible only for the governance of state schools. State Departments of Education would become smaller and Boards of Studies would become more prominent.

There are advantages and disadvantages to this situation. One disadvantage is that inter-state competition on funding levels would dissipate, although this would be offset by more competition between schools. Another disadvantage is the possibility of more central regulation. The major advantage is that there is a separation of funding and provision—this increases the distance between parents and the state government, reducing the likelihood of unnecessary government intervention.

An alternative is to introduce tax credits only for non-government schooling. That is, state schools continue to be funded and governed by the states using general grants from federal tax revenue, but parents who wish to send their children to a non-government school are eligible for a refundable tax credit of an amount comparable to the cost of educating the child in a state school. This would mean that governments relinquish any role in the distribution of funding to non-government schools and many of the benefits of a universal tax credit scheme would be achieved.

Unfortunately, this would also mean that state schools and their students would miss out on these benefits, such as greater autonomy. Furthermore, we are left in a similar situation to the one we have—a complicated, dual funding system that few people understand. In the short term, however, a tax credit scheme for non-government schools would be a significant step in the right direction and would allow governments to postpone addressing the constitutional issues a universal scheme would raise. It would also be politically feasible and relatively easy to introduce.

VII. Summary and conclusions

Tax credits may seem a radical idea to many people. Researchers at the Sutherland Institute in the US suggest phasing tax credits in gradually over several years (Salisbury et al. 1999). In this way, public expenditure can be gradually increased and the impact of the tax credits can be monitored. Or, tax credits might be introduced for

each new cohort of children starting school and gradually extended as they move through school.

There are many matters to be debated and resolved. The above discussion on tax credits comprises ideas, not explicit recommendations. The details and fiscal feasibility of these ideas require extensive analysis and expert evaluation not practical or possible here.

Nonetheless, the case for school choice is strong, and the potential benefits of school choice can be best realised through tax credits. In summary, school choice through tax credits

- (a) makes choice universally accessible;
- (b) preserves parents' direct financial, legal and social responsibility for their children's education;
- (c) empowers parents by providing them with both 'voice' and choice;
- (d) allows the children of disinterested parents to benefit from the vigilance of more conscientious parents;
- (e) encourages competition between providers;
- (f) avoids direct government funding of schools and therefore protects against regulatory encroachment;
- (g) gives educators more freedom to discover and use what 'works';
- (h) stimulates diversity and innovation;
- (i) avoids indoctrination by interest groups gaining control over the state system;
- (j) makes funding mechanisms simple, open and transparent;
- (k) exposes the value of comparatively expensive schools;
- (l) reduces 'churning' of funds and therefore increases the money reaching the classroom;
- (m) encourages private investment;
- (n) facilitates equity of access through community-based action;
- (o) does not discriminate between schools;
- (p) does not favour one group over another on any basis.

The arguments against school choice and against tax credits are weak in comparison. It is becoming increasingly difficult to justify maintaining a system that offers none of the above benefits.

CONCLUSION

Parents have been demonstrating their increasing lack of faith in the public education system for the last three decades. Ultimately, it doesn't matter where people stand on the principle of public schooling. Concern for their children will be their first priority. Parents do not view their children as a resource for society, and neither should their democratically elected representatives. Education is a matter of such importance that few families are prepared to accept blindly whatever is on offer, nor should they be expected to. We are now more educated, more demanding and more ambitious. For these reasons, coercive one-size-fits-all education is no longer acceptable.

Nonetheless, a society benefits from a well-educated population, and the best way to achieve this is to allow parents to do their best for their own children. The public good is an externality, not the primary objective—the welfare of children is.

The ideal of public education—that every child has access to a good education at public expense—should not be confused with any particular system, including the one we have. This is the 'take home' message that should be embraced by all those interested in the future of schooling, especially those who believe in the value of public schools. The best way to invigorate all schools is, happily, also the best way to achieve equity in educational opportunity. It's a win-win situation.

The principal claim of the opponents of school choice is that the concept is based on ideology and speculation. But over the last decade, empirical evidence has accumulated showing that the envisaged benefits of choice are indeed real. Clearly, it is now the people who cling to the idea of a centrally governed, taxpayer funded public school system who are the ideologues. Many of their arguments against choice have been dispelled with reason and research, leaving only sentimental attachment and self-interest.

Imposing school choice on unwilling parents is indefensible. But much of the apparent reluctance to support change is arguably due to the myths about public education that have gone unchallenged, gained authority and become conventional wisdom. Armed with the facts, parents are more likely to acknowledge the basic principles of school choice, and to understand and welcome what it could mean for them and their children. They may well come to the conclusion that a public and private education dichotomy has had its day, that Australia has moved on, and that our approach to schooling and education should follow suit.

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