

Free to Choose Charter Schools: How charter and for-profit schools can boost public education

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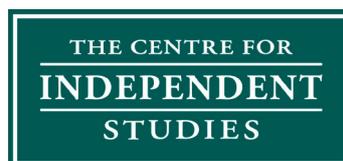
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Executive Summary

- Educational achievement levels among Australian children, especially those from disadvantaged backgrounds, are not improving and in some cases are declining.
- Funding is not the problem: school funding more than doubled in the past 25 years, while enrolments increased by only 18%.
- A new approach is required where other schools have persistently failed, and where there is demand for alternatives to traditional public schools.
- Charter schools combine public funding with private (non-government) management.
- Charter schools and similar school choice policies exist in the US (charter schools), Sweden (free schools or 'friskolor'), Chile (independent schools), England (free schools and academies) and New Zealand (partnership schools). These schools generally receive funding at comparative levels to public schools, cannot charge fees, and cannot be selective in their students.
- Charter schools can be 'start up' schools — new schools established to serve growing populations or the demand for alternative provision; or 'conversion' schools — existing schools that have become charter schools.
- A review of the empirical literature on charter schools and their equivalents reveals small positive impacts on achievement levels on average, but much stronger positive effects for disadvantaged students in particular.
- A subset of high impact charter schools have been identified in the literature, most of which follow the 'no excuses' model of high expectations of achievement, strong discipline, traditional teaching methods, and longer school days and years.
- The most successful charter schools in the US tend to be networks of schools operated by non-profit charter management organisations, serving disadvantaged student populations. A similar trend is emerging in England.
- Charters could extend school choice to those who cannot access it, provide opportunities for innovation in schools, and offer a way to turn around chronically-failing schools
- Charter schools have a potential cost impact if a student is switching from a lower subsidy Catholic school to a full-subsidy charter school, but the relatively small difference in average costs would arguably be offset by the productivity benefits.
- In light of the evidence, state and territory governments should consider introducing charter schools. The lessons from the charter school experience in other countries would allow Australian governments to emulate their successes and avoid their mistakes.
- For-profit companies are allowed to operate charter, free schools or voucher schools in all but one of the countries examined in this report. Studies comparing for-profit schools to non-profit charter schools have mixed results, ranging from no difference to a small positive effect of for-profit status.

- Low-fee private and for-profit schools, either corporate chains or sole-proprietor schools, are not uncommon in developing countries and are patronised by poor families. Some studies suggest the quality of these schools is superior to public schools.
- For-profit schools are not unlawful anywhere in Australia except Victoria. Most state governments will not give for-profit schools public funding, however the lines can sometimes be blurred between for-profit and non-profit ownership.
- Recommendations:
 - Charter schools should be funded at an equivalent rate to government schools with similar student demographics.
 - Charter schools should be free, have open enrolment, and have flexibility and autonomy surrounding staffing and curriculum.
- Strong charter laws that ensure accountability are crucial. The framework that exists between education departments and non-government schools already provides a solid base for this to be developed.
- New start-up charter schools should be authorised only where there is proven demand. Conversion charter schools should be introduced where traditional public school management has failed, and where there is support from the community.
- For-profit companies should not be barred from operating charters if they have a proven successful track record in operating schools. However, scrutiny should be rigorous and all financial dealings transparent. For-profit schools should be established only where there is sufficient choice among schools (i.e. a for-profit school should not be the only school available).



Introduction

Tired school sector wars continue to consume Australia's public debate on education, but elsewhere the discussion on schools policy isn't about government schools versus non-government schools. Rather, it's about rethinking the provision of school education; specifically, how the benefits of school autonomy and—more importantly—an education of choice, can be expanded to children and families who currently cannot access it.

The combination of private management and public funding is increasingly seen as a way for governments to meet a number of educational goals. Public funding of privately-managed schools can enable disadvantaged students to attend schools of choice by subsidising the costs, it allows more families to make choices, and it can reduce the overall cost of educational provision to government.¹

Public funding of privately-managed schools takes various forms. 'Voucher' schemes are student-based and provide students with a public funding entitlement to be used at a private school. Universal schemes provide vouchers to all students while targeted schemes limit the vouchers to disadvantaged students. Charter school policies are school-based. They allow privately-managed schools to be funded as public schools.

The US, Sweden and Chile have experimented with school choice, vouchers, charter schools and independent management for a couple of decades. More recently, in England and in New Zealand, politicians and policymakers have looked to charter schools and their equivalents as a solution to declining school results and widening social inequities that see poor children go to poor schools.

Australia has a well-established and highly successful non-government school sector. More than a third of students attend non-government schools—either an independent school or a Catholic school. These schools receive relatively high levels of public funding. While there is a range of types and quality of schools within both the government and non-government school sectors, Australian policymakers have been reluctant to seriously consider new ways to increase the educational options available, especially to turn around schools where the quality is chronically poor.

Introducing charter schools and free schools to the Australian educational landscape should be considered in light of a fair and frank assessment of their potential costs and benefits. This report explores the evidence of the impact of charter schools and their equivalents in the US, Sweden, Chile, England and New Zealand. It also examines for-profit schools as a subset of charter schools, and how independent for-profit schools operate outside the auspices of government in developing countries.

The report outlines the status quo of school regulation in Australia, and then draws on policy lessons from international experiences to create a framework for how charter school might operate here. A solid basis from which to develop good charter school laws and good quality charter schools can be built on the fiduciary relationships that exist between the education departments and non-government schools that receive public funding.

Why consider charter schools?

Despite consistent and substantial increases in school funding over the last several decades, achievement in Australia has not improved and in some cases has declined. School funding more than doubled in the past 25 years, while enrolments increased by only 18%.²

Australia participates in a number of international assessments, as well as having a national literacy and numeracy assessment program. Results from these tests indicate the performance of Australian students in the key academic areas of literacy, numeracy, and science show flat test-score trends in some domains, and a decreasing trend in others.³

NAPLAN

The National Assessment Program for Literacy and Numeracy (NAPLAN) commenced in 2008 and is conducted annually. Each year, students in Years 3, 5, 7 and 9 are tested on numeracy, reading, spelling, writing, and grammar and punctuation. Table 1 shows the mean reading score and the proportion of students below the national minimum standard in 2008 and 2014.

Table 1: Mean scores and percentages of students below national minimum standard (NMS) in reading and maths, NAPLAN 2008 and 2014.

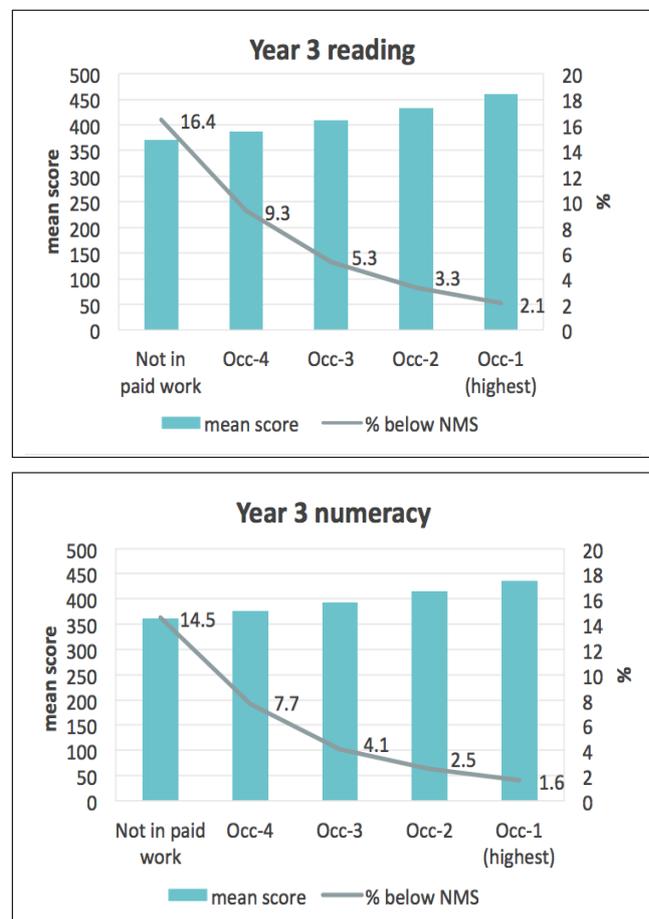
		2008	2014	Difference*
READING				
Year 3	Mean	400.5	418.3	o
	% below NMS	7.9%	6.5%	o
Year 5	Mean	484.4	500.6	o
	% below NMS	9%	7.1%	o
Year 7	Mean	536.5	546.1	+
	% below NMS	5.8%	5.1%	o
Year 9	Mean	578	580.4	+
	% below NMS	7.1%	7.9%	o
NUMERACY				
Year 3	Mean	396.9	401.8	o
	% below NMS	5	5.4	o
Year 5	Mean	475.9	487.6	o
	% below NMS	7.3	6.5	o
Year 7	Mean	545	545.9	o
	% below NMS	4.5	4.9	o
Year 9	Mean	582.2	587.8	o
	% below NMS	6.4	5.9	o

* o = no difference; + = statistically significant positive difference

Source: Australian Curriculum, Assessment and Reporting Authority (ACARA). 2015. *National Assessment Program for Literacy and Numeracy. National Report for 2014*. ACARA, Sydney.

There was a small but statistically significant increase in mean scores in Year 7 and Year 9 reading between 2008 and 2014, but no change in any other year for either domain. The average scores for all Australian students shown in Table 1 are higher than the average scores for students from low socioeconomic status (SES) backgrounds. Likewise, much higher proportions of students from low SES backgrounds fail to achieve the national minimum standard. Figure 1 shows the achievement distribution in reading and numeracy by parent occupation category—a proxy measure of SES—in NAPLAN 2014.

Figure 1: Mean scores (LHS) and percentages of students below NMS (RHS) in Year 3 reading and numeracy by parent occupation, NAPLAN 2014.



Source: Australian Curriculum, Assessment and Reporting Authority (ACARA). 2015. *National Assessment Program for Literacy and Numeracy. National Report for 2014*. ACARA, Sydney.

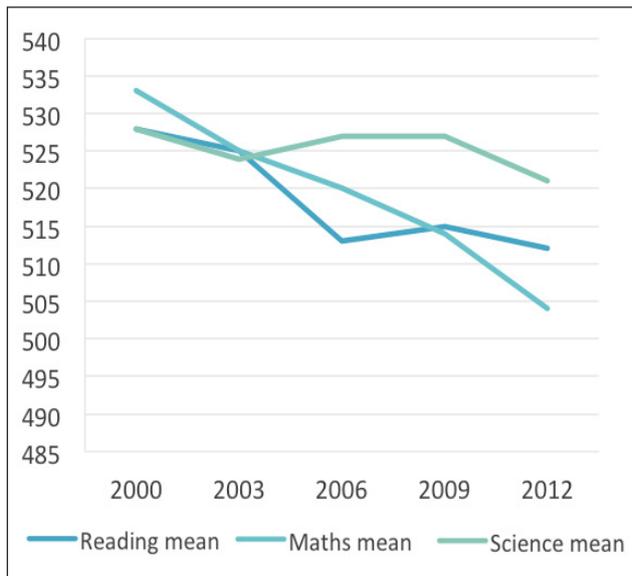
Figure 1 shows that students who do not have a parent in paid work or have parents in low skill occupation categories have lower mean test scores. It also shows very large differences in the proportion of students who fail to achieve national minimum standards in literacy and numeracy. More than 16% of students who do not have a parent in paid work did not achieve the national minimum literacy standard, compared with 2.1% of

students with parents in a professional occupation. Similar differences are evident when comparing achievement against parental education levels.

PISA

Australia has participated in the Program for International Student Assessment (PISA) since its inception in 2000. PISA is conducted every three years and tests 15-year-old students on reading, mathematical literacy and scientific literacy. Each test year has a focus on one of the three domains in a rotating cycle.

Figure 2: Mean reading, maths and science scores of Australian students, PISA 2000–2012



Source: OECD. 2013. *PISA 2012 Results: What Students Know and Can Do – Student Performance in Mathematics, Reading and Science (Volume I)*. PISA, OECD Publishing, Paris.

Figure 2 shows mean performance of Australian students has been stable in science but has declined in reading and maths. The decline in mean scores is attributable largely to a decrease in the proportion of students in the highest achievement bands. This is a serious problem and one that will be addressed in future reports. However, also serious is the persistent number of students in the lowest achievement bands.

Table 2: Percentage of all students below minimum achievement standard (Level 2), PISA 2012

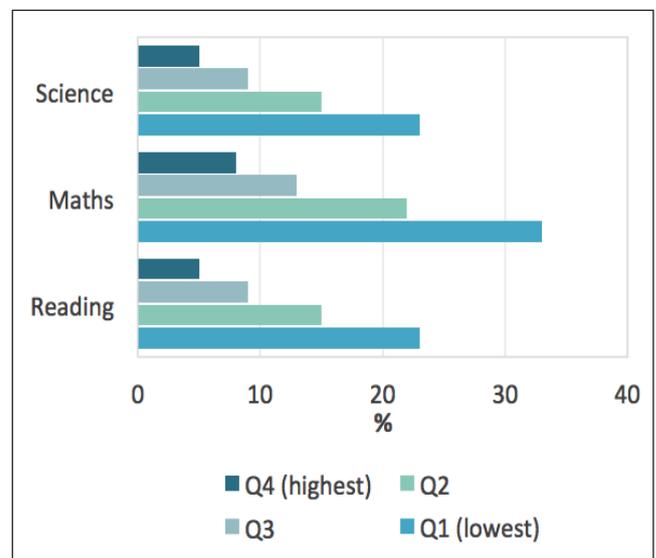
	Reading %	Maths %	Science %
2000	12.5		
2003	11.8	14.3	
2006	13.4	13	12.9
2009	14.2	15.9	12.6
2012	14.2	19.7	13.6

Source: OECD. 2013. *PISA 2012 Results: What Students Know and Can Do – Student Performance in Mathematics, Reading and Science (Volume I)*. PISA, OECD Publishing, Paris.

Table 2 shows the proportion of students with scores below Level 2, which is considered the baseline level of proficiency required to participate fully in modern society. The proportions of students below Level 2 increased slightly in reading and science, and substantially in maths.

As in NAPLAN, students who fail to achieve minimum standards in PISA are disproportionately from low SES backgrounds. Figure 3 shows the proportion of students from each ESCS (index of educational, social, economic and cultural status) quartile in the lowest achievement bands (below Level 2), with 33% of students from the lowest ESCS quartile failing to achieve the minimum standard in maths, compared with 8% from the highest ESCS quartile.

Figure 3: Students below minimum achievement standard by ESCS quartile, PISA 2012



Source: Thomson, S., L. de Bortoli & S. Buckley. 2013. *The PISA 2012 Assessment of Students' Mathematical, Scientific and Reading Literacy*. ACER, Camberwell, Vic.

While there is some debate about the role of SES in student achievement, and the home and school factors that mediate its impact, there is no doubt that poor achievement is disproportionately and persistently high among low SES students.⁴ The national minimum standard for NAPLAN is not a difficult benchmark. That so many children fail to reach it is a profound problem. As will be discussed in detail in this report, charter schools show particular promise for low achieving, socially disadvantaged students.

Charter Schools, Free Schools and School Autonomy

Charter schools and free schools are among the range of options that can be used to decentralise public school management away from state governments and increase the extent of school autonomy in systems of schools.

There are no charter schools in Australia. Charter schools are public schools but they are not government schools; they are managed by a private organisation under a legislative contract or 'charter' with the government. They can be new schools, or former government schools whose management has been given to a charter school operator.

Charter schools receive public funding similar to the funding provided to equivalent government schools and do not charge fees. Often the charter will stipulate that the school must have open enrolment and must have non-discriminatory hiring policies, but there is no reason why charter schools could not have a specialisation. The charter can also specify other aspects of schooling, including employment practices and curriculum but the rationale of charter schooling is to release schools from these restrictions.⁵ The vast majority (88%) of charter schools in the US are not unionised.⁶

Table 3: Differences between school sectors

	Traditional public school	Independent public school	Charter/free school	Non-government school
School management	Government	Government	Charter Management Organisation/ Education Management Organisation/private organisation	Private organisation/ charity
Fully government funded?	Yes	Yes	Yes	No – partly government funded
Can charge tuition fees?	No	No	No	Yes
Budget autonomy	In some states	Yes	Yes	Yes
Enrolment	Residential zoning, some selective	Residential zoning	Application and lottery	Application, some selective
State/national curriculum?	Yes	Yes	No	Yes
Teachers	Must have registered teachers; school-based hiring varies between states.	Must have registered teachers; school-based hiring.	Charters: depends on district but most have school-based hiring. Free schools: school-based hiring.	Must have registered teachers; school-based hiring.

Box 1: Charter schools, Independent Public Schools and non-government schools

In 2008, the Western Australian government implemented its Independent Public Schools policy, allowing public schools to become self-managing. There are 441 Independent Public Schools in Western Australia, which is more than half the public schools in the state.⁷ In Queensland, 130 schools have become Independent Public Schools since 2013.⁸ All states and territories have received federal government funding to devolve more management to schools.⁹

For Independent Public Schools and Catholic systemic schools, the most accurate description of their governance structure is school-based management. It is technically a misnomer to call self-managing public schools 'autonomous schools'. The only Australian schools to which the autonomous schools definition might apply are independent schools, but they also must meet heavy obligations in order to receive government funding, including: implementing the Australian Curriculum; participating in NAPLAN testing; and providing student and school data to be published on the My School website.

Independent Public Schools are often confused with charter schools. They are not; the key difference being that Independent Public Schools are still government-owned and operated. In Independent Public Schools, the principal and staff are government employees and schools must adhere to state industrial legislation and curriculum, and other state and national policies. They are government schools that operate with financial autonomy and greater latitude in staff hiring.

The charter school movement began in the United States, where there are around 1.6 million students in 5000 charter schools, across 40 states, representing about 5% of all public schools. For-profit organisations run 16% of charter schools¹⁰ and in 2013, there were around 586,000 children on charter school waiting lists.¹¹

The 'free schools' now operating in England are similar to charter schools. They receive public funding equivalent to similar government schools with the condition that they do not charge tuition fees, and meet some conditions around enrolment and access. However, they do not have to teach the national curriculum, and they have a large degree of flexibility in school staffing. Teachers do not have to be registered, and teacher pay and conditions are set by the school.¹²

Many other countries have funding and governance arrangements that allow the establishment of privately-managed, free schools, including Sweden and Chile. New Zealand began heading down this path in 2014 with what they have called Partnership Schools—which are similar to England's free schools, with similar freedoms in provision, underpinned by rigorous accountability requirements.¹³

Charter and free school formation

Charter schools and their equivalents can form in various ways. Differentiating between the ways charter schools can be established is vital for a thorough assessment of the literature. Broadly they fall into two main categories:

- *Start-up*: Start-up charter schools are new schools set up as an alternative to the existing schools in a town or suburb. Local authorities generally have to give permission to would-be charter providers to establish a new school but where charter laws are in place, this authorisation process is usually subject only to the requisite legal requirements being met—local authorities do not play a coordinating role. Start-up charter schools are likely to be established in areas, or for student population groups, where there is a perceived demand for new, innovative, 'disruptive' types of education. 'Disruptive' charter school formation best describes Sweden's system of free schools, England's free schools, New Zealand's Partnership Schools and the practices undertaken in

some US states.

- *Conversion*: Conversion charter schools are established when local authorities single out under-performing schools or school districts and attempt to lift outcomes by transferring management to a charter organisation. Conversion charter school formation best describes the reforms of US states such as Ohio, where under-performing schools were targeted for what were called 'conversions'. The first wave of Academies in England were conversions of underperforming state schools.

The distinction between the two main types of charter schools highlights a key problem with assessing the evidence on charter schools. Comparing charter schools that had their genesis in completely different policy and student achievement environments can produce misleading results. Much of the policy debate on charter schools fails to make this distinction.

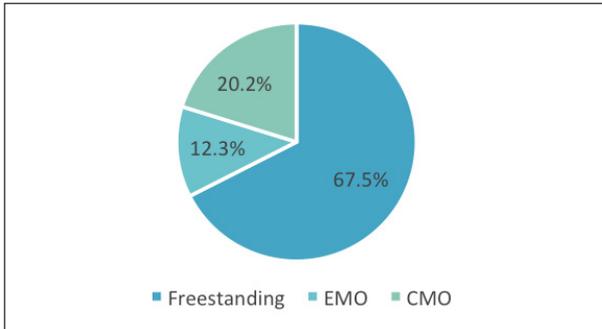
This fissure in the charter school landscape makes it difficult to identify which factors within either the regulatory or the social demographic environment are contributing to a given result, and what that says about the associated policies or regulations. These details are important if a country is considering adopting charter schools, as it may mean the difference between success and failure.

It is also important to clarify the benchmarks and measures of success. Swedish literature, for instance, focuses on the extent to which the positive impact of free schools on student outcomes constitutes a 'private attendance effect' (attending better schools) or a 'competition effect' (competition between government and non-government schools). Whether charter school policy demonstrably benefits all children, just the ones who attend charter schools, or specific sub-groups of the charter school population, is an important part of assessing the prospects for charter schools in Australia.

The largest English-language literature on charter and free schools is from the US, partly because of the long history of charter schools—almost 25 years—and partly because they have been controversial and, therefore, the subject of much research and commentary.

United States

Figure 4: Charter schools by management type, 2010–11



Source: National Alliance for Public Charter Schools

What is a charter school?

A charter school is, at the most basic level, a school that “combines public funding with private management.”¹⁴

Unlike traditional non-government schools in the US (which generally do not receive public funding as a matter of course, in contrast to Australia), charter schools cannot charge top-up fees and cannot be selective in which students they admit: if a school is over-subscribed, enrolment must be through a lottery.

Charter schools in the US are mostly overseen by school districts, with states having overarching legislation that sets out minimum standards for district charter agreements. This is in contrast to the other countries discussed in this report, where the legal and governing architecture of charter schools is set at the national level. Inter-state or even intra-state (where charter policy is set by school districts) comparisons are therefore complicated as they rarely involve like circumstances.

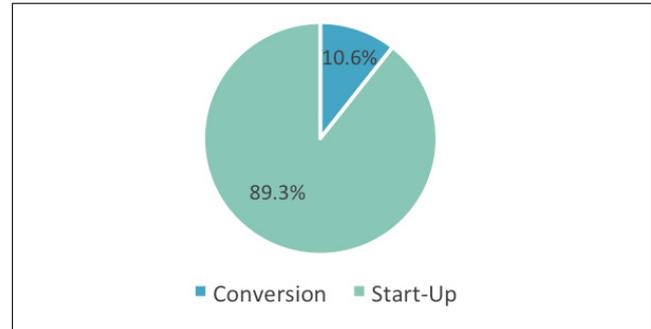
Management of charter schools

Charter schools can be run by a range of different organisations. These organisations can be run on a non-profit or for-profit basis, and be part of a chain (where the organisation runs more than one school) or be freestanding.¹⁵

Charter chains run on a non-profit basis are usually referred to as ‘Charter Management Organisations’, or CMOs. CMOs are more successful in raising money from philanthropy than traditional public schools, freestanding charters or EMOs.¹⁶ For-profit charter chains are usually referred to as Education Management Organisations, or EMOs.

As Figure 4 (above) shows, the majority of charter schools in the US are ‘freestanding’—run on a non-profit basis where the relevant organisation only has responsibility for one school. These organisations are most often run by parents and other local, grassroots parties. Figure 5 shows that the majority of charter schools across the country are ‘start-up’ schools. Whether charter schools are start-ups or conversions

Figure 5: Proportion of start-up versus conversion charter schools in the US, 2011–12



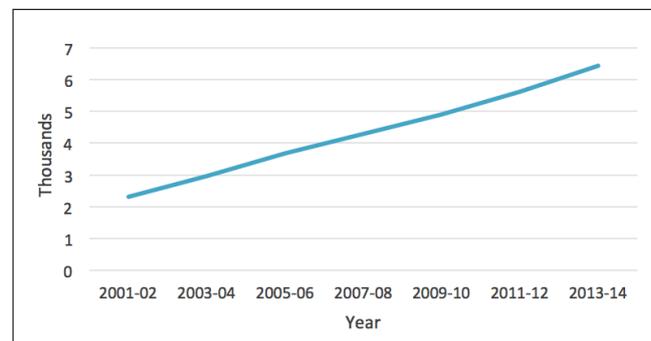
Source: National Alliance for Public Charter Schools

is only one variable that can play a role in making it difficult to compare schools across state and district borders.

Statistical context

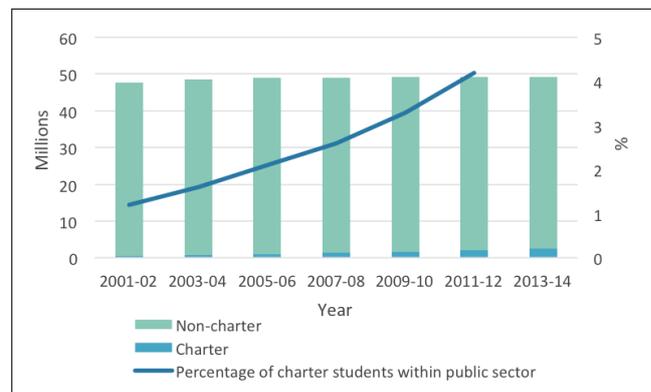
Figure 6 shows a significant and steady increase in the number of charter schools in the United States over a recent period.

Figure 6: Charter school growth, 2001–14



Source: National Alliance for Public Charter Schools

Figure 7: Number of students in charter and non-charter schools (LHS) and charters as a percentage of all public schools (RHS), 2001–14



Source: National Alliance for Public Charter Schools

As Figure 7 shows, charter schools are a small proportion of the overall public school sector, but are growing significantly.

Evidence on student achievement

Large-scale studies of charter school impacts report aggregate average results that can mask large variations in results across states and districts, and across sub-groups of the student population. Studies that cover a smaller geographic area will often examine heterogeneous effects of the policy on specific student sub-groups. Furthermore, different study designs yield slightly different results.¹⁷ A selection of these studies is summarised in Tables 4 and 5. They are the major

studies of student achievement in charter schools conducted in the last decade, with the most rigorous methodologies to account for potential selection biases and endogenous effects. Only statistically significant findings are reported in the table.

Table 4 contains studies that employ random assignment methodologies. These studies compare students who were enrolled in charter schools by a lottery process with their counterparts who participated in the lottery but missed out, and remain in traditional public schools. Table 5 contains studies that employ virtual control matching methodologies, in which students in charter schools were compared with 'virtual peers' in a traditional public school in the same location.

Table 4: Summary of random assignment studies examining the impact of charter schools on student achievement, relative to traditional public schools

Study	Areas/subjects examined	Location and admission type	Achievement findings	Other findings or characteristics
The Impact of Charter Schools on Student Achievement (Hoxby and Rockoff, 2005) ¹⁸	Maths and reading; kindergarten through to fifth grade	Application and lottery admission, in the Chicago district, and Illinois generally	Positive: improvement in maths scores of 6 to 7 percentage points and in reading scores of 5 to 6 percentage points.	Schools are located in highly urban areas; students are mostly black or Hispanic and receive free or reduced-price lunches.
The Preuss School at UCSD: School Characteristics and Students' Achievement (McClure et. al. 2005) ¹⁹	All subjects; standardised testing. College attendance	Applications from disadvantaged students and lottery admission, in San Diego	Mixed: the two groups had individual subjects where the Preuss group outperformed the control, but mostly there were null effects.	More Preuss graduates than control graduates attended college.
Charter Schools in New York City: Who Enrolls and How They Affect Their Students' Achievement (Hoxby and Murarka, 2009) ²⁰	Maths and reading; third through to eighth grades	Application and lottery admission, in New York City	Positive: 0.04 standard deviations a year improvement in reading; 0.09 in mathematics.	Black students are overrepresented relative to the traditional public schools in the area. Most robust correlation between school policy and student improvement is a longer school year.
Informing the Debate: Comparing Boston's Charter, Pilot and Traditional Schools (Abdulkadiroglu et. al. 2009) ²¹	English Language Arts and maths	Application and lottery admission, in Boston	Positive: 0.09 to 0.17 SD increase in English; 0.18 to 0.54 SD increase in maths.	Charter middle schools increase maths performance by 0.5 SD – half the size of the black-white achievement gap.
Are High-Quality Schools Enough to Close the Achievement Gap? Evidence from a Bold Social Experiment in Harlem (Dobbie and Fryer, 2010) ²²	English Language Arts and maths	Application and lottery admission, in the Harlem Children's Zone	Positive (elementary school): 1.75 SD gain in maths and ELA, closing the racial achievement gap. Positive (middle school): more than a full SD in math; between a third and a half of a SD in ELA, reversing the racial gap in maths and reducing it in ELA.	Elementary school maths gains close the racial achievement gap; middle school sees the racial achievement gap reversed in maths and reduced for ELA.

The Evaluation of Charter School Impacts (Gleason et. al. 2010) ²³	Maths and reading	Application and lottery in 15 US states	Null average effect: charter middle schools had no significant impact on student achievement, behaviour, and school progress.	Schools which served more low-income or low achieving students had significant positive effects on math scores, but they were negative for the more advantaged school populations.
Student Achievement in Massachusetts' Charter Schools (Angrist et. al. 2011) ²⁴	English Language Arts and maths	Application and lottery admission, in Massachusetts	Mixed (middle school): positive impact on maths scores but no impact on ELA scores. Positive (High school): strong, positive impacts in both subjects.	When results for middle schools were analysed by urban status, urban middle schools showed large ELA and maths impacts, whereas non-urban schools had negative and significant effects for both subjects.
The Effect of School Choice on Intrinsic Motivation and Academic Outcomes (Hastings et. al. 2012) ²⁵	Maths and reading	Children at persistently underperforming schools (location undisclosed) enter into a school choice lottery, which includes charter schools	Positive: students who select a 'no excuses' charter school experience a 0.3 SD gain in combined test scores.	Lottery participants more likely to be black, less likely to be Hispanic, less likely to receive free lunch.

Table 5: Summary of virtual control matching studies examining the impact of charter schools on student achievement, relative to traditional public schools

Study	Areas/subjects examined	Location and admission type	Achievement findings	Other findings or characteristics
National Charter School Study (CREDO, 2013) ²⁶	Maths and reading; grade levels	Start-up and conversion schools with various admissions policies in 27 US states	Mixed: small positive impacts of charter school attendance on academic growth on average. Some charter schools positive, some no effect, some negative.	Stronger gains for sub-groups (poor, black & Hispanic, English language learners) in charters. Improvements from the 2009 study are largely attributable to the closure of failing schools. Students who had been in charter schools longer had larger gains.
Urban Charter School Study (CREDO, 2015) ²⁷	Maths and reading scores; grade levels	Start-up and conversion schools with various admissions policies in 41 urban regions	Mixed: small, positive average impacts of charter school attendance on academic growth but mixed effects underlying average.	Much stronger charter school effects in some regions than others. Stronger effects for some disadvantaged sub-groups of students.

Charter schools in eight states: effects on achievement, attainment, integration and competition (Zimmer et. al., 2009) (RAND) ²⁸	Maths and reading scores; educational attainment (Florida and Chicago only)	Various admissions policies in Chicago, Denver, Milwaukee, Philadelphia, San Diego, Florida, Ohio and Texas	Null: differences in student performance between the sectors are small or non-existent. Positive: likelihood of achieving a high school diploma and attending college is higher for charter high school students.	
Achievement and Attainment in Chicago Charter Schools (Booker et. al., 2009) ²⁹	Maths and reading scores; educational attainment	Chicago	Null: no effect of charter attendance on maths improvements; small negative effect on reading improvements. Positive: charter school students' likelihood of graduating high school higher by 7 percentage points and attending college higher by 11 percentage points.	Black students improve more in maths in charter schools than in traditional public schools.

The average impacts of charter schools for all students mostly range from null to small positive effects. An in-depth review of the literature by Dennis Epple et al. (2015) interpreted the research evidence overall as showing that some highly effective charter schools have significantly superior test score outcomes to traditional public schools, while the majority are not significantly different, and some are inferior.

An important feature of the charter school research is that the results vary with the size of the sample. Because the largest studies capture and aggregate a wide variety of schools, their results are muted. The largest studies are the CREDO studies, which report statistically significant, but relatively small positive average effects for hundreds of thousands of charter school students in multiple states. As smaller groups of students and schools are analysed, the results become statistically stronger and more educationally important. The 2015 CREDO study focusing on urban districts found effect sizes were stronger in both the positive and negative direction than the 2013 state-wide study, however there were more positive than negative effects and the positive effects were substantially larger.

However, even in studies where academic results are mixed, there is consistent evidence of superior outcomes for charter schools in school completions and college admissions. Epple et al. suggest this explains the popularity of charter schools with parents even where improved test scores are not achieved.³⁰ A recent study found students who attended charter schools in Chicago were 10 percentage points more likely to enrol in selective four-year colleges and were more likely to stay in college.³¹ Of course, there are school qualities that are not measured which parents may value and seek in charter schools.

While this overall assessment is encouraging, the more interesting and useful findings in the data on charter schools relates to which schools have the biggest positive impacts, and for which students.

Characteristics of high impact charter schools

Highly effective charter schools tend to be those that encapsulate the approach described as 'no excuses' schools—schools with a focus on traditional maths and reading instruction, frequent testing, strict discipline and behaviour standards, and often with a longer school day and year.³²

They selectively recruit highly motivated and committed teachers and have a culture of high expectations of both students and staff.³³ These school characteristics are more likely to be found in charter schools than traditional public schools largely because of the employment conditions stipulated for unionised teachers in public school systems that limit working hours and do not allow schools to negotiate higher teacher salaries for longer hours or for meeting performance goals. Charter schools do not generally have these restrictions on their operations.

One of the most successful and well-known networks of charter schools is the Knowledge is Power Program (KIPP) schools. Studies have consistently shown KIPP students significantly out-perform traditional public school (TPS) students, and that this is not due to attrition of low performers.³⁴ Other successful charter school networks are the Aspire, Achievement First, IDEA, Success Academies, and Uncommon schools, all of which are run by CMOs.

Box 2: Knowledge is Power Program (KIPP)

The KIPP Foundation is one of the largest charter management organisations in the United States and was originally founded by veterans of the Teach for America program. The KIPP model is centralised and emphasises traditional teaching methods in math and English, strong discipline, hard work for students and longer school days and school years.³⁵ These are common characteristics of charter schools, especially those serving largely low income and minority students. This approach is encapsulated in the 'Five Pillars'—high expectations, choice and commitment, more time, power to lead and focus on results — that culminate in a 'Commitment to Excellence' contract that students, parents and teachers sign.³⁶

Angrist et. al. (2011) examined the impact of the KIPP model in a middle school in Lynn, Massachusetts, which has a high proportion of Hispanic, ESL and special education students. As the school is over-subscribed, the student intake is determined by lottery, which provides data that is less likely to be subject to selection bias.³⁷ Nearly 80% of the student body come from households with a low enough income to make them eligible for free or reduced-price school lunches.³⁸

The study finds small improvements in reading scores overall but moderate improvements for ESL and special education students. Similarly, there are moderate improvements in overall maths achievement, and slightly larger still improvements for ESL and special education students.³⁹

Another study by Tuttle et. al. (2010) examines 22 charter middle schools run by KIPP. Students who attended these schools had achievement levels below the local school district average prior to attending KIPP. The authors find that, firstly, students in most KIPP schools experience positive gains in reading and maths achievement and, secondly, these effects are substantial.⁴⁰

Aspire Public Schools is a non-profit charter management organisation that currently operates 38 schools, predominantly in California and more recently in Tennessee, serving 14,600 students across all grades.⁴¹ Like KIPP, Aspire uses a model in which management responsibility, support and control are highly centralised, with both management models and school design consistent across all sites.⁴² Aspire schools have longer school days and a longer school year, with classes often being held on Saturdays.⁴³ Aspire schools collectively outperform every large California school district with a majority of low income students in the Californian Academic Performance Index.⁴⁴ Aspire's motto is "College for Certain", and 2014 was the fifth consecutive year in which 100% of graduating seniors were accepted into four year colleges.⁴⁵

Another similar success story can be seen in IDEA Public Schools, a charter management organisation which operates 36 schools in Texas, serving more than 20,000 students. Like KIPP, IDEA was founded by Teach for America alumni and uses a comparable approach to KIPP and Aspire from a management perspective, which has become increasingly centralised over time.⁴⁶ Like Aspire, IDEA uses IT in a 'blended learning' model and is strongly focused on college preparation. All students take Advanced Placement courses.⁴⁷ Another major focus of IDEA is its recruitment; offering salary bonuses to teachers in high demand disciplines, teachers with advanced degrees, and for years of service.⁴⁸ IDEA schools have sent around 99% of its graduates to college in all seven years of graduating classes.⁴⁹ IDEA schools on average achieve above the state and local school averages in state exams.⁵⁰

Achievement First is a CMO operating 30 public charter schools with 10,000 students across all grades in Connecticut and New York states. The majority of

students (88%) are low income, and 99% are African-American or Hispanic. Admission is by a blind lottery system.⁵¹ Achievement First schools have a strict academic and discipline culture, which again sees a longer school year, with tuition available outside school hours and on Saturdays. Generally, this additional time is devoted to mathematics and reading.⁵² The stated aim of the Achievement First school network is to close the race and income achievement gap and test scores indicate this goal is being met. The Connecticut and New York state-wide test scores show proficiency achievement levels in Achievement First schools were mostly at or above the state average for all students for reading, maths and science, and well above the proficiency achievement rates for schools with similar demographics.⁵³

Both the 2015 CREDO study and a number of other studies (see Table 5) have reported especially strong charter school performance in the state of Massachusetts, but more particularly in the city of Boston. A research partnership between Harvard University, the Massachusetts Department of Elementary and Secondary Education and the Boston Foundation has been studying the progress and performance of charter schools in the state since 2009.⁵⁴ Charter schools in Massachusetts have 60% non-white students, compared with 30% non-white students in other schools.

Similar to other research, the studies found some charter schools were more successful than others; in particular, charter schools in urban areas that enrol more students with socio-educational disadvantages. The studies found these schools tend to have longer school days, spend more time on reading and maths, and are more likely to identify with the 'No Excuses' approach to education.⁵⁵ Across all US states, around 10% of charter schools have extended learning time.

In Massachusetts, around 70% of charter schools have extended learning time.⁵⁶ A report on Massachusetts schools by Sir Michael Barber and Simon Day found that Boston's charter schools have been major pioneers of the increased freedoms and flexibilities that have since been extended to other schools in the public school system with positive impacts on achievement. Barber and Day recommend lifting the cap on charter school numbers to enable the most successful CMOs to reach more of the most disadvantaged students.⁵⁷

Segregation, equity, and heterogeneous effects

One of the key objections raised to the proliferation of charter schools is their effect on racial segregation and socio-economic equity, as well as whether charter schools have heterogeneous effects (where different student sub-groups will experience different impacts). Much of the literature surveyed examines segregation and equity to some degree.

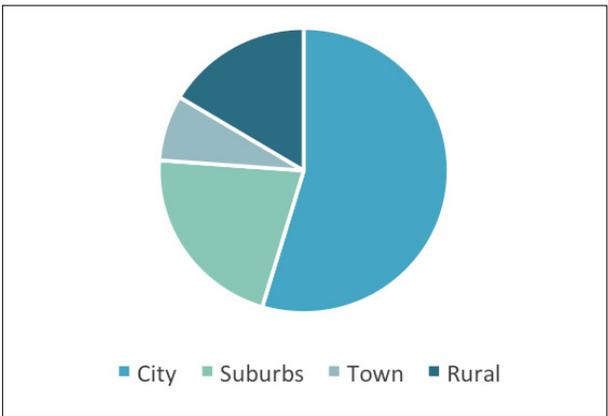
Charter schools are seen as a partial antidote to equity issues. Figures 8 and 9 below show the differences in geographic location of charter schools compared with non-charter schools (traditional public schools and private schools).

Unlike in Australia, disadvantaged communities tend to cluster in urban areas. Hence the difference in charter schools location is also significant: it shows they are more likely to exist in areas of need.

Another criticism levelled at charter schools is that their results are due to 'cream-skimming'; that is, they attract the 'best' students from the public system and have a high attrition rate of low performers.

Steele et. al. (2011) takes a close look at New Orleans, where the school system underwent a massive overhaul led by the Louisiana government after the disaster of Hurricane Katrina in 2005. Schools remain heavily segregated by race in charter schools, but it is a pattern of segregation that existed prior to the hurricane because the existence of selective-admission public schools favoured white students.⁵⁸

Figure 8: Charter schools by location, 2011–12



Source: National Alliance for Public Charter Schools

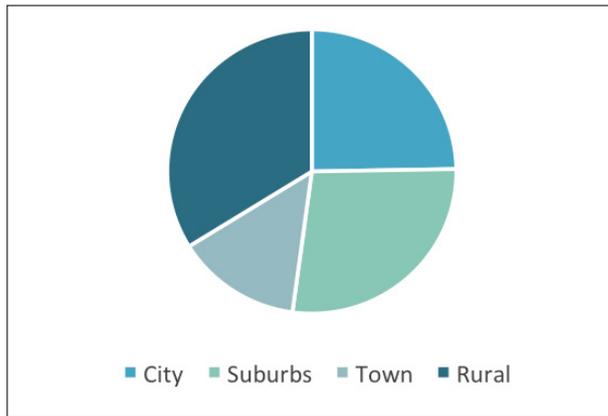
Zimmer et. al. (2009) find that the racial composition of charter school students in the areas they study (Chicago, Denver, Milwaukee, Philadelphia, San Diego, Florida, Ohio and Texas) does not differ significantly from the demographics of the TPS they transferred from. Additionally, they do not find evidence for systematic cream-skimming.⁵⁹ Examining the achievement of racial sub-groups of students yields statistically insignificant and inconsistent findings.⁶⁰

Booker et. al. (2009) find the racial and ethnic composition of charter schools is nearly identical to the traditional public schools the students leave behind.⁶¹ Academic achievement for charter school transferees is only slightly different from that of the district and that of the local TPS,⁶² and the authors conclude that there is no evidence for selectivity.⁶³

Likewise, there is no evidence charter schools discriminate against children with educational challenges. Studies in New York and Denver found that while charter schools enrol, on average, lower proportions of English Language Learners (ELL) and students with disabilities, these gaps are not due to charters actively excluding these students. The lower rates of enrolment of children with disabilities in charter schools are because fewer children with disabilities apply to charter schools (perhaps because of funding differences) and charter schools are less likely to diagnose or classify students as having a disability.⁶⁴

The 2013 CREDO study examines the demographics of charter school students across 27 states. It finds no evidence to confirm charges of selectivity, instead finding that charter schools were increasingly likely to enrol the most challenging students. Charter schools were found to educate a higher percentage of students in poverty than traditional public schools on average. About half of TPS students are white, whereas just over a third of charter school students are white, while black and Hispanic students are over-represented relative to TPS.⁶⁵ At the district level, charter schools tend to have a similar proportion of students in poverty to the local TPS, but white students are under-represented in charter schools relative to the local TPS.⁶⁶ On the issue of cream-skimming, the authors state that "the demographic trends... point to more challenging students, not less"

Figure 9: Non-charters by location, 2011–12



Source: National Alliance for Public Charter Schools

and that this “run[s] counter to the notion of selectivity on prior education performance”.⁶⁷

As summarised in Tables 4 and 5, sub-groups of students who are considered under-served by traditional public schools seem to do better in charters. The CREDO reports present differences between charter school and TPS enrolments in terms of the number of days of extra learning.

- For students in poverty, those who attended charters had an average of 14 additional days of learning in reading compared to those in TPS; for maths it was 22 additional days.⁶⁸
- For English language learners, those who attended charters had an average of 43 additional days of learning compared to those in TPS; for maths it was 36 additional days.⁶⁹
- For black students, those who attended charters had an average of 14 additional days of learning in both reading and maths. For black students in poverty, additional learning gains were 29 days in reading and 36 days in maths.⁷⁰
- For Hispanic students, learning gains at charter schools and TPS are similar. But for Hispanic students in poverty, those who attended charter schools had an average of 14 days of learning in reading compared to those in TPS; for maths it was 22 additional days.⁷¹

Overall, the evidence suggests charter schools do not increase segregation on the basis of race, wealth or ability beyond what is present in TPSs. While there is some academic dispute about the days of learning measure, the data on achievement suggest charter schools are better for some student sub-groups than others.⁷²

Selection bias in charter schools research?

A challenge to the evidence on charter school achievement is that it is the result of self-selection, i.e. parents who value education are more likely to value school choice and the option that charter schools provide.⁷³ The students who decide to enrol in charter schools or apply for a lottery position in a charter school may be different in ways social science can't necessarily identify but which influence how well they do in school. The assertion is that this can make charter school achievement seem better than it really is, even when observable characteristics such as parental income and education have been controlled for.

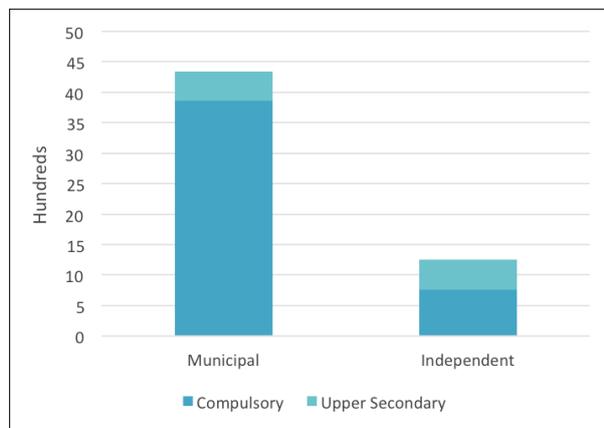
While this is a plausible argument about charter school effects, it does not undermine them completely. Numerous studies have compared students who obtained a place in a charter schools via a lottery with students who entered the lottery but missed out. This methodology replicates a randomised control trial where students are randomly allocated into charter schools, therefore eliminating selection bias.

Similarly, when failing public schools are taken over by charters and the students are 'grandfathered'—that is, guaranteed a place—in the new school, this can show the effects of the charter school on student achievement contrasted against the traditional public school model. Abdulkadiroğlu et. al. (2014) examine the impact of takeovers in New Orleans and Boston, and find these highly disadvantaged yet 'passively enrolled' students experience gains in student achievement broadly similar to the gains experienced by students who participate in active charter school applications and lotteries.⁷⁴

Friskolor

Sweden is known for having one of the most decentralised systems of schooling in the developed world. This is because of wide-ranging and revolutionary reforms to the Swedish education system that took place in the early 1990s, which introduced two fundamental themes to schools policy. These were: competition, through the introduction of portable per-student funding and ending compulsory local school attendance; and choice, through allowing the establishment of privately managed 'free schools' (*friskolor*) where students could enrol using the full funding entitlement available to them in municipal/public schools.⁷⁵ This funding mechanism is essentially a 'voucher' system. Free schools can be established by either non-profit or for-profit organisations.

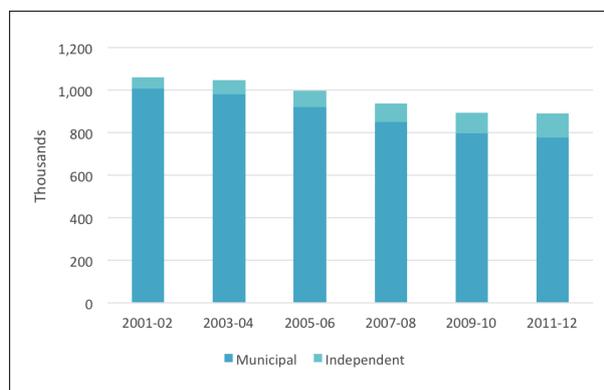
Figure 10: Number of municipal schools versus independent schools, 2011-12



Source: Facts and figures 2012: Pre-school activities, schools and adult education in Sweden, Skolverket, 2013

Figure 10 shows that there are more municipal (traditional public) schools than independent schools overall but that independent schools slightly outnumber municipal schools in the upper secondary sector.

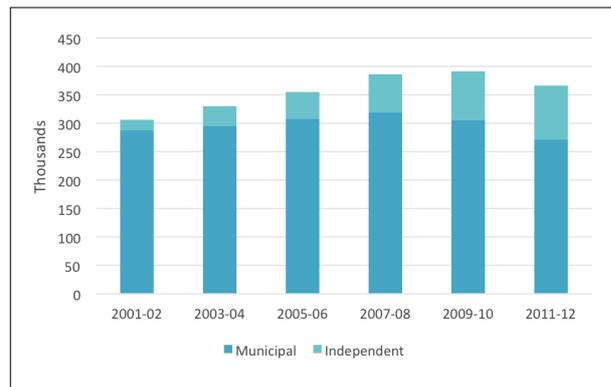
Figure 11: Number of compulsory-level students in municipal schools versus independent schools, 2001-12



Source: Facts and figures 2012: Pre-school activities, schools and adult education in Sweden, Skolverket, 2013

Figures 11 and 12 show students in municipal schools greatly outnumber students in independent schools in both the compulsory and upper secondary sectors, indicating that although upper secondary independent schools are more numerous they have smaller enrolments.

Figure 12: Number of upper secondary students in municipal schools versus independent schools



Source: Facts and figures 2012: Pre-school activities, schools and adult education in Sweden, Skolverket, 2013

Swedish free schools have a few important characteristics. Firstly, they cannot charge top-up fees⁷⁶—any improvement or profit (in the case of schools managed by companies) must arise from attracting more students and improving efficiency and economies.

Secondly, they cannot discriminate on the basis of academic prowess, or any other kind of skill or attribute. Children are enrolled in order of application.

Thirdly, the school choice/competition policy is available to all Swedish children,⁷⁷ not simply ones from a disadvantaged background. There is still some regulation—free schools must teach an approved curriculum and have their establishment approved by a central school authority.

According to Böhlmark and Lindahl, the potential benefits of the Swedish education system of free schools and vouchers can be divided into two categories.

One is the 'private attendance effect'—the individual school benefits that accrue from reallocation of resources and students to private schools that are inherently more efficient and deliver better outcomes.⁷⁸ This often implies no impact (at best), or a negative impact, on students in poorly-performing schools who are 'left behind'.

The other is the 'competition effect'—where basing school funding on vouchers and allowing various providers into the system simultaneously means schools (including public schools) have to compete with each other, driving innovation and improving outcomes for all students.⁷⁹

Table 6: Summary of studies estimating the impact of Swedish school reforms on student achievement

Study	Areas/ subjects examined	Main Findings	Attribution (attendance effect or competition effect)	Other Findings (e.g. heterogeneous effects)
Does school competition matter? Effects of a large-scale school choice reform on student performance (Ahlin, 2003)	Math, English, Swedish	Statistically significant positive effects at mean on maths performance (five percentiles) but no significant effects for English and Swedish	Competition effect	Immigrant students and special needs students gain more in maths; students from a low-education household are somewhat adversely affected in English and Swedish
Education, equality, and efficiency – an analysis of Swedish school reforms during the 1990s (Björklund et. al., 2004)	Maths, English, Swedish (Same dataset as Ahlin, 2003)	Students attending private schools perform better across the board than their publicly-educated counterparts	Attendance effect	No different impacts (positive or negative) for foreign-born students or students with low-educated parents
The Impact of School Choice on Pupil Achievement, Segregation and Costs: Swedish Evidence (Böhlmark and Lindahl, 2007)	Natural sciences, social sciences, English and maths	An increase in the private-school share by 10 percentage points increases average pupil achievement by almost 1 percentile rank point	Very small attendance effect; mostly competition effect	Private school students are also more likely to be second-generation immigrants and to have parents who are university educated
Does School Privatization Improve Educational Achievement? Evidence from Sweden's Voucher Reform (Böhlmark and Lindahl, 2008)	Math, English, sciences and social sciences	An increase in the private school share by 10 percentage points is expected to increase average GPA by nearly 1 percentile rank point	Mostly competition effect	There is a positive impact on the fraction of students who choose an academic track in post-compulsory school
Independent Schools and Long-Run Educational Outcomes: Evidence from Sweden's Large Scale Voucher Reform (Böhlmark and Lindahl, 2012)	Maths and English	A 10 percentage point increase in the share of independent-school students in compulsory school is associated with 1.7 percentile rank higher achievement at the end of compulsory school.	Competition effect	Independent school type or management type does not have an impact on student achievement

Evidence on student achievement

Has the proliferation of free schools in Sweden led to average improvements in student outcomes? If it has, are there particular sub-groups of students for whom there has been additional improvements or for whom there has been a decline in performance (heterogeneous effects)? Is there evidence that free schools gain while public schools lose, or that the type of free school (e.g. whether it is managed on a non-profit or for-profit basis) has an impact on the magnitude of effects? Overall, this review of the literature suggests there is a small positive impact of free school attendance on attendees, but there are benefits to all students as a result of increased competition. Few studies examine whether free school

management type (i.e. whether it is non-profit or for-profit) impacts student outcomes, except for Böhlmark and Lindahl (2012) who find it seems to have no impact.

International assessment decline

Recent commentary on the state of schooling in Sweden suggests the proliferation of free schools (and for-profit free schools in particular) is to blame for Sweden's significant decline in ranking on international testing, particularly PISA.

At the most basic level, there is a correlation. But this does not mean there is a causal link. Little research has been done to ascertain definitively what is causing

the decline, but Böhlmark and Lindahl (2012) found no support for the notion it can be attributed to free schools.

There are other theories. Sweden's Ministry of Education and Research posited in a 2011 background paper for the OECD that the increasing likelihood of teachers being drawn from the lower-ability end of the spectrum could be part of the story.⁹⁰ The paper also suggested the trend towards self-directed learning (where less learning happens in the structured environment of the classroom and more happens at home and is more self-guided) could play a role, as this enables parental and home factors (which vary in how conducive they are to effective learning) to exert more influence on a student's prospects.⁹¹

Tino Sanandji has pointed to a few other factors, such as a change in pedagogy and school environment: fewer hours spent in class instruction and doing homework, lax discipline, and a decline in teacher authority. He suggested the fact that free schools cannot innovate in curricula or have a say in the pedagogical methods teacher training imparts hobbles their ability to improve outcomes, while "product innovation is how free markets produce real gains, not by optimising the janitorial schedule."⁹²

Gabriel Sahlgren (2015) argues that the introduction of school choice in Sweden in the 1990s coincided with a widespread change to the dominant classroom pedagogy from traditional, teacher-led methods to progressive pupil-led methods and this may be responsible for the decline in achievement.⁹³

Segregation and equity

Critics and sceptics of Swedish school reform typically highlight a few key areas where the proliferation of free schools is associated with negative impacts overall. The most common arguments are that:

- Free schools and school choice increase segregation of students (along ethnic and/or socio-economic lines)
- The public system and the students who remain in public schools are worse off due to fewer resources and an alleged 'cream-skimming' effect of more gifted students
- The proliferation of free schools is the reason for Sweden's significant decline in international assessment rankings

The majority of the empirical evidence focuses on the first two issues.

Segregation

The evidence on whether school choice and competition promote segregation of students along various lines is mixed. Most studies examine segregation alongside a broader analysis of school choice impacts.

Anders Björklund and colleagues (2004) found an increase in inter-school variance along immigrant status, parental income and parental education lines, but they could not determine whether such segregation had an effect (either positive or negative) on student outcomes.⁸⁰ This is reiterated in Anders Böhlmark and

Mikael Lindahl's study (2007).⁸¹

Two further studies, one by A. Lindbom and E. Almgren (2007) and the other by Oskar Nordström Skans and Olof Åslund (2009) that examine segregation on its own (rather than as part of a broader analysis of school reform impacts) concluded growing student segregation was a consequence of an increase in residential segregation rather than a consequence of school reform.⁸²

An OECD background report prepared by the Swedish Ministry of Education and Research in 2011 affirms this conclusion. It states that most students still attend schools that are nearby in spite of the availability of school choice, and attributes the increase in school segregation to an increase in residential segregation along ethnic lines.⁸³

However, to acknowledge school segregation arguably exists is not to suggest that it necessarily causes problems, either in terms of social cohesion or in terms of student outcomes.

'Left behind'?

Some studies that examine the impact of school reform examine only what Böhlmark and Lindahl (2007) call the aforementioned 'private attendance effect', which does not capture the spillover effects of increased competition, the benefits of which accrue to all students.

There is scant evidence to suggest school choice and competition leave students in public schools worse off. Böhlmark and Lindahl (2007) estimate "an increase in the private school share by 10 percentage points would generate 1 percentile rank points higher achievement on average".⁸⁴ Of this, the private school attendance effect is only 0.1 percentile rank point—the benefits of competition apply to all. A further study confirmed the magnitude of the attendance effect to be just under 1 percentile point, an effect the authors judge to be small.⁸⁵

Though the short-term effects on academic achievement described in Böhlmark and Lindahl (2008) were not large, the results of the long-term follow-up by Böhlmark and Lindahl (2012) suggest "a 10 percentage point increase in the share of independent-school students in compulsory school is associated with 1.7 percentile rank higher achievement".⁸⁶ This study also found positive effects from school competition in the vicinity of 2 percentile points, on the fraction of students in an academic track in post-compulsory school, academic achievement in post-compulsory school, and the fraction of students proceeding to tertiary study.⁸⁷

S. Tegle (2010) also found a similar result: a 10% increase in the share of students in free schools increases the GPA for the whole municipality by up to 2%.⁸⁸

It is possible, though unlikely, that these mean effects mask what must be a large increase in achievement for free school students and a significant, though lesser, decrease in achievement for public school students. Björklund et. al. (2004) also found there was no reason to suggest students are hurt by competition from private schools.⁸⁹ In sum, there is little evidence to back up the claim that competition and choice leaves public school students worse off.

Independent schools

The Chilean experience is not entirely analogous with the charter school scenario in other countries but it is instructive in this instance as it is often invoked as an example of the failure of school choice in general, and for-profit schools in particular.⁹⁴

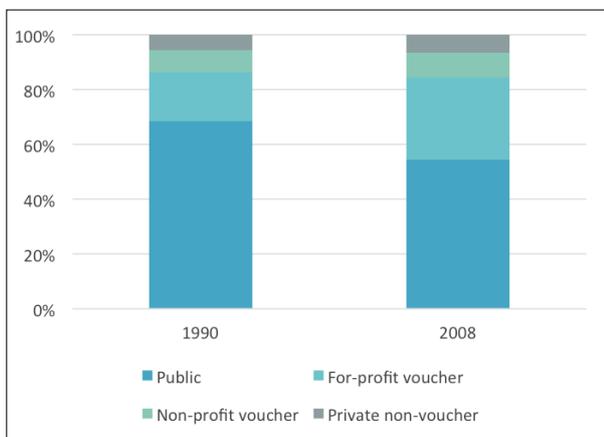
Chile introduced school choice through a system of government-funded 'vouchers'—portable student funding entitlements—in 1980. The vouchers were broadly sector-neutral to encourage non-government providers (some non-profit, some for-profit) to enter the market for education.⁹⁵ In Chile, opening the education sector to non-government schools coincided with a broader focus on school choice through the voucher scheme. As such, many of the studies outlined in this section discuss school choice and school vouchers rather than non-government schools *per se*.

Figure 13 shows the school sector which has undergone the most growth is the for-profit voucher school sector. Public schools have shrunk in number and non-profit voucher schools have grown only slightly. Figure 14 shows that these trends are similar in student enrolment as well.

Two aspects of Chilean policy are at odds with charter school policy in other countries. Firstly, voucher schools (though not public schools) are allowed to charge top-up fees.⁹⁶ Secondly, voucher schools can be selective in which students they accept.⁹⁷

In the US and Sweden, charter/free schools must either admit students on a first-come, first-serve basis or a lottery basis, thus reducing the school's ability to be selective with its student body. This means Chilean voucher schools are in practice more similar to non-government schools in Australia than to charter/free schools.

Figure 13: The growth of private schools in Chile, 1990 and 2008



Source: Gregory Elacqua, *The Impact of School Choice and Public Policy on Segregation*, 2009.

Evidence on student achievement

Table 7 reveals that of the papers examining the impacts of Chilean school policy, four report small to moderate improvements in test scores for students in voucher schools and also across the board. Additionally, Bravo et. al. (2008) find positive impacts on school retention and wages for students who used school vouchers to attend the school of their choice.⁹⁸ Conversely, Hsieh and Urquiola (2006) find no evidence of improvements in student academic outcomes.⁹⁹

Segregation and equity

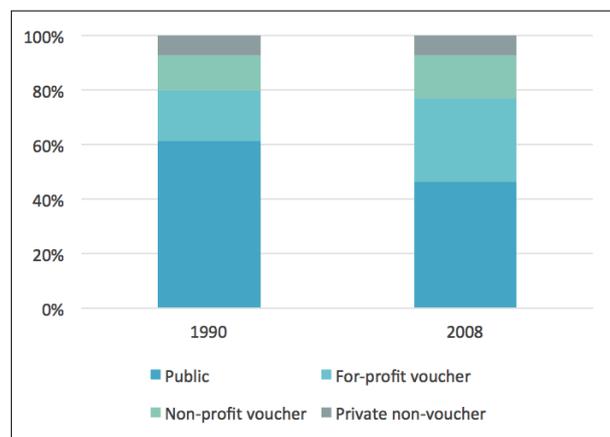
The review of the Chilean evidence suggests that the design of voucher school policy in Chile (as well as perhaps some other contextual factors; Chile was still under military dictatorship when this policy was implemented and did not begin to democratise until the late 1980s) has led to increased segregation in some areas and in general has not caused more equitable educational attainment.

In addition to their findings on student achievement, Hsieh and Urquiola found school choice led to an increasing concentration of disadvantaged students in the public system as middle-class students exited in favour of the private system.¹⁰⁰

Auguste and Valenzuela (2006) found that in spite of school competition having a positive effect on average test scores, this average increase masked increased segregation of students based on test scores as well as family characteristics.¹⁰¹ The otherwise positive findings of Bravo et. al. (2008) contrast with the finding that the non-poor benefit more from the policy than the poor.¹⁰²

Conversely, Gallego (2006) found it is not school choice that leads to increased inequality, but rather that schools of choice are not present in some areas, and public schools can be insulated from the incentives created from competition.¹⁰³

Figure 14: The growth of private school enrollment in Chile, 1990 and 2008



Source: Gregory Elacqua, *The Impact of School Choice and Public Policy on Segregation*, 2009.

If the purpose of school choice is to increase the educational fortunes of those who cannot otherwise afford to buy an education (whether through paying fees or through buying property in a sought-after school district) then it is troubling that the Chilean policy is associated with these results.

The Bachelet government in Chile has this year made some changes to the education system: co-payments

(the ability of voucher private schools to charge top-up fees) will be abolished, schools can no longer discriminate in who they enrol, and schools will no longer be allowed to operate on a for-profit basis.¹⁰⁴ Since there is no evidence that the profit motive leads to worse outcomes in itself, this proposal will limit where parents can choose to educate their children, while the benefits are unclear.

Table 7: Summary of studies estimating the impact of Chilean school reforms on student achievement and segregation

Study	Areas/subjects examined	Main findings	Other findings (e.g. heterogeneous effects)
Evaluating a Voucher system in Chile. Individual, Family and School Characteristics (Contreras, 2001).	School-leaver aptitude and knowledge tests	Attending a private voucher school had a small to moderate positive impact on standardised test scores.	N/A
Voucher-School Competition, Incentives and Outcomes: Evidence from Chile (Gallego, 2006).	Maths and Spanish test scores	One additional voucher school per public school increases test scores by about 0.14 standard deviations. Competition also increases productivity (test scores on expenditure).	The existence of voucher schools does not increase inequality. Instead it's the absence of voucher schools in some areas, and the absence of strong incentives for some public school agents.
The effects of generalized school choice on achievement and stratification: Evidence from Chile's voucher program (Hsieh and Urquiola, 2009).	Maths scores, language scores, and grade repetition rates.	No evidence that school choice improved average academic outcomes; the performance of public schools declined more in markets where the voucher program had a larger effect.	A key effect of public school/private school competition from voucher reforms was 'middle class flight' from public schools.
Is it just cream skimming? School vouchers in Chile (Auguste and Valenzuela, 2006).	Maths test scores	An increase of one standard deviation in competition is associated with an increase around 0.4 standard deviations on average test score at the county level.	Competition has a strong effect on 'sorting': segregation on family characteristics as well as average test scores.
How Universal School Vouchers Affect Educational and Labor Market Outcomes: Evidence from Chile (Bravo, Mukhopadhyay and Todd, 2008)	Educational retention, employment, and earnings outcomes	The voucher program had positive impacts on school retention, and increased wages of workers on average by 7%.	People from both poor and non-poor families benefit from the program. However, the education and wage benefits appear to be somewhat greater for people from non-poor families.
The impact of school choice and public policy on segregation: Evidence from Chile (Elacqua, 2009).	Segregation	Whether or not a voucher school charges top-up fees is an important determinant of how diverse the student body is.	Public schools are more likely to be segregated by children's indigenous status than private schools.
Should for-profit schools be banned? (Chumacero and Paredes, 2008)	Standardised test scores	Non-profits outperform for-profits, but for-profits outperform public schools.	N/A

Free schools

England's answer to US charters and Swedish friskolor is 'free schools', which are characterised by a lack of selective admissions processes, independent operational decision-making (including hiring policies) and exemption from following England's National Curriculum. They receive government funding and began to be introduced in 2011.¹⁰⁶ Currently, more than 400 free schools are operating or have been approved, and the newly-re-elected Conservative government has pledged to increase that to 500 by the end of their second term in 2020.¹⁰⁷

Free schools in England are required to operate on a non-profit basis and are largely established by teachers, businesses, parents, charities, and universities. Like Swedish friskolor, England's free schools are able to specialise and provide technical education, sometimes with a focus on moving into work, as well as a more standard education.

Free schools can be authorised to operate both by the central government in Westminster—from which they receive their per-pupil funding—after lodging a full, detailed business case. They participate in standardised testing and other inspections regimes like state schools.¹⁰⁸ The growth of free schools has been aided by the policy that new schools in local areas where there is a shortage of school places must be free schools.¹⁰⁹ Free schools, university technical colleges and studio schools comprise 1% of primary schools, and 5% of secondary schools.¹¹⁰

Since free schools are a relatively new phenomenon, test score data on student achievement of the kind that exists in other countries is not available. The difficulty in evaluating free schools is exacerbated by the little quantitative data that exists is being gathered from a small sample size, usually from Ofsted, the government agency responsible for school inspections. In their 2013–14 annual report, Ofsted stated that "it is too early to judge the overall performance of free schools."¹¹¹ A House of Commons Select Committee report published earlier this year made the same finding.¹¹²

However, the New Schools Network—an independent charity whose goal is to offer assistance to organisations wishing to set up free schools—refers to data collected by Ofsted inspectors in its data briefing on free schools which shows that between September 2012 and June 2014, 70% of free schools were rated 'outstanding' or 'good' compared to 69% for other state schools. At the top end of the performance scale, 24% of free schools were judged to be 'outstanding', compared with around 10% of other state schools.¹¹³ Government data is used to show free schools are 10 times more likely to be in the most deprived local areas than the least deprived.¹¹⁴

Several free schools have been closed due to poor performance, but this is a positive aspect of the free schools policy—students are not left to languish in failing schools.* The latest Ofsted report concludes free schools "succeed or fail for broadly the same reasons as all other types of school."¹¹⁵

Our inspectors found that, like other strongly performing schools, the best free schools demonstrate excellent leadership, including strong governance. They have experienced, ambitious leaders who have high aspirations and play a critical role in establishing the school's vision. They are also relentless in their drive to raise standards and improve the quality of teaching. They are outward looking, fostering good networks with the local community so that they do not become isolated. They also welcome scrutiny and often seek external validation, including moderation of teachers' assessments, to ensure that their judgements are robust. In contrast, our inspectors found that the weakest free schools have ineffective leadership that inhibits improvement, with little challenge to tackle poor performance.¹¹⁶

Researchers from UK think tank Policy Exchange published a report that deals with the impact of free schools on a broader, systemic level. Since the free schools program is in many ways inspired by the Swedish system, the policy is at least partially inspired by the desire to see gains accruing to students in local school areas through the 'competition effect'—not just positive impacts for students who go to free schools.¹¹⁷

The report looks at student achievement at the primary and secondary level in the three geographically closest 'similar' schools within the same area as free schools to see if there is any correlation between results and the introduction of a free school.¹¹⁸

The report's specific findings are:

- When primary Free Schools are opened in areas of educational need, schools around them make substantially more progress than the national average.¹¹⁹
- Lower performing schools make even more progress than expected among their peers when they have the added effect of a Free School opening next to them.¹²⁰
- At the secondary level, gains in closest schools are highly concentrated in lower performing local schools.¹²¹
- All below average secondary schools perform better when they have a Free School next to them¹²²

* There is as yet no evidence for this proposition in the context of free schools, but as the 2013 CREDO study of US charter schools established, overall results were improved by the closure of failing schools. On a more local level, the Thomas B. Fordham Institute's report *School Closures and Student Achievement: An Analysis of Ohio's Urban District and Charter Schools* found that displaced students ended up in better schools and it had a positive impact on their academic achievement.

Academies

Another feature of England's education landscape are the 'academies', the first of which opened in 2002 but which were legislated in 2010.¹²³ Of the 21,500 state-funded schools in England, 4,200 are academies but they are more likely to be secondary schools – 51% of state-funded mainstream secondary schools are academies. The majority are converter academies.¹²⁴

Academies receive government funding and are run by an 'academy trust'. They also benefit from sometimes high levels of private funding. Academies share many of the independent characteristics of free schools¹²⁵ and are managed by sponsors, who appoint a board with control

over the day-to-day management of the school.¹²⁶ The management can offer a flexible curriculum (aside from the core subjects of English, Maths, Science and IT), which enables schools to specialise.¹²⁷ Academies can select up to 10% of their student body based on aptitude for the specialisation the school has selected.

Traditional academies are former 'maintained schools' (state schools overseen by the local authority) that are allocated a sponsor. Like free schools, their funding is a matter of arrangement with the central, not the local, government. Academy converters are state schools, usually high-performing, that opt-out of being maintained by the local authority.¹²⁸

Box 3: Ark Academies

There are around 30 academy chains operating networks of academies, ranging from 3 to 66 schools.¹²⁹ One of the most successful and well-known is the Ark school network. Ark is an education charity that operates a chain of 31 academies across England.

The Ark school approach is similar to the 'no excuses' model—high expectations for behaviour and achievement, a focus on literacy and numeracy, and longer school days.

90% of Ark schools with Ofsted ratings have been given 'good' or 'outstanding' ratings, compared to the national average of 80% for all schools. At GCSE, 71% of students achieved A*-C grades in maths and 72% English, compared to an average of 62% nationally. This is even more impressive in the context that more than half the Ark students were eligible for the Pupil Premium (funding for educational disadvantage) compared with a national average of 26%.¹³⁰

Machin and Veroit (2011) found that more autonomy for schools—as exists within the academy structure—improves student performance in academy schools, but also has a small improvement in the results of students in nearby similar schools.¹³¹

A UK House of Commons Select Committee report published in January this year came to the following conclusion:

Current evidence does not allow us to draw firm conclusions on whether academies are a positive force for change. According to the research that we have seen, it is too early to judge whether academies raise standards overall or for disadvantaged children. This is partly a matter of timing. We should be cautious about reading across from evidence about pre-2010 academies to other academies established since then. What can be said is that, however measured, the overall state of schools has improved during the course of the academisation programme. The competitive effect upon the maintained sector of the academy model may have incentivised local authorities to develop speedier and more effective intervention in their underperforming schools.¹³²

However, the Academies Annual Report published by the UK Department for Education paints a much more positive

picture, providing statistics showing strong improvement among schools that converted to academy status, both in Ofsted ratings and GCSE results. Start-up 'sponsored' academies also had higher rates of improvement than comparable local authority maintained schools, and the rates of sponsored academies' improvement increased over time. Children with special educational needs achieved at higher levels in academies than maintained schools.¹³³

For-profit independent schools

Free schools and academies are currently not allowed to operate on a for-profit basis. EMOs can receive contracts for specific purposes from the trusts that govern academies, but as in the US these EMOs are ultimately accountable to the trust and the trust is ultimately accountable to the relevant authorities.¹³⁴

However, there is a long tradition of for-profit private schooling in the UK. A 2011 report by James Croft for the Adam Smith Institute found there were 489 'proprietary' independent schools, enrolling 15% of the students in the independent school sector. These schools do not receive any government funding and 41% charge fees less than the average per pupil funding for government schools.¹³⁵

The UK for-profit independent school sector is not well-known but it is well-established. Around a third of schools in this sector are family businesses, and a quarter of

schools are chains of three or more schools operated by EMOs. The largest of these is Cognita—an international company founded by former head of Ofsted Sir Chris Woodhead—which operates 43 schools in the UK and a total of 66 schools around the world.¹³⁶

While there are no systematic quantitative studies of student outcomes in for-profit independent schools in the UK, Croft's analysis of Ofsted reports found for-profit independent schools (proprietary schools) outperformed the independent school sector as a whole, despite the independent school sector including some of the UK's most exclusive colleges.¹³⁷

Croft suggests that for the free school sector to expand to meet the requirements for new enrolments over the coming decades, for-profit operators will be essential. To do this, the requirement for a charitable go-between for free schools could be removed on the basis that "the need to make a profit, within the framework of accountability to shareholders, encourages competition in the market, and in the process, the development of market intelligence."¹³⁸

New Zealand

Partnership schools

The first 'Partnership Schools' ('Kura Hourua' in Maori) were introduced in New Zealand in 2014. They are described by the New Zealand Ministry of Education as having "greater freedom and flexibility to innovate and engage with their students in return for stronger accountability for improving educational outcomes."¹³⁹ New Zealand has a small number of well-established independent schools but their government funding is not comparable to government schools and they charge fees.

Partnership schools are governed by a sponsor, which can be non-profit or for-profit. Sponsors are "businesses, philanthropists, iwi**", community organisations, faith-based groups, private schools and culture-based educational organisations", but not universities. The schools have a contract with the government to achieve achievement and engagement targets, in exchange for some freedoms not available to state schools. Partnership schools can negotiate the number of registered teachers (all teachers must be registered in state schools), they can negotiate teacher salaries (teachers salaries are set by an award in state schools), can have a longer school day or year, and do not have to use the national curriculum. They are funded in the same manner as state schools, and are not allowed to charge top-up fees.¹⁴⁰ Similar to charter schools and free schools, partnership schools must have their application evaluated and accepted by an authorising body.¹⁴¹

With five schools opened in 2014¹⁴² and a further four in 2015,¹⁴³ partnership schools are a small proportion of New Zealand schools and generally have small student populations as they are often specialist. The government describes these schools as being for "students who are underachieving" and points out that "four out of five New Zealand students achieve educational success, but one in five does not."¹⁴⁴ This suggests the primary goal is to extend quality education to specific student sub-groups ("Māori, Pasifika, learners from low socio-economic

backgrounds and learners with special education needs") by facilitating alternative provision rather than a means of expanding choice for all students.

The Vanguard Military School is a small senior school where, as the name might suggest, discipline is strict and students are obliged to look after their uniform and participate in marching in formation as part of the physical training regimen.¹⁴⁵ Its sponsor, Advance Training Centres (ATC) Ltd, is a private company.¹⁴⁶ Other schools, some bilingual, are sponsored by Maori charitable organisations and are intended for Maori students. One integrates bilingualism and a Maori culture focus with the Steiner approach.¹⁴⁷ Villa Education Trust, headed by an experienced former private school principal, operates two schools in Auckland with a focus on Christian values.¹⁴⁸ As of last year, 93% of the 110 students came from the government's priority student sub-groups and 81% are of Maori or Pacific Islander descent.¹⁴⁹

In a briefing prepared for the incoming Minister for Education in the lead up to September 2014, some observations of the partnership schools model are explored:¹⁵⁰

- A lack of diversity in would-be sponsors applying to operate partnership schools
- A conservative approach to fully utilising the staffing and day-to-day operations flexibility that is offered under the model
- Amending other legislation to allow tertiary education institutions to sponsor schools should be considered
- New schools require support and should have access to it, in the way relevant authorities offer assistance to state schools

There is so far no quantitative data from which to draw conclusions, but given New Zealand's geographic and cultural proximity to Australia, the outcomes of this model could have far-reaching impacts.

** "Iwi" refers to an extended kinship group, similar to a tribe or nation, who are often descended from a common ancestor and identify with common ancestral territories.



For-profit schools

The question of whether schools can and should be run for profit is vexed and highly contested. Almost all other forms of education provision have a for-profit sector—early childhood education, after-school tutoring services, disability support services, technical education and training, and universities.

Furthermore, most aspects of school operations involve private, for-profit enterprises, including textbooks, apps, software and IT equipment, maintenance, cleaning, stationery supplies, furniture, and canteens. The exception is actual management of schools.

To properly address the question of for-profit schools, an objective appraisal of their potential pros and cons is necessary.

The profit motive gives for-profit schools the following theoretical advantages, in that they:

- May attract capital more easily than non-profits, as they offer investment opportunities rather than relying on philanthropic or charitable support;
- May be more responsive to demand from students and parents;
- Will naturally seek the most efficient and effective ways to educate at the lowest optimum cost;
- Have incentives to expand into new markets instead of remaining small, local operations;
- Succeed or fail according to their performance.

For these reasons, for-profit schools are likely to encourage innovation and diversity of provision. However, innovation is also likely to be balanced by the need to serve the demands of the market for quality.

Chester E. Finn Jr has observed that “the boldest innovations in education are coming from entrepreneurs, most of them profit-seeking and most of them delivering instruction (and more) via technology rather than face-to-face in brick buildings that are open just six or eight hours a day for 180 or so days a year”.¹⁵¹

One contention is that it is possible to harness the gains of competition and choice without subjecting students to the rapid transitions and risks inherent in a for-profit model of provision. Sweden has had cases where the private equity firms that own schools become insolvent and cease operations, which is undoubtedly disruptive for students’ education.¹⁵² In response to this perceived risk, James Croft, in his study of ‘proprietary’ (for-profit independent) schools in the UK addresses the issue of disruption and argues that “having typically invested in their communities over a lifetime, the school and its community are the proprietor’s legacy, and the primary concern in the event of sale is to ensure their future.”¹⁵³

Others argue the profit motive is inherently in conflict with the social goals of school education. If the point of education is to educate children and shape them into capable citizens,¹⁵⁴ then taxpayers’ money that goes towards profit rather than influencing—directly or indirectly—educational outcomes is arguably a repudiation of these social goals.

A parallel argument to this is that if parents and students can choose schools, they are being framed as consumers, and “market-based thinking” works against “improving educational opportunities.”¹⁵⁵ But this is more a comment on the desirability of people being able to choose schools outside the public sector, than the profit motive *per se*.

Box 4: Non-profit schools, for-profit schools, or for-profit school management?

The profit motive is in some way an aspect of the operation of all schools. It is generally considered acceptable for schools to contract with a private, profit-making company to furnish various school needs, such as desks, chairs, books, and computers. Grounds-keeping and cleaning services are also commonly contracted out to for-profit companies in public schools, as is the staffing of canteens.

The involvement of for-profit companies in the provision of core educational services is more contentious.

Morley (2006) says the role of profit in charter schools exists on a spectrum:¹⁵⁷

On the non-profit end of the continuum are charter schools organised under state laws as non-profit corporations that qualify for tax exemptions... In a pure non-profit charter school, the non-profit entity that holds the school's charter manages all strategic and day-to-day operations and directly employs all the teachers, administrators, and staff.

On the for-profit end of the continuum are firms organized as for-profit business entities under state law that both hold charters and manage their schools' operations. Charter schools on the extreme for-profit end of the continuum are rare... In a hybrid school, a non-profit entity receives and holds the school's charter, and contracts with a for-profit firm for management services. Sometimes these arrangements make genuine economic sense... Often, though, these arrangements owe their existence to state laws that prohibit for-profit entities from holding charters directly.

Unsurprisingly, conflicts have arisen where there is an improperly close relationship between the non-profit charter holder board and the personnel of the for-profit EMO or other for-profit companies.¹⁵⁸ In Australia, non-government schools (which largely exist on the 'pure non-profit' end of the spectrum identified above) are required to be meticulous in disclosing which companies they contract with to ensure proper use of public funds. The fact that these situations can arise is not an argument against for-profit management of charter schools; merely an argument for proper safeguards. Julie Landry Peterson notes "there is often little patience among investors for the slow growth required to create a high-quality education product and to develop trust among school, district, and parent customers (and earn revenues)."¹⁵⁹

Sarah Stitzlein argues that the form of Education Management Organisations, which are for-profit, undermine the public education goal of developing good citizens as that is not their *raison d'être*. This is because a focus on achievement, attainment, success and maximisation is positioned as being inherently incompatible with the public school mission of educating for "political ideals like civic tolerance or communal ideals like identifying and alleviating oppression or injustice waged against certain groups in one's community."¹⁵⁶ However, none of this proves the achievement focus and the education mission are inherently incapable of existing side-by-side in a school's mission, or even that it represents a significant departure from what public schools succeed in doing.

Rejecting for-profit ownership or management in schools for these reasons is intuitively appealing, but it ignores the role the profit motive can play in driving the expansion of schooling options. As posited by both Sahlgren (2011) and Tooley (2007), the profit motive plays a significant enough role that attempts to curtail for-profit schools could reduce the benefits of choice and competition overall.

Evidence on student achievement in for-profit schools

Broadly speaking, the research evidence on for-profit schooling within a broader framework of school choice

and non-government schooling in developed countries is relatively thin. Much of the literature surveyed earlier in the report from the US, Sweden and Chile does not differentiate whether schools are for-profit or non-profit. Nevertheless, a few studies explicitly compare for-profit schools with non-profit schools and sometimes with traditional public schools.

United States

While many studies examine charter schools and student achievement vis-à-vis traditional public schools, there is not a great deal of analysis that considers the profit-making status of a school or its management organisation as a relevant variable in student achievement. It is therefore difficult to draw firm conclusions about whether for-profit charter schools are better or worse than non-profit charter schools or traditional public schools for student achievement.

There is, however, more analysis of profit—as well as the size and scope of for-profit school management organisations—in the analysis of segregation and equity in charter schools.

In a 2009 study, Cynthia Hill and David Welsch examined the effect of for-profit schools on student achievement. Using standardised test score data from Michigan students, the authors found "virtually no evidence to suggest that the type of ownership of a charter school

Box 5: A Cautionary Study – Edison Schools in Ohio

Edison Schools (now EdisonLearning), was a publicly-traded company which, in the period 1999–2011, was authorised by the Thomas B. Fordham Institute (a registered charter authoriser for the state of Ohio) to hold the charter for two schools in Dayton. Edison failed to meet expectations in educating children, and the authorisation was revoked.

An article commissioned by the Thomas B. Fordham Institute to investigate and document Edison’s failings in the Dayton View and Dayton Liberty schools,¹⁶⁶ identified a few problems. There was always distance between the decisions being made in Edison’s corporate headquarters and the reality for the school communities on the ground. For example, they struggled with the transient nature of the student population and teachers were faced with the gaps in student records that accompany such transience. Teachers felt they were being micromanaged, and that they were required to stick too much to the Edison schedule even if students were not grasping concepts. They struggled to recruit staff who were willing to work in a challenging area, even with the flexibility in hiring and remuneration provided by the charter model. The amount of public funding being directed to corporate headquarters was questionable, and Ohio’s charter school law did not legally require more detailed disclosure of this funding.

The Thomas B. Fordham Institute is a strong supporter of the charter model as an alternative choice to traditional public school and has thoroughly researched charters—what works and what doesn’t. Hence, for the Institute’s former head Chester E. Finn Jr. (a former Reagan-era assistant secretary for education) to say that “Shareholder return ends up trumping the best interests of students” and “Most of the models I admire today are run by non-profit groups”¹⁶⁷ raises questions about the ability of some companies (even ones such as Edison which specialise in education) to meet the complex expectations of public education provision while at the same time successfully turning a profit.

EdisonLearning is now a much smaller body focusing on more specialised educational offerings rather than running entire schools.¹⁶⁸ Edison’s specific failures are not endemic to the for-profit model of charter schools, but their case highlights that it is not an easy task and all companies may not be suited to it—which is something for charter school authorities to bear in mind.

(profit or not-for-profit) affects the delivery of education services.”¹⁶⁰

The ‘Philadelphia Experiment’, which started in 2002, involved for-profit and non-profit management organisations taking over a number of Philadelphia’s lowest-performing schools at the behest of the School District of Philadelphia. Of the 46 elementary and middle schools, 30 were managed by for-profit organisations, including large-scale EMOs, and the other 16 were managed by non-profits.¹⁶¹

Paul E. Peterson and Matthew Chingos compared these schools to traditional public schools, finding that for-profit management was associated with a large improvement in math achievement equivalent to about eight months of learning, over the course of four years. Reading improvements were not statistically significant, however. In the non-profit charter schools, student performance in both math and reading were not significantly different to traditional public schools.¹⁶²

David Garcia et. al. (2009) examined the relationship between charter schools that were managed by EMOs and student achievement in the state of Arizona. Specifically, this study examined student achievement in subsets of reading and mathematics achievement that distinguished between basic and complex skills.¹⁶⁴

Overall, attendance at EMO-managed charter schools had a statistically significant positive relationship with both reading and mathematics achievement compared

to a traditional public school. The achievement impact of attending an EMO-managed charter school was positive for both maths measures and vocabulary, but negative for comprehension.¹⁶⁵

Nevbahar Ertas and Christine Roch (2012) looked at where charter schools are located and which students they serve, with a number of different findings. Higher proportions of black and Hispanic residents tend to attract charter schools managed by EMOs, but charter schools generally “do not appear to be seeking out or avoiding areas with higher proportions of poor residents.”¹⁶⁹ Schools managed by for-profit EMOs are more likely to enrol black students, and large EMOs in particular are less likely than smaller EMOs to enrol poor students.¹⁷⁰

Edward Fierros and Neil Blomberg (2005) studied places for special education students in California, with profit status as a variable. They found that while special education students were under-represented in the charter school sector overall, these students constituted a higher proportion of the student population in for-profit charter schools relative to non-profit charter schools.¹⁷¹

Gary Miron et. al. (2010) found for-profit schools were less likely to enrol minority students relative to their presence in the local district, and both for-profit and non-profit schools were more socio-economically homogenous for both poor and more affluent students compared to their district.¹⁷² Schools were often

disproportionately segregated, where some schools catered overwhelmingly to white students or to minority students.¹⁷³

Sweden

Concerns raised about the for-profit subset of free schools in particular involve whether free schools managed by for-profit entities exacerbate the social impacts of free schools or lead to worse student outcomes.

The evidence is, thus far, limited one way or the other. Gabriel Sahlgren's study (2011) is the only published research that analyses student achievement through the lens of public (government) schools, non-profit free schools and for-profit free schools.

Sahlgren finds that while both non-profit and for-profit free schools established after the 1992 reforms raise the average GPA of students (by 8.76 and 4.45 points respectively), both varieties of free school are associated with higher gains than standard public schools.¹⁷⁴

Furthermore, "for-profit independent schools benefit students from all backgrounds while non-profit schools are more uneven in their effects."¹⁷⁵ The author concludes there is no evidence to substantiate fears that the profit motive degrades educational quality,¹⁷⁶ and also posits it is unlikely that independent schools would have flourished without the profit motive,¹⁷⁷ which—as discussed earlier in this report—would bring the benefits of competition that accrue to all students.

Another study examines the specific impact of the private equity (PE) ownership model in the free schools sector on student achievement and student outcomes. While not all for-profit schools are run by PE firms, they constitute a sufficiently large proportion to give the study relevance. Ludvig Lundsten and Martin Löfqvist (2011) find PE ownership has "a significantly positive impact" on students' academic achievement in primary school, no impact on students in academic post-compulsory schooling, and a negative impact on students in vocational post-compulsory schooling.¹⁷⁸

There is not a great deal of evidence to justify the concerns of sceptics of for-profit schools. However, there is also not much to suggest for-profit schools have delivered a unique value proposition in Sweden that would justify a concerted effort to expand them.

Chile

Gregory Elacqua's study on school choice and segregation in Chile distinguishes between for-profit and non-profit schools, as well as those that charge top-up fees and those that don't, and yielded a few interesting findings:

- Free for-profit schools serve a larger proportion of disadvantaged (vulnerable and indigenous) students than public schools
- Free non-profit schools serve fewer vulnerable students than free for-profit and public schools

According to Elacqua's study, there is no significant pattern of segregation of disadvantaged students between fee-charging for-profit and non-profit schools. The real distinction is between fee schools and non-fee schools, rather than whether the school is for-profit or non-profit.

Chumacero and Paredes use standardised test data to determine the differences between student achievement across for-profit, non-profit and public schools. They conclude that non-profit school students perform better in these tests than for-profit school students, but for-profit school students perform better than public school students.¹⁷⁹

The findings on charter schools overall suggest non-selective admissions policies and the lack of fees are stronger factors in achievement gains and addressing equity concerns than the profit status of a school. Chilean evidence in particular suggested that whether or not top-up fees were charged for a voucher school was more important than whether the school was run for profit.

The paucity of the literature means it is difficult to draw firm conclusions whether the impact and performance of for-profit schools is positive, negative, or neutral. At this stage, there is insufficient evidence from developed countries to either reject or support the existence of for-profit schools.

Although there have been some high-profile failures, for-profit schooling in general appears to be neither inevitably problematic nor a guarantee of success. At this stage, the profit motive does not seem to be necessary to harness the benefits of charter schooling.

For-profit schools and government funding

A critical element of the question about the existence of for-profit schools is whether they ought to be eligible for government funding. That is, whether for-profit schools might be allowed to operate as truly private schools, rather than as 'public' schools in the form of charter or free schools. There are reasonable arguments for and against the public funding of for-profit schools.

An argument for public funding of for-profit schools in Australia is that without government funding, schools are not viable enterprises, and would not be able to compete with government-funded schools. The assumption underpinning this argument is that the immutable cost structures of school education are so high that no family could afford it without government subsidies. This is debatable. There is no absolute fixed cost associated with educating children, although salary costs are usually the largest component.

Innovative schools may be able to provide education at a fraction of the current average school costs, bringing them within the reach of more families. However, even using the current average cost of government schools of \$15,000 per student as a benchmark does not represent

an unattainable price. Thousands of Australian families pay more than this in tuition fees to independent schools.

A further argument for public funding of for-profit schools is that it would make them more accountable. This is a stronger argument but is not without risks. Government funding might reduce the risk of school failure if schools are required to meet performance and financial management standards, however this is counterbalanced by the risk that the school will lose the ability to innovate and differentiate if beholden to government regulations.

Indeed, this is the chief argument against government funding for for-profit schools. Government funding comes with strings attached, which may be counterproductive if the aim is to encourage diversity of school education provision.

This proposition is supported by the successful example of for-profit schools in developing countries, which have been largely established outside of the auspices of government.

Private and for-profit schools in developing countries

For-profit schools in developing countries are a subset of the variety of private schools known as 'budget' or 'low fee' private schools, which are distinct from private schooling in the developed world as these schools operate entirely in the private sphere. Local governments sometimes do not even know about these schools—which are run on very low budgets—and they are not the recipients of government funding.¹⁸⁰

For-profit schools can be divided into two broad categories: corporate and non-corporate. Corporate for-profit schools are generally chains of schools operated by a corporation, such as the Bridge International Academies in Kenya or the Omega Schools in Ghana.¹⁸¹ Non-corporate for-profit schools are much smaller in scale and are generally operated by a single proprietor, not dissimilar to the way a small tutoring company may operate in Australia.¹⁸²

While public schools in developing countries usually do not charge fees, there are downsides to the 'free' public education: class sizes are very large; the well-educated and well-paid teachers in the public system have high rates of teacher absenteeism; and English (regarded as a must for many lower-class parents) is often not taught.¹⁸³ By contrast, lower-paid teachers in private schools who may be less qualified, but are present and can teach English, can be a more attractive option to parents.¹⁸⁴

The fact that private schools are often unknown to government means that many are invisible in official statistics. Hence, official national data on school numbers, enrolments, as well as student achievement, fees and outcomes can be hard to come by.¹⁸⁵ Primary research and data-gathering is more likely to be funded by private philanthropy and managed by academic experts than funded and managed by governments.¹⁸⁶

Characteristics of budget private schools (including for-profit schools)

Low fees

Budget private schools are not capital-intensive. They are also not subject to the teacher licensing and pay requirements of recognised schools. Both contribute to making fees relatively affordable. A year's education in a Pakistani village can cost less than the average daily wage of an unskilled labourer.¹⁸⁷ Survey data from Patna in India suggests most private schools (around two-thirds) are 'low cost', charging up to 300 rupees, with the median range of 100 – 150 rupees. This is about 2–3 Australian dollars.¹⁸⁸ Tooley (2007) also found in his survey of Hyderabad private schools that one child's fees would amount to about 5% of the family's income for the majority of families, and up to 15% for the poorest families.¹⁸⁹ In Ghana, Akaguri (2014) finds fees and other associated costs of schooling mean that low-fee private schools are beyond the reach of the poorest families.¹⁹⁰ Tooley and Longfield (2015) report that private schools are sometimes less expensive than public schools when the costs of uniforms, meals and other expenses are included.¹⁹¹

English as the medium of instruction

It is not especially surprising that English as the medium of instruction is more common in private schools in general. But it is also considered a deciding factor for many parents who choose these schools.¹⁹² In India, Desai et. al. (2008), Tooley (2007) and Rangaraju et. al. (2012) all find English medium is a dominant factor in choice of school.¹⁹³ In Rangaraju et. al.'s study of Patna, they found around half of all low cost private schools were English medium, with a further 43% a mixture of English and Hindi medium.¹⁹⁴

Quality of education

Indian government schools, though free, are considered to be of poor quality relative to low-cost private schools among the parents of children who attend these schools. 'Quality' is a nebulous term, but some oft-cited factors include: lower teacher absences, smaller class sizes, teaching activity, school hygiene and presence of other school facilities.¹⁹⁵

Lower numbers of teacher absences and the related higher levels of teaching activity are considered a crucial characteristic of private schools by the majority of studies.¹⁹⁶ The evidence supports this: Muralidharan and Sundararaman (2013), Andrabi et. al. (2008) and Tooley (2007) all find teacher absences and low levels of teaching activity are much more prevalent in government schools than private ones.¹⁹⁷ A literature review published by the UK Department for International Development (DFID) found 'strong evidence' teaching was better in private schools than public schools and 'moderate evidence' private schools are perceived as superior to public schools.

Muralidharan and Sundararaman (2013) and Tooley (2007) have both remarked on poor facilities and

hygiene in many government schools.¹⁹⁸ 56% of low-cost private schools in Patna had at least one computer in the school where less than 1% of primary and 3% of upper primary schools in Bihar had a computer.¹⁹⁹ 71% of low-cost private schools had separate toilets for boys and girls, whereas 38% of Bihar schools did—and only half of these were functional.²⁰⁰ While the lack of basic hygiene facilities in schools is certainly undesirable, it should be acknowledged these conditions often mirror living conditions in the areas in which the schools are located.

Accountability

'Accountability' to parents is a major factor in the growth of low-cost, single-proprietor, private schools as an attractive alternative to government schools. Since low-cost private schools are entirely dependent on parents and children to continue operating, they face much stronger incentives to be responsive and accountable to parental demand and expectations²⁰¹ than government schools (which are often part of inefficient state bureaucracies more broadly).²⁰² In government schools, salaries and promotions are not based on performance, and staffing decisions are often made by bureaucrats with little knowledge of the school and its community. This is not the case in low-cost private schools, where these decisions are made by school management, thus facilitating accountability.²⁰³

Student outcomes and productivity

Is the optimism evident in much of the literature on private schooling justified? In many cases it can be hard to say. The lack of standardised testing and the volume of unrecognised schools makes high-quality data difficult to come by. Many studies instead utilise survey data, which is more susceptible to human error and bias. None of these studies distinguish between school management type (e.g. sole proprietor or non-government organisation), or whether schools are 'recognised' or 'unrecognised'.

Desai et. al. (2008) find that after controlling for a variety of family factors, students who attend private schools (though not necessarily for-profit schools)

achieve scores between a third and a fourth of a standard deviation higher in reading and arithmetic skills compared to their government school peers. They also found poorer children benefitted more from private school enrolment than wealthier children.²⁰⁴ Muralidharan and Sundararaman (2013) found that winners of a lottery program for private schools scored 0.13 of a standard deviation higher averaged across all subjects, and the authors also found the positive effect of attending a private school was 0.23 of a standard deviation.²⁰⁵

Also in India, Pal and Kingdon (2009) found a correlation between degree of school privatisation in a sector and higher literacy levels for children at all age levels,²⁰⁶ although this study cannot identify whether this was driven by a private attendance effect or a competition effect.

Bold et. al.'s (2011) analysis of data from Kenya found private schooling increased exam performance by one standard deviation.

Some studies also compare outcomes to inputs to paint a picture of how efficient private schools are relative to government schools. In virtually every case, the total per-student spend in a private school will be lower than that of a government school; so even small improvements in student outcomes become more significant. The DFID (2015) report found moderate evidence that the cost of delivery is lower in private schools than public schools, and achieve superior results.²⁰⁷

Muralidharan and Sunadararaman (2013) found private schools were able to achieve comparable scores in maths and Telugu despite the instructional time devoted to those subjects being much lower, suggesting that productivity is higher.²⁰⁸ Bold et. al. argue expanding access to private schools may be a better way of improving overall educational outcomes than tackling the public school system, and at lower cost.²⁰⁹

Perhaps the strongest indication of the relative quality of education in private for-profit schools is their popularity. If hundreds of thousands of poor families in the poorest countries in the world are choosing to pay for their children's education rather than send them to a free government school, it must be for good reason.²¹⁰



Prospects for Charter Schools in Australia

Incorporating a charter model into public school provision in Australia would be a departure from the status quo. For that reason, it is necessary to explore some of the reasons why the provision of public education could be enhanced by such a change. The review of the literature thus far also has much to say about what can be done to make charters an effective and desirable option as schools of choice within the public school landscape.

The foundational reasons are to enable choice for families who currently have little. The Grattan Institute's research has shown there are low levels of school choice for the majority of Australian families, as public schools usually utilise residential zoning, and non-government schools charge fees that make them less accessible.²¹¹ The conception of school choice sees choice as a good in itself but it has other benefits.

Allowing the establishment of charter schools (or 'free schools' or 'partnership schools') would serve several purposes. It would extend school choice to more families who are not currently catered for, either because their choice of public school is restricted by zoning, or because they cannot afford school fees, or they do not want a religious education for their children. Almost all non-government schools in Australia have religious affiliations, and those which do not often subscribe to alternative educational philosophies that would not be

appealing or effective for some families. Charter schools are most often secular and always free.

It is true that Australia's relatively unique system of widespread funding of non-government schools by state and federal governments adds a dimension of choice to the school landscape which did not exist in other countries prior to the introduction of charters or their equivalents; elsewhere, it was a choice between a monolithic public school system and an exclusive wholly-private school sector. However, there are still good reasons to expand school choice further in Australia through the introduction of charter schools as a fourth school sector.

Introducing charter schools is not like implementing a voucher policy. System-wide competitive effects are not the main objective but are a possible result. The Grattan Institute report is sceptical about the effect of competition on school achievement but international studies have found an association between school policies that introduce competitive effects and system level achievement.²¹² As noted by Dean Ashenden, competition between charter and state schools has been beneficial in some locations in the US, but not alone. According to Ashenden, "it all depends on what competition (or any other nostrum) is combined with, and the circumstances in which that combination is

deployed,” including a fair regulatory playing field, which Ashenden believes does not currently exist in Australia.²¹³

One potential consequence of school choice policies is a ‘residualisation’ of some schools and students. This could occur if the most engaged and active students are more likely to exercise choice, leaving some schools with higher concentrations of disadvantaged students.

Two reports prepared for the ‘Gonski’ review of school funding discussed the impact of choice on equity—one by the Australian Council for Educational Research (ACER) and the other by a consortium lead by the Nous Group.²¹⁴ Both reports provided equivocal findings but concluded that choice does increase inequity.

Nonetheless, neither report recommended that choice be curtailed. They acknowledge the evidence for positive effects of competition, especially from OECD research, and recommended that equity effects might be moderated by policy safeguards such as funding models that encourage enrolment of disadvantaged students. Charter and free schools aim to extend choice to students who currently have few options, arguably forming part of the solution to equity effects of the existing system. The research evidence presented in this report indicates that this is a reasonable expected outcome.²¹⁵

Another purpose of charter schools is to innovate. Because charter schools are usually schools of choice and do not have the same restrictions on their operations as public schools, they are able to do things differently. Other schools can learn from their successes and failures. Start-up charter schools would provide alternatives to the current schooling options.

Charter schools can be a way to turn around chronically-failing schools, where the standard mode of educational provision is not working. These would take the form of ‘conversion’ charter schools.

The major economic dividends of charter schools are unlikely to be in the form of reduced government expenditure—if they are to be free, charter schools would need to be funded at an equivalent rate to public schools (although in the United States, charter school funding is generally slightly lower than public school funding). The major dividends would be in productivity—achieving superior educational outcomes for the same expenditure.

For charter schools to achieve this goal, the lessons of charter school policy development should be carefully examined and heeded, but there is no good educational or financial reason why any state government could not pursue it.

For-profit schools in Australia

There are very few for-profit schools currently registered and operating in Australia. This is not because they are illegal. Legislation in Australia at the federal level and in most states and territories prevents for-profit schools from receiving public funding, but their establishment is not forbidden altogether. A school is generally considered to be non-profit if surplus funds accrued in the operation of the school are applied into the school, and are not distributed to another entity.

The legislation in each of Australia’s states and territories expressly forbids the registration of for-profit schools in only one state—Victoria. In all other states and territories, the Education Acts do not specify whether a for-profit company can operate a school.

Government funding is a separate question. In all but South Australia and the Australian Capital Territory, the Acts expressly prohibit government funding for schools run for profit. In those jurisdictions, it is theoretically possible to open a for-profit school and receive state/territory funding. As such schools would be independent non-government schools, they would be entitled only to the state government funding for that sector—much less than the funding available to public schools.

There are several schools operating in Australia run by for-profit organisations, but they tend to target post-compulsory years (senior secondary).²¹⁶ Some are English language colleges that also offer senior school certificate courses (for example, HSC or VCE). Others have a focus on vocational education.

Governance rules are sometimes blurred. There is a lack of clarity around the registration of schools and the non-profit criteria. Schools owned by a for-profit company can be operated by a non-profit off-shoot. Macquarie Grammar School in Sydney was initially technically a for-profit school, and accordingly did not receive any government funding. The Year 7–10 school is now registered as a non-profit school, receiving around \$2,500 per year per student in government funding, even though it is still part of the for-profit Macquarie Education Group Australia.²¹⁷

The Victorian Education Act 2006 rules out for-profit schools, but this does not apply to schools registered before 2007.²¹⁸ The SEDA group operates schools in Victoria, WA and the Northern Territory with a special focus on trades, sports and arts within study for the Victorian Certificate of Applied Learning (VCAL).²¹⁹ It is likely there are other schools run by for-profit companies around Australia but they tend to fly ‘under the radar’.

It is also likely the numbers of for-profit schools will increase even without charter school legislation, but predictions of global international companies setting up mainstream schools in Australia have not materialised.²²⁰

Table 8: Regulation and funding of for-profit schools

	Relevant Act(s) and Policies	Registration Authority	Registration/ Accreditation Eligibility	Government Funding Eligibility
Federal	Australian Education Act 2013	Relevant state authority	Depends on state	No
NSW	NSW Education Act 1990	BOSTES	Yes	No
VIC	Education and Training Reform Act 2006	Victorian Registration and Qualifications Authority	No	No
QLD	Education (Accreditation of Non-State Schools) Act 2001	Non-State Schools Accreditation Board	Yes	No
WA	School Education Act 1999	Department of Education Services	Yes	No
SA	Education and Early Childhood Services (Registration and Standards) Act 2011	Education and Early Childhood Services Registration and Standards Board of SA	Yes	not stated
TAS	Education Act 1994 Education Regulations 2005	Schools Registration Board of Tasmania	Yes	No
ACT	Education Act 2004	Education and Training Directorate	Yes	not stated
NT	Education Act	Registration Assessment Panel	Yes	No

Policy Lessons from International Evidence

Charter school authorisation and governance

The key lesson from the evidence is that a charter school can only be as effective as its charter is rigorous. As the Center for Education Reform puts it, “the content of the charter law plays a large role in the relatively success or failure of the charter schools that open within [a] state.”²²¹

According to CER, these factors are most likely to give rise to quality charter schools which serve large numbers of students:²²²

- **No restrictions** on the number of charter schools allowed to operate, or the number of students who can attend;
- **Multiple bodies** are given the power to authorise charter schools, to maximise activity from would-be charter organisations and provide parents with the most scope for choice;
- **Management autonomy** in terms of the regulations that apply to charter schools, most significantly in staffing and curriculum decisions. This is vital so schools can be responsive to the students they serve;
- **Equal funding** on a per-student basis for charter school students as well as public school students. These funds should also be allocated through the decisions of the school itself.

Gary Miron, from the National Education Policy Center, on the other hand, disagrees that multiple authorisers lead to strong, effective charter schools and advocates that authorisers both have the capacity to recognise good quality charter applications and are willing to revoke charters should it be necessary. Data on student achievement is a part of this.²²³ While these considerations may properly represent the issues involved in effective charter school policy in the US where the sector is mature (just eight states do not have charter school legislation), that is not the case in Australia. Much bigger questions must be answered first.

The first is attendance. Charter schools and their equivalents are free to attend everywhere except in Chile, where the evidence suggests the ability to charge top-up fees undermines the equity advantages of school choice. Where schools are over-subscribed, places are usually allocated through a lottery process rather than a first-come, first-serve basis or hand-picking students. A lack of fees and entry by lottery are sound foundations for a charter school system. The issue of zoning is a little more contentious: where a local public school has been converted to charter management, it is fair to say students at the old school ought to be guaranteed a place in the new school, but where schools are ‘start-ups’ zoning should not be utilised.

Ensuring good governance is vital if these schools are going to be receiving public funds. The US charter model utilises multiple authorisers, while in England and New Zealand there is just one national authority. Australia’s federal structure leans to state and territory based authorisation, but preferably by an independent statutory authority. Charter schools should be subject

to the same financial scrutiny and probity measures to which Australian non-government schools that receive public funding are currently held.

The Thomas B. Fordham Institute in the US was an early proponent for charter schools and has been at the forefront of the debate. It is also a charter school authoriser in Dayton, Ohio, one of the first states to adopt charter school legislation. It is therefore uniquely placed to make observations about the success and failures of charter school policies.

Fordham reports argue authorisers must have strict criteria about who is allowed to run charter schools and rigorous accountability and performance conditions for renewal of the charter.²²⁴ Charter school quality is poorest where they have been allowed to ‘emerge like toadstools, with scant attention to whether prospective school operators know what they are doing.’ Chester Finn Jr, former President of the Fordham Institute admits too little attention was paid to authorisation and accountability at the beginning of the charter school movement, with the result that failing charters were difficult to close down. On the other hand, some charters were given too little, and sometimes temporary, freedom from regulatory burdens, hampering their ability to innovate and differentiate.²²⁵ The most successful charter schools have been established where governance has the correct balance of autonomy and accountability.²²⁶

Autonomy and flexibility must be allowed for charter schools if the gains of choice and competition are to be harnessed fully. Almost universally across the school systems surveyed in this report, individual charter schools and charter school management organisations have the latitude to make decisions about staff—their qualifications, their wages, scope for professional development. Charter schools should also have flexibility in the curriculum they use and the qualifications they award, such as the International Baccalaureate, Higher School Certificate (HSC), the Victorian Certificate of Education (VCE) or something else. However, charter schools should be required to participate in the National Assessment Program for Literacy and Numeracy (NAPLAN) and have their results published on the My School website. This allows parents to make an informed choice, in addition to providing a balance between accountability for academic standards and autonomy in the means of achieving them.

Australia is now in the fortunate position of being able to learn from two decades of charter and free school policies in other countries. A careful reading of the research and case studies will help Australia to avoid the mistakes made elsewhere and emulate the successes.

For-profit schools and management

It is doubtful that the expansionary zeal of for-profit companies could be matched by a charter schools sector that is limited to operating on a not-for-profit basis, giving weight to the argument for for-profit charter schools. However, there are very real questions about per-pupil government funding to for-profit schools.

On one hand, public funds already underpin corporate profits in the childcare sector—and other sectors less directly comparable to education—so it is not without

precedent. On the other, any regulatory environment that sought to ensure full accountability of government funds could also limit the efficiency and educational benefits that may be realised from innovative for-profit schools.

Nonetheless, some analysts in the US are sceptical about how well extensive involvement by for-profit companies in education fares in practice, given there is strong government (and therefore taxpayer) interest in school provision. Gary Miron argues “states with extensive involvement by for-profit management companies have poorer results in terms of performance and accountability.”²²⁷

Bulkley and Burch express concern that the willingness for public bodies to contract with for-profit firms entails the latter acting as “critical extensions of educationally-central policy processes—to set preferences for what educational outcomes matter, to track educational outcomes, and to design interventions based on these outcomes.”²²⁸

Where non-profit charter organisations hire for-profit firms to carry out some proportion of school management, Davis posits charter school laws must be stronger in detailing the limits of for-profit involvement. Situations where charter school board members also have a financial interest in a for-profit firm with whom the school is contracting can create conflicts that are not in students’ or taxpayers’ interests.²²⁹ Should Australia embark upon a charter school program where for-profit companies were allowed to participate, these companies should come to a charter arrangement with the relevant authorities themselves in the interests of transparency, rather than the hybrid system described in Box 4 where non-profit organisations contract the bulk of school management out to a for-profit company.

There are clear and crucial differences between the policy and educational environments that allow for-profit schools to flourish in developing countries and yet provide lack-lustre results in developed countries. In developing countries, the expectations of school education are very different. Even in relatively well-resourced government schools in developing countries, there is no expectation of cutting-edge technology in every classroom, and staff costs are much lower than in developed countries. School attendance is not policed to the same extent; millions of children attend private for-profit schools whose existence is not known to authorities.

In developed countries, the expectations and therefore the cost of school education are much higher. With all children required to attend school, and with all schools regulated to some extent by governments, there is a monopoly of sorts. These factors, along with the inability to charge fees in charter systems, make it very difficult to make a profit from school education. Profit margins in single schools are small, and EMOs that have attempted to achieve profits quickly through economies of scale have not always been unsuccessful—perhaps because in doing so the intended advantage of charter schools that flows from subsidiarity was lost.

Cost impacts of implementing a charter school model

One of the keys to the charter model is that schools are funded on a per-student basis at a level that is the same as traditional public schools (Chile, Sweden, UK, New Zealand) or somewhat below (most US states). It is

broadly accepted the best charter school model allocates the same funding for charters as for traditional public school. Without funding parity, it is difficult to expect charter schools to have open enrolment policies, or to serve students who have educational disadvantages.

This means there would be budgetary impacts if governments were to introduce charter schools. If parents who currently send their children to low-cost Catholic and independent schools, with their lower levels of public funding, switch to charters, the overall spend on schools will increase.

This is what has happened in the US: elite institutions are relatively unaffected, but lower-cost private school students are sector-switching.²³⁰ Research from the Friedman Foundation for Educational Choice suggests Catholic schools that switched sectors and re-opened as charters experienced increased enrolment and a higher proportion of minority students.²³¹

In Australia, the average level of public subsidy given to a student in a Catholic school is around \$9,200. This is lower than the \$11,700 per student average government income for public school students — a \$2,500 per student gap.²³² Chris Bonnor and Bernie Shepherd’s analyses of government funding for government and Catholic schools finds a much smaller funding difference (around \$1,000 more per student in government schools) when comparing geographically and socioeconomically similar schools.²³³ It is difficult to predict the cost ramifications but they must be weighed up against the opportunities available in embracing the charter school model.

It should be noted that these are averages and serve only as an estimate of the funding difference and the potential budget impact. If charter schools were to become government policy, the funding arrangements would be more complex, as their funding would be dependent on the communities in which they are located and the demographic and educational profile of the students who enrol. Some funding statistics indicate that in disadvantaged communities, there are smaller differences between Catholic and government school funding. There would also be a cost-shift between the federal and state governments if students moved from non-government schools into state-regulated charter schools.

Another potential area for spending increases is in the upfront, capital costs of setting up a new school. In the case of conversion charter schools, these costs would be minimal. Where schools are new, it should not necessarily be the case that state education departments provide these funds unless a new school was planned anyway. Rather, both non-profit and for-profit charter organisations should be financially responsible for securing funds for capital outlays. In the US, there are bodies dedicated to assisting charter organisations do exactly this, such as the Charter Schools Development Corporation.²³⁴

Where charter schools opt to rent premises from private investors, education departments should ensure that there are no conflicts of interest between the organisation and the investor in order to ensure proper use of taxpayers’ funds.

Conclusions

In light of the evidence, state and territory governments should strongly consider reforming the education system to introduce charter schools. By introducing charter schools as a 'fourth school sector' under the public school umbrella, school choice could be improved for students whose parents cannot afford a non-government school education or who do not desire a religious education for their children. Australian parents, including low income parents, are increasingly opting out of the free public system — an indication that there are gaps in provision that centralised monolithic systems of education are unable to fill.²³⁵

The literature canvassed in this report suggests that charter schools can deliver substantial improvements in academic achievement. There are many other areas in which charters might improve the provision of public education, but these are not easily categorised or measured, and are arguably not the primary concern of policymakers. Nonetheless, the popularity of charter schools in the US, even where their academic achievement is not superior to traditional public schools, suggests they are offering something that appeals to parents.

Evidence from the US, where the charter school model is well-developed, suggests that some schools succeed and others fail, but charters on average have significant positive impacts on the academic achievement of disadvantaged student sub-groups.

Sweden and Chile have combined schools of choice, including schools run by for-profit firms, with a voucher system. There is mixed evidence of the benefits of the for-profit model, but poor outcomes in terms of equity for Chile have undoubtedly been significantly influenced by the ability to charge top-up fees.

Culturally-similar countries such as England and New Zealand have, in recent years, also begun to experiment with the charter model, through free schools/academies and partnership schools, respectively. As these projects are still very new, there is no quantitative evidence of how they impact student achievement in New Zealand but the analyses and examples emerging from England are promising. The New Zealand model, where many partnership schools are targeted to the Maori and Pasifika populations, could offer a novel way forward for schooling for our Indigenous population.²³⁶

Charter schools represent a significant opportunity for students in Australia and much of the heavy lifting in terms of devising an appropriate accountability system has been done, with our relatively unique system of providing funding to non-government schools. Where there is new work to be done, our governments can learn from other countries' successes and failures.

Australia has some features in common with the US and some with England. Like the US, Australia has a federal structure that could lend itself well to competitive federalism on charter schools policy. Like England, our urban and inner-suburban areas tend to have advantaged student populations, so a close eye would need to be kept on which students charter schools end up serving. It would be necessary to draw lessons from both countries on how best to implement a charter or free school model.

Based on a frank review of the evidence, there is no objective reason not to allow for-profit companies to operate non-government schools or charter schools, especially if they have a proven track record of successful school provision and a stable company structure. However, companies are entering into a charter agreement with the relevant authorities; for the sake of transparency and minimising the chance for conflicts of interest, a non-profit body should not be permitted to outsource the majority of school management to a private company. A for-profit school also should not be the only school servicing a local area.

Another advantage to charter school policies is that it is a less partisan model than many other radical ideas for reform. In the US, both Republicans and Democrats embrace and shun charter schools. Academies were introduced in England by a Labour government and extended to free schools by a Conservative government. Charter schools have something for everyone—they extend school autonomy and choice, have strong potential to increase productivity, and have been shown to be especially beneficial for low-achieving and disadvantaged children. With the right governance framework they are the positive disruptive reform Australian education needs.

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