



Submission to Productivity Commission Human Services Inquiry

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Summary

The Human Services Inquiry is 'examining policy options in the human services sector that incorporate the principles of competition, contestability and informed user choice'. This submission puts the case that such policies have the potential to improve quality, equity, efficiency, and accountability and responsiveness in school education through expanding competition, contestability and informed user choice.

A policy that meets these criteria is the establishment of charter schools or free schools — public schools that are managed by private organisations. Charter and free schools differ from traditional public schools (TPS) in that they are able to operate with more autonomy and are schools of choice (they do not have enrolment zones). Charter and free schools differ from non-government schools because they are fully publicly funded and cannot charge tuition fees.

There are also policy options that can be implemented to achieve improvements in the specified policy outcomes within the existing school sector structures. Reforms to improve sector-neutral school funding and school zoning can drive greater competition, and a concerted effort to open up delivery of non-government and government school services drives greater contestability.

Policy outcomes: Improved quality, equity, efficiency, and accountability and responsiveness

CIS Research Report 6 (RR6) — *Free to Choose Charter Schools* — is attached to this submission. It provides a review of the international research on charter schools and free schools and discusses how such a policy might be implemented in Australia. More information and references for the following points can be found in the report.

Quality

Studies of charter school impacts on reading and maths test scores, compared to traditional public schools, show effects ranging from null and mixed to large (larger than a standard deviation) positive impacts. In almost all cases, impacts were stronger for charter schools with a focus on traditional

instruction methods, frequent testing, and strict discipline and behaviour standards. Some of the strongest impacts in the literature are driven by local areas where these ‘no excuses’ schools proliferate (RR6: page 11).

Equity

Charter and free schools have shown particular benefits for low-achieving students and for students from disadvantaged backgrounds. (RR6: page 13-14)

Charter and free schools expand school choice to families, especially lower-income families, who cannot afford tuition fees for non-government schools (RR6: page 29).

Efficiency

The evidence on charter schools in the USA and free schools in England is that there is high potential for significant gains in student learning, at the same per student cost as traditional public schools. (RR6: page 33)

Accountability and responsiveness

Charter and free schools are accountable to the authority that provides the charter or contract to operate. The terms of the charter would specify numerous performance criteria (e.g. NAPLAN, attendance) and expectations, including financial transparency. If the charter or free school does not meet the terms of the charter or contract it can be revoked by the issuing authority. (RR6: page 32)

Charter and free schools are schools of choice and are therefore accountable to the parents who choose to enrol their children. Funding for charter and free schools is based on enrolments. If they do not satisfy parents, their funding will decline. (RR6: page 32)

Feasibility

Australia is in the fortunate position of being able to review two decades of charter school research in the US, as well as more recent policy developments in England and New Zealand. Recently published analysis of free school performance in England reflects the US research, showing large gains for students in low achieving and disadvantaged schools. Australia’s long and successful experience with non-government schools and school choice makes it well-placed to establish governance arrangements that allow autonomy and flexibility while maintaining stability and quality.

School education policy could have more competition, contestability and user choice

While choice of public and non-government schools is widespread, there is room to expand choice of schools to more families, and increase the diversity of school provision, especially in the public school sector.

CIS Research Report 9 (RR9) — *One School Does Not Fit All* — is attached to this submission. It provides an overview of school provision and governance in Australia. More information and references for the following points are contained in the report.

Competition

As in other markets, competition has the potential to improve the delivery of education services. The strongest international evidence for this comes from Sweden, where sector-neutral funding for schools, portable across local government areas, has driven improvements in Swedish education relative to business-as-usual. The literature on Swedish school reform and student achievement shows that competition had statistically significant positive effects on test scores for all students, not simply the students in ‘free schools’ — the so-called ‘rising tide’ phenomenon (See RR6: page 15).

‘Competition’ in school education in Australia is often considered as being between non-government and government schools by sector rather than between schools. This is because non-government schools can compete on price amongst each other for users willing and able to pay, but for those who cannot afford or do not wish to purchase a non-government school education for various reasons (they are almost all religious in nature), choice and therefore competition is limited (RR9: page 12).

There is significant scope to improve competition between individual schools, regardless of their sector. There are two main policy levers to achieve this:

1. Portable, sector-neutral funding: If students were entitled to the same amount of funding for their education irrespective of which school sector they enrol in, there would be greater incentive and capacity for enrolment growth in non-government schools.
2. Easing zoning regulations: At present, all states and territories implement ‘zoning’ (the practice of allocating students to a particular school based on proximity) to varying degrees. Overlapping school zones, such as those used in the ACT, provide students and parents with choices between up to five schools in the local area. With a more mobile user base, schools then have an incentive to compete on various aspects of service delivery, most notably quality and responsiveness.

Contestability

Contestability is often under-examined in education policy, with a great deal of research and commentary focusing on competition and choice. The findings of RR6 and RR9 together prompt a few observations about contestability in education service delivery:

- A statistical analysis of non-government schools shows that few are not linked to a broader structural framework, be that religious (Catholic systemic or religious denominations under the independent banner) or alternative, such as Steiner and Montessori (RR9: page 6). Lack of contestability in this area in turn affects the degree of choice.
- There is a body of knowledge on the process of starting a new school within the non-government sector that is concentrated in the hands of incumbents and not easily accessible to newcomers. This also applies to access to finance.

This lack of contestability within the non-government sector can be addressed by creating or enabling the policy conditions that allow new entrants into the school sector — for example, by creating a New Schools Network that guides newcomers through the process of establishing a new school and the requisite regulations and compliance measures that must be undertaken.

For government schools, by contrast, neither knowledge of the market and its constraints, nor access to capital funds, are considerations. This is because there is no contestability in terms of 'public' school provision — they are funded and managed exclusively by government. Charter schools, with open enrolment and full public funding, maintain the spirit of public schools but can operate outside of the rigidities of a centralised system.

Informed user choice

Australian families are accustomed to school choice. Prior to the introduction of the MySchool website – which provides school results in literacy and numeracy tests (NAPLAN) — decisions about school attendance were largely made on the basis of school self-reporting and word of mouth. The MySchool website gives parents objective and contextualised data about the performance of schools in their area and allows them to make informed choices.

Conclusions

The foundations for expanding competition, contestability and informed user choice in school education service delivery are already laid, as Australian families are accustomed to school choice and policymakers largely recognise their right to choose between different options. Competition and contestability are also evident in the current education landscape, but more reform is needed. The range of literature referred to in the *Free to Choose Charter Schools* (RR6) and *One School Does Not Fit All* (RR9) reports makes a strong case for big-picture reforms such as charter schools and smaller reforms within the existing school sectors, recognising that they can contribute to improving quality, equity, efficiency, and accountability and responsiveness in education service delivery.