TAKING EDUCATION SERIOUSLY

A Reform Program for Australia's Schools

Ken Gannicott

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Key Points

- In the 1960s there was great optimism about the personal, economic and social benefits of education
- 'Human capital' measurements suggested that education was a very sound investment, and was a major factor contributing to economic growth
- Social benefits claimed for education include contribution to democracy, lower crime, better health and providing a common set of values
- Opinions about these social benefits are 'held as deeply as the evidence is shallow'
- There was broad support for public subsidy of education to increase these benefits

- In the 1990s there is disquiet in a number of countries about the high cost and poor performance of public education
- From the early 1960s to the mid-1990s, expenditure in Australia on education as a proportion of GDP increased from 3.5% to around 5.5%
- Cost per student rose considerably in the same period
- Government schools are not less costly per student than non-government schools, with Catholic schools costing significantly less per student
- Compared to other countries, there has been little testing of student academic achievement in Australia
- Teacher unions have resisted attempts to measure performance
- There is a consistent pattern of Independent schools having the highest student achievement, followed by Catholic schools and then government schools
- Performance measures that have been carried out indicate problems with literacy and with general knowledge
- On international tests of educational achievement Australian students perform reasonably well on the overall ranking, but are being outperformed by several Asian countries

- The combination of rising cost per student and stagnant academic achievement adds up to a declining cost-effectiveness of the school system in Australia

- Smaller class sizes have not improved educational performance
- Recent educational reform has used government regulation of the factors thought to make schools more effective
- These reforms have not dealt with the fundamental problem of producer control

- There have been some moves to increase consumer control
- Dezoning, so that parents can send their children to a public school in any area, gives them a choice, but only between existing schools
- 'Magnet' schools, for students with specialised interests, are too few in number because supply has not been freed up
- Vouchers give parents at least partial control of funding, but there is little scope for meaningful choice unless the supply of schools is freed up
- Recent reforms by the federal government have widened choice by reducing artificial restrictions on the supply of private schools

- Charter schools are an innovative way of giving parents genuine choice of government schools
- Charter schools are publicly funded, do not charge tuition fees, and are publicly accountable
- Charter schools can be established by parents, teachers or any qualified group
- Charter schools are freed from many government and union regulations, including those governing curriculum, teaching methods and the hiring of staff
- Community oversight of charter schools would consist of ensuring that they achieve the performance standards contracted in their charters and publicising information enabling parents to make informed choices

Foreword

Education, as everyone agrees, is critical to the present and future well-being of children. Many also agree that the education system currently fails to give a large proportion of those children the skills they need. Few people have done the radical re-think needed to ensure that the schools are adequate to the task of educating our children.

It is not that governments have neglected educational problems. To the contrary, there have been many reforms over the years. Some of these changes, such as dezoning and magnet schools, have been worthwhile for those students able to take advantage of them. However, all the reforms implemented so far fail in one key respect – they leave in place a system dominated by its producers rather than its consumers.

The consumers of school education, students and their parents, have little effective say over the kind of service they receive. Parents who cannot afford private schools must send their children to a public education system which, even though it offers some variety, offers only the variety determined by those who run the system now. Anything new and different must first be approved by those with an interest in the old and the same.

The barriers to new entrants to the educational system mean that innovation is slow and there is little competition between schools. As Professor Ken Gannicott points out in this monograph, successful schools do attract students from poorly performing schools. But because the supply of good schools is so limited, this is not the kind of competition envisaged by supporters of school choice – it is competition between parents, not schools.

Genuine competition between schools can come about only if their supply is freed up. The new federal government took a step in this direction in 1996 by liberalising the restrictions on establishing new private schools. This, however, cannot on its own end the current producer domination of education. Even the least expensive private schools still charge more than many parents can afford, and are so for those families not effective competition to government schools offering free or near-free schooling. And to the extent that private schools themselves are regulated by the public sector they are not able to differentiate their product, further reducing competition between

themselves and public sector schools.

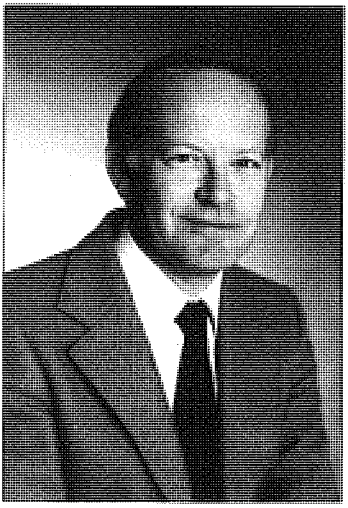
Professor Gannicott's proposal for reform is to allow the establishment of charter schools. The idea and practice of charter schools are most developed in the United States. Charter schools are freed from most of the regulatory control of the public sector. Crucially, charter schools can be established by people outside the existing public sector; by groups of parents, by teachers, by community organisations, and so on. This will allow for diversity and entrepreneurship and lead to better use of scarce school management skills. Those in charge of the school make a performance contract with an educational authority. Charter schools are funded on a per student basis, with funding ceasing if the school fails to adhere to its performance contract. There are similarities with the corporatisation of government enterprises, in that schools will became independent decision-makers, with markets creating a new accountability mechanism.

A strength of charter schools is that they can take the benefits of education reform to the great mass of students. While magnet and selective schools are often good for those who attend them, they are of no help to students of lesser ability. While increasing the number of private schools creates some competition between schools, this does not assist those who cannot afford private education at any price.

Education has been an area in which reform ideas have been most unsatisfactory. Even the vocal critics of the system's underperformance usually advocate adjustments to the existing arrangements rather than institutional change. *Taking Education Seriously* is a major contribution to the education debate because it goes beyond the existing frameworks, and re-thinks the way we ought to be educating our children.

Greg Lindsay
Executive Director

About the Author



Ken Gannicott is Professor of Education at Wollongong University. Between 1990 and 1995 he was Head of the Graduate School of Education at Wollongong. An economist by training, he has had a long interest in education policy and planning and has published many articles in this field. In addition to his academic work in Australia, he has acquired extensive overseas experience, and has carried out many assignments for international agencies such as the World Bank, Asian Development Bank, and UNESCO. This international experience has brought considerable practical knowledge of education planning in almost every country in South East Asia and the South Pacific. His experience in both economics and education issues is seen most clearly in his recent work for the Asian Development Bank, participating in a large study of reforms in educational finance and management in those Asian countries undergoing the transition to a market economy.

TAKING CHILDREN SERIOUSLY

In 1994 the Centre embarked on a program of research entitled Taking Children Seriously, directed by CIS Senior Fellow Barry Maley. At the heart of this program is the present and future well-being of children. This publication arises from work carried out under the program.

Major supporters of the *Taking Children Seriously* program include:

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Chapter 1

Taking Education Seriously: A Reform Program for Australia's Schools

The Need for Reform

Thirty years ago there seemed scarcely any limits to what education could contribute to society. There was a rare unanimity of view between educators, sociologists and economists about the substantial value to be gained from education. It was also widely accepted that a strongly interventionist role for government was necessary to capture the full range of social benefits from education.

Today there is widespread concern. This disquiet does not simply reflect a rising cost of schooling, although cost per student has risen steadily in Australia. Nor is it a concern exclusively about academic standards, although fears about levels of performance, particularly in literacy, are prominent in public debate. A major contemporary worry, quite different from thirty years ago, is that the existing public school system is no longer viewed as adequately carrying out its role of creating benefits for society as a whole.

Australia now spends almost twice as much to educate each student as twenty years ago. This is true even when allowance is made for inflation, greater participation in years 11 and 12, and the effect of changed enrolment patterns between government and non-government schools. This rise in overall cost is not the consequence of expensive private schools. Although it will surprise many, the fact is that when the statistics are adjusted to ensure proper comparability of data, it turns out that government schools are, on average, more costly per student than non-government schools.

This increased cost would not matter if we were getting better performance, but we are not. In 1975 more than a quarter (28 percent) of 14-year-olds failed a test of basic reading. Since then there has been no improvement in overall literacy levels. Reading comprehension for boys has actually declined. There is an increasing weight of evidence that government schools are academically less effective than either independent or Catholic schools, even when allowance is made for differences in student background. There has been a steady drift away from government schools, with parental preference for private schooling becoming stronger as their children approach the all-important Years 11 and 12.

Perhaps most worryingly, Australian students are not performing well by the standards of our Asian neighbours. In the latest international comparisons of achievement in science and maths, Australia finished below Singapore, Korea, Japan and Hong Kong in almost every grade and subject category. Victorian students were among the worst-performing students in Australia. Several Asian countries have not just caught up, but have surpassed the average performance of Australian students. It is also worth emphasising that the Asian success is not limited to rote-learned facts: there is ample evidence that their students also score better in the higher-order skills of evaluation and problem solving.

What Is To Be Done?

Simple arithmetic indicates that the combination of rising cost and stagnant performance adds up to a declining cost-effectiveness of the Australian school system. Australia is not alone in these concerns. Other countries, among them New Zealand, Britain and the United States, are also wrestling with policies to improve the functioning and performance of public education. A wide variety of policies has been tried. One of the simplest has been to spend more money. Another approach has been to try to make schools more effective by improving the intangible factors that go to make a good school. Firmer regulation of curricula or teacher standards has also been tried. Little of this reform effort has paid off in better performance. 'School choice' has become a popular innovation, and many variants of this (such as dezoning, and 'magnet' or specialist high schools) have been tried.

While much of this has been worthwhile, there has been an increasing realisation that none of these schemes is sufficient. A strong theme in contemporary analysis is that regulatory reform or administered choice do not get to grips with the fundamental issue that public education is effectively a monopoly, and, like any other monopoly, works to maximise the benefits to producers rather than to consumers. On this line of argument what is necessary is fundamental institutional reform that opens up education to competitive market forces. In the United States, proposals which only a few years ago seemed outlandishly radical, such as creating a profit-seeking market for schooling, are today taken seriously. It is a measure of changed attitudes to public education in Britain that the Blair Government elected in May 1997 agreed to maintain the central feature of the Thatcherite school reforms. These reforms allow government schools to opt-out of highly regulated local authority control and operate as autonomous schools,

funded directly by central government.

These ideas are not yet part of the reform agenda in Australia, but a decade or more of piecemeal reform by both the Commonwealth and the States has achieved little of lasting value. The idea that governments can buy better school performance simply by spending more money has long been discredited. What is needed is structural reform to liberalise the supply of schools and make them more responsive to parental choice. In many States parents have a choice of government school through dezoning or specialist high schools. These are worthwhile, but their crucial deficiency is that they offer choice within the limitations of the existing system. With a static pool of school places, choice becomes a zero sum game: what the fortunate few gain is lost by others. Choice within the existing government system becomes competition between parents, not between schools.

One of the early decisions of the Coalition Government elected in March 1996 was to sweep away bureaucratic restrictions on the supply of private schools and ensure that government schools won't receive funding for students they don't have. Critics claim that the changes will weaken social cohesion through a proliferation of cult or ethnic schools within an increasingly balkanised society. There are also fears that a rapid growth of private schools would drain the public system of students. The criticisms ignore the urgent need for fundamental reform of Australian schools. In particular, much of the adverse comment seems motivated by support for an idealised system of public education that is out of touch with the reality of schools today.

The Coalition changes are a genuine reform that will do much to improve parental choice of schooling in Australia. What is needed now is equivalent reform of government schools. This can be achieved through the introduction of charter schools. Charter schools are schools which are publicly owned and publicly financed, but are self-governed under the terms of a performance contract. They allow parents, teachers or any qualified group to start schools on their own, and to be freed from the regulatory and administrative constraints that burden most public systems. Charter schools are freed from many government and union regulations and requirements, including those governing curriculum, teaching methods, and the hiring of staff. In exchange, the schools are held accountable for student performance.

In Australia, Victoria is already experimenting with charters. They are also part of school reform in Britain, the United States, and New Zealand. There have already been striking examples of charter school success. In one of the poorest areas of Los Angeles, charter legislation

gave the Vaughn Street School freedom to hire and fire teachers, to lengthen the time spent on instruction, and to raise salaries above district levels. Teachers are free to determine the best instructional methods. In exchange for this autonomy, the school is accountable for the performance of its students. If the school fails to meet those goals, the charter is revoked. In fact, achievement scores at Vaughn Street have risen from the lowest in California to near the state average.

Charter schools are much more than a device simply to raise academic performance. They have the potential to transform the system itself, redefining the paradigm of public education to which we have become accustomed over the last one hundred years. At present, many public departments of education function as operators of a highly regulated monopoly. Domination by producers ensures that the system is no longer run predominantly in the interests of the parents and community who are the 'consumers' of the system. It is possible to envisage a different structure in which government no longer directly runs schools. All, or nearly all, public schools would instead be operated under charter by independent groups of parents, teachers, or other profit or non-profit organisations.

These charters – explicit and legally enforceable contracts – would define the school's mission and stipulate the grounds for accountability. By contracting with individuals and groups to offer public education, state departments of education would cease to run and regulate schools directly. Instead of directly running schools, departments of education would become (or would be replaced by) agencies with the specific role of promoting and protecting the interests of parents and the community.

The book starts exploring these issues by reviewing the broad shifts in educational policy during the past thirty years. Chapter 3 examines in detail the rising cost of education and the concern about academic standards. There is only fragmentary evidence about school performance in Australia, but there is enough to be sure that the general disquiet is not misplaced. There is particular cause for concern about the cost and performance of government schools. Chapter 4 examines many of the reforms that have been attempted in recent years, such as smaller class size, additional funding, and 'effective schools'. The conclusion is that these reforms have brought only minor improvement, largely because they have not tackled the central issue of producer control in education. What is necessary for sustained improvement is to make education more responsive to parental control. Chapter 5 explores the issue of parental choice of schooling,

both in Australia and overseas, and argues that much more needs to be done to liberalise the supply of autonomous schools and make them more accountable to parents. Chapter 6 argues that, contrary to many fears, a system of school choice will not worsen social cohesion. It can, instead, reduce the scope for conflict over what is taught in schools. This is followed in Chapter 7 with proposals to explore the concept of charter schools in Australia. The book concludes that charter schools can provide the structural reform necessary to make government schools responsive to parental choice and improve the performance of public education in Australia.

Chapter 2

Education Then and Now

The 1960s were an excitingly optimistic time in education. New methods of teaching were being explored. Education seemed to be a particularly good investment in economic growth. The role of public spending to secure the social benefits of schooling seemed straightforward. In some parts of the world, particularly in the rapidly growing economies of Asia, education is continuing to contribute handsomely to economic, social and personal development. In many other countries, including Australia, the optimism of thirty years ago has given way to widespread concern. This concern is not limited to claims of falling academic standards. There are also widespread worries that education may no longer be making an adequate or appropriate contribution to society as a whole. In the United States there is a lively debate about the reforms which are necessary. In Australia, there has been a decade or more of reform by both Commonwealth and States, but these reforms have not been enough to rectify structural deficiencies in the system.

Education in the Era of Optimism

'Progressive' Education

Thirty years ago the 'child centred' or 'discovery learning' approach to education was sweeping classrooms and teachers' colleges in the United States, Canada and Britain. The new 'progressive' approach held out the prospect that all children would develop their full potential if teaching methods were brought into line with the child's natural inclination for learning. Formal teaching in structured classrooms – with its implication of dry-as-dust rote learning, low motivation and lack of sensitivity to individual or social differences – would be replaced by new types of teaching. These would transform classrooms into exciting places of discovery and facilitate the emergence of each student's natural development potential.

There was in fact little that was totally new about progressive education. Its ideas can be traced back to the romantic faith in nature of Jean-Jacques Rousseau, whose work *Emile* (1762) criticised the educational practices of the day. Nearer our own times, John Dewey (1938) and Jean Piaget (1950) built much of their work on the idea of a natural unfolding of learning. Britain was a leader in giving these

ideas fresh impetus during the 1960s. 'Plowdenism' – named after the Plowden Report in Britain in 1967 – became short-hand characterisation for the view that 'a school is not merely a teaching shop [but] a community which ... sets out ... to devise the right environment for children, to allow them to be themselves and to develop in the way and at the pace appropriate to them. ... It lays special stress on individual discovery, on first-hand experience and on opportunities for creative work' (Plowden 1967:17).

Equal Opportunity and Educational Disadvantage

Closely allied to these neo-progressive ideas about the process of teaching and learning was a 'new' sociology of justice in education. A major factor driving the spread of mass compulsory education in Australia, as in Britain and the United States, had been the notion that the best way to achieve equality of opportunity was to expand the system and provide access for everyone. By the 1960s there was an increasing view that this was not enough. Some social, racial or ethnic groups, it was argued, would not be able to emulate the majority and use the educational ladder to climb out of poverty and deprivation: some minority groups were trapped in a cycle of deprivation. Their lack of success in school would itself contribute to reproduction of the cycle.

The way out of the cycle was to provide various forms of positive intervention that would, it was hoped, compensate for deprivation in the background of poor children. Positive intervention with compensatory programs – typically focused on very young children in the early primary or even pre-school years – could play a key role in breaking the cycle. Such compensation was necessary to give everyone the requisite background skills and ensure genuine equality of educational opportunity.

There was little agreement on the precise nature of the disadvantage faced by the minorities – whether it originated in a 'restricted code' of language (Bernstein 1958) or from some form of 'cultural deficit' (Bourdieu 1974) – so it was hardly possible to design specific interventions. In the affluent 1960s, additional spending sometimes seemed to be an all-purpose solution. Nevertheless, the crucial feature of these ideas was the faith in education that they displayed. Compensatory programs added to the optimism of the time by giving education a major role in breaking the cycle of poverty. In the United States many of the educational programs of Lyndon Johnson's 'Great Society' – of which 'Head Start' was the best-known – were based on these ideas.

The Educational Priority Areas Program in Britain was a direct outcome of the notion of disadvantage allied to Plowdenism.

These ideas came a little later to Australia, but they found their full flowering in the work of the Commonwealth Schools Commission. The Karmel Report of 1973 (established as an interim committee of the Commission) argued that most schools in Australia lacked sufficient resources to provide appropriate educational experiences. The Report also argued that there were schools needing special treatment because they drew 'a high proportion of enrolments from neighbourhoods having certain characteristics known to be generally associated with a low capacity to take advantage of educational facilities' (Karmel 1973:92).

The tortured wording speaks volumes about the need to avoid giving offence on what became the Disadvantaged Schools Program, but the program was typical of its time in taking an optimistic view of what could be achieved through additional spending on schooling: 'if the ten years or more of life that a person spends in school can be lived in pleasant surroundings, in a satisfying community, and in a program of activities which is meaningful to its participants besides being relevant preparation for a later interest in work and learning, then this must justify the expenditure of additional resources' (Karmel 1973:94).

Economic Benefits

While these changes in classroom practice and access to schooling were aimed at strengthening education's traditional role in personal development and social mobility, a flood of research from around the world was developing a new perspective. What became known as the human capital approach suggested that there were also glittering economic benefits to be gained from increased spending on schooling.

The idea that education could be viewed as a form of investment and evaluated like other capital investments such as roads or airports was not new: the basic concept of valuing 'human capital' goes back to biblical times ('When a man shall clearly utter a vow of persons unto the Lord according to thy valuation, then thy valuation shall be for the male from twenty years old even unto sixty years old, even thy valuation shall be fifty shekels of silver', Leviticus, XXVI: 3-6). In *The Wealth of Nations* in 1776 Adam Smith observed that 'the acquisition of ... talents, by the maintenance of the acquirer during his education, study, or apprenticeship, always costs a real expense, which is a capital fixed and realised, as it were, in his person'.

What was striking about the research of the early 1960s was that

attempts to make the concept operational had dramatic results. The empirical observation that better educated people earned more on average during their lifetime than those with lesser education (even when the sample groups were adjusted for differences in family and socio-economic background) provided the basis for the modern human capital approach. By combining the additional earnings from education with the costs of acquiring that education, it was possible to calculate the rate of return to schooling just like any other investment appraisal.

In itself this might have remained a technique of not much more than academic interest, with perhaps only marginal policy significance. What emerged, however, from a rapid accumulation of rate of return evidence from around the world, was that education seemed to be a particularly good economic investment. This was true both for the individual student and for society as a whole. The rate of return on investment in education exceeded what was known technically as the long-run opportunity cost of capital. In the United States the return on college education was around 15 percent during the 1960s (Cohn and Geske 1990:108). In Australia the private rate of return on investment in a university degree was around 20 percent in 1968/69, and the latest calculation, for 1990, still shows a similar very healthy return on gaining a degree versus leaving school after Year 12 (Maglen 1995:202). Education, in plain language, promised a higher monetary payoff than other investments. Box 1 summarises recent findings on rates of return.

Even this very high monetary return seemed likely to be an underestimate of the full social benefits from education. If education was genuinely successful in its fundamental role of developing each child's full potential, there would also be a range of non-financial benefits to society as a whole. Among the benefits claimed were more informed participation in a democratic society, enhanced adaptation to technical change, an improvement in lawful behaviour, lower welfare costs through the promotion of voluntary responsibility for welfare activities, improved social cohesion by encouraging participation in community and civic agencies, and the transmission of a common cultural heritage. The key feature of these effects is that they would not be limited to the individual but would, in the jargon of economics, create external or spillover benefits to society as a whole ('external' because they are in addition to benefits which accrue directly to individuals). While there was obvious difficulty in measuring such spillover benefits, one study estimated that cost-benefit studies which focused exclusively on earnings and productivity may have captured

Box 1

Rates of Return to Investment in Education

Rates of return to investment in education are calculated by applying standard discounted cash flow techniques to costs and lifetime earnings according to educational level. Private rates measure the returns on the costs incurred by students and their family. Social rates measure the return when the total resource costs are included. Rates of return have rarely, if ever, been used as specific tools of educational planning. Data availability (usually from a 5- or 10-yearly census) often lags well behind policy formulation. Rates of return are also highly aggregative measures that do not lend themselves to the detailed enrolment targets usually needed for planning. The returns have, however, been immensely influential in a broader policy sense. Rates of return have been calculated for a very wide range of countries, and the results are summarised below. There has been recent questioning of the reliability of some of the individual country studies (Bennell 1995), but the international evidence has played a major role in establishing a remarkable unanimity of view about the most effective policy framework for education.

Table 2.1

Rates of Return to Investment in Education

	Social			Private		
	Primary	Secondary	Higher	Primary	Secondary	Higher
OECD countries	n.a.	10	9	n.a.	12	12
Sub-Saharan Africa	24	18	11	41	27	28
Asia	20	13	12	39	19	20
Europe, Middle East, N. Africa	16	11	11	17	16	22
Latin America, Caribbean	18	13	12	26	17	20

Source: World Bank 1995:22.

The general pattern that has emerged from around the world is that rates of return are highest for primary education, followed by secondary and then by higher education. Following the standard rules for investment priorities,

basic schooling should be the top priority for educational investment, with higher education receiving lower priority. This result has obvious quantitative application to those developing countries that have not yet achieved universal basic schooling, and it is a guideline now accepted and implemented by international lending agencies such as the World Bank. The international pattern of results is also relevant to debates about investments in qualitative improvement in basic schooling, and of course this debate extends to the richer countries represented by OECD membership.

It is also apparent in Table 2.1 that private returns usually exceed the social returns, largely because the costs actually incurred by students are much less than the total costs. In short, education is publicly subsidised in most countries. This finding has had a major impact on the way we think about equity issues, particularly in higher education. Given that university students come on average from more affluent socio-economic groups, tuition-free (or almost tuition-free) tertiary education unnecessarily subsidises students whose families generally can afford to contribute to their costs, sometimes at the expense of poorly funded basic education. A shift of resources from higher to basic education can improve equity by providing access to, or improving the quality of, the basic schooling available to everyone.

only about 50 percent of the total value of increased schooling (Haveman and Wolfe 1984). On this arithmetic there could be few better investments for a society to make.

What was even more enticing about the human capital approach was the prospect that investments in education would contribute to sustained economic growth. In an immensely influential study of US economic growth, Edward Denison found that improvements in the educational level of the labour force accounted for as much as 20 percent of the US growth rate between 1929 and 1973. This was more than any other single source of growth, apart from the increase in the labour force itself. The US evidence was quickly followed by estimates for other countries, and these too showed that the role of education in economic growth had been consistently substantial (Denison 1962, 1967).

Public Policy in the Era of Optimism

The implications for policy were obvious. If education was not only a better investment than most, but also one of the most potent sources of economic development, a country could improve its growth performance by increased investment in schooling. Moreover, there was

a powerful argument that governments should be heavily involved in subsidising this investment. There was nothing new about arguments for public involvement in education: writing in 1699, Sir William Petty had argued that schools and universities ought to be made 'a publick charge' so that the really able might be selected as scholars rather than let the 'fond conceits' of privileged parents flood the schools and colleges with dullards (quoted by Cohn and Geske 1990:306). What was new during the 1960s was that the argument of substantial spillover benefits to society anchored the case for government involvement firmly in the investment approach then being explored.

Private investment could be expected to respond to the prospect of private benefits. Public subsidy or public investment was necessary because a substantial proportion of the full social benefits consisted of spillover effects which benefit society as a whole but cannot be captured by the individual. Public involvement was necessary to ensure that the total quantity of investment reached the socially optimal level.

Disillusionment and Disquiet in the 1990s

The End of 'Plowdenism'

Thirty years later, these bright hopes have given way to deep pessimism about schooling and its benefits. It is probably true, as the OECD suggested in a survey of school choice, that disquiet with education and pressure for change are part of the broader neo-liberal approach that has affected public policy-making since the 1980s (OECD, 1994:12). Just as hitherto public sector monopolies such as airlines, telecommunications, and the post office have felt the force of micro-economic reform and deregulation, so too there is interest in bringing consumer choice to bear on the efficiency and accountability of schools. It would be a mistake, however, to believe that recent public disquiet with education is merely the extension to education of the changed intellectual climate from the interventionist days of the 1960s. Much of the concern arises from specific issues within education itself.

In Britain the term 'Plowdenism' is now used almost wholly in a derogatory sense. An official report into primary schooling in Britain noted in 1992 that 'over the last few decades the progress of primary pupils has been hampered by the influence of highly questionable dogmas which have led to excessively complex classroom practices and devalued the place of subjects in the curriculum' (Alexander et al. 1992:1). Hampered by the notion that all learning should centre on the

child's own activity, many teachers had in consequence opposed teaching by subject. The result, argued the report, was too much work arranged around loosely defined topics, failure to measure exactly what pupils were learning, and an assumption that teachers should rarely instruct but only ask questions. Standards would not rise until teachers learned to expect more of their pupils.

In a particularly damning comment, the inquiry observed that 'progressive' education had not so much swept the primary schools but had been 'adopted as so much rhetoric to sustain practice which in visual terms might look attractive but which lacked any serious educational rationale' (Alexander et al. 1992:9). Stone (1996) has an excellent analysis of the way in which the idea of 'romantic naturalism' continues to pervade teacher education in the United States and elsewhere, and from its origin as a genuine need to reject harsh and inhumane teaching methods today impedes efforts to hold schools accountable for student academic achievement.

It is a measure of how much this lesson has been absorbed in Britain that the 'New Labour' government has committed itself to 'the use of the most effective teaching methods, including phonics for reading and whole-class interactive teaching for maths'. Under what it calls 'zero tolerance of failure', failing schools will be closed and then re-opened in 'fresh start' initiatives; the system of standardised testing of literacy and numeracy established in recent years will be retained; and parents will have a strong voice in the policies of local schools (Rafferty 1997:6).

Disquiet in the United States

In the United States, home to so many of the economic and public policy ideas which flourished in the 1960s, there has been a recognition that a decade or more of piecemeal change has achieved little of substance in reforming a public school system characterised by rising expenditure and falling performance. Chart 2.1 graphically portrays these concerns. The chart displays achievement scores in science, but results for mathematics and reading show a very similar picture. The steady rise in the inflation-adjusted cost per student, the decline and only partial recovery in test scores, and the substantial ethnic differences in achievement, neatly capture both the educational and social concern about what is happening in America's public schools.

There has been much debate about the nature and extent of the 'achievement crisis' in the United States (see, for example, the series of articles in *Education Policy Analysis Archives* for 1995-96, accessible

through Internet address http://seamonkey.ed.asu.edu). However, genuine concern about the limitations of the Scholastic Aptitude Test (SAT) and other forms of standardised testing do not discredit the now overwhelming evidence that levels of cognitive skills in the United States are on average low by international standards (World Bank 1993a:70). Sowell (1993:ix) has argued that test scores have declined in American public education because a series of 'fads, fashions and dogmas' which emphasise social engineering and self esteem rather than academic performance has crowded basic skills out of the curriculum. As if to provide specific evidence of this, American students finished last in an international standardised maths test in 1989, while Korean students finished top. Despite their poor performance, far more Americans than Koreans felt that they were 'good at mathematics' (Krauthammer 1990:17).

These concerns have given rise to a school reform movement that has moved far beyond the 1980s reform objective of seeking ways to improve the effectiveness of the public system. During the 1980s, reform focussed on better school management, tougher academic requirements, more rigorous curricula, and creating 'effective schools' (Chubb and Moe 1990:14-25). The current wave of debate about school reform in the USA is characterised by a view that such reform must be structural in nature, not piecemeal, and must tackle the fundamental issue of the public provision of education.

One of the major ways this is being done is through Charter Schools. Charter schools are those established under a contract or franchise between the public authority and a managing sponsor, which might be a group of teachers, or parents or even a for-profit entity. The sponsor is given substantial freedom to manage the school in exchange for a performance contract. The majority of US states have passed legislation enabling charter schools.

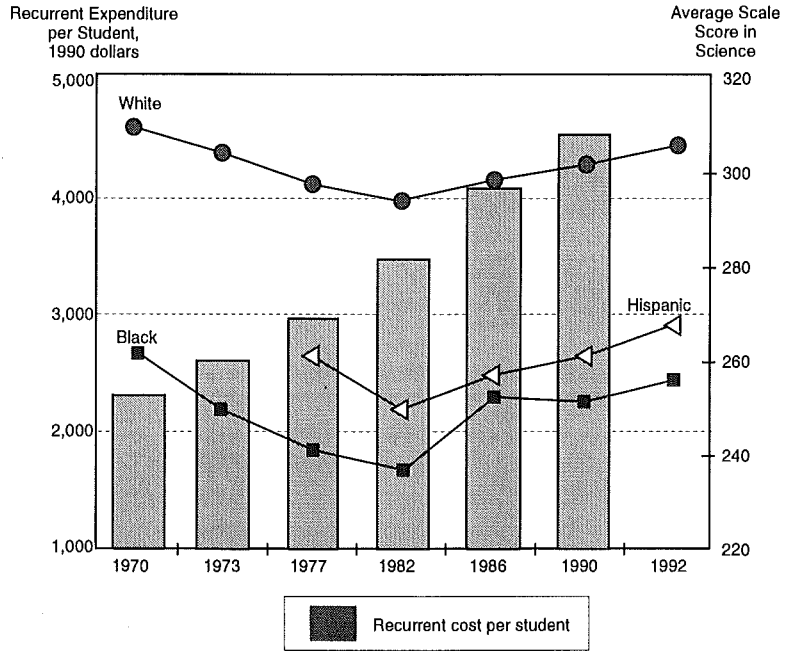
By Australian standards charter schools are a radical innovation. In the United States, many commentators dismiss charter schools as simply one more exercise in 'controlled choice', which promotes competition between parents and children, not educators. In addition to seeking ways of improving the performance and efficiency of the public school system, questions are now being asked about the very rationale of why schooling should be provided by the state.

Radical Reform: Privatising the Public Schools

In 1990 the highly influential work *Politics, Markets and America's Schools* by John Chubb and Terry Moe suggested dramatic reforms

Chart 2.1

Spending per Student and Science Achievement Awards Scores by Ethnic Group, in the United States



Source: Hanushek 1994:Figure S-2, xix. © Brookings Institution.

based upon increased choice. Although their voucher-driven proposals seemed radical, they nonetheless maintained the 'public' nature of America's public school system. In stark contrast to the 1960s claims for public investment in schooling, and a few short years after the work by Chubb and Moe, commentators now suggest that sustained improvement in school quality will only be achieved by promoting genuine school choice. That will only happen if, in turn, there is a transition to a privatised market system of schooling. Lieberman (1993) has argued that the major deficiencies of public education are inherent in the fact that the government provides the service, and that for-profit schools must play a greater role. Richman (1994) would repeal the compulsory attendance laws and allow anyone to open a school, with no regula-

tions regarding curriculum or teacher qualifications. The market, he says, will remove the charlatans and the inefficient.

It hardly needs to be said that radical proposals such as these are embryonic, currently at the stage of ideas rather than specific policies. It is worth emphasising, however, that these ideas are being debated very seriously in the United States. It is no longer possible to dismiss proponents of vouchers or school choice as right-wing ideologues. One reason for this is that genuine choice of schooling in a privatised system is increasingly recognised in the USA not as a tool of the rich, but as the best way of improving the schooling available to black, Hispanic and other low-income groups which suffer most from failure of the public system. 'Education used to be a poor child's ticket out of the slums; now it is part of the system that traps people in the underclass' (Boaz and Barrett 1996:3).

Critics allege that only a comprehensive public system can provide equitable provision of schooling for all groups in society, and that 'choice' will best serve the privileged and the successful. The early evidence is that charter schools are serving minority, special needs, and at-risk children to a much greater extent than the regular public system (Finn et al. 1996a:Section 2:13). By contrast, the Head Start program has cost more than US$31.2 billion over thirty years, with scant evidence that any gains made by preschoolers are sustained into the primary years (Doyle 1996:18). Albert Shanker, President of the American Federation of Teachers until his death in 1997, observed that 'it's time to admit that public education operates like a planned economy [and] it's no surprise that our school system doesn't improve: it more resembles the communist economy than our own market economy' (quoted in *Wall Street Journal* October 2 1989).

Education and the Decline of Social Capital

Perhaps most dramatically, the switch to a more radical approach is not driven solely by concerns of economic efficiency in a climate of public expenditure quite different (to say the least) from the big-spending, interventionist days of the 1960s. Nor is it motivated totally by the measured declines in the academic performance of American high school students. The existing public school system is now viewed as no longer fulfilling its function as the creator of benefits to society as a whole.

Robert Putnam's immensely influential article 'Bowling Alone' (1995) used the decline of bowling leagues as both example and metaphor for the loss of civic spirit in the USA. It is fatuous to blame all

social problems on the public schools, and it's essential to have realistic views of what school reform can achieve. Putnam himself has tended to put most of the blame on the advent of television (Putnam 1993, 1995, 1996), but 'Bowling Alone' sparked an outpouring of articles on the need to strengthen civic life.

A crucial element in the argument for repairing the social fabric which today cuts across the ideological spectrum is that returning responsibility for schooling to families and communities, with schools genuinely accountable to parents and neighbourhoods, is seen as an essential ingredient in repairing the functions of civil society. Such views might be unremarkable if limited to the publications of Washington think-tanks (see, for example, the Heritage Foundation's *Journal of American Citizenship: Policy Review*, Meyerson 1996:2). Laments about the need for 'common, clear moral standards' and the need to 'trace our core values back through the counterculture, back through the civil rights movement, all the way back to the American Revolution' might seem to come from the same source. They do not: they are editorial comments from the 20th anniversary issue of *Mother Jones*, a leftist magazine which grew out of the 1960s counterculture (Klein 1996:30).

Schooling in Australia

Few of the more radical proposals being debated in the United States are current in Australia. This may reflect a higher community satisfaction with the public schools, or it may reflect community lack of awareness of problems, since until 1996 very little information about school performance was made available to the public. Ken Boston, Director-General of Education in NSW, has noted that there is an abundance of hard data on school effectiveness, but acknowledged that 'there is a conspiracy of silence ... and a determination to avoid making public any information which might indicate that one school is more effective than another' (Boston 1996:2).

It is important also to maintain a sense of perspective. Schooling problems in Sydney NSW are not those of Washington DC, and there is no more justification for cultural cringe towards overseas education policies than in any other aspect of Australian life. In some cases Australian policy is ahead of that in the United States. Federal aid for non-government schools has been a feature of the Australian scene since the mid-1970s, but this is still a highly contentious issue in the United States. Similarly, Australian initiatives such as Victoria's 'Schools of the Future', with increased system accountability through state-wide

assessment and school charters, match anything else being attempted in other countries.

The quality of school education in Australia has nevertheless become a matter of public debate. We examine the issue of student performance in detail in the next Chapter, but some major indicators of concern are:

- In 1996 data from the Longitudinal Surveys of Australian Youth Program became available. Part of this survey was the application of basic reading comprehension tests to fourteen year old students. More than a quarter (28 percent) of students failed this test in 1975, and 30 percent did so in 1995. Not only has there been no improvement in overall literacy levels, but reading comprehension for boys has actually declined. Nor has there been any measured improvement in literacy levels in students from homes where English is not the main language (Kemp 1996a:6; Ainley 1997).
- There is an increasing weight of evidence that public schools are academically less effective than either independent schools or Catholic schools, even when we allow for differences in the socio-economic composition of the student body;

Table 2.2

Proportion of Students Attending Government Schools (percentage of total students at each level)

	Primary	Junior Secondary	Senior Secondary	All
1970	79.6	76.8	67.6	78.2
1980	80.0	75.1	67.8	77.7
1990	75.0	68.9	66.2	72.1
1994	74.5	67.7	65.5	71.5
1995	74.2	66.4 (all secondary)		71.0

Source: Data for 1970 and 1980 are from Australian Education Council (1989:18-19); those for 1990 are from Australian Education Council (1990:13); those for 1994 are from Ministerial Council (1994:20-21); and those for 1995 are from Australian Bureau of Statistics (1996a:118).

- There has been a steady drift away from government schools, with the decline most marked at secondary level and the proportion attending government schools lowest at senior secondary level (Table 2.2). The implication is that many parents enrol their children in private secondary schooling after their experience with government primary, and their preference for private schools becomes stronger as their children approach the all-important Years 11 and 12; and
- There is concern whether Australia's schools are playing an adequate role in strengthening Australian society or whether (as Bob Carr, current Premier of New South Wales has alleged) core curriculum knowledge is devalued by being broken up into themes that are politically faddish.

Nowhere in Australia are these concerns better exemplified than in Victoria. All States have had to grapple with school reform, and during the late 1980s the Greiner/Metherell reforms made New South Wales a leader in the introduction of school-based management. But it is Victoria which has most dramatically exemplified the concerns about schooling, with a combination until recently of high expenditure, poor academic performance, a curriculum driven by one particular interpretation of social justice, and a denial by teacher unions that there was anything wrong with student achievement (Box 2). Much that is now being implemented in Victoria is an essential correction to the excesses of the 1980s. It also needs to be acknowledged that the moves in most States towards greater self management for schools and greater choice for parents are steps in the right direction.

The pace of change in Victoria, as elsewhere in Australia, has been dramatic, and it is not surprising that there is teacher weariness and cynicism about a seemingly constant process of change (Box 3). Nevertheless, as later Chapters will argue, it is possible that the rhetoric of reform has in most States exceeded the reality. Even the constant changes of recent years may not make a major difference, because they leave intact the fundamental structure of public education. Teachers in NSW may be 'reformed out' (Box 3), but it is significant that even after the upheavals of the Metherell/Greiner changes, there is an acknowledgment at senior level of insufficient commitment to the sort of structural reform which has characterised other sectors of the Australian economy.

Box 2
High Spending, Poor Performance, and School Reform in Victoria

During the Cain/Kirner Governments, Victoria spent lavishly on education. By 1989/90, State spending per student on government schools was among the highest in Australia, exceeded only by the two Territories. By 1991 pupil/teacher ratios were the lowest in the country. Teaching salaries in Victorian primary schools were the highest in Australia apart from the ACT (Hill and Russell 1994:22; Baker 1994:6; Barcan 1992:18).

Much of this spending was driven by the unprecedented influence of the teacher unions together with a political commitment to creating more equal outcomes in education (Kirner 1991; Hannan 1990). A new Victorian Certificate of Education (VCE) embodied the push towards greater equality of outcomes. There have been many modifications since its introduction in 1989, but the initial proposals were characterised by low levels of external assessment, a very limited five-point grading scale so as to minimise the recognition of achievement (and, hence, to reduce the scope for competition between students and schools), and a single certificate giving equal treatment to a diverse range of subjects.

The teacher unions considered that the money and the ideas were sound investments. Peter Lord, Victorian President of the Australian Education Union, claimed (*The Age*, October 31 1996) that 'everyone has an idea of the perfect school. ... In each country it is always a school with a dedicated teacher and enthusiastic group of pupils. And it is always small, friendly and intimate. ... For more than a century Victoria's state education system had been built on the idea of providing neighbourhood schools [and] by 1992 Victoria also had the most experienced and sophisticated teaching force in its history and an education system of world ranking'.

Academic reality caught up when data were published showing that in 1994 Victoria's year 7 and 8 students were not just among Australia's poorest at maths and science, but were in the bottom third of nearly 40 countries around the world (Lokan et al. 1996:34-37). Financial reality came with the change of government in 1992. More than 300 schools were closed, $370 million cut from the education budget, and teacher numbers were reduced by 8,000. The 'Schools of the Future' program brought further changes, with the introduction of school budgets, curriculum reform, enhanced school accountability through the monitoring of performance, and increased staffing flexibility. Late in 1996 there was a further round of changes, with 113 small schools asked to explore the possibility of mergers.

Box 3
Attitudes to School Reform in Australia

'What does it mean to be entering the teaching profession on the threshold of the twenty-first century? What will schools be like, say, in the year 2015, when those now entering the profession will be in mid career? Do we have an agreed vision encompassing curriculum, pedagogy, school organisation and teacher professionalism for the year 2015? My impression is that in education we are relatively poorly prepared to take charge of that future, in comparison with many other walks of life. The problem is not a shortage of good ideas, but rather that governments, employing authorities and the industrial organisations representing teachers have not coalesced around a shared view of those ideas, and of what the future should hold [and] predicated on a commitment to structural reform, as in so many other parts of the public and private sectors' (Ken Boston, Director-General of Education in NSW, *School Education News*, May 1 1996).

'We have to look constantly at change, but not for change's sake. As parents, as teachers, as members of a community with a responsibility to our children, we have to assess what is the best for students in the short and long term, both in relation to Australia and our place in the world' (Phil Gude, Victoria's Minister for Education, *The Age*, October 31 1996).

'Teachers complain of being reformed out. They feel that they have been forced to implement the educational "vision" of successive ministers to little obvious benefit' (Mark Scott, *Sydney Morning Herald*, May 7 1996).

'Victoria's primary and secondary schools are struggling to cope in the face of sweeping changes, with teachers reporting increased stress levels' (Caroline Milburn, *The Age*, November 4 1996).

An Optimistic Future through Institutional Reform

One response to the public concern, both in Australia and elsewhere, is to note that education has 'failed' to deliver the promise of thirty years ago only because there was never any realistic prospect of living up to the rhetoric. There is some truth in this. Over-optimistic claims for what education can achieve are still seen today in calls for schools to teach virtually everything from anti-racism to drug awareness, from boosting self-esteem to 'helping raise their parents' awareness of the public transport alternatives to using the family car'. Items such as these –all taken from a single issue of the NSW *School Education News*, May 1 1996 – speak volumes about what is thought appropriate in today's public schools. They provide a striking example of what has been

described as 'the whole development of the role of teachers for the last thirty years which has had the effect of exalting their social role as counsellors, organisers, administrators and cultural change agents' (Schools Council 1989:56).

Excessive expectations are certainly not the whole story. Despite the concerns in many countries, including Australia, about the role and performance of public schooling, it is simply not true that education has everywhere failed to live up to its promise.

First, recent studies confirm the importance of education, particularly of basic education, for economic development. It is true that the 1960s exercises in 'growth accounting', based on neoclassical models of economic growth, have been challenged by newer theories of growth, but the newer theories are no less insistent on the contributory role of education. The earlier models predict diminishing returns to investment, including investment in human capital. They have little to say about technical progress, because it is exogenous (that is, not built directly into the model) and its impact is calculated as a residual in the actual estimates. By contrast, the newer theories suggest that increases in physical and human capital can make an *increasing* contribution to growth as economies become richer. This is because technical progress is endogenous (or explicitly included as an explanatory factor) in the model, and education plays a key role in creating new ideas and knowledge, assisting the diffusion of new techniques, and building the human capital infrastructure that facilitates productivity advance.

In a study of the East Asian 'miracle', the World Bank (1993a) found that education was one of the principal engines of growth in the region. This outcome was not the product of higher overall spending. In both 1960 and 1989, public expenditure on education as a percentage of GNP was barely higher in East Asia than in other developing countries. But, out of expenditure that was unremarkable by international standards, the East Asian economies fashioned a policy focus on basic education that has paid off handsomely. In the words of the World Bank, 'emphasis on universal, high-quality primary education had important payoffs both for economic efficiency and for equity' (World Bank 1993a:203). The high-performing Asian economies show a significantly higher rate of economic growth attributable to education than all the other countries in the World Bank's 113-country sample. Primary education was the largest single contributor to the economic growth rates of the high-performing Asian economies. Investment in physical capital was second, followed by secondary school enrolments.

Second, it is not true to assert that education generally no longer creates the spillover or external benefits to society as a whole that figured so prominently in earlier hopes for education. External benefits raise formidable difficulties of measurement. It is essential also to bear in mind that there can be dis-benefits or negative externalities as well as positive spillovers. Nevertheless, while commentators in many Western countries worry about the apparent failure of education to create benefits to society as a whole, there is clear evidence that the positive externalities from education can be substantial. Most crucially,

Box 4
External Benefits of Education

Some of the most interesting evidence that has emerged in recent years is a better understanding of the benefits of educating women. Using a sample of 155 countries from every region of the world, it was found that there was a direct relationship between the primary enrolment rate of females in 1975 and GNP per capita ten years later. For given levels of a country's labour force and capital stock, those countries in which female enrolments were less than 75 percent of male enrolments could expect to have levels of GNP approximately 25 percent lower than countries which were otherwise similar apart from a smaller gender gap.

Higher female enrolment in primary and secondary school is not just associated with higher income growth. Better educational opportunities for females also have clear health and reproductive benefits. Improved female schooling is associated with increased female life expectancy, reduced infant mortality, better maternal mortality, and lower total fertility. The size of these effects is not trivial. For example, after taking into account the effects of GNP and other factors likely to be associated with infant mortality, it was found that an increase in the female primary enrolment rate by ten percentage points could be expected to reduce the infant mortality rate by 4.1 deaths per 1,000 live births.

Most strikingly, it was found that better education for females was also associated with longer life expectancy for men. Men living in those countries where female enrolments came in the range 42-75 percent of male enrolments (and in 1985 this was nearly one-quarter of the sample) could expect a reduction of nearly 3 years in their average life expectancy relative to men in countries that were otherwise comparable but with greater equity in female enrolments.

Source: Compiled from information in Hill and King (1993).

the thrust of contemporary research is to argue that many positive spillovers come from the literacy, skills and attitudes acquired at lower levels of schooling, while returns from training at the tertiary level are almost fully captured in the higher income of university graduates. Box 4 summarises one interesting example of the external benefits that accrue to society as a whole from increased female access to primary and secondary schooling.

The widely differing experiences of education make it clear that it is not simply a matter of setting aside the bright hopes for education that were a feature of the 1960s. In some parts of the world, as we have seen, education is continuing to contribute handsomely to economic, social and personal development. In Australia, and in much government policy in the United States, it is often assumed that current disquiet about education can be remedied by increased spending, or curriculum change, or by better methods of formal assessment. Some of these reforms are important, but the evidence over the past decade suggests that they are not nearly adequate. What is required is what has already started to take place in some overseas countries: a more fundamental re-evaluation of the institutional structure of public education.

Chapter 3 starts this re-evaluation by examining the rising cost of education and the concern about academic standards. There is only fragmentary evidence about school performance in Australia, but there is enough to be sure that the general disquiet is not misplaced. There is particular cause for concern about the cost and performance of government schools.

Chapter 3

Rising Expenditure, Stagnant Performance

There is no denying that educational finance can be an extremely dry topic. Many of the measurement issues are complex, and much is of interest only to specialists. It is not surprising that many educators take little interest in school finance except to argue that there should be more of it. But an analysis of educational finance well repays the effort. This chapter demonstrates that although Australia is now spending much more on education than in the past, this growth in expenditure cannot be explained by inflation, or by increasing numbers of school-age children, or by the recent expansion of higher education. Even after allowance for all these things, Australia still spends much more to educate each school student than in the past. By itself this increase indicates nothing about economic efficiency or educational effectiveness. The rise in spending needs to be weighed against student performance. Unfortunately, there is no evidence that this increased spending has been accompanied by a rise in student performance. While the evidence is only patchy, there is genuine reason for concern about academic standards in Australia's schools. There is also mounting evidence that government schools have a worse academic performance than Catholic or Independent schools, despite being more costly on average than non-government schools. Statistical testing confirms that this difference in performance cannot be attributed to differences in family or social background.

Rising Expenditure

Clearing the Statistical Minefield

Gaining a clear picture of educational spending in Australia is unfortunately not as straightforward as simply adding up all the outlays by government, schools and students. While spending by government is relatively easy to track, it is not always certain that all relevant expenditure has been included. For example, the true cost of providing public education in Australia is understated because official expenditure data exclude superannuation costs for teachers in government schools. Similarly, private educational expenditure is rarely complete or measured on a comparable basis to government expenditure. Problems in measuring expenditure are not unique to Australia. Much of the considerable international effort that has gone into compiling a

consistent set of expenditure data for education has concentrated on public spending. Even those countries with extensive systems of private schooling (and many of Australia's regional neighbours in South-East Asia come into this category) have few reliable data on private expenditure.

One example of this data deficiency in Australia is that government schools do not charge fees as such, but many now request a contribution towards the cost of materials or equipment or for special school projects. Funds raised in this way are retained by the school and are not included in the published expenditure figures. In 1993 these contributions amounted to an average of $62 per student in government high schools in New South Wales. This is not a large amount relative to government spending per student, but its omission nevertheless understates the direct household contribution to the cost of government schools.

In addition to the problems of including all relevant private spending, a major issue is allowing for the substantial transfers in the Australian system. There is a danger of double counting and thereby exaggerating total spending unless there is adjustment for these transfers. The main responsibility for funding primary and secondary education in Australia rests with the State governments, but not all State spending on education originates with the States. Some of what the States spend is a transfer from the Commonwealth, in the form of both general recurrent grants to help fund ongoing costs and capital grants for the provision of facilities. There are also transfers from State governments to local authorities, and from State and Commonwealth governments to private schools and private individuals.

It is known that government schools supplement their government funding with contributions by students and their families. The mirror image of this for non-government schools is that they raise a proportion of their funds from student fees, but most private schools also receive (sometimes substantial) government funding according to a twelve category assistance scheme. In addition to transfers between governments, and from governments to non-government schools, there are also transfers to individual students and their families. Schemes such as AUSTUDY and ABSTUDY are examples of this latter category of transfers to individual students and their families.

Spending on Education in Australia: The Broad Picture

One way to step through this statistical minefield is to look first at the overall picture. This can be done by measuring spending on education

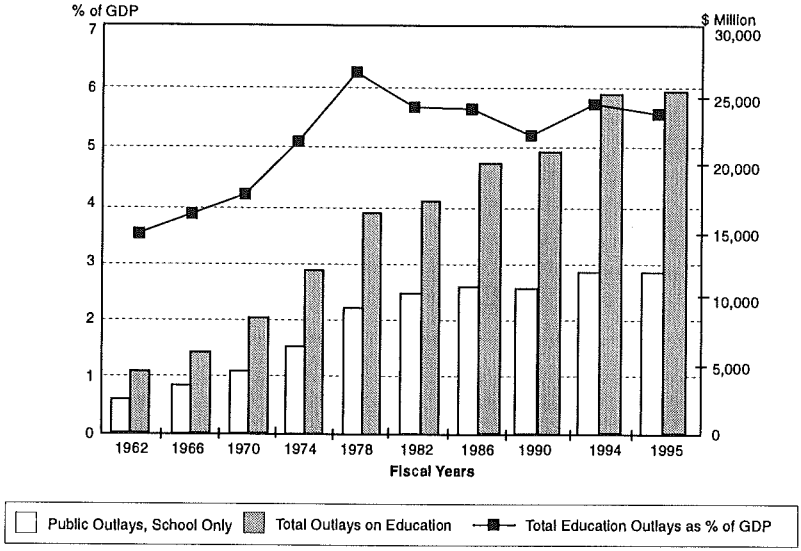
as a whole (primary, secondary and tertiary) and including total Commonwealth, State, local and private outlays on an adjusted 'own resources' basis. This means that both the total and the components are properly adjusted for the various transfers within the system. On this adjusted basis, Australia spent a total of $25,484 million on education in 1994-95 (ABS-5510 1996a:Table 1).[1] This is bigger by far than national defence and nearly as large as the health industry. Education is, in short, an extremely large activity in economic terms.

It is also much larger than in the past. In 1961-62, total outlays on education (again adjusted for transfers) amounted to only $552 million (ABS-5510 1996a:Table 1). Of course, inflation accounts for much of this apparent difference, and in today's prices total outlays in 1961-62 were the equivalent of $4,585 million. This means that Australia's spending on education has increased five and a half times in 35 years, even after allowing for inflation.

One way to put this increase into perspective is to relate educational spending to Gross Domestic Product (GDP). In 1961-62 educational expenditure amounted to 3.5 percent of GDP. During the 1990s, education has taken an average of around 5.5 percent of GDP. Even this substantial increase in the proportion of GDP understates the rise in the total resources flowing to education. Education has not merely increased its share of GDP: it has done so while GDP has itself been increasing. Again correcting for the effects of inflation, Australia's real GDP is today three and a half times larger than in 1961-62. As Australia's material wealth has increased, educational expenditure has risen to take not just a constant but a much increased share. This share has fallen back from the peak of the late 1970s, and the 1990s have seen GDP growth outstripping the growth rate of educational outlays (Chart 3.1). The long-term trend, however, is that educational outlays have continued to rise in absolute terms and today take a substantially higher percentage of GDP than in the early part of the period captured in Chart 3.1.

1 The main source of aggregate data on educational expenditure in Australia is the annual series of the Australian Bureau of Statistics, ABS Series 5510, *Expenditure on Education, Australia.* The ABS lived up to its reputation as the most customer oriented department in Canberra by supplying relevant data from this series since 1961-62. These data are cited in the text as ABS-5510 1996a. Series 5510 also includes estimates of Australia's GDP for each year, together with the share taken by educational outlays. All the GDP estimates cited in the text are taken from this source. All dollar amounts for both GDP and educational outlays were adjusted to 1995 prices by using the price deflator for Gross Domestic Product (ABS Series 5204 1996b). Use of other deflators for educational expenditure would give marginally different results from those reported here.

Chart 3.1
Total Spending on Education 1962 - 1995 (constant 1995 prices)



Source: Calculated from data in ABS-5510 1996a, Tables 1-3.

Also shown in Chart 3.1 is the growth in public outlays for primary and secondary schooling (*public* rather than total outlays because data on private outlays are not available at this level of detail). The growth of the tertiary sector since 1988 explains why public outlays for schooling now take a slightly smaller proportion of total outlays than in the past, but the growth rate of school outlays has not been far behind the overall total: real public outlays on primary and secondary school increased five-fold between 1962 and 1995.

The Rising Share of Commonwealth Funding

Two additional features of this broad picture of education are worth emphasis. The first is the rising share of expenditure by the Commonwealth. In the early 1960s, the Commonwealth accounted for less than 10 percent of total educational outlays, and most of this was for higher education rather than schools. The funding of primary and secondary schools was overwhelmingly a matter for State and local government,

and the Commonwealth accounted for less than 2 percent of public outlays on schools. Direct Commonwealth expenditure on schools started in 1964, and expanded steadily during the 1960s with a small number of specific programs, mostly for buildings, laboratories and facilities. Recurrent grants to non-government schools were introduced in 1970.

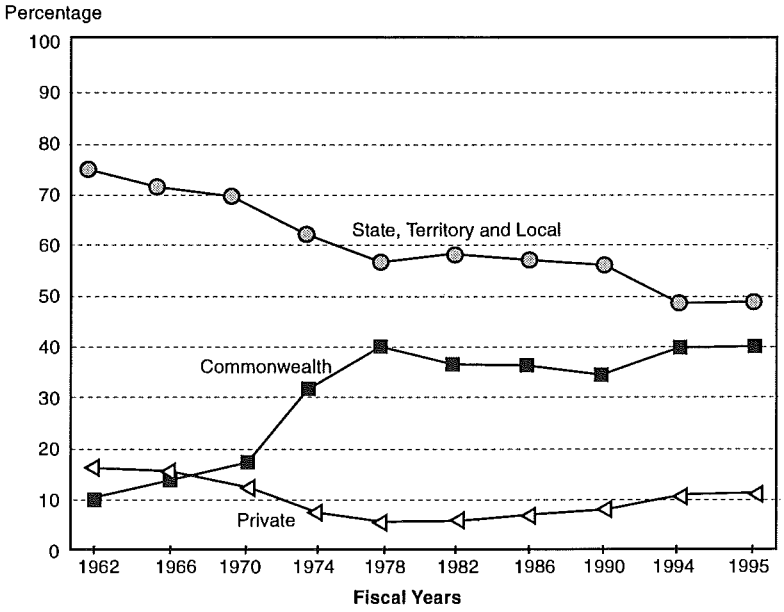
A quantum jump in Commonwealth funding came during the Whitlam Government. This jump had two components. The first was the decision in 1974 to abolish fees in higher education and for the Commonwealth to replace State governments in funding higher education. The second component followed the claim by the Australian Schools Commission (exemplified in a landmark report chaired by Peter Karmel on *Schools in Australia*) that most schools lacked sufficient resources to provide appropriate education. Both the Karmel Report and the Commission in its follow-up work played a seminal role in arguing that additional public funding was necessary if good educational outcomes and equality of opportunity were to be achieved.

Acceptance of these arguments by the government had a dramatic effect on spending. In real terms (that is, after allowing for inflation) total spending on education jumped by nearly 40 percent between 1972 and 1975. From providing less than 2 percent of public outlays on schools in 1962, the Commonwealth share rose to 27 percent in 1975. When higher education is included, the Commonwealth increased its share of total outlays from 10 percent to 43 percent in 1975. It has fallen back only slightly since then. The counterpart of this is that while State and local governments used to provide 75 percent of educational outlays, they now provide less than half (Chart 3.2).

The Impact on Private Finance

The second feature apparent in Chart 3.2 is the pattern of private expenditure. During the 1960s, private final expenditure accounted for around 15 percent of total outlays on education, but started to fall rapidly after 1970. The terms of reference for the Karmel inquiry into *Schools in Australia* had specified that grants recommended by the committee should be directed towards providing additional resources rather than substituting for existing efforts, but this expectation was not borne out for private funding. As Chart 3.2 makes plain, the growth of Commonwealth funding during the 1970s was accompanied by a rapid decline in the proportion of private funding. By 1980 not only had the share of private expenditure fallen to 4.4 percent: the actual dollar

Chart 3.2
Public and Private Funding of Education
(as proportion of total outlays)



Source: ABS-5510 1996a, Tables 1-3.

amount of private funding in that year was barely more than in 1962 ($720 million and $715 million respectively, both figures in constant 1995 prices). During the mid-1980s the share of private expenditure started to recover, but its present figure of around 11 percent of total outlays is still well below the proportion of 35 years ago.

The Rising Cost of School Education

The broad picture sketched above included outlays for education as a whole, and while there were glimpses of the separate effects of schools and higher education, the next task is to narrow the focus to primary and secondary schooling. It is apparent from Chart 3.1 that government outlays on schooling have continued to rise in real terms. The first and most obvious task in gauging the significance of these increased outlays is to allow for the changing number of students in the system. Unfortunately, the measurement and data problems now become

severe. The substantial transfers of finance within the Australian system, including the public provision of finance for non-government schools, have already been noted. It follows that government outlays for schooling cover a wide array of public and private schools, and they cannot be meaningfully converted to a cost per student.

Using the Aggregate Data

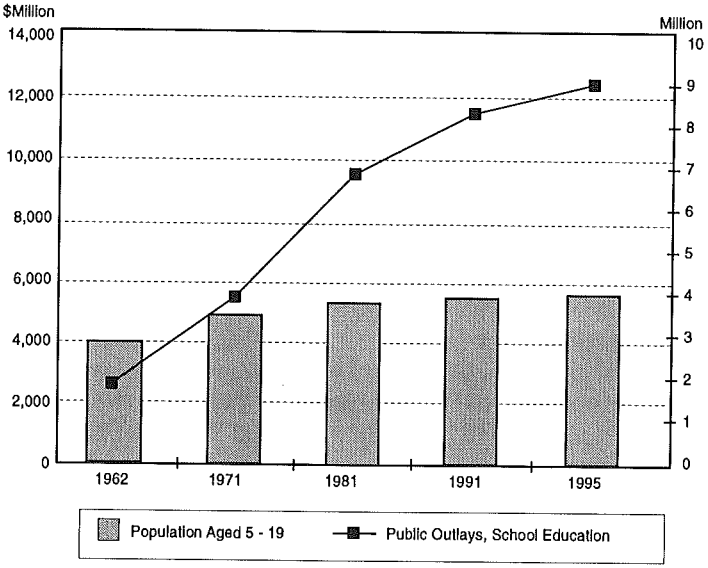
There are two ways to tackle this problem. First, Chart 3.3 steps around the problem by comparing public outlays for schooling not with enrolled students but with the total population in the school age group. In internationally comparative work this is conventionally taken to be the age group 5-19 years, and this is used in Chart 3.3. While the total size of this age group obviously differs from the number of actual student enrolments in any year, movements in this age group over the 35 year time span of Chart 3.3 accurately capture the changing demographic influences on the cost of schooling provision.

The results are startlingly simple. Total public outlays for schooling have continued to rise despite the fact that the school age population has changed only slightly in the last 25 years. In the ten years after 1962 (in the last phase of the post-1945 baby boom) Australia's school-age population rose rapidly from 2.9 million to 3.6 million. In the next decade it rose only slightly to 3.9 million, and since then it has been virtually stationary, hovering around 3.9 million. The combination of demographic effects and the intellectual climate of the time readily explains the growth of public outlays during the 1960s and early 1970s. But public outlays for school have continued to increase. Public outlays in 1995 were almost exactly twice as large as in the early 1970s, despite the fact that the school age population in Australia has been roughly constant over the last 20 years.

Using the School-Level Data

The second approach starts from the opposite direction. In place of total public outlays, it is possible to build an estimate of spending on schools from disaggregated expenditure for government and non-government school systems. There is a price to be paid for this. Each system differs in its data collection procedures. The historical record is difficult to construct: prior to 1989, the data are both very patchy and limited to recurrent expenditure, rather than the recurrent plus capital expenditure measured in more recent surveys. Even in recent years there are data deficiencies. It was noted at the outset that Australia was no different from most other countries in being able to make only limited comparisons between public and private expenditures. In the

Chart 3.3
Growth of Public Outlays for School Education
(constant 1995 prices)



Source: Calculated from data in Chart 3.1 and from ABS-3101 (1961-95) and ABS-4224 (1996c:4).

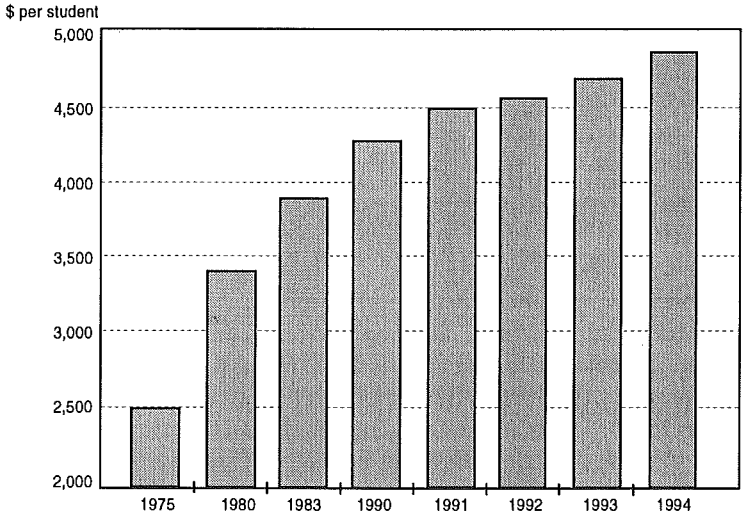
Australian case these limitations extend from the relatively minor (data for non-government schools cover the calendar year, while those for government schools are for the financial year) to the serious (data for government schools exclude costly items such as staff superannuation and long service leave).

If we are prepared to accept these limitations, the disaggregated data have two key advantages. The first is that they can be related directly to the number of enrolled students. The second is that they allow for changes in the structure of education. Chart 3.3 demonstrates that the school age group has been roughly constant in recent times. This overall slow growth masks the fact that secondary enrolments grew much faster than primary enrolments as the so-called baby boom generation worked its way through school in the sixties and seventies. Recent increases in the participation rate for Years 11 and 12 have maintained that faster growth for secondary enrolments. Since secondary education is more costly than primary school (and since govern-

ment and non-government schools differ in their proportions of primary and secondary students), it is essential to allow for the distribution of students both within and between the different school systems.

The results of this second approach are shown in Chart 3.4. The Chart shows the growth in cost per school student, where cost is calculated as the weighted average of the unit cost in primary and secondary Government, Catholic and Independent schools. The weights consist of enrolments in each of the six sector and level categories. For data reasons combined primary and secondary schools were excluded from the calculations. Costs in the combined schools

Chart 3.4
Cost per School Student 1975 - 1994
(weighted unit cost, at constant 1995 prices)



Source: Data for 1975-1983 were compiled from data in Commonwealth Schools Commission (1984: Tables 5.4 and 5.6) and Karmel Report (1985: Tables 2.2 and 2.3). Data for 1990 and 1991 are from Australian Education Council (1991, 1992: Tables 5, 5a, 19 and 20). Data for 1992 are from Australian Educational Council (1993: Tables 5a, 19 and 20). Data for 1993 are from Ministerial Council (1994: Tables 5a and 18) and DEET (1995a: Table 2). Data for 1994 are from Ministerial Council (1996: Tables 5a, 18 and 43).

are known to lie between primary and secondary costs in both Catholic and Independent systems, so their exclusion is unlikely to result in any systematic bias. Subject to this qualification, the Chart corrects not just for the changing mix of primary and secondary students, but also allows for the changing proportions of students in government and non-government schools. As before, costs were adjusted to 1995 prices.

Little needs to be said about Chart 3.4. It virtually speaks for itself in demonstrating the continued growth of cost per student. The rate of increase has slackened since the spending days of the 1970s, but cost per student continues to rise year by year. The data limitations inherent in the chart mean that the precise figure in any year is subject to a margin of error, but the pattern over time and the consistency of this result with other evidence suggest that data deficiencies are not a major problem.

Costs in the Different School Systems

One more piece of evidence needs to be fitted into this story. Chart 3.4 was constructed by allowing for costs at different levels and in different sectors of the school system. While this weighted average is statistically appropriate, it nevertheless raises the question whether the resulting overall picture of increasing unit cost is merely an artefact of the inclusion of high cost Independent schools.

It may surprise many educators to learn that cost per student in private schools in Australia is lower on average than in government schools. Even taking the published data totally at face value, Table 3.1 shows no evidence that the non-government system as a whole is systematically more costly than the government system (compare columns (a) and (b)).

If we move away from what might be termed the 'headline' figure, and look more closely at the data limitations in comparing public and private schools, it is clear that the impact of those limitations is not symmetrical: the main effect of the data deficiencies is to understate the cost of government schools. As noted earlier, data for non-government schools include expenditure on (or allowance for) staff superannuation and long service leave. These items are excluded from data on government schools. The difference is not trivial. Harrison (1996:32) has demonstrated that the salary component of government costs needs to be increased by around 20 percent to allow for the cost of superannuation and other on-costs. Since salaries make up 70-75 percent of government school costs, the net effect of excluding super and other on-costs is that published costs in government schools are

Table 3.1
Costs in Different School Systems
($ per student, in current prices)

Non-Government Schools		Government Schools		
Calendar Year	Cost per student (a)	Financial Year	Cost per student (b)	Adjusted Cost per student (c)
1990	4,080	1989-90	4,064	4,463
1991	4,197	1990-91	4,305	4,908
1992	4,371	1991-92	4,421	5,037
1993	4,739	1992-93	4,625	5,269
1994	4,972	1993-94	4,757	5,428

Source: Data for 1990-92 are from Australian Education Council (1991,1992 and 1993: Table 19 and 20). Data for 1993 are from Ministerial Council (1994: Table 18) and DEET (1995a: Table 2). Data for 1994 are from Ministerial Council (1996: Tables 18 and 43).

understated by a factor of nearly 15 percent. The final column of Table 3.1 shows the result of making this crucial adjustment, and it becomes clear that in recent years government schools have been systematically more costly per student than private schools (compare columns (a) and (c) of Table 3.1). It follows that inclusion of this adjustment would increase the weighted cost per student shown in Chart 3.4.

It is quite true that non-government costs are an average of two widely differing systems, a generally low cost Catholic system and a higher cost Independent sector. (See Box 5 for some basic terminology). However, an explanation for the rise in the overall cost per student portrayed in Chart 3.4 will not be found in the cost of the Independent sector. First, Independent primary schools are actually less costly than the adjusted cost in government primary schools (Table 3.2). Second, while it is clear from Table 3.2 that Independent secondary and combined schools cost substantially more than government schools, enrolments in Independent secondary schools in 1994 accounted for only 5 percent of total students in Australia. The arithmetic of this means that the Independent sector has a relatively small influence on overall schooling costs.

It is also true that understatement of costs may not be limited to the government sector. Anecdotal evidence suggests that Catholic and Independent schools benefit from substantial parental services (Satur-

Table 3.2
Costs in Government and Independent Schools
($ per student)

Government Schools (1993-94)				Independent Schools (1994)		
Primary	Adjusted Primary	Secondary	Adjusted Secondary	Primary	Secondary	Combined Primary & Secondary
4,048	4,630	5,876	6,722	4,308	7,580	7,021

Source: Ministerial Council (1996: Tables 18 and 43).

day working bees, indirect financial assistance, and other forms of parental help) which have to be paid for in the government system. It is quite mistaken, however, to suggest that such support is confined to the non-government sector. Government schools routinely call upon parental help for canteen duties, for the hallowed lamington drive and its contemporary variants, and even for teaching duties such as reading support. A glance at Chart 3.5 shows a cost differential between Catholic and 'Adjusted Government' costs that cannot be plausibly explained by different levels of voluntary services.

Box 5
The Nomenclature of Australian Schools

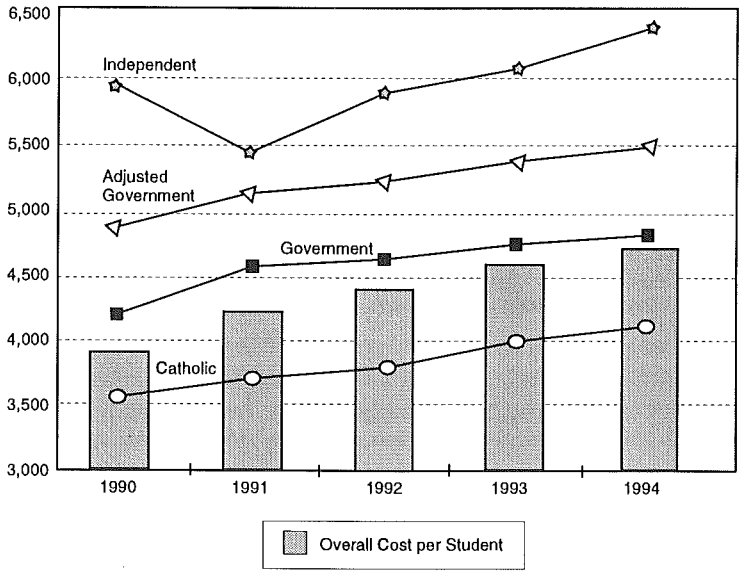
There are essentially three types of school in Australia: Government schools, Catholic schools, and a diverse collection of non-Catholic private schools. About two-thirds of this latter group are affiliated with Protestant churches and the remaining third are non-denominational. The short-hand phrase 'private schools' is sometimes meant to apply to all non-government schools, sometimes only to the non-Catholic group. Until 1990, official statistics referred to the non-Catholic private schools as 'Other', which is hardly satisfactory. Since 1991 they have been termed Independent, but this is not much better, since there are also Catholic Independent schools. Catholic schools are treated as a single entity in the statistics, but there are actually two components (systemic schools and Catholic Independent Schools) which differ quite widely in funding and management.

I use the term 'non-government' where I mean all schools other than government schools. In other cases I follow official terminology. 'Catholic schools' means all Catholic schools, whether systemic or independent. 'Independent schools' means all non-Catholic non-government schools.

Chart 3.5 is constructed in the same way as Chart 3.4, with costs in each system and at each level weighted by the appropriate enrolments. Included for comparative purposes is the overall cost per student already seen in Chart 3.4. All these components of the chart are constructed from published data. The chart also shows ('Adjusted Government') the effect of making the government/non-government data more genuinely comparable by adjusting the published data for Government schools for superannuation costs. This is done by following the same procedure as in Table 3.1, increasing the salary component of government school expenditure data by 20 percent.

Chart 3.5 brings out sharply the contrasting role of costs in Catholic and Independent schools, with the former substantially below the overall average and the latter well above. But with its small number of enrolments, the Independent sector does not play the definitive role in explaining the rise in the overall average. Government schools are more costly than Catholic schools even when the published data are

Chart 3.5
Cost per Student, by Type of School
($ per student, at constant 1995 prices)



Source: Calculated from data in Chart 3.4 and Tables 3.1 and 3.2.

taken at face value. When adjustments are made to ensure comparability of data, costs in government schools are revealed as being considerably higher than a simple comparison of private and public schools would suggest. Both Government and 'Adjusted Government' costs lie above the average. The predominant quantitative influence on the rise in school costs in Australia has been the rise in the costs of the government system.

Education in Australia is an extremely large economic enterprise. It takes a much greater share of national resources than in the recent past. It is also an activity which is dominated not just by the provision of public finance but by an increasingly centralised provision of that finance. Even when we make all the appropriate corrections for costs at the different levels and the pattern of enrolments between levels and school systems, it is clear that expenditure per student has continued to rise. This is not the consequence of expensive private schools. Government schools are, on average, more costly per student than non-government schools.

In themselves these variations in costs signal nothing about educational effectiveness. When we look at the system as a whole, as in Chart 3.4, it is clear that there has been a continued growth of cost per student. But if school or student performance (however measured) has risen by at least a corresponding amount, we might easily conclude that the rising educational expenditure has been money well spent. Similarly, it is known from Chart 3.5 that the average student in a government school costs more to educate than the average in a Catholic school, but if the government school achieves superior results it could be concluded that the government school offers better value for money. So what do we get for our money?

Doubtful Performance

Objections to Measuring Performance

There are few more contentious aspects of educational policy than the measurement of performance by students and schools. Schooling is a multi-dimensional process, and any society holds a wide range of cognitive, cultural, social and economic objectives for its school system. Even if agreement in principle could be established on the standards that should be achieved in these many dimensions, the reality is that there are no effective measures for many of them.

The previous Chapter had an example of this. Today there is a considerable amount of information, from right around the world,

about the economic role of schooling. Our knowledge of the economic outcomes of schooling is indeed one of the success stories of educational research in recent times. There is convincing evidence that additional schooling is associated with higher lifetime earnings, and these earnings sufficiently outweigh the costs to generate (usually) very high rates of return. Human capital theorists infer that the causal mechanism for the statistical association between school and income is that the additional schooling makes an individual more productive than someone with less education. This may well be the right explanation, but scholars understand very few of the reasons for this outcome. Even if the inference is true, the increased productivity is likely to be a function of some 'package' of cognitive, personal and social outcomes of schooling, and the composition of that package is not known.

Similar difficulties of measurement and interpretation apply to objectives of education besides the economic. It might be thought that the paucity of information about school and student performance would act as an incentive to remedy the deficiency, but the paradox of this topic is that much of what is said and written is intended to prevent performance measurement, not improve it. One reason seems to be a belief that only educators can be trusted with the information: parents would misuse or misinterpret it. In most Australian States teachers' unions have acquiesced in basic skills testing only on condition that there should be a ban on the public release of school results.

Some of the concern is a product of simple ignorance. For example, a key requirement of performance measurement is to separate school effects from personal and social background. It is known from much research that family background is an important, perhaps the major, determinant of student performance. It is wrong to conclude that one school performs better than another (on whatever indicator) without allowing for the possibility that the socio-economic background of the students may vary between schools. Without that correction, the apparent difference in schools may actually be the result of differences in students and their background.

Whatever the genuine concern about school *versus* background effects, it makes no sense to use this as a generalised argument against performance measurement. If the argument is that imperfect and limited information is worse than no information at all, it is a principle which would make life impossible if accepted across the board. The practical problems of data availability and measurement can be severe, but in principle modern statistical methods such as multiple regression

are quite capable not only of allowing for a wide variety of both quantitative and qualitative variables, but of adjusting for simultaneous or two-way relationships between variables. In their influential work *Politics, Markets and America's Schools*, John Chubb and Terry Moe were able to measure student achievement gains after allowing for differences in such variables as amount of homework assigned, school graduation requirements, administrative routines in classrooms, and disciplinary policy, as well as in the socio-economic background of students.

Some of the objection to performance measurement comes from simple self-interest. It is difficult to know how else to characterise the long-standing objection of Australia's teachers' unions to any form of in-school standardised testing. Australia has a very poor record of participation in studies by the International Association for the Evaluation of Educational Achievement (IEA), which are carried out to the highest standards of scholarship and which have as their objective a better understanding of the process of skill acquisition by children.

Other objections are frankly ideological. This line of argument, most closely associated with those who espouse 'progressive education', emphasises the aim of educating each child according to its own interests and abilities. At one level this is a principle which everyone would take as an axiom. In its more extreme form, when combined with a focus upon process not content and an assertion of student-centred learning which measures success by the value of the student's learning experience rather than the attainment of any objective standard, it is deeply hostile to any form of standardised external monitoring. Objections from this direction are often allied to claims that standardised testing is culturally bound and fails to recognise the way that students from different ethnic, gender, or social backgrounds 'make meaning'. This line of argument was prominent in the development of the Victorian Certificate of Education during the 1980s.

Few would deny the multifaceted nature of schooling and the desirability of performance measurement which is not confined to one dimension of school outcomes. No single indicator of performance can capture all that schools try to achieve. But not all objectives are equally important, and it is sheer cant to pretend that useful conclusions about schools cannot be drawn if there is only have limited information about their performance. Health provides a useful analogy. There is a multiplicity of ways in which the health of the population or the performance of complex health systems can be measured. No single

indicator can provide an overall picture. Nevertheless, despite some obvious limitations, and some progress with more refined measures (World Bank 1993b), it is common in international comparative work to use the infant mortality rate as a surrogate for the quality of health care available to the population as a whole.

Similarly, a single indicator, *student academic achievement*, is by far the most important and fundamental issue in schooling. Whatever the variety of objectives they pursue, all schools have as their central purpose the academic development of their students. This central purpose is implicitly acknowledged in the public debate when shorthand phrases such as basic skills or essential subject knowledge or literacy and numeracy standards are used as proxies for school effectiveness. If we cannot measure performance on the central indicator of academic achievement we might as well throw in the towel and concede that we are unlikely to make much progress with the more diffuse objectives.

Evidence on academic achievement is publicly available in a number of countries. In the United States there is a wide range of performance measures such as SAT (Scholastic Aptitude Test) and ACT (American College Testing score). As already noted in Chapter 2, the decline in these test scores during the 1970s and 1980s, despite much increased public funding for schools, has played a major role in shaping the policy debate in the United States. NAEP scores (National Assessment of Educational Progress) have been particularly influential because they are not limited to the above-average students preparing for college entrance: they are statistically representative of the overall student population.

In Britain so-called league tables of secondary schools have been regularly published in recent years. The government has decided to publish the results of the national tests taken by 7 and 11-year olds, and this will mean 'league tables' for primary as well as secondary schools. A recent report from the United Kingdom Office for Standards in Education found that while younger English schoolchildren's performance had deteriorated between the mid-1960s and the early 1980s, high school leavers did consistently well (Reynolds and Farrell 1996). Britain also participates regularly in the internationally comparative tests of the International Association for the Evaluation of Educational Achievement, and its 13-year olds ranked very well in science but near the bottom (in a sample of twelve countries) in mathematics. (The United States was bottom in maths and near the bottom in science).

Performance Measurement in Australia

No comparably useful evidence is publicly available for Australia (Box 6). Faced with the task of reporting on the quality of education in Australia in 1985, but with no firm evidence to do so, the Karmel Report (1985:27) noted with nice understatement that 'Australia does not have a tradition of standardised performance testing of students'. Before the National English Literacy Survey of 1996 there had been no nation-wide measurement of literacy and numeracy in Australia since 1980.

At first blush the result of the 1980 exercise was very reassuring. In almost every assessment (such as ability to read a newspaper, perform basic arithmetic, or write a letter) the great majority of the 10 and 14-year old students was successful, and for many tasks the proportion of successful students was very high. When compared with results for a similar survey in 1975, it was found that students either had the same or a higher level of performance in 1980. The problem is that the 1980 survey was severely compromised by the hostility of the teacher unions. The 1975 study had shown that students in non-government schools achieved significantly better results than those in government schools. Representations from the unions ensured that no such comparisons would be made in the 1980 study. Even with this 'safeguard', many government schools boycotted the study, with consequent under-representation of government schools in the sample.

Tasmania has been the only State testing regularly since 1975. Ten and 14-year olds are given tests in basic literacy and numeracy. The Northern Territory tests literacy and numeracy in Years 5 and 7. Queensland and South Australia both carry out tests of basic skills on a sample of students, with South Australia using the same basic tests as NSW. In Queensland up to 10 percent of the school population is sampled in Years 5, 7 and 9 to measure achievement in maths and English. In 1995 a statewide trial involving children in Years 1 and 2 began. Its purpose is to identify children with inadequate literacy and numeracy skills. In Victoria standardised tests in reading, writing, listening, numeracy and measurement and spatial abilities were introduced in 1995 to children in Years 3 and 5. They were accompanied by widespread action by the teachers' union that ensured that thousands of children missed the tests. Basic skill testing of Years 3 and 6 (now Years 3 and 5) was introduced in New South Wales in 1989 as part of the Metherell/Greiner reforms.

This pattern of State activity makes it clear that the problem in Australia is not so much that there is no evidence on student

Box 6
First Steps Towards Information on School Performance in Australia

In 1996 the move to provide systematic information about school performance gathered momentum. New South Wales released a list of what were described as the top 25 high and top 25 primary schools. The methodology was open to criticism: only government schools with students whose initial results were below the state average were eligible for inclusion, so other, possibly more effective schools, were excluded. Nevertheless, the release was a landmark not only in the provision of information to the public but in the use of value-added measures of effectiveness. Effective high schools were those whose Year 7 students scored below the state median in Basic Skills in 1990 but above the median in the 1995 Higher School Certificate; effective primary schools were those in the bottom half of the state in the Year 3 literacy test but in the top half in Year 5.

In Victoria the release of more information on school performance has been an integral component of the shift towards greater accountability in the 'Schools of the Future' program. At the end of 1996, detailed results in the Victorian Certificate of Education were published. As in NSW, the significance lay not only in the fact of publication, but in the attempt to control statistically for prior student achievement. The ranking of top schools was based on an 'Achievement Index' which compared each school's results in the VCE after being standardised for results in the earlier General Achievement Test.

In Western Australia information is published about the performance of the top 50 percent of students in the TEE. The ranking is obtained by using the Australian Scholastic Test to predict performance in the TEE. As in Victoria, it is then possible to derive those who have done better, or worse, than could be expected given their academic background.

In Queensland, in late 1996, the Department of Education was preparing an information package that would include students' test results and the Overall Performance scores, in response to acknowledgment by the Minister for Education that parents did not have sufficient information to make an informed decisions about their children's schooling.

During 1996 NSW released for public comment the format of an 'annual report card' for schools. When introduced by schools, the report will include information on the school and its community, school performance, and school improvement targets. Without collecting reports for every school of interest, a parent would find it difficult to make a detailed comparison

between schools, but, like the list of the 'top 25', the report card is a useful start.

The case for better parental information was not assisted by lapses in taste, such as publishing the class photograph of a Western Sydney school's Year 12 which performed particularly badly in the Higher School Certificate (*Daily Telegraph* January 8 1997). Much more work also needs to be done on the measurement of student performance, not least on the issue of value added. There is a vital difference, however, between noting the limitations of these first steps towards better information on school performance and dismissing the whole movement. At its annual conference in July 1996 the NSW Teachers' Federation ruled out the use of test results for any form of school appraisal; the Victorian branch of the Australian Education Union seems unable to move beyond the cliches of more spending and smaller class size (Lord 1996:A14); and the Queensland Teachers' Union threatened to impose work bans if the minister allowed the publication of students' literacy test results.

performance: the problem is that the evidence is not nearly adequate to the task. There has been little cooperation over the years between the autonomous state systems in developing common standards and assessment methodologies. The result is extreme difficulty in forming an overall picture of what is happening from the variety of State activity. Sampling methodology, years/grades studied, and the nature of the test instruments all differ from State to State. The operational definitions of literacy and numeracy also differ from one study to another, with consequent variation in what is judged to be a satisfactory level of performance. This situation is likely to improve after 1998, following agreement between the States and the Commonwealth to introduce a national testing program of literacy and numeracy skills.

Even where the test results are publicly available they are rarely in a form that allows parents to make clear judgements of what their children have learned and whether what they have learned is adequate and appropriate. Still less is the information available in a form which would allow parents to make an informed judgement of one school compared with another. In the United States and Britain the tests are accepted by the public as providing a genuine, albeit limited, indicator of academic standards over time and between schools. In the United States the test results have been one of the cornerstones of evidence on academic standards in schools. In Britain, a school's good placing in the 'league tables' can affect local property prices. *The Financial Times*

noted (April 13/14 1996) that 'in February, the publication of a list of 200 outstanding schools by the Chief Inspector was immediately picked up by estate agents. Within two weeks, one primary school featured was being mentioned in the particulars of a house being sold in its catchment area'. Not everyone will care for this sort of pressure being place on a school, but it is clear evidence of congruence between the tests and public opinion about acceptable performance.

No Improvement in Performance, Rising Expenditure

The crucial problem in Australia is that the hitherto limited information made available from the tests suggests a benign outcome that is likely to be extremely misleading about academic standards. Most of the State tests produce results which show that while there has been no general decline in academic standards, nor has there been any overall improvement (Hill and Russell 1994:37-38). First, and most obviously, even if a finding of no change is taken at face value, it is hardly a ringing endorsement of standards when related to the rise in spending per student documented earlier. In Tasmania it is possible to make limited comparisons over the years since 1975, and the results show that average levels of reading comprehension of 10-year olds have been maintained at a consistent level. However, this ostensibly reassuring finding looks less impressive when weighed against the fact that during the 1980s Tasmanian education was significantly over-funded compared to the national average, being the second highest spending state on education (Richards 1991:6). In this circumstance a finding of 'no change' in performance levels implies a very poor ratio of cost-effectiveness.

Victoria produces a similar result. A study of literacy and numeracy was carried out in Victorian schools in 1988. Designed to allow comparisons with a 1975 survey, it found no evidence of overall decline in standards. Faced with much criticism of its education policies, the State Government of the time no doubt regarded this as a very satisfactory result. However, while the survey found no evidence of decline, nor did it find any evidence of improvement, despite an increase in expenditure per student in Victorian schools of almost 30 percent in real terms between 1975/76 and 1988/89 (Baker 1994:3). In the absence of evidence that the student population was sufficiently different to require such a massive increase in resources, a finding of no decline in academic standards actually amounts to a sharply deteriorating cost-effectiveness ratio, just as in Tasmania.

A finding of 'no change' also begs the question of whether current

standards are an adequate preparation for life in a competitive Asian region in the early years of the next century. There is only very patchy evidence, not least because Australia has a poor record of participation in international tests, but even the limited findings are instructive.

Australia has generally performed reasonably well in international tests of maths and science. For example, in the science tests carried out in the mid-1980s, Australia's 10 year olds, 14 year olds, and pre-university students all finished near the middle in a rank order of countries (Rosier 1991). This middle-of-the-road ranking is typical of Australia's performance on international achievement tests, and is the result that also characterises the latest study (Third International Mathematics and Science Study, known as 'TIMMS', reported in Lokan et al. 1996 and Lokan et al., forthcoming 1997). In each of the four TIMMS categories of upper and lower grade science and upper and lower grade mathematics, Australian students finished in the middle band of countries. Australia's youngest primary students scored particularly well in science (Lokan et al., forthcoming 1997: 19).

Measured against Australia's traditional economic and political (not to say intellectual and cultural) partners in Europe and North America, the international achievement results would be considered satisfactory. There is certainly no evidence that Australian school achievement in maths and science has declined relative to that in England, the United States or New Zealand.

However, whereas Australia's academic achievement seems to have been roughly constant over recent years, several Asian countries have had rapid rates of improvement that have allowed them not just to catch up but to surpass the average performance of Australian students. In the maths tests, the top positions in the TIMMS rankings were filled by countries from East and South-East Asia. Singapore, Korea, Japan and Hong Kong occupied the top four positions in both upper grade and lower grade mathematics; Singapore, Japan and Korea occupied three of the top four positions in upper and lower grade science (Lokan et al 1996:16-19). Only in primary level science was this supremacy broken, with Australia finishing ahead of Singapore and Hong Kong (Lokan et al., forthcoming 1997: 18-19).

Singapore's top rank in TIMMS compares with finishing in the bottom half of the distribution in the 1983-85 science tests, at that time scoring worse than Australia in all three age groups (Reynolds and Farrell 1996:39). Hong Kong's recent success in maths has to be seen against its algebra test scores in the early 1980s, when thirteen-year-olds in Hong Kong ranked barely above the middle of a 20-country distribution (World Bank 1993a:71). In the 1983-85 study, Hong Kong's

14-year olds finished last and its 10-year olds finished second-last in science (Reynolds and Farrell 1996:39). In TIMMS in 1994 its primary and junior secondary science students had improved sufficiently to join Australia in the middle group of countries.

These comparisons should not be pressed too far. Genuine comparability over time requires some consistency of test items, and high achievement scores (particularly in the upper grades) may sometimes be a function of limited participation in those grades. Qualifications about detailed ranking do not alter the basic conclusion that educational performance in several Asian countries has improved to the point where they now out-perform Australian students. Over 95 percent of Japanese students graduate from secondary schools, yet schooling in Japan is noteworthy not only for its high average achievement but for the lack of a low-performing 'tail' (Postlethwaite and Wiley 1992:78). Nor can the success of the Asian countries be dismissed as limited to rote-learned factual skills. In the 1989 mathematics tests (in which Australia did not take part) Korean students ranked first not just in the basic arithmetic skills but in the higher-order categories of understanding concepts and interpreting data (World Bank 1993a:70). Walberg (1991:6) has observed that Japanese students excel by even greater margins in the higher cognitive processes such as synthesis, evaluation, and problem-solving than they do in factual mastery.

Australian cannot simply replicate the Asian experience (see Box 7), but one recent survey of English performance (which is not much different from Australia's in international tests) noted the stunning success of the Asian countries and argued: 'the situation in which England finds itself is now so worrying that the risk involved in looking outward and trying new practices is worth taking. ... We would suggest that educationists ... behave as we would urge our children to do. That is to look beyond the immediate restriction of tradition ... and use an open mind to see if other countries have ideas and practices which we can adapt to our own system' (Reynolds and Farrell 1996:59).

Benign Test Results but Low Standards Anyway?

The overall finding to emerge from the variety of State tests is that they produce results which are claimed to be satisfactory overall. Some of the tests (such as the Basic Skills Program in NSW) have quite properly emphasised their diagnostic role and have highlighted the proportions and sub-groups of children at risk. Nevertheless, bland comments about the numbers of children who require 'some intervention' (Dept of School Education 1992:693) are obviously designed to provide

reassurance about the overall standard achieved by the great majority. Not one of the tests in Australia has ever suggested that there might be a generalised problem of achievement standards.

Such benign results are very difficult to reconcile with evidence such as that from the House of Representatives Standing Committee on

Box 7
Explaining Educational Performance in Asian Countries

Among **cultural** and **systemic** factors are:

- The high status of teachers
- An emphasis on the role of individual effort and a commitment to study
- High parental aspirations
- The recruitment to teacher training of students who are the equal of other students in achievement level
- High quantities of school time, with longer, and more, school days (240 per year in Japan, 180 days in the USA)
- The belief that all children, with sufficient effort, are able to acquire satisfactory performance in core skills
- Concentration on a small number of attainable academic and personal goals

Among **school** factors are:

- Frequent testing of skills in core subjects
- Direct quality monitoring by the principal of the work of teachers
- The use of mixed ability classes in the early years, with all children learning basic skills in a setting of group cooperation
- Collaborative work by teachers

Among **classroom** factors are:

- Mechanisms to ensure that things are taught properly before moving on (such as the repetition of any incorrect homework)
- High quantities of whole-class instruction, to ensure that the entire class has mastered the information
- The use of standard textbooks by all children, so teacher activity centres upon class instruction and the marking of homework rather than the preparation of worksheets or extra teaching resources

Source: This compilation draws extensively on information in Reynolds and Farrell (1996:54-56), supplemented by Walberg (1991:4); Leestma and Walberg (1992); and Benjamin (1991).

Employment, Education and Training that between 10 and 20 percent of the adult population is functionally illiterate. This was not simply a matter of migrants from non-English speaking backgrounds. It was estimated that perhaps as many as 700,000 native speakers of English have difficulty carrying out everyday literacy tasks. The inference from this arithmetic was that some 10 to 20 percent of children are finishing primary school with literacy problems, and the proportion could be as high as 25 percent of students (House of Representatives 1992:2-3).

At the time there was not much solid evidence for these precise numbers. They have, however, become broadly accepted as a plausible estimate because they are generally consistent with other snippets of evidence. It has since become clear that the scale of the literacy problem has not been exaggerated. Results from a pilot test of literacy and language skills in NSW government schools found that 20 per cent of students were leaving primary school with only low levels of literacy (Department of School Education 1997).

What is of particular concern is that the estimate by the House of Representatives Committee referred to adult literacy. Since the adult population includes people who received fewer years of schooling than is usual today, it could be argued that the problem will correct itself as cohorts of better-educated young people become adult. Unfortunately, it is clear that substantial numbers of present-day school children are themselves experiencing difficulties in literacy. In a judicious review of literacy achievement in schools, Hill and Russell concluded (1994:78): 'some 10-15 percent of Australian children in the compulsory years have literacy skills below the minimum level deemed to be adequate for their Year level; and some 5-10 percent more have some difficulties in literacy which need attention if their school work is not to be hampered to some extent'.

During 1996 hitherto unreported data from the Longitudinal Surveys of Australian Youth Program became available. Part of this survey was the application of basic reading comprehension tests to fourteen year old students in 1975, 1980, 1989 and 1995. More than a quarter (28 percent) of students failed this test in 1975, and 30 percent did so in 1995. Not only has there been no improvement in overall literacy levels during two decades of rising expenditure per student, but reading comprehension skills for boys have actually declined. Nor has there been any measured improvement in literacy levels in students from homes where English is not the main language (Kemp 1996a:6).

The House Standing Committee reported (1992:2) that some 19 percent of the Year 1 population in the ACT needed access to a very

expensive special intervention program known as Reading Recovery. In 1997 facilities for Reading Recovery were extended to 190 primary schools in New South Wales. The Education Department in South Australia reported that 20 percent of Grade 6 children had difficulties with school reading and writing. Two large-scale research studies in Victoria (SEAL, the Schools Equity and Learning Project, and VQSP, the Victorian Quality Schools Project) found a high level of agreement that 15-17 percent of students were at risk in literacy.

There is room for genuine disagreement about the scale of Australia's literacy problem and its causes. Nitpicking about precise numbers does not alter the crucial fact that 'education policy and practice have failed to improve the literacy standards of a significant proportion of young people' (Kemp 1996a:6).

The Knowledge Base of Australian Children

Box 8 summarises the results of a test organised by *The Australian* in 1990. Little direct comment on the results is necessary, except to say that they add up to a worrying picture of huge gaps in the knowledge base of many students. (It is also worth noting that only private schools took part in the test, all State education ministers refusing permission for the test to be carried out in government schools).

The results in *The Australian* were very similar to those obtained in other surveys, such as a test of social studies standards in Victorian schools in 1989 (IPA 1990). In the Institute of Public Affairs survey, only 48 percent of Year 10 respondents could locate Canberra on a map; only 25 percent could identify the two houses in the Commonwealth Parliament; only 28 percent could name the event commemorated by Anzac Day. In a 1992 survey organised by Donald Horne, 25 percent of 200 university students could not identify the largest river system in Australia (quoted in Kramer et al. 1992).

Many educators will sneer at surveys such as these, arguing that they show a fixation with content over process, and claiming that they beg the question of what is culturally appropriate for a student to know. This is not the place to review the now massive literature on a core curriculum, cultural literacy, the traditional canon, essential knowledge and related topics. It is one thing to debate which books or other culture-sensitive items should be included in a test of Australian students. It is quite another to adopt the deconstructionist line that all knowledge is socially constructed and so books – 'texts' – are interesting only for their authors' ideology, not for their content. This is a useful rule to remember when interpreting their own writings.

Most, if not all, parents would insist that acquisition of an appropriate knowledge base is a fundamental role of education, and would regard the test in Box 8 as a legitimate exercise. There is something seriously wrong if we are not alarmed that only 56 percent of Year 9 students could work out the yearly rent of an apartment costing $85 a week. Of all seminal books of the 20th century, *1984* is perhaps the least culture-bound and the most international in its significance, yet only 16 percent of the Year 9 students knew its author, even when they only had to pick Orwell's name from a list.

Box 8
What Do Australian Students Know?

Of 4,149 Year 9 students ... who did a skills and general knowledge test sponsored by *The Australian*, only 14 percent could locate Holland on a map and only 33 percent found West Germany. Its distinctive boot shape ... made Italy the only one of 10 West European countries that more than half (78 percent) these 14 and 15-year old boys and girls could identify. ... Closer to home, China (barely) and Japan (55 percent) were the only East Asian countries identified by more than half the students. Moreover, 107 boys and girls could not identify Australia on the map and 30 percent of them found no familiarity in the shape of Papua New Guinea.

Perhaps the greatest source of consternation among educators with whom the outcome of this test was discussed was the way in which the students were routed [when asked] to match a list of authors with a list of seven novels (six classics and an Australian best-seller, *The Thorn Birds*) and one play. A staggering 1,219 girls and boys - more than a quarter of those tested - failed to get even one of the eight right. A further 762 got only one correct answer, Shakespeare being the saver for 676 of them. [The books were *War and Peace, Huckleberry Finn, Pride and Prejudice, A Tale of Two Cities, Romeo and Juliet, The Thorn Birds, Wuthering Heights,* and *1984*].

An overwhelming majority possessed good capacity to handle basic arithmetical calculation. This was established by somewhat trickily offering questions of Year Three or Year Five level. The skills of the Year 9 students deteriorated sharply when they were asked to apply the basics to problem solving. Half, for example, were unable to work out that if they arrived at a railway station at a quarter to four to catch a 5.06 train they would have to wait an hour and 21 minutes.

Compiled from Frank Devine, 'Why the state of our learning offers a sobering education', *The Weekend Australian*, October 27-28, 1990.

Box 9
Essential Knowledge in Schools

'It is, in the Commission's view, romantic nonsense to maintain that the development of effective English usage, intellectual competency or opportunities to discover enthusiasms not available through the child's home are simply attempts by one group to impose its culture on others. Non-standard forms of English usage, for example, are equally valid with standard ones as a means of social exchange within a limited group of people. Their range, however, does not encompass the more sophisticated and generalisable language usage required for everyday life in a society whose business is conducted in standard language forms; nor do they give access to the ideas or forms of higher and further study with which power, incomes and status are closely allied in industrial societies. It is true that the forms of knowledge valued in schools and associated with power in society largely represent the accumulated culture of ascendant social groups. It is therefore important that valued knowledge should be appraised from other social perspectives and the achievements of other groups appreciated. But, despite their historical associations, there is nothing necessarily middle class about logic, mathematics, science, art or any of the other ways through which the human race has reflected upon or sought to order understanding. ... It is a matter of taste whether people like Latin, ancient history or many other pursuits prestigious in secondary schools. But it is more than a matter of taste whether they become literate in the standard language or acquire in other fields competencies necessary in life and in the exercise of options in a sophisticated society'.
(Commonwealth Schools Commission, *Report for the Triennium 1976-1978*, Canberra, 1975, page 11).

'The ... attack on the integrity of the subjects taught in schools ... combines a number of elements: the rejection by some academics of the idea that there is a body of knowledge or basic information that all citizens should know; the belief that students should spend more time learning processes and less on acquiring knowledge; and that subjects be broken up into broad themes, often politically faddish. My own principles on these matters are: we ought to value literacy above political correctness; we ought to treat with suspicion abstract theories on education emerging from universities; there *is* core knowledge that each citizen should have as a result of his or her schooling; and the West is the culture in which we live.
I reject the claim that to ... support core knowledge in the curriculum is somehow conservative or right-wing. ... My starting point is simple. I came

from a working class background. All my opportunities to understand the world came from an education in the state school system. If you abandon external exams - that is, drop standards and rigour - and dilute subject content, how does a kid from a modest background get access to knowledge, ideas and culture in the broad sense? No, it's the working class that gets impoverished and locked out by educational trendiness'.
(Summarised from *Address* by Mr Bob Carr, then Leader of the Opposition, to NSW Teacher Education Council Annual Conference, 1994).

'It is not necessary to understand basic concepts, laws and known facts in science. They are a grab-bag of fashionable sounding themes, mixed with liberal doses of social awareness, embellished with certain key words to make it sound like science ... The words 'know' and 'learn' do not appear anywhere. So a student may be judged to be a success in science - and any other subject - without actually knowing anything. This pseudo-science is supposed to make the science curriculum more interesting and relevant. But to whom? It will not meet the needs of those who aspire to go to university, nor of prospective TAFE students, nor those who require a general education in science. It will lead to further collapse in the content of HSC courses'.
(Professor Garth Gaudry, *Sydney Morning Herald* March 15 1994, describing the proposed NSW science curriculum).

Box 9 reproduces an observation from the Schools Commission which is as relevant today as when it was written in 1975, together with more recent observations on the state of what Australian children are expected to learn.

Quantitative Measures of Performance

It has to be accepted that much of the evidence on school performance in Australia does not meet required standards of statistical reliability. Indeed, it will be clear that such evidence is almost totally lacking. But the picture is not completely blank. A number of studies provide evidence on one particular aspect of the performance story. None of these studies sheds any light on the question of whether overall performance in schools is either adequate or has been declining. What these particular pieces of statistical evidence do provide is some insight into the relative performance of the different types of school.

First, in what was described as the 'crisis of poorly performing schools' (*Sydney Morning Herald*, September 19, 1995), it became clear that there was cause for serious concern about the academic performance of government high schools in New South Wales. A confidential

Board of Studies report obtained by the *Herald* showed that students in government schools obtained much worse results in the Year 12 Higher School Certificate than Catholic school students. The report found that students attending systemic Catholic schools obtained an average Tertiary Entrance Rank (TER) of 52 in 1994, compared with 44.24 for government school students (Table 3.3). When the figures for selective high schools were removed from the government school results, students in Catholic systemic schools achieved on average a TER nearly 10 points higher than students in government comprehensive high schools. This differential had been largely constant since 1991, with government schools making no inroads on the better-performing Catholic schools. Latest data for the 1996 HSC largely confirm this pattern of results.

While there was no explicit correction for the socio-economic composition of the different schools, it seemed unlikely that these results could be wholly explained by differences in student background. The fact that comprehensive State schools do worse than Catholic schools cannot be totally or even mainly a result of student background, because the Catholic systemic schools also accept students from all types of social and economic background. Similarly, while there is little doubt that selective high schools in NSW deprive comprehensive State schools of the really high-flying students, Catholic systemic schools face much the same challenge from the Catholic independents. Moreover, a listing of individual schools in order of average TERs showed that schools did not perform strictly in accordance with socio-economic status.

A second piece of statistical evidence also used results from the NSW Higher School Certificate. This study used information from

Table 3.3
Results in the NSW Higher School Certificate
(average Tertiary Entrance Rank by type of school)

	1994	1996
Government Schools	44.25	45.10
Catholic Systemic Schools	52.00	50.35
Catholic Independent	60.95	60.15
Other Independent Schools	69.85	70.55

Source: *Sydney Morning Herald* September 19, 1995 and January 8, 1997.

almost all NSW high schools in 1992 to estimate statistically some of the factors which produce success in the HSC. In this study school success was defined as achieving at least two students in the top 1,000 students. This is obviously a very stringent test of academic success. It was governed partly by the very limited information made publicly available at that time and by the importance of separating those schools which might occasionally 'get lucky' with a single student in the top 1,000 from those with genuinely high performance characteristics. It is not, however, as restrictive as it may seem. There is some evidence that those schools which are successful in producing students in the top 1,000 are also those which are academically successful across the board, producing large numbers in the top 20 percent and the top 50 percent of the percentile rankings.

Moreover, the advantage of the study was that it measured success after allowing statistically for variations in fees charged, size of school, whether the school was boys', girls', or coeducational, the religious affiliation of the school, and combinations of these characteristics. Table 3.4 reports those characteristics which survived the statistical scrutiny, arranged in rank order of probability of success.

Because of the different methodologies, the statistical coefficients shown in Table 3.4 cannot be compared directly with the TER ranks presented in Table 3.3. What is clear, however, is that the pattern of results is the same in both cases: private Independent and State selective schools do best in the HSC, followed by Catholic schools, with State comprehensive schools bringing up the rear.

The most serious limitation in Table 3.4 is that there is no control for family background or prior student achievement. It is already clear, from the State/Catholic comparisons in Table 3.3, that school success in the HSC is not merely the result of differences in the socio-economic status of students. Nevertheless, the hypothesis that the results fail to distinguish between school and student characteristics cannot be conclusively rejected. Students in the non-government sector (and some in the state sector) select the schools they attend, and schools (again including some in the state sector) select their students. The results, it might be argued, do not reflect school characteristics, but instead faithfully reproduce the distribution of ability or family background in the various school systems.

Where data exist to make this sort of correction, the results can be surprising: they do not necessarily swing the advantage back to government schools. Results for the Victorian Certificate of Education were made publicly available for the first time in 1996. In a major

Table 3.4
Probability of Success in the Higher School Certificate

Characteristic	Odds (i)
State Selective School	5.57
Independent School	2.47
Boys' School	2.24
Girls' School	1.92
Size of School (enrolments)	1.00
Catholic School	0.54*
State School	0.18

* Not statistically significant at the 5 percent level.
(i) The Odds shown in the second column are the transformed coefficients from a logistic regression. Logistic regression is a technique for calculating the probability that an event will occur. In this case the event was defined as achieving at least two students in the top 1,000. The estimation procedure results in logistic coefficients which show the change in the log odds, where log odds, and these transformed coefficients are the numbers shown in the second column. Despite the intimidating derivation, interpretation is straightforward. A number in the second column greater than 1 means the odds increased; less than 1 means that odds reduced; and exactly 1 means unchanged odds. For example, being a State rather than a non-government school (which in this case means being a member of the Association of Heads in Independent schools of Australia) improves the odds by a factor of 2.47. Differences in the size of school leave the odds completely unchanged. Other characteristics are interpreted in the same way.

Source: Gannicott (1994:28).

contribution to informed assessment, the listing of schools was based on an adjustment for prior student achievement. Instead of a simple tally of schools with the most successful students, the list of high-performing schools made allowance for the ranking that would be expected, given the school's students.

Victorian students sit the General Achievement Test in July of Year 12, and these results provided a baseline of how well students could be expected to perform in the VCE. If a school's GAT scores were high because it had many students with strong academic capability, at least comparable performance in the VCE would be expected. Conversely, a school which had many students of lesser ability might achieve only modest success in the VCE, but it would nevertheless be considered a

good school if its performance (through the quality of its teaching, facilities or curriculum structure) was high relative to its GAT results. It was therefore possible to construct a list of schools whose VCE results were corrected for the performance which would be expected, given their GAT scores. Table 3.5 shows the composition of the top 100 schools (out of 470 in the sample). These 'top 100' are the schools whose VCE results most strongly exceeded the performance which would have been expected on the basis of their prior GAT results.

It hardly needs to be said that adjustment for the GAT still leaves unresolved some issues of school *versus* student effects. Motivation, hard work, and home background all play a part. Statistical correction made on the basis of an assessment carried out only six months prior to the end of Year 12 has obvious limitations for inferring the value-added by individual schools. Nevertheless, the clear implication of Table 3.5 is that some schools are doing better than would be expected, given the quality of their intake, and that government schools rate worst on this corrected basis, with the fewest number of schools in the top 100.

One further study can help separate the issues of schooling and home background. In a series of surveys carried out between 1985 and 1995, the International Social Science Survey at ANU collected data on educational experiences from early in this century to the mid-1990s. The result was a very large sample (over 29,000 respondents) which was representative of the Australian population in age, sex, education, occupation and other characteristics. The main findings were that:

- students in non-government schools do much better educationally than students in government schools;

Table 3.5
Victoria's Top 100 Schools
(number of schools, by sector, in each quartile)

	Ranks 1-25	Ranks 26-50	Ranks 51-75	Ranks 76-100
Government	3	3	8	8
Catholic	2	7	5	11
Independent	20	15	12	6

Source: Calculated from data in the *Herald Sun*, December 18, 1996, based on the Melbourne University Achievement Index.

- private school students get an average of 12.6 years of education, those from Catholic schools get 11.5 years, and government school students only 10.8 years;
- 68 percent of private students graduate from Year 12, compared to 49 percent of Catholic students and only 36 percent of government students; and
- 31 percent of private students and 19 percent of Catholic students go on to complete university, compared to just 12 percent of students from government schools (Kelley and Evans 1995:3).

These results do not, in themselves, show that private and Catholic schools do a better job than government schools. Private schools tend to educate children from educated, high status families, and these differences – not the schools themselves – might account for the differences in student success. However, even when the data were adjusted for pre-existing differences in family background, it was still the case that private school students did better in gaining longer education, in completing Year 12, and in graduating from university. In a complementary study that used the same very large data base to focus upon Catholic schools, it was also found that differences in family background could not account for the educational advantage of Catholic schools over government schools (Kelley 1995).

The conclusion from the most recent study is worth noting:

> In sum, private schools seem to do better for their students educationally, getting more to graduate from secondary school and more through university as well. This does not appear to be due to differences in the family background of private school students (although these are large and important) but to something the schools themselves do (Kelley and Evans 1995:4).

Rising Expenditure, Stagnant Performance

In the absence of systematic data it is not possible to provide a definitive answer to the question of whether overall academic standards are rising or falling in Australia. The mix of anecdotal and statistically reliable evidence that has been pieced together is not sufficient to settle this broad question. Surveys of knowledge such as that in *The Australian* can paint a colourfully impressionistic picture of the lamentable knowledge base of our students. Surveys such as these do not deserve the hostility they usually attract from educators. They

are, however, vulnerable to the criticism that one-off tests of a limited range of questions are a slender reed on which to build an argument of low standards. There are two aspects of performance that can be answered with more confidence.

First, where there is reasonable statistical evidence based on standardised tests, the best finding that emerges is one of neither decline nor improvement. Operational definitions of literacy and numeracy differ from one study to another, with consequent difficulty in drawing an overall conclusion. It needs to be acknowledged (and indeed it would be surprising if it were otherwise in a diverse sample) that some tests identified improvement in student performance. In Western Australia, for example, the Monitoring Standards in Education Project of the Ministry of Education found improvements in both writing and mathematics in 1992 compared to 1990. On balance, however, the most reliable conclusion to draw from the limited test evidence in Australia is that there is no pattern of overall decline in performance.

In some circumstances this would be a satisfactory outcome. But just as it is misleading to look at rising costs in isolation from performance, so too static performance has to be related to costs. A pattern of, at best, no decline in performance is not acceptable when viewed in the context of increasing expenditure per student. Simple arithmetic suggests that the combination of rising cost and static performance adds up to declining cost-effectiveness of the school system. It is surely unnecessary to add that this is particularly worrying when assessed against the stunning progress of Australia's Asian neighbours.

Second, there is reliable evidence of considerable differences in performance between school systems. Despite the limitations of data which make only partial correction for the background of students, there is plausible evidence from New South Wales and Victoria that Independent and Catholic schools do much better than government high schools. These findings are entirely consistent with the Australia-wide findings from the International Social Science Survey that Independent and Catholic students perform much better than students in government schools. The ISSS is particularly useful in providing evidence that these differences in performance are not the result of family or socio-economic background. They are a function of the schools themselves.

The conclusion is that within an overall framework of concern about academic standards and rising costs, government schools offer

particularly poor value for money. They cost more than Catholic schools but perform worse. Independent schools perform particularly well but, of course, are the most expensive on average. The obvious retort – that we should all send our children to private school if only we could afford it – contains more than a grain of truth about how to get better value from the school system. The next Chapters work through those arguments.

Chapter 4

The Failure of Reform

This Chapter reviews recent education reforms in Australia and elsewhere. Given the widespread concern about performance in education, many countries have tried a wide variety of policies for change. One of the simplest has been to spend more money. Another approach has been to try to make schools more effective by improving the intangible factors that go to make a good school. Firmer regulation of curricula or teacher standards has also been tried. Little of this reform effort has paid off in better performance. 'School choice' has become a popular innovation, and many variants of this (such as dezoning, and 'magnet' or specialist high schools) have been tried. While much of this has been worthwhile, there has been an increasing realisation that such schemes of administered choice are not sufficient. A strong theme in contemporary analysis is that schemes of regulatory reform or administered choice do not get to grips with the fundamental issue that public education is effectively a monopoly, and, like any other monopoly, works to maximise producer rather than consumer benefit. On this line of argument what is necessary is fundamental institutional reform that opens up education to competitive market forces.

Better Schools through Increased Spending

Increased Spending as an Explicit Policy in Australia

It is clear from Chapter 3 that a major characteristic of schooling in Australia is that more money has been spent to educate each student, with expenditure per pupil almost doubling in real terms between 1975 and 1994. One reason why this has attracted so little public comment may be an assumption that increased expenditure is not only necessary for better education, but is simply to be expected in such a labour-intensive activity. The technology of education – students, a teacher, a classroom – has not changed much over the years. To attract teachers of at least constant quality, teacher salaries must remain competitive with industries experiencing higher productivity gains than education. On this line of argument total costs are bound to rise.

This argument begs many questions about why there has not been faster productivity advance in education. Education is, after all, part of

the information industry, yet little of that industry's dazzling technological progress has percolated through to the classroom. Many classrooms now have computers, but it is far from clear that these have yet had much systematic impact on the effectiveness of teaching and learning. It is not the case that increased expenditure per student has been simply the inevitable or unavoidable by-product of changes in the wider Australian economy. Increased spending on schools, both government and non-government, was an explicit act of policy reform after the Karmel Report of 1973.

The central argument of the Karmel Report was that the recurrent resources used in Australia's schools were often massively deficient. There was a need for an increase in financial resources of at least 40 percent in government primary schools and 35 percent in government secondary schools if educational objectives (including those of equal opportunity) were to be achieved (Karmel 1973:62). A program of increased funding was developed, with 1979 set as the target date for remedying the deficiencies. What was interesting about this program is not so much that spending on public schools was substantially increased as an explicit act of policy. As Chapter 2 argued, this was quite consistent with the intellectual climate of the time. The genuinely innovative part of the policy was that hitherto fragmentary programs were replaced by a systematic policy of increased public funding for non-government schools.

Catholic schools had always relied heavily on unpaid members of the religious orders to carry out multiple roles of teaching, pastoral care and general administration of their order and their school. By the early 1970s this system had effectively broken down after the changes that followed the Second Vatican Council. Catholic systemic schools (which generally charged very low fees) had barely adequate resources to fund the move to salaried teachers. Classes were large and physical facilities were poor, with average resource levels some twenty percent below those in government primary schools. Public recurrent grants to Catholic schools were intended to narrow the resource gap with government schools. Non-Catholic private schools (not all of which were well-resourced) were also included in the subsidy scheme, with the amount of subsidy calculated by a sliding scale inversely related to a school's own resources.

The recommendations of the Karmel Report dominated the concept and practice of public spending for education throughout the late 1970s and early 1980s. Indeed, its arguments for increased spending had a much longer legacy. After 1984 the Commonwealth

Government based its general recurrent grants to government and non-government schools on a 'community standard'. This standard had been developed by the Commonwealth Schools Commission as the target for future recurrent resource funding (Karmel 1985:13). Non-government schools were categorised into one of twelve categories, each of which was funded at a percentage of the community standard.

Can Increased Expenditure Buy Better Schools?

By the mid-1980s, confidence in the value of constantly increasing resources was beginning to ebb, at least at official level. The Minister of the day (Senator Susan Ryan) remarked in 1985 that 'the Commonwealth Government is no longer prepared to put buckets of money into the education system in an indiscriminate manner. It wants to know where its money is going and what expenditure on education is achieving' (quoted in Hill and Russell 1994:13). These comments were symptomatic of the shift from the needs-based funding of the 1970s and 1980s to the more instrumentalist outcomes and labour market orientation of the Dawkins years. What is interesting, however, is that although the objectives changed, they were still underpinned by the notion that increased expenditure was necessary if they were to be achieved. Commonwealth funding of the General Recurrent Grants Program increased substantially in real terms during the early 1990s.

It is no exaggeration to summarise these developments as demonstrating that for much of the last twenty years educational policy in Australia has been predicated on the notion that increased spending was necessary if outcomes and equity were to be improved. While these developments were taking place in Australia, there was an increasing weight of evidence, drawn mainly from American experience, that there was no such relationship between spending and performance. This evidence has since increased to the point where it provides one of the most durable and soundly based research findings in education.

In a major review published in 1986, Hanushek tabulated the results of 147 separate studies of the relationship between student performance and inputs in a wide variety of American public schools. The summary results are shown in Table 4.1. Not all the 147 studies measured the same inputs. Table 4.1 shows, for example, that there were 112 studies of the relationship between the teacher/pupil ratio and student performance. Conversely, some of the studies measured the impact of more than one factor, so the total number of input studies exceeds the overall sample size of 147.

Table 4.1
Summary of Expenditure and Performance Studies in American Public Schools

Input	Number of Studies	Statistically Significant +	Statistically Significant –	Statistically Insignificant +	Statistically Insignificant –	Unknown Sign
Teacher/Pupil Ratio	112	9	14	25	43	21
Teacher Education	106	6	5	26	32	37
Teacher Experience	109	33	7	32	22	15
Teacher Salary	60	9	1	15	11	24
Expenditures per Pupil	65	13	3	25	13	11

Source: Hanushek (1986: 1161).

The Table is easily interpreted. If the hypothesis is that more teachers per pupil will have a beneficial effect on student performance, it would be expected that most of the 112 studies of this factor would produce a positive statistical coefficient. In fact, of those 112 estimates of the teacher ratio, only 23 were statistically significant and 14 of these showed a significant *negative* effect. The other 89 studies could not find a statistically significant impact on student performance from a smaller teacher/pupil ratio. (Strictly speaking, the pupil-teacher ratio is not the same thing as class size. The ratio is calculated by dividing the number of students by the number of teaching staff, but counted among teaching staff are those such as principals, librarians and counsellors who have administrative rather than direct classroom duties. Although actual class size will differ from the pupil-teacher ratio, the ratio is generally accepted as a reasonable proxy for class size).

The other entries in Table 4.1 tell much the same story. In every case, the majority of studies produced only statistically insignificant results for inputs that are traditionally thought to be fundamental in producing good student performance. The length of teacher experience produced the most convincing results, but Hanushek notes that this better pattern of positive correlation might result from more experienced teachers being able to select schools with better students.

That is, causation may run from achievement to experience and not the other way round.

Given the number of students, expenditures are determined by class size and teacher salaries. Teacher salaries are themselves determined (in the US system) by teacher educational levels and teacher experience. It follows that the last row of Table 4.1, expenditure per pupil, acts as a summary indicator of the other factors, and Hanushek notes that '*there appears to be no strong or systematic relationship between school expenditures and student performance*' (Hanushek 1986:1162, italics in the original).

Class Size

It hardly needs saying that the results tabulated in Table 4.1 are immensely destructive of the notion that simply providing more teachers or training them for longer or spending more money per pupil will have a positive effect on student performance. In fact, the results in Table 4.1 are even less impressive than at first glance. It is usual in statistical work of this sort (educational production functions) to measure both the statistical significance of an input and its quantitative impact. It is possible, for example, for an input to be significant in the strict statistical sense but nonetheless to be of little practical consequence because it has only a small quantitative effect on performance. Because of difficulties in maintaining comparability among the 147 studies, Hanushek omitted these quantitative effects. As he acknowledged, measuring only the signs (negative or positive) is the minimal statistical requirement, and yet even with this favourable method of classification there is nothing in the Table that would justify purchasing a given input to improve performance.

Some will find this conclusion hard to accept. It is, for example, an article of faith among educators (and many parents) that smaller class sizes must mean improved student performance. Writing more than 30 years ago, one commentator noted that 'over the years we have had hundreds of experiments testing the effectiveness of teaching in small and large classes. Despite the fact that in the vast majority of instances these tests show either that the advantage (as shown by tests) lies with the large class or that there is no significant difference, the folklore of the small class persists' (Harris 1962:530).

There have been many more experiments in the years since then. Indeed, the relationship between class size and student performance is probably the most researched topic in the whole of education (Marginson (1993:90-98) surveys the more recent literature, including

work from an Australian perspective). This more recent work has not produced any reason to modify in a substantive way the conclusions reached by Harris so many years ago. In a survey of factors affecting school quality, OECD concluded that little difference in achievement could be identified for class sizes between 15 and 40 pupils (OECD 1989:84). OECD also noted that there are examples where 'countries with very large classes out-perform those where the figure is between 20 and 30' (OECD 1989:84-85). Box 10 complements the information already presented in Box 7 (Chapter 2) with evidence about large class sizes in Asian countries.

What has come out of the recent work, however, is a sharper definition of the limits of effective class size. The work that is accepted as the definitive summary is that by Glass et al. (1982). Drawing on a survey of seventy-seven studies, Glass concluded that, other things being equal, more was learned in a small class but the effect was very small for class sizes between twenty and forty students. Second, it was found that there was an improvement in teacher attitudes as class size fell. This finding is broadly consistent with the Australian review by La Fleur et al. (1974) that there was no learning advantage with small classes, but there was an improvement in teacher morale and satisfaction.

The conclusion to be drawn from this is not that class size never matters. It is obviously true that in particular circumstances (for example, the highly teacher-intensive Reading Recovery Program mentioned in the previous chapter) very small classes can pay off in student achievement. Conversely, it seems likely that very large classes (greater than about 40 students) are not conducive to effective learning. Nor can the possibility be ruled out that the diffusion of significant levels of computer technology to schools might ultimately transform the nature of pedagogy and produce a fundamental shift in the relationships between teacher and size of class. But the evidence is irrefutable that over the usual range of class size currently seen in developed countries (that is, between about 20 and 40 students) reducing the size of class cannot be justified as a effective way of improving the academic performance of students.

Others will find it hard to accept that increased expenditure per student does not have a measurable impact on student performance. First of all, it is worth noting that even though Hanushek's work is now ten years old and draws on studies which are themselves even older than that, his conclusions still provide the much-quoted definitive evidence, simply because more recent studies have confirmed his

Box 10
Class Size and Teacher Salaries in Asia

The rapid pace of industrial development in East and South-East Asia has prompted a search for the lessons to be learned from this experience. A recent investigation of those Asian countries with the longest experience of economic growth (Japan, Korea, Singapore and Taiwan) offers some interesting insights into the role of class size.

Table 4.2
Pupil-Teacher Ratios in Asia

	Primary School					Secondary School				
Year	1950	1960	1970	1980	1992	1950	1960	1970	1980	1992
Japan	37	35	26	25	20	26	24	20	19	18
Korea	57	58	57	48	33	30	37	36	39	23
Singapore	28	33	30	31	26	27	29	20	19	20
Taiwan	47	44	41	33	26	28	26	24	20	20

Table 4.2 shows that these high-performing Asian countries have historically had high teacher ratios. As these countries have become richer over time, their teacher ratios have fallen, but they are still higher than in Australia. Despite these ostensibly unfavourable ratios, the cognitive skills of school children in these countries, as measured by international tests of achievement, have often been superior to those of children in OECD countries. The full explanation of this is a complex mix of educational, social and cultural factors (see Box 7). It is worth noting, however, that the salaries of school teachers in these four countries have been much higher, relative to their own country averages, than other Asian countries or the OECD countries. Teachers in these four countries have enjoyed higher status than elsewhere, and this may well have been reflected in the quality of those attracted into the profession. As a consequence, teachers have offered high quality schooling comparable to the best international practice. Although the teachers are relatively well paid, the fact of having more pupils per teacher has meant low cost per student by international standards.

Source: Mingat (1995:42); Mundle (1995:18).

results (see, for example, OECD 1989). There is no evidence from the recent 'TIMMS' study of achievement in mathematics and science that the high-performing countries were those with small classes or high spending per pupil (*The Economist*, March 29 1997:21-25).

As Chubb and Moe (1990:193) somewhat wearily observe, the relationship between resources and performance 'has been studied to death by social scientists' and 'researchers have generally been unable to establish a statistically significant relationship between student achievement and any of the school characteristics that are often thought important: teacher-pupil ratios, teacher education, teacher salaries, and per-pupil expenditures'. In their own tests they constructed a composite index of school resources from measures of school and school district expenditures per pupil, together with the student-teacher ratio. Unable to find a statistically significant result for this index, they concluded that 'school economic resources do not influence student achievement independently or directly [and] money is not what makes some schools more effective than others' (Chubb and Moe 1990:126,193).

Despite the apparently solid research findings, many will find it difficult to accept that increased spending does not improve performance. Surely this contradicts simple observation? The first point is that not all observation leads to the most obvious conclusion. Previous chapters have presented strong evidence from Australia that higher expenditure per student is not necessary for better performance. Catholic schools have a lower cost per student than government schools, but achieve better academic results. This is entirely consistent with the overwhelming international evidence that it is not money that makes some schools more effective than others.

The second point is that simple observation can sometimes be a false friend. In an investigation of high schools in New South Wales, I collected data on fees in 584 government and non-government schools. On average, private schools charged $5,100 per year in 1992, whereas annual fees per student in government schools averaged only $62. The high-fee independent schools have on average a much better record of achievement in the HSC than the low-fee government schools. Despite this clear-cut association between fees and academic performance, I nevertheless concluded that fees were not a significant factor in explaining differences in HSC results (Gannicott 1994:28, and see Table 3.4).

The answer to this paradox lies in the difference between simple correlation and measuring the effect of fees or expenditure *when other*

relevant factors are taken into account. While it is quite true that Independent schools in Australia have both higher fees and better performance than Government schools, any apparent causal connection turns out to be spurious when we allow for the other ways in which the schools vary. If expenditure matters for performance, it must make its effect felt when we also allow for influences such as student ability, family background, and school organisation. The reality is that after allowance for these other factors, expenditure per student invariably drops by the wayside as an explanation of differences in performance. (The folk story of storks and babies no doubt had its origins in the casual empiricism of noticing a correlation between the return of storks from their winter migration and the incidence of springtime births, but today few adults believe that storks bring babies: other factors provide the true causal explanation).

The Rising Cost of Teachers

In the light of these research findings it is worth going back to Australia's pattern of increased expenditure and asking what the extra money has purchased.

We already know from Chart 3.4 that the overall cost per student almost doubled between 1974 and 1995. The rising cost of teacher salaries accounts for by far the largest part of this increase. In 1974, the cost of teachers' salaries for government primary and secondary schools amounted to $876.7 million (Commonwealth Schools Commission 1975:63). This was $389 per student, equivalent to some $1,780 per student in 1995 prices. By the mid-1990s, the cost of teachers' salaries in government schools had risen to $6.2 billion, equivalent (again in 1995 prices) to $2,860 per student (Ministerial Council 1996:35). These figures mean that the cost of teachers in government schools rose in real terms by over 60 percent per student between 1974 and 1994.

This rise in the total salary cost of teachers did not come about because the salary of the average teacher rose by 60 percent over this period. On the contrary, average teaching salaries have barely managed to keep pace with the cost of living. In 1974 the total salary cost of $876.7 million paid the salaries of 114,000 teachers in government schools, an average of $7,700 per teacher. The equivalent figure for 1994 (the latest for which total salary data exist) is $43,000 per teacher, an increase of 460 percent. But rising prices account for most of this. When both years are adjusted to 1995 prices, the increase in average teacher salaries is reduced to a mere 23 percent over a 20 year period,

less than the growth of average weekly earnings for all Australian employees.

Calculation of an overall average is, of course, a crude device that does not reflect the complexity of the salary structure for teachers. Nevertheless, the broad conclusion that teachers' earnings have grown so slowly in real terms that they have declined relative to other occupations is supported by more detailed evidence. The NSW Teachers Federation calculated that the salary of a qualified but beginning teacher had declined from 111 percent to 85 percent of average weekly earnings between 1970 and 1989 (NSW Teachers Federation, quoted in Schools Council 1990:15). This is consistent with the estimate by the Scott Report that the salary of a NSW teacher with 5 years of experience had fallen from 143 percent of average weekly earnings in the early 1970s to 115 percent in 1988 (Scott Report 1990:89).

Table 4.3 shows the results for recent years. It is clear that the salaries of both primary and secondary teachers have continued to decline relative to other professional earnings, and have either declined or barely held their own when compared with all occupations.

Declining Pay but More Teachers

These calculations make it clear that the cost of schooling in Australia is not rising because we are paying higher salaries per teacher. But if the total cost of teacher salaries has risen by 60 percent while the average teacher salary has risen by less than 25 percent, what accounts for the difference? The answer is that the 25 percent increase has been paid to a lot more teachers. As Table 4.4 shows, the total number of

Table 4.3
Relative Earnings of Teachers

	Primary Teacher Earnings As Percent of Earnings of:		Secondary Teacher Earnings As Percent of Earnings of:	
	All Professionals	All Occupations	All Professionals	All Occupations
1987	96	126	100	131
1991	93	121	99	128
1994	93	124	99	132

Source: ABS-4224 (1992: 151); ABS-6306 (1994:54).

students in government schools has fallen slightly since 1974, but the number of teachers has risen dramatically from 114,000 to 143,000. In the non-government system, the number of students has risen by just under half, but the number of teachers has doubled. The inevitable result of this arithmetic is that there has been a reduction in the student-teacher ratio in both systems (Table 4.5).

Tables 4.4 and 4.5 require little comment, except to say that they provide overwhelming evidence that a major reason for the rising cost of schooling in Australia can be found in the steady but substantial reduction in the pupil-teacher ratios. It is a policy which has been justified by claiming the advantages of smaller class size – advantages for which there is not a shred of consistent evidence.

Qualitative Reforms: Regulating to Make Effective Schools

The Effective Schools Literature

The finding that there is no statistically significant relationship between school outputs such as academic performance and expenditure on teacher salaries, class size, school facilities or other quantitative inputs into the production of education has provided one of the most reliable findings in the whole of education research. The blunt use of economic concepts in that sentence is deliberate. The studies summarised in Table 4.1) are based on an explicitly economic input-output or production function approach. The idea behind those quantitative

Table 4.4
Students and Teachers 1974 - 1995 (000s)

	Government Schools		Non-Government Schools	
	Teachers	Students	Teachers	Students
1974	114	2,254	28	618
1984	149	2,261	45	757
1986	148	2,208	48	794
1988	147	2,197	50	825
1990	146	2,193	53	848
1992	148	2,234	54	865
1994	143	2,215	57	884
1995	143	2,208	59	901

Source: Data for 1974 are from Karmel (1985:17,18). Those for other years are compiled from ABS-4224 (1992:147), Australian Education Council (1992:57), Ministerial Council (1994:18) and ABS-4221 (1996e:3).

Table 4.5
Student-Teacher Ratios in Australia 1974 - 1995

	Primary		Secondary	
	Government	Non-Government	Government	Non-Government
1974	24.2	26.5	14.8	18.0
1985	18.4	20.4	12.3	14.1
1986	18.2	20.2	12.3	13.9
1988	18.0	20.3	12.2	13.6
1990	17.9	20.0	12.0	13.3
1992	18.0	19.8	12.1	13.1
1994	18.3	19.1	12.4	12.9
1995	17.9	18.9	12.5	12.8

Source: Data for 1974 are from Karmel (1985:19); those for 1985, 1986 and 1988 are from Australian Education Council (1989: 52); those for 1992 from Australian Education Council (1993:58); for 1994 from Ministerial Council (1996:57); and for 1995 from ABS-4221 (1996e:65).

studies is that education can be characterised as an economic enterprise much like any other. That is to say, educated students are the main output of the education enterprise, and this production process can be carried out – with varying degrees of effectiveness – by different combinations of teachers, classrooms, textbooks and other 'inputs' into the schooling process.

A number of objections can be raised against this approach. The one that is most likely to spring to the lips of educators – that it is wrong and unfeeling to treat human beings as economic agents – can be quickly dismissed. Treating all human participants in the education process – students, parents, and teachers – as economic agents is precisely that which ensures their worth will be given full value. Spending money on educationally dubious activities such as reduced class size implicitly gives greater weight to teachers (producers) than to students and taxpayers (customers), since a given level of student achievement is purchased at a much higher cost than necessary. The production function approach tests the efficiency with which learning objectives are achieved: there is nothing in that approach which proclaims efficiency as the sole criterion for judging education. If there are 'morally acceptable means of learning that are more efficient than others, are there not compelling reasons ... to be moral and efficient [rather] than moral and inefficient?' (Monk 1993:2).

A second, more technical, objection is that the factory-based metaphor of the production function cannot be realistically applied to education. Levin (1976) argued that schools do not operate on what is known as the 'production frontier': through a lack of incentives, or ignorance of the production process in education, schools simply do not behave in the optimising way assumed by the textbook theory of the firm. There is no doubt that conceptual and statistical specification of the educational production function is extremely complex, and Chapter 3 has already acknowledged the multiple objectives of education and the range of behaviour that that implies for schools.

It is quite mistaken, however, to believe that such problems vitiate the usefulness of results obtained from production function estimation. Coefficients of the sort summarised in Table 4.1 are not derived by imposing some abstract notion of what decision-makers in education should do: they are derived from empirical estimation of the behaviour that is actually observed in practice. If the explanation for the profound economic inefficiency identified in these studies lies in the lack of incentives or knowledge by those involved in the education process, the remedy lies in adopting a mechanism that will provide the appropriate incentives.

There is a third objection which does need to be taken more seriously. This does not take issue with the estimation of input-output relationships as such; nor does it necessarily call into question the major findings of that research. This third objection argues that the production function approach has failed to find significant relationships between inputs and outputs because it has concentrated on quantitative inputs, to the neglect of the more qualitative, intangible aspects of the schooling process.

There is now a large literature on what has become known as effective schools research. Like the input-output approach, effective schools research also looks for those factors which contribute to good school performance. The similarities end there. In place of large-sample statistical studies, effective schools research has typically proceeded by carrying out comparative case studies of a small number of schools, trying to identify those characteristics which go to make an effective school. The crucial feature is that the case study approach has permitted a very detailed compilation of many of the qualitative aspects of schooling, such as its organisational features or the leadership quality of the principal.

Results for this type of study now exist for a number of countries, including United States, Canada, Britain and Australia (excellent

reviews of an extremely large literature, including the Australian studies, can be found in Mulford (1989) and McGaw et al. (1992); Reynolds (1992) surveys the British literature, and Levine (1992) reviews the American research). A key feature of these studies is that while there is obviously much difference in the detail, they are all in broad agreement on the major characteristics of an effective school. Table 4.6 draws together the main findings.

Limitations of Effective Schools Research

It is not difficult to be critical of the results in Table 4.6. They consist of a list of items with which few people would disagree, and indeed they are of such generality that one wonders how they could possibly discriminate between effective and ineffective schools. It is one thing to list, as in Table 4.6, all the factors thought to be associated with an effective school: just as when discussing increased expenditure, it is quite another to assume that any given factor will retain genuine explanatory value after control for other factors on the list. There has to be proper statistical control. More recent studies, such as that by Sammons et al. (1993) in Britain, or Hill et al. (1993) in the Victorian Quality Schools Project, have used such control. Other recent studies (see, for example Cuttance 1994, 1995) have extended the effective schools research by embedding the findings into wider management concepts of quality assurance and the benchmarking of organisational performance.

Despite the sophistication of recent work, methodology has been a problem with much of the effective schools literature. Even if multivariate testing confirmed the statistical significance of all the factors in Table 4.6, there would still remain the major problem of cause and effect. Effective schools might well exhibit certain characteristics, but in the absence of a properly specified model it is not known whether those characteristics are a cause or a result of the effectiveness. It is not known how or why the schools become effective in the first place, nor is it known how or which policies might be implemented to create effective schools.

Despite the extensive literature on school effectiveness, the empirical evidence in support of the conclusions about effective schools is actually quite weak. Reviewing the US data, Cohn and Geske (1990:190) observed that the large literature is based on only a small number of original studies. This limited range of primary research has been further constrained through an over-reliance on small-scale case studies, with few larger-scale studies to provide the necessary basis for

Table 4.6
Characteristics of Effective Schools

Factor	Description
1. Sense of mission	Clear, attainable objectives, with shared consensus on values and goals, and high involvement of staff in development of these objectives.
2. Great expectations	Students, principals and teachers have high expectations for academic achievement, and academic, personal and social expectations are clearly enunciated and monitored.
3. Academic focus	A well-planned and well-defined curriculum which provides a structured program for the continuity of the child's development and which caters for the diversity of student ability and interest.
4. Conscious attention to a safe and orderly school climate	Respect, tolerance amd openness of communication between students and teachers so that there is a positive school climate with high levels of supportiveness and cohesiveness.
5. Administrative leadership	Principal and senior staff have a flexible administrative style, are highly supportive of teachers, establish effective relationships with students, parents and community, and acknowledge and reward teacher efforts.
6. Teacher professionalism	Teachers have a strong commitment to teaching and learning, acknowledge personal and collective responsibility for learning outcomes, and work with senior staff in a professional manner.
7. Parental involvement	High levels of parental involvement in decision-making in the school, positive community relationships, and community support for the school fostered through frequent interaction.

Source: Compiled from Mulford (1989: 10-14); Cohn and Geske (1990: 187).

valid generalisations about the characteristics of effective schools (Banks 1992;19; Hill et al. 1993:2).

Nor are the studies derived from any consistent definition of what constitutes an effective school. Among the earlier Australian studies, both Mellor and Chapman (1984) and Caldwell and Misko (1984) used educators' opinions both to define the effective schools and to draw up

a list of the factors deemed to constitute effectiveness. Although the study by McGaw et al. (1992) included the views of parents in their survey, the study consisted of little more than an invitation to schools and others to express their views about what makes a school effective. It is worth noting that academic achievement does not always rank highly in such surveys. Indeed, many of the effectiveness criteria which are rated highly are process- rather than outcome-oriented. Caldwell and Misko (1984:45) noted that criteria related to outcomes were weakly associated with school effectiveness in the minds of raters, and Mulford (1989:9) noted a lesser emphasis on basic academic skills in the Australian studies compared to results from overseas.

The Influence on Policy

This is a formidable list of problems, but, for all its deficiencies, the effective schools literature has been immensely influential in setting the policy agenda for much that has been tried in education reform in recent years. As confidence in increased spending started to ebb, it was replaced by the idea that schools would become more effective if they paid attention to the organisational features of the sort summarised in Table 4.6. In an interesting twist, the 'recipe' nature of those features, with their absence of statistical control, came to be seen not as a weakness but as the main strength of the effective schools literature. In judging what made an effective school, what became emphasised was not the individual factors but the entire package. On this interpretation all the factors listed in Table 4.6 are seen as integral components of the overall organisational climate or ethos of the school.

Two crucial policy ideas followed from this interpretation. First, if we wanted to create effective schools we had to focus on school-level organisation and improve the overall school climate by ensuring that all the components of the package were making their proper contribution. Second, it was the role of public policy to bring about this more effective school organisation through appropriate regulation of all the components of the package.

The result was what Chubb and Moe (1990:10,17) described in the United States as a frenetic pace of change, with effective school characteristics 'imposed on the local schools from above, by political and administrative superiors, through new rules and regulations mandating the changes desired', and 'state after state [adopting] some permutation of a laundry list of reforms that ... had come to be associated with effective education'.

The process in Australia was not much different. Recent years have

seen a blizzard of discussion documents from Commonwealth and State bodies. In response to these documents schools throughout the country have had to face continuing policy changes on such matters as the curriculum, assessment, discipline codes, teacher empowerment and professionalism and school-based management. In Victoria there was *Schools of the Future* in 1993; in Queensland there was *Focus on Schools* in 1990; *Better Schools in Western Australia: A Program for Improvement* (1987) was followed by a series of reports on different aspects of devolution. In New South Wales *Schools Renewal* ushered in a politically and organisationally painful period of reform. It is not surprising (Box 3 of Chapter 2) that there is teacher weariness about a seemingly constant process of new rules and regulations.

It is too facile to attribute all the changes of the past few years to the effective schools results. In any program of reform there are always different themes and cross-currents. Much of the Commonwealth agenda during the Dawkins era was driven by a heavy emphasis on the alleged need for a more vocational education as a preparation for the world of work (Finn Report 1991; Carmichael Report 1992; Mayer Report 1992). At State level political differences have played an obvious role. In Victoria, for example, the devolution which was introduced after 1983 was driven by the Cain Government's notions of social justice; the focus of devolution since the change of government in 1992 has been to achieve better management and effectiveness.

Despite differences in emphasis or implementation, there is no doubt that effective schools research served as the basis for a major theme of the last decade, a regulatory or administered approach to school reform. In Australia, as in the United States, we have tried to bring about more effective schools by government regulation of the factors that seemed to make up a healthy school organisation.

In Western Australia the rationale for change was described as follows:

> Whereas once it was believed that a good system creates good schools, it is now recognised that good schools make a good system. Accordingly, the efficiency and effectiveness of the system can be improved only if schools have sufficient control over the quality of education they provide. It is only at the level of the school:
>
> - that the professionalism of teachers can be exercised;
> - that meaningful decisions about the educational needs of each student can be made; and

- that programs can be devised which reflect the wishes and circumstances of local schools' communities.

> The Education Department has been involved in the gradual devolution of responsibility to schools and this process needs to be implemented. ... To maintain public confidence in schools, the Government school system must guarantee that community expectations about educational standards are met. A school should be accountable to both the local community and to the Government and there should be mechanisms built into the system for monitoring school performance (Ministry of Education, Western Australia, 1987:5).

This proposal was entirely typical of its time and type in

- shifting from system-level to school-level changes;
- the development of more autonomous schools so that the particular organisational climate or ethos of each could be developed;
- the emphasis on the role of all the participants (students, teachers and local community) – or, in the jargon of the time, the 'stakeholders' – in the schooling process;
- the emphasis on teachers who – again in the jargon – through 'professional development' could be 'empowered' as profes sionals;
- and, cutting across all these elements, the idea that appropri ate regulation and control by government could bring about the desired shift to greater effectiveness.

In the case of Western Australia, there was little doubt that the desired changes were to be implemented through a battery of rules and regulations covering virtually the whole schooling process. Central office would set 'system priorities, goals and standards, ... establish and monitor curriculum policy, provide schools with guidelines and syllabuses, monitor and report on State-wide standards and goals, and establish mechanisms for providing advice on policy and planning issues affecting curriculum quality, e.g. suitability of equipment, building design, educational materials, teacher training prerequisites and promotional requirements' (Ministry of Education, Western Australia, 1987:17).

Most other States followed closely similar policies, all of them characterised by the notion that more effective school organisation

could be implemented through administrative or regulatory change imposed and executed by a revamped but existing educational bureaucracy (Institute of Public Affairs 1992a:16,17; 1992b:22,23). Queensland's *Focus on Schools* (1990) advocated a devolution of management to the regions and to the schools. In Victoria the policy debate was dominated by the curriculum and assessment issues at the heart of the Victorian Certificate of Education, but here too *Taking Schools into the 1990s* (1986) proposed the establishment of new self-government schools. Best known of the attempts to restructure the organisation of schools was the New South Wales program of *Schools Renewal.* In asserting that 'the most effective management approach to revitalising education ... is to make all schools well-managed, self-determining, self-renewing centres of educational quality' *School Renewal* (cited as Scott Report 1990) captured perfectly the view at that time that we could 'make' effective schools through better management of the existing system.

Effects of the Reforms: Only Partial Success

There is much that was worthwhile in this era of administered reform. In particular, the emphasis on school-specific organisation was not misplaced. While most of the effective schools research that underpinned these reforms had been exceptionally weak in providing scientifically reliable evidence, 1990 saw the publication of probably the most influential work of education policy since the Coleman Report in the USA in 1966. *Politics, Markets and America's Schools* (Chubb and Moe 1990) provided a study of school effectiveness that combined both quantitative and qualitative measures in a rigorous statistical framework, and did so by using measured outcomes of academic performance. They found that effective school organisation (after proper statistical control for other factors) was itself capable of producing improvements in student achievement equivalent to more than one full year during the four years of American high school.

While this particular quantitative result is specific to the American data used by Chubb and Moe, their more general endorsement of autonomously managed schools has been taken to have much wider currency, not least because it is entirely consistent with other research findings that the overall organisational 'climate' of a school is fundamental to good performance (World Bank 1995). The shift towards greater self-management for Australia's schools has without doubt been a move in the right direction. It is also worth recording that many of the changes were produced at substantial political cost (not least in

New South Wales), and the extent of the changes to an entrenched system needs to be acknowledged.

What is also true, however, is that this era of administered reform has not been sufficient to quell concerns about Australia's schools. There is now almost a decade of experience with this line of reform in Australia, but it can hardly be claimed that the changes have brought any perceptible reduction in concern about the performance of Government schools compared to the independent sector, about levels of literacy, about the nature of the curriculum, or about the continuing drift of enrolments to the non-government schools.

One clue why the reforms have at best only a partial record of success lies in the fact that they have not in practice reduced bureaucratic control and produced the genuinely self-managing schools that were their aim. The Chubb and Moe research produced the first genuinely reliable evidence about the importance of school organisation. The crucial feature of this finding was that the most effectively organised schools (and hence those with the best improvements in academic performance) were those with a high degree of autonomy and freedom from bureaucratic control. Box 11 demonstrates that Australia's schools, both Government and non-government, have not simply become more bureaucratic compared to 20 or 30 years ago: they have continued to become more bureaucratic during precisely those years when the reforms were directed at making them more autonomous and more responsive. There are fewer head office and regional staff than before (7,208 in 1994 compared to 9,494 in 1989) but the overall number of non-teaching staff has continued to rise. To a considerable extent the reforms replaced a centralised and regional bureaucracy with an even bigger school-based bureaucracy.

While the bureaucratisation of the school system partially explains why the era of administered reform had only limited success, this really only invites a further question of why the attempted reduction in bureaucracy was so manifestly a failure. The answer is that the reforms – implemented and administered by a revamped but essentially unchanged institutional structure – did not tackle the fundamental issue of producer control in Australian education.

The reforms from the effective schools era were intended to change the prevailing culture of producer control. By devolving decisions on staffing and finance to the school, and directly involving parents and the local community in the governance of the school, it was expected that schools would develop their own organisational climate. Moreover, they would do so in a way that reflected the wishes

Box 11
The Bureaucratisation of Australian Schooling

While the rise in the cost of teachers' salaries, predominantly through an increase in teacher numbers, provides the main explanation for the increase in the overall cost per student, it is not only teacher numbers which have risen substantially. Over the last 20 years the number of non-teaching staff has grown so rapidly in both government and non-government systems that it is no exaggeration to describe it as the bureaucratisation of Australian schooling.

In 1972 government schools employed one ancillary staff member for every twelve teachers. In Catholic systemic schools the proportion was roughly one in thirty (Karmel 1973:35). Table 4.7 displays the picture for recent years.

Table 4.7
The Growth of Non-Teaching Staff

	Government Schools			Non-Government Schools		
	Teaching Staff	Non-Teaching Staff	Ratio	Teaching Staff	Non-Teaching Staff	Ratio
1989	146,957	30,590	4.8	51,611	13,134	3.9
1991	145,895	33,042	4.4	53,638	13,784	3.9
1993	146,637	34,434	4.3	55,274	15,138	3.7
1995	143,787	36,332	4.0	58,614	16,860	3.5

Source: Australian Education Council 1989:49 and 1991:61; Ministerial Council 1994:62; and ABS-4221 1995:75).

Some care is needed in interpreting these numbers. While recent official statistics employ an unfortunate turn of phrase in referring to staff who are 'not generally active in schools' (Ministerial Council 1994:59), the category of non-teaching staff covers a wide range of jobs, some of which (such as specialist support staff) are closely allied to the teaching function. However, in 1995 professional support staff such as counsellors and guidance officers amounted to only 12 percent of the total non-teaching staff in government schools: the overwhelming majority of non-teaching staff can legitimately be classified as administrators. It is also true that the proportion of non-teaching staff in Catholic schools before 1973 was artificially low, because much ancillary work had hitherto been part-and-parcel of the duties of the religious orders who made up much of the staffing of Catholic schools. Even when all the caveats are made, the Table makes it clear that Australia's schools are today heavily bureaucratised. For every four teachers in a

government school there is one non-teaching staff member, three times as many as 20 years ago. In non-government schools there are even more non-instructional staff for every teacher. Table 4.7 in fact understates the numbers of administrative staff. Data are not available for the non-government system, but it is known that in the government system in 1994 there were, in addition to the in-school staff shown in Table 4.7, more than 7,200 administrative and executive staff employed in headquarters and regional offices. Their inclusion brings the ratio of teachers to non-teachers in the government system to 3.3:1.

From Table 4.5 it is known that the public funding of non-government schools has allowed them virtually to close the gap with government schools in pupil-teacher ratios. Indeed, closing the resource gap was part of the rationale for such funding when it was introduced in 1974. In the light of Table 4.7, it is interesting to speculate on the role of public funding in allowing non-government schools to become as bureaucratic as government schools.

of all the 'stakeholders' – parents, local community, as well as educators. In practice, the reforms have left the institutions of producer control virtually intact, and may even have added to them.

Producer Control

It is hardly surprising, therefore, that the policy reforms derived from the effective schools research should also reflect this producer bias. In New South Wales the recommendations of the Scott Report were explicitly based on the findings of effective schools research (Scott Report 1990:67). The quality of the insights from that Report can hardly be faulted. It was especially good in demolishing what it called 'prevailing Department myths' about the quality and management of education in New South Wales (Scott Report 1990:65-66). However, the fundamental premise of the Report was that increased producer control would itself be sufficient to create more effective schools. Consider the following three sentences, drawn from the main report:

> This task – to enable students to realise their individual potential and to contribute to the development of Australia – is impeded because principals and teachers have largely been denied control over and public responsibility for essential resources.
>
> The result is that principals and teachers – those with direct responsibility for education – have in the past largely been

> denied control of the essential resources needed for renewal.
>
> In the case of the education system, renewal should start with the teacher in the classroom and flow to the school. Dynamic self-renewing schools can then become the basis of a revitalised system (Scott Report 1990:67).

Taken at face value, as an exercise in shifting decisions from headquarters to the school and focusing upon the school as the key organisational structure, all of this is strongly to be welcomed. The real problem is that those sentences reveal a response couched almost exclusively in producer terms. It is educators who have 'responsibility' for education and it is they who should have 'control' over resources. Provided we devolve responsibility to teachers and principals, and give them sufficient control over resources, that in itself will be enough to create a self-renewing process of school effectiveness.

This is at best incomplete, because it assumes that the objectives and criteria pursued by those who supply the educational 'product' will automatically be congruent to the objectives of the consumers of the product. (And it is curious, too, because elsewhere the Scott Report showed a very keen eye for the self-interest displayed by the NSW Teachers' Federation). There is no more reason to assume that this is true for 'producers' in education than for any other group of suppliers.

If this appears unduly cynical or seems not to hold the professionalism of teachers in sufficient regard, let us go back to our earlier discussion of the role of class size and increased expenditure. That a high proportion of Australia's increased expenditure on schooling has been spent on reducing class size is a statement of fact. Why this has happened must be more conjectural. There is no evidence that the teachers' unions have pressed for smaller classes as an altruistic means of increasing teacher contact with students. Indeed, the inflexibility and rigidity of the working arrangements which have been negotiated over the years are entirely inconsistent with this (Schools Council 1990:67; Scott Report 1990:92).

It is a policy which has come about because 'teachers and (particularly) their union have for many years negotiated vigorously for a whole set of teaching conditions. There is evidence to suggest that more attention has been paid by the union to maintaining teacher numbers, almost regardless of other economic or statistical considerations, and to negotiating rigid work practices, than to teacher salary issues' (Scott Report 1990:90).

If the conjecture is then pressed a stage further and we ask why a

union would pursue this line of action, the answer is that it is entirely rational to do so. The policy of smaller classes can be seen as an attempt to maintain teacher numbers (and hence union membership) at a time when the rate of increase of school-age population had fallen rapidly. In the ten years after 1962, Australia's school-age population rose sharply from 2.9 million to 3.6 million and the size of the teaching service increased by more than one-half. By the beginning of the 1970s, the last phase of the post-1945 baby boom had run its course in terms of its main impact on school enrolments. Since then, even the higher participation rate in upper secondary school has been barely sufficient to produce an increase in the overall number of students, and as Table 4.3 demonstrates the number in government schools has actually declined.

From a strictly educational point of view, the teacher ratios in Australia during the 1970s already fell well within the range of what the international research indicates is pedagogically satisfactory. Without a policy of further reductions in class size, the arithmetic of a near-stationary school-age group would have meant, at best, no increase in the number of teachers. The de facto policy of continuing to increase teacher numbers has been purchased at the price of declining relative salaries, so that the profession has become less attractive to talented newcomers.

This has resulted in an ageing teacher workforce. In 1989 (the last year for which evidence is available) there were fewer staff aged below 31 years, and a higher proportion aged between 31 and 50 years, than in either of the previous surveys in 1963 and 1979 (ABS-4224, 1992:129). Since teachers are paid on an incremental salary scale with virtually automatic progression, the increased salary costs have in effect been used to pay older teachers already in the teaching force, rather than attract high quality entrants into the profession.

The policy of reduced class size, pursued under the banner of benefits to students, has reflected almost perfectly the interests, as perceived by their union, of the largest group of producers in the process of education.

To return now to the issue of producer control in the era of 'effective schools' reform, there is a fundamental difference between teacher empowerment and devolution of authority to the school in a system which is genuinely responsive to consumer wishes, and one where the empowerment merely adds to the autonomy of the producer.

In contrast to the focus on producer control and elaboration of the

ways in which this could be exercised, mechanisms for increased consumer control were either absent or had severely limited powers. In NSW the proposed School Councils were envisaged as a means of community support and involvement, rather than as decision-making bodies. They were expressly prevented from intruding on the responsibilities of the school staff 'in meeting the educational needs of the students', despite the fact that one would imagine this to be precisely the area in which parents would most wish to make their voices felt; and they were prohibited from countermanding 'broad policy guidelines proposed by the Department under a framework endorsed by Government' (Scott Report 1990:78).

In some cases developments that should have provided elements of improved consumer control were captured by producers. In Victoria in 1983 school councils were given the right to determine education policy within ministerial guidelines, but it soon became clear that the councils were often under the control of teachers (see Box 12 for an additional perspective on the role of Councils). In 1986 *Taking Schools into the 1990s* proposed the establishment of new self-governing schools, but opposition from the teachers' unions forced a heavy compromise (Barcan 1992:22). In Western Australia the administrative components of the 1987 program of devolution were implemented quite quickly, but continuing teacher union opposition brought long delays to the proposed School Decision-Making Groups. In 1990 it was agreed that school staff would have equal representation on the Groups (Barcan 1992:23).

It was precisely this type of producer opposition that explains why the genuine advances in consumer choice were severely circumscribed. In many parts of Australia, parents were given an element of choice through the establishment of selective and specialist high schools and the ending of the zoning requirements (so that parents could send their children to any state school of their choice, provided there is room). The role of these types of school will be examined in the next chapter, and it is important to note, as a preliminary comment, that they were a useful step in the right direction. But for present purposes it should be noted that such schemes were extremely limited in their scale, not least because they have usually been opposed by the teachers' unions.

The US equivalents of dezoning and selective and specialist high schools are, respectively, 'open enrolment' and 'magnet schools'. Reviewing the operation of these schemes in the United States, Chubb and Moe (1990:206-208) concluded that they had made only marginal

Box 12
Parents & Citizens' Associations: Consumer Advocates or Mouthpiece for Producers?

The ostensible purpose of P&Cs or School Councils is to represent parental or consumer interests, either in a particular school or in education generally. It hardly needs to be said that many P&Cs function very well in exactly this role, working behind the scenes to raise funds and further the interests of their school. An effective P&C or School Council can be a great boon to a school.

School Councils have become an essential part of today's reform agenda. The devolution of decisions to school councils is an integral part both of Victoria's 'Schools of the Future', and of 'Schools Renewal' in NSW. Yet their role is often highly ambiguous. The problem is not so much that of potential conflicts between parent and teacher members of a Council; nor even that Council membership can be dominated by teachers moonlighting as parents. The main problem is that the more parents become part of the formalised decision-making process, the less they may find they can participate as clients of schools. It may be too extreme to talk of parents being 'captured' by provider interests, but it is a classic case of being a 'provider' as a board member and 'consumer' as parent (Cooper 1991:236).

This ambiguity is seen most clearly in the public role of the P&Cs and Councils. The state and national associations enjoy a high public profile, and their views are regularly sought on matters of schooling. Media reports seem to take these organisations at face value, uncritically accepting what they have to say as the 'view of the parents'. All too often, however, the views expressed by their spokespersons display a commitment not to schooling but to public schooling, and they lend support not to consumers but to producer interests.

To put it bluntly, a producer bias is routinely displayed by these organisations. While it may not be surprising that the teachers' unions have consistently opposed the provision to parents of better information on school performance (see Box 6 in Chapter 3), it is disappointing that those who claim to speak for Parents and Citizens should also adopt a totally hostile attitude that is indistinguishable from that of the unions (Brennan 1996; Johnson 1996, quoted in Raethel 1996). It is doubtful if the hostility of the NSW Federation of P&C Associations (1996:18) to parental choice and their lobbying in favour of 'radical changes ... to equalise the range of outcomes achieved by students', genuinely represents the views of many NSW

parents. A representative of the Australian Parents Council dismissed one school's offer of a money-back guarantee as like 'selling packets of soap', apparently approving of a situation where parents have more rights buying a packet of soap than when purchasing education for their children (Lonergan 1996, quoted in Ford).

improvements in the performance of the overall system because they are too limited in scope to achieve significant reform. This is exactly what has happened in Australia. Unsuccessful applications for specialist or selective high schools have strongly outnumbered those accepted (Kramer et al. 1992:79). In NSW the Federation of Parents' and Citizens' Associations has complained of being 'assailed' with complaints from parents unable to enrol all their children in the out-of-area school of their choice (P&C Federation 1996:13).

Conclusion

There is a growing recognition in Australia, as elsewhere, that a decade or more of piecemeal change has achieved little of substance in reforming a school system characterised by rising expenditure and falling performance. The idea that we can buy better performance by simply spending more on smaller classes or better facilities has long been discredited. The more recent approach to reform was based on the notion that 'effective schools' could be created through administered reform of the existing system to bring about improved school organisation.

The current wave of debate about school reform in the USA is characterised by a view that reform must be structural in nature, not piecemeal, and must tackle the fundamental issue of producer control in the public provision of education. There is now a realisation that the fundamental problem is one of institutional structure: education is essentially a public monopoly, and it exhibits the inefficient operation, restricted output and high cost inherent in the textbook picture of a monopolist. On this line of argument the reforms so far have failed because they have followed an out-of-date model of control through regulation.

What is increasingly being argued is that reform will only be effective if the monopoly is opened up to competition. This means a search for institutional arrangements that deliver control not through government regulation but through genuine parental choice in

competitive markets with many competing providers. Some writers believe this can be achieved through vouchers. Others are in favour of what in the United States are called 'charter schools', where public schools are run as private contractor organisations. Some reformers are prepared to think the unthinkable, and move to a full-blown system of privatised schooling, with producer control replaced by consumer sovereignty. Few of these arguments have yet impinged on the reform debate in Australia.

'School choice' has become the generic term for all the many proposals designed to make the school system more competitive and more responsive to parental rather than producer control. The next Chapter explores the debate about 'school choice' and the policies needed for its implementation.

Chapter 5

School Choice

This Chapter reviews the various schemes that come under the umbrella of school choice. The Chapter starts by reviewing what is generally known as 'public school choice'. This term covers a variety of policies designed to give parents wider choice within the existing system of government schools. Policies of this sort (including choice of government school or the setting up of specialist schools) have become common in Australia in recent years. These reforms, although a step in the right direction, have largely failed to provide parents with genuine choice. As a result they have had little effect on the performance of government schools.

The argument then turns to one of the most controversial issues in education policy, that of vouchers. It is not always realised that Australia has extensive experience with an indirect voucher scheme, through its system of public subsidy to non-government schools. While vouchers may well provide some guiding principles for school finance, Australian experience suggests that they are not in themselves a sufficient condition for improved school performance. This is because they do not directly tackle the fundamental issue of producer control. What is required is to focus on policies which will directly liberalise the supply of autonomous schools. In particular, recent changes to the regulations governing the establishment of private schools need to be matched by comparable reforms to government schools

School Choice: Answer to the Problem?

The Concept of Choice

'School choice' has become the generic term for a wide array of reforms in education. The connecting thread of these reforms is the idea that parents and pupils should be free to choose among a variety of suppliers or producers. Only if there is school choice, so the argument runs, will there be a school system which is genuinely responsive to consumer wishes. The expectation is that once 'consumers' have a greater influence on what is provided, the 'producers' of education will have greater incentives to improve quality, become more cost efficient, and search for innovative ways of responding to consumer demands.

School choice has become both the most dominant influence on education reform and a slogan with little substantive content. Choice

has become an all-purpose term, covering a wide range of specific policies. At one end of the spectrum, school choice covers relatively limited reforms such as dezoning or specialised schools (open enrolment and magnet schools are the equivalent American terms). In the case of dezoning, students and their families make their own choice of school, rather than being assigned to a particular government school. Magnet schools offer an element of choice by providing schools with some particular characteristic, such as a specialised language or performing arts program. Critics argue that schemes such as these – dismissed as administered or controlled choice – do not go nearly far enough in providing genuine choice. What is necessary, on this line of argument, is to move towards market choice, through the use of vouchers or even by fostering a full-blown competitive system through the establishment of profit-making schools.

Choice dominates the education reform movement in the United States; it has been discussed as an option for better education in developing countries (World Bank 1995); and the OECD (1994) has reviewed policy approaches to school choice in a number of its member countries. Extravagant claims are made. Chubb and Moe (1990:217) have gone so far as to argue that 'choice is a self-contained reform with its own rationale and justification. It has the capacity *all by itself* to bring about the kind of transformation that, for years, reformers have been seeking to engineer in myriad other ways' (italics in the original). There is now a very large (mainly American) literature, and it has become usual to debate the case for choice as such, often summarising the arguments as a check list of items for or against choice (see for example Chubb and Moe 1991; Doyle 1996; Allen 1994; Clare and Johnston 1993).

It is true that many of the issues are generic to all choice plans, but one result of using choice to cover a wide range of specific options is that check lists of pro-choice or anti-choice arguments do not always advance the argument beyond what has been known for many years. For example, it is usual in any discussion of choice to raise the issue of parental capacity to choose. While there is no question that this is a fundamentally important concern, it is an issue whose main themes have been known since at least the writings of the classical *laissez faire* economists of the 19th century. John Stuart Mill (perhaps not the most reliable witness since his father James Mill deliberately kept him away from school 'lest the habit of work should be broken and a taste for idleness acquired') thought the *laissez faire* principle of leaving decisions to private markets broke down in education. Parents could

not always be trusted to make appropriate decisions for their children because 'the uncultivated cannot be competent judges of cultivation' (quoted by Blaug 1970:21).

It is also worth recording that, despite his misgivings about parental capacity to choose, J.S. Mill was not in favour of compulsory state schooling. The state should confine itself to public examinations for all children, irrespective of where or how they were schooled, because 'a general state education is a mere contrivance for moulding people to be exactly like one another [and] in proportion as it is efficient and successful, it establishes a despotism over the mind, leading by natural tendency to one over the body' (quoted by West 1965:124).

It is tempting to infer that there is nothing new about the choice debate, but it is more reasonable to conclude that arguments about choice are not particularly fruitful when couched in abstract principles. What is required is to examine the issue in the context of any specific proposal.

A second problem with discussing choice as a general concept is that the debate has tended to reflect American institutions and problems. In its survey of choice programs, OECD noted that there were not merely educational reasons for allowing parents and pupils to choose more freely among schools. There was a political influence from the neo-liberal approach that had affected public policy across the board since the 1980s. There were also the 'new social realities' of greater social and geographical mobility and a growing average educational level of parents. These are changing the way in which schools are regarded (OECD 1994:12-13). No doubt these political and social factors are at work in the United States as they are in other OECD countries, but there is a vital distinction between the American educational scene and that in most other countries.

In the United States the choice movement has grown overwhelmingly out of dissatisfaction with public schools and the failure of earlier reforms. This is also largely true of the United Kingdom. The 1988 Education Reform Act in Britain, with its promotion of choice through open enrolment, giving schools the right to 'opt out' of local authority control, and diversifying the supply of schools through city technology colleges, had its origins in strong dissatisfaction with the performance of government schools. There was a belief that local education authorities had 'paid too much attention to the dictums of education 'professionals' and ... that some Labour-controlled authorities had forced ideologically-motivated policies on schools against the wishes

of parents' (OECD 1994:63).

The British and American experience is not typical: in most other countries the choice debate has not been driven by concern about the performance of public schools. In France, for example, there is no evidence of systematic dissatisfaction with public schools, but the choice movement is active because 'rather than working for the transformation of schools, the great majority of users accept them as they are, on condition that they are allowed to choose the best on offer' (Ballion, quoted in OECD 1994:13).

Choice and the 'Common School'

In the United States the choice debate has been more politically contentious than elsewhere. Chubb and Moe (1992:15) claim that 'the most brutal and deeply rooted conflicts in American education reform are over choice'. Public education has been perceived as enshrining the classless and democratic principles of the US, playing a key role in assimilating the millions of migrants. Boyd (1993:23) has observed that the very idea of choice conflicts with the cherished American idea of the comprehensive 'common school' as the 'one best system' of schooling which was available to all and which would play a key role in creating social cohesion out of a nation of immigrants.

Allen (1994:3) notes that the term 'public education' was first used in 1837 by Horace Mann, then chairman of the New York State Board of Education, to describe the goal of knitting together the millions of immigrants to the USA. At the heart of Mann's vision was the common school, 'where all levels of society would be educated together and would thus acquire the mutual respect essential to the functioning of a democracy' (Glenn 1989:35). In more recent times students have been administratively assigned to schools for reasons of racial balance, so there has been a strong and continuing emphasis in the US on the integrative role of public schooling.

Perhaps more acutely than elsewhere, 'choice' in the United States raises fundamental issues about the purposes of public education. The twin issues of choice within the public system and choice through public funding for private (often religious) schools have both been highly controversial issues, the latter running foul of the constitutional separation of church and state. It is an indicator of the depth of concern with today's public schools in the United States that proponents of choice have been ready to challenge the fundamental rationale of the common school as a melting pot for society.

Ravitch (1994) has argued that the reality of the common school

does not match its folklore as a social incubator for Jeffersonian secular democracy. 'The rise of the common school during the nineteenth century' she argues, 'cannot be understood without reference to the dominant influence of evangelical Protestantism on common schools, and ... to the relentless efforts to deny funds to Catholic schools' (Ravitch 1994:11). Building on the work of Gatto (1993), Richman (1994:42-43, 85) has pointed out that nineteenth century American schools were modelled on 'authoritarian Prussian schools'. Whereas Prussia's goal was to unify Germany, 'the Americans' was to mould hordes of immigrant Catholics to a national consensus based on a northern European cultural model'. What is needed, according to Richman, is 'nothing less than a frontal assault on the current system, a philosophical challenge to the premises of state education'.

If this seems to be drawing a very long bow, something that can be dismissed as merely another example of extreme libertarianism from the American far-Right, then it is worth noting that such thoughts have their precise echo in writers from the Australian Left. Molesworth (1996:1) romanticises the provision of a free, secular and compulsory education in Australia as the cornerstone of a 'unique and robust community-based egalitarianism'. However, Connell (1989:19) has pointed out that the development around 100 years ago of compulsory mass education in Australia was not totally a matter of benevolent mateship and a desire for enlightenment. 'The founding fathers hoped compulsory schools would bring the young of the dangerous classes off the streets and into social regularity and order. ... The institutions of mass education were part of a broader effort to discipline and regulate a society which was often seen as spinning out of control in the conditions of uncontrolled class struggle and capitalist development. Inside the walls was a realm of orderliness and social discipline which was expected to carry over in later life'.

Choice and School Reform in Australia

'Choice' policies such as dezoning and specialist high schools have been controversial in Australia, just as in the United States. This does not mean that American concepts of choice can simply be transplanted to Australia. While writers in the United States are leading the conceptual debate about school choice, there is a key difference between the two countries in its practical application. That key difference lies in the principle of public money for private schools, something which has been accepted in Australia for over 20 years.

Public recurrent grants to Catholic schools were first introduced in

1970 and put on a systematic basis after 1973 to narrow the resource gap with government schools. While there was a clear educational rationale for these proposals, they also fell upon receptive political ground. The immediate political motive was the deterioration in Catholic schools and the need to deliver the Catholic vote, closely associated with Labor (OECD 1994:57). Since it would have been impossible to finance only Catholic schools, all private schools (including well-resourced independent schools catering to better-off families) were allowed access to public subsidy. Equity of treatment was preserved by calculating the subsidy on a sliding scale inversely related to a school's own resources.

There have been frequent changes in the detail of the policy – an early decision of the 1996 Coalition Government was to abolish Labor's 'New Schools Policy' of 1985 which had made it more difficult for new non-government schools to get started – but the overall result of funding both Catholic and non-Catholic schools has been a system of subsidy for private education which has been politically stable and which has widened choice of schooling in Australia.

If we in Australia congratulate ourselves on already having in place major elements of the choice agenda which are still a matter of debate in the USA, it also needs to be recognised that the ideas embodied in the 'Australian model' are viewed with suspicion by some American writers because of the scope for public control of private schools. For example, the 'New Schools Policy' in operation between 1985 and 1996 allowed new private schools to be funded only in areas where they did not have an adverse impact on existing schools. This type of control over potential competition is quite inconsistent with the freedom of entry for new suppliers which is considered essential for genuine choice (Chubb and Moe 1989:16).

Two important lessons can be drawn from this discussion. The first is that school choice is not something which can be decided as a purely administrative or technical matter. Public schooling is an institution with a one hundred year history. While Ravitch, Richman and Connell have reminded us that much mythology surrounds that institution, school choice goes to the heart of how we view public education. It is not just about marginal reforms of the existing system: it is about the very institutional structure and rationale of that system and what we expect of it.

The second, and related, lesson is that while school choice is now being debated in a wide variety of countries, many of the concepts have been shaped by the intellectual drive and vitality of the debate in

the United States. This means that any debate about choice will inevitably need to draw upon the American experience, but it also means that if the debate is to move forward, with particular relevance for Australia, it needs to move beyond the abstract case for or against 'choice' and focus upon the specifics of particular policies.

Choice within the Government School System

Dezoning

Dezoning (or open enrolment) is the simplest of all choice schemes. In most countries, children who wish to attend a government school have traditionally been assigned to schools according to where they live. This might involve a strictly defined school zone or district, or it might involve a more general catchment area from where a school draws its pupils. Dezoning allows families to send their children to any government school of their choice, provided that there is room for them.

There are obvious planning advantages to assigning pupils to their local school. The size of the catchment population is usually known with some precision, and facilities can be planned for a specific number of enrolments. In the USA, when schooling was financed predominantly from local property taxes (that is, household rates) a child would normally be expected to attend a school in the relevant district, again facilitating the planning task by closely matching students with finance and facilities. There is also a sense in which assigning pupils to the local school grew naturally out of the spread of schooling in countries such as Australia and the United States. In the early days of European settlement, it was entirely normal for a child to attend its local or community school, because a small and scattered population might mean impossibly large distances to any other school.

Since public schools were designed to be *common schools*, where all children, regardless of background, would learn to live together in a socially cohesive way, it followed that the schools were intended to be largely identical. While simple common sense tells us that there would in practice be differences between schools, it was a strong objective of policy that such differences should be minimised. In its submission to the Scott Report (1990:65) the Department of Education in New South Wales claimed that its policy of providing schools, employing staff, setting curriculum and distributing resources on a State-wide basis was the fairest way to provide equity of opportunity and access. At its most literal, this means that except perhaps for extraordinary personal circumstances, there would be no point in a

child enrolling anywhere but the local school to which he or she had been assigned: since all schools were more or less equal and provided a uniform education, the 'choice' would achieve little more than administrative inconvenience.

It hardly needs to be said that this producers' view of a uniformly high standard for all schools is not necessarily shared by parents and pupils, and indeed the Scott Report (1990:65) confirmed that in NSW the quality of education provision varied from region to region and from school to school. Open enrolment is a simple way of acknowledging such differences by allowing parents to pick the school that they think best meets the needs of their child. Queensland was the Australian pioneer in dezoning, with NSW following suit in the late 1980s. Other States have introduced similar schemes.

The claimed advantages of open enrolment/dezoning are not difficult to enumerate. It increases parental and student satisfaction by allowing them to express their preference for choice of school. It spurs school performance, since parents and pupils 'vote with their feet', and a school losing enrolments soon gets clear signals about its performance. When pupils are assigned to schools, it is the equivalent of giving the school a local monopoly: opening up enrolments to parental choice weakens that monopoly by bringing competitive pressures to bear. Most crucially, these pressures allow parents rather than educators to define a 'good' education and to shape the schools accordingly (Hanushek 1994:103).

Open Enrolment and Parental Choice

The most common criticism – as noted earlier, one which goes back at least to John Stuart Mill – is that not all parents can be trusted to choose well. First, it has to be accepted as a simple fact of life that parents vary in their capacity to make judgements about their children's schooling, just as they vary in capacity to make judgements about any other aspect of life. But this cannot be an argument for denying choice to all parents. No doubt many parents are incapable of making an informed choice of doctor for their children, but in Australia we do not use this as a reason to deny choice of doctor to those who wish to exercise that option (Harrison 1996:21).

Second, it can hardly be claimed that choosing a school for one's child is intrinsically more complex than choosing a government, but we accept the consequences of 'the donkey vote' at the ballot box. Or, to use a different analogy, even with (or is it despite?) the assistance of TaxPack, completing one's tax return in Australia can be a very

complex task, demanding a high level of functional literacy. It is, nevertheless, required of every income earner. The crucial aspect of this requirement is that help and information are available to those who may not feel competent to do it themselves. Help is available in the form of TaxHelp, a network of community volunteers who offer free help to those on low incomes, those from non-English speaking backgrounds, and similar groups. Help can also be purchased by using the services of a tax agent. Analogously, a striking development in Australia in recent years has been the growing number of publications, available from any newsagent, that provide comparative information on schools (see, for example, Hammond 1996; Scott 1996; McKay 1996).

Third, in Australia there have been fears that aggressive marketing by schools, in the wake of the lifting of zoning restrictions by State governments, may lead some parents to be taken in by image rather than substance (Ford 1996). This criticism would carry more weight if educators and their representatives did not so vehemently oppose the publication of reliable data on the performance of individual schools, the very thing which would help parents sort the image from reality.

Fourth, to the extent that competitive pressure from the wise choice of well-informed parents lifts the average quality of all schools, even those parents negligent or disinterested in choice of school will benefit. And, finally, the empirical evidence simply does not support pessimistic fears that some parents are too ill-informed or not motivated to make complex decisions of school choice or would be taken in by a slick sales pitch (see Box 13).

Even if we dismiss the argument that low income parents or those who are themselves not well educated cannot be trusted to choose well, a major concern is that open enrolment will add to social and educational stratification. It may still be the case (so the argument runs) that poorer or less able students will be left behind in the worst schools when parents have a choice of schools.

The irony of this argument is that it is school assignment itself which most disadvantages poorer children. The village or small town school may well have functioned (and indeed may continue to function) as the common school attended by all social groups. But this model is hopelessly out of date as a description of schooling in today's large scale and socio-economically stratified cities and suburbs. Whatever the mythology of uniform public schools, the reality is that school quality is strongly correlated with residential quality: more affluent suburbs tend to have better schools. In this circumstance better-off

Box 13
Can Poor Parents Make Sensible School Choices?

'Empowerment' has been one of the buzz words in education in recent years, often as a euphemism for giving teachers greater control over what is taught. It is curious that critics of choice have not accepted that parents can be empowered to make good school choices through being given the opportunity to make choices (learning by doing). Where parents from poor backgrounds have been empowered to make choices, the results have been impressive.

The case of East Harlem has become celebrated. Twenty years ago children in East Harlem District 4 scored lowest of any New York City school district in reading and mathematics. Education officials blamed the students' failure on the bad influence and lack of involvement of parents (Allen 1994:7). Drastic reform that encouraged teachers to set up a range of alternative schools, and gave parents the right to choose among them, has had spectacular success. By the end of the 1980s, District 4's achievement scores in mathematics and reading had risen from bottom of 32 districts to 16th. More than half the district's families were headed by single females; almost 80 percent of students qualified for free lunch programs because of low income; almost all students were Hispanic or black (Chubb and Moe 1990:212). By any measure these would be the 'poorest and most desolate of parents' but when asked to choose 'among a variety of schools for their children ... [these] parents in fact made good choices ..., usually based on academic criteria' (Allen 1994:8).

In Britain there is now considerable evidence about the way parents have exercised their choices since the 1988 Reform Act. This work suggests that there are differences in the way that social classes choose - working-class families seem to give more emphasis to their children's own preferences, and to a school environment where their children feel comfortable rather than one characterised by academic success - but this is a long way short of saying that such parents do not choose astutely or responsibly (OECD 1994:64). In the USA there is evidence from the open enrolment programs of both Massachusetts and Minnesota that the overwhelming majority of families chose schools for academic reasons, with issues such as athletics of minor importance (Allen 1994:12).

It is largely thanks to the work of West (1994) that we now understand that the level of literacy and school attendance in England was extraordinarily high well before the introduction of compulsory public schooling. At a time when many parents themselves had low average levels of education, low

incomes, and limited sources of information, this did not prevent them making choices for their children which meant that by the late 1830s around two-thirds to three-quarters of the 'working classes' were literate (West 1994:164).

The United States offers a similar picture. As early as 1795, when parents had to make choices among a range of public, private and church schools well before the advent of compulsory schooling, male literacy had reached 90 percent (Poulson 1986:138). By 1850, when schooling became compulsory in Massachusetts, the literacy rate had already reached 98 percent. Concepts of literacy have, of course, changed over the years, but it is mistaken to believe that these high percentages measure only rudimentary literacy. The extraordinary sales of publications such as Thomas Paine's *Common Sense*, Webster's *Spelling Book*, and James Fenimore Cooper's *The Last of the Mohicans* are clear evidence of high levels of functional literacy well before schooling became compulsory (Richman 1994:38).

families can exercise 'choice', albeit at substantial cost, by moving house to a better school district. Deprived by low income of this possibility, strict assignment to the local school means that children from poorer backgrounds can be trapped in the lower quality schools. By breaking the nexus between residential area and school, open enrolment can in principle mean that attendance at better schools becomes available to low income children.

All this seems to add up to a relatively benign outcome, such that one wonders what all the fuss is about. It does seem likely that open enrolment can make a useful contribution to improving parental satisfaction with public schooling. There is no evidence that some parents are so negligent or incapable that they cannot take part responsibly in a system of school choice. And, thirdly, the open enrolment schemes introduced in Australia, Britain, the United States and elsewhere have all been relatively limited, with no evidence of deleterious effects on low income or disadvantaged families.

Given this apparent promise, why is open enrolment dismissed by so many writers as a welcome but totally insufficient instrument for better school performance? (Lieberman 1989, 1993; Chubb and Moe 1990, 1992). The reason is that open enrolment *by itself* is almost entirely demand oriented. It offers a measure of choice among existing schools, but does not in itself either permit or encourage the emergence of new and different types of school. The result is that the newly-

found choice is usually restricted to a fixed set of existing schools, which it is hoped will be improved through the competition that will result.

For those parents who do want to make an active choice of school, this has two serious limitations. First, parents are given a choice when open enrolment is introduced, but it is a heavily constrained choice within the same set of schools as before. This has been dismissed by Harmer (1994:85) as equivalent to saying you can buy any car you like provided it's built by General Motors. This is not actually much good if what you had in mind was a Honda or Toyota.

Second, the introduction of choice into a fixed supply of schools almost always means that many parents cannot have their choices satisfied. The usual procedure with open enrolment is that schools will only accept choices up to their enrolment capacity. The schemes in New South Wales, Victoria and Queensland are typical of such dezoning arrangements. Children have the right to attend their local government school, but can attend other schools if there are vacancies. On the face of it, this makes sound administrative sense. However, with a fixed supply of school places the result is that competition for the most popular schools is simply too great to meet all requests for enrolment.

Effective parental choice is therefore limited to the gap between obligations to the designated catchment area and the physical capacity of the school. It is not difficult to see that in these circumstances popular schools will receive many more applications (from both in and out of area) than they can handle with existing capacity, with resulting disappointment for many parents. There have been frequent claims in New South Wales that parents who have taken advantage of out-of-area schools for one child have not been able to enrol subsequent children in the same school (Federation of Parents and Citizens 1996:13).

Moreover, the reality of the way most open enrolment plans have been implemented suggests that there is substance to the criticism that such plans can allow the good schools to siphon off the better students, while bad schools will be left with the worst students and will simply deteriorate even further. There is now ample evidence, admittedly much of it anecdotal, that most schools in Australia have become acutely aware that they must compete for students. Schools losing students do try harder (Ford 1996; Myers 1996; Vining 1996). Unfortunately, open enrolment is likely to offer at best only marginal incentives for unpopular schools to improve their performance. While it does

seem that schools losing students try to lift their game, the constraints in a public system are too severe to permit the dynamic adjustment that is necessary.

The Kennett Government in Victoria, armed with much political capital after what was acknowledged as an incompetent and spend-thrift Cain/Kirner era, carried out a program of school closures soon after its election in 1992, but it is nearly always difficult to close public schools. Even those losing enrolments because they are perceived to be bad schools are nevertheless seen as part of the local community structure, and no school is so bad that it does not attract some students, whose parents can be vociferous in defence of 'their' school. Collective bargaining arrangements with teachers (such as class size limitations or limitations on forced transfers) can also put firm limits on expansion of capacity or the closure of unpopular schools (Lieberman 1989:239-240). And the relevant education authorities, state or local, will face immense difficulty in closing schools or building new capacity where existing buildings are still technically adequate, whatever the ebb and flow of enrolments.

The result is that existing school capacity is likely to be maintained whatever the choices of parents. Existing public schools, even bad ones that are losing students, in effect have their existence and financial support guaranteed, with corresponding reduction in the incentives to improve. Chubb and Moe (1990:207-208) have colourfully described the process as follows:

> actions are taken to ensure that no schools are underenrolled ... [and] no-one loses jobs, no bad schools are closed down, vested interests remain securely vested, the basic structure of the system stays the same. ... This is why reforms always focus on giving parents and students choice, but never free up the supply and governance of schools. ... Almost always there are too few alternative schools to accommodate more than a small percentage of a district's students; and if the schools are any good, there tend to be far more applicants than the schools can accept [while] the vast majority of students in these 'choice' systems continue to attend schools of assignment.

If to Australian ears the American experience sounds far too extreme in its claim that producer interests will in effect defeat the purpose of open enrolment, then it is worth pondering on the British experience with equivalent reforms (see Box 14).

Box 14
Open Enrolment in the United Kingdom

Open enrolment was introduced in Britain in 1980, but it quickly became apparent that local education authorities (LEAs) retained the right to override parental choices that would 'prejudice the provision of efficient education or the efficient use of resources' (quoted by Chubb and Moe 1992:18). Children were turned away from popular schools and assigned to unpopular schools to maintain enrolments. Under the 1988 Education Reform Act the LEAs were deprived of the right to countermand parental choice for administrative convenience, except where demands for enrolments exceeded the physical capacity of a school.

A school under LEA control is now required to enrol any pupil who wishes to study at that school, so long as there is spare capacity. Because a declining birth rate during the 1980s meant the emergence of surplus capacity in the system as a whole, there is an unwillingness to build new schools, and even popular schools are not automatically given capital resources to expand (OECD 1994:62-65). This in turn means that parents now have choice, but competition for a limited and fixed supply of places in popular schools has meant that many parents have been disappointed because their school of choice was full. The number of appeals against refusal has been rising.

Johnes (1995:127) has observed that in these circumstances an oversubscribed school has little incentive to improve (or even sustain) its relatively high level of performance. Under-subscribed schools are protected from the consequences of chronically falling rolls because they are effectively guaranteed the custom of pupils not admitted by more successful schools. The LEAs have in fact closed a number of schools with declining enrolments. While this is a predictable and indeed desirable response to the expressed choices of parents, it has meant that the main administrative response to choice has taken the form of entrenchment and retreat rather than expansion of desirable schools. The LEAs have also 'standardized and homogenized the schools under their control, not encourage[d] difference and diversity' (Chubb and Moe 1992:21).

The self-interested response of the LEAs is beautifully illustrated in the story of a senior educational administrator who argued that local authorities will have to avoid the diseconomies of too many schools leaving their control 'because each one that does increases the burden of central overheads for others and therefore an LEA's own stability' (quoted in Halpin and Fitz 1990:175).

Other features of the British reform package ('opting out' and City Technology Colleges, both discussed in the main text) may yet have a beneficial impact on the supply of good schools. In the short run, however, 'living close to a popular school remains the easiest way to get in ... since the most common means of selecting pupils in over-subscribed schools is by residence' (OECD 1994:65). The result has been a measurable impact on the price of houses within a popular school's feeder area (*Financial Times*, April 13-14 1996:vi). Such a process is the exact opposite of how open enrolment is supposed to work. It is an outcome which most disadvantages families on lower incomes, and it is a direct result of open enrolment introduced with an insufficiently flexible supply of places in the schools which parents actually want for their children.

Magnet Schools

The realisation that open enrolment cannot work as an instrument of genuine choice unless there is simultaneous action to free-up the supply of school places has led to a variety of proposals which (to use the American terminology) come under the generic heading of 'magnet schools'.

Magnet schools originated as a means of providing voluntary rather than coercive ways to reduce racial segregation in inner city schools in the US. Magnet schools were usually located in neighbourhoods with large minority enrolments, and were meant not only to provide an element of choice for minority children but to attract white students away from their schools in white suburbs. The idea was that by providing some distinctive school characteristic, such as a specialised science, music or language program, white students would be attracted to enrol, thereby choosing to leave their more affluent neighbourhood school outside the city. By 'choosing' to attend a magnet school in an inner city district, a better racial balance of enrolments would be achieved, without the political trauma of forced busing.

Since their start during the 1970s, magnet schools have moved far beyond their original concept as a device mainly to promote school integration. By the early 1990s, there were 1.2 million students enrolled in 2,400 magnet schools and 3,200 magnet programs in the United States. Between 1985 and 1993, the federal Magnet School Assistance Program provided more than $739 million to 117 school districts to support the growth of both new and existing programs.

The concept has also spread well beyond the United States. In

Britain the City Technology Colleges (CTCs) set up after the 1988 Education Reform Act are a type of magnet school. They attempt to offer a broad secondary curriculum, but with a special emphasis on technology. They are funded directly by a government grant, with some support from industry. Like their American antecedents, the CTCs are situated mainly in inner-city areas (Walford 1993:214).

In Quebec, where the right of parents to select schools in keeping with their educational values was recognised in the early 1980s, school boards responded to intense competition from private schools by offering a proliferation of special purpose public schools, such as international schools, schools for the gifted, and schools for the sciences and arts. Some of these were highly selective, but others were open to any student (Raham 1996:16).

In Australia the concept of magnet schools has been most extensively implemented in New South Wales. In addition to selective high and agricultural high schools, for which there are special enrolment criteria, parents may apply for up to four specialised high schools. These include technology high schools, performing arts, music, creative arts, sports, and language high schools. In addition, many government schools have been designated as a 'centre of excellence' in an activity such as environmental education or performing arts.

Victoria does not have the wide range of designated specialist schools in quite the same way as New South Wales, but it does have a number of schools which offer magnet programs. These are schools which pursue broadly the same curriculum as any other school, but which are recognised for their emphasis on areas such as music or physical education. There is also a small number of academically selective schools. In principle it is open to any government school in Victoria to develop a particular curriculum or program emphasis, provided it meets the terms of the school charter.

In Western Australia there are 'gazetted boundaries' for schools and as a general rule students within that boundary are both expected (and have a right) to attend the 'gazetted school'. However, several schools offer a 'Secondary Special Placement Program'. These are schools for students of high academic potential, as well as specialist schools in art, music, dance, and theatre arts, and out-of-area students can apply to attend these schools.

Evidence on the performance of magnet schools is mixed. Boaz (1991:28) has described magnet programs in the United States 'as often astoundingly expensive'. Perhaps unsurprisingly for schools with a technically-oriented curriculum, the City Technology Colleges in Brit-

ain receive more and better resources than other local authority schools. CTCs receive approximately the same recurrent expenditure as other LEA schools, and support from industry has not been as great as anticipated, but CTCs have still received substantial additional payments from both public and private sources (Walford 1993:216).

On the more positive side, it seems clear that magnet schools in the United States are obtaining better results than other public schools (Allen 1994:6; Bolick 1990:4) but it is not clear whether this is a function of the better quality of schooling or because of selective enrolment. In 1990 one-third of magnet schools based their acceptances on criteria such as superior academic performance (Bolick 1990:4), with the remainder on a first-come-first-served basis. Even for this latter group there might still be a problem of self-selection by brighter or more committed students. In Australia, the academic evidence is mixed. As expected, academically selective schools in New South Wales produce much better results than comprehensive schools. By contrast, the poor HSC performance of technology high schools has prompted a review of their future.

The problem with magnet schools is not their academic performance nor even their cost. Nor is the problem that they are unpopular with parents. On the contrary, they have been extremely popular everywhere they have been introduced. They provide new types of schools or programs. They cater to special interests that are not being met in the existing system. Whether in music or languages or technology, the distinctive programs fill a gap in the system. Boyd (1993:247) has noted that if demand for admission to magnet schools is a measure of success, then there is no doubt that they are successful.

Demand for attendance at magnet schools has generally far exceeded capacity. In the United States, more than 60 percent of districts with magnet schools cannot accommodate all students who wish to enrol, and about half of all magnet programs maintain waiting lists (US Department of Education 1994:1). In Britain the City Technology Colleges are available to only a minority of those who would like to benefit (OECD 1994:121). In Australia, especially in New South Wales, students wishing to do advanced work in the field of the specialised high schools 'have applied in droves for admission' but the very popularity of the special options has limited their availability (Kramer et al. 1992:79-82; OECD 1994:118). Box 15 provides some Canadian evidence.

So what, then, is the problem? The problem, as West (1989:8) has observed, is that magnet schools seem to work well, except for the

question of 'what happens if you don't get into one'. Harmer (1994:68) and Boaz (1991:29) both tell anecdotes about parents camping out overnight or waiting in line for days to get their children into preferred magnet schools in the United States. Some school districts have responded to excess demand by instituting a lottery for admission. Boaz's comment on this is suitably icy: 'can one imagine a private firm responding to increased demand in such a way? The market is shouting "make more schools like this" and the suppliers respond by looking for new ways to ration access'.

The crucial point is that the high excess demand has not simply resulted in some parents having their choices frustrated. More seriously, excess demand has resulted in middle-class students dominating enrolment in magnet schools, while poorer children are left to go to non-magnet schools (Peterkin 1991:176). Although students who do win acceptance to magnet schools are made better off, those who are not accepted may actually be made worse off if the special attention and resources given to magnet schools has been at the expense of regular schools. Coons (1991:186-187) has observed that magnet schools have been prominent in the US mythology of choice, but does not hide his view that reality has not lived up to the myth. 'Good teachers', he notes, 'get to cluster in the magnets and to enjoy enhanced resources. Marginal teachers get to move to backwaters where they can peacefully anchor. Every genuine success story ... thus has a parallel tale in which less enthusiastic teachers unobtrusively transfer to other areas of the city and continue to ply their trade'.

Magnet schools are not a bad idea that disproportionately favours higher-income families. The real source of the problem is the restricted supply of such schools. Magnet schools suffer from exactly the same weakness as open enrolment. To be effective, open enrolment must be coupled with substantial freeing-up of the supply side. Neither American, nor British nor Australian experiments with magnet schools have come close to providing an adequate supply for those parents who want to exercise their choice of school.

Choice through Vouchers

Vouchers and School Reform in the United States

Vouchers are a topic which generates a more virulent reaction than perhaps any other in the whole of education policy. Chubb and Moe (1990:217) refer to 'the much-hated specter of a "voucher" system [which] the educational community has consistently and vehemently

Box 15
Parental Choice and Producer Control in Canada

Parents line up in sub-zero temperatures for a coveted spot at Richview Collegiate Institute in Etobicoke. In Surrey, British Columbia, parents camp out for several days to secure a registration place for their children at Surrey Traditional School. What is so 'alternative' about these public schools? Only that they were formed with a mission to emphasise discipline, homework, teacher-led instruction, a dress code, and strong parental involvement. Around the country, whenever a school district opens up such a school, parents clamour to enrol their children.

Canadian school boards respond in curious ways to this demand for more choice. Frequently lacking policy to deal with requests for alternative programs in a consistent fashion, the reaction of some boards is defensive and political. Often the system seems more intent on penalising excellence than rewarding it. Parents presenting the proposals may be characterised as elitist, old fashioned, and enemies of public education. Trustees point out that since the values being sought are important in all Canadian schools, alternatives are unnecessary. Despite apparent recognition of choice for parents, the system seems to prefer the status quo, and there is no mechanism to compel the existing system to accommodate the demands of parents for broader choice.

A group of 50 Ontario families who proposed a school with mandatory parental involvement and an extended curriculum was refused by the local school board. Not only was their proposal for a small annex twinned to a local school rejected, but they were prohibited from resubmitting the proposal during the tenure of that board. In 1995, parents and business leaders in Ontario put together a proposal for a community secondary school, pairing a vacant downtown school building with YMCA sports facilities, college computer labs and city museum, art gallery and library. The intention was to combine a standard curriculum with community service and job experience. Start-up funding had been secured. The proposal was rejected by the Peel Board of Education without reasons being given. In British Columbia in 1995 ten school districts rejected school proposals submitted by committees representing hundreds of parents in each district.

Source: Compiled from information in Raham (1996:15-18).

opposed, ... portraying vouchers as the embodiment of everything that is threatening to public education'. It is a topic which cannot be sidestepped in any serious consideration of policies for choice. And it is a topic which has become a major policy option in discussions of school choice in the United States. Two principal reasons account for this.

The argument that worthwhile improvement in American schooling can be obtained simply by spending more public money is totally discredited among those who have bothered to look seriously at the evidence. Similarly, while the 'effective schools' research is correct in its advocacy of school-based management and increased school autonomy, there is no evidence that these can be imposed as an administrative reform or that effective schools can be regulated into existence.

Much energy in the US is still being devoted to reforming public education from within, and there remains strong interest in public school choice such as open enrolment, magnet schools, and the like. There is, however, an almost palpable sense in much American writing that these continued attempts at reforming the existing institutional structure of education will not bring about sufficient improvement. There is growing acceptance of the argument that reform will only be effective if public education is opened up to competition. This in turn means a search for arrangements that deliver control not through government regulation, but through genuine parental choice in markets with many competing providers (see, for example, Lieberman 1993).

The second main theme in American debate is that private schools are taken as exemplars of what public schools might achieve. Private schools in the United States receive no public money, and they are subject to far fewer legislative and regulatory requirements than in Australia. They are, in a literal sense, independent schools. The result is that private schools are seen as the embodiment of what can be achieved when education is supplied on a market basis. Through their normal operation, markets 'act on private schools to discourage bureaucracy and promote desirable forms of organization through the natural dynamics of competition and choice' (Chubb and Moe 1990:190).

The reform task, on this reading, is to use vouchers to force fundamental reform in the public system. Vouchers redeemable at any accredited public or private school would make private schools much more price competitive. Public schools would now find themselves operating in a more competitive market. Under pain of losing their

students, public schools would have to explore ways of raising their game and meeting parental aspirations of high quality schooling for their children (from an extremely large literature, good discussion of these issues can be found in Boaz 1991; Harmer 1994; Kirkpatrick 1990; Lieberman 1993; Moe 1990 has a fascinating account of the emergence of private vouchers i.e. individual, corporate or philanthropic financial support for the schooling of disadvantaged children).

Vouchers: Back to First Principles

Because of the passions aroused by vouchers, it is all too easy for the debate to lose sight of the key issues. The basic concept of an education voucher is extremely simple, and before considering the relevance of the concept to Australia it's worth a slight digression to go back to first principles and restate that basic concept.

One way to provide public schools is for governments to build and fund their operation out of general revenue, making places available to the public at either zero or very little cost. It is stating the obvious that this is exactly how schools, hospitals and other publicly-provided facilities are often supplied. While this type of direct government provision is very common, it is important to recognise a vital distinction. The view that government should pay for a service does not lead automatically to the conclusion that government should directly provide that service. In the United States the government assists those too poor to buy food, but it does not do this by owning and operating grocery stores. The food is made available to low income people by providing them with the equivalent of a voucher – food stamps – which can be exchanged for food at profit-seeking supermarkets.

*The equivalent argument in education is that if we want governments to be involved in funding schools (to secure the equity and social objectives of education), it is not necessary to do this by building and operating its own schools. The government can achieve its objectives by providing parents with an educational voucher redeemable at any accredited school. The fundamental idea is that the parent of a school-age child would be given a voucher or coupon worth a certain value; parents would then use the voucher to buy education for their child at a school of their choosing. Empowered with both choice and control of funding, parents would choose the school that best met their aspirations for the education of their children.

Because a school would only receive the value of the voucher if it attracted enrolments – 'funding follows the student' in the jargon of the voucher literature – schools would compete for students and in the

process lift their performance. In short, the crucial advantage claimed for vouchers is that they would harness the purchasing power and choices of parents. This would stimulate competition among schools and raise standards in a way that does not happen under direct government funding and provision. In this latter case, so the argument runs, schools often have their future effectively guaranteed by administrative processes. They therefore lack the financial incentive to attract enrolments by meeting the needs of families. There are many variations

Box 16
Variations on the Voucher Theme

The basic concept of the voucher is extremely simple, but there have been many variations on the basic theme. It is not difficult to understand that these variations have added a layer of policy complexity to what was already a matter of strong ideological disagreement.

One issue is whether the voucher could be spent at private as well as at public schools. This is a particularly contentious issue in the United States, because many private schools have a religious affiliation, and the US Constitution insists on the separation of church and state. Another issue is that of 'add-ons', whether parents can supplement the value of the voucher with their own add-on contributions. 'Add-ons' obviously allow higher income families to purchase a more expensive education for their child.

The original voucher proposal from Friedman (1962) suggested that add-ons should be allowed and that vouchers should be redeemable at private schools, a combination which may explain why vouchers have often been thought to favour higher income families. A third issue - usually associated with the name of Jencks (1970) - tackles the equity implication of add-ons by giving low-income groups or those with special needs a voucher of greater value than the basic amount. The Jencks proposal makes it clear that vouchers can be designed to meet any equity objective, a fact that has had no perceptible effect on those who persist in viewing them as elitist.

Yet another issue is the value of the voucher. The usual working assumption is that the voucher would have the same value as the average cost of educating a student in the public system. Some proponents of vouchers argue that a lesser value is appropriate. Private schools (in the United States as in Australia) are cheaper on average than public schools. Providing a voucher with a value close to the average cost of tuition in private schools would, it is claimed, generate competitive pressure for public schools to become more cost-efficient (Boaz and Barrett 1996:1).

on this basic theme (Box 16). There are also many questions about whether a voucher-financed market-responsive system would in fact secure the social objectives of education, a question which is tackled in the next Chapter. For present purposes, it is important not to lose sight of the fact that the basic concept is very simple.

It is also important to note that vouchers are not some unrealistic piece of abstract academic thinking, but have already been used in a variety of specific applications. The US food stamps program, mentioned above, is a clear example of vouchers in practice. The Medicare card carried by most Australians also represents a type of voucher. We do not directly fund doctors in general practice; we provide patients with the necessary purchasing power through the 'voucher' of the Medicare card. Doctors are free to set their own fees, and the card entitles the patient to purchase medical care up to a certain value (the schedule fee). The patient retains choice of doctor and can purchase more expensive treatment out of his or her own pocket. Proposals to switch the funding of child care in Australia away from child care centres and towards the parents (EPAC 1996) are also based on the voucher concept (see Box 17).

One of the best-known educational examples was the GI Bill (strictly, the Servicemen's Readjustment Act of 1944). The GI Bill was a voucher program for US college students. War veterans chose the public or private universities they wanted to attend, and the federal government paid their tuition fees. In Britain, the Assisted Places Scheme introduced in 1981 is also a type of voucher, though with very restricted coverage. Under this scheme, low income parents of children who show potential for high academic achievement can obtain assistance with private school fees. In 1992 some 27,000 students received assisted places at 295 private schools (West 1994:242). The private schools only receive the additional funding if they attract the students.

Although not often seen in these terms, the Australian public subsidy to private schools is a type of voucher, with government funds 'following the child' and parents making 'add-ons' by paying the fees required by their chosen school. As noted earlier, the subsidy was introduced in the mid-1970s not as an explicit voucher, but with the more modest aim of relieving the financial difficulties facing the low-fee (mostly Catholic) schools. This does not alter the fact that its operation is consistent with voucher principles.

Consider the hypothetical case where the full annual cost of tuition in a private school is $9,000 and the government provides a voucher

Box 17
A Rose By Any Other Name

Even leaving aside genuine differences of opinion about its effects, there is no doubt that the concept of vouchers has suffered from an image problem. The very word 'voucher' is almost designed to be offensive. The impression it creates is that of funding education in a way redolent of wartime ration books, petrol coupons, or a chit for petty cash. Despite its bad press the concept refuses to go away. The reason is that the concept implicit in the voucher - of giving consumers earmarked purchasing power so they can use their choice among alternative schools, thereby injecting some necessary competition into the system - is of fundamental importance.

A crucial lesson to be learned from the Australian practice of public subsidy to private schools is that the objectives of parental choice and 'funding follows the child' don't require a physical voucher issued explicitly to parents. The objectives can be achieved through a range of different financial instruments. This has clear political consequences. The political difficulty of introducing vouchers should not necessarily be taken as an absolute. Politics is nothing if not the art of the possible, and it is only fifteen years since much that was in the realm of the politically impossible - selling Qantas or the Commonwealth Bank, reducing tariffs and quotas, reforming the industrial relations club - has become part of mainstream political debate and government policy. Nevertheless, there seems no good reason to expend scarce political capital trying to introduce an explicit voucher scheme when other methods can achieve the same objectives without all the emotive baggage that the word voucher has collected.

It would probably be in everyone's interest if the V-word were somehow expunged, if not from the dictionary, then at least from active use. Economists may understand that 'voucher' is metaphor for a range of policy instruments rather than a literal description, but they have failed to persuade others.

Because the concept is so important but the word is anathema, one tendency of late has been to replace the word with a more neutral term such as 'scholarship' (National Commission 1996:xii). This is more than simple window-dressing or sleight of hand. The main conceptual work on vouchers was carried out in the USA by Friedman in 1962 and in the UK by West in 1965. These dates are significant in that the technology of the time made it entirely appropriate to envisage a physical coupon with a designated value. At that time actual paper transactions were the normal way of effecting government transfer payments. It is unfortunate that a word suited to a

time of carbon paper and ledgers has persisted into the era of barcodes, smartcards, and EFTPOS.
It is noteworthy that proposed changes to child care benefit in Australia (EPAC 1996) draw fundamentally on the concept of vouchers, but the word appears nowhere in the proposal. The authors envisage a trial in which all government funding goes to parents rather than child care centres. Participating parents would receive a smartcard, on which a year's means-tested benefit would be stored. Entitlements would be deducted electronically by 'swiping' the card at the place of care.

worth $4,000. Basic arithmetic tells us that the parents can exchange this voucher at the school of choice, paying 'add-on' fees of $5,000 before the enrolment will be accepted. This procedure is no different conceptually from providing a government subsidy of $4,000 for every student who attends a private school. The direct cost to the parent of $5,000 is the same in both cases. (For illustrative purposes this ignores the complications that arise because parents pay 'add-ons' from after-tax income, whereas there are different costs associated with raising the tax revenues necessary to finance a subsidy (West 1991). None of these complications alters the conceptual analogy between the two types of funding).

The effect on the school is also identical in both cases. Since the school only receives the subsidy if the educational service it provides is good enough to attract enrolments, there is clearly an important element of choice and competition built into the mechanism, exactly as predicted by the proponents of vouchers.

Australian practice differs from this simple example only in that the subsidy is inversely related to a school's own income. Both Commonwealth and State recurrent grants are allocated to non-government schools on a per capita basis according to a 12-point scale. For example, a private secondary school in category 12 (the poorest schools) received a Commonwealth 'voucher' of $2,681 for every student in 1994. A rich school in category 1 received a voucher of only $706 (Ministerial Council 1996:37). The important condition, that makes this subsidy economically equivalent to a voucher, is that it is paid on a *per capita* basis. The school only receives the subsidy if it attracts enrolments.

Vouchers and School Choice in Australia

It is worth taking the time to spell out these basic principles because

vouchers have assumed a place in the demonology of school reform out of all proportion to their genuine role. The reality is that in Australia vouchers are of only marginal relevance to the reform of schooling that now needs to take place. We already provide de facto vouchers redeemable in private schools, and the lesson to be learned from the Australian experience is that vouchers may be a necessary condition for education reform, but they are certainly not sufficient.

The reason is that vouchers *by themselves* do not address the fundamental issue of producer control. Vouchers provide parents with choice by giving them at least partial control of funding, but parents may still have little scope to exercise meaningful choice if the system is simultaneously hedged around with restrictions and regulations designed to limit that choice. In his recent writings, Friedman has been careful to insist that 'no conditions should be attached to vouchers that interfere with the freedom of private enterprise to experiment, to explore, and to innovate' (Friedman 1995:6). But this conflates two essentially separate arguments. Putting purchasing power directly in the hands of consumers is one thing: freeing up the supply of school places to ensure that education becomes genuinely responsive to parental choice is quite another.

In the United States, vouchers are seen as a major instrument of policy because the public schools have proved resistant to change and there is great reliance on the idea that voucher-funded independent schools will bring direct competition to bear on the public system. Even those who argue this case express major concern about the conditions that will be attached to private schools once they accept public funding. Boaz (1991:26) has pointed out that 'government money always comes with strings attached [and] once an institution becomes dependent on government funding it becomes very difficult to turn down the government's mandates'. Lieberman (1993:295) puts the same point more colourfully when he notes that vouchers give parents control over resources, in the same way that when 'we have the resources we can buy any kind of car we want'. However, the formal freedom to buy the car of our choice would mean little 'if the government dictated the number of seats, the weight, the colors, mileage efficiency, the types of brakes, storage capacity, and so on'.

Leaving aside the hyperbole, this is what has happened in Australia. Through the indirect voucher scheme, private schools in Australia receive substantial amounts of public money. By 1994, Commonwealth and State funds accounted on average for 72 percent of the income per student at Catholic schools, and 34 percent in

independent schools (Ministerial Council 1994:71). This substantial funding has been accompanied by equally substantial controls on the operation of private schools.

One clear result of this has already been seen in Box 11. The public funding of non-government schools has allowed them virtually to close the gap with government schools in pupil-teacher ratios: it has also allowed them to become as bureaucratic as government schools, employing almost the same high ratio of non-teaching staff. Existing private schools have become increasingly bureaucratic in their operation. In addition, the New Schools Policy that was in operation between 1985 and 1996 put severe limits on new non-government schools. These limits were justified by the revealing phrase 'planned educational provision' (DEET 1995b:95), a set of administrative requirements and eligibility conditions which can reasonably be described as a way of restricting the choices available to parents. Schools wanting to be part of the funding mechanism could be started only in areas where they did not have an adverse impact on existing schools; there were limits on the number of enrolments they could accept; and new schools were locked into the lower 1-6 funding categories (i.e. the more expensive schools).

Private schools in Australia are on average less costly than government schools, and their academic performance is better. These are, to say the least, worthwhile attributes. The steady drift of enrolments to private schools in Australia suggests that these schools also meet important parental needs in the choice of education. The forgone parental choices implicit in the restrictive New Schools Policy might even be dismissed as a debating point of little practical significance. What cannot be dismissed, however, is the lesson that vouchers in Australia have been accompanied by policies that made the recipient private schools almost as subject to close administrative control as the government schools.

Non-government schools in Australia provide a perfect illustration of the argument that vouchers, in themselves, do not automatically have a competitive influence on the performance of the government school system. Indeed, one could argue from the evidence of Box 11 that the effect in Australia has been the exact opposite. As Hanushek (1994:106) observed, 'regulations generally limit the range of alternatives that schools can develop [and] the more regulated schools are, the more any choice plan will resemble the current system'. Australian experience of vouchers under Labor's New Schools Policy exemplifies the worry that government aid to private schools can make them liable

to public control. Instead of government schools becoming more like private schools in the face of competitive pressure from the latter, private schools have instead become subject to many of the same restrictions and regulations as the government system. Because they have operated in a tightly controlled regulatory framework, vouchers have made private schools in Australia more like the government schools than vice versa. This was, after all, the original purpose of the Karmel recommendations in 1973, and it seems to have been successful.

Implications for Reform

The first lesson from the Australian experience is that voucher funding of private schools can only achieve its postulated advantages of increasing parental choice if such funding is accompanied by policies to deregulate the supply and operation of private schools. In the 1996 Budget, the Coalition Government abolished the New Schools Policy, announcing that from 1997 non-government schools would only need to satisfy State and Territory registration criteria. There will be no restrictions on the establishment of Commonwealth-funded private schools; the minimum and maximum enrolment limits will be abolished; and there will be no further restriction locking new non-government schools into the lower 1-6 funding categories (Kemp 1996b:1).

These are major reforms, and they will go a long way towards freeing non-government schools from the most restrictive limitations that have hobbled their establishment and operation in recent years. What is particularly interesting is that these reforms not only accomplished a substantial deregulation of non-government schools but also implemented a modified funding system. This modified policy retains the public subsidy but more explicitly incorporates the voucher principle of 'funding follows the child'. For the first time since the subsidy to non-government schools was introduced in the early 1970s, that subsidy will be met by offsetting its cost against funding for the equivalent number of students in government schools (Box 18).

The result of the Kemp reforms is that much of what was required to free-up the supply of non-government schools is being implemented with effect from 1997. There is now in Australia a private sector which has been freed from many of the constraints on its operation and which will also operate under a sharpened system of quasi-voucher funding.

The crucial issue is the impact of these reforms on government

Box 18
Vouchers and Non-Government Schools in Australia

The key feature of the school reforms introduced by Federal Minister David Kemp in 1996 is the liberalisation of the supply of non-government schools. An additional feature is that this deregulation of supply was coupled with an affirmation of voucher principles.

We know from Table 4.3 that there has been a long-term shift of enrolments to non-government schools, and it can be assumed that freeing-up the supply of such schools would amplify this trend. The forecast is that the non-government share will rise to 31.1 percent by 2000. Given also the forecast overall number of students, it is then simple arithmetic to calculate enrolments in non-government schools (31.1 percent of 3,216,900 = 1,000,456). This is an increase in non-government enrolments of 79,656. Of this 79,656, 24,969 would occur simply on the continuation of the existing non-government share (29.4% of 3,216,900 = 945,769, minus 920,800 = 24,969).

	1996	2000	Change 1996-2000
Total Number Of Students	3,133,300	3,216,900	+83,600
Percent in Non-Govt Schools	29.4	31.1	+1.7
Enrolments in Non-Govt Schools	920,800	1,000,456	+79,656
Non-Govt Enrolments above the Benchmark of 29.4%	0	54,687	

Source: Watson (1996-97:50).

The critical figure is the balance of 54,687. Using the 1996 share of 29.4 percent as the baseline ('the Enrolment Benchmark Adjustment'), 54,687 is the additional number of non-government students attributable to increased parental preference for private schooling (1.7% of 3,216,900). By definition these are students who will *not* enrol in a government school and therefore will not require government school funding. They will, however, require Commonwealth funding under the scheme that has been in place since 1973. This funding will be found by reducing federal funding of government schools in exact proportion to each new student in a non-government school - where 'new' is calculated according to the Enrolment Benchmark Adjustment.

The actual monetary amount per student ($2,118.50) will be made up of

two components. First, under the Benchmark Adjustment, Commonwealth expenditure on government schools will be reduced by $1,712.50 for every 'new' student who enrols in a private school. Second, the Commonwealth provides the States with $406 per year for every student in a government school. This too will be withdrawn for every new private student above the Enrolment Benchmark. This means that $115.85 million will be withdrawn from Commonwealth funding of government schools by 2000-01 ($2,118.50 for 54,687 students), and used to fund that same number of students in private schools. In short, the public cost of 'vouchers' for new places in private schools will be offset by reduced funding for the equivalent number of students in government schools.

Horin (1996a:2s) has claimed that 'for every new student who moves into a private school from January 1997, the Federal government will cut its funds for four government school students'. This seems to suggest a punitive reduction in the funding of government schools, but in fact the policy consists of simply the standard voucher principle that 'funding should follow the child'. The myth of the 'four government school students' seems to come from the fact that the Enrolment Benchmark figure of $1,712.50 is roughly four times the average per student Commonwealth grant to government schools of $406. This has nothing to do with the total cost (and hence the total saving) from each student who shifts sectors. The Benchmark Adjustment figure of $1712.50 is derived from the fact that any movement of government school students to the non-government sector saves the States a total of approximately $3,425 per student, and the Commonwealth intended to recover 50 percent of that saving, with the States saving the other half (DEETYA 1996).

schools. There is the likelihood of a substantial shift of enrolments out of government schools. This is a concern that has to be taken seriously. Indeed, there is no point in mincing words and denying that, with the ease of entry now granted under the Kemp reforms, there might be a rapid growth of private schools that would drain the public system of middle class children. Government schools could then be left as a residual system.

The most obvious rejoinder is that government schools will have to lift their game to compete. Such a response is, as we have seen, quite consistent with the thrust of much American debate. A non-government system made more affordable through vouchers will put competitive pressure on government schools so that they too perform better. Apart from the value in itself of abolishing the New Schools Policy,

such thinking was presumably part of the motivation for the Kemp reforms.

There is, however, little evidence to support the argument that competition from private schools will necessarily make public schools more competitive. That will happen to some extent, of course. But everything noted in the earlier part of this Chapter about the limited flexibility and low supply elasticity of government schools suggests that the government system will not be able to respond adequately. Under the current institutional arrangements whereby public schooling is dominated by producer interests, the government system will not be sufficiently competitive.

This is why it is nowhere near sufficient simply to advocate extending the voucher concept to government schools. Vouchers introduced into public schooling – whether implemented through an actual coupon, per capita subsidy, or a smartcard – will give parents the direct purchasing power to exercise their choices. Without a simultaneous freeing-up of the supply of school places, the public system will remain effectively controlled by producers.

A crucial ingredient in the voucher concept is that 'funding follows the child'. Only if a school suffers the financial pain of reduced funding if it loses enrolments (and enjoys the benefits of attracting students) will there be sufficient competition in the system to make schools responsive to the wishes of parents. The reality is that in most government school systems the problem is not the absence of a mechanism linking funding to enrolment: schools are already funded and staffed according to the number of enrolments. The real problem is that a wide variety of administrative and regulatory controls restrict the operation of that linkage, effectively insulating government schools from the consequences of parental choice.

With rare exceptions, existing school capacity, in both good and bad schools, is allowed to vary only marginally, whatever the choices of parents. As in the case of dezoning, government schools in effect have their existence and financial support guaranteed, with corresponding reduction in the incentives to improve. Like dezoning, vouchers focus on giving parents and students choice, but in themselves they do nothing to free up the supply of government schools so that parents can exercise genuine choice.

It is this restriction in supply, not choice itself, which disadvantages low income families in the choice process. The consequence of this failure of supply is that richer families fall back on the sure-fire means of getting into a high quality over-subscribed school: they buy

their way in through residence. In 1993, Cherrybrook Technology High School in NSW had only ten places available to out-of-area students, 160 of whom applied. The desire to buy homes in the catchment area has led local estate agents to advertise its existence as far afield as Hong Kong, to attract families moving to Australia (OECD 1994:116). The fact that real estate agents in various parts of Perth advertise houses as being in the gazetted boundary of such-and-such a school strongly suggests that demand for schools perceived to be of high quality exceeds the supply of places, and the only guaranteed way to have the school of choice is to buy into its catchment.

The shortcoming of magnet school programs and dezoning highlights a more general problem with implementing a system of choice in an established public educational system. Although it is relatively easy for a school system to restructure its demand side – to provide parents and students with some choice – it is very hard for the system to restructure its supply side (Boaz 1991:142-143). But without that restructuring, changes on the demand side will generate few benefits, either in terms of satisfying parental choice or in providing sufficient incentives for increased performance in the school system as a whole.

When the supply of school places does not genuinely reflect the ebb and flow of enrolments – when popular schools such as magnet schools cannot expand and bad schools do not have to close – open enrolment can become a zero sum game. There is a static pool of school places, and what the fortunate few gain is lost by others. Parental choices can be frustrated by the polarisation of schools into the popular and the unpopular, followed by the careful selection of pupils by the schools in greatest demand (OECD 1994:73). This can in turn mean that choice results in better students draining away to the better schools, leaving the worst students stuck in the worst schools. Choice limited to open enrolment and magnet schools becomes competition between parents, not between producers.

The answer is not to prevent choice, but to increase the available supply of schools from which to choose, thereby ensuring that everyone has an opportunity. While the combination of voucher funding and Kemp reforms has provided a worthwhile reform of private schooling in Australia, the crucial issue remains that of reforming public schooling. The Kemp reforms will deliver wider choice within the private arena, but we cannot simply rely on competition from private schools to make public schools more competitive. It is necessary to make changes directly to public education to ensure that

it too becomes more responsive to parental choices. In short, the crucial requirement in Australia is to focus on the reforms necessary *to liberalise the supply of government schools.* Choice *is* the answer, but it has to be choice that is not limited by the capacity to respond of existing public school systems.

Britain is tackling this issue by allowing schools to opt out of highly regulated local authority control and to operate as autonomous schools, funded directly by central government. In the United States, charter schools have become the main instrument for liberalising the supply of government schools. There is, however, an important issue to explore before turning to specific proposals for Australia. If choice is to be effective, there must be genuine alternatives from which to choose. Alternatives imply diversity, and those opposed to choice fear that diversity may mean the loss of a common civic culture promoted through a comprehensive and uniform public school system. The next Chapter examines the relationships between the private and social benefits of education, and argues that choice, far from being detrimental to the social purposes of schooling, can instead be an instrument for an improved sense of community and enhanced social cohesion in a pluralistic society.

Chapter 6

Education, Externalities and Social Cohesion

If education is genuinely successful in its fundamental role of developing each child's full potential, it is likely there will also be a range of social benefits. The key feature of these social benefits (also known as external or spillover benefits) is that they are not limited to the individual, but affect society as a whole. If these external effects are substantial, it goes without saying that a vital issue for school choice is not simply to examine its impact on school performance narrowly defined. It is also essential to explore the impact of choice on the formation of the wider social benefits. The Chapter starts by compiling a list of the external benefits often claimed for education. Such claims have to be treated sceptically, because they usually fail to take into account likely negative spillovers (disbenefits). The net effect is far from certain. Even where the net effect is positive, there is no evidence to suggest that government schools are more efficient than private schools in creating these social benefits. The Chapter then explores one particularly sensitive social benefit, that of social cohesion. In particular, the Chapter argues that there is no basis for the claim that school choice is incompatible with fostering social cohesion because it will create a proliferation of diverse schools whose graduates have little in common. It is today's government schools which are themselves failing to create social cohesion, not least because they have adopted a form of ideological neutralism that is not conducive to creation of the *trust* that underpins civil society. School choice can help create that civil society by facilitating the establishment of schools that reflect the values and beliefs of parents and family.

The Social Benefits from Schooling

There is no doubt that schooling can create benefits to society as a whole and not just to individuals. In a pioneering study, Weisbrod (1962) identified a range of such benefits, including for example the savings in tax-collection costs from having a literate population. Similarly, there is clear evidence (Box 4) of health, reproductive and life expectancy benefits to society as a whole from increased female access to schooling. It is worth acknowledging these specific examples, because in general not much progress has been made in measuring these social benefits. The result is that listings of the alleged

social benefits of schooling often amount to little more than extravagant claims unsupported by firm evidence. Box 19 presents a compilation of the social benefits that have been claimed for schooling.

It is not difficult to be sceptical about the wilder claims in Box 19. McMahon's listing is nothing if not comprehensive, and even if we accept that education may indeed generate such a wide range of social effects, it is totally implausible to assume that these are always positive. For example, Webb (1977) used data on the education of inmates in US jails to calculate that the cost of crime attributable to inadequate education was in the range US$7-14 billion in 1970. However, there has been no convincing attempt to isolate the role of schooling in the complexity of crime and its causes. The claim that additional education will make people less prone to commit crime goes back many years (West 1994:35-40). Even if the claim is true, it might also be true that education creates more sophisticated criminals, so that the net social effect of schooling on crime could well be negative. Similarly, it is entirely possible, as McMahon suggests, that education will reduce public health costs, but the possibility that health costs might rise, not fall, as a result of education cannot be ruled out: the earlier detection of illness by informed individuals may actually increase the measured incidence, inducing a rise in health costs.

To ask of education, as Levin does in Box 19, that it contributes to objectives such as regional full employment is to ask more than it can reasonably deliver, except as a minor background contribution to a host of macroeconomic factors. And much of what is claimed as a social benefit depends critically on individual value judgements. University students in both the United States and Australia were at the forefront of opposition to the Vietnam War. Whether this can be termed a failure of schools (in Levin's words) to 'produce graduates with the commitment ... to defend the Nation' depends critically not just on one's view of the war but on attitudes to the relationship between individuals and government in a democratic society.

While the claims in Box 19 cannot be taken totally at face value, it is clear that the size and nature of the social benefits of schooling need to be addressed seriously in any consideration of school choice. As we have seen in previous chapters, concerns about the decline in social capital are a major element in American debates about the performance of public schooling. Horin's claim (Box 19) that private schools can 'flout discrimination laws' in Australia is an inflammatory and inaccurate way of saying that private schools are legally exempt from some provisions of the Anti-Discrimination Act. This has nothing

Box 19
Education, Choice, and Social Cohesion

In addition to a wide range of private benefits, education also creates a variety of social benefits. McMahon (1982:4-6) provided a seven-point classification of the major social benefits:
'(1) necessary to effective democracy and democratic institutions, (2) important to efficient markets and the adaptation to technical change, (3) lower crime rates and reduced penal system expense, (4) lower welfare, Medicaid, unemployment compensation, and public health costs, (5) reduced imperfections in capital markets, (6) public service in community and state agencies, and (7) complementarities in production'.
Levin (1991:139) agrees that schooling can confer important private benefits that ought to be subject to some degree of private choice, but worries about the conflict this may create with the social purposes of schooling. 'It is widely recognised that democratic and capitalist societies must rely heavily upon their schools to provide an education that will preserve and support the fundamental political, social, and economic institutions that comprise those societies and that make it possible to change those societies in a democratic fashion. Beyond the fulfilment of private needs, schools must provide students with a common set of values and knowledge to create citizens who can function democratically. They must contribute to equality of social, economic, and political opportunities among persons drawn from different racial and social class origins. They must contribute to economic growth and full employment, both nationally and regionally. They must provide the intellectual foundation for cultural and scientific progress, and they must produce graduates with the commitment and skills to defend the nation. To a large extent these requirements suggest that all students be exposed to a common educational experience that cannot be left to the vagaries of individual or family choice.'
Turning to the specifically Australian scene, Horin (1996b:2s) believes that an expansion of private schools, funded partly with public money, will be at the price of reduced social cohesion: 'if you haven't caught up with [Minister for Schools] Dr Kemp's radical attempt to refashion Australian schooling, let me recapitulate. Basically, he intends to unleash a potentially huge expansion of private schools through the lifting of previous restrictions. It will be a free-for-all with any cult, religious or ethnic group able to get Federal funding to start up a school, regardless of how few students it attracts, how financially viable it is, or how it affects the viability of nearby private and government schools. If it is a primary school, it is free to institute

virtually any syllabus it likes, including those imported from American fundamentalist Christian schools. And all private schools, unlike government schools, can flout discrimination laws despite their dependence on a high level of government funding'.

whatever to do with Labor's New Schools Policy or 'Dr Kemp's radical attempt to refashion Australian schooling'. Nevertheless, even if we dismiss the wilder rhetoric, the central concern must be addressed seriously. There remains, in Levin's words (1991:141), the apparent dilemma between 'common schools for the reinforcement of democratic institutions in society and the provision of individual and family choice to meet narrower parochial and private goals, worthy as those goals may be to individual families'.

Social Benefits: Back to Basic Principles

In trying to resolve this dilemma it is useful to go back to first principles. The basic conceptual framework for analysing private and social benefits is extremely simple. If education benefits only the person who acquires it, the prices that individuals are willing to pay in a free market will accurately measure the value that those individuals place on education. By definition, society's valuation of education will be equal to the sum of those individual valuations. But if education also creates net external benefits – wider social benefits that cannot be captured or absorbed by the individual – we cannot necessarily rely on individual decisions to produce the right amount of schooling from a social point of view. For example, if education does reduce crime, society as a whole gains from schooling, rather than (or in addition to) any particular individual. Since families and students are assumed to choose only the schooling that will bring private benefits to them, the existence of the positive externality (reduced crime) will lead to the production of too little education from the viewpoint of society as a whole. In the general case, if there are benefits from schooling that cannot be captured by individuals, private demand for education will be less than the socially optimal amount.

This is an extraordinarily simple but also very powerful framework for classifying benefits. Indeed, it provides a major rationale for the role of government in funding education. The argument is that government can potentially take into account all educational benefits, private and social, and by judicious subsidy ensure production of the optimal amount of education from society's point of view.

The problem is that this simple conceptual framework raises acute issues of interpretation and measurement. We have already seen that we must take care to measure *net* externalities, which may or may not be positive. Unless we are prepared to take the implausible line that education is always for the best, we must accept that 'certain kinds of education [may] hinder the discovery of potential ability, impede the ability of the labour force to adjust to changing technology, foster useless academic research, encourage civil disorder and actually increase the pressure on social services' (Blaug 1970:114). The net effect is far from certain.

We saw too that value judgements are intimately woven into the question of externalities or social benefits. We should not fall into the trap of assuming that only that which can be quantified actually exists, but it is already clear that opinions about the social benefits of education are held as deeply as the evidence is shallow. To acknowledge the role of value judgements in externalities is one thing: to substitute assertion and opinion for genuine evidence is quite another.

The most fundamental problem with the basic conceptual framework is that even if we agree that education does produce (net) any or all of the social benefits itemised in Box 19, the days are long gone when any serious policy analysis could be built on the assumption of dispassionate and far-sighted governments intervening to correct the failure of imperfect private markets. Thirty years ago, Demsetz (1969:1) dismissed as the 'nirvana fallacy' the then common practice of inferring a case for public intervention on the basis of comparing admittedly imperfect private markets with an idealised scheme of government action. Demsetz was writing specifically about government funding of R&D, but the case he was making for comparing real-life and not archetypal institutions is perfectly general, and has since become part of the structure of public policy analysis.

Unfortunately, it is not clear that this lesson has yet been absorbed in education policy. Nowhere in the listing of social benefits in Box 19 was there any recognition of the idea that there can be government failure as well as market failure. If there is government failure, intervention in education may not in practice deliver substantial benefits beyond what the unsubsidised market would produce. There is first the question of opportunity costs. It cannot be assumed that public money spent on education will generate greater benefits than the equivalent amount invested in some other activity such as health or defence. This is not merely a technical or debating point of little practical significance. Failure to think seriously about alternatives may

well perpetuate the misleading idea that social benefits in education are always large and positive.

Second, the standard presumption is that government funding is necessary to overcome under-investment in education, but there is no reason to suppose that government intervention will actually produce additional education. As Beers and Ellig (1994:23) have observed, 'it is difficult to say exactly what gets subsidised when government finances schools, and there is a strong likelihood that it's bureaucracy, not education'. There is no need to repeat here the data from Chapter 4 on the bureaucratisation of Australian schooling, but it is difficult to avoid the conclusion that public money for private schools since 1973 has gone only partly to increasing the amount of education. A clearly demonstrable outcome is that public funding has allowed non-government schools to become as bureaucratic as government schools.

If it cannot be assumed that government intervention will necessarily produce the desired social benefits, nor can it be assumed that private markets will always fail to produce the socially optimal amount of education. West (1994:280) uses a simple example to illustrate this point. Suppose that medical research establishes that if the average person eats one orange per month that person is much less likely to be a carrier of some infectious disease. This is a clear-cut example of a positive externality, because (as in the general case for vaccination) one person's lowered risk reduces the risk of infection for all. If, however, people are on average already eating at least one orange per month, then nothing further is to be gained from government intervention. Private actions are already quite consistent with socially optimal behaviour.

Private Schools and Social Benefits

If we apply this reasoning to education, it follows that under-investment in the absence of government finance cannot be assumed: it is an empirical question that depends on the actual behaviour of students and families. What is known (Box 13, Chapter 5) is that in both Britain and the United States there was a wide provision of education and an impressive spread of literacy well before the introduction of compulsory public schooling. Compulsory government education, when it came, did not necessarily expand the total amount of education available, but sometimes displaced private education that could not compete with subsidised government schools (Beers and Ellig 1994:25; Coulson 1996:21).

Arguments about alleged under-investment by the private sector

sometimes replace the quantitative dimension with a more qualitative aspect. The argument now is not that private markets produce too little education, but that government schools enjoy strong advantages in producing the *kind* of education that leads to social benefits. Indeed, implicit in the arguments of Levin and Horin in Box 19 is the idea that only public schools, through the provision of a common educational experience, can be relied on to produce certain types of social benefit. Private schools are fine for producing private benefits, Levin is saying, but the creation of social benefits cannot be left to the whim of private decisions.

Coons (1991:192-193) has responded scornfully to the argument that private schools make it difficult to live in democratic harmony. 'The evidence that private schools produce uncivil and ill-natured citizens', he notes, 'is unknown to me'. 'What a dilemma! Either the children from ordinary families will be rounded up and given their education in "common", or necessarily their education will be "divisive". What a piece of luck for our society', he writes, 'that the children of the rich are an exception to this rule [and that] having money apparently ensures that the schools such families choose ... will be effectively democratic'.

Beneath the heavy sarcasm lies the important point that private schools may be no less efficient than public schools in the production of social benefits. The explanation for this lies in the notion of joint supply. As every first-year economics student learns, mutton and wool are jointly supplied: it is not possible to produce one without the other (which is not to say that they have to be produced in fixed proportions). In education, social benefits may well be jointly produced with various types of private benefit. For example, evidence presented in Chapter 2 showed that higher female enrolment in school is associated not just with higher income growth but with increased female life expectancy, reduced infant mortality, better maternal mortality, and lower total fertility. The causal relationships are not well understood, and some of these benefits may result from specific instruction in health care. But it is more likely that this wide range of social benefits is created as a joint product with the basic skills, particularly literacy, that are achieved during schooling. The attainment of literacy in pursuit of the private benefits of education also produces females who are better able to understand the diet, hygiene, vaccination and reproductive issues that benefit society as a whole.

The crucial argument that emerges from this example is that the social benefits are not an outcome exclusively of public education.

What matters is the literacy or basic schooling as such, and private schools produce this outcome as effectively as government schools. Indeed, it could be argued that it is private schools, not government, which enjoy an advantage in the production of these social benefits. If private schools are better at the attainment of basic literacy skills than public schools (and recall the evidence from Chapter 3 on the academic superiority of non-government schools in Australia) then the logic of joint supply suggests that private schools may also be more effective in producing the social benefits associated with the education of females.

Similarly, the logic of joint supply suggests that it is a complete furphy to claim some intrinsic advantage for government schools in educating students to become law-abiding, civic-minded citizens who support democracy and democratic institutions. There has been much debate in Australia about the sort of civics curriculum which might strengthen citizenship education (Kramer et al. 1992; Joyce et al. 1995) but, as in so many other aspects of social benefits, the evidence on the relationship between education and democracy is weak. In the United States, Smith (1989:177-215) could find only a small effect of formal education on political knowledge and understanding. Lieberman (1993:160) suggests that neither public nor private schools have a significant impact on civic understanding and conduct because any effect of formal schooling is insignificant against the 'noise' of the media in a modern democracy. This may be correct, but it does not exclude the possibility (and may even strengthen the case) that improved civics education could improve people's capacity to filter out media hype from the issues.

What can be asserted with some confidence is that in educating pupils, schools are concerned with habits and attitudes as well as the acquisition of subject matter. Many of the attitudes such as punctuality, dependability, concentration and cooperation which are necessary for the effective operation of a well-run school are also attitudes which contribute to good citizenship. Just like cognitive knowledge, these skills are produced as joint products in an effective school, and there is no reason to suppose that public schools are better at creating these skills. Indeed, the perceived behavioural norms and value systems of Catholic schools explain why substantial numbers of non-Catholics choose to send their children to Catholic schools, and there is some evidence that this perception is not misplaced. In both the United States and Australia, Catholic schools have a better academic performance than government schools, a superiority which cannot be attributed

solely to selection bias (Kelley 1995; Kelley and Evans 1995; Coleman et al. 1982). Coleman also found that a range of habits and attitudes such as lateness, absence and disruptive behaviour were less prevalent in Catholic than in public schools in the United States. As Lieberman wryly notes (1993:154), it seems highly plausible that these factors would help to give Catholic schools an advantage in laying the foundation for good citizenship, but the public school lobby is having none of it.

Social Cohesion

None of these arguments is likely to assuage the concerns of those who fear the impact of school choice on one particularly sensitive benefit, that of social cohesion. As we have seen, a major problem with social benefits is that, with only isolated exceptions, there is a lack of evidence one way or the other. While it is possible to dismiss on logical grounds the wilder claims for large or widespread social benefits, it is precisely the lack of firm evidence which makes it difficult to lay to rest some of the fears of what might result from a diverse set of school choices.

It is possible to discern in some American writing a dismissive attitude to the question of school choice and social cohesion. Freedom of choice and a pluralistic society are pre-eminent values for those who emphasise the strongly libertarian strand in American political and constitutional history, together with the diverse migrant background of its people (Richman 1994:57-80; Kirkpatrick 1990:28). More typical is the concern expressed by Albert Shanker, former President of the American Federation of Teachers, who asked: 'is it in the best interests of this country to give up the idea of the Common School? We have always been a nation of many different ethnic groups and races. Our democracy has depended on our children's going to public schools where they have learned to work and play together – and get used to their differences. Now, when the ties that bind us seem especially fragile, shouldn't we be working to strengthen this ideal' instead of abandoning it?' (Shanker 1996:43).

Shanker seemed unaware that, after more than 100 years of the common school, to continue asserting its essential role in social cohesion is hardly compatible with conceding that 'now the ties that bind us seem especially fragile'. Nevertheless, whatever the flaws in the logic, the issue of social cohesion has to be addressed seriously. It took the election of only one independent federal M.P. in 1996 to strip away the illusion in Australia that 'no society is more diverse, ethnically,

linguistically, religiously, [yet] the genius of this place is how well it hangs together' (Kalantzis and Cope 1996:8). Few would support school choice if it were really the case that we need public schools to teach all students a common set of basic values, whereas choice would weaken social cohesion through a proliferation of cult or ethnic or language schools within an increasingly balkanised society.

The most obvious feature of this argument is that it suffers from the 'nirvana fallacy' characteristic of so many other claims for public schooling. It is now well understood that existing government schools are often heavily stratified by socio-economic category. It is no accident that whenever information is published about school performance, teachers and their unions always express doubts about whether the results measure genuine school effects, or just reflect the socio-economic composition of the school catchment. In the furore that accompanied the publication in 1997 of detailed results in the NSW Higher School Certificate, a major theme in much media comment was the importance of allowing for any particular school's student population before drawing conclusions about the school's performance (see, for example, *The Daily Telegraph* January 8 1997 and *The Sydney Morning Herald* January 9 1997). Such comments are entirely correct, but the concern about allowing for student background implicitly acknowledges that government schools are characterised by a substantial degree of social and economic difference, and so can hardly be championed as models of social integration. It makes no sense to worry about the social fragmentation that might result from choice without also acknowledging that the usual system of assigning students to their local government school is itself a perfect vehicle for fostering social division.

Similarly, the claims for the 'common school' often overlook the fact that it has never had the comprehensive role now attributed to it. In 1945, the United States had more than 100,000 independent school districts, compared to fewer than 16,000 today (Beers and Ellig 1994:20). Levin, no advocate of school choice, has conceded that in the recent past 'common schools and compulsory attendance laws ... permitted extraordinary diversity and choice that violated much of the spirit of commonality' (1991:140). The large number of districts meant that schools were treated by the states as local institutions, and parents were able to exercise substantial control over what went on in the schools. Because local communities were relatively homogeneous in terms of occupation, income, ethnicity, politics and religion, the schools also reflected those attributes, with 'the values expressed in the

schools [tending] to mirror those of the community in the spirit of democratic localism rather than universalism' (Levin 1991:140).

In Australia, not only has the reality of the government system not lived up to mythology, but choice has never had the predicted disastrous consequences. First, the philosophy of 'free, compulsory and secular' education has been described as influential and long-lived (DEET 1995b:5), but it has never applied to the substantial proportion of students (29 percent in 1995) who attend non-government, often Catholic, schools. Public funding of these schools has not noticeably increased social divisions. Indeed, it is at least arguable that sectarianism has actually declined since state aid to religious schools was introduced in 1973, perhaps because such funding is a sign of mutual acceptance. In the past, religion was the major source of conflict over education in Australia. That conflict was resolved not only by permitting Catholic schools to operate, but by extending public funding to them after 1973. It would be difficult to deny that allowing Catholics to attend the schools of their choice and to do so with the support of public funding has brought about the virtual disappearance of religion as a source of conflict in schooling. The religious difference is respected, and that respect is given expression by allowing choice of school. Public funding underwrites the economic viability of Catholic schooling and ensures that it is an effective choice.

Second, Walker and Crump (1995:10-11) have refuted the idea that school choice necessarily leads to increased social division. They demonstrate that despite the limitations and flaws in the 'choice' policy introduced in NSW government schools in the late 1980s, non-government schools responded to what they saw as increased competition by attempting to broaden their own profile, offering a wider range of internal choices such as specialist remedial classes. The result is that 'choice' in the public sector has not reduced social cohesion, but has had the very opposite effect: 'old social, cultural, religious and class divisions are breaking down because families are increasingly sending different children to different schools/systems according to the needs and interests of the children'.

We should not be surprised by this. Choice in the public sector, however limited, has meant increased competition for students from both government and non-government schools. Such competition has not encouraged schools to become more narrowly parochial and exclusive. Why would any organisation trying to attract customers deliberately limit its appeal?

Trust, Social Capital and Civil Society

To understand the apparent contradiction that increased choice can be associated with an improved sense of community, it is worth going back to Putnam's argument (briefly mentioned in Chapter 2) about the importance of creating and sustaining social capital. Social capital refers to those features of society such as networks, voluntary associations, and engagement in the civil community, all of which facilitate coordination and cooperation for mutual benefit (Putnam 1993:35-42; 1995:2). Central to the notion of social capital is the idea of civic virtue, a tendency to form voluntary small-scale associations that create a fertile ground for political and economic development, even if the associations are not themselves political or economic. Civic virtue both expresses and builds cooperation in society by generating 'horizontal bonds' of mutual trust. It is these qualities of trust and cooperation – social capital – that make everything else go well (Lemann 1996:2).

The analogy of social capital with physical capital is not misplaced. Investment in social capital creates a continuing resource for the community, but, like any other capital item, networks of trust and civic engagement need constant renewal. Without that renewal, social capital will decline. Putnam's concern was that the long era of America's propensity to invest in social capital (the inclination to form civic associations had first been noted by Alexis de Tocqueville in the 1830s) was drawing to end. Putnam illustrated his claim of deteriorating social capital with the example of the decline of US bowling leagues. This example struck deep chords within the United States, but seemed merely whimsical to those outside.

Fukuyama (1995) has both extended the notion of civic virtue and argued its significance for economic development and social cohesion in a wide variety of countries as well as the United States. For Fukuyama the key ingredient of civic society is *trust*, the single word that encapsulates the proclivity for community action in which people are willing to work together for common purposes in groups and organisations. Such communities are formed not on the basis of explicit rules and regulations. They develop instead out of a set of ethical habits and reciprocal moral obligations shared by each of the community's members. High-trust societies build greater social capital, and social capital is the 'glue' that integrates the society and facilitates economic development. Box 20 summarises these concepts of trust as the basis of civil society.

The sheer sweep of Fukuyama's work – he ranges through

Europe, Asia, and the former Soviet Union, as well as North America – may explain why he is not always convincing in his claim that trust is the social virtue *par excellence* because it is the major determinant of economic performance (Koehn 1997:2; Norton 1996). Nor does he confront the argument that trust may not always be an unalloyed benefit. Trust can become cronyism and the preservation of social capital can become unwillingness to reform atrophied institutions.

Even if we set aside the more exaggerated claims for the role of trust, Fukuyama has, like Putnam, drawn attention to the importance of intermediary institutions. Given the array of factors which determine economic growth, such institutions may not be as critical to economic life as Fukuyama suggests, but this does not diminish their wider social significance. As Putnam has argued (1995:1), 'the quality of public life and performance of social institutions are ... powerfully influenced by norms and networks of civic engagement'.

The key question then becomes that of how trust can be created and sustained. More particularly, the critical issue for education is whether a common school or a system of school choice is more likely to result in a society characterised by high levels of civic virtue. In the words of Box 20, how do we create that shared language of good and evil?

Government schools have traditionally claimed to do the job by educating together students from diverse income, cultural, ethnic and religious backgrounds. Today, they do so by standing the former notion of the common school virtually on its head. Schools as an instrument for teaching a common culture have been replaced by schools which promote an ecumenical approach to values, beliefs and languages. If Australians are to live harmoniously together, so the argument runs, all cultures and lifestyles must be respected and appreciated. And if (to continue the argument) you have a very diverse society, then government schools must represent in their curriculum, in a non-judgemental way, the full range of values and the equal importance and relativity of all ideas that compete in the wider society. Students must be taught to accept all these differences as legitimate expressions of identity.

The problem is that this attempt at ideological neutralism – a don't-mention-the-war approach to ethnic, cultural or lifestyle differences – explains exactly why it cannot create 'that shared language of good and evil'. The more diverse the society, the more difficult it becomes to represent in the curriculum the full range of values that compete in the larger society (Coons 1991:195). The more heterogeneous the people,

Box 20
Trust and Civil Society

'Today, having abandoned the promise of social engineering, virtually all serious observers understand that liberal political and economic institutions depend on a healthy and dynamic civil society for their vitality. "Civil society" - a complex welter of intermediate institutions, including businesses, voluntary associations, educational institutions, clubs, unions, media, charities and churches - builds, in turn, on the family, the primary instrument by which people are socialized into their culture and given the skills that allow them to live in broader society and through which the values and knowledge of that society are transmitted across the generations'.

'A people's ability to maintain a shared "language of good and evil" is critical to the creation of trust, social capital, and all the other positive economic consequences that flow from these attributes. Diversity surely can bring real economic benefits, but past a certain point it erects new barriers to communication and cooperation with potentially devastating economic and political consequences'.

'It is possible to have too much diversity and arrive at a situation in which people in a society have nothing in common beside the legal system - no shared values, consequently no basis for trust, indeed no common language in which to communicate. ... It is, as always, possible ... to relate to one another through the legal system, building organizations on the basis of contract, law, or bureaucratic authority. But communities of shared values, whose members are willing to subordinate their private interests for the sake of larger goals of the community as such, have become rarer. And it is these moral communities alone that can generate the kind of social trust that is critical to organizational efficiency'.

Source: Fukuyama (1995:4-5, 269-270, 308-309).

the harder it is to agree on a workable consensus on educational issues. As diversity increases, the more the curriculum in government schools comes under pressure to accommodate the various interest groups (Lieberman 1993:165). Such pressures have obvious consequences for academic standards and the time devoted to fundamental cognitive skills. More seriously for the claimed social cohesion, what is taught in history, languages, literature, social studies and Australian studies comes to reflect politically-governed compromises between the vari-

Box 21
Family, School Choice and Civic Society

'Is there anything educationally progressive to be said for the indoctrination of the child in the values of the parent, even in a society in which family values are no longer moderated by a predominant culture or by the church? The case for choice would be strongest if we could see that the very effort to maintain strong and specific parental values - both secular and religious - had a benign effect upon the civic outlook of the child. My sense is that not always, but typically, the parental choice of a strongly ideological education sensitizes the child to civic values, and I predict that the extension of choice to all families would increase this outcome. The theory is simple enough. Whereas Socratic neutrality in the schoolhouse may be best for some children, in most cases the moral development of the child - the sense of basic duty towards others - is a product of the more pointed experience. To generate a real concern for justice, it is best to connect children to teachers who represent - are a proxy for - the authority of their parents; children prosper by steady mastery of consistent ideas concerning who they are and where they are supposed to be headed. ... The child who learns early and consistently to care about truth and justice in some particular form is the one most likely to be committed as an adult to truth and justice in every form. One must learn to love something before one can learn to love everything.

Today, the challenge is to provide the child with a coherent message about the good and about his or her responsibility to fight for it. If ever we had a coherent message as a society, we have it no longer. The capacity of the family to choose a private school represents its plausible source. To me, it will be no paradox if we find that the best hope of the neutralist educator for solidarity among diverse peoples lies in the indoctrination of the child in the values of the parents. There is good reason to believe that respect for parental authority is the path to community and, through community, to effective education'.

Source: Coons 1991:196-197.

ous interest groups. Schools don't then become ways of minimising social conflict: they become the place where it is fought.

School choice can be an instrument for an improved sense of community and enhanced social cohesion by returning responsibility for what is taught to parents and community. As Kukathas (1996:17)

has observed, 'the best thing we can do to address this problem [of social cohesion] may be to return responsibility for community relations from the social engineers to the community itself and, drawing on its under-appreciated traditions of good-neighbourliness, trust its citizens with their freedom'. Under school choice, schools must reflect the values and beliefs common to parents in order to attract students and funds. Neither education bureaucrats, nor teachers' unions, nor the self-appointed representatives of noisy minorities should have the final say over what that child is taught. That is, or should be, the prerogative of the parents of each child. Box 21 summarises Coons' eloquent statement of the way in which school choice can give expression to that prerogative and through it build and sustain the language of good and evil in a pluralistic society.

Earlier Chapters argued that the crucial requirement for school reform in Australia is to liberalise the supply of government schools. Limited systems of choice such as dezoning or specialist high schools can make a marginal improvement, but will not correct the structural deficiencies in the existing system. To bring about improvement in a system dominated by producers, there has to be genuine choice that is not limited by the capacity of existing public schools. The conclusion to be drawn from the present Chapter is that there is no evidence to support the argument that school choice will be detrimental to social cohesion. Nor can it be argued that the benefits to society as a whole arise exclusively or even mainly from public education.

In the United States, charter schools – schools that are publicly funded but subject to parental control – have become the main instrument for giving effect to genuine school choice. Dale (1995:1) has described charter schools as 'the new neighborhood schools'. Finn et al. (1996a:5:3) has claimed that charter schools 'are anchored to their communities [and] serve the public more like the voluntary institutions of civil society than the compulsory/monopolistic organs of government'. The final Chapter argues that such schools can also play a vital role in liberating the supply of schools to give Australian parents a genuine choice of schooling, a choice entirely consistent with the preservation of social benefits

Chapter 7

Charter Schools: A New Paradigm for Public Education

Charter schools have been tried in a number of countries, and in one sense they are nothing new: they have grown out of the familiar idea of performance contracting. In the United States this familiar idea has been thoroughly reworked to create a way of directly reforming public education so that government schools become more responsive to parental choices. In this contemporary guise charter schools are too new for systematic evidence about their performance, but the early indicators are very positive. Indeed, charter schools have the potential to transform the way we view public education. The Chapter concludes by setting out proposals for reform that would facilitate the implementation of charter schools in Australia. The key feature that emerges from the international experience is that charters will only be successful if the enabling legislation provides a radical framework of very substantial deregulation of public education.

Charter Schools

What Are They?

As we have seen in earlier Chapters, the crucial deficiency in mechanisms of choice such as dezoning or magnet schools is that they offer choice within the parameters of a virtually fixed supply of schools. They also remain subject to the institutions of producer control. Similarly, voucher schemes will not by themselves tackle the problem of genuine choice if they are introduced into a system which remains highly regulated and which has few new options which can be exercised by parents. As Addonizio (1994:19) has noted, 'in the absence of supply-side strategies to encourage educational entrepreneurship, the economics of school choice is reduced to a rationing of slots in desirable schools, resulting in a disequilibrium of shortages and surpluses that does little to improve either economic welfare or educational outcomes'. If there is to be effective choice, we need to find a way of directly tackling the rigidities in the supply of government schools. We need to do so in a way that allows parental and family interests to supersede the organisational interests of the producers.

Charter schools directly tackle both these fundamental issues. Charter schools are schools which are publicly owned and publicly financed, but are self-governed under the terms of a performance contract. They allow parents, teachers or any qualified group to start schools on their own, and to be freed from the regulatory and administrative constraints that burden most public systems. Charter schools are freed from many government and union regulations and requirements, including those governing curriculum, teaching methods, and the hiring of staff. In exchange, the schools are held accountable for student performance.

Box 22
Performance Contracts for Schools

Before the charter concept there had already been experiments by several school boards in using performance contracting to run existing public schools. In 1970 the US Office of Economic Opportunity contracted with six private firms to provide instruction to disadvantaged public school students. One firm went bankrupt, and the other five refused to participate after the first year. At the end of the year the average performance of the students was roughly equivalent to a control group that received conventional school instruction. It is now understood that this particular experiment was poorly conceived. Conflicting objectives, perverse incentive structures and a contract time (one year) too short either to achieve results or to make investments by the firms worthwhile, not to mention strong union opposition, made it an ineffective trial.

Since then there have been several attempts to use performance contracts. One of the best-known examples is Educational Alternatives, Inc., which is under contract to run nine public schools in Baltimore. Sabis, an international group, runs a school in Massachusetts. There have also been attempts to implement performance contracts in the District of Columbia, but opposition from the school board and the teachers' union has forced delays. The Edison Project of Whittle Communications aims to establish a national chain of profitmaking schools. Financial misfortune forced a reappraisal of Whittle's role, but the Project secured additional investor financing. Initial test scores for four Edison schools show promising results.

Source: Compiled from Ravitch and Viteritti (1996:7-8); Lieberman (1989:85-100); Hanushek (1994:92-93); and Heartland Institute (1997:1).

Before the idea of a formal charter there had already been experiments in the United States with different types of performance contracts (see Box 22), but charter schools differ fundamentally from previous practice. In the past, performance contracting in schools was tackled mainly as a 'top-down' managerial exercise to encourage the more efficient running of existing public schools. Charter schools are a 'bottom-up' method of allowing teachers, principals or any qualified entrepreneurs, including parents, to start their own schools with public funding.

Because they are public schools, they remain true to the fundamental tenets of public schooling: they are publicly funded, they do not charge tuition, and they are publicly accountable. Unlike standard public schools which enrol students largely or totally on the basis of residence, a charter school must attract its students on the attractiveness of its particular educational approach. Parents must decide whether the charter provides a good match for their value system and the education they want for their children. And, again unlike standard public schools, the accountability of charters is direct and transparent. Charters must explain what students at the school will learn and how the school will assess whether that learning has taken place. If the school fails to meet those goals, the charter can be revoked.

Experience in Different Countries

Like many innovations, the idea of a charter school came from multiple sources and appeared more or less simultaneously in a variety of locations. Coons and Sugarman (1978:163) seem to have provided the first academic insights, proposing that 'each public school [should be established] as an individual nonprofit corporation with a charter spelling out its independent powers and duties'. In Britain, the 'grant maintained' schools that were introduced after the 1988 Education Reform Act can be seen as a type of charter school. Following a vote of parents and the school's board, a school can apply to 'opt out' of Local Education Authority control, and operate as an autonomous school, receiving its funding directly from the central Department of Education and Science. The 'New Labour' government elected in May 1997 intends to preserve the main features of 'opting-out', although the LEAs will be given a non-controlling representation on the governing boards of grant-maintained schools.

In New Zealand the education reform process that began with the Picot Committee of 1988 also used the concept of charters. The Picot Report recommended that operational funding should be dispersed to

individual schools and controlled by a board of trustees elected by parents. In setting policy for funding decisions, the board would be bound by a charter between the state and the individual school that would 'define the purposes of the institution and the intended outcomes for students ... within the national objectives for education' (Picot 1988:5.2.2.). This proposal was heavily modified in the subsequent policy document, *Tomorrow's Schools* (see Box 23).

In Australia the main experiments with the charter concept are taking place in Victoria. Charters were introduced as part of the *Schools of the Future* strategy, and they are intended to formalise the school's relationship with its community and the Department of Education. The charter operates as an agreement between the school council, the principal and the Department, and identifies how the school will deliver education services during the three year period of the charter.

In Britain, New Zealand and Victoria charters have in practice been used mainly as a tool for managing government schools within the existing framework of public education. In Britain, for example, the Education Reform Act which permitted schools to opt out of local government control and become grant maintained has been described as 'a stunning achievement' that nevertheless has 'all but ignored a basic requirement of a well-functioning choice system: the liberation of the supply of schools' (Chubb and Moe 1992:42). Similarly, Victoria's *Schools of the Future* program is the Australian leader in giving government schools more autonomy, but the Kennett Government's program of school closures is hardly compatible with the objective of freeing up the supply of schools. While ostensibly justified by demographic shifts and cost saving, the closures in Victoria eliminate capacity that could be used to accommodate new schools. As Chubb and Moe (1992:44) remark in criticising a similar pattern of school closures in Britain, 'it is important to realise that a building and a school are not the same thing: more than one school – and schools of different sizes and types – can occupy any given building. The fact that [there are] surplus places, therefore, opens up all sorts of innovative possibilities. When people have ideas for new schools, there is already empty space to put them. Their new schools do not require new buildings or the horrendous costs of constructing them'.

Using the charter concept mainly to improve the performance of existing schools is quite different from the United States, where charters have been predominantly a method of establishing new schools that are highly innovative in their approach and organisation. In the United States, charter schools are public schools that are owned and financed

Box 23
Choice, Charters and Opposition in New Zealand

Until the late 1980s, New Zealand operated a 'classic' public education system, with little scope for choice of school and tight central administrative control. There was a strong egalitarian theme, and no evidence of widespread public dissatisfaction with the government schools. The motive for education reform developed from the wider economic restructuring that took place in New Zealand in the late 1980s.

A series of reports from the NZ Treasury, the Picot Committee and the NZ Business Roundtable developed the theme that the existing system of education was inadequate to support the wider economic reforms (Sexton 1991; NZ Treasury 1987). The alleged 'professional capture' of the education system led to its being run for the convenience of teachers rather than in the service of the wider community (Dale 1993:251). What was needed, on this line of argument, was to move away from a producer-dominated system to one based on choice, competition, and the market.

Centrally-set zoning rules were abolished; budgets were devolved to schools; public funding was restored to private schools; support was provided for Maori schools; and 'educational development initiatives' were created as a means of developing local educational change through community consultation.

These reforms have been both refined and moderated in recent years. In its progress report *Three Years On*, the government reaffirmed that 'to give greater parental choice and more self-management to schools, enrolment schemes are now a prerogative of individual schools', but legislation in 1996 confirmed that local children may not be involuntarily displaced by open choice enrolment. Contrary to the recommendations of the Picot Committee, more than 80 percent of charter content was determined nationally, much of it relating to equity issues. Since 1993 the National Education Guidelines have in effect replaced charters as the measure against which schools are held to account. After a successful campaign by the teachers' unions, teacher salary funding remained centralised and beyond the control of the individual school.

Gordon (1992:5) has complained of 'a trend that was to see educational reforms increasingly driven by non-educationalists', but this is not difficult to explain. Much of the academic literature about education in New Zealand seems content merely to categorise substantive reform issues according to their alleged ideological provenance (Gordon 1992;1995; Marshall and Peters 1990; Snook 1989). Dale (1993:249) correctly observes that

simplistic labelling of the reforms as 'New Right' is quite inadequate as a response to complex policy changes. OECD (1994:76) has observed that in New Zealand the main thrust of school choice and of devolution has spanned the political party divide, 'but the fiercest opposition and bitterness at what has been seen as damaging reforms based on "imported" ideologies have come from teacher unions and individual teachers'.

by government, but are not run directly by government education authorities. They are established and run by groups or individuals in exchange for a contract or charter to meet explicit performance goals.

The group given a charter to run the school might consist of parents, teachers, social service agencies, universities, museums, trade unions, or indeed any non-profit or for-profit agency. A group presents its plan for a charter school to a sponsoring authority which will oversee operation of the charter. The sponsoring authority might consist of the local school board (the equivalent in the Australian setting would be the state education department) but more innovative arrangements are possible. For example, Boston University is the sponsoring authority for a school for homeless children. The Drug Enforcement Administration sponsors a residential school for 200 at-risk children in Detroit. In Wilmington, Delaware, five corporations and a medical centre have co-operated in a joint venture to run a new high school specialising in mathematics and science (Ravitch and Viteritti 1996:6).

Box 24 describes some of the diverse charters that are possible. A charter school can be proposed as a new school, as a school-within-a-school (see Box 25), or by converting an existing school to charter operation. A charter serves as a legal agreement that sets academic expectations for the school and how they will be measured, the management plan for the school, and how the school will comply with other legislative requirements.

The American states vary widely in these charter requirements. In Arizona, widely acknowledged to have the broadest charter concept, any public body, private person or private organisation may organise a school, and charter schools are exempt from all state and local controls except for those regarding health, safety, civil rights and insurance. Charter schools in Arizona are not required to hire certified teachers, and there is no limit to the number of charter schools which may be established. Minnesota has developed a reputation for pioneering school choice and was the first state to pass charter legislation, but

Box 24
Examples of Charter Schools in the United States

City on a Hill charter in Boston was founded by two public school teachers. The school currently offers grades 9-10, with a strong minority enrolment. It has a core curriculum, with a focus on civic education, and has partnerships with nearby cultural institutions such as the Huntingdon Theatre, the Boston Ballet, and the Boston Symphony.

Francis W. Parker School, also in Massachusetts, was initiated by three parents. The school currently enrols 120 students and is based on the nine principles of Sizer's Coalition of Essential Schools [Theodore Sizer's Essential Schools Coalition features a curriculum which concentrates on basic areas of maths, science, arts, history and philosophy, an emphasis on active methods of teaching and learning, a community service program, and a program of assessments tailored to each student's creative skills].

Livingston Technical Academy in Michigan was started by a group representing various manufacturing firms in the local community. The school provides grade 11-12 students with hands-on technical skills training. The school is sponsored by Central Michigan University

Fenton Avenue Charter School in California was set up by a group of parents and teachers working together to convert an existing public school to charter operation and thereby secure fiscal and educational autonomy from the school district.

HIS Charter School in Lincoln, California, has a rigorous 'back to basics' curriculum. While emphasising core academic study, it is also developing a wide range of programs, such as home-based learning, as alternatives to classroom-based instruction.

Source: Finn et al. (1996a: Appendix C).

its charter legislation is more restrictive than in Arizona. In Minnesota only licensed teachers can operate a school; in 1995 the number of charter schools which could be established was limited to 40 (in a state with around 750,000 students in public schools). Although softened in 1993 to give rights of appeal, the approval process in Minnesota is heavily dependent on the support of local and state boards of education.

Charter schools in America sometimes receive funding directly from the state, but more usually operating funds are provided through

Box 25
A School within a School

A major concern with many choice programs is that what might work effectively in a large city with sufficient population to support several diverse schools is not necessarily appropriate in small towns or rural areas. A country town may have only one school, or perhaps only one secondary school. The charter concept of 'schools within schools' can offer at least a partial solution to the problem of introducing choice in sparsely populated areas. The idea is that schools could develop a choice of programs or pedagogical approaches within a single building. Parents could then choose between, for example, traditional or 'progressive' classroom teaching or between programs emphasising science or languages or arts (Boyd 1993:246).

The practical difficulties should not be underestimated. 'Schools within schools' could develop into warring factions of teachers, or become segmented groups of students in different tracks, with obvious loss of social cohesion. While such fears must be taken seriously, they have to be balanced against the benefit of the wider choices that become available to parents and students. Parents and teachers wanting to establish a school-within-a-school will only be successful if there is adequate support. In this case denying the charter on the grounds of social cohesion suggests that the 'cohesion' may in fact disguise substantial discontent by parents at what is being offered in the school.

The idea of a school-within-a-school is quite alien to conventional notions of a school operating as a single, integrated unit within a set of buildings which themselves partly define the school, but changes are already taking place in this traditional model. In the ACT, education planners have discussed the possibility of a move to a 'multi-campus package and administrative arrangements as high schools develop specialist programs centering on areas such as technology, languages, sport or creative/performing arts. Students will be able to move between campuses to pursue their individual program package and new technology will allow transcommunication [sic] of courses' (ACT 1991:28).

Leaving aside the edu-speak, this passage is significant in recognising that in the future, even under conventional public school operation, the traditional correspondence between buildings and schools may break down. Students may move between schools to follow their choice of specialist program, and computer networking will redefine our notions of the school or classroom 'boundary'. It is not a major extension of this idea to imagine that a Charter school-within-a-school could fit comfortably into a shared site or multi-site structure.

the intermediary of the school district. The schools are of course accountable for that funding, and for achieving the academic terms of their charter. Failure to meet the terms of their charter (which is usually granted for between three and five years) can result in termination of the contract. Mauhs-Pugh (1995) provides state-by-state coverage of American legislation. Box 26 describes the operation of a charter school in a minority area near Los Angeles, and gives a dramatic summary of the beneficial changes that can be achieved through charters.

Key Features: More Liberal Supply and Autonomous Operation

While Box 26 is very much an impression of a single case, it does provide insights into two key features of charter schools. The first and most obvious is that the charter concept is intended to overcome the restricted supply of schools which has been described as 'the greatest obstacle to a successful system of educational choice' (Chubb and Moe 1991:144). Magnet schools – in all their variations – have suffered from the crucial deficiency that there is never enough of them. Many students are then compelled to attend schools they did not choose, and the system mainly benefits those few students fortunate enough to attend their school of choice.

Charter schools are, conceptually, a way of avoiding the rigidity in the supply of public schools by allowing parents (or anyone who can get sufficient support from parents) to set up their own publicly funded schools. It is certainly the case, in much of Australia, that many public systems now provide a range of specialist programs. But these are programs and schools of a type and quantity which public education authorities choose to set up. Walker and Crump note that 'choice' policies in NSW have not been based on any evidence of what parents want, but on the state's analysis of what would produce certain outcomes. Not surprisingly, the policies have had only patchy success. Choice values 'have not been realised to any great extent in NSW because the Education Ministry, the Department of School Education and the major teacher unions continue to dominate the construction and definition of "choice" in ways that suit their organisational interests over and above the interests of students, parents and families' (Walker and Crump 1995:10).

The crucial feature of charter schools is that they offer the programs which parents choose to support. The early evidence is that these schools offer a much wider range of choice than that offered by the public system. Finn et al. (1996a:1:2) reported the first stage of an

Box 26
Charter Schools in Action: Vaughn Next Century Learning Center

'In a barrio outside Los Angeles lies the Vaughn Next Century Learning Center. Of its 1,107 students, 931 are Hispanics who speak limited English. Ninety five percent of the pupils are so poor they receive free breakfast and lunch at the school. Many come from single parent families without high school education. Staff turnover rates hovered around 50 percent, and the administrators regularly received death threats. The massive education code and district bureaucracy hamstrung even simple tasks like repairing broken school windows or school equipment.

Yvonne Chan, who took over as principal in the early 1990s, set out to transform the school into an environment where learning could occur. When California passed charter legislation in 1992, Chan immediately applied, and in 1993 she obtained the charter which set her school on the path to success. Under charter terms, parents were required to sign a three-page contract committing them to play an active role in their children's education. In return, Chan set up at the school a one-stop shopping center for parents, integrating education and social services to families. By 1994 parent volunteers were running the playground and a menu of extracurricular programs.

Under the terms of the charter, Chan is free to hire and fire her teachers and to lengthen their school day and year. She has also raised their salary above district levels and reduced class sizes by hiring more teachers. Teachers are free to determine the best instructional methods and resources to get the best results from their students.

A school charter means budget autonomy. Vaughn Street receives all of its per-pupil funding directly, by-passing the district. By tendering bids for payroll and cafeteria services, Chan found suppliers willing to charge less than the district contractors. In the first year as a charter school, Chan saved over US$1.2 million [approximately $A1.54 million] which was ploughed into a computer lab, more teachers, and an addition of 14 new classrooms.

Achievement scores have risen from the lowest in the state to near state average. Attendance has skyrocketed. Children's lives are being turned around. "The charter takes the handcuffs off the principal, the teachers, and the parents - the people who know kids best", says Chan. "In return, we are held responsible for how well the kids do". It is an exchange which seems to benefit everyone'.

Source: Raham (1996:21), based upon 'Education, A Class of their Own', *Time*, October 31 1994.

investigation into the operation of charter schools in the United States and while it was too early to have systematic evidence on academic performance, found many positive outcomes. Among these outcomes were schools which were educationally diverse and imaginative in their approaches, including 'schools for at-risk youngsters and special populations, "distance learning"' (or "virtual" schools), teacher cooperatives, and contract-managed schools, as well as many other educational and organizational innovations'.

There was much evidence of parental and student satisfaction, with both groups citing the value of clear academic expectations, committed teachers and family-like atmosphere. Teachers also expressed their satisfaction with 'their freedom to teach, the school's autonomy, its familial atmosphere, sensible management decisions, dedicated colleagues, and enhanced institutional and personal accountability' (Finn et al. 1996a:1:2).

The second key feature is autonomy. This is not autonomy in the sense of devolving control to schools while education providers remain in control of what is supplied. Nor is it the 'autonomy' of school-based management which still requires the school to be run according to a standard pattern of staffing allocation, class size and pay. Nor, thirdly, is it a revamped version of a school council which may simply add a layer of local bureaucratic control by trying to satisfy designated 'stakeholders' – a word extremely common in educational policy in recent years and utterly revealing of the notion that existing interests are the ones that have to be satisfied. Charter schools mean autonomy of school management and 'empowering' of teachers, but only within the framework of providing what parents want for the school. As Box 26 makes clear, the intention of the charter school concept is that principals should be free to adopt their own practices in exchange for being held responsible for how well the students perform.

There have been many lessons learned about implementing the charter concept. Some of the problems that might have been expected have turned out not to be significant issues. There is simply no evidence to support a charge that charter schools 'cream' the best students or 'select out' those from minority or disadvantaged groups. Finn et al. (1996a) provide the best evidence to date of charter operation, and it emerged that 63 percent of the 8,400 students in their sample were minority group members and nineteen percent of the students had some disability. These are much higher proportions than the public school population as a whole, and they provide strong evidence that charter schools do not just appeal, as critics of school

choice allege, to the articulate middle class. Raham (1996:23) and Allen (1994:7) have also tabulated evidence that many charter schools have been set up specifically to serve at-risk or special needs students such as the hearing impaired, children with reading disabilities, or children who had dropped out of the public system.

There is no evidence to support fears students will suffer from a rapid turnover or failure of charter schools. Several schools have had their charters revoked. In Los Angeles, Edutrain Charter was closed after evidence of fiscal mismanagement; the charter for Citizen 2000 in Phoenix was revoked for what was described as numerous financial discrepancies; and in April 1997 Lake Havisu Charter School was being investigated for violations of health, safety and civil rights rules (Finn et al. 1996a:4:30; Schnaiberg 1997:2). There is no doubt that such failures come at a cost of inconvenience and disruption to students, parents, and teachers. But such incidents provide evidence of strength, not flaws, in the charter concept of accountability. It is also worth noting that most of the parents from the failed Citizen 2000 chose to enrol their children in other charter schools (Schnaiberg 1997:2).

One further aspect of charter closures also needs sharp emphasis. Arizona operates the most deregulated system of charters in the United States, but its prompt action in revoking Citizen 2000's charter, barely a year after it had been granted, contrasts with the failure to act in NSW, over a period of many years, on allegations of sexual abuse in government schools.

A New Paradigm of Public Education

Charter schools have been described as 'one of the most promising ideas to appear on the national horizon' (Ravitch and Viteritti 1996:5) and as 'the most vibrant force in American education today' (Finn et al. 1996a:1:5). They are a novel concept, with the first American legislation passed in Minnesota as recently as 1991. The number of charters is still small, with just over 400 operating at the end of 1996. Millot et al. (1996:2) have dubbed these early years the 'escape phase', with much of the motivation for charters coming from those anxious to flee a seriously flawed system of public schooling.

As long as the number of charter schools remains small, the metaphor of charters as a means of secession from an otherwise immutable system is appropriate. It is becoming clear, however, that charters are not just an escape mechanism for a small number of successful but nonetheless peripheral schools. As their numbers increase, they have the potential to transform the system itself,

redefining the paradigm of public education to which we have become accustomed over the last one hundred years. This in turn means that we have to think not simply about policies to encourage charter schools as such, but in terms of a process which will bring about a profound change in the way public education is run.

At present, many public departments of education function as operators of a highly regulated monopoly. Producer capture ensures that the system is no longer run predominantly in the interests of parents and the community. It is possible to envisage a different system in which government no longer directly runs schools. All, or nearly all, public schools would instead be operated under charter by independent groups of parents, teachers, or other profit or non-profit organisations. Even the teachers' unions might want to test their claims in the open market. These charters – explicit and legally enforceable contracts – would define the school's mission, specify the terms of public funding, and stipulate the grounds for accountability. By contracting with individuals and groups to offer public education, the state would move from being the sole provider of public schooling to being the purchaser of education services from a variety of independent contractors (Hill 1996; Flake 1996).

This would mean a profound change of mission for public education authorities. As Hill (1996) has noted, in describing the 'reinvention' of public education, Departments of Education would cease to run and regulate schools directly. Their responsibility would instead become that of administering a system of independent contractors or charters. This does not mean that there would be total *laissez-faire* in the provision of schooling. If charters become not isolated exceptions but the way the community educates many or all of its children, some mechanism of community oversight is essential. Some community agency must ensure that there is a school place for every student, that parents can get independent information about school performance and school objectives, and that there is some articulation of the student outcomes expected at the different levels of schooling (Millot et al. 1996:1).

Instead of directly running schools, departments of education would become (or would be replaced by) agencies with the specific role of promoting and protecting the interests of parents and the community. This role of community oversight would consist of three key components:

1) administering the provision of finance to charters/contractors, the local providers of education, on established funding criteria;

Box 27
Charters and a New System of Public Education

How would this new form of public education work? Contracting would redefine the very notion of a 'public' school. Local school boards [Departments of Education] would cease to run and regulate schools directly. They would no longer hire, evaluate, pay or dismiss individual schools' teachers, administrators and support staffs. Their only responsibility would be finding, hiring, and monitoring the performance of independent contractors. Teachers would be employed by schools rather than the school system. Their salary scales would be set by the market so that the best would be the most highly paid.

With responsibility for instructional coordination, administration, and building operations transferred to the school site, [Departments of Education] would write cheques to schools on the basis of their enrolments, hire independent, third-party evaluators of schools, and collect and publish information about all schools' programs and performance. Contracts with failing schools or those that did not attract students would be terminated. New contracts would be offered to groups with successful track records or that propose programs likely to succeed.

Source: Compiled from Hill (1996:1-4); RAND (1995:1-3).

2) conducting, or contracting for, a range of standardised testing to ensure that schools receiving public funds are (i) actually achieving the performance standards contracted in their charters; and (ii) meeting community expectations of basic literacy and numeracy, as well as core knowledge in citizenship; and

3) producing and publicising information on the performance, objectives, and curriculum of schools, so that (i) parents have an appropriate range of evidence on which to make an informed choice of school and (ii) the wider public is kept informed about the performance of the schools it pays for.

Box 27 summarises this change in the role of public education.

Implementing Charters in Australia

Essential Principles of Reform

It is hardly necessary to say that charter schools should not be

introduced into Australia without the most rigorous evaluation. As Raham (1996:28) has noted of the Canadian experience, 'the implementation of charter schools is clearly a challenge, for it requires not only a shift in operations and basic assumptions, but new roles for all players in public education'. A system-wide reform of that sort cannot be accomplished by minor regulatory amendment: charter schools require both formal legislation and extensive public information and discussion.

The great strength of charter schools from a conceptual point of view is that they are *public* schools. With effect from 1997, bureaucratic restrictions on the supply of private schools in Australia will be lifted, and the Enrolment Benchmark Adjustment (Box 18) will ensure that we do not fund government schools for students they don't have. These are genuine reforms that will liberalise the supply of private schools and make them more responsive to parental choice. Charter schools can provide the means of similar structural reform of government schools. Charters remain both publicly owned and publicly funded, but they provide an ingenious way of addressing the supply rigidity which is the Achilles heel of most systems of public school choice.

While it is not possible to provide a legislative blueprint of what an Australian charter school should look like – the whole point is that each charter school will be different – it is possible to identify from hard-won overseas experience the fundamental principles to be followed if a scheme of charter schools is to be successful in Australia.

Radical Deregulation

The first of these essential requirements can be termed *radical deregulation*. There is now overwhelming evidence that successful charter schools are more likely to emerge not in response to marginal changes in the existing legislative and regulatory framework, but in response to substantial deregulation of that framework.

A major lesson from the American experience is that the public nature of charter schools is also their most serious deficiency. Initial enthusiasm in the United States has been tempered by the realisation that charter schools may be a way of restricting choice, not extending it. It has been argued that the rapid growth in charter legislation cannot be taken at face value because many such programs have an impressive facade but no substance. They have been put in place by teachers' unions and educational administrators as a way of fatally weakening legislation that cannot be defeated altogether (Finn and Ravitch 1995:2; Dale 1995:2).

By 1996 forty out of the fifty states had either passed or were drawing up charter legislation, but just six states accounted for 95 percent of charter schools. The main reason for this imbalance is that much of the legislation, 'weakly worded at the outset or compromised in the political process, has yielded charter laws without teeth', and so rendered the charter process difficult or pointless (Dale 1995:2).

There are exceptions (as in the case of Arizona), but those who wish to establish charter schools are in most cases dependent on the goodwill and support of those who run the public system from which the charters are trying to secede. Charter laws often require the prior assent of too many 'stakeholders' with an interest in maintaining the existing public system. In several states, a charter school will not be approved without the support of a majority of the teachers currently in the affected schools. Charter opportunities are sometimes limited to existing public schools or public school teachers. In some states (as in Texas) local school boards are in sole charge of granting charters.

In these circumstances it is not surprising that many charter laws do not allow schools sufficient autonomy from the regulations and contractual provisions of conventional public schooling. An important component of the charter concept is accountability for performance, and it is very tempting for legislators to prescribe the requirements for accountability in such detail that any scope for a charter school to have sufficient genuine autonomy to be innovative all but disappears. 'If a state still requires that US history be taught in the 11th grade, that a school's pupil-teacher ratio cannot exceed 25:1, that 40 minutes a day must be spent on math, that certain textbooks must be purchased, and if there is no respite from seniority rules, salary schedules, or tenure requirements, then we see little point in calling an entity so regulated a "charter school". Such a charter is unlikely to be worth the paper it is printed on' (Finn and Ravitch 1995:2-3).

What has emerged from this experience is a growing weight of argument that charters will only be successful if the enabling legislation is sufficiently radical to permit charters to operate in a substantially deregulated framework. As we noted earlier, in some American States several years have passed since the passage of charter legislation, but not a single charter school has been established, so limited are the incentives and so burdensome the process (Buechler 1996:1).

Funding Follows the Pupil

The second essential feature is that charter schools must receive the same per-student funding as other government schools, and this

funding must move with the child. Funding to mainstream government schools would be reduced for each child moving to a charter school. In the United States, many charters have experienced severe cash flow problems because they have been forced to operate from the outset with levels of funding that have been both irregular and substantially lower than conventional public schools. Charters often cut across conventional local funding boundaries. Local school boards tend to view all public education funds as 'their' money, and find ways to delay or resist passing such funds to charter schools. This leaves charters receiving only the state portion of the combined state and district funds allocated to public schools. The British scheme of 'opting out', in which schools can receive funding directly from central government rather than through the local education authorities, has clearly worked better in this respect.

Charter schools don't necessarily need to be funded at the same high level as schools in the regular public system, and many have been able to operate effectively with a lower recurrent cost per student than other public schools. Recall from Box 26 that the Vaughn Next Century Learning Center realised a US$1.2 million surplus in its first year. However, in many cases receiving a lower recurrent cost per student has been a significant hurdle for a new charter school because the effects of lower operational funding have been exacerbated by a lack of start-up funds or access to capital funds.

Charters which convert from existing public schools may bring infrastructure with them, but charters set up as new ventures will have to ensure that buildings, books, computers, furniture, and teachers are all in place before the school can enrol students and become eligible for recurrent funding. Some American states provide small amounts of seed money to assist with these start-up costs, and the Clinton Administration has made federal funding available to help with planning, design and start-up costs. Despite recognition of the problem, it is clear that the start-up funds actually available do not go very far (Finn et al. 1996b).

Closely related to the lack of start-up finance is that charter schools in the United States neither have access to local district funds for capital improvements nor can they issue bonds to raise capital funds. School districts in the United States typically raise capital funds by selling bonds based on the taxable value of property within the district. Since charter schools are, by definition, schools of choice without a defined catchment area, they cannot use the same mechanism (Bierlein and Fulton 1996).

Two consequences have followed from the paucity of capital funds. The first is that most charter schools have had to use a portion of their operating funds – already lower in many states than for mainstream government schools – to lease or buy school facilities. The second is that these facilities usually consist of a variety of make-do-and-mend, often temporary, accommodation. Community Involved Charter in Colorado operates in a former church. Renaissance School operates in portable units. City on a Hill in Boston is located in a YMCA. Metro Deaf Charter in Minnesota occupies a former warehouse. Constellation Charter in California uses a building formerly occupied by an adult vocational program. Beaver Dam Charter in Wisconsin is located in a former nursing home. Boys and Girls Academy in Mesa, Arizona, is a rare exception, in being able to make use of the spacious new buildings of the Boys & Girls Club.

These examples are testament to the drive and ingenuity of the parents and sponsors of charter schools, and show that good schooling does not require expensive accommodation. In the short run, old buildings rented at low cost may be a satisfactory way of testing the parental appeal of the educational concepts embodied in a new charter. In the longer run, the growing number of charter schools will put strong pressure on the existing sources of capital and start-up funding, and existing financial mechanisms will need reappraisal. An example of what might be possible is the Michigan Partnership for New Education, a nonprofit group which raised from private businesses a US$10 million loan fund for charter schools.

Australia already has valuable funding experience which is directly relevant to the charter concept. In Arizona, when a child leaves a district school and enrols in a charter school, the State pays both the district and the charter for a one year period. In short, there is a double payment for each new child entering a charter school. This major disincentive to charter expansion can be countered by legislating to ensure (as in Massachusetts) that funding follows the child from the district to the charter.

As we saw in earlier Chapters, Australia has implemented a version of this quasi-voucher funding through the Enrolment Benchmark Adjustment for new private school students. Charters could be funded through a similar mechanism. Each new student in a charter school would take with him or her the average tuition cost in a government school, and funding to government schools would be reduced by that amount.

Both State and Commonwealth Governments are also involved in

capital, as well as recurrent funding to government and non-government schools, and there is no conceptual reason why charter schools cannot be brought within the ambit of this capital assistance. Charter schools would, in short, qualify for funding on the same basis as other public schools, with such funding being offset by savings from the movement of students. Small amounts of start-up assistance are appropriate, and might form part of the Commonwealth special purpose grants which amounted to $3,022 million in 1994 (ABS 1996c:81).

Variety of Sponsors, Operators and Schools

A corollary to this funding mechanism is that legislation in any of the Australian States should ensure that final approval for charter schools does not rest with State departments of education. It is essential that funding should follow the child to charter schools, but if this happens we cannot expect State departments of education to approve charters that they know will cost them money and students. In Arizona the charter school law established the 'State Board for Charter Schools' independently of the Arizona Department of Education, and Australia should follow this precedent. The policies of 'funding follows the child' and an approval process for charter schools that is independent of the existing departments of education must go together. Only then will there be a system in place to ensure that producer interests cannot resort to either financial or approval controls to deny charters merely to avoid competition. Similarly, it has become apparent from both American and British experience that the objective of facilitating the emergence of new and more innovative schools is not served by a cautious approach that limits the number of new schools to a few demonstration examples or which restricts those who may start new schools to the existing institutions of producer control. Under the guise of protecting the public from risky and costly experiments, such restrictions merely prevent the emergence of the schools of choice which will provide a genuine alternative to the existing public system.

Box 27 brings together these essential elements of policy for charter schools, and shows in summary form the key criteria that need to be addressed if we are to provide genuine incentives for viable charters in Australia.

The Path to Reform

The political difficulties in implementing a policy of allowing schools to be freed from not just the formal rules and regulations but from the

Box 27
Essential Elements of Public Policy for Charter Schools

Number of schools:	Permitting an unlimited number of charter schools fosters much more innovative activity than putting a cap on the number of schools or confining charters to a few 'demonstration' schools.
Variety of sponsors:	Permitting multiple sponsors such as universities, businesses, cultural organisations and State Education Departments encourages much more charter activity than limiting sponsorships to the Education Department, especially if the latter is responsible for charter approvals and there is ineffective right of appeal against refusal.
Variety of operators:	Strong charter schools emerge where a wide variety of individuals or groups (teachers, parents or other citizens, profit or non-profit organisations) organise a charter proposal. Weak schools emerge where eligibility is confined to designated groups, such as qualified teachers.
Legal autonomy:	Charter schools where teachers are employees of the school and not of the State Education Department and which have complete control over personnel decisions (hiring, firing, salary structure, seniority conditions) are better than those where teachers remain subject to State-wide collective bargaining. All employment issues, including salary, professional qualifications, and contract/tenure should be subject to negotiation in individual charter schools.
Variety of schools:	Permitting existing schools to convert as well as allowing new schools to start from scratch is better than the latter alone.
Automatic exemption from regulations and policies:	Blanket waiver from the myriad of rules and regulations on school hours, curriculum, textbooks, class size, discipline policy and all aspects of staffing makes better charter schools than having to apply for specific waivers in its charter or being forced to negotiate on an issue-by-issue basis with sponsors.
Fiscal autonomy:	The school has complete control over funds generated by its enrolment numbers and funding is received

on a regular schedule. Better schools result where 100% of average government per-pupil funding automatically follows students to charter schools, instead of the amount of funding having to be negotiated with the State Education Department.

Source: Compiled from Buechler (1996:1); Nathan and Power (1996:1); Education Commission of the States (1996:2).

custom and practice developed over many years should not be underestimated. Charters are particularly demanding of political capital because their successful introduction requires fundamental, not marginal, reform. It is quite possible that charter schools in Australia could go the same way as private schools under the recently abandoned New Schools Policy. They would receive substantial public funding, and they would provide an additional element of choice. If, however, a condition of their charter is that they are forced to comply with the same set of requirements as existing government schools they would have little beneficial impact. Like private schools after 1985, they would come to resemble government schools rather than vice versa. Weak or compromising legislation that will lead to certain failure may be worse than no change, even of a seriously flawed system.

The path to rigorous but feasible reform might lie in the adoption of a phased program of action. The *first phase* would take as its objective a program of extensive public information and discussion about the charter concept, together with an assessment of the specific changes necessary for implementing charters in Australia. This objective could be achieved through two specific actions:

- The Commonwealth, together with any States wishing to participate, would initiate a commission of inquiry into charter schools. Such an inquiry would examine the international experience, assess the specific issues of legislation and implementation in Australia, and in particular make the charter concept known to the wider public;
- State governments should undertake a review of both the regulations and procedures and the content of their registration requirements for non-government schools. Drastic reform of these requirements could provide the basis for charter legislation. While

the New Schools Policy has been abandoned by the Commonwealth, non-government schools still have to comply with extensive State requirements before they can be approved. In the ACT, for example, a new non-government school must give two years notice of start-up. In every State and Territory, the curriculum, school organisation, physical environment and teacher qualifications must be approved if a school is to be registered. Some States insist on minimum enrolments; others insist on financial viability (DEET 1995b:Appendix E). The extent of these requirements stands in stark contrast to the essential principles set out in Box 27.

The *second phase* would consist of passing appropriate legislation in one or more States, and establishment of the first charter schools. This phase would be characterised by:

- legislation which enables charter schools to be established on the principles of Box 27. There should be no limit to the number of charters, a variety of sponsors should be permitted, and the agency approving charters should be established as a separate organisation from existing departments of education;
- States passing charter legislation would themselves encourage existing government schools to convert to charter status. Government schools with poor academic records, or those which have been 'left behind' by the movement of students to selective schools, would be prime candidates for conversion to charter status;
- There would be complete freedom of student movement to charters from conventional government schools;
- All charters will receive finance based on the number of students they enrol and this will flow from public funds using the principle that 'funding follows the child'. Government schools (and charters that do not attract students) will have their funding reduced accordingly;
- Charters will have full staffing flexibility, with authority to select their own teachers and each school establishing its own enterprise bargain on teacher numbers and conditions of service;
- There must be particular attention, if necessary by legislative stipulation, to the provision of information to parents. Parents will have access, in ways that permit genuine comparability between schools, to information on all aspects of school performance,

including all skills testing in literacy and numeracy.

Once the charter concept is established and there is a number of operating charters, the purpose of the *third phase* would be to maintain the momentum of reform and complete the transition of public education. The crucial characteristics of this phase would be:

- active moves to extend charter and contractor principles to all public schools;
- all teachers and administrative staff would be employed directly by individual schools. Each school would establish its own conditions of employment, subject only to State or Commonwealth legislation on employment conditions such as provisions for unfair dismissal;
- Departments of Education would complete the transition from agencies which run schools to agencies which manage and administer a system of independent contractors.

The need for fundamental reform of Australian schooling is urgent. Thirty years ago, Japan was the only Asian country which consistently scored highly in international tests of educational achievement. By the early 1980s, Hong Kong was scoring well in maths achievement and Korea did well in science, but both Singapore and Hong Kong were near the bottom of international performance in science (Reynolds and Farrell 1996:17-18, 39). By the time of the latest tests, in 1994, educational achievement in Japan, Korea, Singapore and Hong Kong was so high that all these countries virtually swept the board in junior secondary maths and science (Lokan et al 1996).

The Asian examples demonstrate both that educational achievement can be lifted and that these are the standards against which Australia must compete. Charter schools have the potential to transform public education, ushering in a new system of high-performance schooling in Australia. Nothing less than this will be an adequate investment in Australia's future.

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