

School Choice: Lessons from New Zealand

By Norman LaRocque

New Zealand's experience has been a topic of much discussion in educational policy circles since the introduction of national school reforms, known as Tomorrow's Schools, in the late 1980s and early 1990s.¹ The focus of this chapter is on extracting some of the broader policy lessons that can be drawn from the New Zealand experience with school reform, as well as on highlighting some of the policy innovations introduced as part of the New Zealand reforms.

The New Zealand School Sector

The New Zealand school sector is predominantly "public" in nature. That is true in terms of both the provision and the funding of school-level education. The vast majority of schools and enrollments are in the state sector. The state funds a significant proportion of the operating costs of state and state-integrated schools and a smaller, but still significant, share of the operating costs of private schools.

The regulatory framework that governs schools varies with the type of school. There are three major types of school in New Zealand:

- State schools. These are state-owned schools that receive "full" state subsidies and are extensively regulated by the state.
- State-integrated schools. These are privately owned schools that have "integrated" into the state system. They are funded at the same per pupil level as state schools and are subject to many of the regulations that apply to state schools.
- Independent schools. These are privately owned schools. They receive lower government funding and are subject to fewer regulations than state or state-integrated schools.

1. See, for example, Alan Woodfield and Philip Gunby, "The Marketization of New Zealand Schools: Assessing Fiske and Ladd," *Journal of Economic Literature* 41 (September 2003): 863–84; *The Tomorrow's Schools Reforms: An American Perspective*, ed. Edward B. Fiske and Helen F. Ladd, Institute of Policy Studies Policy Paper no. 6, Wellington, 2000; and Mark Harrison, *Education Matters: Government, Markets and New Zealand Schools* (Wellington: Education Forum, 2004), www.educationforum.org.nz.

School zoning is a more significant issue in the main cities of New Zealand – Auckland, Christchurch, and Wellington – although it has increased in importance in regional centres in recent years

As of July 1, 2003, there were around 761,000 students enrolled in 2,692 schools in New Zealand. Europeans made up around 60 percent of the student population, with Maori, Pacific, Asian, and other students making up 21 percent, 8 percent, 7 percent, and 4 percent, respectively. In recent years, enrollments have grown more strongly at state-integrated and independent schools than at state schools.

Around 86 percent of students were enrolled in publicly owned and funded state schools in 2003. There were 2,256 state schools in that year. State schools are governed by parent-run boards. They cannot charge fees but can and do seek donations from parents. Those fees are typically quite low relative to private school fees. State schools are subject to the national teachers' contract, must follow the national curriculum, and must hire registered teachers.

Within the public system, there is some choice in schooling. Although school zoning based on geographic area has been reintroduced progressively since the mid-1990s, it is generally less restrictive than the system of attendance zones that operates in most jurisdictions in the United States. Students in New Zealand have the right to attend the local school for which they are zoned. However, students are also free to attend out-of-zone schools if those schools have the capacity to accept them. Where there is an excess demand for places at a particular school, the criteria for determining priorities for allowing children into schools are set in legislation. Schools have no discretion in selecting students.²

School zoning is a more significant issue in the main cities of New Zealand – Auckland, Christchurch, and Wellington – although it has increased in importance in regional centers in recent years. In July 2003, 36.6 percent of schools in Auckland, 18 percent of schools in Canterbury, and 17.1 percent of schools in Wellington were limiting enrollments through the use of attendance zones (called enrollment schemes in New Zealand) because there was an excess demand for places at those schools. However, the proportion of public enrollments in "zoned" schools is larger than these figures suggest, given that zoned schools tend to have higher enrollments than nonzoned schools and that these figures include both state and nonstate schools.

State-integrated schools, which had around 10 percent of enrollments in New Zealand in 2003, provide some choice within the public sector. These are predominantly formerly independent schools that were "integrated" into the state system but were allowed to retain their special character. The special character generally, though not always, relates to some sort of religious or philosophical belief. The integration of independent schools was not motivated by a desire to broaden the state sector but was a response to the financial problems that beset many Catholic schools in the mid-1970s.

State-integrated schools receive the same per pupil level of subsidy as state schools. However, they face different regulations. In particular, state-integrated schools are not subject to geographic attendance restrictions although they are subject to restrictions on the number of "nonpreference" students (i.e., non-Catholic students in a Catholic school) they can enroll. They can charge attendance fees that are intended to cover capital financing costs. Attendance fees

2. For a more detailed description of the existing school enrollment scheme legislation and its recent history, see Norman LaRocque and Jonathan Kaye, "Enrolment Scheme Provisions in New Zealand," Education Forum Briefing Paper no. 3, Wellington, 2002, www.educationforum.org.nz.

[Independent schools] are the least regulated of all schools as they can charge whatever fees the market will bear, are not part of the national teachers' contract, and do not need to follow the national curriculum (though most do)

are typically quite low, although there are some exceptions. Integrated schools are also subject to the national teachers' contract and must follow the national curriculum. Enrollment data for state, state-integrated, and independent schools are summarized in Table 7.1.

Further diversity is provided in the public system through the creation of Kura Kaupapa Maori (schools where teaching is in the Maori language and based on Maori culture and values) and designated character schools. There are, however, only a small number of such schools. Alternative Education (explained in the accompanying box) is available to students aged 13 to 15 who have become alienated from the regular school system.

New Zealand has a very small independent school sector, with around 4 percent of enrollments in 111 schools in 2003. Independent schools are privately owned and largely privately funded but receive government subsidies that are estimated at 25 to 35 percent of the average per pupil cost of educating a child in a state school, depending on grade level.³ They are the least regulated of all schools as they can charge whatever fees the market will bear, are not part of the national teachers' contract, and do not need to follow the national curriculum (though most do). Independent schools must be registered; that requires satisfying the Education Review Office (ERO) that a school is "efficient," that is:

- has suitable premises, staffing, equipment, and curriculum;
- provides tuition for nine or more students between the ages of 5 and 15;
- provides suitably for the inculcation in the minds of students of sentiments of patriotism and loyalty; and
- provides education of a standard no lower than that provided to students enrolled at a state school of the same type.

Table 7.1
Enrollments by school type and governing authority, New Zealand, July 2003

School Type	State		State-Integrated		Independent		Total	
	Number	%	Number	%	Number	%	Number	%
Primary/intermediate	411,850	90.2	38,826	8.5	6,106	1.3	456,782	100.0
Secondary	215,155	83.5	33,613	13.0	8,818	3.4	257,586	100.0
Composite (combined primary and secondary)	15,447	41.9	7,527	20.4	13,936	37.8	36,910	100.0
Other	10,477	100.0	0	0	0	0	10,477	100.0
Total	652,929	85.7	90,443	10.5	39,337	3.8	761,755	100.0

Source: www.minedu.govt.nz.

Independent schools can seek provisional registration and can operate for 12 months with that status. The ERO must inspect the school within the first 6 to 12 months after it has begun operating. An independent school receives no funding while only provisionally registered, and it is up to the school to book an ERO inspection in order to gain full registration. Once the ERO is satisfied that the school is efficient in relation to the standards set out in the Education Act, full

3. The average state per pupil cost equals the average per pupil cost of operational grant funding, teacher salaries, and an estimate of the cost of capital.

Alternative Education is a programme that funds the delivery of education in non-school settings for students aged 13 to 15 who have become alienated from the regular school system

Alternative Education

Alternative Education (AE) is a program that funds the delivery of education in non-school settings for students aged 13 to 15 who have become alienated from the regular school system. The program was instituted in 1997. Students must be enrolled at a school in order to attend AE. The AE program may be delivered on or off the school site. Schools may deliver the AE program themselves or contract providers to offer it. The aim of the program is that students will either return to mainstream education or move to tertiary training or employment at the appropriate age. Off-site programs may be delivered by community-based organizations or private training establishments. In 2003, there were just over 3,000 students and more than 200 providers participating in AE. The government subsidizes each student to the tune of \$NZ11,000 – well above the average cost of a student in primary or secondary education.

SOURCE: Education Review Office, *Alternative Education Report*, Wellington, 2004, p. 1.

registration will be recommended to the Ministry of Education. Regulatory requirements for state, state-integrated, and independent schools are summarized in Table 7.2.

The school sector has much lower private participation than the early childhood and postsecondary education sectors in New Zealand. In July 2003, 14 percent of postsecondary students and 100 percent of early childhood enrollments were in nongovernment centers (although 28 percent of all enrollments were in kindergartens that are considered by some to be government owned). Both the postsecondary and the early childhood sectors are funded through what is, in many respects, a voucher program.

School Choice in New Zealand: Recent History

The Tomorrow's Schools reforms of 1989 ushered in a new era of self-managing schools and increased choice and competition in schooling through changes to school zoning laws and the creation of new avenues for establishing schools.

In addition, earlier policy reforms, such as the introduction of the Private Schools Conditional Integration Act of 1975 (which "integrated" a number of private schools into the state system) and government funding of independent schools, especially from 1970 onward, played key roles in the development of school choice in New Zealand.

It is important, however, to emphasize that the Tomorrow's Schools reforms are only part of the recent New Zealand school choice story. Subsequent reforms, including the abolition of school zoning laws in 1991, successive changes to government funding of independent schools, and the introduction in 1996 of the Targeted Individual Entitlement (TIE), a small-scale voucher program targeted at poor families, are an important part of the school choice canvas (see box).

As Table 7.3 shows, there have been some significant swings in regulatory and funding policies that have affected the degree of choice available in schooling in New Zealand – both within and

Table 7.2
Key features of the regulatory framework for New Zealand schools

Aspect of Regulation	State Schools	State-Integrated Schools	Independent Schools
Private financing	Schools can ask for donations, but cannot charge fees	Schools can ask for donations and charge attendance fees to cover capital costs such as leases/mortgages	Schools can charge fees and ask for donations
Government funding	<p>“Fully” subsidized. Funding covers</p> <ul style="list-style-type: none"> • teacher salaries • operating costs • capital works 	Schools receive the same per pupil funding as state schools	<p>Subsidy estimated at 25–35% of the average cost of educating a child in a state school, depending on grade level</p> <p>Subsidy rate is declining as a result of cap imposed on independent school subsidies</p> <p>Subsidy is paid on a per student basis</p>
Equity funding for students in low-income communities	Subsidy includes equity funding aimed at reducing barriers to learning for students in low-income communities	Subsidy includes equity funding aimed at reducing barriers to learning for students in low-income communities	Schools do not receive equity funding for students in low-income communities
Centralized enrollment restrictions	<p>Schools required to set geographical school zone</p> <p>Enrollment scheme set in place when the school is at maximum enrollment</p> <p>Students have right to attend school for which they are zoned</p>	<p>Not required to set geographic school zone</p> <p>Centrally determined limit on proportion of “nonpreference” enrollments</p>	No
Other enrollment restrictions	Yes. Maximum school roll	Yes. Restrictions on “nonpreference” students	No
Subject to national curriculum	Yes	Yes	No
Subject to national teacher contract	Yes	Yes	No
Subject to teacher registration requirements	Yes	Yes	Yes

An evaluation of the TIE program conducted in the late 1990s by the Children's Issues Centre at the University of Otago concluded that the scheme was "successful in facilitating access to private schooling for a small group of students from low income New Zealand families"

The Targeted Individual Entitlement

The Targeted Individual Entitlement (TIE) program was introduced in 1996 as a three-year pilot scheme. In 1998, it was given indefinite funding. The TIE program was designed to assist children from low-income families to attend a private school, to give choice to families whose education options were limited and to lift educational achievement among low-income families.

Under the scheme, the Government funded a small number (160) of children per year to be educated in private schools. Private schools received 110% of the average cost of education at a state school for each TIE student accepted (equal to approximately \$NZ4,000 to \$NZ7,000 per student in 1998). Families also received an allowance of \$NZ900 to \$NZ1,100 to cover non-tuition costs.

To be eligible for the TIE program, students had to come from families earning less than \$NZ25,000 per year. Students were eligible to receive funding for up to six years. Participating schools had to be registered and had to offer the National Curriculum. The application process was managed by the organization representing independent schools in New Zealand.

An evaluation of the TIE program conducted in the late 1990s by the Children's Issues Centre at the University of Otago concluded that the scheme was "successful in facilitating access to private schooling for a small group of students from low income New Zealand families". Participating families tended to be headed by a single parent, were relatively well educated, and of low-income and middle-income socio-economic status. The evaluation found that both parents and students were highly satisfied with the scheme and that most parents felt their children were better off educationally in the private school than in their previous school. Satisfaction with the scheme significantly outweighed any concerns that parents or students had with it. Participating schools also showed a high degree of satisfaction with the TIE program.

Despite its success, the TIE scheme was abolished by the incoming Labour government and no new students were allowed into the program from the year 2000.

Source: Michael Gaffney and Anne B. Smith, "New Zealand's Targeted Individual Entitlement Scheme," in *Can the Market Save Our Schools?* ed. Claudia Hepburn (Vancouver: Fraser Institute, 2001).

outside the public sector. School choice policies have had more ups and downs than Disneyland's Thunder Mountain rollercoaster. In the case of independent school funding, subsidies were increased in the mid-1970s, abolished in the mid to late 1980s, reintroduced in the early 1990s, and capped in 2000. The school zoning story is somewhat different. Although school zoning was abolished in the early 1990s, it has since been gradually reimposed by successive governments.

Policy support for school choice in New Zealand reached its peak in the mid to late 1990s when private school subsidies were increased and before a mild form of school zoning was reintroduced. Since then, it has all been downhill, with the progressive tightening of zoning, the capping of independent school subsidies, and the abolition of the TIE program.

The New Zealand reform experience revealed a clear demand for choice in schooling among New Zealand families. Following the removal of zoning in 1991, the proportion of students who were not attending their local school rose from 24 percent in 1990 to 31 percent in 1991

The New Zealand Experience with School Choice:

Some Observations

New Zealand is often held up – by both proponents and opponents of school choice – as an example of large-scale introduction of market competition and choice in schooling. The New Zealand education reform experience is often said to hold many lessons for other countries that might be thinking of pursuing a similar reform path. On the one hand, proponents argue that New Zealand’s market reforms have led to improved educational performance and lower costs; on the other, opponents argue that the reforms have led to, among other things, increased segregation of the rich and the poor.⁴

The Tomorrow’s Schools and subsequent reforms did a number of things right and undoubtedly were a significant advance over the centralized system that existed until the late 1980s. In particular, the reforms created a more competitive environment for schools (at least within the public sector), increased choice for all and particularly for students from low-income families, eliminated an entire level of education bureaucracy, provided communities with greater voice in schooling, and gave schools the freedom and autonomy to better meet the needs of local communities. Good principals were given the freedom to turn around failing schools. In many respects, the New Zealand reforms were world leading.

This positive assessment of the Tomorrow’s Schools reforms is supported by New Zealand economist Mark Harrison in his book *Education Matters: Government, Markets and New Zealand Schools*, where he argues:

The reforms introduced competition between government schools, increased parental voice, gave many parents (particularly the poor) increased choice and gave schools more autonomy. Substantial numbers of parents gained from being able to move their children to good schools. . . .⁵

Demand for School Choice

The New Zealand reform experience revealed a clear demand for choice in schooling among New Zealand families. Following the removal of zoning in 1991, the proportion of students who were not attending their local school rose from 24 percent in 1990 to 31 percent in 1991 (and reached 35 percent in 1995).⁶

The phenomenon of attending schools outside a student’s “home” zone continues today, despite the tightening of zoning since the late 1990s. In Porirua, a city just north of Wellington, 40 percent of secondary school students attend schools outside the city, despite the existence of several local high schools.⁷ The TIE program was popular and was seen as highly successful by parents, students, and schools (see previous box).

4. Matthew Ladner and Hon Maurice McTigue, “School Choice, Kiwi-style,” Frontier Public Policy Institute, 1999, <http://www.fcpp.org/pdf/kiwistyle.pdf>; and David Hughes and Hugh Lauder, “School Choice Equals Greater Disparity in New Zealand,” *Teacher Newsmagazine* 14, no. 7 (May–June 2002), www.bctf.ca.

5. Harrison, p. 233.

6. David Hughes et al., “Markets in Education: Testing the Polarisation Thesis,” Report Four, Smithfield Project, 1996, p. 13.

7. Matt O’Sullivan, “Student Exodus Hurting Business,” *Dominion Post*, January 22, 2004, p. A6.

Table 7.3

School choice policies in New Zealand: A chronology

Year	Description
Pre-1970	Small subsidy provided to independent schools in the form of goods and services provided in kind and some operational expenses. Subsidy amount varied over time.
1970	Independent schools became eligible for a subsidy equal to 20% of teachers' salaries.
1975	Private Schools Conditional Integration Act of 1975 passed. It allowed private schools to "integrate" into the state system while retaining their special character. Teachers' salary subsidy increased to 50% for independent schools.
1985	Private school subsidies gradually reduced to zero by 1990.
1989	Tomorrow's Schools reforms introduced selfgoverning schools and amended school zoning laws. Under the new law, students could attend any school, but students had the right to attend their local school.
1991	School zoning abolished. Under the new law, students could attend any school, and there was no right to attend the local school. Schools were responsible for determining enrollment schemes to limit enrollments in cases where the school was at capacity. Teacher salary subsidy (20%) for independent schools reintroduced.
1996	New formula for calculating subsidy to independent schools implemented. Provided subsidy to independent schools equal to 25% of state school costs. Targeted Individual Entitlement (TIE) program introduced. It provided a small number of vouchers for low-income children to attend private schools.
1997	Alternative Education program introduced.
1998	School zoning rules amended. Under the new law, students could still attend any school. They had no right to attend the local school, and enrollment schemes continued to be developed by schools. However, enrollment schemes now had to be approved by the secretary for education and ensure that students could attend a "reasonably convenient" school. Independent school subsidy reached 25% for students in years 1–10 and 40% for upper secondary students. Ministry of Education began review of the policy and regulatory framework for schools. Discussion paper released in October 1999.
1999	Independent school subsidy increased from 25% to 30% for year 1–10 students. Pilot program for schools to self-manage their school property funding introduced.
2000	School zoning rules amended. All discretion removed from schools in setting criteria for enrollment schemes. Right to attend local school reintroduced. Overall budget for independent school subsidies capped at year 2000 levels (around \$NZ38 million). Review of policy and regulatory framework for schools cancelled. TIE program cancelled—no new admissions to program from the year 2000. Bulk funding of teacher salaries abolished.

Traditionally disadvantaged groups such as Maori and Pacific families made particular use of their increased ability to choose a school when zoning was removed (Table 7.4). In 1990, only 21 percent of Maori and 18 percent of Pacific families attended "nonlocal" schools. By 1995, those figures had increased to 39 percent and 38 percent, respectively, for Maori and Pacific families.

Not only did choice increase following the market reforms of the early 1990s, but research

Income segregation in state schools fell when zoning was abolished in 1991 and ... ethnic residential segregation was greater than school segregation in all years

carried out for the Ministry of Education showed that income segregation in state schools fell when zoning was abolished in 1991 (Table 7.5) and that ethnic residential segregation was greater than school segregation in all years.⁸ Some schools halved their student intake between 1990 and 1993.⁹ The reforms have also provided scope for the Ministry of Education to enter into innovative educational partnerships with local *iwi* (Maori tribes) to improve educational outcomes for Maori children.¹⁰

The Catholic school sector is growing, with existing schools expanding, new ones being built, and many having waiting lists. Enrollments in both the independent and the state-integrated sectors have grown more quickly than in the state sector in recent years. Between 1997 and 2003, independent school rolls grew by 29.5 percent (albeit from a low base), while state-integrated school rolls grew by 12.4 percent. That compares with growth of 5.5 percent in the state sector over the same period.¹¹ Between July 2002 and July 2003, independent school rolls increased by 4.8 percent—more than two and a half times the growth in overall school enrollments over the same period.¹²

The reintroduction of tighter school zoning rules is estimated to have increased the price of houses by up to \$50,000 as families have responded by shifting into “desirable” school zones. A 2003 survey found that 52 percent of people surveyed thought private schools were better than state schools, and 47 percent said that they would send their children to a private school if money were no object.¹³

Impact of School Choice on Educational Outcomes

There is no evidence on the impact of school choice on educational outcomes in New Zealand – either in aggregate or for those at the bottom end of the performance scale. That is due in part to the fact that there is no system of national testing in New Zealand, as there is in other countries. Indeed, the concept of benchmarking performance through such tests has long been resisted by many education stakeholder groups.

Some evidence on education outcomes is available from the National Education Monitoring Project (NEMP), an annual survey that samples the performance of year-four and year-eight primary school children. Each curriculum area is assessed every four years. NEMP results showed substantial gains in oral reading between 1996 and 2000 for year-four students and smaller gains for year-eight students.

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- 8. Hugh Lauder et al., “The Creation of Market Competition for Education in New Zealand,” Report One, Smithfield Project, 1994, p. 28.
 - 9. *Ibid.*, p. 44. For a fuller discussion of dezoning and its impact, see Harrison, pp. 219–33.
 - 10. Education Forum, “Ministry’s *iwi* Partnerships: A Flagship for Education,” *Subtext*, November 2002, www.educationforum.org.nz.
 - 11. Ministry of Education, Data Management and Analysis Division, *Education Statistics of New Zealand for 2003* (Wellington: Ministry of Education, 2004), p. 69.
 - 12. Data for independent schools are for the period July 2002 to July 2003 and are from www.minedu.govt.nz. Catholic school data are from New Zealand Catholic Education Office, “Catholic Schools Continue Their Upward Roll Trend,” news release, July 8, 2003.
 - 13. Deborah Hill Cone, “Private Schools Hold Sway but the State Gets a Tick,” *National Business Review*, June 13, 2003, p. 16.

Table 7.4

Proportion of students not attending local school by ethnicity, Smithfield project, 1990, 1991, and 1995

	Percentage of students not attending their local school			
	1990	1991	1995	Change: 1990–95
Maori	21	30	39	+8
Pacific	18	28	38	+20
Pakeha (Europeans)	26	32	33	+7
Other	24	32	35	+11

Source: David Hughes et al., "Markets in Education: Testing the Polarization Thesis," Report Four, Smithfield Project, 1996, Table 9, p. 14.

Table 7.5

Socioeconomic segregation in student intake, New Zealand, 1990–93

	Degree of Socioeconomic Segregation in Student Intake*			
	1990	1991	1992	1993
<i>For 6 Local Schools</i>				
Socioeconomic status	69.7	49.2	54.9	63.6
Unemployed	59.3	44.2	57.2	61.6
<i>For All 11 Schools</i>				
Socioeconomic status	58.3	48.1	49.3	53.4
Unemployed	58.2	51.6	52.6	55.2

Source: Hugh Lauder et al., "The Creation of Market Competition for Education in New Zealand," Report One, Smithfield Project, 1994, Table 3, p. 27 and Table 5, p. 29; reprinted in Mark Harrison, *Education Matters: Government, Markets and New Zealand Schools* (Wellington: Education Forum, 2004), p. 227.

* Higher number means greater segregation.

Further evidence comes from international surveys of educational performance, in which New Zealand's performance has been mixed. New Zealand students performed well in the OECD's Programme for Student Assessment (PISA) survey of educational performance. The PISA survey, which was conducted in 2000, involved 32 countries and looked at whether young adults have the ability to use their knowledge and skills to meet real-life challenges, rather than at whether they have mastered a school curriculum. As Table 7.6 shows, New Zealand students ranked third, third, and sixth in the PISA survey and scored well above the OECD average in reading literacy, mathematical literacy, and scientific literacy.

More recent evidence is available from the Progress in International Reading Literacy Study (PIRLS), which measured literacy levels among some 2,500 nine- and ten-year-olds from 35 countries. The study was conducted in 2001 by the International Association for the Evaluation of Educational Achievement (IEA). New Zealand students ranked just 13th in overall reading comprehension among PIRLS countries – near the bottom among English-speaking countries and behind countries such as the Czech Republic, Bulgaria, and Lithuania.

Earlier surveys such as the IEA's Third International Math and Science Study (TIMSS) of 1994–95 and the follow-up TIMSS-Repeat study of 1998–99, yielded mixed results. As shown in Table 7.6, New Zealand students ranked 15th in both math and science on TIMSS and 19th in science and

A 2002 UNICEF study found that New Zealand had one of the highest proportions of “bottom-end inequality” – a measure of the difference in achievement between children at the bottom and middle of each country’s achievement range. Only Belgium ranked below New Zealand among the countries examined

Table 7.6
Rankings of New Zealand students on international surveys of educational performance, 1994–2001

Subject Area	International Rankings on			
	PIRLS (2001)	PISA (2000)	TIMSS-Repeat (1998–99)	TIMSS (1994–95)
Reading	13	3	N/A	N/A
Math	N/A	3	21	15
Science	N/A	6	19	15

Source: Constructed using data from Alan Smithers, “England’s Education: What Can Be Learned by Comparing Countries,” University of Liverpool, Centre for Education and Employment Research, 2004; and OECD, “Knowledge and Skills for Life: First Results from PISA 2000,” Paris, 2001.

21st in math on TIMSS-Repeat. In the original TIMSS, New Zealand students generally scored below the international average in math and above the international average in science.

New Zealand’s overall performance on international surveys masks significant differences in educational outcomes across students from different societal groups. Indeed, a 2002 UNICEF study found that New Zealand had one of the highest proportions of “bottom-end inequality” – a measure of the difference in achievement between children at the bottom and middle of each country’s achievement range. Only Belgium ranked below New Zealand among the countries examined.¹⁴

While interesting and useful in their own right, these surveys provide little guidance as to the impact of school choice or competition on student outcomes in New Zealand.¹⁵ There have been no “U.S.-style” controlled studies of the impact of school choice on educational outcomes in New Zealand, such as have been conducted in Milwaukee, Cleveland, and elsewhere.¹⁶

The Role of the Education Review Office

The creation of the Education Review Office, whose role is to undertake regular reviews of, and report on, school performance, played an important part in supporting the introduction of school choice (see box). Despite lacking some of the tools needed to properly carry out its task – such as nationally benchmarked assessment data – the ERO nonetheless played an important role in highlighting widespread educational failure in areas such as South Auckland, the Far North, and the East Coast – all areas with high concentrations of Maori or Pacific families, or both.

The combination of school choice and the work of the ERO brought to light educational underperformance that had remained hidden and motivated actions to address that underperformance. It also allowed students from poor families to escape underperforming schools that had remained resistant to previous school improvement efforts. A good example is provided by South Auckland, where the quality of schooling had been a cause for concern as

14. UNICEF, *A League Table of Educational Disadvantage in Rich Nations*, Innocenti Report Card, no. 4, November 2002.

15. This point is supported by Woodfield and Gunby, p. 880.

16. For an overview of several of those studies, see Jay P. Greene, “A Survey of Results from Voucher Experiments: Where We Are and What We Know,” in *Can the Market Save Our Schools?* ed. Claudia R. Hepburn (Vancouver: Fraser Institute, 2001), pp. 121–49.

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The Education Review Office

The Education Review Office (ERO) is a New Zealand government department whose purpose is evaluating and reporting publicly on education in schools, early childhood centres. . . . ERO's findings inform decisions and choices made by parents, educators, managers and others, at the individual school and early childhood level and at the national level by government policy makers.

ERO carries out reviews of individual schools and groups of schools, conducts homeschool reviews, provides contract evaluation services and undertakes national evaluations of education issues. ERO publishes national reports which evaluate specific education issues using its inspection evidence.

Reviews of schools and centres are scheduled on the basis of prior performance, current risk appraisal and general review frequency. Schools and early childhood centers are reviewed on average every three years. Reviews are more frequent in particular cases where the performance of a school or center is poor and there are risks to the education and safety of the students.

ERO reports on individual schools and centers are freely available to the public. They are available on ERO's website, or can be obtained from the individual school or center or from any ERO office.

Source: Education Review Office, *The Role of the Education Review Office in New Zealand Education*, <http://www.ero.govt.nz/about/roleleaf.htm>

far back as the 1970s. Despite its lengthy history of educational underperformance and various efforts to address it, a significant proportion of children in South Auckland continued to receive substandard schooling in the mid-1990s. According to a 1996 ERO report, 42 percent of the schools in the South Auckland suburbs of Mangere and Otara were performing very poorly or underperforming.¹⁷

Implications for Future Reform Efforts

One of the key lessons from the New Zealand experience with school reform is that we should be careful about drawing too many lessons from it. The experience is neither a ringing endorsement of market competition, nor is it a "cautionary tale" for countries considering similar moves. The New Zealand reforms, although "more complete and far bolder than is typically the case for major educational reforms,"¹⁸ were, at best, only partial. As a result, they provide few lessons on the desirability of introducing school choice but many on how to do it better.

A major weakness in the New Zealand reforms is that, although they facilitated greater competition and choice in the education system, they did little to create the conditions under which market competition could work. For example:

17. Education Review Office, *Improving Schooling in Mangere and Otara*, Wellington, 1996, www.ero.govt.nz.

18. Fiske and Ladd, "The Tomorrow's Schools Reforms," p. 1.

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- New Zealand never had a voucher system per se. The state continued to fund inputs such as property, teacher salaries, and operating costs instead of funding outputs, and hence funding was not fully demand driven (although some of the underlying components of the funding system were). In that sense, the funding system lacked an essential characteristic of a voucher.
- The accountability measures included in the Tomorrow's Schools reforms had only limited effect. In that sense, New Zealand schools are more appropriately considered "schools with charters" than "charter schools" in the American sense.
- Effective choice was limited to state-owned schools because private schools received a much lower subsidy than state schools and could not access equity funding aimed at helping schools overcome barriers to learning for students from low-income communities. Both of those factors limited access to independent schools, especially for those on low incomes;
- The lower subsidy and the failure to provide equity-related subsidies discouraged independent schools from expanding and discouraged the establishment of new independent schools.
- Teacher pay and conditions continued to be set centrally through negotiations between the Ministry of Education and the relevant teachers' union.
- Legislative restrictions limited the degree to which schools could be restructured, merged, or taken over by other schools.
- The Ministry of Education retained control of the allocation of school property and, beyond a certain point, refused to allocate new classrooms to expanding schools when neighboring schools had excess capacity.
- It proved difficult to close schools whose rolls were falling. School closures consumed significant amounts of bureaucratic effort and took a long time to carry out.
- The governance structure for state and state-integrated schools was centrally determined, leaving little scope for diversity in governance structures, especially in communities where parent-dominated boards were unsuitable. Although the government has introduced some flexibility in governance structures, it too is centrally controlled and only a handful of schools have made use of such arrangements.
- A new centrally determined national curriculum was introduced.
- The vast majority of new teachers were taught at a small number of state-owned colleges of education.

As noted above, the New Zealand reforms did little to open up the supply side of the education market. The central government retained control over virtually all supply-side decisions in the public school sector, including the creation of new schools and the expansion or restructuring of existing ones. The introduction of school choice was a demand-side reform that could succeed only if it was accompanied by freeing the supply side of the school market.

In many cases, the mechanisms existed to allow more flexibility and diversity in the provision of schooling, but they went largely unused. For example, the Tomorrow's Schools reforms provided an avenue for the creation of designated character schools. Although the legislative requirements for establishing such schools are not onerous, the first one was not approved by the minister of education until 1999 – fully 10 years after the legislation came into effect. Even now, there are only a small number of such schools.

Critics are overly focused on the impact of dezoning on schools, rather than its impact on students and student achievement. As a result, roll declines at schools are seen as necessarily a bad thing, when in fact they may be a good thing if students are leaving inferior schools for better ones

Critics such as Edward B. Fiske and Helen F. Ladd, authors of *When Schools Compete: A Cautionary Tale*, have raised a number of criticisms of the New Zealand reforms. Broadly speaking, their concerns are that the reforms have increased ethnic polarization of enrollments, have led to the emergence of loser schools, and have failed to balance the interests of competing education sector stakeholders.¹⁹

Some observers have challenged many of the criticisms of the reforms advanced by Fiske and Ladd and others. For example, Mark Harrison argues that socioeconomic polarization actually decreased after dezoning took effect in 1990, citing evidence from the Ministry of Education-funded Smithfield Project to support his contention. He has also argued that

- some ethnic polarization observed after the removal of zoning may have resulted from “positive” factors, such as the establishment of Maori education options like Kura Kaupapa Maori, and
- critics are overly focused on the impact of dezoning on schools, rather than its impact on students and student achievement. As a result, roll declines at schools are seen as necessarily a bad thing, when in fact they may be a good thing if students are leaving inferior schools for better ones.²⁰

Merrifield argues that stratification is a predictable result of parental choice among highly regulated, relatively uniform schools because it means that remaining differences like student body composition dominate school choices.²¹

Researchers Mark Harrison, Ron Crawford, and Woodfield and Gunby all raise a number of technical and policy issues relating to the Tomorrow’s Schools reforms and the criticisms leveled at them. Interested readers should refer to their publications for a more detailed discussion of the reforms and a more thorough assessment of the work by Fiske and Ladd.²²

An additional point is that many of the cautionary tales told by Fiske and Ladd are in fact criticisms of other elements of the New Zealand school policy environment, not of school choice itself. Those criticisms include

- the reluctance on the part of authorities to close failing schools,²³
- the failure of the Ministry of Education to address the problems of failing schools,²⁴
- the failure to retain central control over some operational functions such as combating truancy,²⁵
- the one-size-fits-all school governance structure,²⁶ and

19. For a summary of the book, see *ibid.*

20. See Harrison, pp. 219–33.

21. John Merrifield, “Parental Choice as an Education Reform Catalyst: Global Lessons,” Education Forum, Wellington, forthcoming 2005.

22. Harrison, pp. 219–33; Ron Crawford, “Commentary,” in *The Tomorrow’s Schools Reforms*; and Woodfield and Gunby, pp. 863–84.

23. Edward B. Fiske and Helen F. Ladd, *When Schools Compete: A Cautionary Tale* (Washington: Brookings Institution Press, 2000), p. 288.

24. *Ibid.*, p. 289.

25. *Ibid.*, p. 295.

26. *Ibid.*

“In the course of our travels and research for this book, we encountered literally no one, not even the most vocal critics of the new fiscal and enrolment policies, who wanted to go back to the old highly regulated system”

- limits on the establishment of schools.²⁷

Fiske and Ladd also highlight a number of positive points about the Tomorrow’s Schools reforms – something that other critics of the New Zealand experience with school choice routinely ignore. For example, Fiske and Ladd argue that

- “there is little doubt that parental choice made it possible for many students to escape from low-performing schools and thereby improve their educational experiences”;²⁸
- “one potential benefit of the new governance arrangement is that the failures of such schools are more visible and less easily ignored than under the old system”;²⁹
- “the country’s experience with Tomorrow’s Schools provides considerable vindication for the notion of self-governance in and of itself”;³⁰
- “such dramatic transformations of whole schools would not have been possible under the system that Tomorrow’s Schools replaced”;³¹ and
- “we have little doubt that the system has been beneficial for many students and schools”.³²

There is no question but that the reforms could have been better designed and better implemented, as supporters and opponents have both pointed out. Such is the benefit of hindsight and the relaxation of political constraints. Yet, despite weaknesses in the design and implementation of the Tomorrow’s Schools reform program, Fiske and Ladd conclude:

For those who oppose such reforms, these policy conclusions may provide additional ammunition against them. We would argue, though, that none of the negatives is devastating. What matters is that these issues are addressed, not that they arise. Moreover, just because New Zealand implemented these ideas one way need not mean that other countries would have to follow the same course.³³

Fiske and Ladd also note that there is little desire in New Zealand to reverse the Tomorrow’s Schools reforms:

In the course of our travels and research for this book, we encountered literally no one, not even the most vocal critics of the new fiscal and enrolment policies, who wanted to go back to the old highly regulated system.³⁴

The policy reversals introduced to date – the abolition of bulk funding, the reintroduction and subsequent tightening of zoning, and the abolition of the TIE scheme – have all been politically motivated, instead of reflecting evidence of policy failure.

Although the issue of whether the New Zealand reforms were successful is of interest, what is of greater interest looking forward is whether a better-designed school choice policy would yield better outcomes. For the reasons cited above, New Zealand may not provide much of a guide. The cautionary tale from New Zealand’s experience is that the introduction of school choice needs to be done right. Not all school choice policy frameworks are created equal. Like U.S. charter school laws, there can be good and bad ones. Half measures cannot be expected to yield the full

27. Ibid., p. 303.

28. Ibid., p. 288.

29. Ibid., p. 288.

30. Ibid., p. 292.

31. Ibid., p. 292.

32. Ibid., p. 304.

33. Ibid., p. 281.

34. Ibid., p. 72.

The cautionary tale from New Zealand's experience is that the introduction of school choice needs to be done right. Not all school choice policy frameworks are created equal

demand- and supply-side response needed to generate the benefits expected from the introduction of choice. A more comprehensive reform is required to drive the transformation of the education system. The New Zealand choice reforms would not meet the minimal criteria for school system transformation set out by Merrifield in this volume, namely:

- minimal regulation of private schools beyond what applies to all entities serving the general public (i.e., few formal entry barriers, allowing opportunities for schools to specialize); and
- keeping informal entry barriers low (i.e., nondiscrimination in funding between public and private schools), minimizing uncertainty about the scope of the market, avoiding controls on tuition fees, and allowing private tuition copayments.

Looking internationally, many countries operate demand-side financing policies—on both a large and a small scale. However, the degree of regulation of private schools differs markedly across countries, with some placing a significant amount of regulation on schools and others less.³⁵ Despite the differences in regulatory environments, one stylized fact emerges: higher funding of private schools tends to be associated with increased regulation of private schools (see Table 7.7).

For that reason, the issue of government funding of private schools is controversial among supporters of educational freedom. Although the concern that government assistance leads to government regulation and control is real, it need not be that way. Funding and regulation are two separate policy instruments, and there is no reason why a well-designed funding policy that funds students in public and private schools in a neutral fashion must necessarily be accompanied by bad regulation.

Conclusion

The Tomorrow's Schools and subsequent reforms ushered in a new era of choice, competition, and self-managing schools for New Zealand. The reforms were by no means perfectly designed or flawlessly implemented. The impact of the Tomorrow's Schools and subsequent reforms has not been formally examined by researchers and is therefore unknown. Nonetheless, the reforms created a more competitive environment for schools (at least within the public sector), increased choice for all, eliminated an entire level of education bureaucracy, provided communities with greater voice in schooling, and gave schools freedom and autonomy to better meet the needs of local communities. The reforms revealed a significant demand for educational choice – particularly among students from low-income families who were being badly served by the centralized education system.

So what is the outlook for the global school choice movement? In my view, there is reason to be optimistic. The choice movement, for want of a better phrase, is large when measured on a global scale. It comprises a range of policies that include the removal of school zoning restrictions, charter schools, demand-side financing initiatives such as student-based funding, scholarships and vouchers, management of public schools by the private sector, and home schooling.

In the United States, existing voucher programs in places such as Cleveland, Milwaukee,

35. Pauline Nesdale, "International Perspectives on Government Funding of Nongovernment Schools," Briefing Paper no. 7, Education Forum, Wellington, 2003.

... the reality is that school choice is a global phenomenon. Demand-side financing programs such as vouchers and subsidies to private schools operate in many countries – often with far less fanfare and far less controversy than in the United States and New Zealand

Table 7.7
Degree of regulation and funding of private schools, various countries, 1999

		Degree of Regulation		
		Low	Medium	High
Level of Public Funding	High	Australia	Denmark	Austria, Belgium, France, Germany, Luxembourg, Netherlands, Norway, Portugal, Spain
	Medium	New Zealand		British Columbia (Canada)
	Low	United Kingdom		Greece Italy

Source: Adapted from Nancy Kober, "Lessons from Other Countries about Private School Aid," Center on Education Policy, Washington, 1999, pp. 10–11.

and Florida are relatively small and provide little indication of what could be expected under a significant market-based reform. Nonetheless, the No Child Left Behind Act (NCLB) and the 2002 Supreme Court decision in *Zelman v. Simmons-Harris* have both provided renewed impetus to the school choice movement in the United States. In 2003, Colorado governor Bill Owens signed into law the Colorado Opportunity Contract Pilot Program, which provides vouchers to low-income students in low-performing school districts (currently being challenged in the courts). The first federally funded school voucher program recently took effect in Washington, D.C. Response to the program has been overwhelming, with the number of applications more than double the places available.³⁶ The Supplemental Education Services (SES) provisions of the NCLB have led to the development of a significant tutoring market, with more than 1,000 providers delivering SES services.

Although much of the discussion of school choice focuses on developments in the United States, the reality is that school choice is a global phenomenon. Demand-side financing programs such as vouchers and subsidies to private schools operate in many countries – often with far less fanfare and far less controversy than in the United States and New Zealand. Many of those school choice programs are large relative to current U.S. initiatives. They are not simply voucher programs. For example, the Educational Service Contracting program in the Philippines finances private school attendance for around 280,000 students annually. In Côte d'Ivoire in the late 1990s, more than 40 percent of all students in private schools (some 160,000 students) were there under a government sponsorship scheme. National voucher-type programs operate in the Netherlands, Denmark, and Chile. The Netherlands provides equivalent funding to state and nonstate schools, while Denmark funds private schools at around 80 percent of state school levels.

Other choice-based policies are also significant and growing. More than 900,000 students from poor communities attend Fe y Alegría schools operated by the Jesuits in Latin America. The city of Bogotá, Colombia, contracts for the private management of 25 public schools with more than 26,000 students. The number of public schools managed by private education management

36. "Huge Demand for School Vouchers in Capital City," *USA Today*, June 11, 2004, www.usatoday.com.

... the need for reform has not gone away. International surveys suggest that, although the school system delivers a good education to many in New Zealand, it continues to fail far too many families – especially those in lower socioeconomic groups

organizations in the United States stood at 463 in 2003–04 – more than three times the number in 1998–99. More than one million children were being home schooled in the United States in 2003 – up 29 percent since 1999. In the United Kingdom, academies and specialist schools are providing increased choice for families, and local education authorities have been contracting out some of their services to the private sector since the late 1990s.³⁷

The road to school choice is, and no doubt will continue to be, marked by setbacks. Choice-based reform efforts will need to be sustained if they are to overcome the agenda-driven “No Teachers’ Union Left Behind” policies favored by many opponents of school choice. The changes to zoning, the abolition of the TIE program in New Zealand, and the abolition of the private school tax credit in the province of Ontario (Canada) are good examples of politically motivated reversals of school choice policies.

What of the future for New Zealand? The Tomorrow’s Schools and subsequent reforms were world leading. One can only hope that New Zealand can shake off the ideology-driven reversals of the recent past. The future may be uncertain, given the recent setbacks, but supporters remain optimistic that progress can be made on the school choice front. There are several reasons for that. First, there was no policy or research basis for the post-1999 reversals of marketbased policies in New Zealand. They were purely political decisions to please vested interests. Second, the need for reform has not gone away. International surveys suggest that, although the school system delivers a good education to many in New Zealand, it continues to fail far too many families – especially those in lower socioeconomic groups. Third, the primary and secondary school sector in New Zealand remains the “outlier,” with both the early childhood sector and the tertiary education sector being much more choice based.

Finally, opponents of school choice in New Zealand – well-funded teachers’ unions, parts of the education academic community, and the government – are finding themselves increasingly isolated from the mainstream of thinking on school reform. Support for choice-based reforms spans the political spectrum, including think tanks such as the Cato Institute and the Heritage Foundation in the United States, “third-way” Democrats in the United States, the “new” Labour Party in the UK, and organizations such as the Black Alliance for Educational Options and the Hispanic Council for Reform and Educational Options.

Notes

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37. For a summary of private participation in education, see Norman LaRocque, *Private Participation in Education*, Speech delivered to the Rotary Club of Palmerston North, Education Forum, Wellington, 2004, www.educationforum.org.nz.