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Liberal Forum

**A New Deal: Choice and Competition in
the New Zealand School Sector**

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A NEW DEAL: CHOICE AND COMPETITION IN THE NEW ZEALAND SCHOOL SECTOR

Thank you for the opportunity to address the Liberal Forum.

I want to speak to you today about the Education Forum's vision for the New Zealand school sector, as set out in *A New Deal: Making Education Work for All New Zealanders*, which was released in October 2003.¹ Second, I will discuss in greater detail the important role that choice and competition play in that vision.

A central premise of *A New Deal* is that there is much good in the New Zealand education system. It serves many New Zealand families well. And for that it should be applauded.

At the same time, it fails far too many families – especially those in lower socioeconomic groups, Maori and Pasifika students. A 2002 UNESCO report showed that New Zealand has one of the poorest rankings for 'bottom end inequality' – a measure of the extent of the difference in achievement between children at the bottom and at the middle of each country's achievement range. Only Belgium scored below New Zealand.

We also know that there is a close – though not immutable – link between socio-economic status and educational performance. Results from the Programme for International Student Assessment (PISA) survey, conducted by the Organisation for Economic Cooperation and Development (OECD), showed that students from higher socio-economic groups scored significantly higher than those from lower socio-economic groups in all facets of literacy – reading, mathematics and science.

But it need not be this way. While students from higher socio-economic groups often bring with them advantages such as resources, attitudes and expectations, many schools and countries are able to overcome the lack of them. Countries such as Austria, Belgium, Japan and Italy all display much weaker correlation between family wealth and student performance.

¹ Available at www.educationforum.org.nz.

In our view, while there are clearly a range of factors responsible for the education performance gap, at least some of it is policy-induced. And it is only through a comprehensive market-based reform that we can address it.

A New Deal outlines the Education Forum's strategy to lift education standards across the board and to address the significant gap in educational performance. It sets out how we believe the school sector should be funded, how it should be regulated and how it can best be organised to respond to the wishes of parents and communities.

The report's recommendations reflect the Education Forum's principles of excellence, choice, self-management and accountability. The key recommendations in the report include:

- giving parents greater freedom to determine what school will best suit their children and, more importantly, backing up that choice with real dollars;
- trusting teachers and principals to determine the best way of organising themselves to meet the needs of an increasingly diverse student population in New Zealand;
- building a culture of professionalism in the teaching sector;
- providing parents, teachers, principals and the government with the information required to determine how well the education system is serving New Zealand children; and
- ensuring that students, parents and teachers have access to world class curricula and qualifications.

A New Deal brings together a comprehensive and coherent set of policy proposals for the school sector in a single, accessible document. It outlines a positive, sound and proven alternative to the negative, class-ridden, teacher union-driven agenda that is being pursued by the current government.

A key theme of *A New Deal* is that no single policy reform will address the performance gap. There are no silver bullets in education. Equally, tinkering with current policies is not enough. The return of the Targeted Individual Entitlement scheme, which provided vouchers to children from a

small number of low-income families, and the removal of school zoning – while useful – won't address the fundamental problems with the system. What is required is a new way of thinking about the role of government and communities in education.

I want to emphasise that *A New Deal* is not a vision in the sense that it describes what schooling should look like in 20 years' time. We don't want to replace one narrow vision of tomorrow with another. Rather, the document sets out a framework through which parents, teaching professionals, boards of trustees and communities can develop their own vision of what schooling should look like in their community.

In our view, any reform of the education system must be built on the twin precepts of parental choice and competition. While that is not a popular view in Wellington these days, it is one that is well grounded in theory and evidence.

A New Deal recommends the abolition of enrolment schemes – the Berlin Wall of educational opportunity – and the introduction of a funding system in which the money follows the student to whatever school they choose – state, private, religious, secular, for-profit or not-for-profit. We believe that all families – and particularly disadvantaged ones – would do better under a 'market-based' education system than under the current politicised and increasingly centralised one. In his recent Education Forum book, *Education Matters: Government, Markets and New Zealand Schools*, Australian economist Mark Harrison sets out the arguments and evidence on why this would be the case.² I would recommend it to all of you.

Choice and competition in education can be expected to have a number of benefits, including improved quality, lower costs and increased innovation. Such reforms have been shown to have significant benefits in a wide range of sectors, including transport, telecommunications and other infrastructural areas. There is no reason, *a priori*, to expect that competition would not have similar effects in education.

² Available at www.educationforum.org.nz.

And these benefits are not limited to students who attend private schools. Indeed, the evidence is that public schools respond to competition from private schools by improving the quality of instruction.

The evidence of the benefits of choice and competition in education is growing. A number of US studies by researchers at Harvard University and the Brookings Institution, and elsewhere, have found that choice and competition in education lead to increased educational achievement per dollar spent and better performance in terms of educational attainment, graduation rates, test scores and student wages.

Recent studies by Caroline Hoxby in the *Swedish Economic Policy Review*, and Jay Greene and Marcus Winters, published in the Summer 2004 edition of *Education Next*, provide further evidence of the benefits of competition on public school performance.

Other studies have found that competition between schools improves teacher quality and increases teacher salaries and that market incentives result in an improved working environment for teachers. Teachers would be transformed into true professionals and rewarded on the basis of their skills and performance.

These findings have led one researcher to argue:

Most of the work on government responses to competition has focused on the market for education, and here the literature is strikingly consistent – competition improves public schools. Almost across the board, researchers have found that school spending is lower, academic outcomes are better, and school-district efficiency is higher where parents have more choice in their children's educational provider.

When it comes to choice, the people have spoken. There is a clear demand for choice in education in New Zealand. For example:

- Catholic and other integrated schools are expanding, new ones have been built, and many have waiting lists;
- independent school rolls are expanding rapidly;
- the Targeted Individual Entitlement scheme was seen as highly successful by parents and students and was over-subscribed;

- a large proportion of students in New Zealand attend out-of-zone schools, despite the restrictions brought by enrolment scheme legislation; and
- New Zealand research showed that Maori and Pacific families made the greatest use of choice and that income segregation in state schools fell when zoning was abolished in 1991.

Unfortunately, the ideological opponents of choice in education have failed to keep up with the changing times and New Zealanders' aspirations. Instead, the ideologues in government and the teacher unions continue to cling to the centralised, one-size-fits-all, Albanian model of schooling.

Fortunately, they are increasingly finding themselves isolated from the policy mainstream. School choice policies have existed for years in Ireland, Denmark, the Netherlands, Canada, Australia and Sweden.

And choice-based reforms are spreading:

- a recent report found that over 400 public schools in the United States were being managed by private, for-profit management companies – more than triple the number from four years earlier;
- the June 2002 US Supreme Court decision on school vouchers has given new impetus to vouchers at the state level;
- education services in some parts of the United Kingdom are contracted out to private companies; and
- forty states in the United States have enacted charter school laws – there are now some 2,700 such schools.

Support for these reforms spans the political spectrum, including 'third way' Democrats in the United States and the 'new' Labour Party in the United Kingdom.

As Tony Blair stated recently: "It's not reform that is the enemy of public services. It's the status quo."

The Progressive Policy Institute, a Democratic Party affiliated think-tank in the United States, supports an accountable choice model for funding schools, which would see funding following students no matter whether the school was public, private, for-profit or not-for-profit. It also supports greater accountability for schools and moves such as greater flexibility in hiring and teacher compensation.

One of the arguments that would be raised against such a reform is that it is too hard to design such a funding system. Opponents argue that it will never work in practice. Well, I am sorry to disappoint the non-believers – not only *can* it be done, but it *is* being done. Parents, politicians and policymakers need look no further than the early childhood and tertiary education sectors to see how such a scheme would work successfully in practice.

The reforms suggested in *A New Deal* and in Mark Harrison's book *Education Matters: Government, Markets and New Zealand Schools* are long overdue. While New Zealand families have benefited and still do benefit from some choice in schooling – through for example integrated schools, Kura Kaupapa Maori and partially subsidised independent schools, much more can be done.

Families in New Zealand have been denied *real* choice in education for too long. The same parents who as 16 year olds are trusted to decide whether to remain in school or not, who as 18 year olds are trusted to choose whether and what form of tertiary education to undertake, who as 30 year olds are trusted to choose their child's early childhood education, at 35 are told that they cannot choose what school their child should attend.

This must change if we are to give every New Zealand kid a fair go in life. The government's 'No Teacher Union Left Behind' policy programme must stop and the interests of children – not the NZEI or PPTA leadership – must be paramount in educational policy decisions.

The early childhood education sector looks nothing like the sector that existed prior to the Lange reforms of the late 1980s. I am confident that the same would be said of the school sector if we were to unleash the power of

competition and real parental choice. As I noted, one of the strongest justifications for reforms built around choice and competition is that they can help improve educational outcomes for New Zealand children.

But while that is true, we should also recognise that educational freedom is worth fighting for, irrespective of what impacts parental choice might have on educational outcomes. The right to choose is, in and of itself, sufficient justification for the reforms we propose.

This point was eloquently put by the Roman Catholic bishops of New York State, in a pastoral letter in support of educational choice:

While a system of parental choice and school competition would have a positive effect in improving schools, this argument is beside the point. The purpose of a system of parental choice is to enable parents – all parents – to exercise their inherent right and responsibility to direct the upbringing and education of their children. Even if all schools were high performing, the rationale for a system of parental choice remains. The freedom to choose the education best suited for one's children is a basic right of all parents, regardless of income.

This is recognised by the fact that the right to choose in education is protected by Article 26(3) of the United Nations' Universal Declaration of Human Rights, which states that "Parents have a prior right to choose the kind of education that shall be given to their children."

We are a long way from that in New Zealand. And we have been losing ground in recent years. The Education Forum and other groups are working together to change that. And we need your help.