

ACT Education Policy 2014

CHOOSING BETTER SCHOOLS

July 4th, 2014

INTRODUCTION

Education has become more important than ever. In New Zealand and all around the world, the incomes of the well-educated are rising rapidly while the incomes of uneducated people are stagnating.

This is a predictable result of technological progress. Physical labour and physical strength have become relatively unimportant. What matters now are your intellectual and social abilities, both of which can be greatly improved by a good education.

Many New Zealand children are well-educated. We have some excellent schools here. But we also have too much failure.

The OECD's 2013 international rankings placed New Zealand 15 year olds at 18th in Science, down from 7th in 2009. It placed us 23rd in Maths, down from 13th. 13th in reading, down from 7th.

It is disappointing that the ranking of our average student is declining. But our averages disguise another problem. The difference between our

best students and our worst is the biggest in the OECD. Our average is average only because our best are very good. Our underperforming students are doing very badly. About 15% leave school almost illiterate.

If we cannot improve the education supplied to those now being failed, they will fall farther and farther behind well-educated New Zealanders. They will not have a real chance to get ahead in life. And New Zealand's overall economic growth will be slowed.

How can educational standards be improved, especially among those now struggling?

Unlike the other parties in New Zealand, ACT does not believe that politicians should tell educators how to do their jobs. For improvements in performance, we look to structural changes in the way education is supplied. We believe that students will get better educations if their parents have more choice and educators face more competition. That is how it works with other goods and services, and there

is no reason to believe education is an exception to this general rule.¹

ACT's education policy is designed to increase competition and choice in the education system. Without increasing government spending, our policy will lead to faster innovation in the education sector and more opportunity for parents to find educations that suit their children.

ACT's education policy has three components:

- Increase the government subsidy to Independent Schools. The subsidy will be set a level where the extra government spending on private schools is offset by the saving entailed by students switching out of the state sector
- Create a registry of individuals willing to serve of Boards of Trustees who may not be part of the school community but have skills to offer
- Allow State and Integrated Schools to voluntarily apply for *Partnership School Kura Hourua* status, giving State Schools who want it the same flexibilities enjoyed by "from scratch" Partnership Schools

2. INDEPENDENT SCHOOL SUBSIDIES

Independent Schools are funded almost entirely from fees paid by parents. By sending their children to Independent Schools, parents save the taxpayer a significant amount of money. About 4% per cent of students, or one student in 25, now attends an independent school. Depending on their year level, the school they attend is eligible to receive a subsidy ranging from \$1,033 to \$2,200 per student, excluding GST.

¹ For example Eric Hanushek's 2012 study of one million students' PISA results found that school school autonomy improves results. E.A. Hanushek et al. / Journal of Development Economics 104 (2013) 212-232

see <http://www.minedu.govt.nz/NZEducation/EducationPolicies/Schools/PublicationsAndResources/Circulars/2013/Circular201324.aspx>

Year level	2014 funding rate GST exclusive	2014 funding rate GST inclusive
Years 1-6	1,033.79	1,188.86
Years 7-8	1,132.05	1,301.86
Years 9-10	1,448.79	1,666.11
Years 11-15	2,200.35	2,530.40

By contrast, State and Integrated Schools received \$7,000 per student on average in 2013.²

The result is that parents of independent school students pay almost twice for education. Once through their taxes, and again through school fees (minus the subsidy). Increasing the subsidy to Independent Schools would be fairer than making parents pay twice for the same service. To add insult to injury, Independent Schools generally receive less in government subsidy than they pay in GST.

ACT's policy of increasing the subsidy to Independent Schools would allow them to reduce their fees and attract more students. For every student switching from the state sector, the taxpayer would save the difference between funding a child at a state school and the per student subsidy for Independent Schools.

ACT proposes increasing the Independent School subsidy to 50% of state school per student funding. If this caused just 2.5% of state school students to switch to Independent Schools, it would cost taxpayers nothing. If more than 2.5% switch, taxpayers will be better off.

² Education Counts (2014) Per Student Funding <http://www.educationcounts.govt.nz/statistics/schooling/resourcing/per-student-funding>

After five years this subsidy should be evaluated for its fiscal impact, comparing its direct cost with the amount saved by students shifting to Independent Schools.

Policy Benefits:

- Increased choice so that students are more likely to find an education suited to their needs
- Higher quality education for all students due to greater competition for students among schools
- Greater fairness as taxpaying parents would pay less than twice for their child's education.

3. BOARD OF TRUSTEES REGISTER

If schools are to have more autonomy, they need competent governance. Some communities may be short of people who are willing to give their time to their local school's Board of Trustees and also have the skills required to do the job well. At the same time, there are people who would be willing to offer their governance skills to schools outside their own community but have no obvious way of offering this service.

ACT proposes a national Registry of Trustees. People interested in being on a Boards of Trustees can apply to be registered on the basis of their demonstrable credentials. Boards of Trustees who wish to co-opt members who would bring extra governance skills can then look to the Registry for suitable candidates.

4. ALLOW STATE SCHOOLS TO BECOME PARTNERSHIP SCHOOLS KURA HOURUA

In 2013, ACT's landmark Partnership Schools legislation was passed with the support of the National Party and the Maori Party. In 2014, the first five Partnership Schools Kura Hourua opened. Partnership Schools are distinguished by the following characteristics:

- The school is operated by a Sponsor who enters into a fixed term contract with the Government
- Within the terms of the contract, the Sponsor or its delegates can operate the school as they see fit, receiving a per student amount of funding equivalent to the rate at which the same students would be funded if they attended a State School. The schools have flexibility over the staff they employ, the governance structures they take on, and the overall use of their funding
- The school must teach according to the principles of the New Zealand Curriculum
- The Sponsor is responsible for ensuring that the levels of engagement and achievement of the students are in line with those agreed under the contract

4.1 THE SUCCESS OF CHARTER SCHOOLS

The aim of the Partnership School policy is to allow innovative educators to establish and run schools in a way that will attract and serve students according to those students' needs. Early indications are that Partnership School students are performing far better than they had at their previous schools.

Evidence from countries that have had Partnership Schools (commonly known as Charter Schools) for many years is more conclusive.

Charter Schools have been operating in Sweden for more than 20 years and have been a great success. There are more than 400 Charter Schools in Sweden. Hundreds of thousands of Swedish students have passed through them. Students are generally doing better, including those in regular State Schools which have responded to the competition. Swedish grades have improved and there is greater participation in higher education

For-profit schools make the competition that drives up standards possible by increasing the supply of new schools.

- The impact of for-profit schools tends to be greatest on those from low socio-economic backgrounds.
- The educational outcomes of children going to for-profit and not-for-profit schools were significantly better than those of children going to state schools (measured in terms of average school GPA).
- Not-for-profit schools did marginally better on average than for-profit schools (raising the GPA by 5.7 points compared with the for-profit schools' impact of 4.5 points), but among schools with pupils from lower socio-economic backgrounds, for-profit schools performed better (increasing the GPA by 11.6 points).³

Charter Schools are such a success in the United States that President Obama [proclaimed](#) a national Charter School Week in May of this year saying:

During National Charter Schools Week, we pay tribute to the role our Nation's public Charter Schools play in advancing opportunity, and we salute the parents, educators, community leaders, policymakers, and philanthropists who gave rise to the Charter School sector.

As independent public schools, Charter Schools have the ability to try innovative approaches to teaching and learning in the classroom. This flexibility comes with high standards and accountability; Charter Schools must demonstrate that all their students are progressing toward academic excellence.

³ Schooling for Money: Swedish Education Reform and the Role of the Profit Motive Gabriel H. Sahlgren 15 Dec 2010, IEA London

Those that do not measure up can be shut down. And those that are successful can provide effective approaches for the broader public education system. They can show what is possible – schools that give every student the chance to prepare for college and career and to develop a love of learning that lasts a lifetime.

One of the strongest empirical results in the US Charter School literature shows that Charter Schools boost the performance for minority students with low achievement scores. This explains the rapid spread of Charter Schools in the US, especially in areas with a high proportion of underprivileged students and minorities.

The 39 New York City Charter Schools mostly cater to underprivileged and minority communities. They are so oversubscribed that lotteries must be held to select their students. Students of these chartered schools score higher in tests and are more likely to go on to college. There are also fewer teenage pregnancies and fewer males in trouble with the law. The Harlem Charter Schools were able to eliminate the educational achievement gap between blacks and whites.⁴

Over three quarters of the students in New Orleans go to Chartered Schools because the state schools could not open fast enough after Hurricane Katrina. In September 2014, Louisiana's Recovery School District in New Orleans will close the last of its public schools

⁴ Dobbie W, Roland G. Fryer J. [The Impact of Attending a School with High-Achieving Peers: Evidence from New York City Exam Schools](#), American Economic Journal: Applied Economics (July 2014); Fryer R, Katz L. [Achieving Escape Velocity: Neighborhood and School Interventions to Reduce Persistent Inequality](#). American Economic Review (Papers and Proceedings) 2013;103(3):232-237; Fryer R, Dobbie W. [Getting Beneath the Veil of Effective Schools: Evidence from New York City](#). American Economic Journal: Applied Economics. 2013;5(4):28-60; and Roland G Fryer J. [Learning from the Successes and Failures of Charter Schools](#). In: The Hamilton Project. Washington, D.C.; 2012.

that have not been turned into charters. Before Hurricane Katrina in 2005, 65 percent of public schools in New Orleans failed to meet standards. Now only 6% of the schools are failing to meet standards.

More than half of Chicago students are in Charter Schools. Over 40% of students are in Chartered Schools in Washington DC. Charter Schools are spreading to 27 states in the US because they work.

Charter Schools in the US have succeeded by changing the culture of learning with a relentless focus on academic success. They emphasize discipline, traditional reading and mathematics skills, instruction time and selective teacher hiring.

Unions oppose Charter Schools because of their no excuses approach to teacher performance. Some US Charter Schools dismissed a third to a half of their teachers because they were not up to scratch.

4.2 ACT'S PARTNERSHIP SCHOOL POLICY

The five Partnership Schools that opened this year and the extra five that will open next year are a step in the right direction. But they are a very small step.

ACT thinks all parents should have a chance to send their children to Partnership Schools. The best way to achieve this is to allow all State and Integrated Schools to choose whether they want to convert to Partnership School status.

The process for making this choice will need to be negotiated with educational stakeholders. However, it is likely to have the following form:

- The Board of the Trustees would vote to initiate a referendum of parents by providing a proposal for conversion including the

proposed character of the Partnership School

- Parents of enrolled students would vote on whether a school should apply to become a Partnership School
- The Board of Trustees would make an application on behalf of the school to be considered by the Authorisation Board that currently considers Partnership School applications
- If successful, the Board of Trustees would become to sponsor of the new Partnership School Kura Hourua.

Existing school property would become the responsibility of the new Sponsor, paying a rental to the Ministry of Education according to the Cash-for-Buildings formula currently applied to some schools, such as Special Character Schools.

Pre-existing enrolment schemes could be preserved. Partnership Schools are now required to enrol all students who apply and use a ballot to select students if over-subscribed. State and Integrated schools have their own enrolment schemes that are a component of their community or special character. Removing these schemes would hinder the schools in pursuing the community and character goals that may be a part of their special mission.

The performance of Partnership Schools, as defined in their contracts with the Crown, will be monitored by a combination of the ERO and the Partnership Schools Authorisation Board.

More importantly, however, Partnership Schools are accountable to parents and students. They will be established only where there is demand for them. And they will survive only by providing an education that satisfies parents and students. Those Partnership Schools that do not measure up will lose students and the funding that comes with them.

“ *Those who receive taxpayer funding to provide education should compete to satisfy the needs of students and their parents.* ”

Policy Benefits:

- Increased opportunity to find an education that suits your child on account of a greater choice between a wider variety of school models
- Higher standards caused by more competition between schools
- More and faster innovation in education
- Extend the choice and consumer sovereignty in education now enjoyed by high-income families to all New Zealanders, regardless of income

5. CONCLUSION

Trends in globalisation and technology, along with New Zealand’s ongoing educational inequality, make a more flexible, competitive and responsive education system more important than ever. ACT has long campaigned for such reforms.

Many in the educational establishment express intense hostility to our proposals for increasing choice and competition. They now enjoy a monopoly power that they are keen to protect. Their opposition confirms the need for our reforms.

Education is supposed to be for the benefit of New Zealand’s children. Those who receive taxpayer funding to provide education should compete to satisfy the needs of students and their parents.