

# **School Choice International**

**Exploring Public-Private Partnerships**

**edited by Rajashri Chakrabarti and Paul E. Peterson**

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# 1 Perspectives in Public-Private Partnerships in Education

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The undeniable importance of human capital for economic growth has made its accumulation a top priority in developing and developed countries alike. To further that goal, many have looked ever more closely at the contributions that can be made by public-private partnerships in the field of education. Indeed, there has been a burgeoning of such initiatives across the world—from Latin America to Asia, New Zealand, and Australia to Europe and North America. They vary importantly in their forms and structures as well as in the extent of public and private participation. Understanding the different forms of such partnerships and the role they play in the production and delivery of education is crucial, if broader policy implications are to be teased out. Yet apart from initiatives in the United States, careful documentation and systematic evaluation of their impact has been scattered, with very little attention paid to bringing together in a coherent fashion the work that is being done. The essays in this volume are designed to take some initial steps in this direction as well as to instigate further exploration and research.

Resources and management are two of the main factors that give shape to a school, Ludger Wößmann points out in chapter 2. Considering just these two critical factors, public-private partnerships can be divided into four broad categories, as shown in figure 1.1—publicly funded resources that are publicly managed, privately funded resources that are privately managed, publicly funded resources that are privately managed, and privately funded resources that are publicly managed. Schools in the first group constitute the most conventional form of public schools, while the second group constitutes the private schools. Unlike these two categories, the third category of initiatives requires both public and private participation. Some examples of such partnerships discussed in this book are vouchers in the United States,

		Management	
		Public	Private
Funding	Public	Public Schools	Vouchers, Charters, Concession Schools, City Academies
	Private	Government Tuition Schools	Private Schools

**Figure 1.1**

A Typology of the Interconnection between Public and Private Sectors in Education

Chile, and Colombia; charter schools in the United States; concession schools in Colombia; and city academies in the United Kingdom (see figure 1.1). Publicly funded and privately managed schools are also often considered to be public. For example, publicly funded schools in Britain managed by churches or synagogues are regarded as public schools. Charter schools in the United States are also considered public schools, though the first group of schools (publicly funded, publicly managed) is regarded as the traditional form. Unless otherwise stated, “public schools” in this volume will refer to this first group of schools. Publicly funded privately managed schools can in turn be divided into two subcategories: schools where the nongovernmental authority approached the state for funding (example, many schools in France are managed by the Catholic Church) and schools where private authorities have been invited to manage. The second subcategory includes charter schools, concession schools, and city academies. The final category of initiatives (privately funded, publicly managed) is less common, and consists of government tuition schools where the government manages the schools and families pay tuition to attend them. As Wößmann points out, these are mainly found in Mexico, but also to a lesser extent in Italy, New Zealand, Brazil, and Greece.

Part I of this volume provides a series of broad, overarching assessments of the promise that public-private partnerships provide. Parts II and III focus on specific partnerships in particular countries. The chapters in part II examine the most conventional division between the public and private sector—publicly financed and managed schools

versus privately financed and managed schools. Chapters in part III evaluate initiatives that are publicly funded but privately managed.<sup>1</sup>

Following this introductory chapter, part I consists of three chapters. Chapter 2 provides a big-picture scenario of the efficacies of these different forms of public-private partnerships. In an instructive cross-country analysis using student-level data from the Program for International Student Assessment (PISA) international test, Wößmann finds that public school operation is associated with lower student outcomes, but public school funding with higher student outcomes. Thus public-private partnership systems that combine private operation with public funding are the most efficient, while systems that combine public operation with private funding are less so.

Chapter 3 by Thomas Nechyba provides a penetrating analysis of the arguments behind mobilizing the private sector for public education. He starts with the public school choice and private school choice systems, and their efficiency and equity aspects of these systems. Then he moves on to vouchers, the most common form of publicly funded and privately managed initiative in education. He shows that the form of the voucher and the underlying conditions in the economy are key determinants of how vouchers affect schools and students—differences in these factors can have vastly different effects on these agents. He argues that effective design of voucher proposals can go a long way to enhance both the efficiency and equity aspects of an educational system.

Chapter 4 by Norman LaRocque provides an excellent overview of international examples of different types of public-private partnerships. It is especially valuable for any policy maker or researcher interested in examples of public-private initiatives in education. These initiatives differ in forms, structure, and scope, and hence are likely to have different effects on schools, students, and teachers. LaRocque considers experiences in Australia, Brazil, Colombia, Côte d'Ivoire, Germany, Lebanon, the Netherlands, New Zealand, Philippines, Venezuela, the United Kingdom, and the United States.

Part II of this volume brings together country-specific studies that focus on the first two types of schools: public and private. Using data from an elaborate nationally representative survey of rural private schools in India, in chapter 5 Karthik Muralidharan and Michael Kremer find that private schools are much less likely to be plagued by teacher absenteeism than public schools, although private school teacher salaries are considerably lower than those in public schools. A

possible answer to this apparent puzzle is that head teachers in private schools are much more likely to take disciplinary actions against shirking teachers, while such actions are virtually absent in public schools. The authors go on to compare school facilities, teacher characteristics, student and parent characteristics, and student achievement in these two types of schools, to consider relative efficacies of these two sectors in providing education in India.

Chapter 6 in part II also focuses on India. Geeta G. Kingdon compares the achievement and cost effectiveness of the different types of schools in India: public schools, private schools, and aided (publicly funded, privately managed) schools. She finds that private schools are considerably better than public schools on both counts. She also argues that the passage of several acts in the early 1970s led to a draining of accountability from the aided schools so that they became virtually indistinguishable from the public schools.

Part III focuses on publicly funded, privately operated initiatives. The most well known of such initiatives are publicly funded voucher programs, and the most hotly debated ones are found in the United States. The first such program in the United States, the Milwaukee Parental Choice Program (MPCP), was implemented in 1990. The program made low-income families residing in the city of Milwaukee, Wisconsin, eligible for vouchers that enabled them to move to private schools. While the program started small, with less than 1 percent of the city's students, it has grown steadily in size. In the 2005–06 school year around 15 percent of the students availed themselves of vouchers under the program.

The Milwaukee program was closely followed by the Cleveland Scholarship and Tutoring program in 1996 that made low-income students in Cleveland, Ohio, eligible for vouchers to move to private schools. Moreover, Ohio recently enacted a statewide voucher program that allows students in failing schools to enroll in private schools using publicly funded vouchers from the 2006–07 school year.

The third publicly funded voucher program in the United States was established in the state of Florida in 1999. Unlike the two previously enacted programs, the Florida Opportunity Scholarship program made students in failing schools eligible for vouchers to move to private and higher performing public schools. (A January 2006 ruling of the Florida Supreme Court found the movement to private schools with vouchers unconstitutional; however, students in failing schools can still move to higher performing public schools.) The first federally funded

voucher program in the United States was established in Washington, D.C., in 2004. Like the Milwaukee and Cleveland programs, this program made low-income students residing in D.C. eligible for vouchers to move to private schools. There is a considerable body of literature that studies publicly funded voucher programs in the United States. This literature mainly focuses on two issues: the effect on students who utilize vouchers<sup>2</sup> and the competitive effect of vouchers on public schools.<sup>3</sup>

Publicly funded vouchers are also found in Colombia and Chile. Chapters 7 and 8 in part III consider the effect of vouchers in these two countries on students and schools. While the U.S. experience with vouchers has been mostly in terms of small experiments and pilot programs restricted to specific cities or states, in both Colombia and Chile, vouchers have been implemented on a large-scale, country-wide basis, which makes these two chapters all the more instructive.

In chapter 7, Eric Bettinger analyzes the effect of school vouchers in Colombia on student outcomes. In 1991, Colombia implemented a voucher program that made private school vouchers available to low-income students entering sixth grade, the start of Colombian secondary school. The program also mandated the use of lotteries whenever the demand for vouchers exceeded supply. Since the demand always exceeded supply, the program generated two groups of students—one group was randomly selected to receive vouchers (the treatment group), the other randomly rejected (the control group). Taking advantage of this random design, Bettinger reports that voucher lottery winners scored higher on standardized exams, were more likely to have attended private school, were less likely to have repeated a grade, and in the longer run were more likely to have taken a college entrance exam and score higher in this exam.

While results from Colombia show considerable promise, the effects in Chile are much less clear. In chapter 8, Cristian Bellei looks at the effect of vouchers in Chile on student outcomes. Bellei starts with a careful review of the Chilean literature on vouchers, pointing out the discrepancies among the various studies and their merits and limitations. He points out that different studies on vouchers in Chile have reached very different conclusions. He argues that this can be attributed to the studies' differences in methodologies; data limitations in some of the studies; and differences in researchers' abilities to include appropriate controls and interaction effects, and to control for various biases such as selection bias. Chapter 8 highlights the immense

importance of using correct empirical methodology and high-quality data in impact evaluation analyses. Given the continuing methodological debate, it remains a matter of interpretation whether the Chilean experience with vouchers has been positive or negative.

While vouchers publicly fund private schools with but minimal oversight and regulation, another form of public-private partnership involves a more direct supervisory role for the government. Once again, the most well known of such initiatives, the charter school, are to be found in the United States. Charter schools are privately managed entities that must receive a governmental charter in order to operate. Their charter typically runs for five years, at which point the authority that granted the charter may renew it. The first charter school opened its doors in Minneapolis-St. Paul in 1992; today there are more than 3,500 charter schools in the United States, enrolling more than one million students. A number of studies have looked at the effect of charter schools in the United States on students who move to these schools.<sup>4</sup> In contrast, research on such initiatives in other parts of the world has been very limited. In part IV, chapters 9 and 10 bring together evidence on such initiatives in two countries, Colombia and the United Kingdom.

The concession schools program was implemented in Bogotá, Colombia, in 1999. In chapter 9, Felipe Barrera-Osorio studies the effect of this initiative in Colombia on student outcomes in concession schools compared to nearby public schools. Using propensity score matching, Barrera-Osorio finds that dropout rates were lower and test scores higher in concession schools in comparison to similar public schools. Further, he presents evidence that competition from concession schools has led to a decline in dropout rates in the public schools.

In chapter 10, Stephen Machin and Joan Wilson present evidence from a high-profile public-private initiative in the United Kingdom. The city academies program, implemented in 2000, authorized the establishment of academies that represented partnerships between the central government and private sector sponsors. These academies mainly serve the socially and academically disadvantaged, and the objective of the policy was to raise the educational standards of these groups of students. In their study, Machin and Wilson analyze the effect of these city academies on student achievement. Matching the academy schools to an appropriate group of public schools and taking into account pre-policy time trends, the authors find that there is no short-run positive-impact effect of academy status. However, they

point out that the program is still in its very early phase and a more conclusive picture is likely to be obtained a few more years into the program.

In the concluding chapter of this book, Harry A. Patrinos reviews the evidence on the impact of educational contracting in both developing and developed countries, including vouchers, charter schools and their variants in different countries, and private finance of school infrastructural arrangements. He suggests that research on these initiatives in developing countries is still very limited, and calls for rigorous impact evaluations.

We believe that the chapters that follow give us important insights relating to the different kinds of educational choice prevailing in other countries. Combining informative descriptions of such programs along with rigorous policy evaluations, the essays provide a balanced and comprehensive look at this very important strand of educational initiatives in other parts of the world.

Overall, the results seem very promising. While Nechyba in chapter 3 shows that private school vouchers have the potential to raise both equity and efficiency, Wößmann's study (chapter 2) shows that publicly funded, privately managed initiatives provide an effective means of improving cognitive outcomes of students, and Bettinger (chapter 7) and Barrera-Osorio (chapter 9) respectively provide evidence that two forms of public-private partnerships in Colombia have led to improvements of educational outcomes for the students involved. The chapters by Muralidharan and Kremer (chapter 5) and Kingdon (chapter 6) show similar promising findings for private schools in India. Although the establishment of explicit public-private partnerships (under the "Right to Education" Bill) is still being vigorously debated in India, the comparative efficiency of the private sector implies that such initiatives hold considerable promise there.

The results from Chile and the United Kingdom are, however, much less definitive. The English city academies program is still in its very early stages and it is too early to say anything conclusive as to its impacts. The Chilean program, however, has been in operation for a long time. In the absence of random assignments of students between public and voucher schools (as is the case in Chile), it is very difficult to accurately determine whether or not voucher schools are more effective than public schools. While Bellei's essay (chapter 8) constitutes an improvement over some of the existing literature on Chile, even his most preferred specifications are likely to suffer from endogeneity

bias.<sup>5</sup> As a result, the results from the Chilean study cannot be considered as conclusive. However, this study does an excellent job of demonstrating that results are often sensitive to the methodology and data used by researchers, which in turn points to the importance of choosing the correct methodology and data.

The findings of the chapters that follow suggest that the effects of a program depend crucially on the conditions under which it is implemented, the design of the specific policy, as well as the design of the empirical methodology. While the chapters in this volume provide important and valuable insight into public-private partnerships in education under various situations and in various countries, we need much more research before we can understand in a conclusive manner the effects of different kinds of initiatives.

## Notes

Chakrabarti was a postdoctoral fellow at Harvard University in the John F. Kennedy School of Government's Program on Education Policy and Governance when work on this chapter and book was initiated.

1. While Barrera-Osorio's chapter on concession schools also considers the effect on dropout rates, the outcome measure mainly considered in this volume is student test scores. This is not to say that other measures are not important, but this is an area where research is very limited and further research on other outcome measures would certainly help our understanding of the effect of such partnerships. Also, "choice" in this volume mainly refers to choice between schools. However, there are other kinds of choices involved in the delivery of education, for example, choice of text books, choice of test preparation service and materials, choice of the consulting firm or the contracting firm for various services, etc. Again, these are beyond the scope of this volume. Finally, the chapters are limited to primary and secondary education, though choice pervades not only these two sectors, but also other sectors of education such as higher education, vocational education, and technical education. These caveats should be kept in mind while reading the chapters that follow.

2. See John F. Witte, Troy D. Sterr, and Christopher A. Thorn, Fifth year report: Milwaukee Parental Choice Program, mimeo, University of Wisconsin, 1995; John F. Witte, Christopher A. Thorn, Kim M. Pritchard, and Michele Claibourn, Fourth year report: Milwaukee Parental Choice Program, mimeo, University of Wisconsin, 1994; Jay P. Greene, Paul E. Peterson, and Jiangtao Du, The effectiveness of school choice: The Milwaukee experiment, Harvard University, Program on Education Policy and Governance working paper, PEPG No. 97-1, 1997; Cecilia E. Rouse, Private school vouchers and student achievement: An evaluation of the Milwaukee voucher program, *Quarterly Journal of Economics* 113 (2): 553-602; Kim K. Metcalf, Natalie A. Legan, Kelli M. Paul, and William J. Boone, Evaluation of the Cleveland scholarship and tutoring program, 1998-2003, Indiana University School of Education, 2004; Paul E. Peterson, William G. Howell, and Jay P. Greene, Evaluation of the Cleveland voucher program after two years, Harvard University, Program on Education Policy and Governance working paper, PEPG No. 99-02, 1999; Jay P. Greene, William G. Howell, and Paul E. Peterson, Lessons from the Cleve-

land scholarship program, in Paul E. Peterson and Bryan C. Hassel (eds.), *Learning from School Choice* (Washington, D.C.: Brookings Institution, 1998); Patrick J. Wolf, Babette Gutmann, Nada Eissa, Michael Puma, and Marsha Silverberg, *Evaluation of the DC Opportunity Scholarship Program: First Year Report on Participation*, U.S. Department of Education, National Center for Education Evaluation and Regional Assistance (Washington, D.C.: U.S. Government Printing Office, 2005). For a comprehensive analysis and lessons from school choice in New Zealand, see Edward B. Fiske and Helen F. Ladd, *When Schools Compete: A Cautionary Tale* (Washington, D.C.: Brookings Institution, 2000).

3. See Caroline M. Hoxby, School choice and school productivity (Or, could school choice be the tide that lifts all boats?), in Caroline M. Hoxby (ed.), *The Economics of School Choice* (Chicago: University of Chicago Press, 2003); Caroline M. Hoxby, School choice and school competition: Evidence from the United States, *Swedish Economic Policy Review* 10 (2003); Rajashri Chakrabarti, Can increasing private school participation and monetary loss in a voucher program affect public school performance? Evidence from the Milwaukee voucher experiment, forthcoming, *Journal of Public Economics*; Jay P. Greene and Marcus Winters, When schools compete: The effects of vouchers on Florida public school achievement, Education Working Paper 2, Manhattan Institute, 2003; Jay P. Greene, *An evaluation of the Florida A-Plus Accountability and School Choice Program* (New York: Manhattan Institute for Policy Research, 2001); Rajashri Chakrabarti, Impact of voucher design on public school performance: Evidence from the Florida and Milwaukee voucher programs, mimeo, Harvard University, Program on Education Policy and Governance, 2004; David Figlio and Cecilia Rouse, Do accountability and voucher threats improve low-performing schools?, *Journal of Public Economics* 90 (2006): 239–255; Martin R. West and Paul E. Peterson, The efficacy of choice threats within school accountability systems: Results from legislatively induced experiments, *The Economic Journal* 116 (2006): C46–C62; Rajashri Chakrabarti, Vouchers, public school response and the role of incentives: Evidence from Florida, mimeo, Harvard University, Program on Education Policy and Governance, 2006. For a comprehensive review of this literature, and the literature on privately funded voucher programs in the United States, see William G. Howell and Paul E. Peterson with Patrick J. Wolf and David E. Campbell, *The Education Gap: Vouchers and Urban Schools*, revised edition (Washington, D.C.: Brookings Institution, 2006); and see William G. Howell and Elena Llaudet, School vouchers, *International Encyclopedia of the Social Sciences*, second edition (Framington Hills, MI: MacMillan Reference USA/Thomas Gale, 2007), for a review of the U.S. and international literature.

4. Eric P. Bettinger, The effect of charter schools on charter students and public schools, *Economics of Education Review* 24 (2005): 133–147; Robert Bifulco and Helen F. Ladd, The effects of charter schools on student achievement: Evidence from North Carolina, *Education Finance and Policy* 1 (2006): 50–90; Eric A. Hanushek, John F. Kain, and Steven G. Rivkin, The impact of charter schools on academic achievement, Hoover Institution, Stanford University, 2002; Bryan Hassel, Charter school achievement: What we know, Charter School Leadership Council, 2005; Robin J. Lake and Paul T. Hill (eds.), *Hopes, fears, and reality: A balanced look at American charter schools in 2005*, Center on Reinventing Public Education at the University of Washington, 2005; Caroline M. Hoxby and Jonah E. Rockoff, The impact of charter schools on student achievement, <<http://post.economics.harvard.edu/faculty/hoxby/papers/hoxbyrockoff.pdf>>, 2004; Caroline M. Hoxby and Jonah E. Rockoff, The truths about charter schools: Findings from the City of Big Shoulders, *Education Next* (Fall 2005); Robert Bifulco and Helen F. Ladd, The truths about charter schools: Results from the Tar Heel State, *Education Next* (Fall 2005).

5. Some of the explanatory variables, such as *books at home*, *school mean books at home*, % *selected students in school*, and *selected student* are likely to be correlated with unobserved characteristics of families and schools and hence endogenous.

