

## Country Box B

### A brief history of public and private involvement in schools in Chile

In the 1980s, Chile reformed its education system by introducing profound changes in how schools are administered and funded. The aim of the reforms was to decentralise school management and introduce school choice (Beyer, 2000). The administration of state schools was devolved to municipalities, and special regulations for teachers' contracts were abolished.<sup>1</sup> Chile adopted demand-side subsidies to finance *municipal schools* and *government-funded private schools*.<sup>2</sup> This reform was guided by various principles: school choice improves the welfare of families who send their children to school; the social costs of implementing demand-side subsidies are minimal; privately managed education is inherently more efficient and cost-effective; municipal schools will also become more effective by competing for students; and a competitive education system is more likely to improve social mobility for children from low-income families (Carnoy, 1998; Hsieh and Urquiola, 2006; Cox, 2003; Beyer, 2008).

With this new system, both municipal and government-funded private schools would be administered locally (at the municipal level and by school owners, respectively) and funded on the basis of enrolment. Each school receives a fixed amount per child in attendance (a subsidy); the value of the subsidy depends on the ISCED level, the type of education (general, technical/professional or special), and the school's distance to an urban centre, among other considerations. Originally, the subsidies system did not differentiate among student characteristics. Consequently, municipal and government-funded private schools received the same per-student payment even if the characteristics of their students were different (municipal and government-funded private schools were not allowed to charge tuition until the 1993). Schools were allowed to select students on the basis of their achievement records or interviews with parents. Most municipal schools did not select students although some of them, mainly large urban schools focused on academic excellence, did. The monetary value of the subsidies system was set arbitrarily and no agency was established to review its value over time (Carnoy, 1998; Hsieh and Urquiola, 2006; Cox, 2003; Beyer, 2000 and 2008).

The introduction of these reforms created a dynamic educational market. More than 1 000 new schools were created by 1988, particularly in urban areas and in communities with greater income disparities; enrolments shifted from municipal schools to government-funded private schools. During this period, total enrolment increased, particularly for secondary education. At the beginning of the reform, some 20% of students attended government-funded private schools; at the end of the 1980s, this enrolment had increased to over 30%, and by 2009 more than half the students in Chile attended government-funded private schools (Cox, 2003; Hsieh and Urquiola, 2006; OECD, 2011; OECD, 2010). These reforms also implied a reduction in public expenditure on education because the government relied on the market incentives in place to finance education.

With the return to democracy in the 1990s, the centre-left government assumed a more direct role in public education, including all schools that are subsidised by the government. The government implemented compensatory programmes aimed at improving the performance of the lowest-performing schools (P-900 escuelas or LEM programme). The government also increased spending on public education, intervened through programmes like the *MECE*, and *Proyecto Montegrande*, created a teacher-evaluation system,<sup>3</sup> improved the standardised student-assessment system and published their results, and created incentives to improve teacher performance. The government also reformulated the curriculum and made full-day schooling mandatory (Cox, 2003; OECD, 2011).

In order to attract more funding for education, in 1993 the government introduced shared financing of schools, providing tax incentives for private donations to education.<sup>4</sup> As a result, municipal secondary schools and government-funded private schools were allowed to charge tuition fees to complement the subsidies they received (Cox, 2003). Under this new scheme, the subsidies that schools receive are worth less for schools that charge higher fees, but the reduction in the subsidy is lower than the increase in tuition fees, so total spending on higher-fee schools<sup>5</sup> is higher than that on lower-fee or no-fee schools. Under this scheme, low-income students cannot be charged tuition fees. This policy also includes



a mandatory scholarship scheme for disadvantaged schools. Although the subsidies are the same for all students, there is some evidence that the financing scheme is regressive after accounting for donations, tuition fees and other extra resources injected into schools by the municipalities or other government subsidies (Romaguera and Gallego, 2010).

In general, evidence on student performance as related to the demand-side subsidies is mixed. While some studies suggest that more competition in the community does not improve the performance of its schools (Hsieh and Urquiola, 2006), other studies do find that greater competition results in better test scores for students in both government-funded private schools and municipal schools (Gallego, 2006; Auguste and Valenzuela, 2004). Other studies suggest that the efficiency of municipal schools did not improve with the introduction of demand-side subsidies, and that government-funded private schools became more cost-efficient because they paid lower wages to teachers (McEwan and Carnoy, 2000). Nevertheless, none of these studies compares the situation before and after the reform in terms of academic performance measured by the same test instruments, since there are no such comparable tests. Thus, it is difficult to see the changes over time in a strict sense. Considering results among different type of schools, cross-sectional studies that correct for selection processes generally find that students attending government-funded private schools show better performance, yet these advantages become small or insignificant with longitudinal data (Lara, Mizala and Repetto, 2009; Anand, Mizala and Repetto, 2009).

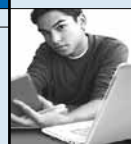
Data from the 1980s signal a segregation of students, such that government-dependent private schools were better able to attract better students. Evidence suggests that schools were, in fact, sensitive to the market incentives of demand-side subsidies, but private schools responded by enhancing their ability to attract better students instead of improving productivity. Government-dependent private schools were allowed to reject students, and parents sought not necessarily the most productive schools, but those with the most advantaged student populations (Carnoy, 1998; Gauri, 1998; Raudenbush and Willms, 1995). The introduction of this shared-funding system in 1993 did not favour socio-economic equity; but the system does not seem to have exacerbated socio-economic segregation between the municipal and private sectors, either. There is no evidence, however, as to the effects of segregation within government-funded private schools (Beyer, 2008). Despite the interventions on the part of the Ministry of Education and the introduction of the shared-funding system, the essential features of the demand-side subsidies introduced in the 1980s remained unchanged for more than a quarter century (Hsieh and Urquiola, 2006; Beyer, 2008).

While there are mixed views on whether the introduction of demand-side subsidies and school choice have improved the performance of Chilean schools, there seems to be more consistent understanding regarding their impact on equity: the introduction of demand-side subsidies and school choice had no clear positive effects on equity; if anything, the reforms of the 1980s may have contributed to socio-economic segregation in the school system.

In fact, the first major modification to the demand-side subsidies was prompted by the observation that performance of Chilean students was related to their socio-economic background, among other things. The experience of providing school choice and voucher systems in other countries also attracted the attention of Chilean policy makers. The examples of the Netherlands and student-weighted funds in the United States showed that targeting resources, through vouchers and school choice, towards students with greater academic need may promote greater equity (Romaguera and Gallegos, 2010). In 2006, the *Ley General de Educación* (LGE) law eliminated selection processes based on academic achievement in the early grades of primary school, and delayed the possibility of expelling struggling students until after these students had been given the opportunity to repeat a grade.

In 2008, the government passed the *Subvención Escolar Preferencial* (SEP) law. The SEP involves new subsidies for socio-economically disadvantaged students together with greater school accountability and government oversight of schools. The value of the subsidies for disadvantaged students was increased to mitigate inequalities in learning opportunities. The accountability measures associated with the SEP impose greater conditions based on student performance in the past and greater technical and pedagogical support to struggling schools, with the aim of ensuring high-quality education for all students (Romaguera and Gallegos, 2010; BCN, 2008).

The SEP is voluntary: schools eligible to receive the extra funds must sign an Agreement of Equal Opportunities and Academic Excellence (*Convenio de Igualdad de Oportunidades y Excelencia Educativa*). This agreement allows schools to receive over 50% more funds for each “priority student” (e.g. socio-economically disadvantaged student) they enrol, and another subsidy if more than 15% of a school’s total enrolment is composed by “priority students”. Those resources could not be used freely: the original law established the ways in which they could be spent. In exchange, schools are obliged to formulate a plan for educational improvement, set and accomplish these goals, provide a detailed account of the use of resources, and charge no tuition fees for “priority students”. The plan is developed by each school; however,



those schools classified as among the poorest performers were obliged to receive technical support from the Ministry and/or some specialised and authorised private agency. Schools that fail to improve after this assistance may lose their license and access to any subsidies from the government (Romaguera and Gallegos, 2010; Fernandez, 2010; BCN, 2008). In 2011, the subsidies for most disadvantaged students were further increased and more autonomy in the use of those resources, for example, to hire teachers, was granted to the schools.

The SEP was enacted in 2008 and resulted in important changes in the Chilean school system. Although voluntary, of the around 9 000 eligible schools, some 82% took part in the agreement. Some 99% of municipal schools and 60% of government-funded private schools are actively participating and began receiving funds in 2011. This high coverage dramatically changed the relationship between schools and the Ministry of Education. Moreover, the system lost its regressive funding structure. On average, the schools that did not adhere to the SEP enrol a lower proportion of disadvantaged students and seem to have undergone a cost-benefit analysis, weighing the increased accountability and oversight required against the receipt of additional funds (Romaguera and Gallegos, 2010; CEPPE, 2010).

Although it is too soon to evaluate the programme in isolation from other aspects and its effect on performance and equity, preliminary studies suggest the SEP produced substantive changes in the schools involved.<sup>6</sup> Schools have welcomed the clear pedagogical goals and the provision of methodological and diagnostic tools tailored to them. Moreover, schools have signalled improvements in the learning environment thanks to higher expectations for better education. However, schools have struggled with the restriction on the use of resources and the new systems in place to report how resources are spent. Municipal and government-funded private schools account for 60% and 71%, respectively, of the resources received (MINEDUC, 2011). Better-performing schools are more likely to use the resources in technical assistance and training, while poor-performing schools are more likely to spend the extra monies on equipment for pedagogical support (CEPPE, 2010; Fernández, 2010).

In addition, the achievement goals may be too ambitious. In the past, only around 10% of schools made achievement progress similar to that proposed in the agreement, and it is likely that many schools fail to achieve these standards at the end of the first cycle of the programme (CEPPE, 2010). Initial trends and estimates of the impact of the law on student performance and equity will be available in mid-2012 when the results from the 2011 standardised assessments become publicly available.

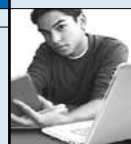
More recently, the regulatory incentives of the SEP have been complemented by other laws that create agencies to supervise all schools and ensure the quality of the education that they provide. These laws have increased the value of the subsidy offered to disadvantaged students. A recent law promulgated in 2011 created the Agency for the Quality of Education, which is a government body that will be responsible for evaluating the educational system in order to improve the quality and equity of education opportunities in each level of education. Among other functions, the Agency will be responsible for assessing student learning and classifying schools according to different quality standards. A second new body, the Education Superintendence, is charged with monitoring compliance with the laws, regulations and instructions issued by the Superintendence. It will also monitor how subsidised schools use the resources allocated to them. Privately funded schools will be supervised by the Superintendence only if complaints have been lodged against them. The Ministry of Education may be required to appoint a temporary administrator to manage subsidised schools if they constantly show poor student outcomes. Both bodies will be independent of the Ministry and will be headed by professionals elected under the system of High Direction Service.

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## Notes

- Teachers are no longer hired by the Ministry; they are hired by each municipality under the regulations of private contracts.
- Municipal schools are those that are administered by municipalities, are part of the public system and are funded with state resources. Government-funded private schools are defined as privately managed schools mainly funded by government subsidies per student. In fact, according to official 2010 data from Chilean Ministry of Education, 40.4% of students are enrolled in municipal schools, 50.8% are in privately managed schools that receive some public funding, and 7.4% are in privately managed schools that do not receive any public funding (1.5% of students attend schools administered by private corporations and receive direct funding from the Ministry of Education).

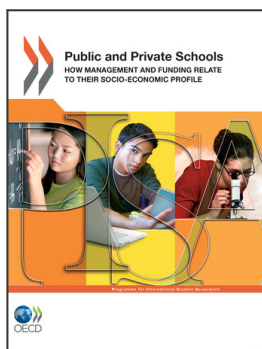


3. This evaluation was considered in the Estatuto Docente and it took the government almost 15 years to implement it. In 1991, “Estatuto Docente” was introduced. This is a policy that aimed to regulate teachers’ working conditions in the municipal schools. This policy affected teacher mobility and financing. In fact, after this policy was introduced, teachers started negotiating their salaries with the government. As a result, 80% to 90% of resources for education are spent on teachers’ salaries; and less than 1% of those resources were allocated based on teachers’ performance.

4. This shared financing scheme also permits the government to use certain amount of budget to focus on the low-income students.

5. The maximum amount of such fees is set and schools cannot charge more than this maximum amount.

6. According to the study by Elacqua (2009), preliminary evidence suggests that weighted subsidisations introduced in 2008 may have been linked to the decrease in segregation.



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