Introduction

The great public benefits of education have historically prompted governments to assume the primary role in managing and funding schools. Recently, a growing interest in improving school quality and student outcomes, and a quest for greater school choice for parents and students, and for more creativity and innovation in the schools, themselves, have challenged the notion of government's primacy in education (OECD, 2006; Brewer and Hentschke, 2009). This trend, emerging in a number of countries, is based on the belief that the public interest in education can be better served by also involving private entities, including parents, non-governmental organisations and enterprises, in addition to government agencies, in managing and funding schools.

This report focuses on public and private involvement in managing and funding schools, and examines how this is related to socio-economic stratification between publicly and privately managed schools. The report uses data from the *PISA 2009 Database* (OECD, 2010) and *Education at a Glance 2011: OECD Indicators* (OECD, 2011).

Stratification, which, in this report, means creating "classes" of students according to their socio-economic backgrounds, can lead to unequal educational opportunities and outcomes, and can undermine social cohesion. For example, if certain types of schools have more resources or a better learning environment, students who attend these types of schools are more likely to perform better. Conversely, those students who attend schools with fewer resources and disruptive environments tend to perform poorly, which could ultimately limit their prospects in life. In addition, as learning environments and peers play important roles not only in students' academic performance but also in their socialisation in a broader sense, school systems that are highly stratified along socio-economic lines could inadvertently undermine social cohesion. Socio-economic stratification, as well as how students' educational experiences differ depending on whether they attend publicly or privately managed schools, are examined in detail in Chapters 1 and 2.

Policies designed to avoid stratification and the consequent stigmatisation of disadvantaged schools and students will be important. Experience has shown that some policy designs are better than others when it comes to addressing the objectives of efficiency, equity, social cohesion and freedom of choice in education (Levin, 2002). This report also examines whether those countries that manage to minimise socio-economic stratification, and thus maximise *equity* and *social cohesion*, in their education systems, can at the same time also attain another major goal of education, *efficiency*, which is measured as countries' overall performance.

Advocates of private schools argue that private involvement in school management leads to more efficiency and responsiveness to parents' demands. Principals in these schools have more autonomy to manage than public school principals do, although the extent of school autonomy varies across countries. Privately managed schools may have the authority to hire and compensate teachers and staff, and thus can select better-prepared teachers and introduce incentives for performance. Privately managed schools may also have more discretion on curricula and instructional methods, and so can adapt them to the interests and abilities of their students. In addition, privately managed schools have greater incentives to reduce costs and may be subject to more flexible regulations. The need to attract students means that privately managed schools must be more sensitive to parents' demands concerning curricula, teaching methods, facilities and discipline, and more responsive to students' needs.

Advocates also argue that the existence of private schools creates a useful competition that can improve the productive efficiency of public schools, as well, and benefit the entire system. The families, non-profit organisations or enterprises that fund private schools are more likely to demand better student outcomes and hold the school accountable. Parents of children in public schools – and staff in these schools – may then begin comparing the quality of education available in other schools and start demanding higher standards too. Advocates also point out that more funding from families and private institutions would ease governments' obligation to invest in education.

Those who oppose private schools argue that private schools threaten equity and social cohesion and are subject to market failures. For example, a public monopoly can be replaced by a private one, and consumers may have incomplete information about the schools or may be discriminated against during admissions procedures. Private schools, they argue, have no incentives to look at the broader picture of education, such as the negative impact of stratification. Indeed, one of the greatest concerns about private schools is that these schools tend to "skim off" the best students and leave average or struggling students to be educated in public schools. In addition, they argue, granting greater discretion over curricula can mean that schools could opt out of teaching certain core social values. In many countries, private schools have been created with the explicit intent of catering only to specific groups of students, identified by religion, ethnicity, academic ability or socio-economic status. While the prevalence of these kinds of schools offers parents greater choice, it undermines social cohesion and erodes a sense of community among different social groups.[1]

Providing public funding to privately managed schools could help to strike a balance between various education goals (Levin, 2009). For example, tuition fees are usually an obstacle to attending private schools, particularly for students from low-income families. In settings where private schools provide more effective learning environments, public funding can level the playing field for disadvantaged students. If all students are eligible for funding, regardless of their socio-economic background, then parents can choose from a larger number of schools. That, in turn, can reduce the pressure to move residence and increase competition among schools.

Although public funding may create opportunities for those who could not afford tuition fees, those who oppose public funding argue that it necessarily increases public spending and can lead to higher fixed costs per student, as schools often cannot adapt quickly to drops in enrolment and also must continue paying for such non-instructional items as marketing and transport. Detractors argue that the benefits of competition depend on whether all students can exercise school choice. If only advantaged students can freely choose their school because disadvantaged students have only limited access to relevant information, lack adequate transportation, or have different levels of motivation or aspiration, then any competition created will only increase stratification, to the detriment of disadvantaged schools and their students. In addition, public funding may reduce the pressure on schools to be accountable for student outcomes, since parents would be less likely to exert this pressure, given that they do not directly bear the cost of education in these schools.

The evidence on the impact of public and private involvement on performance is mixed. Cross-country studies conducted by Woessmann (2006 and 2009) based on the OECD's Programme for International Student Assessment (PISA) 2000 and by Woessmann, et al. (2009) and West and Woessmann[2] (2010) based on PISA 2003 concluded that countries that combine private management and public funding tend to have better overall academic performance. Studies in Chile (Lara, Mizala and Repetto, 2009), the Czech Republic (Filer and Münich, 2003), Sweden (Sandström and Bergström, 2005), the United Kingdom (Green, et al., 2011) and the United States (Couch, Shugart and Williams, 1993; Peterson, et al., 2003) showed that higher private school enrolments are related to better performance based on cross-sectional or longitudinal data or the data before and after structural changes.

But the debate on performance is far from conclusive, as other studies report little, negative or insignificant effects, and the results often depend on methodological choices. For example, other studies based on the data of US states concluded that higher private school enrolment is not significantly related to performance (Wrinkle, et al. 1999; Geller, Sjoquist and Walker, 2006; Sander, 1999); a few reported only small negative effects (Smith and Meier, 1995), negative effects for low-income districts (Maranto, Milliman and Scott, 2000), or that the relationship depends on the student educational outcome measured (Greene and Kang, 2004). Preliminary evidence from PISA 2009 also points to mixed results (see Annex A2).

Private schools represent an "exit option" from public systems for more advantaged parents; they also exacerbate socio-economic stratification. Students' ability, family income and parents' education, and ethnic background are associated with private school enrolment (Epple, Figlio, and Romano, 2004; Bifulco, Ladd and Ross, 2009). Cross-country evidence indicates that private schools can also reinforce inequities in learning outcomes. Using data from PISA 2000 and PIRLS 2001, Ammermuller (2005) found that a system with a large private school sector showed greater inequality in scores, although

the estimation did not distinguish between public and private funding. However, Schuetz, Ursprung and Woessmann (2009), using data from TIMSS and TIMSS-Repeat, and Woessmann, et al. (2009), using PISA 2003 data comparing public to private funding, concluded that higher shares of private management and public funding were related to lower impacts of socio-economic background on performance. Studies in Sweden (Böhlmark and Lindhal, 2007), Chile (Hsieh and Urquiola, 2006) and New Zealand (Fiske and Ladd, 2000) provide evidence that public funding that does not specifically target disadvantaged students leads to greater stratification. These findings highlight the importance of establishing targeted approaches and ensuring that private providers use public funds in the interest of the public when designing policies to enhance the private sector's role in education (OECD, 2012).[3]

Chapter 1 of this report describes public and private involvement in schools in each country from the perspectives of management and funding. Chapter 2 presents the differences in the socio-economic backgrounds of students who attend publicly and privately managed schools (hereafter referred to as "socio-economic stratification" or "stratification"), and how these differences vary across countries. It also examines how countries' public and private involvement in school management and funding, as well as other country-level characteristics, are related to socio-economic stratification. Chapter 3 discusses how different types of public funding are related to socio-economic stratification by comparing universal and targeted voucher systems. Chapter 4 examines other aspects that may explain why privately managed schools tend to attract socio-economically advantaged students, focusing on school-admittance criteria and the quality of education in the schools.

Care should be taken when interpreting relationships. First, it is difficult to define "private school". The historical, cultural and socio-economic contexts of each country must be taken into account in international comparisons (for example, see Country Box A at the end of this report). The definition is discussed in detailed in the following section. Second, in some federal systems, such as Germany and many other countries, the system-level indicators reported at the country level could vary within each country. Third, since the analyses in this report are based on cross-sectional data (e.g. from a single point in time), they are intended to describe and identify patterns and relationships, rather than determine the causality of those relationships.

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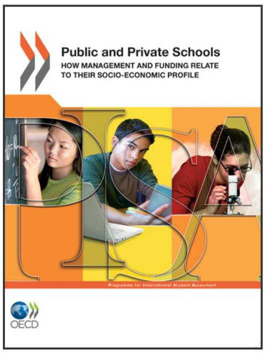
Notes

1. Socio-economic stratification between public and private schools is not the only form of stratification. Stratification can also occur among private schools, as in the case of elite schools or when it is related to residential segregation. Stratification can also be related to attributes other than socio-economic background, such as by ability, ethnicity, gender or religion.

2. West and Woessmann (2010) account for the share of Catholic schools, which have historically fostered the expansion of private schools, and address concerns related to omitted variables in the demand and supply of private schooling.

3. Regulations often limit the ability of schools to select students, for example by limiting top-up fees and admissions criteria, and create financial incentives to enrol disadvantaged students. Regulations may also encompass employment or other operational issues. Governments play a key role in ensuring quality by setting standards and monitoring compliance on curricula and teacher credentials and by enacting more stringent accountability frameworks.



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