

## POLICY IDEAS N° 15

# School choice and school vouchers programmes: Why do they succeed and why do they fail? Lessons for Malaysia

*Jenny Gryzelius\**

In order to ensure that every student has the possibility of benefitting from market based solutions in education, school funding can be made flexible through a school voucher programme.

## Executive summary

This paper offers an exploration of the benefit of school choice and how school voucher programmes are a core feature of successfully bringing education choice to all segments of society. School vouchers are flexible arrangements for education funding, where the funding follows the student.

By looking at three different school voucher programmes, the Milwaukee Parental Choice Programme in the US state of Wisconsin, and the nationwide voucher programmes in Sweden and the Netherlands, we seek to find a benchmark framework for what regulations and infrastructure need to be in place in order for a programme to be successfully implemented.

We find that there are four key conditions necessary for a school voucher programme to be successfully implemented:

1. Managerial autonomy for public and private schools, in order to allow schools to thrive under competition.
2. Education policy should be centrally decided and the government must ensure quality control.
3. Allow for-profit schools, under the condition of long-term commitment from all operators.
4. Grade inflation must be controlled to ensure fair competition and quality control.

It is not within the scope of this paper to outline what school voucher reform in Malaysia should look like. In order to design such a programme further research is needed. However, it is hoped that this paper can serve as a benchmark for future research on the subject.

\*The contents of this paper represent the views of the author and do not necessarily reflect the views of IDEAS or any one individual at the organisation.

## Introduction

School voucher programmes are flexible education funding arrangements where money follows the student, whether they are educated in a public or accredited private school. Even though these kinds of funding arrangements were popularised by Milton Friedman in the 1950s, they have been around for over a century, with the oldest surviving programmes in the US states of Maine and Vermont having been started in the late 1800s.

Voucher systems are also not unknown in Malaysia today. In fact, there are already functioning education voucher programmes in Malaysia. Since 2010, there is an ongoing programme offering fee-assistance to children enrolled in private pre-schools - to date over 80,000 children have benefitted from this programme.<sup>1</sup> All the same, we find it that there is need to further explore the subject of school vouchers, in order to determine why and how the Malaysian education system at large can benefit from such programmes.

Therefore, the aim of this paper is twofold; first to examine the role that school voucher programmes play in providing education choice for all students, not just the well off. Second, to outline under what conditions school voucher reforms are most effective. This paper does not aim to look at how Malaysia can adapt its education system to school voucher based funding, as the implications of such a reform is far too wide ranging. Nevertheless, the paper will explore general lessons for Malaysia, which can provide a reference point to future

in-depth studies on how, or indeed if, Malaysia can reform its education system in line with open school choice and school voucher funding.

This will be done by looking at several aspects of school choice and school voucher systems. The first section of this paper starts off with a review of schools choice, what is and how it can help students, especially from poorer backgrounds, attain better quality education. Second it will look at how school voucher programmes – i.e. flexible funding arrangements where an earmarked amount that students can ‘spend’ in either public or accredited private schools – help guarantee school choice, even for underprivileged students.

In the second part of the paper we turn to look at three existing school voucher programmes – the Milwaukee Parental Choice Programme, the Swedish school voucher programme and the Netherlands school voucher programme – in order to assess how school voucher programmes actually function. Namely, what are the main strengths and weaknesses of these programmes.

The last section deals with the ideal conditions for a successful school voucher system, and what institutional framework is needed in order for a school voucher programme to work optimally.

The arguments put forward in this paper are that school choice is a good way to bring about competition. Furthermore, in order to ensure that every student has the possibility of benefitting from market based solutions in

education, school funding can be made flexible through a school voucher programme, where each student has an earmarked amount of funding which can be used in either public or accredited private schools. Such reforms would enable students and parents, even from low-income families, to become active stakeholders in the education market.

Nevertheless, in order for a school voucher reform to be successful, the government has to maintain a tight set of regulations, such as quality control and demand long-term business plans for for-profit enterprises. Furthermore, in order for a school choice and voucher programme to be fully applicable in Malaysia, public schools have to be given increased levels of autonomy in school management.

## 2. Background: School choice and school voucher programmes

### 2.1 School Choice in Malaysia Today

On the surface, the Malaysian education system provides ample choice for parents and students. Malaysia has a uniquely diverse education system, which allows for choice along ethnic, language and religious delineations. It is common for parents to opt for their children to be educated in Chinese or Tamil speaking schools, or by Muslim parents to have their children educated in schools which emphasise Islamic values and religious studies. These kinds of schools can be run either by the government or as private ventures.

<sup>1</sup> Information given through direct communication with PEMANDU.

What is important to note, however, is that beyond these options, there is no room for much other choice. That is to say, despite the diversity of options available, parents cannot necessarily make a choice based on a multitude of preferences – such as different pedagogical methodologies, extracurricular activities or specialised streaming. The choice can usually only be based on one preference at the time and not a combination of several preferences. This creates a situation where choice is indeed possible, but it is a binary choice, based on selecting one preference in favour of all other potential preferences.

Furthermore, if a parent does not want to sign a child up for a vernacular or religious school, there are only a limited number of options available. Apart from the government school in the catchment area of the family's residence, there are also national intake government boarding schools and national/international curriculum private schools to choose from. However, both these latter options have great limitations. National intake boarding schools have a limited number of places and enrolment is highly competitive.

The vast majority of non-vernacular private schools, on the other hand, are expensive and therefore targeted exclusively to well-off families. These premium private schools can provide high quality education, superb facilities and high staff-student ratios. However, these kinds of schools charge fees that put them well out of reach for even

average earning households.

There is a possible third option, i.e. having the child moved to a catchment area with high performing national schools. However, these schools are usually located in areas with high property prices, making it impossible for poorer families to afford such a move.

## 2.2 School Choice as an Inherent Good

In the 1950s Milton Friedman, an economist at the University of Chicago, started pursuing a new approach to education provision. He argued, contrary to what was then thought, that basic education, i.e. primary and secondary education should be subject to market based solutions in order to bring in choice and competition. This would, according to Friedman, lead to improvements both in education quality and efficiency in the public schools system.<sup>1</sup>

The argument goes, when public schools hold a *bona fide* education monopoly, i.e. when public schools have ensured enrolment, as is the case when students are sent to assigned schools based on geographical proximity, there is very little incentive for any improvement. Funds and student enrolment are not related to the quality of education that a school can offer, and a school is not punished through a reduction in either for falling short in standards.

However, when parents have the right – and a real possibility – to choose any school for their children

they will seek to choose a school that provides the best education, facilities and opportunities for their child. Therefore, schools that are performing poorly, not providing adequate facilities or proper educational quality, will struggle to retain students and therefore see their student numbers reduced. As schools compete for students, they will have to either improve quality and/or offer other ways to attract students, such as better facilities or offer specialised education options – like art or sports programmes.

Additionally, introducing market based competition into the education system will cut down on waste and inefficiencies. Public schools, again, have little incentive to optimise their fund managements. On the other hand, private operators, especially if they are allowed to run profits, have a large incentive to cut inefficiency and will therefore strive to provide same or better quality education at significantly lower costs.

There has been much criticism against the school choice model proposed by Friedman, largely centring on arguments that school choice actually does not provide any visible benefits to students, that private school options hurt public schools, endanger their facilities and increase the costs for tax payers.<sup>2</sup>

It is difficult to statistically examine the impact that school choice has on education quality and fiscal efficiency, as most studies are riddled with selection bias<sup>3</sup> – e.g. having discerning and educated

1 Milton Friedman (1955) "The Role of Government in Education". Accessed from < <http://www.schoolchoices.org/roo/fried1.htm> > on 25 September 2014

2 See for example: Helen F. Ladd. 2002. "School Vouchers: A Critical View" in Journal of Economic Perspectives Vol. 16 No. 4, pp3-24

3 H.A. Patrinos (2010). Private Education Provision and Public Finance: The Netherlands. Policy Research Working Paper 5185. World Bank: The World Bank Human Development Network Education Team, 1-36.

Chart A: Conventional funding system



parents improves children's results and they tend to be more selective of schools. However, the results from existing studies indicate that school choice does in fact improve the quality of both public and private schools, improves fiscal management and reduces taxpayers' money, reduces segregation and improves civic education.<sup>1</sup>

### 2.3 What are school vouchers programmes?

What we have established above is that, on the whole, giving parents a choice of where to send their children is desirable. Nevertheless, private schooling is in most cases punishingly expensive and can only be afforded by the wealthier segments of society. The question that now has to be answered is, how is it possible to make such choice an option for all? In order to answer that question we have to look more closely at how to make school funding flexible, through the use of school voucher programmes.

School voucher programmes, or education voucher programmes as they are also known, are a flexible form of education funding that is awarded to students rather than to schools. This form of education funding is in many ways radically

different from conventional forms of education funding.

In conventional systems of education funding the government or relevant government actor, such as municipalities or local councils, provide funding for public schools directly, as seen in Chart A. Under these kinds of arrangements only public schools receive total funding. Private schools may or may not be able to receive other kinds of financial or in-kind support such as grants or tax breaks, and are not eligible to the direct funding afforded to public schools. In most cases parents will have to pay out-of-pocket for sending their children to be educated at various forms of private schools, thus reducing the opportunity of private education predominantly to the wealthy, leaving poorer families little options but public education. Furthermore, the students are reduced to solely being the recipients of education, rather than being allowed to have an active choice in the process.

The exact amount of money that each public school in a school district will receive is based on the total education budget and the estimated funding requirement of the school. The funding requirement

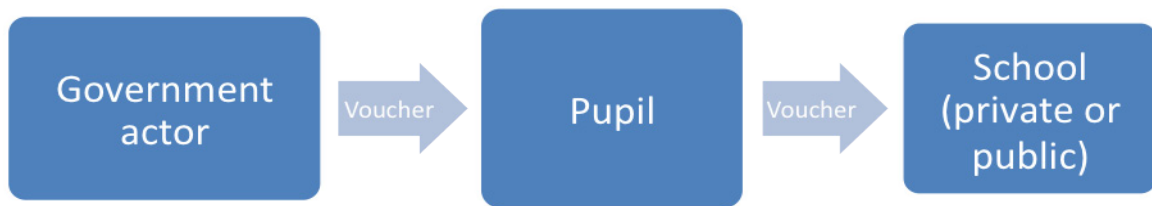
will take into consideration not only the total number of students in the school, but also the maintenance of infrastructure, such as buildings, play grounds and facilities. These kinds of funding arrangements are often highly inflexible as it does not necessarily reflect potential increases or decreases in the student body, leading to public schools being either over- or underfunded. Opponents of these rigid forms of school funding also argue that this leads to large amounts of wasted resources and inefficiencies in the public education system.<sup>2</sup>

Under a school voucher programme, on the other hand, education funding is made flexible. As seen in Illustration B, instead of directly providing funds to public schools the relevant government actor allocates set amount of money for each student to use to 'purchase' education, including tuition, text books and other education related expenses, from a list of approved outlets, public or private. There is not one unified way in which a voucher system can be designed, as will be explored below. In some cases, such as Sweden and the Netherlands, the voucher

1 See for example: Caroline Minter Hoxby (1994) "Do Private Schools Provide Competition for Public Schools" NBER Working Paper Series No. 4978. Accessed from <[www.nber.org/papers/w4978](http://www.nber.org/papers/w4978)> on 2 October 2014., Garry Ritter et al. (2010) "A Closer Look at Charter Schools and Segregation." In *Educationnext* Vol. 10, No. 3., Greg Forester (2013) "A Win-Win Situation: The Empirical Evidence on School Choice." The Friedman Foundation. <<http://www.edchoice.org/Research/Reports/A-Win-Win-Solution--The-Empirical-Evidence-on-School-Choice.aspx>> Retrieved 25 September 2014.

2 Forester (2013).

Chart B: School voucher programme as alternative funding system



programme is universal, covering all students across all school districts and for any accredited school. In other programmes, predominantly in the various programmes implemented in the US, the voucher is district specific and often means tested, i.e. restricted to lower-income families but the common thread is that the funding is flexible and follows the student, rather than being statically given to public schools.

It should be mentioned that school voucher programmes in developed nations do not involve partners receiving the actual voucher in hand (though this does happen in some *ad hoc* systems in developing nations where NGOs rather than government actors fund the vouchers).<sup>1</sup> Rather, the voucher is an assurance by the government actor that the tuition and other education related costs will be covered for the specific student in any accredited school. The funds are then directly transferred to the school. Therefore, in these kinds of programmes, the families of the students go from being merely recipients of education, to being actors with agency who have an active say in the education in the education options for their children.

School voucher programmes are also a non-intrusive way to overcome the post-code lottery problem with regards to education. As long as public schools have a virtual monopoly, families are restricted to the schools in their districts. This leads to segregated school districts, where the upper- and middle classes settle in areas with good schools and the poorer sections of society have no other options but to stay in cheaper neighbourhoods, with low-performing schools. Parents, when given a choice, aim to put their children in schools where the average socio-economic status is higher than the one that the family have attained themselves. This means that providing the opportunity for families to choose schools for their children actually can break up segregated neighbourhoods and provide more mixed income schools.<sup>2</sup>

The greatest beneficiaries in providing real choice are students and their families. School vouchers therefore give parents increased control over their children's education. As seen above, in conventional systems parents who cannot afford private schools have little choice but to send their children to whichever school they

have been allocated. Students and their families have little or no agency to be anything but recipients of education. Under a school voucher programme they will, on the other hand, be active actors in an education market. They can have a real impact over the quality and orientation of the education that their children receive.

This will be especially important for low-income parents, living in areas with poorly performing public schools. A school voucher reform will empower such families and promote active participation in the education of their children. It is way to ensure that the positive externalities of market based solutions can benefit even those who usually are excluded due to the lack of funds.<sup>3</sup>

### 3. Evidence: Success and failures in existing school voucher programmes

As we have shown above, there are strong theoretical arguments for the implementation of school voucher programmes, especially pertaining to giving real education choice for underprivileged families and to ensure that the efficiency gains made market solutions can be beneficial to all member of society.

1 Joanna Lim and Wan Saiful Wan Jan (2013) "Private Education for the Poor? The case of India and lessons for Malaysia" Policy Ideas No. 5, accessed from <<http://ideas.org.my/wp-content/uploads/2013/07/PolicyIDEAS51.pdf>> on 25 September 2014.

2 Ladd, 2002, p. 4.

3 Howard Fuller (200). "Evidence Supports the Expansion of Milwaukee Parental Choice Programme" in The Phi Delta Kappa Vol 81. No. 5. Pp.390-391.

This section, on the other hand, will look at the reality of school voucher programme implementation. We will examine three school voucher programmes, the Milwaukee Parental Choice Program, the Swedish school voucher programme and the Netherland school voucher programme, and assess what the main successes as well as shortcomings of each programme have been. These three programmes have been chosen because they represent a good cross-section of different types of programmes, but they have been implemented with a varying degree of success.

### 3.1 Milwaukee Parental Choice Programme

Milwaukee (WI) became the first city in US to implement a school choice programme in 1990. This programme is called the Milwaukee Parental Choice Programme (MPCP) and provides vouchers for poor students to attend accredited private schools. Initially only non-sectarian private schools could be accredited but this restriction was subsequently lifted and sectarian schools can now also be accredited. Accredited schools get government aid payments for each eligible students it enrolls, on behalf of the students' parents or guardians. Only schools and students within the City of Milwaukee can participate in the programme.

The MPCP is a selective programme, meaning that only students from low-income families can participate. Low-income is defined by the MPCP to be 300% of the federal poverty

Chart C: Maximum income for MPCP participation 2014–15

| Family Size | Maximum Yearly Income (in USD) |
|-------------|--------------------------------|
| 1           | 34,953                         |
| 2           | 47,181                         |
| 3           | 59,409                         |
| 4           | 71,637                         |
| 5           | 83,865                         |
| 6           | 96,093                         |

\*For each additional member add \$12,228.

(Source: Evers, T. (2014). *Milwaukee Parental Choice Program & Racine Parental Choice Program Frequently Asked Questions – 2014-15 School Year*. Wisconsin: Wisconsin Department of Public Instruction.)

level, which depends on the number of members in a family. As can be seen from Table 1, eligibility to the programme is based on family income and family size. Students from families with higher incomes that what is listed in the table are not eligible to participate in the programme. The programme is also an opt-in programme, where families have to apply in order to enrol in the programme.

Overall the MPCP has been successful, with parents citing that they happy to have increased control over their children's education.<sup>1</sup> Furthermore, in a study conducted by Cecilia Elena Rouse (1998) comparing test scores of students selected to attend a participating private school under the MPCP with unsuccessful applicants and other students in Milwaukee public schools, it has been found that participating students perform equally well, or even better than non-participating students. She finds that, overall, students participating in the MPCP statistically significant better results in maths than non-participating

students. There was, however, no statistically different result for reading comprehensions.<sup>2</sup>

Nevertheless, there are several negative issues that have to be addressed with regards to the implementation of the MPCP. Firstly, even though there has been a great increase in private schools in the targeted areas of Milwaukee since the initiation of the programme a study by Walter C. Farrell Jr. and Jackolyn Mathews found that accredited private schools tend to resemble public schools to a very large extent, meaning that the diversification of education offered to the participating children has not been maximised. On the other hand, public and private schools regularly perform on par with each other, indicating that private schools have not undermined the quality of public schools in the area.<sup>3</sup>

On a more serious note, however, Farrell and Matheews note several cases, especially in Afro-American neighbourhoods, where private schools accredited under the MPCP were underperforming

1 Farrell Jr., W.C. and Mathews, J. (2006). The Milwaukee School Voucher Initiative: Impact on Black Students. *The Journal of Negro Education*, 75(3), 519-531.

2 Rouse, C.E. (1998). Private School Vouchers and Student Achievement: An Evaluation of the Milwaukee Parental Choice Program. *The Quarterly Journal of Economics*, 113(2), 553-602.

3 Farrell Jr., W.C. and Mathews J. (2006) p. 530.

and they argue that in these cases there is a significant risk that these schools will close down abruptly, in some cases even midterm. On the occasion where schools closed, in a few cases in the middle of the school year, students were relocated to different schools, which, they further argue, was very disruptive to their schooling.<sup>1</sup> Further issues raised regarding the quality of the private schools pertains to the standards of teacher education. Teachers in private schools have not been subject to the same education and quality control as public school teacher.<sup>2</sup>

One final – and perhaps the most pertinent – issue to be raised as regards the rationale for parental choice. Farrell and Mathews found, after having conducted interviews with parents of children in the programme, that low-income parents do not have the time, or in some cases the educational background, to sit down and make informed and deliberated decisions regarding the choice of their children's school. Instead the majority of low-income parents used a combination of 'gut feeling' and word of mouth to pick schools for their children. The authors concluded that this had exacerbated the situation where some of the accredited private schools continued to attract student despite showing poor education quality and facilities.<sup>3</sup> This lack of informed decision can further explain the above mentioned lack of diversification in amongst the private schools. When parents are

not discerning, then schools have no reason to perform better.

### 3.2 Sweden

In the early 1990s, Sweden implemented a comprehensive school voucher reform programme. Unlike the Milwaukee Parental School Choice programme, the Swedish model opted for a universal school voucher, where it is given to all students from school year 1 to 12 regardless of socio-economic status. As in the Milwaukee programme, primary schools (year 1-9) are not allowed to ask for top-up fees from parents, whereas they are allowed for secondary schools (year 10-12). Primary schools are not allowed to pre-screen students and are required to work on a first come first served queuing system. Secondary schools are, however, allowed to pre-screen students based on grades achieved in primary school. Private schools in Sweden are, furthermore, allowed to run as for-profit enterprises.

Sweden makes a very interesting case. Not only was the school voucher reform very ambitious, but it is currently one of the most highly criticised and scrutinised. Initially it was lauded as a success by school voucher proponents, and has often been used by school choice advocates in the US and UK as an ideal model. It was considered a success to a great extent by the rapid take up of families opting for private schooling. From 1992 to 2010 the number of private schools grew tenfold, and the total number of elementary and secondary school

---

When parents are not discerning, then schools have no reason to perform better.

---

1 Witte, J.F. (1998). The Milwaukee Voucher Experiment. *Educational Evaluation and Policy Analysis*, 20(4), 229-251.

2 Farrell Jr., W.C. and Mathews J. (2006) p. 530.

3 Farrell Jr., W.C. and Mathews J. (2006) p. 528.

students enrolled in private schools reached 13% and 25% respectively.<sup>1</sup>

However, in the course of the past year the debate about the success of the Swedish model has been turned on its head. Between the 2003 and 2012 in the ranking for Program for International Student Assessment (PISA) studies, Sweden fell from 7<sup>th</sup> place to the 23<sup>rd</sup> place.<sup>2</sup> This is the biggest drop on record for any nation since the inaugural PISA study in 2000. The fall in students' results was across the board, i.e. in public and private schools alike, and among immigrant and non-immigrant communities.<sup>3</sup> Not only has this been a national disgrace to Sweden, it has also fanned an already heated debate about the role of school vouchers and school choice.

Many of the arguments have been blanket attacks, predominantly for ideological reasons. Left wing parties in Sweden have been vocal opponents of the reform, either in its entirety or selected aspects, such as for-profit private operators and the fear of private schools 'cherry picking', i.e. only selecting talented students and leaving weaker students behind. Over the past months there has been a great sense of vindication in left wing circles, citing the latest PISA results to prove that the 1992 reform has failed.

However, there is a need to draw a more nuanced picture. The Swedish school voucher reform came simultaneously with curriculum reforms stressing problem solving and group work, in place of traditional lectures. These curriculum reforms have undermined the role of the teacher and caused a disciplinary breakdown in Swedish schools. This, according to Tino Sanadaji, has had a greater impact on the Swedish PISA results than the implementation of school choice and school vouchers.<sup>4</sup>

Nevertheless, after the implementation of the school voucher reform certain aspects of the implementation have clearly not worked. The first and most glaring problem is grade inflation. As the PISA study shows, the skill levels of Swedish students have, relative to students in other participating countries, drastically declined.<sup>5</sup> Nevertheless, the aggregate grades of Swedish students have been improving year-on-year, despite their falling PISA scores. Clearly there is a disparity here.

This disparity comes from the fact that schools use school grades as a point of competition with other schools. Schools therefore seek to exaggerate the grades given to their students in order to attract students and maximise their funding. This problem is endemic in both private

and public schools, so it is not solely a private school phenomenon. Schools have opted for the easy way out, where instead of working to improve education quality, they have simply awarded students with higher marks.<sup>6</sup> As schools that offer high grades might not be the best in terms of quality, grade inflation has made it very difficult for parents and students to make informed school choices.

This unfortunate trend has been made possible by the lack of centrally marked standardised exams. In Sweden schools are required to administer standardised exams. However, they are graded by the class teacher and do not carry an exact percentage towards the final grade and the results can therefore be easily inflated to suit the teachers' or schools' preference for high grades.<sup>7</sup>

The failure to control grade inflation is, according to Sanadaji, just one of the implementation failures that have occurred. Other failures include the inability to control more elite private schools from being selective, thus leading to 'cherry picking' problems and increased segregation. It also includes corrupt privatisation deals where public schools were severely undervalued, allowing companies and individuals to purchase public property at cut price costs.<sup>8</sup>

1 Ray Fisman (2014) "Sweden's School Choice Disaster" in Slate < [http://www.slate.com/articles/news\\_and\\_politics/the\\_dismal\\_science/2014/07/sweden\\_school\\_choice\\_the\\_country\\_s\\_disastrous\\_experiment\\_with\\_milton\\_friedman.html](http://www.slate.com/articles/news_and_politics/the_dismal_science/2014/07/sweden_school_choice_the_country_s_disastrous_experiment_with_milton_friedman.html)> Retrieved 20 September 2014.

2 Tino Sanadaji (2014) "Sweden Has an Education Crisis, But It Wasn't Caused By School Choice" in National Agenda Online. < <http://www.nationalreview.com/agenda/383304/sweden-has-education-crisis-it-wasnt-caused-school-choice-tino-sanadaji>> Retrieved September 20 2014.

3 OECD (2014) "Resources, Policies and Practices in Sweden's Schooling System: An In-depth Analysis of PISA 2012 Results." < <http://www.regeringen.se/content/1/c6/23/42/93/11ed5f6d.pdf>> Retrieved 20 September 2014.

4 Sanadaji (2014).

5 Sanadaji (2014).

6 Fisman (2014).

7 Fisman (2014).

8 Sanadaji (2014).

---

A study on the long term effects of school choice in the Netherlands found that there is a strong positive correlation between high student outcomes and school competition.

---

However, the most serious implementation failure has been the lax regulation around private schools. Allowing for-profit schools is not the central problem; there are no regulations about how profits can be used, which have caused profiteering and mismanagement of schools.<sup>1</sup> This has in some cases even led to the abrupt closure of schools mid-term. The worst such case occurred in 2013 when the private school operator JB Education suddenly withdrew from the Swedish education market due to falling profits, forcing over 10,000 students to change schools in the middle of the school year.<sup>2</sup>

It is important to remember that the above mentioned implementation failures are not inherent in school voucher programmes, but they do illustrate an important point. There has to be a degree of regulation and central control over a school voucher system in order for the implementation process to be optimised.<sup>3</sup>

### 3.3 Netherlands

In order to show the importance of maintaining a strong regulatory framework over school voucher programmes we will now turn to the case of the Netherlands. The Netherlands school voucher programme was established in 1917 and is one of the oldest of its kind in the world. The system was created

to ensure freedom of religion and political association as the Netherlands was then highly divided between Catholics and Protestants, and Liberals and Social Democrats.

As in Sweden, the Dutch programme is universal and today most children in the Netherlands attend private schools. According to the Harry Anthony Patrinos (2010), in a study for the World Bank, almost 70 percent of schools in the Netherlands are administered by private school boards, rather than by government agencies.<sup>4</sup>

The Netherlands have consistently been one of the top performing countries in the PISA studies. Oliver Himmler conducted a study on the long term effects of school choice in the Netherlands and found that there is a strong positive correlation between high student outcomes and school competition.<sup>5</sup> Patrinos finds similar results and argues that the school choice programme has positively impacted these trends. The freedom to choose schools for parents means that parents are actively involved in the structural process of the education system. Both public and private schools compete to be better education providers because people have choice. In this context, public schools are as much contributors of good achievement in Dutch students.<sup>6</sup>

1 Fisman (2014) Sanadjji (2014).

2 Richard Orange and Richard Adams (2013). "Swedish free school operator to close, leaving hundreds of students stranded" in The Guardian Online 31 May 2013 < <http://www.theguardian.com/education/2013/may/31/free-schools-education>> retrieved 21 September 2014.

3 Sanaadjji (2014).

4 H.A. Patrinos (2010). Private Education Provision and Public Finance: The Netherlands. Policy Research Working Paper 5185. World Bank: The World Bank Human Development Network Education Team, 1-36.

5 Himmler, O. (2007). The Effects of School Choice on Academic Achievement in the Netherlands. 5th Norwegian- German Seminar on Public Economics.

6 Patrinos (2010).

Nevertheless, Patrinos further argues that the success of the Dutch system has to be attributed to the institutional factors within the Dutch school choice framework. On the one hand, education policy is highly centralised and the government retains a large amount of regulatory control. On the other hand, school management and administration is largely decentralised, allowing for flexibility and innovation in the implementation of the education policy. The strength of the Dutch school voucher programme, therefore, ultimately, lies in strong government control education policy and quality inspections, and, at the same time, choice.

Thus, although there is choice, regulations are kept tight. For example, schools are required to be not-for-profit. There is also a legally recognised authority, which governs all schools. Each family is allowed to choose the school, either public or private, and the government will fund. While private schools can request parents to pay extra top-up fees, this right is highly limited. Schools are not allowed to be selective, and even if parents cannot afford to pay any extra fees asked by the school the child has to be accepted. Therefore, although the schools are part of the private sector, they are not represented as an elite choice and 'cherry picking' students based on results or socio-economic status is not possible. The government, furthermore, maintains the right and ability to perform regular inspections to ensure schools adhere to regulations and policies, both public and private. These strong regulations are also a

central reason for the Netherlands not having experienced the same level of disruptive and damaging school closures that have been present in the other two school choice/voucher programmes in our study.<sup>1</sup>

#### 4. Ideal system for school vouchers – Lessons for Malaysia

What is clear from the above discussion is that school voucher systems do bring about better education outcomes, both in terms of providing real choice for all segments of society, including poorer families, as well as with regards to improved efficiency and quality in the schools. Therefore, when discussing the future of how the Malaysian schools should be funded, a school voucher programme should be considered. However, as we have seen there are several caveats that have to be included in our discussion about how a school voucher programmes should be designed in order to maximise the benefits to Malaysian students and taxpayers.

##### 4.1 Autonomy for Capacity to Improve

The first point to make is that if Malaysia is to benefit from school choice there has to be room for public schools to actually compete with private schools. This means that public schools need to be given the autonomy to manage and administer their own schools. Without such 'wiggling space', public schools would invariably fall behind private schools as they cannot compete with the flexibility and potential to innovate that private

schools possess. This means that efficiency gains in public schools would be diminished, as public schools would be stifled by the lack of autonomy to make the necessary improvements. Even though Malaysian public schools, to date, are under strict centralised control, it is worth noting that the Malaysian Education Blueprint for 2013 - 2025, under wave 3, contains some provisions for enhancing school based management and autonomy.

##### 4.2 Education Policy Should be Centralised

Even though schools need autonomy to be flexible and innovative, overall education policy, i.e. curriculum development, the setting of exams and enforcement of minimum standards, must be retained centrally. The government – or any organisation acting on its behalf - must set the minimum quality that schools, private and public, have to attain, the minimum teacher qualification levels, minimum facilities requirements and so on. There has to be a body, this can be a government actor, an NGO or a foundation, or even a private company, which possess the right and the ability to inspect and evaluate schools, both private and public, on a regular basis to ensure compliance with the set regulations, and be able to impose punitive measures when shortcomings are identified. If this is not the case, there is the risk that schools will underperform to the extent that they will have to be shut down in a disorderly fashion, causing much distress and harm to the students.

<sup>1</sup> Patrinos (2010)

### 4.3 For-Profit Schools Should Be Allowed But Controlled

Private schools should be allowed to run as for-profit enterprises. However, these enterprises have to be tightly regulated. The government needs to demand long-term investment plans from any for-profit operator in order to prevent abrupt and disorderly school closures, which is highly disruptive to students and parents.

### 4.4 Preventing Grade Inflation

At least part of the students' performance has to be assessed through locally administered but centrally graded standardised test or examinations. The test scores of these standardised tests should be used both to help parents make informed decisions about school quality and to ensure that schools cannot inflate grades in order to attract students. The organisations entrusted with overseeing overall quality control in schools should be tasked with producing an annual report listing both exam results and grade breakdowns in order to guide parents and enhance transparency.

## 5. Concluding remarks

This paper has offered an overview of how school voucher programmes facilitate school choice, as well as how they are best implemented. It has been shown that by allowing education funding to be flexible students will have a real choice with

regards to their education.

The arguments put forward are that school voucher systems, when correctly implemented, greatly enhances education choice for students, especially those from low-income groups. Nevertheless, in order to ensure success, several conditions have to be in place:

1. Both public and private schools need to have a great deal of managerial autonomy in order to adopt and thrive within the context of competition.
2. Education policy, including minimum standards, should be centrally decided and the government must ensure quality control.
3. Profits should be allowed, however, the government must demand long-term commitment and business plans from any enterprise entering the education market.
4. Grade inflation must be controlled to ensure fair competition and quality control.

It should be noted that it has not been within the scope of this paper to study, in detail, what a school voucher reform in Malaysia would look like. In order to implement such a reform in Malaysia there would be need for wide-ranging reforms to the education system. Further research is needed to determine the details, both legal and

practical, of such a reform in the Malaysian context. However, it is our hope that this paper can work as a benchmark for this discussion. Furthermore we do recommend that future expansions of public-private partnerships include pilot studies into school vouchers, to extend the possibility of low-income families to access high quality market based education.

### About the author

**Jenny Gryzelius** is freelance education researcher, with a Masters in Social Policy Analysis from Catholic University Leuven, Belgium.

