# School choice and school vouchers:

## An OECD perspective

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# Foreword

Many countries are struggling to reconcile their aspirations for greater flexibility and more opportunities for parents to choose their child's school with the need to ensure quality, equity and coherence in their school systems. But our evidence at the OECD suggests that this is an achievable goal. School choice, in and of itself, neither assures nor undermines the quality of education. What matters are smart policies that maximise the benefits of choice while minimising the risks, and establishing a level playing field for all providers to contribute to the school system.

School choice will only generate the anticipated benefits when the choice is real, relevant and meaningful, i.e. when parents can choose an important aspect of their child's education, such as the pedagogical approaches used to teach them. If schools are not allowed to respond to diverse student populations, and to distinguish themselves from each other, choice is meaningless.

In turn, private schools need to accept the public steering and accountability mechanisms that ensure the attainment of public policy objectives in exchange for the funding they receive from the public purse. All parents must be able to exercise their right to choose the school of their preference; that means government and schools need to invest in developing their relationships with parents and local communities, and help parents make informed decisions. Successful choice-based systems have carefully designed checks and balances that prevent choice from leading to inequity and segregation.

Not least, the more flexibility there is in the school system, the stronger public policy needs to be. While greater school autonomy, decentralisation and a more demand-driven school system seek to devolve decision making to the frontline, central authorities need to maintain a strategic vision and clear guidelines for education, and offer meaningful feedback to local school networks and individual schools. In other words, only through a concerted effort by central and local education authorities will school choice benefit of all students.

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# Introduction

In recent decades, several countries around the world have introduced policies to make it easier for parents to send their child to the school of their choice. At the same time, many schools have been granted greater autonomy so that principals, school boards and teachers can assume more responsibility for policies related to resources, the curriculum, assessments, school admissions and discipline. Schools systems in some countries have made it possible for private schools to be integrated into the public education system as government-dependent schools or as completely independent schools that receive a certain amount of public funding. These voucher or voucher-like systems have become the object of intense political debate.

Proponents of school choice defend the right of parents to send their child to the school of their preference – because of quality, pedagogical approaches, religious denomination, affordability or geographical location – regardless of legal restrictions or financial or geographical barriers. In theory, given students' diverse needs and interests, a larger number of options in any one school system offers better value by reducing the cost of failure and mismatch, stimulates competition and, in doing so, prompts schools to innovate, experiment with new pedagogies, become more efficient and improve the quality of the learning experience. Proponents argue that the increasing social and cultural diversity of modern societies calls for greater diversification in the education landscape, including by allowing non-traditional providers and even commercial companies to enter the market.

Critics of school choice argue that, when presented with more choice, students from advantaged backgrounds often opt to leave the public system, leading to greater social and cultural segregation in the school system. At the macro level, such segregation deprives children of opportunities to learn, play and communicate with children from different social, cultural and ethnic backgrounds which, in turn, threatens social cohesion. To critics, vouchers and voucher-like systems divert public resources to private and sometimes commercial providers, thereby depriving public schools, which tend to serve large populations of disadvantaged students, of the resources needed to maintain the quality of the education provided.

The OECD's data and analyses can shed some light on these issues.[1] If well-crafted and based on agreed framework conditions, school-choice policies can help school systems deliver education tailored to a diverse student population, while limiting the risk of social segregation. When market mechanisms are introduced or expanded in education systems, the most productive role of public policy shifts from overseeing the quality and efficiency of public schools to ensuring that oversight and accountability arrangements are in place to guarantee that every child benefits from accessible, high-quality education.

# School choice

## Prevalence of choice

The degree of choice that parents enjoy and the level of competition in school systems vary widely between countries and within countries among different social groups. Across OECD countries with data collected in PISA 2015, the parents of around 64% of students reported that they had a choice of at least one other school available to them, but this percentage varies widely among countries. Parents of students who attend rural and disadvantaged schools reported having less choice than parents of students in urban and advantaged schools.

Parents were also asked to report how much importance they give to certain criteria when choosing a school for their child. These were mainly related to school quality, financial considerations, the school's philosophy or mission, and distance between their home and the school. Across the 18 education systems where parents answered this question, parents were more likely to consider important or very important that there is a safe school environment, that the school has a good reputation and that the school has an active and pleasant climate – even more than the academic achievement of the students in the school. The least important criteria, according to parents, are whether the school adheres to a particular religious philosophy, followed by attendance at the school of other family members, and financial considerations.

Parents of children who attend disadvantaged, rural and public schools were considerably more likely than the parents of children who are enrolled in advantaged, urban and private schools to report that the distance between the home and the school is important. The children of parents who assign more importance to distance score considerably lower in the PISA science assessment, even after accounting for the students' and schools' socio-economic profile. This was also observed among students whose parents consider low expenses to be important or very important. These students score 30 points lower in science than students whose parents consider low expenses to be only somewhat important or not important. In most countries and economies, the parents of children who attend disadvantaged and public schools are more likely than those of children who attend advantaged and private schools to consider low expenses important when they choose a school for their child (OECD, 2016b).

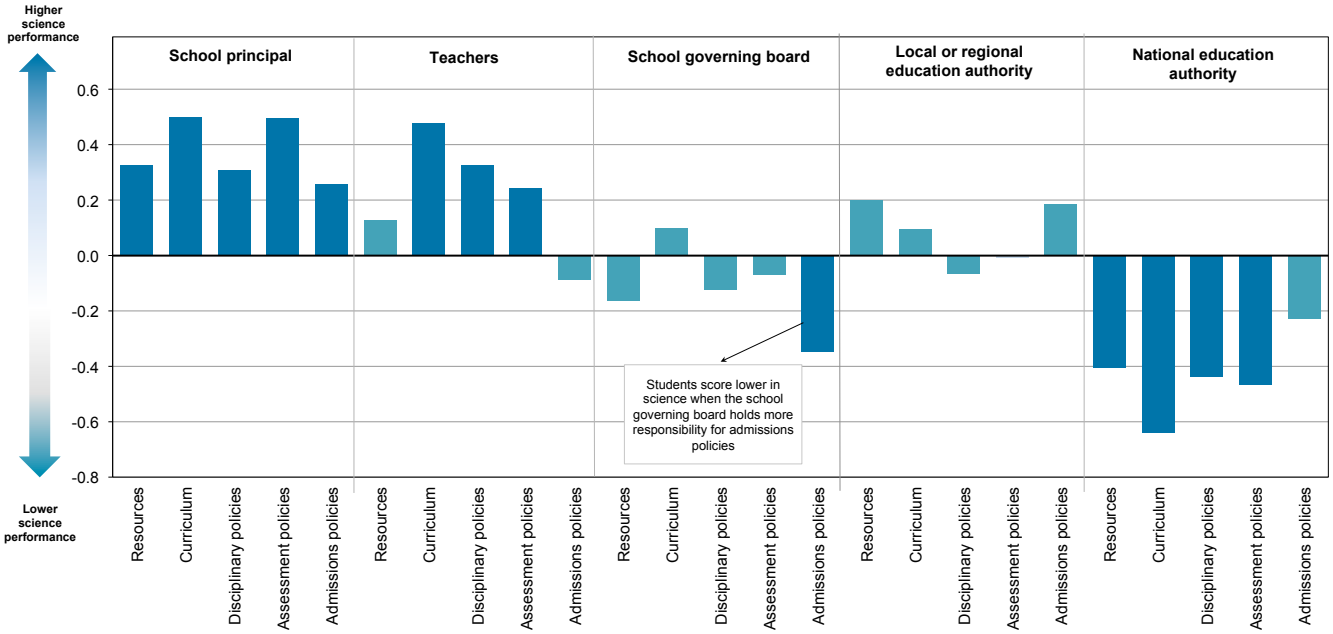
## Local autonomy

The benefits of school choice only accrue in environments where schools and teachers enjoy a great deal of autonomy. The results in Figure 1 show that students in school systems where principals and, to some extent, teachers have greater autonomy in managing their schools score higher in science. This is particularly true when principals and teachers have greater responsibility for the curriculum, but less so when they have a greater say in admitting students to the school. Students score lower in science in those systems where school governing boards have greater responsibility for school admissions policies, and also when national education authorities hold greater responsibility for resources, disciplinary policies, assessment policies and, especially, the curriculum. No link is observed between the responsibility held by local or regional education authorities and students' performance in science.

Figure 1. Correlations between the responsibilities for school governance and science performance

*Results based on system-level analyses (PISA 2015)*

Notes: Results based on 70 education systems.




Statistically significant correlation coefficients are shown in a darker tone.

Source: OECD, PISA 2015 Database.

## Public and private schools

### Prevalence of private schools

The degree of competition in a school system and the rate of enrolment in private schools are related, but they do not indicate the same phenomenon.

As revealed in PISA 2015, on average across OECD countries, about 84% of 15-year-old students attend public schools, about 12% attend government-dependent private schools, and slightly more than 4% attend government-independent private schools; but again the percentages vary widely across countries.

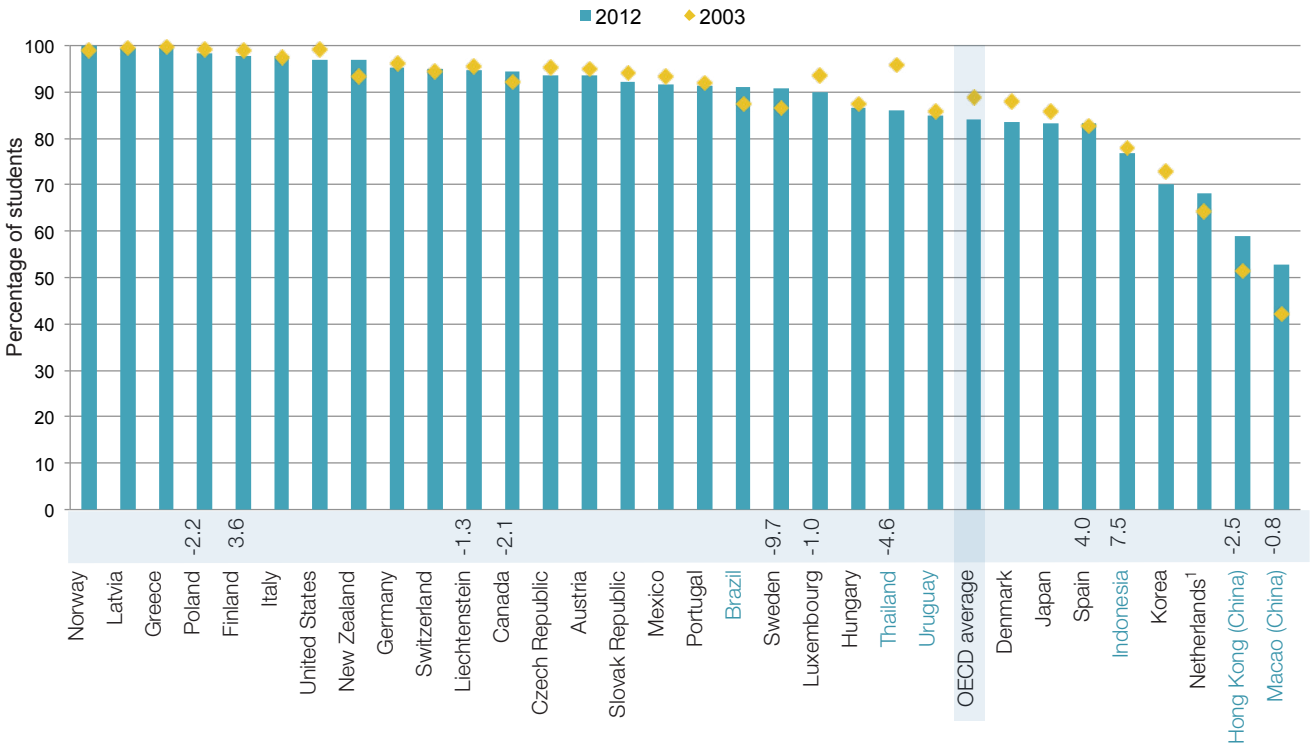
For the first time, in 2015, PISA also asked principals of private schools what kind of organisation ("a church or other religious organisation", "another not-for-profit organisation" or "a for-profit organisation") runs their school. Across OECD countries, of the 12% of students who are enrolled in private government-dependent schools, around 38% of them attend schools run by a church or other religious organisation, 54% attend schools run by another non-profit organisation, and 8% attend schools run by a for-profit organisation. In Ireland, all 15-year-old students in private government-dependent schools attend a religious school; in Austria, all students enrolled in private government-dependent schools attend those run by another non-profit organisation; and in Sweden, over half of students in private government-dependent schools attend one run by a for-profit organisation.

Across OECD countries, about 4% of 15-year-old students are enrolled in private independent schools, of which about one in four attends a school run by a church or other religious organisation, slightly fewer than one in four attends a school run by a for-profit organisation, and about one in two attends a school run by another not-for-profit organisation. In Italy and the United States, around 70% of students in private independent schools attend one run by a religious organisation. In Austria and Denmark, all of these students attend a school managed by a not-for-profit organisation, whereas in Turkey, at least 7 in 10 students attend for-profit private independent schools.

Across the education systems that participated in PISA 2015, socio-economically disadvantaged schools and rural schools are more likely to be public. Across OECD countries, 86% of 15-year-old lower secondary students and 81% of upper secondary students are enrolled in public schools. However, in Australia, Canada, Germany and Sweden, 15-year-old upper secondary students are more frequently enrolled in public schools than are lower secondary students.

Between 2003 and 2012, the average percentage of students in OECD countries who attend public schools dropped slightly from around 89% to 84% (OECD, 2014). However, comparing data from the 2003 and 2012 PISA cycles, it is clear that this decline is due to significant changes in a few countries (Figure 2). For example, policy changes in Sweden led to a nearly 10% drop in public school enrolment. Between 2006 and 2015, there was no further decrease in the average share of 15-year-old students in OECD countries who attend public schools, but there were declines observed in Chile, Latvia and Sweden, and gains in public school enrolments in Austria, Korea, Portugal and Spain (OECD, 2016a).

Figure 2. Percentage of 15-year-old students enrolled in public schools (2003, 2012)




1. About 99% of 15-year-old students in the Netherlands are in publicly funded schools: 1/3 of these schools are publicly governed while 2/3 are privately governed.

Notes: Only countries and economies with comparable data from PISA 2003 and PISA 2012 are shown.

The percentage-point difference in the share of students attending public schools in 2012 and 2003 (2012 - 2003) is shown above the country/economy name. Only statistically significant differences are shown. OECD average 2003 compares only OECD countries with comparable data since 2003.

*Countries and economies are ranked in descending order of the share of students in public schools in 2012.*

Source: OECD (2016a). Tables C7.2 and C7.3. See Annex 3 for notes (www.oecd.org/edu/eag.htm).

### Redefining "public" and "private"

Greater enrolment in private schools is often referred to as the privatisation of education, and is regarded as a move away from the notion of education as a public good. But that is not necessarily an accurate interpretation. Private schools operate under specific conditions, often defined by the state. In many countries where large parts of the school system operate under private legal statutes, such schools can be seen as "legally private, functionally public". This means that, as private entities, they contribute to fulfilling public missions and functions. For example, they can partly or completely follow the national curriculum and serve the public mission of education by providing quality education. There are also many cases in which private schools provide access to education for underserved communities and have equity-related missions.

As in other sectors of public policy, the distinction between public and private education is often blurred. Public-private partnerships are an accepted reality in various other public policy sectors and there is no reason why education should be an exception. The relevant question is: how can public policy objectives, such as providing high-quality education for all citizens, be achieved? Private schools can be part of the answer.

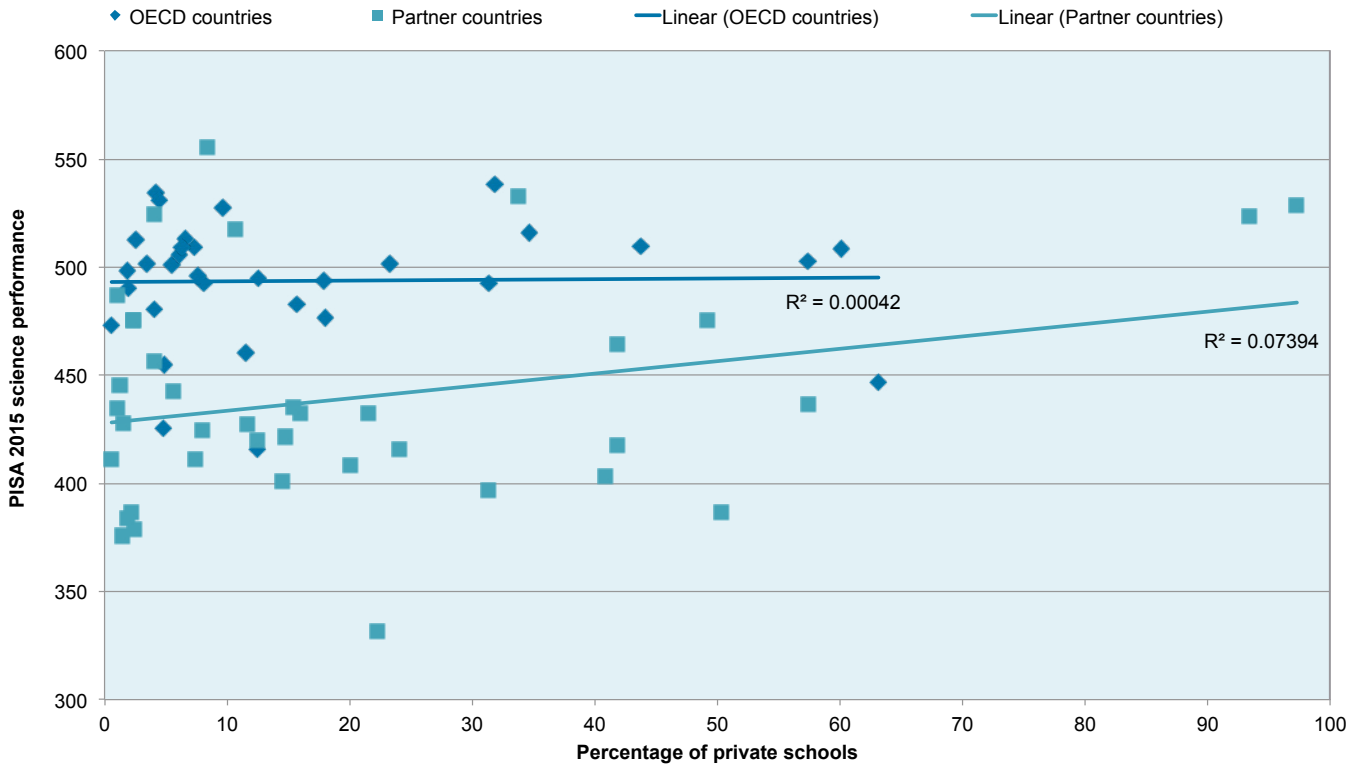
## Relationships between type of school and student performance in science

### Between-country relationship between PISA results and the prevalence of private schools

Many critics of school choice claim that the prevalence of private schools would have a negative impact on the quality of education. To assess the veracity of this claim, one can examine whether there is a relationship between the share of private schools in a country and the quality of learning outcomes as measured by PISA.

Figure 3 shows that there is no country-level relationship between the quality of learning outcomes and the share of students enrolled in private schools. Among OECD countries, the correlation is almost zero; among the 32 partner economies that participated in PISA 2015, there is a slight positive relationship, mainly because two high-performing systems – Hong Kong (China) and Macao (China) – have large shares of private schools.

Figure 3. Science performance and percentage of private schools (PISA 2015)

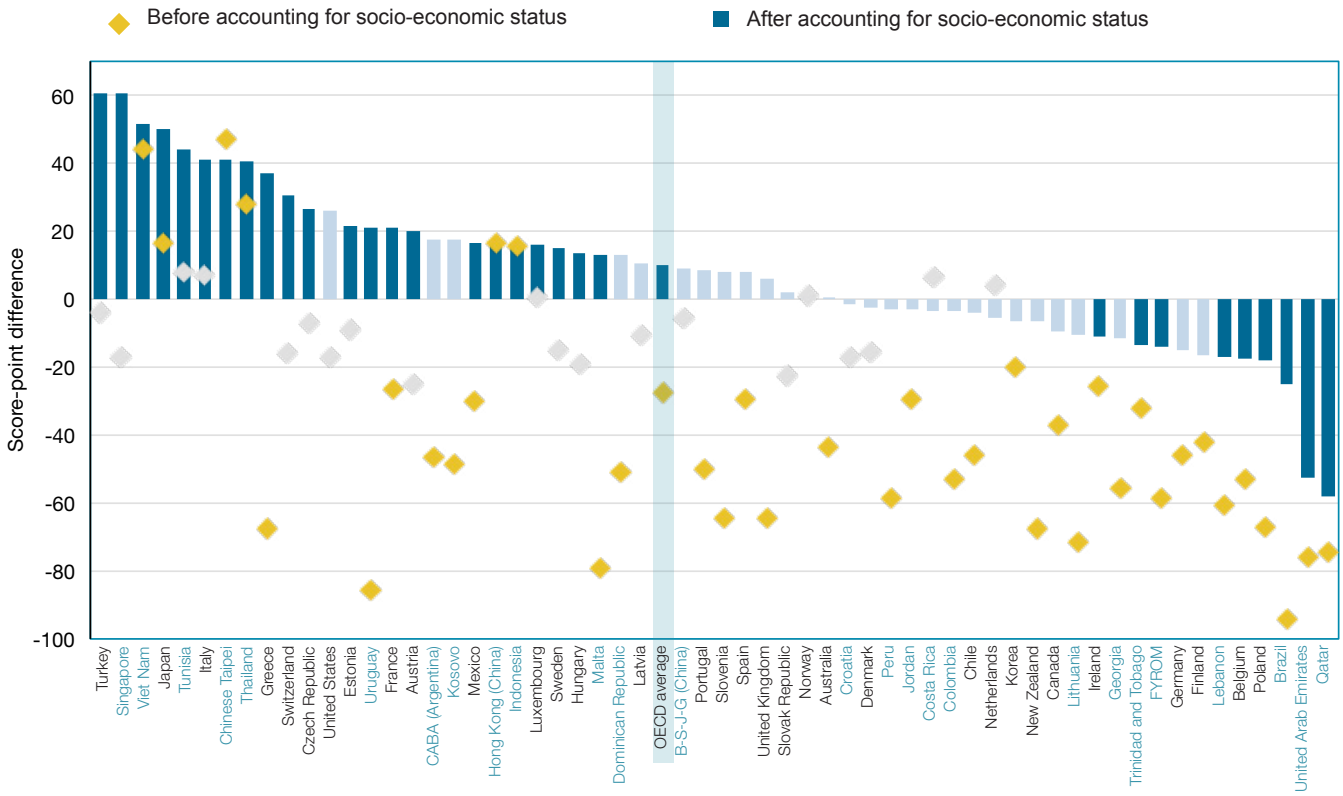



Source: OECD (2016d), *PISA 2015 Results (Vol. II): Policies and Practices for Successful Schools*, http://dx.doi.org/10.1787/9789264267510-en Table II.4.6.

## Within-country differences in learning outcomes between public and private schools

PISA 2015 data can also be used to assess whether attending a private school has an impact on students' learning outcomes within countries. On average across OECD countries and in 32 other education systems, students enrolled in public schools score lower in science than students in private schools (Figure 4). However, after accounting for students' socio-economic status, in 22 education systems, students in public schools score higher than students in private schools, in 8 systems they score lower than students in private schools, and on average across OECD countries, students in public schools score higher than students in private schools. This remarkable difference in results, before and after accounting for socio-economic status, has been consistently observed in all rounds of PISA. It reflects the larger proportions of disadvantaged students who are enrolled in public schools rather than in private schools.

Figure 4. Science performance in public and private schools (PISA 2015)




Note: CABA (Argentina) refers to Ciudad Autónoma de Buenos Aires (Argentina); B-S-J-G (China) refers to Beijing-Shanghai-Jiangsu-Guangdong (China); FYROM refers to the Former Yugoslav Republic of Macedonia.
Source: OECD (2016d), *PISA 2015 Results (Vol. II): Policies and Practices for Successful Schools*, http://dx.doi.org/10.1787/9789264267510-en.

Enrolling in a particular type of school can have implications that go beyond the benefits or drawbacks for an individual student. At the system level, science scores and equity in science performance are virtually unrelated to the percentage of students enrolled in public schools. Average science scores at the country level are moderately and positively associated with the percentage of students enrolled in government-dependent private schools, but not when only OECD countries are compared.

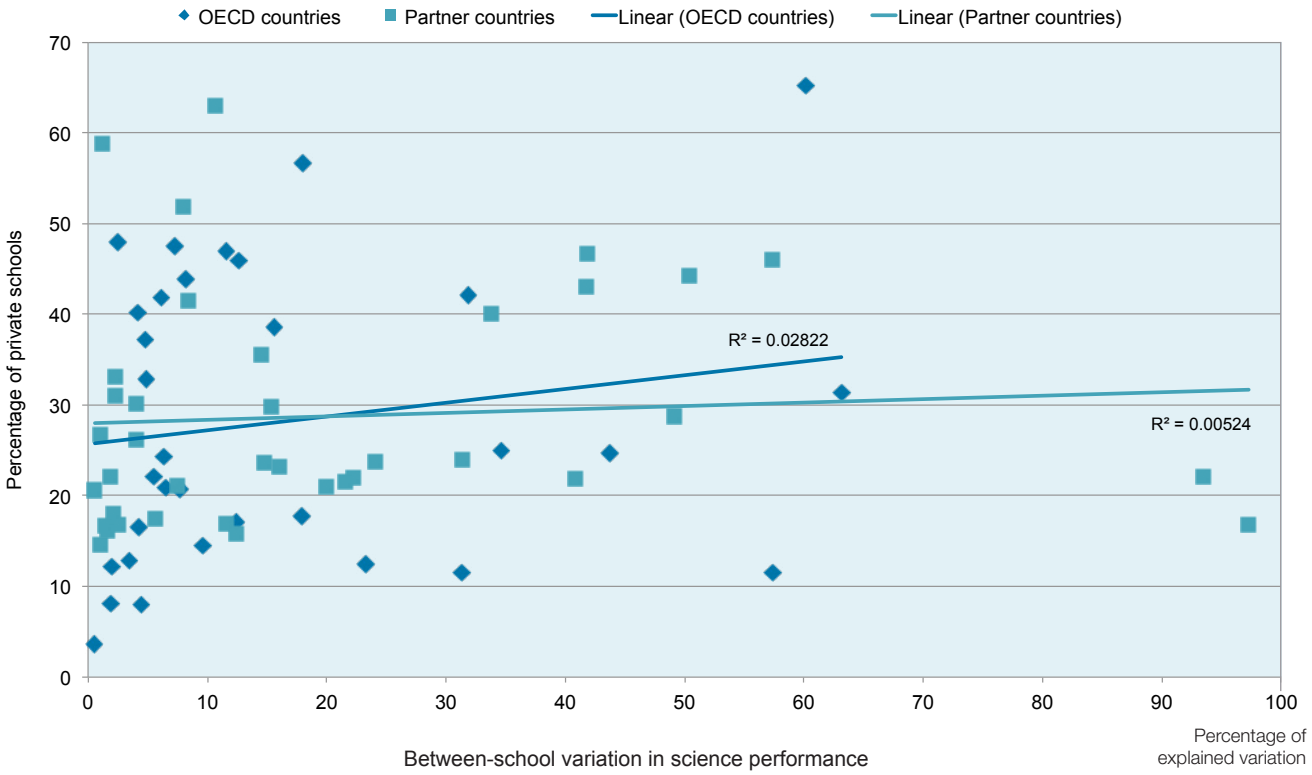
However, there is no association between equity in science performance and attendance at a particular type of school. A recent OECD report on low-performing students (OECD, 2016b) found that the positive association between the percentage of students enrolled in government-dependent private schools and student achievement is mainly explained by the greater levels of autonomy these schools enjoy.

## Prevalence of private schools and between-school variation in PISA performance

It is often suggested that having more school choice and a larger share of private schools would turn education systems into quasi education "markets", with increased competition and segregation among schools. It can be expected that extending the possibilities for private schools to be integrated into a "functionally public" system and receive public funding would result in more disparities among schools, leading to greater between-school variations in learning outcomes. But as shown in Figure 5, at the country level, there is no correlation between the share of private schools in an education system and the percentage of the variation in PISA scores that is explained by that share. Whether school choice and a larger share of private

schools can be associated with between-school segregation depends on the institutional arrangements and the framework conditions that underpin school choice.

Figure 5. Percentage of private schools and between-school variation in science performance (PISA 2015)

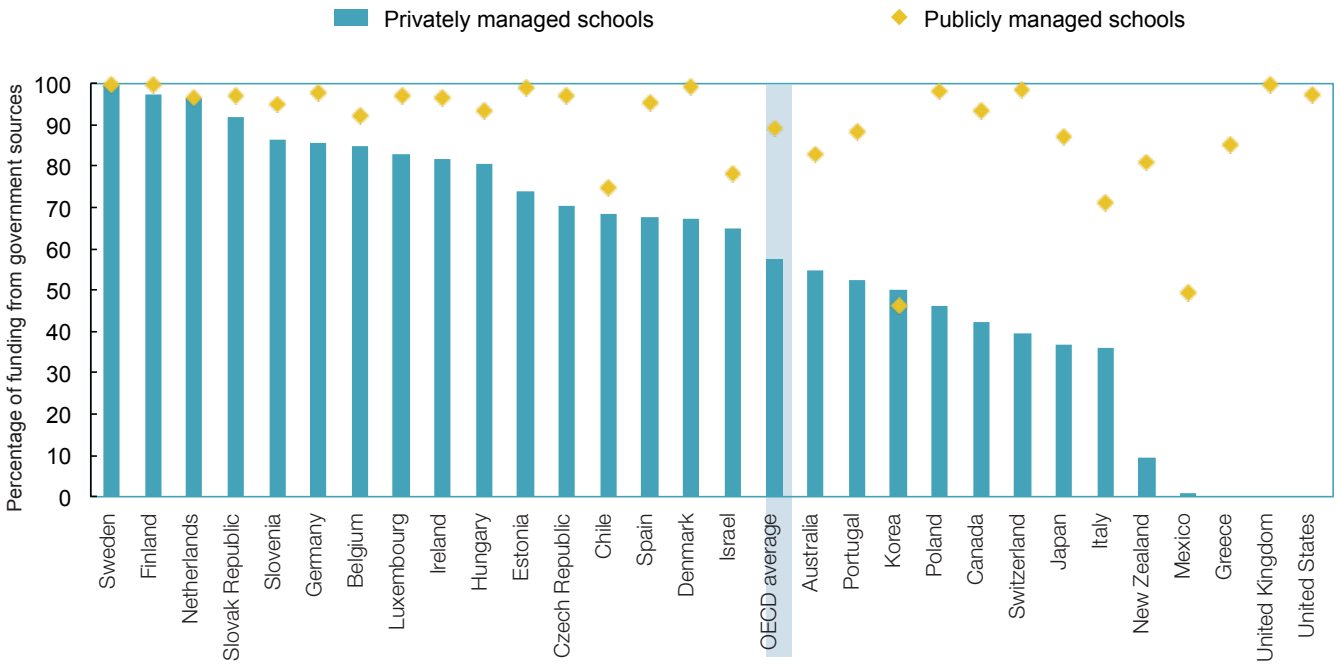



Source: OECD (2016d), *PISA 2015 Results (Vol. II): Policies and Practices for Successful Schools*, http://dx.doiorg/10.1787/9789264267510-en.

## School funding arrangements related to school choice

Given the variation across countries in the relative size of the government-dependent and government-independent private school sectors, there are also pronounced differences in the amount of public funding the average private school receives. On average across OECD countries in 2009, the principals of privately managed schools (including government-independent private schools) reported that they receive around 58% of their total school funding from government sources, including departments, local, regional, state and national authorities, compared to around 89% of total funding of publicly managed schools (Figure 6). In 10 out of 29 OECD countries, privately managed schools receive more than 80% of their funding, on average, from the government; another 8 OECD countries receive more than 50% of their funding from public sources. Countries where privately managed schools receive high levels of public funding include Sweden (more than 99% of total funding), Finland (around 97%), the Netherlands (around 96%), the Slovak Republic (nearly 92%) and the partner economy Hong Kong (China) (around 91%). By contrast, countries in which private schools receive low levels of public funding include New Zealand (nearly 10% of the total), Greece, Mexico, the United Kingdom and the United States (all below 1%) (Boeskens, 2016).

Figure 6. Proportion of school funding from government sources, by type of institution (2009)




Notes: Countries are ranked in descending order of the percentage of private school funding from government sources.
The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
Source: OECD (2012b), *Public and Private Schools: How Management and Funding Relate to their Socio-economic Profile*, http://dx.doi.org/10.1787/9789264175006-en.

Data for the financial year 2013 indicate that private primary schools in OECD countries received USD 4 212 (equivalent USD converted using PPPs for GDP) per student from government sources, on average, compared with USD 8 316 per student in public primary schools. Private lower secondary schools received USD 6 011 compared with USD 9 707 USD per student in public schools; and private upper secondary schools received USD 5 722 compared with USD 9 194 per student in public schools (OECD, 2016). These amounts vary considerably from country to country.

In order to compensate for the lack of public funding, private schools have to turn to private sources of funding. Between 2008 and 2013, private expenditure on schools increased by 15%, whereas public expenditure increased by only 6% in real terms. Thus an increasing share of the total expenditure on educational institutions now comes from private sources, largely from households. In 2013, 7% of all expenditure on schools came from households (OECD, 2016a).

Vouchers are commonly used to finance private education, but there is little data on this. As of 2009, 9 out of 22 OECD countries with available data reported that they use vouchers to facilitate enrolment in government-dependent private primary schools. In five of these countries, the voucher programme was restricted to disadvantaged students. At the lower secondary level, 11 out of 24 countries reported using voucher schemes, 7 of which targeted disadvantaged students. At the upper secondary level, 5 of 11 voucher programmes were means-tested. Of the surveyed OECD countries, seven reported that they provide vouchers from primary through upper secondary education (OECD, 2011).

Tuition tax credits, which allow parents to deduct expenses for private school tuition from their tax liabilities, are used less frequently than vouchers. As of 2009, only 3 out of 26 OECD countries with available data reported using tax credits to facilitate enrolment in government-dependent private schools (OECD, 2011).

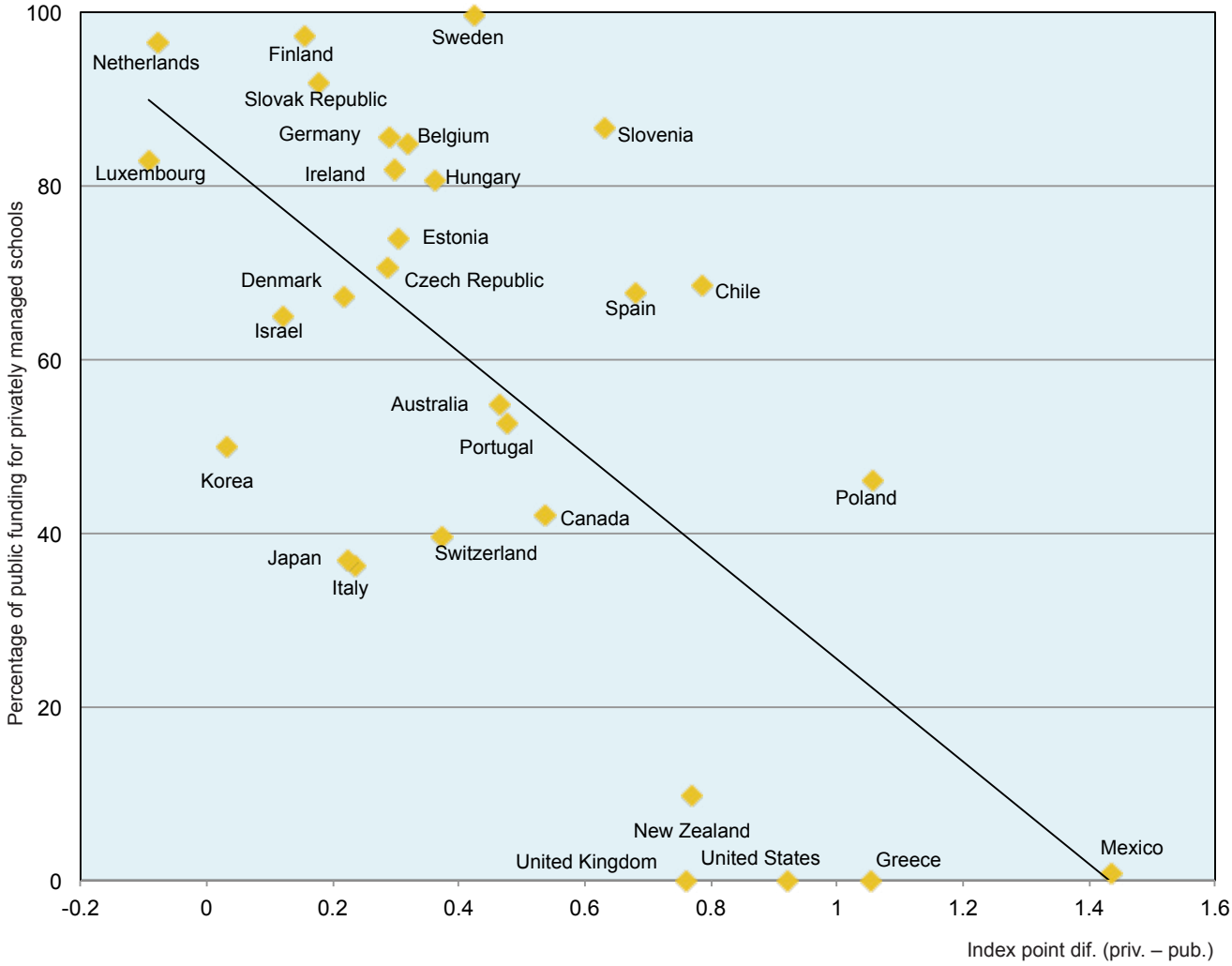
In order to mitigate the negative effects of school choice and public funding of private schools, particularly segregation and social stratification, various governments have implemented compensatory financing mechanisms. For example, the Flemish Community of Belgium, Chile and the Netherlands have instituted weighted student funding schemes, whereby funding follows the student on a per-student basis, and the amount provided depends on the socio-economic status and education needs of each student. These schemes target disadvantaged students and, in doing so, make these students more attractive to schools competing for enrolment.

Specific area-based support schemes, such as the "zones of educational priority" found in France and Greece, are observed in school systems with large between-school variation in performance and a concentration of low-performing schools in certain locations. In Belgium, government-dependent private schools, which constitute a majority of the market, receive (almost) the same amount as public schools, and they are forbidden from charging tuition fees or selecting students.

## Effectiveness of school choice systems

Analysing country experiences with school choice and funding mechanisms for private schools leads to a number of recommendations for effective school choice policies. The first is to consider carefully the amount of public funding to be devoted to private schools. In Finland, the Netherlands, the Slovak Republic, Sweden and the partner economy Hong Kong (China), principals of privately managed schools reported that over 90% of school funding comes from the government; in Belgium, Germany, Hungary, Ireland, Luxembourg and Slovenia, between 80% and 90% of funding for privately managed school does. In contrast, in Greece, Mexico, the United Kingdom and the United States, 1% or less of funding for privately managed schools comes from the government; in New Zealand, between 1% and 10% does (OECD, 2012b).

Figure 7. Public funding for private schools and socio-economic profiles of public and private schools (PISA 2009)




Source: OECD, PISA 2009 Database.

In those countries where privately managed schools receive larger proportions of public funding, there is less of a difference in the socio-economic profiles of publicly and privately managed schools. Across OECD countries, 45% of the variation in this difference can be explained by the level of public funding devoted to privately managed schools; across all participating countries, 35% of the variation in this difference can be accounted for in this way.

A second recommendation is related to how public funding is provided to private schools. One way is through vouchers, which assist parents directly. Between the two types of voucher systems (universal voucher systems, in which vouchers are available to all students, and targeted voucher systems, in which vouchers are provided only to disadvantaged students) there are large differences in their effectiveness in mitigating the adverse effects of school choice. Vouchers that are available for all students can help expand the choice of schools and promote competition among schools. School vouchers that target only disadvantaged students can help improve equity in access to schools. An analysis of PISA data shows that, when comparing systems with similar levels of public funding for privately managed schools, the difference in the socio-economic profiles between publicly managed schools and privately managed schools is twice as large in education systems that use universal vouchers as in systems that use targeted vouchers.

The design of voucher schemes is thus a key determinant of their success. For example, regulating private school pricing and admissions criteria seems to limit the social inequities associated with voucher schemes.

As school choice is an increasingly common feature of OECD education systems, how publicly funded private schools are regulated has become a growing concern for researchers and policy makers alike. Research indicates that there are large variations in the success of school choice programmes and confirms that regulatory policies can make a significant difference in the equity and effectiveness of publicly funded private schools.

The international evidence suggests that schools that are selective in their admissions tend to attract students with greater ability and higher socio-economic status, regardless of the quality of the education the schools provide. Given that high-ability students are less costly to educate and their presence can make a school more attractive to parents, schools that can control their intake can wind up with a competitive advantage. Allowing private schools to select their students thus gives these schools an incentive to compete on the basis of exclusiveness rather than on their intrinsic quality. That, in turn, can undermine the positive effects of competition. The evidence also shows that selective admissions can be a source of greater inequality and stratification within a school system. However, there are few studies investigating whether these effects vary, depending on the selection criteria, for example, interviews with parents compared to results of aptitude tests.

Another important finding borne out by the literature is that students are selected not only based on explicit admissions criteria but also because of parents' self-selection, selective expulsion and more subtle barriers to entry. Policies that aim to reduce segregation should therefore also identify and address overly complex application procedures, expulsion practices, lack of information and other factors that prevent some students and parents from exercising their school choice.

Critics argue that allowing publicly funded private schools to charge tuition fees gives these schools an unfair advantage over public schools and undermines the principle of free school choice. Like selective admissions, imposing substantial add-on fees tends to skim the top students from the public sector and increase inequalities in education. Some policy interventions that limited fees for low-income families were effective in reducing segregation; but there have been few empirical studies in developed countries that have determined the effect of fees as distinct from that of selective admissions and other confounding factors.

Relatively little is known about whether there is a threshold of household contributions beyond which lower-income families will be deterred from choosing subsidised private schools. However, both simulations and empirical evidence confirm that public funding may fail to widen access to private schools unless it is accompanied by restrictions on tuition fees. If private schools invest public resources to improve their quality, rather than to broaden access, subsidies can exacerbate inequities across school sectors. This is one of the reasons why abolishing substantial add-on fees, along with offering targeted vouchers, can help reduce disparities in achievement between advantaged and disadvantaged students.

As predicted in theoretical models, the performance of publicly funded for-profit schools appears to be highly dependent on the regulatory framework in which they function. Based on the limited empirical evidence from OECD countries, for-profit schools that were allowed to select their students (e.g. in pre-reform Chile) did not consistently outperform public schools,

and had lower average results than their private non-profit counterparts. Where for-profit schools practiced open admissions (e.g. in Sweden), differences in their effectiveness were less pronounced. Indeed, early studies even suggested that they outperformed public schools, although these results may simply reflect different grading practices. Other studies in the United States have found little or no difference in performance between non-selective, for-profit charter schools and non-profit private or public schools.

## Choice, autonomy and innovation

One of the strongest arguments in favour of school choice is that increasing autonomy, diversity and competition in an education system would create stronger incentives for innovation. Innovative change cannot happen in hierarchical and bureaucratic power structures that reward only conformity to rules and regulations. School autonomy, teacher professionalisation and school choice for parents do not guarantee innovation, but they can create the conditions for innovation in education.

A recent attempt to measure the degree of innovation in education systems between 2000 and 2011 found that countries with a high degree of school autonomy and decentralisation, such as Denmark and the Netherlands, were at the top of the "composite innovation index", which summarises various measures of innovative change in schools and classroom practices (OECD, 2014b). In these systems, parents can choose between schools that offer pedagogically innovative education, or schools that adhere to more established approaches.

A recent OECD study on "Innovative Learning Environments" examined several innovative schools and school networks across OECD countries (OECD, 2013a). While the sample cannot be regarded as representative, the case studies came from all segments of education systems. Some were mainstream public schools, others belonged to networks of charter schools of similar environments, still others were private schools, working within or outside public systems. But all flourished because governance and oversight arrangements gave them the freedom to create spaces for experimentation.

But the study also underscored the risk that autonomy and creating an education "market" could lead to the "atomisation" of schools. Innovative practices are best developed locally, in partnership with relevant actors. Working with others inspires innovation and sustains the drive to innovate. School autonomy will be self-defeating if it is interpreted as functioning in isolation. Instead, autonomy should take the form of freedom and flexibility to work with many different partners.

## Learning from countries' experiences

This section highlights the experiences of designing school choice and school voucher systems in a number of countries, mainly high-performing countries in PISA that seem to manage school choice relatively well, such as the Flemish Community of Belgium, Denmark, Estonia and the Netherlands, and also two countries that have introduced choice with less success, namely Chile and Sweden.

### Flemish Community of Belgium

The Flemish Community of Belgium, which scored 515 points on the PISA 2015 science test (511 points in reading and 521 points in mathematics), and where 12% of students are top performers in science, is clearly a high-performing education system. While some 75% of secondary school students and 62% of primary school students are not enrolled in public schools, most private schools can be considered as "government-dependent": they aim to meet regional attainment targets and are subject to quality-assurance inspections organised by the state. Rare are the private schools that position themselves completely outside the public system, and for-profit private schools are almost non-existent.

Education in the Flemish Community is characterised by the constitutional principle of "freedom of education", which gives any person the right to set up a school and determine its educational principles, as long as it fulfils the regulations set by the Flemish government. Schools are not allowed to select students based on the results of admissions tests, performance, religious background or gender. Parents are allowed to choose the school for their child and are guaranteed access to a school within a reasonable distance from their home, with funding allocated to schools on a per-student basis. However, because of insufficient capacity, parents' choice is not always guaranteed and actually can be limited.

While schools managed by public authorities are required to be ideologically neutral, and the authorities must provide a choice of religious and non-denominational lessons, this does not apply to subsidised private schools. The largest share of these schools is run by denominational foundations, predominantly Catholic, but they also include schools that use specific pedagogic methods (e.g. Steiner schools).

Although the Flemish Community relies on an extensive Catholic school sector and other private school providers, schools cannot legally select students; they are obliged to accept all students regardless of religious background. There are no tuition fees in pre-primary, primary and secondary education. While both elementary and secondary schools levy charges, these are strictly regulated.

The Flemish education system is one of the most decentralised among all OECD countries. Both public and private schools enjoy considerable autonomy. They are responsible for recruiting teachers, allocating resources and deciding on spending unrelated to staff. They can also determine course content, within the limits imposed by the publicly defined minimum curriculum targets. Schools can adopt different pedagogical approaches. The result is a comparatively high level of competition among schools in a semi-urban context. However, the between-school variation in PISA performance is one of the largest among OECD countries.

In recent years, school choice has been increasingly regulated in order to mitigate its adverse impact on socio-economic diversity across schools in urban areas. Attempts to ensure equal opportunities in school enrolment were pioneered in 2003, and adjusted in subsequent years. Drawing on lessons learned, a 2011 decree gives priority to certain places in oversubscribed schools to both disadvantaged and advantaged students, in proportion to the socio-economic composition of each school's neighbourhood. Implementation of this policy is decentralised to so-called "local negotiation platforms", which helps build stakeholder buy-in to the new rules.

The Flemish Community of Belgium benefits from many of the advantages of school choice, such as a a wide variety of pedagogies, which offers real choice for parents, and a strong drive towards quality, through competition between schools. It also suffers from some of the disadvantages of school choice, such as a relatively high level of socio-economic segregation among schools and a strong relationship between family background and learning outcomes. But overall, the education system largely succeeds in limiting inequity and social segregation by implementing some steering and accountability mechanisms that apply to all schools. The attainment targets, far from being an imposed national curriculum, offer guidance to schools in maintaining quality. The inspectorate system evaluates schools regularly and monitors their performance. There are no central examinations, but system- and school-level assessments of the education delivered in specific subjects allow for monitoring the overall quality of education. Public and private schools are treated the same way in the state's accountability and oversight mechanisms.

### The Netherlands

Like the Flemish Community of Belgium, the Netherlands is a high-performing school system where more than two-thirds of 15-year-old students attend publicly funded private schools. It is also a highly diversified system, with wide differences among schools in pedagogical approaches, religious denomination and socio-economic profile. However, the between-school variation in PISA science performance in 2015 was one of the largest among OECD countries (just over 65% of the performance variation is explained by between-school differences in performance).

The Netherlands has a highly decentralised school system. School autonomy is grounded in the principle of "freedom of education", guaranteed by the Dutch Constitution since 1917. This allows any person to set up a school, organise teaching, and determine the educational, religious or ideological principles on which teaching is based. In principle, parents can choose their child's school (although this is somewhat restricted by the guidance given by education professionals when students complete primary education), but local authorities control enrolments to some extent in order to mitigate imbalances in school composition or weighted student funding to support greater social diversity in schools.

In 2011, about one in three primary students was enrolled in public schools, one in three was enrolled in Catholic schools, one in four attended Protestant schools, and the remainder were enrolled in other types of government-dependent private schools. While public schools are open to all students, government-dependent private schools may refuse students whose parents do not subscribe to the school's profile or principles.

A distinctive feature of the Dutch system is the institution of school boards. These bodies are given far more power than the schools that are governed by these boards. The boards oversee the implementation of legislation and regulations in the school and employ teachers and other

staff. While in the past public schools were governed mostly by local authorities, governance has increasingly been devolved to independent school boards. The school governors who make up the boards may be volunteers (laypersons receiving an honorarium) or professionals (who receive a salary).

The role of the school boards is a subject of debate in the Netherlands. A recent OECD review (OECD, 2016c) calls for strengthening the governance capacity and accountability of school boards by improving transparency and rebalancing decision-making powers between the board and school leaders.

Since the 1980s, the government has devolved additional responsibilities to schools. Private foundations have assumed responsibility for schools managed by local authorities (although the schools themselves remain public) and lump-sum financing has been introduced, which gives school boards the freedom to make their own spending decisions. Conversely, some re-centralisation has taken place through the establishment of national learning objectives and examination programmes. Mergers of school boards have been promoted as larger school boards are considered to be more professional and financially stable.

In the decentralised Dutch education system, religious organisations and associations of citizens receive public funding for the schools for which they are responsible, provided they meet government regulations. Public and private schools receive the same amount of public funding in the form of a lump-sum allocation based on the number of enrolled students. Since the mid-1980s, additional subsidies were assigned for disadvantaged students, reflecting the higher cost of teaching them. Since 2006, these voucher weights have been based on parents' educational attainment, replacing previous criteria based on students' immigrant background.

Although publicly funded private schools are not allowed to charge mandatory tuition fees or operate for profit, state-funded schools can supplement their funding with voluntary contributions from parents or businesses. Private schools receive significantly more of such contributions than public schools do. Publicly funded private schools are not allowed to engage in selective admissions, but parents of prospective students may be required to subscribe to the school's profile or principles.

Similar to that of the Flemish Community of Belgium, the education system of the Netherlands manages to offer parents a wide choice and to fund private entities that organise schools with public resources in a way that is generally seen as fair. The overall high quality of the system can partly be attributed to its diversity, the degree of competition among schools, and the high level of autonomy enjoyed by school boards, school leaders and teachers. While the Netherlands shows large between-school variations in PISA performance, it succeeds – better than the Flemish Community of Belgium does – in maintaining equity in its system. The accountability system works well, teacher professionalisation is well-developed, and the relative consistency in the quality of schools allows for examinations to be centrally designed.

### Estonia

In Estonia, privately run schools receive public funding on the same terms as public schools and can also charge tuition fees; they can also return profits to owners. Providing private schools with public funds aims to broaden school choice. The national government provides private schools with a grant for teachers' salaries that is calculated in the same way as it is for municipal public schools. Since 2011, municipal governments are also required to provide

private schools in their jurisdiction with the average amount of per-student funding they provide to municipal schools for their operating costs, excluding salaries.

Private institutions' access to public funding and, even more, the per-capita funding system, whereby public money follows students to the schools they have chosen, have created a quasi "market" for education. Parents and students wield considerable power in this environment where information about schools is widely disseminated so that parents can make more informed choices and to encourage competition among institutions.

There are three types of education providers: state, municipal and private. Pre-primary education is provided by private entities and municipalities; but the three types of providers offer competing services in primary and secondary education, in both general and vocational programmes. That said, general education is dominated by municipal providers and vocational education is dominated by state providers. Only a small percentage of students is served by private providers: around 4% of pre-primary students in 2013/14; around 5% of students in general programmes; and less than 1% of students in vocational programmes.

The regulation of the private school sector raises some concerns, however. Encouraged by the funding system, more private schools are springing up, resulting in smaller schools and classes and, as a result, a more expensive school system with no evident improvement in learning outcomes. Like similar education systems, that in Estonia needs to identify the services and providers that should be eligible to receive public funding. This requires continuous monitoring of the school licensing process and, based on the results, revising standards and the application of these standards when necessary.

### Denmark

Parents in Denmark can choose to send their child to public or subsidised private schools, the latter of which enrol an increasing proportion of the student population (19% in 2013). Private schools receive public funding in the form of central and municipal grants, equivalent to 73% of public school funding. Danish private schools charge modest tuition fees and are not run for profit. Although students in private schools come from diverse social backgrounds, they are, on average, more socio-economically advantaged than public school students.

Denmark's performance in PISA has been average to above-average with a relatively small share of low and top performers. Education is less equitable than in other Nordic countries despite a number of features that promote equity, such as comprehensive schooling and extensive access to early childhood education and care programmes. The country has a long tradition of school choice and a growing publicly funded private sector. The only European countries that have a larger share of students in private lower secondary schools than Denmark are the Netherlands and Spain. Between 2007 and 2013, the share of students in Denmark attending private schools increased from just under 17% to over 19%.

Private schools receive public grants from their municipalities and the central government. Since 2016, this subsidy has amounted to 73% of the average expenditure per public school student. All private schools charge parents at least a small tuition fee to ensure that they enjoy a similar level of funding as public schools. Total household contributions vary among schools, averaging about DKK 1 000 to DKK 2 000 per month, the equivalent of 15-30% of the average expenditure per public school student.

Private schools in Denmark are not-for-profit only. While public schools must accept all students, Danish private schools are allowed to practice selective admissions, although not all of them make use of this right. They also decide on their own education objectives, but have to offer an education that is equivalent to public schooling. Although school choice may stimulate innovation and improvements in education, empirical evidence suggests that competition from private schools has led Danish districts to increase their expenditure per student while there has been no commensurate improvement in student performance.

A recent OECD review of school resources in Denmark suggests that the coexistence of public and private schools increases the risk of student segregation. Although private schools in Denmark are highly diverse and attract students from all socio-economic backgrounds, these students are, on average, more advantaged than those in public education. The review thus recommends providing easily accessible, relevant, fair and comparable information about the quality of schools, both public and private, so that all parents, including disadvantaged parents, can make informed choices (Nusche et al., 2016).

### Chile

The market-oriented education reforms of the 1980s entailed decentralising public school management responsibilities to municipalities and introducing a nationwide voucher programme. The latter is characterised by a flat per-student public subsidy for schools (municipal and private) that are part of the voucher system and parents' free choice of schools. Information about the performance of individual schools is widely disseminated as are the results of national standardised student assessments and of external school evaluations conducted by the Agency for Quality Education and the Education Superintendence.

Chile's voucher system was only lightly regulated until 2016. To obtain public funding, private providers had to ensure that at least 15% of the student body came from a disadvantaged background; that classes respected the national regulations for class size; that rules were in place regarding the expulsion, suspension and transferring of students; that staff were paid on time; and that information about the school's education mission was available to parents.

In 2014, 12 061 schools were registered in Chile: 5 331 municipal schools (around 44% of the total); 6 065 private subsidised schools (around 50%); 595 private non-subsidised schools (just under 5%); and 70 schools with delegated administration (less than 1%). Enrolment in private subsidised schools is dominant at all levels of education (except in upper secondary technical-professional programmes) even though a significant proportion of students attends municipal schools (between 34% and 40% across school levels). Attendance at municipal schools has steadily declined in recent years compared to attendance at private subsidised schools. While about 50% of students were enrolled in municipal schools in 2004, ten years later, only 36% of students were.

Equity remains elusive in Chile's education system. According to PISA data, the impact of socio-economic status on learning outcomes is considerably above the OECD average. There is clear evidence of sorting within the Chilean system: private schools select students on the basis of parents' interviews, entry tests and other tools that identify students with the characteristics that positively influence achievement (before such practices were prohibited), such as coming from a socio-economically advantaged background; private schools expel students who repeat a year more frequently than municipal schools do; and parents choose schools that are attended by children whose backgrounds are similar to theirs, thus reinforcing the effects of selection (OECD, 2010).

In order to address equity concerns, the regulations governing school choice were considerably strengthened in 2016. The Inclusion Law (*Ley de Inclusión*) seeks to ensure that school choice is not contingent on families' ability to pay, student achievement or other potentially discriminatory factors. The law forbids the use of economic, social and academic criteria for admissions, eliminates shared funding (*financiamiento compartido*, tuition fees and public subsidies for a single private school), and forbids publicly subsidised schools to make a profit. The law will be gradually implemented to allow schools to adjust to the new funding arrangements and student-selection rules.

### Sweden

A major reform undertaken in Sweden in the early 1990s was the liberalisation of rules for establishing and running independent schools. Independent schools are fully funded by the public purse and have full autonomy to allocate resources as long as they conform to government regulations. In parallel, school choice was introduced in 1991. As a result of these reforms, the education system has changed from one where the vast majority of students attended the public school in their catchment area, to one where many students opt for a school other than their default school, and where privately run, publicly funded schools compete with traditional public schools.

Students in Sweden are first allocated to a school based on geographical criteria. Parents and students can then opt to stay in the school to which the student has been assigned or choose another public or independent school if places are available. In primary and lower secondary schools, no selective criteria for admissions are applied other than first-come, first-served.

The independent schools (publicly funded private schools) must follow the national curriculum and are not allowed to charge extra fees. In Sweden, 86% of students attend public schools and 14% attend independent schools. Public funding for independent schools is provided through a voucher system. Students are allocated a certain amount, decided by municipalities. With this expansion of the education market, the number of independent schools in Sweden increased from around 60 in 1991 to 792 in 2014, with the greatest increase in upper secondary schools.

# Conclusions

This brief overview of OECD evidence on school choice and school vouchers cannot answer all questions on the subject. But the conclusions drawn from the evidence can form the basis of advice for policies that aim to expand school choice while promoting equity, quality and innovation in the school system as a whole.

*Focus on framework conditions and implementation.*
Despite what critics might say, school choice, in and of itself, neither assures nor undermines the quality of education. Much of the evidence finds that it is the framework conditions under which school choice and school vouchers operate, and how such instruments are implemented, that seem to matter most. Introducing and expanding school choice requires smart policies that ensure that benefits are maximised while risks are minimised.

*Ensure that choice is real, relevant and meaningful.*
School choice will only generate the anticipated benefits when the choice is real, relevant and meaningful, i.e. when parents can choose an important aspect of their child's education, such as the pedagogical approaches used to teach them. If schools are not allowed to respond to diverse student populations, to distinguish themselves from each other, choice is meaningless.

*Create a level playing field for all providers to enter the system.*
School choice and school vouchers allow other education providers to enter the system. But when systems prevent certain kinds of schools from providing education, it becomes impossible to offer a fair "choice". When private schools are invited to be part of the "functionally public" education system, they should have the capacity to offer a similar range of options for courses as public schools do. This implies that these schools should receive a commensurate level of public funding. When expanding school choice and vouchers for private schools, policies should also ensure that public schools are granted greater autonomy.

*Ensure that all schools that receive public funds meet their public obligations.*
As universities and hospitals already do, private schools that accept public funding should be obliged to maintain the "public good" in return for that support. That means that they should uphold the basic tenets of fairness and justice in their operations, including non-discrimination among applications for places in the school, and adherence to public health and safety standards.

*Ensure that all parents can exercise their right to choose a school of their preference.*
Sometimes school choice policies fail because their proponents hold naïve views about parents' ability to exercise their right to choose. Not all parents can make sense of the information they are provided and make informed decisions. Middle-class families tend to reap more benefits from a more open school system than working-class parents who might feel more constrained in their choice because of financial considerations. Developing school choice policies thus also entails an element of capacity building among families. Schools, public and private alike, should invest in developing their relationships with parents and local communities in order to help parents make informed decisions.

*Provide the checks and balances that prevent choice from leading to more inequity and segregation.*

The risk that school choice and voucher systems result in higher levels of social segregation among schools, less social and cultural heterogeneity within schools, and less access to high-quality education for children from disadvantaged backgrounds is real, but this risk can be mitigated by the way the systems are designed. For example, the Flemish Community of Belgium weights the funding of schools according to specific criteria so that disadvantaged children generate more resources for schools. Countries also regulate the conditions under which schools can develop access and selection policies.

*Work to make education systems more demand-sensitive.*

School choice is only one way through which parents and local communities can have a greater impact on, and voice in, education. Indeed, school choice works more effectively in a participatory and inclusive climate (OECD, 2006). School autonomy, the professionalisation of teachers and school leaders, and student participation increase as parents are granted greater choice of schools. The benefits of school choice will only materialise in an environment where parents, students, external stakeholders and the local community can participate in the school and have their voices heard and appreciated.

*Maintain a strong state or central education authority.*

While greater school autonomy, decentralisation and a more demand-driven school system may transfer more decision-making powers to lower levels of an education system, policy makers at the state or central level still have a key role to play. These education authorities develop and maintain a strategic vision and clear guidelines for education, and offer valuable feedback to local school networks and individual schools.

# Definitions

Demand-side subsidies: public funding indirectly provided to operators of private schools. Examples include universal and targeted vouchers as well as tax credits or tax exemptions used to compensate families for the cost of attending private schools.

Government-dependent private schools: schools controlled by a non-government organisation or with a governing board not selected by a government agency that receive more than 50% of their core funding from government agencies.

Independent private schools: schools controlled by a non-government organisation or with a governing board not selected by a government agency that receive less than 50% of their core funding from government agencies.

Public schools: schools controlled and managed by a public education authority or agency.

Supply-side subsidies: public funding directly provided to operators of private schools. Examples are public grants for operating and staff expenses or capital investment (infrastructure), but also tax reductions or exemptions.

Vouchers: government-supplied monetary coupons or certificates used to offset tuition at eligible private schools. A distinction can be made between universal vouchers, provided to all eligible schools and students, and targeted vouchers, selectively provided to students or schools that meet certain criteria.

# Note

1. This paper is not a research literature review, but draws only on OECD data, reviews and analyses.

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