

*Education Voucher System*

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## **EXECUTIVE SUMMARY**

1. This research studies education voucher programmes in Chile, Milwaukee, Colombia, Cleveland and England. It also includes a discussion on the Australian government's rejection of an education voucher system for higher education.
2. The typical objectives of an education voucher system are to:-
  - (a) increase parental choice of schools;
  - (b) promote competition among public and private schools; and
  - (c) allow students from low-income families access to private schools.

In short, an education voucher system aims at improving efficiency of schools and increasing consumer choice.

### **Chilean Education Voucher Programme**

3. The Chilean government introduced in 1980 an education voucher programme for primary and secondary education. Researches on the effectiveness of the Chilean education voucher programme showed that:-
  - (a) the provision of education increased;
  - (b) parental choice increased;
  - (c) competition among private and public schools increased;
  - (d) better performance achieved by private-subsidized schools but this might be due to keeping out hard-to-manage students; and
  - (e) increased competition among schools would improve the quality of schools but such impact was small.

However, undesirable outcomes included:-

- (a) middle- and upper-class students being the major beneficiaries;
- (b) worsened academic results for lower-class students; and
- (c) cream-skimming by private-subsidized schools.

There was also no conclusive evidence to show that:-

- (a) private-subsidized schools were more effective and superior; and
- (b) the overall quality of education had improved.

It was also found that private-subsidized schools created after the introduction of the programme tended to pay lower teacher salaries.

### **Milwaukee Education Voucher Programme**

4. The Milwaukee education voucher programme was introduced in 1989 for primary and secondary education. Researches on the effectiveness of the Milwaukee education voucher programme showed that:-

- (a) the provision of education increased;
- (b) parental choice increased;
- (c) accessibility to private schools by lower-class students improved;
- (d) no cream-skimming as admission to schools was determined by random selection; and
- (e) involvement of parents in their children's education increased.

However, undesirable outcomes included:-

- (a) closure of participating schools due to unstable financial conditions;
- (b) unused capacity of participating schools owing to low programme awareness and competition from other educational programmes; and
- (c) higher taxes levied on property taxpayers.

There was also no conclusive evidence to show that:-

- (a) better student performance in private schools; and
- (b) ethnic segregation had improved.

### **Colombian Education Voucher Programme**

5. The Colombian government introduced an education voucher programme for secondary education in 1992. Researches on the effectiveness of the Colombian education voucher programme showed that:-

- (a) the provision of education increased;
- (b) parental choice increased;
- (c) accessibility to private schools by lower-class students improved;
- (d) no cream-skimming as admission to schools was determined by raffle; and
- (e) comparable quality of education was maintained by both public and private schools.

Since the value of education vouchers was insufficient to cover tuition as it failed to keep up with inflation, it is uncertain if this has led to any undesirable outcomes.

### **Cleveland Education Voucher Programme**

6. The Cleveland education voucher programme was introduced in 1996 for children from kindergarten to grade 8. Researches on the effectiveness of the Cleveland education voucher programme showed that:-
- (a) the provision of education increased;
  - (b) parental choice increased;
  - (c) accessibility to private schools by lower-class students improved; and
  - (d) no cream-skimming as admission to schools was determined by random selection.

However, undesirable outcomes included:-

- (a) low-income students from grades 4 or above could not benefit from the programme; and
- (b) high administration cost.

There was also no conclusive evidence to show that:-

- (a) better student performance in private schools; and
- (b) ethnic segregation had improved.

### **England Nursery Voucher Programme**

7. An education voucher programme for pre-school education was introduced in England in 1996 but was terminated in 1997. Criticisms of the nursery voucher programme included:-
- (a) school development affected due to unstable source of funding;
  - (b) inequality of parental choice due to insufficient voucher value;
  - (c) inauthentic choice due to insufficient places in nursery schools; and
  - (d) competition on unequal grounds among public and private schools due to different funding arrangements.

There was also no conclusive evidence to show that the provision of education had increased.

### **Financing of Higher Education in Australia**

8. The Australian government established a committee in 1987 to explore possible funding options for higher education. Although the committee had studied the possibility of an education voucher system, it recommended a loan scheme, the Higher Education Contribution Scheme (HECS), to the government instead. The underlying principle was that students directly benefited from higher education should pay part of the cost. In 1997, the Australian government commissioned another committee to review the higher education financing mechanism and policy. Again, the review committee did not recommend the introduction of an education voucher system.

# **EDUCATION VOUCHER SYSTEM**

## **PART 1 — INTRODUCTION**

### **1. Background**

1.1 The Panel on Education at its meeting on 19 March 2001 requested the Research and Library Services Division (RLSD) to conduct a research on the education voucher system and its implementation in overseas places. Owing to the resources constraint, RLSD started this research project in mid-December 2001.

### **2. Scope of the Research**

2.1 The Panel requested that the research should cover the experience of Milwaukee and Cleveland in the United States of America (US) and other places in implementing an education voucher system as well as some unsuccessful examples. Apart from Milwaukee and Cleveland, this research studies the education voucher programmes in Chile, Colombia, and England of the United Kingdom (UK).

2.2 Chile has a long-standing education voucher programme which has not brought about all the desired results as predicted by the proponents of the education voucher system. While Colombia launched its education voucher programme for secondary education in 1992, England terminated a nursery education voucher programme in 1997. This research also includes a discussion on the Australian government's rejection of an education voucher system for higher education in 1988 and 1997 respectively.

### **3. Methodology**

3.1 Information for this research paper is obtained from the Internet, researches carried out by academics and other research institutes, and relevant reference materials, including government reports.

3.2 Owing to limited information available regarding the current development of the educational programmes in Chile and Colombia, the analyses of this research paper regarding these two countries are primarily based on information available to us between 1980 and 1997.

3.3 This research will not discuss or evaluate the whole educational system of the countries and places studied. Instead, it will focus on the level of the educational system where an education voucher programme was introduced or considered to be introduced. Therefore, this paper will give a brief description on the nursery education in England, the primary and secondary education in Chile, Colombia, Cleveland and Milwaukee, and the higher education in Australia.

## **PART 2 — INTRODUCTION OF AN EDUCATION VOUCHER SYSTEM**

### **4. Objectives of an Education Voucher System**

4.1 The typical objectives of an education voucher system are<sup>1</sup>:

- (a) To increase parental choice

Since parents usually choose schools for children by virtue of their parental authority, parents are the real decision-makers for the consumption of education. Under an education voucher programme, the government provides educational funding directly to consumers of education, i.e. students, rather than to suppliers of education, i.e. schools. This should allow parents to 'shop' for schools.

- (b) To promote school competition

Public schools are considered by some analysts as inefficient and bureaucratic. Education vouchers present a challenge that should lead to competition which will bring down costs, increase education quality and enhance the dynamic innovation of education.

- (c) To allow students from low-income families access to private schools

Selective education vouchers should enable students from low-income families to gain access to private schools.

### **5. General Principles Underlying an Education Voucher System**

5.1 In short, an education voucher system aims at improving school efficiency and increasing consumer choice. Various models on education vouchers have been developed to achieve these aims.<sup>2</sup> The models are either formulated on the basis of the liberal market approach or the social policy approach.

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<sup>1</sup> West, Edwin G., "Education Vouchers in Practice and Principle: A World Survey" in *Human Capital Development and Operations Policy Working Papers*, World Bank, February 1996.

<sup>2</sup> Education voucher has been a hot topic for debate among scholars and academics. However, no consensus has been reached on which model would best improve school efficiency and increase consumer choice.

### Friedman's Model — the Liberal Market Approach

5.2 Milton Friedman<sup>3</sup> is the first economist who advocates the use of education vouchers as a method of improving the quality of primary and secondary education through market forces. He believes that education vouchers would drive schools to respond to the needs and preferences of students, and to improve education quality with a view to retaining or enlarging student enrolment. Moreover, students and their parents are free to choose among schools which best meet their needs.

5.3 According to Friedman, education vouchers should operate in the following manner:

- (a) universal;
- (b) available to all parents;
- (c) allowed to be spent in any public or private school which meets certain minimum standards;
- (d) the value of an education voucher be large enough to cover the costs of high-quality education;
- (e) 'top-up' of school fees is allowed;
- (f) complete freedom for students in their choice of schools; and
- (g) complete freedom for schools in their choice of students.

### Jencks' Model — the Social Policy Approach

5.4 Christopher Jencks<sup>4</sup> sees education vouchers as a way of providing educational opportunities for disadvantaged students. He advocates that participating schools in an education voucher system should be regulated to ensure that disadvantaged students could also gain access to quality education.

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<sup>3</sup> Milton Friedman, 1912 - , is one of the most influential economists in recent history. He won the Nobel Memorial Prize in 1976.

<sup>4</sup> Christopher Jencks, a liberal sociologist, is currently the Malcolm Wiener Professor of Social Policy in John F. Kennedy School of Government at Harvard University.

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- 5.5 Jencks' education voucher scheme is more restrictive in that:
- (a) the value of an education voucher should be equal to the average cost of education;
  - (b) no 'top-up' should be required of parents;
  - (c) schools are obliged to accept students if there are vacancies;
  - (d) if demand exceeds supply of school places, at least half of the places are to be allocated by lottery; and
  - (e) low-income families are given a second compensatory education voucher in addition to a normal education voucher so as to avoid economic, religious and racial barriers and to promote social mobility between classes.

## 6. Application of the Education Voucher System

6.1 Based on our findings, there is no consensus among scholars about the level of educational system where an education voucher system should be implemented. However, there are some opinions that free primary and secondary education should be provided by the government because there are substantial 'neighbourhood effects'.<sup>5</sup> According to Friedman, 'neighbourhood effects' mean that the gain from the education of a child accrues not only to the child or to his parents, but also to other members of the society (e.g. a minimum degree of literacy and acceptance of a common set of values are important in promoting a stable and democratic society). Therefore, the government should provide free primary and secondary education. Indeed, Friedman considers that giving out education vouchers is the most efficient way for the government to assume the financial costs of providing primary and secondary education.

6.2 Friedman also considers that 'neighbourhood effects' of providing free higher education are smaller since higher education is generally considered as a form of investment in human capital. Its function is to raise the economic productivity of an individual who alone will receive most of the return on that investment. Therefore, the individual should share the costs of higher education. In short, according to Friedman, whether or not the government should assume the costs of providing higher education (i.e. providing education vouchers for students to cover tuition) would depend on the size of 'neighbourhood effects'.

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<sup>5</sup> Friedman, M., *Capitalism and Freedom*, The University of Chicago Press, 1982.

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## **7. The Education Voucher System in Variant Forms**

7.1 One of the aims of the education voucher system is to broaden the choice of parents to cover both public and private schools. It involves direct financing of private schools by making payments to parents enabling their children to enter private schools of their choice. However, based on our findings, not all places implementing the education voucher system fully adhere to the principles proposed by Friedman or Jencks. For instance, in Denmark and the Netherlands, any group of parents representing more than a specified number of students can establish a school at state expense on the basis of a shared philosophy of education. In France, private schools receiving public subsidies are required to conform to state guidelines, which has the effect of making private schools less distinct from public schools.

7.2 In this research paper, the five education voucher programmes studied roughly follow the models proposed either by Friedman (i.e. the programmes in Chile and England) or Jencks (i.e. the programmes in Colombia, Milwaukee and Cleveland). Education voucher system implemented in forms not following the principles proposed by Friedman or Jencks would not be discussed here.

## **8. Operation of an Education Voucher Programme**

8.1 Theoretically, in an education voucher programme, the government issues parents with an education voucher equivalent to the cost of education their school-age child receives. The education voucher can be used as a substitute for tuition or other admission costs at any participating school the parents choose, public or private.

8.2 Each school redeems its education vouchers with the relevant government authority for cash. The school then uses the money received to pay its expenses such as staff salaries.

8.3 Since schools receive no other direct government subsidy, they essentially have to compete with each other for students. Good schools may attract plenty of students, redeem more education vouchers and prosper. Meanwhile, parents are inclined to avoid inferior schools, which may be forced to either improve or close down eventually.

8.4 In reality, the running of an education voucher programme is not that simple. Various regulations may be added in the implementation of the programme. For example, limits may be imposed on (a) parental income to qualify for education vouchers, (b) the education voucher amount, or (c) the range of schools at which education vouchers can be used. These variations may lead to results different from the intended outcome.

8.5 In general, when the government introduces an education voucher programme, it will not provide other financial assistance simultaneously for students / parents to cover tuition. Based on the information available to us, in the five countries and places studied, there is no financial assistance other than education vouchers provided by the government for students / parents to cover tuition.

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## PART 3 — ARGUMENTS FOR AND AGAINST AN EDUCATION VOUCHER SYSTEM

### 9. Introduction

9.1 There is no consensus reached among various parties on the effectiveness of an education voucher system to improve school efficiency and to increase consumer choice. Tables 1 and 2 list the arguments for and against the implementation of an education voucher system as an alternative to the traditional system of allocating government funds directly to schools.

**Table 1 — Arguments For An Education Voucher System**

<b>Arguments For</b>
<b><i>Government Officials</i></b>
<p>Department for Education and Employment, UK</p> <ul style="list-style-type: none"> <li>• <i>"Education vouchers would allow parents who are not satisfied with the standards provided for their child to go elsewhere."</i> (Source: Sparkes, J. &amp; West, A., "An Evaluation of the English Nursery Voucher Scheme 1996-1997" in <i>Education Economics</i>, Vol. 6, No.2, 1998.)</li> </ul> <p>Robert Reich, Former Labour Secretary, US</p> <ul style="list-style-type: none"> <li>• <i>"[Education vouchers allow students to attend private schools and] there are fewer behavioural problems in private schools because they can enforce discipline in ways public schools cannot."</i> (Source: Reich, Robert B., "The case for 'Progressive' Voucher" in <i>National Centre for Policy Analysis</i>, 6 September 2000.)</li> </ul> <p>Gillian Shephard, Former Secretary of State for Education and Employment, UK</p> <ul style="list-style-type: none"> <li>• <i>"It [education voucher] focuses on improvement in standards of achievement and encouragement of parental choice, diversity and the aspirations of parents and children."</i> (Source: House of Commons, <i>Hansard</i>, 22 January 1996.)</li> </ul>

## Arguments For

### **Scholars**

Milton Friedman, Nobel Memorial Prize Winner

- *"The adoption of such arrangements [education vouchers] would make for more effective competition among various types of schools and for a more efficient utilization of their resources. It would eliminate the pressure for direct government assistance to private schools and thus preserve their full independence and diversity at the same time as it enabled them to grow relative to state institutions."*

(Source: Friedman, M., *Capitalism and Freedom*, The University of Chicago Press, 1982.)

- *"Vouchers would lead to an innovative educational industry that competes for teachers, and that pays more attention to teacher quality than to certification."*

(Source: Milton and Rose D. Foundation, *Educational Choice*, at <http://www.friedmanfoundation.org/>.)

Ben Jongbloed and Jos Koelman, Centre for Higher Education Policy Studies, University of Twente, Enschede, the Netherlands

- *"Under a voucher scheme, the suppliers of education would be more responsive to the needs and preferences of their customers."*

(Source: Jongbloed, Ben, and Koelman, Jos, *Vouchers for higher education? A survey of the literature commissioned by the Hong Kong University Grants Committee*, University of Twente, Enschede, June 2000.)

### **Interest Groups**

William Dickinson, Managing Director, Rainbow Daycare and Nursery School, Norfolk, England

- *"As a private sector provider, I saw the wisdom of the government's voucher programme. It offered the opportunity for both public and private sectors to participate in the expansion of pre-school education, thereby reducing the overall burden on the taxpayer. It would provide the catalyst for improvements in the services of both sectors and offer the parents genuine choice."*

(Source: Education and Employment Committee of the House of Commons, *Minutes of Evidence Taken Before the Education and Employment Committee of the House of Commons*, 12 March 1997.)

## Arguments For

### *Interest Groups (cont'd)*

Australian Association of Adult and Community Education Inc.

- *"A voucher system ensures access for the disadvantaged and all those able to benefit; supports disadvantaged learners; ensures equity and promote diversity; and supports activities in national priority area."*

(Source: Review Committee on Higher Education Financing and Policy, *A Policy Discussion Paper on the Review of Higher Education Financing and Policy*, April 1998.)

### *Advocates of Education Vouchers*

- *"Low income families are stratified residentially and their children are typically allocated to the schools nearest their homes. If they want to choose a better public school in a middle class area, they are obliged to purchase a home there. The house prices are usually so prohibitive as to prevent the move. Vouchers would help remove this barrier to mobility."*

(Source: West, Edwin G., "Education Vouchers in Principle and Practice: A Survey" in *The World Bank Research Observer*, Vol. 12, No.1, February 1997, 83103.)

- *"[With vouchers], low-income parents should be able to choose private schools over poorly performing public schools."*
- *"Increased competition from voucher schools would force public schools to improve, or risk closure."*
- *"Private schools provide more tailored services at a lower cost."*
- *"Private schools are unburdened by bureaucracy and regulations that hamstring the public school system."*
- *"Voucher programmes emphasize educational choices, not requirements dictated by the government."*
- *"Vouchers expand options for low-income parents, enhancing their feelings of empowerment and inclusion in society."*

(Source: WestEd, *What We Know About Vouchers*, 1999.)

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**Arguments For**

***Advocates of Education Vouchers (cont'd)***

- *"Advocates of education vouchers argue that increased competition and expanded private-sector provision would improve the efficiency and quality of education while better serving the needs of its clients."*
- *"[Since education vouchers increase parental choice and] parents are most concerned with their child's education and therefore, their monitoring of education will be more effective than bureaucratic regulations. Not all parents need be good shoppers to create the competition necessary to promote educational excellence. All customers benefit from the more careful shopping of what may well be only a small minority."*

(Source: Parry, Taryn Rounds, "Theory Meets Reality in the Education Voucher Debate: Some Evidence from Chile" in *Education Economics*, Vol.5, No. 3, 1997.)

**Table 2 — Arguments Against An Education Voucher System**

**Arguments Against**

***Government Officials / Legislators***

Gerald Tirozzi, Assistant Secretary of Education, US

- *"A voucher system, regardless of the amount of money provided, can only accommodate a minimal number of public school students."*

(Source: Clint Bolick, "Nine Lies About School Choice: Answering the Critics", *Policy Review*, May-June 1998.)

David Blunkitt, Member of House of Commons, UK

- In order for choice to be exercised, there must exist a variety of providers among which parents can choose.

*"They [the government] are not offering people a place, but a piece of paper promising that they can have a place in an area that does not have a place... They then call it a choice when they do not even have a place for them, let alone a choice between providers... Who could have dreamt up so bizarre as a system that results in spending public money on recycling bits of paper?"*

(Source: House of Commons, *Hansard*, 22 January 1996.)

## Arguments Against

### **Scholars**

Ben Jongbloed and Jos Koelman. Centre for Higher Education Policy Studies, University of Twente, Enschede, the Netherlands

- *"Longer-term effects of the introduction of education vouchers would be that the popular schools would need to expand, contract more buildings, appoint more staff, whilst the unpopular schools would decline in number or even have to close. This will result in an inevitable waste and additional expenses with places available in half empty schools."*
- *" In general, vouchers would confront schools with massive fluctuations in funding and enrolment, meaning that teachers would suffer from non-professional interference and job insecurity."*

(Source: Jongbloed, Ben and Koelman, Jos, *Vouchers for higher education? A survey of the literature commissioned by the Hong Kong University Grants Committee*, University of Twente, Enschede, June 2000.)

### **Interest Groups**

Bob Chase, President, National Education Association, US

- *"Vouchers will force taxpayers to support two entire education systems -- public and private. To make things worse, no extra money will be funneled to those schools that desperately need taxpayer support."*

(Source: Chase, Bob, "Voucher System Would Hurt Schools Not Help" in News of Wisconsin Education Association Council, 2 December 1996.)

Regional Universities in Australia

- *"Vouchers may lead to significant administrative problems and costs; restrict the ability of universities to make longer term strategic plans; decrease the likelihood of students enrolling in courses of some national priority; and prejudice school leavers who are neither mobile nor well informed."*

(Source: Review Committee on Higher Education Financing and Policy, *A Policy Discussion Paper on the Review of Higher Education Financing and Policy*, April 1998.)

## Arguments Against

### ***Opponents of Education Vouchers***

- *"...the voucher scheme could have particularly serious consequences for small schools in rural areas..."*
- *"...voucher scheme makes planning difficult because of uncertainty about take-up..."*  
(Source: Welsh Affairs Committee of the House of Commons, *Evidence Taken Before the Welsh Affairs Committee on its First Report: The Nursery Voucher Scheme in Wales*, 29 February 1996.)
- *"We will have federal guidelines operating in every voucher-using schools, equal opportunity policies, quota systems of every kind, teaching, hiring and firing policies, racially and religiously mixed student bodies. There will be a whole army of federal bureaucrats, not to mention state bureaucrats policing every 'private' school."*  
(Source: West, Edwin G., "Education Vouchers in Principle and Practice: A Survey" in *The World Bank Research Observer*, Vol. 12, No.1, February 1997, 83103.)
- *"... to the extent that poorer children will have greater difficulty meeting entrance requirements at selective schools, the true choices available to poor parents may not, in fact, expand. It is argued that vouchers might result in more, not less, segregation of students, and will simply be a means of shifting resources from public schools educating the relatively poor to private schools educating the relatively wealthy."*
- *"... an over-reliance on vouchers would lead to a loss of civic values and weaken a country's common social fabric by allowing students to select schools with a specialized curriculum, specific cultural orientation or schools that serve a particular constituency."*  
(Source: King et al., *Colombia's Targeted Education Voucher Program: Features, Coverage, and Participation*, September 1997.)
- *"Lack of accountability and quality control at voucher schools is a misuse of public money."*
- *"Vouchers will increase overall costs. Private schools, like any other government contractor, will become even more dependent on and demanding of public funds, causing more spending."*  
(Source: WestEd, *What We Know About Vouchers*, 1999.)

## **PART 4 — THE EDUCATION VOUCHER PROGRAMME IN CHILE**

### **10. Schools and Education**

10.1 Chile has a highly decentralized education system. There are three types of schools: public, private-subsidized and private tuition schools. Public schools are owned and operated by municipal governments. They receive monthly per-student subsidy (education vouchers) from the national government, based on student attendance. They are free for all students. While some private-subsidized schools are managed by religious or non-profit organizations devoted to providing education, others (especially those created after 1980) are profit-seeking institutions. They receive the same per-student subsidy as public schools and therefore, they are also free for all students. Private tuition schools do not receive any government subsidy and are funded entirely by tuition fees.

#### Primary Education

10.2 Primary education is compulsory in Chile, beginning at the age of six until the age of 13. Children who have successfully completed primary education are awarded the Primary School Leaving Certificate.

#### Secondary Education

10.3 General secondary education lasts for four years but it is not compulsory. Students choose to specialize either in humanistic-scientific general education or technical-professional education. The humanistic-scientific general education is a preparation for higher education. Students who have successfully completed the general secondary education are awarded the Licencia de Educación Media (or the baccalaureate degree) or the title of Técnico de Nivel Medio (middle-level technical).

#### Enrolment Rate

10.4 Universal coverage in primary education was practically achieved in the mid-1960s. As at 1998, the enrolment rate was 30.3% for pre-school education, 87% in secondary education, and 26% in tertiary education.<sup>6</sup>

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<sup>6</sup> Delannoy, Françoise, "Education Reforms in Chile, 1980-1998: A Lesson in Pragmatism" in *Country Studies: Education Reform and Management Publication Series*, Vol. 1, No. 1, June 2000. Françoise Delannoy is an education specialist at the World Bank. This paper was written during her 18-month secondment to the Chilean Ministry of Education.

10.5 The Chilean education system features a high degree of private sector participation. In 1998, about 55.1% of students attended public schools, 35.6% attended private-subsidized schools, and 9.2% attended private tuition schools.<sup>7</sup>

## 11. Education Voucher Programme

### Background of the Chilean Education Voucher Programme

11.1 Between the 1970s and the 1990s, the United States government, the World Bank and the International Monetary Fund required developing countries to implement free-market reforms in order to obtain economic assistance.<sup>8</sup> Under such circumstances, the Pinochet military government implemented an education voucher programme for primary and secondary education in 1980 as part of an overall 'de-governmentalization' free market package.

11.2 The education voucher programme introduced was also aimed at improving the quality of education under severe cost constraints and reducing central bureaucracy by shifting financial and educational decision-making to local governments and private households. According to King et al. (1997), the education voucher programme was meant to "*appeal to citizenry unhappy with centralized bureaucracy.*"<sup>9</sup>

11.3 However, according to Delannoy (2000)<sup>10</sup>, there was also a hidden agenda for the introduction of the education voucher programme by the Pinochet military government. '*Officially, these "New Order" reforms [the de-governmentalization free market package] were driven by efficiency concerns: the search for greater responsiveness to local needs through market mechanisms. However, there also was a strong unofficial agenda - de-politicizing Chilean society by fragmenting organized labour and limiting its power.*'

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<sup>7</sup> See note 6 above.

<sup>8</sup> Souther, Sherman, *An Analysis of Chilean Economic and Socioeconomic Policy: 1975-1989*, May 1998 at <http://csf.colorado.edu/students/Souther.Sherman/>.

<sup>9</sup> Carnoy, Martin, "National Voucher Plans in Chile and Sweden: Did Privatization Reforms Make for Better Education?" in *Comparative Education Review*, Vol. 42, No. 3, 1998, p. 309-337.

<sup>10</sup> See note 6 above.

### Foundations of the Chilean Education Voucher Programme

11.4 According to Carnoy<sup>11</sup> (1998), the Chilean education voucher programme rested on a foundation of the following five claims:<sup>12</sup>

- (a) increased school choice would increase the total welfare of families who sent children to school;
- (b) social costs, from increasing choices through privatizing public education, would be minimal;
- (c) privately-managed education would be inherently more effective;
- (d) public schools competing for pupils among themselves and with private schools would become more effective; and
- (e) a privatized and competitive education system would be more likely to improve social mobility for children of low-income families.

### Features of the Chilean Education Voucher Programme

#### *Students*

11.5 All primary and secondary students were free to choose public and private-subsidized schools offering primary and secondary education.

#### *Participating Schools*

11.6 To participate, schools were required to comply with norms governing the curriculum and infrastructure established by the Ministry of Education. They were also required to offer educational services free of charge to students.<sup>13</sup>

11.7 Only public and private-subsidized schools participated in the education voucher programme. Private tuition schools did not participate in the programme as they did not receive any government subsidy.

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<sup>11</sup> Martin Carnoy is a professor of education and economics at Stanford University.

<sup>12</sup> See note 9 above.

<sup>13</sup> However, since 1993, private-subsidized schools have been allowed to charge fees on top of the per-student subsidy.

11.8 Three other features about participating schools were identified in the education voucher programme:

- (a) the administration of government-owned public schools was transferred directly to municipalities, whilst the administration of vocational secondary schools was transferred to private non-profit-making organizations which were often associated with a specific industry;
- (b) private groups and individuals were encouraged to set up their own schools; and
- (c) both privately- and municipally-administered voucher schools were paid directly by the national government on the basis of their total enrolment, whereas the vocational schools run by non-profit organizations were paid lump-sum amounts.<sup>14</sup>

### *Teachers*

11.9 One key feature of the Chilean education voucher programme was privatizing public school teacher contracts and eliminating the teachers' union as a bargaining unit. Public school teachers were transferred from the public employee system to the private sector. By 1983, municipalities could hire and fire teachers on behalf of public schools without regard to tenure or a union contract, just like any other private company.

11.10 Meanwhile, private-subsidized school principals not only had substantial control in determining who to hire and fire, but they also set salaries and rules regarding salary adjustment and promotion of teachers. In general, private-subsidized schools were known for paying lower teacher salaries than public schools.<sup>15</sup>

### *Value of Education Vouchers*

11.11 The per-student subsidy (value of an education voucher) was equivalent to the average per-student expenditure determined by the Ministry of Education.<sup>16</sup>

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<sup>14</sup> There was no information available to us indicating how these lump-sum amounts were calculated.

<sup>15</sup> Parry, Taryn Rounds, "Theory Meets Reality in the Education Voucher Debate: Some Evidence from Chile" in *Education Economics*, Vol. 5, No. 3, 1997.

<sup>16</sup> King, E., Rawlings, L., Gutierrez, M., Pardo, C., and Torres, C., *Colombia's Targeted Education Voucher Program: Features, Coverage, and Participation*, The World Bank, September 1997.

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### Operation of the Chilean Education Voucher Programme

11.12 The education voucher or the per-student subsidy was paid by the national government on a monthly basis to schools which abided by minimal safety and student attendance record requirements. Private-subsidized schools received the same per-student subsidy as public schools.

11.13 According to T.R. Parry<sup>17</sup> (1997)<sup>18</sup>, most municipalities had to contribute additional education expenditures out of municipal funds on top of the per-student subsidy from the national government, although in most cases the contribution was small. Both public and private-subsidized schools might also receive donations from parents, churches or businesses, but this was generally a minor source of revenue.

11.14 For private-subsidized schools, the owners received the monthly per-student subsidy and had full discretion on its usage. They would grant financial rewards to school principals if they were able to attract and maintain students. However, if the school principals failed to attract sufficient students, the owners would suffer losses and might be forced to close down the schools. In general, private-subsidized school principals had substantial control over school operations.

11.15 Unlike principals of private-subsidized schools, public school principals had no formal role in determining school expenditures, assigning people to teach in their schools or deciding teachers' salaries. Very often, they would try to lobby municipal governments for more resources and control of school operation. Moreover, since the municipalities, not the public schools, received the per-student subsidies, public schools which had surpluses (receipts from per-student subsidies greater than expenditures) did not benefit from this saving. Instead, the surpluses were generally diverted to cover deficits of other public schools in the same municipality. Therefore, public schools did not reap the rewards of attracting more students nor did they bear the costs associated with insufficient students.

11.16 According to Parry (1997)<sup>19</sup>, high-quality schools (especially private schools) were highly selective. Parents would be interviewed and students were required to pass entrance examinations and maintain high grades at schools. Disadvantaged students did not have the choice to attend these schools because interviews, in particular, were used to select students with better socio-economic backgrounds.

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<sup>17</sup> Taryn Rounds Parry, a political scientist of the Department of Political Science at the University of Georgia, Athens, US.

<sup>18</sup> See note 15 above.

<sup>19</sup> Ibid.

## 12. Evaluation of the Chilean Education Voucher Programme

12.1 The Chilean education voucher programme introduced in 1980 met almost all the conditions proposed by Friedman, including fully subsidized, deregulated private schools competing head-on for pupils with deregulated municipality-run public schools in all metropolitan neighbourhoods, from middle-class suburbs to low-income barrios. The following section summarizes the evaluation of the Chilean education voucher programme by academics.

### Desirable Outcomes

#### *Increased Parental Choice*

12.2 Under the Chilean education voucher programme, public and private-subsidized schools were both competing for funds via student attendance. Since both types of schools were practically free, lower-class families were able to send their children to either type of schools.

12.3 In 1980, public schools enrolled about 79% of primary and secondary students, private-subsidized schools 14%, and private tuition schools 7%. In 1988, the proportion of students in public schools dropped to 60%, private-subsidized schools' proportion increased to 33%, and private tuition schools continued to enrol 7%.

#### *Increased Provision of Education*

12.4 Evidence<sup>20</sup> showed that high-quality public and private-subsidized schools were able to expand as a result of the education voucher programme in Chile. For public schools, after decentralization to the municipal level of government, they could make decisions on additional expenditures for education or to expand their own education system. For private-subsidized schools, government support enabled them to expand rapidly and offer their services to more families.

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<sup>20</sup> See note 15 above.

*Better Performance Achieved by Private-Subsidized Schools*

12.5 In 1990, the sample average SIMCE test scores<sup>21</sup> was 56 for mathematics and 57 for Spanish. Public school students performed worse than average, with an average score of about 53 for both examinations, while private-subsidized school students performed better than average, with an average score around 60 for both examinations.

12.6 However, several research studies<sup>22</sup> noted that the real reason for better performance among students of private-subsidized schools might be that private-subsidized schools were able to select or attract better-quality students whose parents were more educated and with better socio-economic backgrounds.

*Improved School Quality Due to Increased Competition*

12.7 Research studies<sup>23</sup> showed that increasing competition might be worth pursuing as a means to raise school quality measured by achievement test scores, but the estimated size of impact was small.

Undesirable Outcomes

12.8 Various research studies showed that the Chilean education voucher programme had not brought about all of the desired results as predicted by the proponents of the education voucher system while some unintended results emerged. Listed below were some of the findings.

*Middle- and Upper-Class Students Being the Major Beneficiaries of the Education Voucher Programme*

12.9 According to Carnoy (1998)<sup>24</sup>, those admitted to private-subsidized schools were predominantly from middle- and higher-income families. His research showed that after the introduction of the education voucher programme, there was a massive shift of students from public schools to private-subsidized schools, with more than 70% of students studying in the latter type of schools coming from middle- and higher-income families.

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<sup>21</sup> Chile had in place two nationally standardized cognitive achievement tests in mathematics and Spanish, which is known as SIMCE [(Sistema de Información y Medición de la Calidad de la Educación (System for the Measurement of Education Quality)].

<sup>22</sup> See note 15 above.

<sup>23</sup> Ibid.

<sup>24</sup> Carnoy, Martin, *Lessons of Chile's Voucher Reform Movement*, at <http://www.rethinkingschools.org/SpecPub/sos/sosintl.htm>.

12.10 Parry reached similar results as that of Carnoy. Her research results showed that private-subsidized schools were able to select and attract better-quality students whose parents had more education and with better socio-economic backgrounds. As a result, the Chilean education voucher programme might have lowered rather than increased equality among different classes.

#### *Worsened Academic Results for Lower-Class Students*

12.11 Various researches showed that not all students had equally benefited from the Chilean education voucher programme. Schiefelbein (1991)<sup>25</sup> found that while the SIMCE test scores of students from middle and upper socio-economic backgrounds improved from 1982 to 1988, the scores of students from lower socio-economic levels in both urban and rural areas worsened over the same period. According to an economist with the World Bank, Juan Prawda, the test scores fell not only among students of low-income households in public schools, but also among students of low-income families in private-subsidized schools. Meanwhile, students of middle-income households in both public and private-subsidized schools registered a modest increase in test scores.<sup>26</sup>

#### *Cream-Skimming by Private-Subsidized Schools*

12.12 While all students were free to choose public and private-subsidized schools of their choice, private-subsidized schools were also highly selective about students. Screening of students was common among private-subsidized schools. For example, according to Delannoy<sup>27</sup>, admission tests, fees, enrolment procedures, in-school rules and the cost of uniform were de facto screening devices adopted by private-subsidized schools. Researches<sup>28</sup> carried out by Carnoy also showed that private-subsidized schools tended to keep out hard-to-manage and less talented students who had to enter public schools. As a result, private-subsidized schools were able to produce higher achievement scores than public schools.

12.13 Since both public and private-subsidized schools could only obtain per-student subsidies when they had satisfied the student attendance requirement, this had given private-subsidized schools further incentives to practise cream-skimming. They would tend to select students with more stable family backgrounds so as to achieve steadier student attendance records.

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<sup>25</sup> Schiefelbein, *The Use of National Assessments to Improve Primary Education in Chile*, UNESCO, 1991.

<sup>26</sup> See note 24 above.

<sup>27</sup> See note 6 above.

<sup>28</sup> See note 24 above.

*Inconclusive Evidence to Show that Private-Subsidized Schools were More Effective*

12.14 Some analysts claimed that private-subsidized schools were more effective because while maintaining similar SIMCE test scores, private-subsidized schools cost less as they had higher student-teacher ratio and paid lower teacher salaries.<sup>29</sup> However, Carnoy did not agree that higher student-teacher ratio and lower teacher salaries would imply private-subsidized schools being more effective. The selected group of students at private-subsidized schools required less resources and efforts to teach compared to those at public schools. Indeed, he argued that since private-subsidized schools were consistently 'creaming off' easier-to-teach students, public schools might have to maintain smaller classes with more higher paid teachers so as to stay even in terms of academic performance.<sup>30</sup>

*Inconclusive Evidence to Show that Private-Subsidized Schools were Superior*

12.15 Research studies carried out by Parry showed that private-subsidized schools were not superior over public schools. She ran several regression models and came up with the following findings:<sup>31</sup>

- (a) Public schools appeared to be superior over private schools after keeping the level of education of students' parents constant. In other words, if the level of education of students' parents was the same for both types of schools, public schools' students performed better than those of private-subsidized schools.
- (b) A similar pattern was found when comparing school performance given the same socio-economic level of parents.
- (c) The evidence supported the hypothesis that private-subsidized schools behaved opportunistically when they enrolled students whose parents had little education and/or with poorer socio-economic backgrounds, i.e. providing them with a lower-quality education than public schools.

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<sup>29</sup> See note 15 above.

<sup>30</sup> See note 24 above.

<sup>31</sup> See note 15 above.

*Inconclusive Evidence to Show that Overall Quality of Education Had Improved*

12.16 According to Carnoy<sup>32</sup>, the Chilean government "*made no effort to improve the school curriculum, the quality of teaching or the management of education, since this was supposed to happen spontaneously through increased competition among schools vying for students.*" However, his studies showed that all of these intended results did not happen. Neither did municipalities nor most private-subsidized schools come up with incentives to improve students' performance. Low-income municipalities were at a special disadvantage because they lacked the fiscal capacity and resources for school improvement. According to the research studies carried out by Parry (1997)<sup>33</sup>, there was no conclusive evidence to show that the overall quality of education had improved as a result of the implementation of the education voucher programme in Chile.

Other Finding*Lower Teachers' Salaries at Private-Subsidized Schools*

12.17 One common feature among newly-established, private-subsidized schools was that they tended to pay lower teacher salaries. While older private-subsidized schools allocated 70-95% of government per-student subsidies for wages and salaries, private-subsidized schools opened during the decentralization process spent about 67% on average for teachers' wages and salaries and the remaining 33% for operating costs and profits.<sup>34</sup>

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<sup>32</sup> See note 24 above.

<sup>33</sup> See note 15 above.

<sup>34</sup> See note 9 above.

### **13. The Chilean Education Voucher Programme after the Collapse of the Military Regime**

13.1 The year 1990 marked the end of the military regime in Chile. In 1993, while the newly-elected government agreed to maintain the status-quo in favour of the decentralization introduced by the previous government, it also decided to re-orientate the education strategy towards equity and quality. The following features have been added to the education voucher programme since 1993:<sup>35</sup>

- (a) rural schools received more per-student subsidies than urban schools;
- (b) a subsidy for students with learning difficulties was created;
- (c) government allocations to special education increased;
- (d) scholarships were granted to indigenous, low-income and distinguished students;
- (e) school meals and school health programmes were introduced; and
- (f) private-subsidized schools could charge fees on top of the per-student subsidies received.

13.2 Since no extensive research has been carried out on the effectiveness of the newly added features in the Chilean education voucher programme, we have not been able to determine whether or not the newly added features have yielded better outcomes than those which were achieved.

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<sup>35</sup> See note 6 above.

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**PART 5 — THE EDUCATION VOUCHER PROGRAMME IN MILWAUKEE,  
WISCONSIN, THE UNITED STATES OF AMERICA****14. Schools and Education**

14.1 In the US, education policies are formulated at the state and local levels instead of the federal level. Nevertheless, the educational programmes of the 50 states are remarkably similar due to common factors such as the social and economic needs of the nation, the frequent transfer of students and teachers from one part of the country to another, and the role of national accrediting agencies in shaping educational practice.

14.2 In all states, education from the age of six or seven to the age of 16 to 18 is compulsory. Public schools are free, at least from primary one through completion of secondary school, which ends at grade 12. Public schools can be categorized into traditional public schools and charter schools<sup>36</sup>. The former is controlled and operated by publicly elected or appointed officials, while the latter is controlled and operated either by organizations of parents, teachers and community members or entrepreneurs. Funding for public schools comes from property taxes, state revenue, federal revenue and other local funds. Private schools are permitted to operate subject to state licensing and accrediting regulations, and are controlled by individuals, voluntary agencies or private enterprises. A few of these institutions may receive limited federal aid for specialized purposes, but the majority are funded by sources other than the government.

14.3 Milwaukee is in the state of Wisconsin. In this state, compulsory education for students begins at the age of six through 18. They are free to choose to study in either public or private schools.

**Elementary Education**

14.4 Students at the age of six are required to receive elementary education after completion of two years of early childhood education.<sup>37</sup> The six-year elementary education (grades one to six) is provided by elementary schools.

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<sup>36</sup> Charter schools are nonsectarian public schools which operate with freedom from many of the regulations applicable to traditional public schools. Charter schools are established for the purpose of: (a) realizing an educational vision; (b) gaining autonomy; and (c) serving a specific population.

<sup>37</sup> The second year of early childhood education is compulsory and is free of charge.

### Secondary Education

14.5 Students completed elementary education may choose to receive secondary education in either a junior high school or an "elementary/secondary combined school"<sup>38</sup>. The duration for secondary education is also six years. Junior high schools offer the first three years of secondary education; thereafter students have to complete the remaining three years of schooling in high schools.

14.6 In Milwaukee, some elementary schools only provide classes from grade one through grade four. Students attending this type of schools may choose to further their studies at middle schools which offer four years of education. Thereafter they have to attend high schools to complete the remaining four years of compulsory education.

### Enrolment Rate

14.7 As information on the school enrolment rate of Milwaukee is not available, the enrolment rate of Wisconsin is used as a proxy for that of Milwaukee. In 2000-01, 86% of school-age children were enrolled in public schools.<sup>39</sup>

## **15. Education Voucher Programme**

### Background of the Milwaukee Education Voucher Programme

15.1 The Milwaukee education voucher programme, officially called the Milwaukee Parental Choice Programme, was established by the Wisconsin Legislature in 1989 and commenced operation in 1990. The programme was designed to provide state funding exclusively for low-income children in Milwaukee to attend private schools from kindergarten through grade 12. This programme is the first large-scale education voucher programme in the US. It was set up in response to parental dissatisfaction with the quality of public schools in Milwaukee.

### Objective of the Milwaukee Education Voucher Programme

15.2 The objective of the Milwaukee education voucher programme is to provide financial assistance for students of low-income families residing within the city of Milwaukee to attend private schools.

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<sup>38</sup> An elementary/secondary combined school is a school offering instruction at all grade levels from grade 1 through grade 12 in one location.

<sup>39</sup> Wisconsin Department of Public Instruction, *Basic Facts About Wisconsin's Elementary and Secondary Schools 2000-2001* at <http://www.dpi.state.wi.us/dpi/dfm/sfms/basicpdf.html>.

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## Features of the Milwaukee Education Voucher Programme

### *Students*

15.3 Student eligibility is determined by residency, household income and previous enrolment status. To be eligible for the programme,

- (a) the applicant must be a resident of Milwaukee;
- (b) his/her family income must not exceed 175% of the federal poverty level<sup>40</sup>; and
- (c) the applicant has been, in the previous school year, either enrolled (i) in a Milwaukee public school (MPS); or (ii) in the education voucher programme, or (iii) in kindergarten through grade three in a private school which is not a voucher participating school; or (iv) he or she has never been enrolled in any school.<sup>41</sup>

### *Participating Schools*

15.4 As the programme is designed to provide opportunities for low-income students to attend private schools, participation is limited to private schools only. Private schools are required to fulfil the following requirements when joining the education voucher programme:

- (a) providing students at least 875 hours of instruction each school year;
- (b) having a sequentially progressive curriculum of instruction in six subjects<sup>42</sup>;
- (c) meeting at least one of the performance standards as prescribed in the law<sup>43</sup>; and
- (d) meeting all federal and state health and safety laws or codes which are applicable to public and private schools.

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<sup>40</sup> For 2002-03, the federal poverty level for a single-member household is US\$15,348; a two-member household is US\$20,744; a three-member household is US\$26,140; a four-member household is US\$31,536; a five-member household is US\$36,932 and a six-member household is US\$42,328. For each additional member, the increase is US\$5,396. (Household members include parents, grandparents, all children, other relatives, and unrelated people living in the child's household.)

<sup>41</sup> If a child moves into Milwaukee during the summer of 2002 and previously enrolled in school outside Milwaukee, he is not eligible for the Milwaukee education voucher programme in the 2002-03 school year.

<sup>42</sup> The six subjects are reading, language arts, mathematics, social studies, science and health.

<sup>43</sup> There are four performance standards: (a) At least 70% of the students in the programme can advance one grade level each year; (b) The average attendance rate for students in the programme should be at least 90%; (c) At least 80% of the students in the programme can demonstrate significant academic progress; or (d) At least 70% of the families of students in the programme can meet parental involvement criteria established by the private school.

### *Value of Education Vouchers*

15.5 In 2002-03, the value of education vouchers per student is estimated to be US\$5,785.<sup>44</sup>

15.6 Before 1998-99, the value of an education voucher was equal to the average state revenue provided to the total full-time equivalent students enrolled in both MPS and the education voucher programme. Therefore, all schools received the same per student payment. Starting from 1999-2000, the payment to voucher students has been equal to the lesser of:

- (a) the sum of the amount paid per student under the programme in the previous school year plus the amount of state revenue allocated to each student in the current school year; or
- (b) the sum of operating and debt service cost per student in the participating school.

15.7 For example, if a school spends US\$3,000 on a voucher student, after adjustments the school will receive US\$3,000 per voucher student. However, if a school spends US\$6,000 on a voucher student, the voucher amount maintains at US\$5,785 per student.

15.8 Participating schools are required to accept the amount provided by the programme as full payment for voucher students, i.e. no 'top up' is required of students. The amount covers fees for instruction, registration, tuition, books, teacher salaries, buildings, maintenance, equipment, computers, courses credited for graduation. It also covers the transportation provided by MPS or the amount MPS may reimburse their students for transportation costs.<sup>45</sup>

### *Programme Funding*

15.9 The education voucher programme is financed by the state government. There are two sources of funding: (a) state general revenue and (b) re-allocation of revenue reserved for MPS. From 2001 onwards, 55% of the programme has been funded by state general revenue and the remaining 45% by reducing state general revenue reserved for MPS.<sup>46</sup>

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<sup>44</sup> State of Wisconsin, Department of Public Instruction, *Milwaukee Parental Choice Program, Frequently Asked Questions - 2002-03 School Year* at <http://www.dpi.state.wi.us/dpi/>.

<sup>45</sup> Voucher students may be charged reasonable fees for personal items such as towels, gymnastic clothes or uniforms, or social and extracurricular activities if the activity is not part of the required curriculum. Private schools may also charge transportation fees.

<sup>46</sup> Ritsche, Daniel F., *Budget Briefs*, Legislative Reference Bureau, September 2001.

*Monitoring Authority*

15.10 The education voucher programme in Milwaukee is governed by state laws and regulations, and the Wisconsin Department of Public Instruction (DPI) is authorized to administer and monitor the performance of the programme.

Operation of the Milwaukee Education Voucher Programme

15.11 To apply for an education voucher, parents or guardians are required to obtain a form from the DPI and submit the application directly to the participating school. The school is required to provide written notification for parents or guardians of whether their child has been accepted into the programme within 60 days after receiving the application. Parents are required to supplement the school with either federal income tax returns or evidence of expected income.

15.12 The DPI issues education vouchers payable to parents or guardians of a voucher student. Parents or guardians are required to endorse the education voucher for tuition payments. If a school cannot obtain a signature because, for example, the student is no longer enrolled, the school is required to return the education voucher to the DPI. The DPI makes voucher payments to participating schools in four equal instalments during a school year.

15.13 Parents may enrol their child in more than one participating school. A voucher student can also transfer from one participating school to another between school years or during a school's open application periods but only if the second school has a voucher space available.

15.14 Private schools may enrol as many voucher students as they desire. Each participating school is required to admit all eligible applicants unless the number of applications exceeds the number of spaces available. In that case, the school is required to randomly select among eligible applicants. Preference may be given to students who were previously enrolled in the programme and to siblings of the school's students.

15.15 Each private school must notify the State Superintendent of Public Instruction of its intent to participate in the programme by 1 May of the previous school year and specify the number of available voucher spaces. Each participating school is required to submit an annual written plan describing its intended method of student selection to ensure that applicants would be accepted on a random basis. The DPI would review each school's proposal ensuring the proposal satisfies all statutory requirements and follows the recommended guidelines. If the proposal does not conform to the recommended guidelines, the DPI would reject the school's application.<sup>47</sup>

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<sup>47</sup> Examples of rejected plans include (a) a plan which requires an applicant to indicate his/her physical, emotional, social, and academic needs, and (b) a plan which requires an applicant to indicate the date of the child's baptism and the church the child attends.

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## 16. Evaluation of the Milwaukee Education Voucher Programme

16.1 The Wisconsin Legislature requires both the DPI and the Legislative Audit Bureau<sup>48</sup> (LAB) to evaluate the education voucher programme. The first evaluation was conducted by an independent researcher commissioned by the DPI to assess the result of the programme for the first five years since its commencement in 1990. The second and the third evaluations were conducted by the LAB in 1995 and 2000 respectively.

### Desirable Outcomes

#### *Increased Provision of Education*

16.2 All of the evaluations found that the programme had increased the provision of education for low-income students in Milwaukee because the number of participating schools increased from seven in 1990 to 103 in 2000.<sup>49</sup>

#### *Increased Parental Choice*

16.3 In addition to the increased selection of private schools, participating schools also offered various educational programmes to meet specific needs of students. These education programmes included bilingual education programmes, multi-cultural programmes, college preparatory and vocational education programmes, programmes for at-risk students and programmes which used alternative educational approaches. Participating schools were also located throughout the city, providing further convenience to students. Overall, parents had the opportunity to choose among schools which would best meet their needs.

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<sup>48</sup> The Legislative Audit Bureau is a non-partisan legislative service agency responsible for conducting financial and programme evaluation audits of state agencies.

<sup>49</sup> Legislative Audit Bureau, *An Evaluation: Milwaukee Parental Choice Program*, February 2000, p14.

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*Increased Accessibility of Low-Income Students to Private Schools*

16.4 Accessibility of low-income students to private schools had increased as the evaluations found that the average annual income of a voucher family was US\$11,340 in the first five years of the programme, comparing to that of a public school family (US\$22,000) in 1991.<sup>50</sup> The average voucher family income was also less than the programme's low-income requirement for a family of two or more members.<sup>51</sup>

16.5 The evaluations also found that the programme had accomplished the purpose of making alternative school choices available to low-income families because participating schools had followed both family residency and income eligibility requirements when selecting students for the programme.

*No Cream-Skimming of Voucher Students*

16.6 The evaluations found that participating schools had complied with the requirement that in the event that the number of applicants exceeded the number of available voucher spaces, schools would select students by raffles. Therefore, there was no cream-skimming of students.

*Increased Involvement of Parents in Their Children's Education*

16.7 The evaluations found that parents had been very satisfied with the programme and had actively involved in their children's education. In general, private schools informed parents of their children's academic performance and behaviour more frequently than public schools, which induced parents to enquire more often about their children's situation at school. In addition, parents also worked and read with their children more often at home.

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<sup>50</sup> US General Accounting Office, *School Vouchers, Publicly Funded Programs in Cleveland and Milwaukee*, August 2001.

<sup>51</sup> 175% of the federal poverty guideline for a two-person family in 1990 was US\$14,735.

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## Undesirable Outcomes

### *Participation of Financially Unstable Schools*

16.8 While participating schools were required to provide annual audited financial statements for the calculation of actual student costs, schools did not need to document financial viability as a condition of programme participation. There were concerns that financially unstable schools might be participating in the programme to take advantage of the available funding. As of February 2000, four out of the 96 participating schools were closed as a result of financial problems.<sup>52</sup>

### *Unused Capacity of Education Voucher Programme*

16.9 A number of schools reported that programme enrolment did not reach capacity in 1999-2000. In May 1999, the 91 participating schools indicated that they would be able to serve 9 089 voucher students. However, they ended up enrolling only 7 996 students, equivalent to 88% of their available capacity.<sup>53</sup> The unused capacity was possibly due to:

- (a) limited programme awareness<sup>54</sup>;
- (b) availability of other educational alternatives, such as other integration aid programmes for minority MPS students to attend suburban public school districts; and
- (c) availability of charter schools.

### *Higher Tax Levy on Property Taxpayers in Milwaukee*

16.10 Although the total revenue received by MPS was reduced, the operation in MPS was not significantly affected by the education voucher programme because MPS could increase its property tax levy to offset losses in state revenue. However, costs to property taxpayers had increased because they had to pay higher property taxes than they would have done in the absence of the programme.

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<sup>52</sup> See note 49 above, p22.

<sup>53</sup> Ibid, p18.

<sup>54</sup> Most families learned about the programme and participating schools through informal sources, such as friends, relatives, the media or their house of worship. Application forms contained limited information while channels for informing households of their rights in the programme were also limited. The DPI was not able to contact eligible families directly because it was not notified of children's names or addresses until schools had enrolled them.

*Inconclusive Evidence on Improvement in Academic Performance*

16.11 The performance of voucher students and that of MPS students could not be easily compared because not all participating schools administered the same standardized testing. In fact, nine out of the 86 participating schools did not have any form of independent quality assurance for the school year 1998-99.<sup>55</sup>

*Inconclusive Evidence on Improvement in Ethnic Segregation*

16.12 The proportions of voucher students in the African-American, White and Hispanic ethnic groups were similar to those of MPS. In 2000-01, over 60% of voucher students were African-Americans, which was about the same proportion as the general enrolment in MPS.<sup>56</sup> In any event, the evaluations did not address changes in the ethnic composition of voucher and MPS students owing to a lack of data for trend analysis.

Other Findings*Larger Proportion of Elementary-Grade Students*

16.13 It appeared that the education voucher programme enrolled a higher percentage of elementary-grade students compared to that in MPS. Possible reasons for the high percentage included:

- (a) Eligibility criteria restricted students entering grades four or above from enrolling in the programme because only students studying in kindergarten through grade three in non-participating private schools were eligible;
- (b) Private schools had more capacity in elementary grades than in high school grades;
- (c) Higher grade students with established ties to MPS might be less likely to switch schools; and
- (d) Families of eligible students might perceive MPS offerings in higher grades more adequate or desirable.

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<sup>55</sup> See note 49 above, p7.

<sup>56</sup> See note 46 above.

*Parents Preferred Private Schools to Public Schools*

16.14 Parents decided to enrol their children in private schools because of the perceived better academic quality and type of education their children would receive. They considered that private schools were superior to public schools in the following aspects:

- (a) higher educational standards;
- (b) more qualified and experienced teachers;
- (c) safer and orderly;
- (d) smaller class size;
- (e) located in their neighbourhoods;
- (f) better school care;
- (g) better scores on standardized tests;
- (h) full-day kindergarten class available;
- (i) adoption of a specific teaching method;
- (j) provision of religious instruction; and/or
- (k) focusing on a specific ethnic identification.

*Government Spending on Voucher Students was Less Than That on Public School Students*

16.15 In 1999-2000, government expenditure per voucher student was US\$5,106 while expenditure per MPS student was US\$6,011.<sup>57</sup> In other words, government expenditure on voucher students was less than that on MPS students.

*Limited Fiscal Effect on Public Schools*

16.16 The evaluations found that the programme had not exerted a substantial fiscal effect on MPS. Two reasons were identified. First, the programme had not absorbed a large number of existing students from MPS but had only reduced the growth in new MPS enrolment. Secondly, the loss of revenue experienced by MPS might be compensated by local taxes.

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<sup>57</sup> See note 50 above.

*Closure of Non-Compliant Schools*

16.17 There were statutory requirements governing the quality of education to be provided by participating schools. Non-compliance by any school might result in termination of participation. For instance, the DPI had required one participating school to close temporarily when city building inspectors determined that its facilities did not meet applicable safety codes.

**PART 6 — THE EDUCATION VOUCHER PROGRAMME IN COLOMBIA****17. Schools and Education**

17.1 The Colombian government undertakes the mission of providing nine years (grade one to grade nine) of basic education to its people.

17.2 Both the public and private sectors bear responsibilities with respect to education. While public education is free for all Colombians, private education is financed by fees collected from students or private bodies. Approximately 40% of educational institutions in Colombia are private.

17.3 Colombia enjoys one of the highest literacy rates (88%) among developing countries.<sup>58</sup>

**Basic Education**

17.4 Basic education in Colombia is compulsory and is identified as primary and junior secondary education. It comprises nine grades (grade one to grade nine) and is structured around a core curriculum based on fundamental areas of knowledge and activity.

**Middle / Senior Secondary Education**

17.5 This corresponds to grades 10 and 11 in the US educational system. At the end of the middle / senior secondary education, a 'bachelor' (or a school leaving certificate) is obtained by the student which permits him or her to go on to higher education.

**Enrolment Rate**

17.6 In 1995, approximately 37% of secondary school students in Colombia attended private schools and the remaining 63% attended public schools.<sup>59</sup>

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<sup>58</sup> The British Council, *Education in Colombia* at <http://www.britishcouncil.org.co/english/education/colences.htm>.

<sup>59</sup> Angrist, J.D., Bettinger, E., Bloom, E., King, E., and Kremer, M., *Vouchers For Private Schooling in Colombia: Evidence From a Randomized Natural Experiment*, NBER Working Paper 8343, June 2001.

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## 18. Education Voucher Programme

### Background of the Colombian Education Voucher Programme

18.1 In 1992, the Colombian government initiated an education voucher programme for secondary education (grade six to grade 11) as part of its decentralization effort<sup>60</sup>. The programme granted students education vouchers usable in private schools. Its aim was to increase the transition rate from primary to secondary education by addressing the problem of the shortage of space in public schools, especially in large cities. The programme achieved this by tapping into the capacity of private schools.

18.2 By 1997, the programme involved more than one-fifth of the municipalities in the country and about 2 000 private schools. It supported more than 100 000 secondary students. The Colombian education voucher programme was probably one of the largest programmes of its kind in the world.<sup>61</sup>

### Objectives of the Colombian Education Voucher Programme

18.3 The Colombian education voucher programme was designed to create more educational opportunities for poorer students from grade six to grade 11. The short-run objectives of the Colombian education voucher programme were to:<sup>62</sup>

- (a) close the gap between the relatively high primary school enrolment rate and the relatively low secondary enrolment rate, by using the large private secondary infrastructure;
- (b) expand the very limited choices that poorer families had in relation to secondary education for their children; and
- (c) improve equity among students from different backgrounds.

18.4 In the long-run, the Colombian government believed that efficiency would improve by fostering competition among secondary schools. As the education voucher programme would eventually create excess demand, the supply side might also expand, leading to an increase in the number of secondary schools.<sup>63</sup>

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<sup>60</sup> The early 1990s was a general period of reform and liberalization in Colombia.

<sup>61</sup> See note 16 above.

<sup>62</sup> Calderón, Alberto Z., "Voucher Program For Secondary Schools: The Colombian Experience" in *Human Capital Development and Operations Policy Working Papers*, the World Bank at <http://www.worldbank.org/>.

<sup>63</sup> Ibid.

## Features of the Colombian Education Voucher Programme

### *Students*

18.5 The Colombian education voucher programme was confined to students from low-income families. To receive education vouchers, students must satisfy the following criteria:

- (a) aged 15 or younger;
- (b) came from the lowest two economic strata out of a total of six;
- (c) had graduated from a public primary school; and
- (d) had been admitted to a participating private secondary school.

### *Parties Involved in the Programme*

18.6 The Colombian education voucher programme was partly funded by the World Bank through its Social Investment Fund. In addition, there were three other parties involved in the programme:

- (a) the Ministry of Education which was responsible for co-ordinating the education voucher programme,
- (b) the Colombian Institute of Education Credit and Training Board (ICETEX), a government agency, which was responsible for administering the programme; and
- (c) Banco Central Hipotecario (BCH), a banking institution, which was responsible for making the education voucher payment.

### *Participating Schools*

18.7 Only private secondary schools were allowed to participate in the Colombian education voucher programme. Municipalities were responsible for choosing private secondary schools to participate. Qualifying schools were required to have adequate health and educational facilities and be licensed by the Secretary of Education to grant the baccalaureate degree.

18.8 To regulate the quality of participating schools, schools created after the introduction of the Colombian education voucher programme were required to present a three-year curriculum plan. Since 1996, participation has been restricted to non-profit-making private secondary schools only.<sup>64</sup>

#### *Value of Education Vouchers*

18.9 The value of the education voucher was determined according to the average tuition of a private school whose students came from lower-to-middle income families. This private school should also be located in one of the three largest Colombian cities (Bogotá, Medellín, and Cali). Accordingly, it was expected that the education voucher would have a higher relative value in other regions of Colombia where tuition was usually lower.<sup>65</sup>

18.10 The education voucher would cover the cost of tuition -- the annual matriculation fee plus 10 monthly tuition fees -- subject to an upper limit. ICETEX would determine the upper limit of the education voucher on a yearly basis. Municipal governments paid 20% of the education voucher value, while the national government paid 80%.

18.11 The ceiling of the education voucher value was adjusted annually according to the estimated national inflation rate, irrespective of the actual changes in the tuition fees of individual schools.<sup>66</sup>

18.12 However, a recent research<sup>67</sup> showed that the value of education vouchers did not keep up with inflation over time, and hence voucher students had to supplement education vouchers with additional payments to cover tuition. As at 1998, the education voucher covered approximately half of the cost of a private secondary school.

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<sup>64</sup> This is because problems were reported with low-quality schools being created to exploit the education voucher system. Angrist, J.D., Bettinger, E., Bloom, E., King, E., and Kremer, M., *Vouchers For Private Schooling in Colombia: Evidence From a Randomized Natural Experiment*, NBER Working Paper 8343, June 2001.

<sup>65</sup> See note 62 above.

<sup>66</sup> See note 16 above.

<sup>67</sup> See note 59 above.

*Administration Cost of the Colombian Education Voucher Programme*

18.13 ICETEX charged a commission fee of 3.5% of the national government's share of the cost of the programme. The Social Investment Fund charged less than 0.2% of the total cost of the programme. For each of the three transactions carried out annually with a participating school, BCH charged 1,000 colombianos.<sup>68</sup>

Operation of the Colombian Education Voucher Programme

18.14 The programme was officially launched in the ten largest Colombian cities in October and November 1991, and approximately 18 000 education vouchers were issued.<sup>69</sup> Only families in the lowest two economic strata (out of a total of six) were eligible for the education vouchers. These families were required to fill out education voucher application forms included in newspaper advertisements or obtained from ICETEX offices. Families were also required to provide evidence that their children had finished primary education at a public school. This was a crucial requirement because the government wanted to exclude from the education voucher programme high- and middle-income children who studied mostly in private schools. These restrictions allowed the education voucher programme to target lower-income households.

18.15 Each municipality decided the number of education vouchers to fund, subject to a maximum quota allocated by the national government. This allocation quota was determined by estimating the shortfall between primary school enrolment and the available space in public secondary schools in each municipality.

18.16 In any specific city, if demand for education vouchers turned out to be greater than the assigned quota, a public raffle would be used to select the final beneficiaries. The selected students were given a fixed value education voucher, which they could use in any private secondary schools which accepted voucher students. Students could decide between attending 'free' public schools, if they were admitted, or use the education voucher to pay tuition at a private secondary school. If the tuition was greater than the education voucher value, students were required to pay the difference. If the tuition was smaller than the education voucher value, schools would only receive the actual tuition charged.

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<sup>68</sup> See note 16 above.

<sup>69</sup> See note 62 above.

18.17 It was anticipated that private schools would reject students with education vouchers if the cashing mechanism was complicated and followed the usual bureaucratic procedures. Therefore, the Ministry of Education decided that the actual payment of education vouchers would be done by the banking sector. School principals were instructed to open an account, free of charge, at any one of the 120 branches of BCH. Every three months, upon presentation of the grades of the voucher beneficiaries by the school, the school's account would be credited the appropriate amount.

18.18 Programme participation was renewable for the duration of a student's secondary school education, provided that the student performed satisfactorily in the previous grade. Education vouchers were not transferable among schools or students.<sup>70</sup>

## **19. Evaluation of the Colombian Education Voucher Programme**

19.1 By design, the Colombian education voucher programme targeted poor students who had already been attending public schools, countering any claim that education voucher was a net subsidy of the wealthy by the poor. It was established to relieve the overcrowding conditions in public schools, but not to substitute for public schools. Its principal aim was to increase net enrolment without sacrificing quality. The underlying logic of the programme was that private schools might inexpensively and rapidly increase opportunities for children who would otherwise be unable to enrol in any secondary schools given the space constraints in public schools.<sup>71</sup>

19.2 The following section summarizes the evaluation of the Colombian education voucher programme by various researchers.

### Desirable Outcomes

#### *Increased Provision of Education*

19.3 Researches of the World Bank showed that the Colombian education voucher programme was able to mobilize private schools to alleviate the space constraints of public schools on primary school graduates from low income families enrolling in secondary schools.<sup>72</sup> The evidence was that the number of students receiving education vouchers rose from 49 573 in 1992 to more than 100 000 by 1997.

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<sup>70</sup> See note 16 above.

<sup>71</sup> Ibid.

<sup>72</sup> Ibid.

*Active Participation of Municipalities*

19.4 The programme successfully solicited the participation of municipalities. In 1992, the number of municipalities involved was 78. In 1997, a total of 216 municipalities participated in the programme.<sup>73</sup> The decision of municipalities to participate hinged on -

- (a) their relative supply of public and private secondary school places; and
- (b) the number of students enrolled at the primary level which reflected the potential demand for secondary education and the need to augment capacity at the secondary level.

19.5 In general, large urban municipalities with a greater number of primary school students, more limited public school capacity and larger existing private school capacity were most likely to participate in the programme.<sup>74</sup>

*Active Participation of Private Secondary Schools which Charged Tuition Near the Maximum Education Voucher Value*

19.6 Researches showed that schools, which charged higher tuition per student up to the maximum value of the education voucher, tended to participate in the Colombian education voucher programme. However, those charging fees higher than the maximum value were usually not in the programme. Schools charging very low fees also did not participate, since these schools were probably affordable to the poor even without the programme. To the extent that fees were correlated with school quality, students might prefer to use education vouchers on higher quality schools.<sup>75</sup>

*No Cream-Skimming Practised*

19.7 When demand for education vouchers exceeded the number of education vouchers assigned to any specific particular city, a public raffle would be used to select the final beneficiaries of the programme. This arrangement avoided the practice of cream-skimming by participating schools.

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<sup>73</sup> See note 62 above.

<sup>74</sup> See note 16 above.

<sup>75</sup> Ibid.

*Comparable Quality of Participating Private Secondary Schools*

19.8 Since the education voucher did not make all private schools affordable to poor parents, interest in the education voucher programme was likely to be greatest among schools charging lower fees. There was concern that this might affect the quality of education delivered by these schools to voucher students.

19.9 A comparison of the scores on achievement tests in mathematics and language showed that, on average, students in participating voucher schools performed at least as well as students in public schools. In other words, for about two-thirds of the per-pupil cost of public school, the government was able to offer poor students secondary education that was comparable in quality to public schools.<sup>76</sup>

19.10 The comparison also showed that students in the lowest decile of performance in voucher schools, representing the poorest performers, were no worse than students in the lowest decile in both public and non-participating private schools, and that the best voucher students were at the same echelon as the best students in public schools.<sup>77</sup> This was because if voucher students failed a grade, they might lose the eligibility for education voucher. Therefore, they had an incentive to devote more efforts to studying. In fact, research studies<sup>78</sup> showed that voucher students posted higher educational attainment.

Other Findings

19.11 According to Angrist et al. (2001), 'elite' private secondary schools<sup>79</sup> tended to opt out of the Colombian education voucher programme. Three reasons were identified:

- (a) most 'elite' schools were reluctant to interact with the bureaucracy in ICETEX;
- (b) the value of education vouchers was insufficient to cover tuition; and
- (c) some of these schools might view the prospect of an influx of students from low-income families as undesirable.

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<sup>76</sup> See note 16 above.

<sup>77</sup> Ibid.

<sup>78</sup> See note 59 above.

<sup>79</sup> Schools which generally have lower student-teacher ratios and better facilities.

19.12 By design, the Colombian education voucher programme avoided some common criticisms against other education voucher programmes:<sup>80</sup>

- (a) Since only the poor could qualify for the programme, it countered the claim that education vouchers were a net subsidy of the wealthy by the poor. Indeed, an early evaluation found that, at least in Bogotá, the programme was able to reach its intended beneficiaries.
- (b) Since public schools were overcrowded and there was a presumption of excess capacity among private schools, the Colombian education voucher programme represented a means of expanding secondary enrolments at relatively low cost while reducing the enrolment pressure on public schools.
- (c) By encouraging more private provision without directly subsidizing particular schools, the programme enabled parents to choose schools.
- (d) The programme was relatively easy and quick to implement because the objective was not to privatize existing public education, but to expand private secondary schooling for low-income families.
- (e) Voucher students benefited from higher educational attainment, primarily as a consequence of reduced grade repetition.

19.13 However, as noted in paragraph 18.12, the value of education vouchers was insufficient to cover tuition as it failed to keep up with inflation. It is uncertain if this has led to any undesirable outcomes as there is no information available to us.

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<sup>80</sup> See notes 59 and 62 above.

## **PART 7 — THE EDUCATION VOUCHER PROGRAMME IN CLEVELAND, OHIO, THE UNITED STATES OF AMERICA**

### **20. Schools and Education**

20.1 Cleveland is in the state of Ohio. The education system in Cleveland is similar to that in Milwaukee such that compulsory education is required of children aged six to 18. The state provides six years of elementary education and another six years of secondary education for children attending public schools at no charge. Children may also choose to attend private schools. For details of Cleveland's education system, please refer to paragraph 14.2.

### **21. Education Voucher Programme**

#### Background of the Cleveland Education Voucher Programme

21.1 The Cleveland education voucher programme is officially called the Cleveland Scholarship and Tutoring Programme (CSTP). CSTP is constituted of two programmes:

- (a) an education voucher programme — state funding is provided to help low-income children in kindergarten through the eighth grade to attend private schools in Cleveland or to attend public schools in districts adjacent to the Cleveland school district; and
- (b) tutoring assistance programme — state funding is also provided to allow an equal number of Cleveland public school students who failed to obtain education vouchers to receive tutoring grants.

21.2 CSTP was enacted by the Ohio Legislature in 1995 and was the first education voucher programme in the US which allowed religious schools to participate. Cleveland has an African-American dominated population and many problematic school districts. The programme was introduced in response to parental dissatisfaction with the quality of public schools.

#### Objective of the Cleveland Education Voucher Programme

21.3 The objective of the Cleveland education voucher programme is to provide educational opportunities for students of low-income families residing within the Cleveland school district to attend private schools in Cleveland or to attend public school in districts adjacent to the Cleveland school district.

## Features of the Cleveland Education Voucher Programme

### *Students*

21.4 All children residing within the boundaries of the Cleveland Municipal School District and studying in pre-school or grade one through grade three in any public or private schools are eligible for application to the programme.

### *Participating Schools*

21.5 All private schools in Cleveland and public schools in districts adjacent to the Cleveland school district are eligible to participate in the programme, provided that they meet certain minimum standards prescribed by the state.

### *Value of Education Vouchers*

21.6 The value of an education voucher is equivalent to a fixed percentage of the tuition charged by private schools. Students whose family income is at or above 200% of the poverty line<sup>81</sup> receive education vouchers at a value equivalent to 75% of their school's tuition, up to a maximum of US\$1,875. Students whose family income is below 200% of the poverty line receive education vouchers at a value equivalent to 90% of their school's tuition, up to a maximum of US\$2,250.<sup>82,83</sup>

21.7 Families must make their own arrangements for covering the remaining tuition, but schools are not allowed to charge low-income families tuition in excess of 10% of the maximum value of an education voucher or the established school tuition, whichever is lower. Schools are required to permit any tuition over the value of an education voucher to be satisfied by the low-income family's provision of in-kind contributions or services.

21.8 In addition to the amount of the education voucher, suburban public schools participating in the programme may qualify for state funds of up to US\$3,300 for each student transferred from the Cleveland public school district.

21.9 If a student decides not to enrol in the participating school in the middle of a school year, payments sent to the school will be proportionately reduced.

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<sup>81</sup> In 1999, 200% of the federal poverty guideline for a two-person family was US\$22,120.

<sup>82</sup> Neas, Ralph G., *Five Years and Counting: A Closer Look at the Cleveland Voucher Program*, 25 September 2001.

<sup>83</sup> The basis for capping the value of the education voucher at US\$1,875 and US\$2,250 is unknown as information is not available.

*Programme Funding*

21.10 Similar to Milwaukee, Cleveland receives general state revenue and revenue originally appropriated to public schools in Cleveland for the implementation of the education voucher programme. However, the proportion of the two sources of funding is not known to us as information is not available.

*Administration Authority*

21.11 The Cleveland Scholarship and Tutoring Office was established in 1995 for administering the programme.

Operation of the Cleveland Education Voucher Programme

21.12 Education vouchers are made out to parents or guardians and require endorsement before schools can redeem for funds. These funds are sent to the participating schools in two payments. Prior to payment, a voucher payment report will be generated by the Cleveland Scholarship and Tutoring Office for each participating school listing all the school's current voucher students. Schools have to verify the accuracy of the report or update it before it is sent to the Ohio Department of Education to be processed for payment.

21.13 There is no cap on the number of voucher students in a participating school. However, if the number of education vouchers to be awarded to first-time voucher applicants is smaller than the number of eligible applicants, a random selection process will be used with priority given to low-income applicants. Preferences are also given to current students and their siblings. If the number of education vouchers available exceeds the number of low-income applicants, applicants above the low-income threshold may be awarded the remaining vouchers. Once a student is admitted to the programme, he or she may continue to receive education vouchers through the 8<sup>th</sup> grade.

21.14 In 2001, there were 51 private schools participating in the programme.<sup>84</sup> About 90% of these schools were religious schools.

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<sup>84</sup> Schiller, Zach, *Cleveland School Vouchers: Where the Students Come From*, A Report from Policy Matters Ohio, 2001.

## 22. Evaluation of the Cleveland Education Voucher Programme

22.1 Two institutions have conducted research on the academic achievement of students in Cleveland's education voucher programme. While the Indiana Center for Evaluation was contracted by the Ohio Department of Education to conduct evaluation on the first two years of the programme, the Harvard University's Program on Education Policy and Governance conducted its own studies.

### Desirable Outcomes

#### *Increased Provision of Education*

22.2 When the programme started in 1996, there were 1 994 voucher students.<sup>85</sup> In 2001-02, there have been 4 195 voucher students in 50 private schools.<sup>86</sup>

#### *Increased Parental Choice*

22.3 Since all private schools in Cleveland and public schools in districts adjacent to the Cleveland school district are allowed to participate, parents face an expanding pool of schools to choose from.

#### *Increased Accessibility of Low-Income Students to Study in Private Schools*

22.4 In 1999, the average family income for voucher students was US\$18,750, compared to US\$19,814 for public school students. Both figures fell within the definition of low income under the Cleveland voucher programme for a family of two or more members.<sup>87</sup>

#### *No Cream-Skimming of Voucher Students*

22.5 The evaluations found that participating schools complied with the requirement that in the event that the number of applicants exceeded the number of available voucher spaces, they would select students by raffles. Therefore, there was no cream-skimming of students.

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<sup>85</sup> See note 82 above.

<sup>86</sup> Office of Research, Institute for the Transformation of Learning, *Cleveland's Scholarship and Tutoring Program*, Marquette University, 22 October 2001.

<sup>87</sup> See note 50 above.

## Undesirable Outcomes

### *Low-Income Students in Grades Four or Above Could Not Benefit*

22.6 Owing to eligibility requirements, applicants were restricted to students studying in pre-school or grade one through grade three in any public or private schools. Therefore, low-income students in grades four or above could not benefit.

### *Students from Higher-Income Families Benefited*

22.7 In Cleveland, priority was given to students from families whose income was less than 200% of federal poverty guidelines. However, if low-income students did not use up all available education vouchers, students above the low-income guidelines might use the remaining vouchers. Since benefits would also be available to middle-class families in this event, resources might not be allocated to the most needed.

### *High Administration Costs*

22.8 The programme had cost more than US\$28 million since its commencement in 1996. When direct administration costs were factored in, the cost of the voucher programme increased to US\$33 million<sup>88</sup>, implying significant administration costs involved (15% of total cost).

### *Inconclusive Evidence on Student Performance*

22.9 Some evaluations found no difference between voucher students' performance and public school students' performance, while other studies found that voucher students did better in some of the subject areas tested. None of the findings could be considered definitive because the researchers used different study designs, comparison groups and statistical tests, and there were insufficient data for analysis of student characteristics.

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<sup>88</sup> See note 82 above.

*Inconclusive Evidence on Improvement in Ethnic Segregation*

22.10 In 1998-99, over two-thirds of the students enrolled in both public schools and the education voucher programme were African-Americans and other minority groups.<sup>89,90</sup> However, the evaluation did not address any possible changes in the ethnic composition of voucher students and public school students, or provide any explanations for the changes.

Other Findings*Children Who Had Never Been Enrolled in Schools were the Major Beneficiaries*

22.11 By design, students studying in pre-school or grade one through grade three in any public or private schools were eligible for the programme. However, it turned out that the majority of students in the programme were children who had not previously been enrolled in schools. The reason being that many parents were reluctant to transfer their children out of existing schools.

*Participating Schools were Able to Secure Other Financial Support Despite Insufficient Education Voucher Value*

22.12 In 1999-2000, Ohio spent US\$1,832 per voucher student as compared to US\$4,910 for each public school student.<sup>91</sup> Participating schools were able to provide education at a lower tuition because:

- (a) the mission of these voucher schools, most of religious affiliation, was to provide education to children of low-income in their communities, thus they purposely subsidized the cost to achieve this mission;
- (b) a few secular schools with higher tuition could find corporate or other sponsors to subsidize the difference between the maximum voucher amount and the tuition charged; and
- (c) voucher value (US\$2,250 for low-income students) established by the Ohio legislature limited the programme to low-tuition religious schools.

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<sup>89</sup> Minority groups refer to African-American, Asian, Hispanic, multiracial and native American.

<sup>90</sup> See note 50 above.

<sup>91</sup> Ibid.

*Limited Fiscal Effects on Public Schools*

22.13           The case was similar to that of Milwaukee. Public school districts in Cleveland were also allowed to raise local tax to make up for the loss in state revenue.

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## PART 8 — THE EDUCATION VOUCHER PROGRAMME IN ENGLAND, THE UNITED KINGDOM

### 23. Schools and Education

23.1 In England, responsibility for education is shared among the Department for Education and Skills (formerly known as Department for Education and Employment) of the central government, local education authorities (LEAs) and the governing bodies of individual educational institutions. The Department for Education and Skills has responsibility for policy, core curriculum, assessment of statutory school-age students, research and development and the setting of minimum standards.

23.2 Compulsory schooling applies to children aged five to 16, although it is possible to start school at the age of four.

#### Pre-School Education

23.3 In England, pre-school education is provided to children who have not reached the statutory school age of five. Pre-school attendance is voluntary and may be on a full- or part-time basis. Pre-school education is funded in various ways. LEAs and voluntary organizations provide different kinds of pre-school education free of charge. Private nurseries are financed by school fees or subsidies from voluntary organizations. There are five main types of pre-school education providers:<sup>92</sup>

- (a) Maintained<sup>93</sup> nursery schools and nursery classes provided by LEAs, typically catering for children from three years old onward;
- (b) Reception classes and infant classes in maintained primary schools, catering for children between four and five years old (the first year of compulsory education is provided in these classes);
- (c) Nursery schools or nursery classes run by private independent organizations;
- (d) Playgroups, mostly run by parents with one or two paid staff and a few run by LEAs; and
- (e) Day nurseries provided by local social services departments and private organizations.

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<sup>92</sup> Sparkes, J. and West, Anne, "An Evaluation of the English Nursery Voucher Scheme 1996-1997" in *Education Economics*, Vol. 6, No. 2, 1998.

<sup>93</sup> Maintained schools are publicly funded schools.

### Enrolment Rate

23.4 In 1994, about 77% of children attended maintained schools either on a full- or part-time basis and about 19% attended some forms of private or voluntary provision. About 4% had no school place.<sup>94</sup>

23.5 By 1998, the government provided a free, part-time pre-school education place for all four-year-olds whose parents wanted one.<sup>95</sup>

## **24. Education Voucher Programme**

### Background of the Nursery Voucher Programme

24.1 In 1993, the National Commission on Education of the UK published a report entitled *'Learning to Succeed'*. The report noted that significant benefits could be derived at both individual and social levels from the provision of high quality pre-school education for all three- and four-year-olds. However, government funding of pre-school education was discretionary with the result that the provision of pre-school education was patchy and diverse. The report recommended the national provision of pre-school education.

24.2 According to Sparkes and West (1998)<sup>96</sup>, *"In the 1990s, the issue of pre-school education has come to the forefront of the policy debate. In particular, calls for a national pre-school policy have gained additional salience as a result of recent social and economic changes; these include the increasing labour-force participation of mothers with children under five years of age, the growth of two-earner families and the increase in lone-parent families."*

24.3 At the 1994 Conservative Party Conference, the former Conservative Prime Minister, John Major, made a commitment to *"provide a pre-school place to every four-year-old in the country whose parents wish to take it up."* He went on to say that *"publicly funded provision must be of high quality and it must promote diversity and parental choice."* An education voucher programme for four-year-olds was introduced following the 1996 Nursery Education and Grant Maintained Schools Act. For the first time in England, education vouchers were used to fund national educational provision.<sup>97</sup>

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<sup>94</sup> Education and Employment Committee of House of Commons Session 1996-1997, *Third Report, Operation of the Nursery Education Voucher Scheme*, 12 March 1997.

<sup>95</sup> The nursery voucher programme was replaced by the Early Years Development and Childcare Partnership in 1997. Under the new arrangement, the government undertook to provide a free, part-time education place for all four-year-olds whose parents wanted one.

<sup>96</sup> See note 92 above.

<sup>97</sup> Ibid.

24.4 The political context at the time the nursery voucher programme was introduced was also crucial. According to Sparkes and West (1998), *'It has been suggested that the Conservative government, prior to a general election in 1997, used the voucher mechanism to serve their own electoral interests. As Glennerster (1996) comments: "It is designed to largely benefit well off families living in Conservative local authorities who have refused to do anything on their own to provide pre-school education. This is a clever electoral ploy."*

24.5 The nursery voucher programme was implemented in two phases. Phase One, involving four LEAs<sup>98</sup> in England: Wandsworth<sup>99</sup>, Westminster<sup>100</sup>, Kensington and Chelsea<sup>101</sup>, and Norfolk<sup>102</sup>, started in April 1996. Phase Two, covering the rest of England and Wales, started in April 1997. It was planned that there would also be a similar programme in Scotland under separate legislation.

### Objectives of the Nursery Voucher Programme

24.6 According to the then Conservative government, education vouchers would provide parents with purchasing power which, in turn, would stimulate expansion and diversity in the pre-school sector. Parental choice was regarded as the mechanism through which high educational standards would be assured as education vouchers would *"allow parents who are not satisfied with the standards provided for their child to go elsewhere."*<sup>103</sup>

The objectives of the nursery voucher programme were to:

- (a) give children a better start to their schooling;
- (b) provide parental choice; and
- (c) encourage diversity.

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<sup>98</sup> All LEAs had been invited to take part in Phase One on a voluntary basis but only four took up the offer.

<sup>99</sup> In 1997, the LEA-maintained nursery classes or schools in Wandsworth provided nursery places for 33% of the relevant population.

<sup>100</sup> In Westminster, about half of all three- and four-year-olds had no provision of education in any sector in 1997.

<sup>101</sup> In 1997, there was a 'significant private and independent sector' which provided places for about 40% of children aged under five in Kensington and Chelsea.

<sup>102</sup> Norfolk had historically been a 'low provider', with only 8% of three- and four-year-olds in LEA-maintained nursery classes or schools.

<sup>103</sup> See note 92 above.

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## Features of the Nursery Voucher Programme

### *Students*

24.7 The nursery voucher programme applied to four-year-olds only. Children were eligible for nursery vouchers for three terms before the compulsory school age of five.

### *Parties Involved in the Programme*

24.8 Apart from the Department for Education and Employment of the central government, LEAs, and the governing bodies of pre-school education providers, a private firm known as Capita Managed Services<sup>104</sup> was also involved in the nursery voucher programme to administer the issue and redemption of nursery vouchers.

### *Participating Schools*

- 24.9 Nursery vouchers would be exchangeable for:
- (a) a part-time place - five half days a week - in any independent, voluntary or state sector institutions providing nursery education; or
  - (b) a full-time place in a reception class in a state primary school where there was an offer; or
  - (c) a part-time or a full-time place in a playgroup; or
  - (d) a combination of the above.

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<sup>104</sup> Capita Managed Services was responsible for issuing application forms and nursery vouchers and redeeming vouchers from providers. It used information from the Child Benefit Centre to identify eligible children, and ran a telephone helpline for the small proportion of parents who did not receive application forms automatically. Source: Department for Education and Employment, *Contractor Appointed for Nationwide Nursery Voucher Scheme*, 14 October 1996.

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24.10 To meet the requirements of the nursery voucher programme so as to redeem the nursery vouchers, providers of pre-school education were required to agree to:<sup>105</sup>

- (a) work towards the *Desirable Outcomes for Children Entering Compulsory Education* drawn up by the School Curriculum and Assessment Authority;
- (b) observe the Code of Practice on Special Educational Needs and associated guidance;
- (c) allow inspections to be carried out by the Office for Standards in Education<sup>106</sup> of their education provision; and
- (d) publish information for parents.

### *Value of Nursery Vouchers*

24.11 The value of each nursery voucher was set at £1,100 which would cover a pre-school place for three terms of nursery education for four-year-olds. This value was set on the basis of calculations by the Audit Commission which had indicated that £1,100 was above the value of a playgroup place; in the upper quartile of the cost of a part-time nursery class place; and in the lower quartile of the cost of a full-time reception class place.<sup>107</sup>

### Operation of the Nursery Voucher Programme

24.12 Under the nursery voucher programme, parents obtained their nursery voucher via a voucher agency. The voucher agency obtained a list of eligible parents from the Department of Social Security which maintained a database of parents who were in receipt of a state benefit known as the 'child benefit'<sup>108</sup>. The voucher agency then sent information to parents about the nursery voucher programme in their locality together with a nursery voucher application form. Parents wanting to take up the nursery voucher had to complete the form and return it to the agency; in turn, they received a nursery voucher book.

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<sup>105</sup> See note 94 above.

<sup>106</sup> Office for Standards in Education is a government department responsible for inspection of schools and LEAs in England.

<sup>107</sup> See note 94 above.

<sup>108</sup> In order to receive the child benefit (a universal benefit that is not means tested), a parent must register the child within three months of birth with the Department of Social Security, otherwise the benefit may be delayed. Individuals are not obliged to apply for the child benefit. The child benefit is payable until the young person's 19<sup>th</sup> birthday or until he starts work or joins a government youth training scheme, or commences a course of study above General Certificate of Education Advanced Level (examinations at this level are taken at the end of upper secondary academic education, generally at the age of 18).

24.13 Having received the nursery voucher book, parents were then able to exchange a nursery voucher for a place offered by a validated provider. Parents were allowed to 'top up' the nursery voucher from their own resources if higher fees were charged by the private or voluntary sectors, while in the maintained sector this 'topping up' function would be undertaken by the LEA.

24.14 Providers were not inspected prior to joining the nursery voucher programme as this was regarded by the central government to be '*impractical*'. Instead, providers were given an initial self-assessed validation, with a formal inspection to follow within one year. The inspection regime was, in the words of the Secretary of State for Education and Employment, to be '*light touch*'. However, nursery and reception classes in the state-maintained sector were inspected in a more rigorous manner by the Office for Standards in Education which had responsibility for state school inspections.<sup>109</sup>

### *Redemption of Nursery Vouchers*

#### *LEA-maintained Schools*

24.15 The way in which LEA-maintained providers redeemed nursery vouchers varied between Phase One and Phase Two. For Phase One, the central government paid to LEAs a sum equivalent to the value of the nursery vouchers multiplied by the number of four-year-olds in their provision of pre-school education in the previous year. If an LEA redeemed fewer nursery vouchers than was assumed, its grant for the following year would be reduced pro rata, and vice versa. There were two additional sources of central government funding in Phase One to cover the administration cost and to cover the capital costs of new nursery classes. In Phase Two, LEAs received an initial payment at the beginning of each term, followed by additional payments at fortnightly intervals based on the number of nursery vouchers received.

#### *Non-maintained Schools*

24.16 For non-maintained providers, payment was received as they returned nursery vouchers each term.

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<sup>109</sup> See note 92 above.

## 25. Initial Evaluation of the Nursery Voucher Programme

25.1 The then Parliamentary Under-Secretary of State for Education and Employment (or commonly known as 'Schools Minister' in England), Robin Squire, considered Phase One of the nursery voucher programme a success.

*"The pilot phase of the nursery education voucher scheme is working very well. In the four Phase I local authorities alone, an extra £1.5 million has been injected into nursery education. Over 1 100 providers are in the scheme, including more than 600 in the private and voluntary sectors. Over 14 000 four-year-olds have vouchers and are making use of them."*<sup>110</sup>

*"Between April 1996 and November 1996, the pilot areas have reported: 800 new maintained places, 285 private and voluntary places and 1 300 new sessions in Norfolk; plans for 1 000 new places in Westminster over the next three years; two new projects planned for Kensington and Chelsea; and an increase in the number of children attending nursery classes in Wandsworth - a borough which already guaranteed a maintained nursery place for every four-year-old."*<sup>111</sup>

*"The scheme is cheap and easy to administer. The cost is less than £10 per voucher."*<sup>112</sup>

25.2 According to the Department for Education and Employment, 91% of eligible parents applied for and received nursery vouchers. In Norfolk, the figure was 97%; 96% in Wandsworth; 74% in Westminster; and 70% in Kensington and Chelsea.

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<sup>110</sup> Department for Education and Employment, *Evidence Shows Nursery Vouchers Work - Squire*, 18 October 1996.

<sup>111</sup> Department for Education and Employment, *Squire Tells Playgroups: You Can Profit From Nursery Vouchers*, 16 November 1996.

<sup>112</sup> Ibid.

## 26. Criticism of the Nursery Voucher Programme

### Unstable Source of Funding

26.1 Some argued that education vouchers could not provide a stable and long-term source of funding to school.<sup>113</sup> Quality education including good nursery education could not be produced at the drop of a nursery voucher. Schools providing quality education need to build on long-term funding and support, not short-term money based on a volatile stream of nursery vouchers received.

### Insufficient Value of Nursery Vouchers

26.2 The selection of a flat-rate nursery voucher was controversial because it ignored the variation in costs of education provision across the country and variations in local need. The nursery voucher value might cover the cost of running a nursery place in some local authorities but not in others. For example, in Norfolk, an area of low costs, the nursery voucher value was sufficient to cover the cost of a school place for pre-school education. Therefore, no 'top up' was required of LEAs and parents. However, in London where costs were considerably higher, LEAs in London and parents had to 'top up' the nursery voucher value in order to meet the higher costs of provision.<sup>114</sup>

### Inequality of Choice

26.3 Few nursery schools in the private sector offered pre-school education for £1,100.<sup>115</sup> Therefore, the universal flat rate and insufficient value of the nursery voucher created inequality of choice among parents, as only those affluent enough to 'top up' the nursery voucher value could have the choice of nursery schools in the private sector. To address this problem, one proposal (Soskin, 1995) suggested that nursery vouchers should range from £5,000 for the poorest to £1,000 for high earners.<sup>116</sup>

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<sup>113</sup> House of Commons, *Hansard*, 22 January 1996.

<sup>114</sup> See note 92 above.

<sup>115</sup> *Ibid.*

<sup>116</sup> *Ibid.*

### Inauthentic Choice

26.4 In order for choice to be exercised, there must exist a variety of providers among which parents can choose. Parents could leave a provider with whom they are dissatisfied only if an alternative provider is available. For example, it was reported<sup>117</sup> that Norfolk was short of 2 000 nursery places. Therefore, parents in that area might not be able to exercise their choice. Indeed, in areas where supply of places failed to fulfil demand, the choice of parents might shift to providers as over-subscribed schools could cream skim applicants.

### Competition on Unequal Grounds

26.5 To ensure the participation of the four authorities in Phase One, the Conservative government made a policy shift from its original nursery voucher proposal. Instead of making reimbursement payment of nursery vouchers to public and private qualified schools alike, public schools were able to receive advance funding at the beginning of the year. This procedure created an unfair basis for competition between the public and private sectors, as advance funding was not available to the private and voluntary sectors.<sup>118</sup>

### Delays in Reimbursement of Nursery Vouchers

26.6 A survey of private sector providers in Norfolk found that one-third of day nurseries and private nursery schools had experienced difficulties as a result of delays in the payment mechanism by the Department for Education and Employment. Delays in payment had particularly significant consequences in nursery schools where a large number of children were redeeming nursery vouchers and the operating costs (salaries, rent, etc.) were greater. In response to this situation of increased uncertainty, at least one private nursery in Westminster charged parents in advance £1,100 which would be refunded when the nursery voucher was reimbursed by the voucher agency.<sup>119</sup>

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<sup>117</sup> See note 92 above.

<sup>118</sup> Ibid.

<sup>119</sup> Ibid.

### Inconclusive Evidence for an Expansion of Provision

26.7 The nursery voucher programme was intended to increase the supply of places in the public, private and voluntary sectors by stimulating demand. In the report published by the House of Commons Education and Employment Committee, it was noted that the increase in nursery education provision stated by the Schools Minister should be seen in the context of LEAs' previous decision to expand places, and the effect of the nursery voucher programme was to bring forward these openings only. In the private sector, some providers of pre-school education expanded their provision whilst others contracted. Therefore, the Committee was unable to judge how far the nursery voucher programme had fulfilled this aim.

### **27. Termination of the Nursery Voucher Programme**

27.1 On 22 May 1997, the Labour government announced its plan to terminate the nursery voucher programme implemented by the Conservative government. The programme was formally abolished in June 1999 and replaced by the Early Years Development and Childcare Partnership. Under the new arrangement, all LEAs are required to draw up Early Years Development Plans which state the level of grant required to pay for pre-school education. Pre-school education providers, whether they are maintained, private or voluntary, are all required to comply with requirements laid down by the government in order to receive government grant. The interim aim of the new arrangement is to provide a free part-time education place for all four-year-olds whose parents want one. The ultimate aim is to ensure a good quality free early education place for every three- or four-year-old. Appendix I presents details of the Early Years Development and Childcare Partnership.

## **PART 9 — FINANCING OF HIGHER EDUCATION IN AUSTRALIA**

### **28. Considerations for Education Voucher System in 1987**

28.1 In December 1987, the Australian government announced that it was committed to expanding the capacity and effectiveness of the higher education sector. However, with budgetary constraints, it would be necessary to examine sources of funding. In this connection, the Australian government established the Committee on Higher Education Funding to explore possible funding options which would involve contributions from students, graduates, parents and employers. Although the Committee had studied the possibility of an education voucher system, it recommended a loan scheme, the Higher Education Contribution Scheme (HECS), to the government instead. The underlying principle was that students directly benefited from higher education should pay part of the cost.

### **29. Considerations for Education Voucher System in 1997**

29.1 In January 1997, after the general election, the new government decided to lay the basis for the long term development of the higher education sector. It commissioned the Review Committee on Higher Education Financing and Policy to review the higher education financing mechanism and policy. The Review Committee made the following recommendations to the government:

- (a) Public funding to be directed to students instead of institutions via the medium of a lifetime individual entitlement of public funding for higher education;
- (b) Greater flexibility for institutions to set tuition fees and to determine the number of students; and
- (c) Student access to loans, with income contingent repayment.

29.2 Although the Review Committee recommended public funding to be directed to students instead of institutions, it did not explicitly recommend the implementation of an education voucher system.

29.3 Although the Minister for Education, Training and Youth Affairs, supported the view that decentralized policy and financing frameworks were more likely to meet the diverse needs of the sector and to stimulate innovation, he clearly indicated that HECS would remain unchanged, and that the government had no intention of introducing an education voucher system for higher education funding because there were other "*less administratively complex ways of expanding choice*" for post-secondary students.<sup>120</sup>

### **30. Contribution of Higher Education Contribution Scheme to Higher Education Funding**

30.1 HECS has enabled the continuing expansion of the higher education sector in an era of budgetary constraint because it shifts part of the cost from the government to students. In 2000-01, total student payments through HECS were estimated to be A\$1,116 million, or around 20% of the funding available to higher education institutions from the government.<sup>121</sup>

### **31. Higher Education Contribution Scheme**

#### A Loan Scheme

31.1 HECS is a loan scheme for students to finance tuition for higher education. It is considered as a fair and equitable way of ensuring that students contribute to the cost of their own higher education, and that no students are prevented from participating in higher education if they are unable to pay the contribution up front.

#### Coverage of Higher Education Contribution Scheme

31.2 HECS covers tuition for degrees, diplomas, associate diplomas, graduate diplomas, graduate certificates, masters qualifying courses, masters courses and doctoral courses approved by the government.

#### Operation of Higher Education Contribution Scheme

31.3 Under HECS, post-secondary students can choose either to pay their course fee up front with a 25% discount or to defer all or part of their payment until their income reaches a certain level, of which they have to repay it through the taxation system. HECS debt is indexed to the Consumer Price Index and no interest is charged. The debt is cancelled at death.

31.4 Please refer to Appendix II for details of HECS.

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<sup>120</sup> Kemp, David, "Strategic Developments in Higher Education - an Address to the OECD Thematic Review Seminar on the First Years of Tertiary Education", Ministry for Education, Training and Youth Affairs, at <http://www.dest.gov.au/archive/ministers/kemp/ks210498.htm>.

<sup>121</sup> Parliamentary Library, *The Higher Education Contribution Scheme*, 4 December 2000.

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## PART 10 — ANALYSIS

### 32. Implications for Hong Kong

#### Schools and Education in Hong Kong

32.1 Please refer to Appendix III for a brief description on schools and education in Hong Kong.

32.2 The objective of the education policy in Hong Kong is that "*no student is deprived of education for lack of financial means.*"<sup>122</sup> It is noted from Appendix III that various financial assistance schemes have been in place to assist needy students to cover school expenditures.

#### A Comparative Analysis of Education Voucher Programmes Studied

32.3 Please refer to Appendix IV for a comparative analysis of education voucher programmes in Chile, Milwaukee, Colombia, Cleveland and England.

#### Lessons Learnt from Education Voucher Programmes Studied

##### *Provision of Education*

32.4 In the case of Chile, Milwaukee, Colombia and Cleveland, it appears that the implementation of an education voucher system could stimulate the expansion of education. There was inconclusive evidence in England to show the relationship between the introduction of the nursery voucher programme and the expansion of nursery education, as the programme was in place for only two years.

##### *Situation in Hong Kong*

32.5 As at 2001, 18% of those aged 15 or above had post secondary qualifications, whereas 48% had Secondary Three or below education.<sup>123</sup> The Chief Executive announced plans in the 2000 Policy Address to enhance learning opportunities at various stages of education.<sup>124</sup>

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<sup>122</sup> Legislative Council of Hong Kong Special Administrative Region, *Hansard*, 27 June 2001.

<sup>123</sup> Education and Manpower Bureau, *Information Note for the Legislative Council, 2001 Policy Address, Education and Manpower*, 12 October 2001.

<sup>124</sup> Secretary for Education and Manpower, *Speaking Note: 2000 Policy Address, Briefing on Quality Education*, 13 October 2000.

- (a) starting from the 2002/2003 school year, all Secondary Three students who have the ability and who wish to continue their study will be given the opportunities to receive Secondary Four education or vocational training; and
- (b) starting from the 2002/2003 school year, the Government is committed to increasing gradually the provision of tertiary places in the next 10 years, with the aim of providing tertiary education for 60% of the young people in the appropriate age group.

32.6 It should be noted that expansion is also subject to several factors:

- (a) availability of suitable premises;
- (b) availability of access to capital for creating new provision; and
- (c) availability of trained staff.

#### *Parental Choice*

32.7 The education voucher system aims to increase parental choice in two ways:

- (a) by subsidizing educational costs so that more parents can afford their children's education, and
- (b) by giving parents direct purchasing power so that parents can choose schools which best meet their needs.

32.8 Having analyzed the education voucher programmes in the five places studied, the following obstacles to increased parental choice have been identified:

- (a) whether the education voucher value is sufficient to cover the entire school expenditures: if the education voucher is insufficient to cover school expenditures, it would create inequality of choice among parents, as only affluent parents would have the choice of schools in both public and private sectors;
- (b) whether there are sufficient places to meet demand: for parents to exercise their choice, there must be alternative providers, i.e. "no place, no choice"; and
- (c) whether the school is allowed to select students or whether school places are allocated by raffle when there is excess demand: if over-subscribed schools are allowed to cream skim students, then the choice is in the hands of schools instead of in the hands of parents.

*Situation in Hong Kong*

32.9 In Hong Kong, parents / students are given a certain degree of choice over their schools at different levels of education. For both pre-primary and post-secondary education, selection of schools is more or less based on the choice of parents / students and the school's admission policy. For primary and secondary education, admission to government or aided schools is determined by a government allocation system in which parents / students are given a limited degree of choice. Meanwhile, parental choice and the school's admission policy form the basis for selection of private primary and secondary schools.

32.10 If true parental choice is to be considered as one of the objectives of the education system in Hong Kong, the following factors have to be considered:

- (a) whether there are sufficient school places to meet demand;
- (b) whether there is a diversity of schools and curricula offering multiple options to students; and
- (c) whether the school place allocation system is flexible enough to allow parents to select their desired schools.

*Accessibility to Private Schools by Low-Income Families*

32.11 Education vouchers provide money for families to spend on tuition at private schools. One of the objectives is to improve accessibility to private schools among low-income families. However, in the initial Chilean education voucher programme where all students were free to choose public or private-subsidized schools, research studies showed that the major beneficiaries of the programme were the middle- and upper-class families. Two reasons had been identified:

- (a) fees were charged at private schools on top of the education voucher; and
- (b) private schools were allowed to screen students; private schools tended to select students whose parents were more educated and/or with better socio-economic backgrounds.

32.12 In Colombia and Milwaukee, several changes had been made in the design of their education voucher programmes to expand options for low-income families:

- (a) education vouchers were limited to low-income families;
- (b) education vouchers were of sufficient value to cover private school tuition; and
- (c) private schools were not allowed to cream skim students as admission to over-subscribed schools was determined by raffle.

#### *Situation in Hong Kong*

32.13 At present, the Government has provided subsidies to needy students to cover school expenditures at kindergartens which are privately run but there is no financial assistance programme to assist parents / students to cover tuition at private primary or secondary schools. However, there are various financial assistance schemes to provide aids to students to cover school expenditures at government and aided primary and secondary schools as well as at tertiary institutions. Therefore, to a certain extent, the Government has achieved the objective that students in Hong Kong, rich or poor, have the opportunity to receive education as long as they strive for it.

32.14 If parents / students are allowed to use public funds to pay tuition at private schools, the following factors have to be considered:

- (a) whether private schools should be made accountable to the public as public schools are if they accept public funds; and
- (b) if private schools are required to account for public money, whether government regulations should be imposed on them. However, this might be in conflict with the objective of the education voucher system, which is to reduce government intervention.

#### *Quality of Education*

32.15 Public schools are regarded by some analysts as bureaucratic, inefficient and not cost-effective. The introduction of education vouchers is intended to present a challenge to public schools by creating competition among public and private schools, thus improving the overall quality of education.

32.16 However, research studies showed that private schools did not necessarily perform better than public schools after keeping factors such as educational level of parents, socio-economic background of students, etc constant. Although education vouchers did lead to competition among public and private schools, its impact on the quality of education might be small and there was no conclusive evidence from the education voucher programmes studied that the overall quality of education had improved.

#### *Situation in Hong Kong*

32.17 There have been criticisms that the quality of education in Hong Kong has deteriorated. Having studied the education voucher programmes in the five countries and places, there is no conclusive evidence to show that the introduction of an education voucher system will improve the quality of education, although it will increase competition among participating schools.

#### A Comparison of Education Vouchers With Other Financial Schemes

##### *Education Vouchers Versus Bursaries (Student Grants and Scholarship) and HECS, Australia*

32.18 Please refer to Appendix V for details.

#### Policy Considerations

32.19 In considering whether an education voucher programme is a feasible alternative to the existing financing schemes, the following factors have to be taken into account:

- (a) The costs of education voucher programmes: both the value and number of education vouchers will have cost implications, including administration costs;
- (b) The availability of education vouchers, selection of recipients, publicity / promotion of the education voucher programme to parents and students, provisions of special-needs students and transportation;

- (c) Effects of education voucher programmes on private schools: acceptance of public funds by private schools generally implies government regulation, increased paperwork, and cash-flow problems. The expectation of the public that private schools accept students from a wide variety of academic backgrounds, maintain high curriculum standards, and employ certified teachers may affect the incentive of private schools to participate in the programme;
- (d) The consequence of mid-year school closings, i.e. students' interests might be adversely affected when schools are forced to close down in the middle of a school year due to insufficient education vouchers received;
- (e) Regulation of admission policies to prevent cream-skimming of students;
- (f) A system of funding capital costs to build new schools; and
- (g) An efficient training infrastructure which ensures sufficient qualified teachers are available for the increased provision of quality education.

**Appendix I****Early Years Development and Childcare Partnership**

I.1 Early Years Development and Childcare (EYDC) Partnership was put in place in England soon after the 1997 general election. The newly-elected Labour government aimed at expanding different types of childcare services, including the provision of nursery childcare places, in partnership with the private and voluntary sectors. In 1997, the following target was announced:

*"to provide a good quality, early education, part-time place, free of charge, for all four-year-olds whose parents want it by September 1998."*

This target has been achieved. Targets have also been established to extend a similar entitlement for three-year-olds by 2004.

I.2 The roles of the Labour government in EYDC Partnership were:

- (a) setting national-level priorities and targets;
- (b) establishing a national quality framework;
- (c) providing targeted funding where it was needed; and
- (d) ensuring that the development of childcare would be properly co-ordinated with other national policies and programmes.

I.3 Each locality would establish its own local EYDC Partnership, which included:

- (a) LEAs;
- (b) private and voluntary sector providers of childcare;
- (c) employers;
- (d) training and enterprise councils;
- (e) further education colleges;
- (f) schools;
- (g) health authorities;
- (h) diocesan and other denominational authorities;
- (i) special educational needs groups; and
- (j) parents.

I.4 The task of the local EYDC Partnership, working with its LEA partner, was to draw up a mutually-agreed annual local EYDC plan. The EYDC plans were linked to nationally delineated targets with regard to the provision of early education places for three- and four-year-olds, and they were also required to set out how childcare places would be increased within their areas. The EYDC plans were required to address issues of quality, affordability and accessibility across the range of services in their areas and to consider how parents could have access to the information they need. The EYDC plans would be updated annually and were subject to approval of the Secretary of State for Education and Employment.

I.5 The Labour government was committed to doubling the proportion of three-year-olds in free nursery places in England to 66% by 2002. To support this expansion, a total of £390 million was to be made available between September 1999 and March 2002.

I.6 The funding of free early education places for four-year-olds in schools and nurseries in the maintained sector would be calculated according to the population of births to three-year-olds and the number of four-year-olds in LEA maintained provision. LEAs would determine how the funding should be distributed to schools and nurseries in the maintained sector.

I.7 Funding for schools and nurseries in the private and voluntary sectors would be calculated based on a headcount of eligible four-year-olds attending their settings. Funding for three-year-olds attending their settings would not be based on a universal provision since the national strategy was to expand the proportion of three-year-olds accessing a free place to two-thirds by 2002. The required funding would be phased in, beginning with the areas of the greatest social need.

Source: Tony Bertram and Christine Pascal, *UK Background Report for OECD Thematic Review of Early Childhood Education and Care*, OECD, December 2000.

**Appendix II****Higher Education Contribution Scheme**  
(extracted from Higher Education Contribution Scheme (HECS)  
at <http://www.hecs.gov.au/hecs.htm>)***What is HECS?***

The Higher Education Contribution Scheme (HECS) was introduced in 1989 as a fair and equitable way of ensuring that students contribute to the cost of their higher education. It is considered reasonable that students who directly benefit from higher education should pay part of the cost, while the Commonwealth pays the major part of the costs involved. The interest free deferred payment arrangements mean that students are not prevented from participating in higher education if they are unable to pay the contribution up front. The money collected through HECS is spent on the higher education system.

HECS is administered under the Higher Education Funding Act 1988 by the Department of Education, Training and Youth Affairs, the Australian Taxation Office and higher education institutions. The information outlined here is consistent with the present legislation. However, changes may be made to any provisions of the Scheme at any time with the consent of both Houses of Parliament.

***Who pays HECS?***

Unless specifically excluded from the need to pay HECS, you must pay HECS if you are enrolled on the census date in a higher education award course which has been funded by the Commonwealth Government, and offered at:

- a higher education institution;
- the Australian Defence Force Academy;
- the National Institute of Dramatic Art; or
- the Australian Film, Television and Radio School.

Higher education award courses include degrees, diplomas, associate diplomas, graduate diplomas, graduate certificates, masters qualifying courses, masters courses and doctoral courses.

You generally pay HECS if you are enrolled in such a course and you are:

- an Australian citizen;
- an Australian permanent resident; or
- a New Zealand citizen.

***Who doesn't pay HECS?***

You do not pay HECS if you are:

- charged tuition fees by your institution;
- a TAFE student;
- an overseas student;
- the holder of a Merit-Based Equity Scholarship;
- the holder of a temporary or provisional visa;
- a postgraduate student who has been granted a HECS-exempt place under a research scheme;
- enrolled in a non-award course or programme;
- enrolled in an enabling course for disadvantaged students;
- enrolled in a course fully funded by an employer;
- enrolled in a course at Avondale College that is not funded by the Commonwealth;
- enrolled in a course at the University of Notre Dame that is not funded by the Commonwealth; or
- enrolled in a course at Marcus Oldham College.

If you undertake any institution-approved work experience in industry units as part of your course, you may not have to pay HECS for those units.

***How much do I pay?***

If you commenced a new course of study after 1 January 1997, you are required to pay differential HECS contributions. The amount you pay is based on the individual units you study, not on your overall course. Units of study are divided into three bands and the amount you pay for each unit depends on the band and the weight of the unit within a course.

In 2001, the full-time full year contributions for each band are:

Band 1 A\$3,521 — Arts, Humanities, Social Studies / Behavioural Sciences, Education, Visual / Performing Arts, Nursing, Justice and Legal Studies

Band 2 A\$5,015 — Mathematics, Computing, other Health Sciences, Agriculture / Renewable Resources, Built / Environment/ Architecture, Sciences, Engineering / Processing, Administration, Business and Economics

Band 3 A\$5,870 — Law, Medicine, Medical Science, Dentistry, Dental Services and Veterinary Science

**Example**

Jackie commences a Bachelor of Economics in 2001. In first year, eight units comprise a standard full-time load. Jackie enrolls in five economics units and three arts units. Her HECS liability for 2001 would be calculated as follows:  $[5/8 \times A\$5,015 \text{ (Band 2)} + 3/8 \times A\$3,521 \text{ (Band 1)}] = A\$3,134.375 + A\$1,320.375 = A\$4,454$

HECS payments are calculated on your study load. If you undertake more or less than a full-time study load you will be charged the proportionate HECS contribution. Your institution can advise you of the exact amount of your HECS contribution.

**When do I pay HECS?**

Under the law governing HECS, all enrolment and payment arrangements must be completed by the census date. As the census date for standard first semester is Saturday 31 March 2001, all arrangements need to be finalized by Friday 30 March 2001.

**Why are the census dates so important?**

If you have not finalized all enrolment and HECS payment arrangements by these dates, your institution will cancel your enrolment. If you are enrolled but change your mind about studying, you will pay HECS. There is no provision to extend the census date deadlines for each semester. For this reason, most institutions set an earlier date for finalizing HECS arrangements each semester.

**How is HECS paid?**

HECS is charged on a semester basis for every semester of your course in which you are enrolled. Most students have three choices as to how they pay their HECS. These are:

- Paying all of your HECS up front and receiving a discount; or
- Paying at least A\$500 of your HECS contribution up front and deferring the remainder. You will only receive a discount on the amount you pay; or
- Deferring all of your HECS contribution payment.

**Do I need to complete a Payment Options Declaration form?**

If you are required to make a HECS contribution and are enrolling for the first time in a course, you must complete a Payment Options Declaration form by the date set by your institution.

A Payment Options Declaration form cannot be lodged after the census date as all enrolment and payment arrangements must be completed by that date. An instruction sheet is attached to the form to advise you if you are required to complete the form. You are asked to indicate how you will pay your HECS contribution in Part C of the form.

***Can I change my HECS payment option?***

Yes, you can change your HECS payment option each semester. The completion of the Payment Options Declaration form only indicates your intended payment option. Your chosen payment option is determined at the census date for each semester on the basis of any payments you have made to the institution by the census date and the total amount of those payments. For example, if you previously chose to defer and wish to change your payment option to make an up front payment this semester, there is no need to fill out another Payment Options Declaration form. Simply make the payment to your institution. Remember that if you are deferring some of your payment you must provide your Tax File Number to your institution. You should check with your institution about arrangements for changing your HECS payment option.

***What happens if I withdraw or I don't complete my studies?***

If you withdraw from any unit you should consult the university's publications, such as the university handbook, and read these publications carefully before enrolling or changing your enrolment, such as withdrawing or deferring. If you do not formally withdraw from a unit before the census date, you will incur a HECS debt. That HECS debt cannot be transferred or deferred to another semester.

***When do I start repaying my debt?***

You must begin repaying your debt when your HECS repayment income reaches the minimum threshold for compulsory repayment, which in the 2000-01 income year is A\$22,346.

Your HECS repayment income is:

- your taxable income for an income year; plus
- any amount your taxable income has been reduced by a net rental loss; plus
- your total reportable fringe benefits amounts shown on your Pay As You Go Payment Summary.

When your HECS repayment income reaches the minimum threshold for any particular year, the Australian Taxation Office will calculate your compulsory HECS repayment for that year. The HECS repayment income thresholds are adjusted each year to reflect any change in average weekly earnings.

The income thresholds and repayment rates for income earned during the 2000-01 income year are:

- For HECS repayment % rate to be applied to HECS income in the range repayment income
 

Below A\$22,346	nil%
A\$22,346–A\$23,565	3.0%
A\$23,566–A\$25,393	3.5%
A\$25,394–A\$29,456	4.0%
A\$29,457–A\$35,551	4.5%
A\$35,552–A\$37,420	5.0%
A\$37,421–A\$40,223	5.5%
A\$40,224 and above	6.0%

Your compulsory HECS repayments increase as your HECS repayment income increases — the more you earn, the higher the repayments until your debt is repaid. Your compulsory repayment is based on your income alone — not the income of your parents or spouse. If your HECS repayment income is above the minimum threshold you must start repaying your loan, even if you have just commenced studying or are still studying.

***Can I defer the compulsory repayment of my HECS debt?***

If you believe that making your compulsory HECS repayment would cause you serious hardship or there are other special reasons why you believe that you should not have to make a compulsory HECS repayment, you may apply to the Deputy Commissioner of Taxation in writing to have that amount deferred. If you intend to apply to defer your compulsory HECS repayment, you will need to complete the form Application to Defer. It asks you for a detailed statement of your income and expenditure to justify your claim.

Serious hardship exists when you are unable to provide food, accommodation, clothing, medical treatment, education or other necessities for you and/or your family or other people for whom you are responsible.

Other special reasons cover any unusual or unique situations that do not qualify as serious hardship but make it fair and reasonable for you not to make your compulsory repayment. If you consider that there are other special reasons why you should not have to make your compulsory HECS repayment you should set out clearly the grounds and reasons for your claim.

You can lodge an Application to Defer at any time. The Deputy Commissioner of Taxation will advise you whether your application is successful or not. If you are not satisfied with the decision, you may apply to the Administrative Appeals Tribunal for review of the decision within 28 days of receiving the decision.

***Can I make voluntary repayments?***

Yes, if you have deferred all or part of your HECS contribution, you can make voluntary repayments of any amount to the Australian Taxation Office by cheque or money order payable to the Deputy Commissioner of Taxation and in Australian dollars.

Making a voluntary repayment reduces your HECS debt immediately. However, a compulsory HECS repayment will still be raised if you have an accumulated HECS debt and your HECS repayment income is above the minimum compulsory repayment threshold. Compulsory repayments are in addition to voluntary repayments.

***Can I get a bonus for voluntary repayments?***

Yes, if you make a voluntary repayment of A\$500 or more, you will receive a bonus of 15%.

***Where can I get information on my HECS account?***

The Australian Taxation Office sends you a HECS Information Statement in June each year if there has been activity on your HECS account in the previous 15 months. Some examples of activity on your account are:

- a new HECS debt has been added to your account
- a compulsory HECS repayment has been raised
- a voluntary repayment has been made.

***Is HECS tax deductible?***

Any HECS repayment made by you or someone other than your payer is not tax deductible. If your payer pays your HECS, they may be able to claim a tax deduction. However, they will be liable for Fringe Benefits Tax on the repayments.

***What happens to my HECS debt if I die?***

If you die, your trustee or executor should lodge all outstanding tax returns up to the date of death. Any compulsory HECS repayment included on an income tax notice of assessment relating to the period prior to the date of death must be paid from your estate, but the remainder of your HECS debt is cancelled. Neither your family nor the trustee is required to pay the remainder of your accumulated HECS debt.

***Is interest charged on my HECS debt?***

There is no interest charged to your accumulated HECS debt but the debt is indexed annually by adjusting it in line with the cost of living. The adjustment is made on 1 June each year and applies to the portion of debt which has remained unpaid for 12 months or more.

## Appendix III

Schools and Education<sup>1</sup> in Hong Kong

	Pre-Primary Education	Primary and Secondary Education	Post-Secondary Education
Duration of education programme	~ 3 years.	~ 6 years of compulsory primary education and 3 years of compulsory junior secondary education. ~ 4 years of senior secondary education at most (secondary 4 to secondary 7).	~ 3 years for an undergraduate degree programme in general.
Providers <sup>2</sup>	~ Kindergartens registered with the Education Department; they place more emphasis on the education element with relatively shorter hours of service. <sup>3</sup> ~ All kindergartens in Hong Kong are privately-run and are either non-profit-making kindergartens or private independent kindergartens.	~ 5 types of schools: (a) Government schools which are wholly operated by the government; (b) Aided schools which are fully aided by the government but run by voluntary bodies; (c) Private schools, some of which receive financial assistance from the government; (d) Schools operated by the English Schools Foundations; and (e) International schools.	~ 10 tertiary institutions, 8 of which are funded through the University Grants Committee, 1 is publicly-funded and the other is self-financed. ~ 1 post-secondary college (Hong Kong Shu Yan College) which is financially independent but government assistance is available in the form of grants and loans for eligible students.
Admission / selection criteria	~ Parental choice; and ~ School admission policy.	~ Primary Schools: (a) Primary One Admission System <sup>4</sup> for government and aided schools; and (b) parental choice and school admission policy form the basis for selection of private primary schools. ~ Junior Secondary Schools: The Secondary School Places Allocation System for free junior secondary places in government and aided schools is based on internal school assessment, parental choice and geographical locations of students' residences (18 school nets across Hong Kong). ~ Senior Secondary Schools: Internal school assessments and parental choice form the basis for selection and allocation of Secondary 3 students to Secondary 4 places in government and aided schools. ~ Private Secondary Schools: Parental choice and school admission policy form the basis for selection of private secondary schools.	~ Students' choice; ~ Students' academic and other special achievements; and ~ School admission policy.
School fees and charges	~ Yes.	~ No for primary and junior secondary education (government and aided schools only). ~ Yes for senior secondary education.	~ Yes.
Major government financial assistance schemes for students	~ Kindergarten Fee Remission Scheme.	~ Senior School Fee Remission Scheme; ~ School Textbook Assistance Scheme; ~ Student Travel Subsidy Scheme for Students; and ~ Cross-Net Travel Subsidy Scheme.	~ Local Student Finance Scheme; ~ Financial Assistance Scheme for Post-Secondary Students; ~ Non-Means Tested Loan Scheme; ~ Student Finance Assistance Scheme; and ~ Student Travel Subsidy Scheme for Tertiary Students.

## Remarks:

1. Apart from pre-primary, primary, secondary and post-secondary education, there are also special educational programmes for students with special needs such as hospital schools providing places for visually impaired, hearing impaired, physically handicapped, maladjusted and mentally handicapped children, and practical schools for children who are unmotivated or have difficulties in learning as well as special education classes for children with special educational needs.
2. As at September 2000, there were 789 kindergartens, 816 primary day schools, 486 secondary day schools, 39 secondary evening schools, 10 tertiary institutions, and one post-secondary college.
3. There are also child care centres providing pre-primary education to children but their service emphasizes the care element. Child care centres are registered with the Social Welfare Department.
4. There are three components in the Primary One Admission System: school nets, Discretionary Places Allocation System and the Central Allocation System. First, the whole territory is divided into 56 school nets. Parents are required to indicate in the application form their preference for Primary One school places within the school net in which they reside. If their children are not offered a discretionary place under the Discretionary Places Allocation System, they will be assigned a school place under the Central Allocation System.

## Appendix IV

## A Comparative Analysis of Education Voucher Programmes Studied

Education Voucher Programme	Background	Objectives	Features	Evaluation of Education Voucher Programmes	
				Desirable Outcomes	Undesirable Outcomes
Chile (1980 - present)	<ul style="list-style-type: none"> <li>~ Suggested reasons for introducing the education voucher programme:</li> <li>(a) To form part of a 'de-governmentalization' free market package in order to meet requirements of international economic assistance;</li> <li>(b) To appeal to citizenry unhappy with centralized bureaucracy; and</li> <li>(c) To serve a political purpose: to de-politicize Chilean society.</li> </ul>	<ul style="list-style-type: none"> <li>~ Improve quality of education; and</li> <li>~ Transfer responsibility for the provision of education to municipal governments.</li> </ul>	<ul style="list-style-type: none"> <li>~ All primary and secondary students were eligible;</li> <li>~ Both public and private subsidized schools participated;</li> <li>~ Sufficient voucher value to cover all school expenditures; and</li> <li>~ 'Top-up' allowed but not a major source of school income.</li> </ul>	<ul style="list-style-type: none"> <li>~ Provision of education increased;</li> <li>~ Parental choice increased;</li> <li>~ Competition among private and public schools increased;</li> <li>~ Increased competition led to improved school quality but such impact was small; and</li> <li>~ Better student performance achieved by private schools (possibly due to keeping out hard-to-manage students).</li> </ul>	<ul style="list-style-type: none"> <li>~ Middle- and upper-class being the major beneficiaries;</li> <li>~ Cream-skimming by private schools;</li> <li>~ Worsened academic results for lower-class students;</li> <li>~ Inconclusive evidence to show private schools are more effective and superior; and</li> <li>~ Inconclusive evidence to show overall quality of education had improved.</li> </ul>
Milwaukee (1989 - present)	<ul style="list-style-type: none"> <li>~ In response to parental dissatisfaction with the quality of public schools.</li> </ul>	<ul style="list-style-type: none"> <li>~ Provide educational opportunities for students of low-income families to attend private schools.</li> </ul>	<ul style="list-style-type: none"> <li>~ Education vouchers limited to low-income students from kindergarten to grade 12;</li> <li>~ Only private schools participated;</li> <li>~ Sufficient voucher value to cover all school expenditures; and</li> <li>~ No 'top-up' required of parents.</li> </ul>	<ul style="list-style-type: none"> <li>~ Provision of education increased;</li> <li>~ Parental choice increased;</li> <li>~ Improved accessibility to private schools by lower-class students;</li> <li>~ No cream-skimming as admission to schools by random selection; and</li> <li>~ Involvement of parents in their children's education increased.</li> </ul>	<ul style="list-style-type: none"> <li>~ Closure of participating schools due to unstable financial conditions;</li> <li>~ Unused capacity owing to low programme awareness and competition from other educational programmes;</li> <li>~ Higher tax levied on property taxpayers;</li> <li>~ Inconclusive evidence to show better student performance in private schools; and</li> <li>~ Inconclusive evidence to show if ethnic segregation had improved.</li> </ul>
Colombia (1992 - present)	<ul style="list-style-type: none"> <li>~ Formed part of the government's decentralization effort in the early 1990s - a general period of reform and liberalization in Colombia.</li> </ul>	<ul style="list-style-type: none"> <li>~ Close the gap between the relatively high primary school enrolment rate and relatively low secondary school enrolment rate;</li> <li>~ Expand choices for the poorest families; and</li> <li>~ Improve equity.</li> </ul>	<ul style="list-style-type: none"> <li>~ Education vouchers limited to low-income students graduated from public primary schools;</li> <li>~ Only private secondary schools participated;</li> <li>~ Sufficient voucher value to cover school expenditures<sup>1</sup>; and</li> <li>~ 'Top-up' allowed but not a major source of school income.</li> </ul>	<ul style="list-style-type: none"> <li>~ Provision of education increased;</li> <li>~ Parental choice increased;</li> <li>~ Improved accessibility to private schools by lower-class students;</li> <li>~ No cream-skimming as admission to schools by raffle; and</li> <li>~ Comparable quality of education maintained by both public and private schools.</li> </ul>	<ul style="list-style-type: none"> <li>~ Please see note 1.</li> </ul>
Cleveland (1996 - present)	<ul style="list-style-type: none"> <li>~ In response to parental dissatisfaction with the quality of public schools.</li> </ul>	<ul style="list-style-type: none"> <li>~ Provide educational opportunities for students of low-income families to attend private schools.</li> </ul>	<ul style="list-style-type: none"> <li>~ Education vouchers limited to low-income children from kindergarten to grade 3;</li> <li>~ Education vouchers could be used from kindergarten to grade 8;</li> <li>~ Private schools in Cleveland Municipal School District and public schools in adjacent districts were eligible for participation;</li> <li>~ Insufficient voucher value to cover all school expenditures; and</li> <li>~ 'Top-up' required of parents but limited to 10% of voucher value.</li> </ul>	<ul style="list-style-type: none"> <li>~ Provision of education increased;</li> <li>~ Parental choice increased;</li> <li>~ Improved accessibility to private schools by lower-class students; and</li> <li>~ No cream-skimming as admission to schools by random selection.</li> </ul>	<ul style="list-style-type: none"> <li>~ Low-income students from grades 4 or above could not benefit from the programme;</li> <li>~ High administration cost;</li> <li>~ Inconclusive evidence to show better student performance in private schools; and</li> <li>~ Inconclusive evidence to show if ethnic segregation had improved.</li> </ul>
United Kingdom (1996 - 1997)	<ul style="list-style-type: none"> <li>~ Suggested reasons for introducing the nursery voucher programme:</li> <li>(a) A wide recognition of benefits derived from the provision of pre-school education for all children;</li> <li>(b) Calls for a national pre-school policy; and</li> <li>(c) Serving electoral interests.</li> </ul>	<ul style="list-style-type: none"> <li>~ Give children a better start to their schooling;</li> <li>~ Provide parental choice; and</li> <li>~ Encourage diversity.</li> </ul>	<ul style="list-style-type: none"> <li>~ Education vouchers to all four-year-olds for pre-school education;</li> <li>~ All pre-school education providers, private or public, participated;</li> <li>~ Insufficient voucher value to cover school expenditures in some local areas; and</li> <li>~ Might require substantial 'top-up' by parents.</li> </ul>	<ul style="list-style-type: none"> <li>~ Not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>~ School development affected due to unstable source of funding;</li> <li>~ Inequality of choice due to insufficient voucher value;</li> <li>~ Inauthentic choice due to insufficient places in nursery schools;</li> <li>~ Competition on unequal grounds among public and private schools due to different funding arrangements; and</li> <li>~ Inconclusive evidence to show provision of education had increased.</li> </ul>

Note 1: Initially, the value of education voucher was sufficient to cover tuition fees. However, a recent research study by Angrist et al. (2001) showed that as at 1998, the value of education vouchers covered approximately half of the cost of a private secondary school. It was uncertain whether or not the insufficient value of education vouchers had led to any undesirable outcomes as there was no information available to us.

## Appendix V

## A Comparative Analysis of Voucher, Bursaries and Higher Education Contribution Scheme, Australia

	Voucher	Bursaries		Higher Education Contribution Scheme,
		Grant	Scholarship	Australia
Nature	~ Subsidy.	~ Subsidy.	~ Award.	~ Loan.
Objective	~ Increase school choice; ~ Increase competition among schools; and ~ Increase accessibility of low-income students to the same quality of education as the affluent.	~ Assist low-income students to complete education.	~ Appreciate students' academic or special achievements.	~ Assist students to complete higher education.
Eligibility	~ All students; or ~ Targeted students such as those from low-income families.	~ Low-income students.	~ Students with outstanding academic or special achievements.	~ All students.
Means-tested	~ May or may not.	~ Yes.	~ No.	~ No.
Applications always approved?	~ Yes.	~ No.	~ No.	~ Yes.
Amount paid to student	~ Known before application.	~ Unknown before application.	~ May or may not be known before application.	~ Known before application.
Tuition coverage	~ Full or partial coverage depending on the voucher value.	~ Full or partial coverage depending on the applicant's household income.	~ Full or partial coverage depending on the nature of the scholarship.	~ Full coverage.
School choice for students	~ Increased school choice if voucher value is sufficient and school places are available; ~ Limited school choice if voucher value is insufficient and students have to 'top-up'; and ~ No choice if there are no school places.	~ Not applicable.	~ Not applicable.	~ Increased school choice owing to full tuition coverage.
Competition among schools	~ Yes.	~ No.	~ No.	~ No.

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