



Privatization and school practices: Evidence from Seoul's high school choice policy

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ABSTRACT

In Korea, private schools are publicly operated due to a high level of governmental control and subsidy over them. However, with the start of a high school choice program in 2010, the Seoul Local Education Authority privatized a significant proportion of publicly-run private schools by granting them greater autonomy over school operations and curriculum and by making their budget depend on their student enrollments. This study examines how private high schools changed their practices in expenditures, curriculum, and personnel after they became privatized. Evidence suggests that privatization significantly increases schools' per-pupil expenditures, especially for academic activities. In addition, findings indicate that privatization increases schools' instructional time for Korean and math while reducing time for social studies. Finally, findings suggest that, on average, schools hire teachers with fewer years of teaching experience after they became privatized.

1. Introduction

Many countries across the globe try to improve the productivity of public schools via privatization. For example, the United States and Chile have introduced schools that are publicly financed but privately operated. Proponents of privatization believe that democratic and bureaucratic control of public schools lowers their effectiveness and efficiency (Chubb and Moe, 1990; Friedman, 1962). They argue that replacing it with market control improves the quality of schooling and student achievement.

The underlying assumption of this reform effort is that market-based competition will push schools to better organize and adopt practices that improve their academic outcomes (Hoxby, 2003). Prior empirical research on privatization or school choice treats schools as black boxes and looks at the relationship between market-induced competition and school efficiency or productivity (Arsen and Ni, 2012). However, this type of research does not identify the mechanisms through which competition improves school productivity, nor does it provide information on how competition affects schooling beyond student achievement. Only when we look at changes occurring inside schools can we better understand how market-based reforms shape schooling. Nevertheless, while a large body of research has examined how privatization and school choice affect school productivity and student achievement, few studies have paid attention to their effects on school practices. Furthermore, most of these studies were conducted in U.S. contexts.

This study seeks to understand how privatization affects school practices by analyzing how publicly-operated private schools in South Korea (hereafter Korea) changed their practices in expenditure, curriculum, and personnel after becoming privatized under a new school choice policy. Investigating this topic in a Korean context helps us to understand how the effects of privatization can play out in different societies, in addition to being conditioned by institutional characteristics and unique educational contexts.

Korea provides a very unique opportunity to examine how privatization affects school practices because of its recent efforts to privatize publicly-run private schools. In order to decrease fierce competition for prestigious high schools and guarantee equal educational opportunities (Sorensen, 1994), the Korean government adopted the Equalization Policy in 1974 and equalized many aspects of private and public schooling (Kim et al., 2008). Under this policy, schools are required to follow a national curriculum, and budgets are equally distributed across schools. Furthermore, in order to equalize student body compositions, the government randomly assign students to different public and private schools within their school districts. This random assignment of students could be legitimized on the assumption that students would get the same quality of education regardless of the school they were enrolled in.

It is important to note that the Equalization Policy applies to private schools as well as public schools (Kim, 2017, 2018; Park et al., 2011). In exchange for a substantial amount of financial subsidies, the government also controls private schools' budgets, curriculums, and school

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operations. For example, private school teachers' salaries are required to follow a schedule set by the government. Private schools also charge the same tuition as public schools. Furthermore, private schools are required to teach a national curriculum and are subject to random student assignments. All of these features make private schools quasi-public in Korea. Public and private schools in Korea are differentiated by the fact that private schools have autonomy in their personnel decisions, including teacher hiring.

Due to a high level of government control and limited school choice, market principles—such as competition, accountability, and autonomy—have exerted limited influence over the Korean education system since the Equalization Policy took effect. For example, schools do not compete with each other to attract students because students are randomly assigned to schools. Furthermore, regardless of their student performance, their seats are filled through random assignment, which means that schools are not accountable for their performance. Also, strong governmental control means that schools also have limited decision-making authority. In this situation, teachers and administrators in schools may be less incentivized to address the interests and needs of parents and students.

Recently, however, the Seoul Local Education Authority (LEA) adopted a school choice program that significantly increased the influence of market principles by allowing families' school choice and by privatizing publicly-run private schools. In particular, the policy privatized about 20 percent of Traditional Private High Schools (hereafter TPHS) into Autonomous Private High Schools (hereafter APHS) by making their budgets depend on student enrollments and by giving them greater autonomy in school curriculum and operations.

This study examines how TPHSs that were converted into APHSs changed their practices in order to explore how privatization affects school practices. Specifically, we used seven-year panel data on school administration collected by the Korean Ministry of Education (MOE) to examine the ways TPHSs changed their patterns of expenditures, curriculum, and personnel after becoming APHSs. In order to isolate practice changes induced by the reform from those induced by other social and economic factors, we utilized a Difference-in-Differences (DD) design that compares the changes in APHSs to the contemporaneous changes in TPHSs that are arguably less affected by the reform.

We found evidence suggesting that the reform significantly increased APHSs' per-pupil spending, expenditures for instructional activities, and after-school programs. In addition, we found evidence that APHSs allocated their instructional time away from social studies and toward Korean and math. Furthermore, we found that APHSs hired teachers with fewer years of teaching experience after the reform.

The next section presents a literature review of the effects of market-based competition on school practices. The section after that explains Seoul's school choice policy. Details about the data we used and our research design are discussed next. In the *Results* section, we present our findings, and in the *Conclusion* we discuss our findings.

2. Privatization and school practices

Expanding school choice and private provision of schooling have been advocated by market proponents. They argue that competition makes schools more efficient in meeting parents' demands (Chubb and Moe, 1990; Friedman, 1962; Hoxby, 2003). Additionally, market-based competition is expected to increase school productivity by pushing schools to better organize their practices and adopt more innovative operations (Chubb and Moe, 1990; Hoxby, 2002, 2003; Nathan, 1996). For example, according to Hoxby (2003), traditional public schools facing competition from voucher programs or charter schools would channel their resources for core instructional activities from unsuccessful instructional programs or personnel, which is expected to lead to increased productivity.

Another way that school choice or privatization affects school

practices is through increased autonomy. Advocates of shifting power and authority to individual schools view standardization and bureaucratic control as obstacles to efficiency, effectiveness, and responsiveness (Lockwood, 2002; Oates, 1972). According to them, local-level decision makers (e.g., teachers and principals) better understand the needs and preferences of their constituencies and make appropriate decisions for them. Autonomy is also expected to allow schools to organize themselves in a way to improve technical efficiency and address local accountability demands rather than adopting institutionalized norms and definitions of effective schooling (Huerta and Zuckerman, 2009).

Previous empirical studies have examined how privatization affects school practices by comparing practices within public schools with those of private schools (e.g., Coleman et al., 1982; Delprato and Chudgar, 2018; Lee and Bryk, 1988; Lee et al., 1998) or charter schools (e.g., Burian-Fitzgerald, 2005; Cannata and Engel, 2012; Cannata and Penaloza, 2012; Carnoy et al., 2006; Podgursky and Ballou, 2001; Preston et al., 2012; Weitzel and Lubienski, 2010). However, these types of studies do not inform us whether these differences are induced by differences in the level of competition and autonomy existing across different types of schools, or whether they simply reflect institutional features set by policies or laws. Only when we observe changes occurring after schools became subjected to greater competition and autonomy, can we identify how they affect school practices.

However, up to the present, only a few studies look at how market-induced competition affects school practices in domains such as resource allocation (Arsen and Ni, 2012; Lubienski, 2005), retention of students and teachers (Cannata, 2011), principals' leadership (Parry, 1997), teaching methodologies (Parry, 1997), and demands for teachers (Hoxby, 2000). For example, in Michigan, Arsen and Ni (2012) investigated whether competition induced by charter schools has significant impacts on resource use in traditional public schools. The authors did not find any significant effects of competition. Similarly, drawing upon data from several states, Cannata (2011) examined whether principals in traditional, magnet, and private schools perceive that competition significantly influences their use of financial resources or recruitment of teachers and students. Cannata did not find any significant impacts of school choice competition on perceived changes. In contrast, Lubienski (2005) found that districts in Michigan increased their budgets for marketing campaigns in response to increased competitive pressures.

Some studies examine this topic using a nationally representative data set. For example, Hoxby (2002) analyzed the Schools and Staffing Survey (SASS) and found that competition induced by traditional forms of choice (i.e., Tiebout choice, choice of private schools) increases demands for teachers with degrees from selective colleges and with math and science skills. Also, she found that school choice competition increases demand for teachers who make extra efforts in their work and assume more responsibility. Likewise, based on the analysis of the Early Childhood Longitudinal Study–Kindergarten Class (ECLS-K), Davis (2013) also examined whether there is any association between charter school competition and school practices such as standards, parental outreach, or teacher efforts. In most practices, he did not find significant effects of competition.

Like U.S. studies, most literature in an international context focuses on illuminating the relationship between market-induced competition and educational outcomes; only a few researchers look at how schools respond to competition. In New Zealand, Ladd and Fiske (2003) investigated how perceived levels of competitive pressures affect teachers' instructional content and style and their relationships with principles, fellow teachers, and parents. They found evidence suggesting that competition negatively affects practices in these areas. In Chile, Parry (1997) examined whether there are any significant differences between public schools and publicly financed private schools in their educational practices and leadership. Publicly financed private schools face a greater level of competition as their student enrollments

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