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School management and efficiency: An assessment of charter vs. traditional public schools

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ABSTRACT

Publicly funded private schools, also known as *charter schools* in some countries, are an increasingly popular tool among ministries of education for improving school effectiveness; however, little is known about their efficiency. This study evaluates the efficiency of charter schools in Massachusetts by assessing their proficiency scores and per student spending as compared with traditional public schools. I find that charter schools outperform traditional public schools in both reading and math and that the difference is more salient in urban communities. Furthermore, urban charter schools spend significantly less per pupil than their traditional public school counterparts. Not only are charter schools outperforming traditional public schools academically, but they are doing so at a lower cost – particularly in urban communities. By introducing an efficiency component to the wider body of literature, this research explores what conditions are best suited for charter schools, taking into consideration the limited financial capabilities of underserved school districts and low-income countries.

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1. Introduction

Regardless of the country it represents, every ministry of education struggles to improve academic conditions and offerings for its children. And while each of these ministries faces varying degrees of financial constraints, the Program for International Student Assessment (PISA) results show that the top-spenders are not necessarily the top-performers. Case in point: The United States. Despite ranking fifth in per pupil spending among Organization for Economic Cooperation and Development (OECD) countries, at \$115,000 per student, the US places 26th in learning outcomes, That is just behind the Slovak Republic, which spends \$53,000 per student on education, or 46 percent of the US's \$115,000 (OECD, 2013).

As countries vie for coveted positions as high academic achievers, they must reconcile their domestic scholastic shortcomings – finding more effective education models while operating within shrinking education budgets. In the case of the United States, the cognitive gains of the 1970s and 1980s plateaued in the 1990s, and secondary students in particular have experienced minimal

improvements in academic performance (NCES, 2013). Acknowledging international trends and domestic performance, many countries have a renewed sense of urgency to implement meaningful reforms to their education systems. Ministries of education have started experimenting with publicly-funded private schools, more commonly known as charter schools in some countries, as a way to test new pedagogical and administrative techniques. However, the question remains: **Are charter schools a more efficient way to improve learning outcomes than traditional public schools (TPSs)?**

This study seeks to answer that question by comparing cognitive outcomes and per student spending for charter schools compared with their TPS counterparts. While charter-type models are increasingly common around the world, I relied on a US sample set due to the availability of data as compared with other countries. By evaluating the performance of 14 and 15 year old students in the US, this study analyzes an academic cohort that parallels PISA participants abroad, allowing for international extrapolation. Within the US, I look specifically at Massachusetts because it is a state with well-documented, strong cognitive performance in public schools. Using that state's TPSs as a control group presents a high baseline for comparison when evaluating charter school performance. Any significant charter school gains over TPSs would be an argument in favor of charter schools.

To evaluate these two school models, I start with an analysis of public private partnerships in education as a way to explain the

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rationale behind the charter school model. I explore global motivations for charters, then move into a discussion on the nuances of the US charter system and its requirements before examining the existing literature on charter schools from a national, state, and district perspective. Section 6 provides a description of methodology and Sections 7–9 present an analysis of findings.

The results are compelling. Using individual school data for eighth grade and school-wide performance, I find that, on average, charter schools outperform TPSs in both reading and math proficiency at the 8th grade level as well as in school-wide comparisons. By disaggregating that data according to urban and non-urban districts, I find the difference to be even greater in urban areas. Compared to urban TPSs, urban charter schools report 24.9 percent higher proficiency in reading, and 28.8 percent higher proficiency in math. An analysis of per student spending shows that charter schools are also spending less per pupil to achieve these higher academic proficiency scores. Again, disaggregated by community type, I find that urban schools spend \$1645 less per pupil on average than TPSs, and non-urban charter schools spend an average of \$2198 less than their TPS counterparts. Comparing the results for proficiency and per student spending, the data suggest that Massachusetts charter schools are, in fact, more efficient than TPSs, particularly in urban areas.

Looking at the wider implications for the global community, these initial findings suggest that well-targeted urban charters would be a low-cost alternative to traditional public education in regions that are currently struggling to meet the educational needs of underserved populations.

2. Publicly funded, private schools: a public–private partnership

Public–private partnerships in education are ubiquitous and take many forms, including universal and targeted vouchers, charter schools in the US, concession schools in Bogotá, academies in the UK, and universal private school funding in the Netherlands. In this study, I focus on the public financing of private education in through the charter school model.

Hoxby and Rockoff (2004) and Lewis and Patrinos (2012) all present similar findings regarding the strengths of public–private partnerships within school systems. By leveraging the competitive nature of the free market, they claim that communities can encourage greater attention to school quality and academic achievement. Private schools are funded on a per-pupil basis, and are, therefore, dependent upon individual student enrollment to earn a profit. Since there are other schooling options, families are able to “vote with their feet.” If families are not satisfied with their children’s educations, they can leave – taking the funding with them. This private school model forces accountability among the schools.

Lewis and Patrinos go on to explain that public financing of private education encourages school autonomy and promotes risk sharing through government providers. That autonomy, specifically, is a key factor in improving learning outcomes and academic performance. As the OECD documents, countries with greater school autonomy and stronger market incentives – facilitated through private provision of schooling – have greater academic achievement (Lewis and Patrinos, 2012).

On the other hand, the OECD’s (2012) report on public and private schools highlights a concern within the literature for the socioeconomic chasm created by the establishment of privately managed schools. Students who attend privately managed schools tend to come from more privileged socioeconomic backgrounds than those who attend public schools. If a district does not monitor that economic divide, it risks lower scholastic performance. Nations with higher levels of stratification tend to perform worse on PISA compared to countries with less economic stratification. If,

however, enough public funding is directed toward privately managed schools, it is possible to lower that socioeconomic divide (OECD, 2012). It is unclear in their study what the threshold for spending should be, but applying that rationale to charter schools, one could hypothesize that a more widespread model would improve overall efficiency within a country.

On a theoretical level, the publicly funded private school model presents natural incentives for charter schools to develop high quality institutions that deliver improved learning outcomes. This theory has been reinforced in practical evaluations of charter schools across continents.

3. Rationale for charters: a global perspective

From the national level down to individual municipalities, education administrations have turned to public funding of private education as a strategy to improve learning outcomes. By granting greater school autonomy, charters are lauded for their abilities to reach rural communities, tailor curricula the needs of marginalized populations, or more generally supply a service the government has inadequately filled.

In El Salvador, charter-type schools were used to meet a need for quality education in rural reaches of the war-torn nation. After a decade of civil war, the country’s hinterland showed a markedly lower quality of education compared to the central portions of the State. Given the political climate and safety threat, the government could not adequately supply or staff rural schools. It relied on an autonomous management structure to fill this need. In 1991, with the help of bi- and multi-lateral organizations, El Salvador initiated the EDUCO program, providing government funding for community-managed schools (Meza et al., 2004). The quality of rural education improved, and after controlling for demographics and participation bias, the EDUCO students tested slightly better than TPS students in language abilities and their school attendance was higher (Jimenez and Sawada, 1999).

Charters are adopted not only to fill a regional need, but also to improve learning outcomes for marginalized populations. In the late 1990s, Bogotá, Colombia faced an insurmountable demand for quality schools for low-income students. Looking for creative ways to address this need, the municipality entered into contracts with a handful of private schools, or concession schools (Barrera-Osorio, 2006). Under these contracts, the government would pay tuition for qualified students to attend select concession schools. After just seven years, 25,000 students, or 3 percent of the age-appropriate population in Bogotá, were enrolled in concession schools. Regarding quality, an evaluation by the World Bank showed that these students had lower dropout rates and higher test scores than their TPS counterparts (Barrera-Osorio, 2006).

Publicly funded private school models have been adopted worldwide as a way to provide quality education to marginalized populations and regions through market competition. While they have proven effective in matching or surpassing TPSs in academic outcomes, the literature does not address the financial obligations required to achieve those gains. To better understand financial commitments, I turn to the US’s charter school model of publicly funded private schools.

4. Requirements for U.S. charter schools

In 1991, Minnesota became the first state in the United States to grant charters as part of an experiment to publicly fund private schools. The model gained popularity and by 2013 there were 2.3 million students enrolled in over six thousand charter schools across the country. That number has increased 80 percent since 2009 and represents more than four percent of the public school population in the US. Today, 42 states and the District of Columbia

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