



A NEW DEAL

Making Education Work For
All New Zealanders



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PART I: THE CASE FOR REFORM

INTRODUCTION

In recent decades, there has been increasing recognition of the importance of schooling. Education is rightly seen as vital to the well-being and future prospects of New Zealand children and society. According to the Organisation for Economic Cooperation and Development (OECD), there is now robust evidence that human capital is a key determinant of economic growth, and that increased levels of human capital are associated with a wide range of non-economic benefits such as improved health and prosperity. Human capital can play an important role in the development of the knowledge economy by lifting productivity and equipping New Zealanders with the skills required to compete on a global scale.

We must ensure there is increased equity in educational opportunity for all New Zealand children – regardless of where they live or the socio-economic situation into which they were born.

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At an individual level, education is also clearly a key to economic opportunity. Countless studies have shown the significant returns – in the form of increased lifetime earnings and other benefits – that accrue to individuals from investments in human capital. However, the influence of education is more than economic. Indeed, education can make an important contribution to the cultural and social development of a country, and can help to strengthen the institutions of civil society by equipping individuals with the knowledge necessary to participate effectively in civic affairs and government.

The increasing recognition of the importance of education to the individual and society has been accompanied by the realisation that the context in which schools operate differs significantly from that of our parents' and grandparents' generations. Demographic shifts, changes in family structure, immigration, and technological advances present a host of new challenges for the education sector. In addition, there has been considerable disquiet, and indeed outright concern, in many countries regarding the performance of the school sector and the best way to change it to meet the challenges of today.

The New Zealand school sector serves many families well, yet there is reason to be concerned about its performance. By most measures, it is failing dismally the children who are most at risk – Maori, Pasifika, and students from low-income families. The teaching of some children well, while neglecting a host of others, is simply not good enough in today's diverse and rapidly changing society, especially for a small South Pacific trading nation with limited natural resources. We must ensure there is increased equity in educational opportunity for all New Zealand children – regardless of where they live or the socio-economic situation into which they were born.

A key weakness in the current school system is that it is effectively a government monopoly. The centralisation wrought by a variety of government rules, regulations, laws and mandates limits the diversity of the school sector in New Zealand and its ability to deliver improved outcomes. The centrepiece of any education reform effort should shift decision-making power back to those who are in the best position to make educational choices – parents, families and schools. Such a reform direction requires a fundamental rethinking of the government's role. In particular, it means that government should focus on funding and effectively regulating schools, rather than see itself as necessarily the main or only provider of education.

There are three broad options for reforming the school sector: more spending on schools, increased regulation, and reforms that encourage choice and competition. No single reform, on its own, will revolutionise the school system.

The reform programme set out in this report is comprehensive. Listed below are some of the reforms we propose:

- Abolish school zoning laws, and make it easier for new schools to start up.
- Introduce a comprehensive per-student funding model for schools, in which public money for a child's schooling follows the child to whatever school the parents deem best – state or private, for-profit or not-for-profit.
- Base teacher pay on performance that delivers increased pay to good teachers and provides a broad variation in pay across subjects and schools. Increase the ways in which people can enter the teaching profession – beyond the current antiquated registration process.
- Allow schools to set their own governance structures and give them greater freedom to manage, including staffing arrangements, curriculum and exit qualifications.
- Provide increased funding to the school sector that is tied to the introduction of reforms and improvements in educational outcomes.
- Introduce a new system of school accountability built around improved information and a system of national assessment.

This report addresses only schooling. It does not address all issues. For example, it does not discuss the role of home schooling directly, although the direction of reform and the argumentation outlined herein are clearly relevant to debates over that issue.

NEW ZEALAND'S EDUCATION GAP

One of the key drivers of school reform efforts in other countries has been an underlying concern about the performance of the school sector. This has been especially true in countries such as the United States and the United Kingdom, which have been active on the education reform front in recent decades.

How well is the New Zealand school system doing? Anecdotal evidence suggests that the overall performance of the New Zealand school sector is mixed, with some groups (for example, those of high socio-economic status) being *relatively* well served, but other groups (for example, Maori, Pasifika and students from low-income families) being poorly served – both in relative and absolute terms. New Zealand students can compete with the best and brightest around the world. The large number of New Zealanders working in professional positions and attending top-ranked tertiary institutions overseas is testament to that. At the same time, the evidence is that the school sector is not meeting the needs of a significant number of New Zealand students and there is a significant gap between income groups in terms of educational opportunity.

Unfortunately, it is impossible to know how significant this education gap is because there is no national testing programme that tracks student performance from year to year. The lack of any form of national testing is of concern. It is true that some information on student performance is available at the school level – for example, School Entry Assessment data, National Education Monitoring Project (NEMP) data, secondary school qualification results and Education Review Office (ERO) reviews. However, this information does not really help in assessing the overall performance of the school sector, in comparing student performance over time and across schools or in determining areas of weakness, targeting reform efforts and determining whether reforms have been successful.

The dearth of reporting on student performance is evident from the fact that the annexes to the Minister of Education's report on the compulsory schools sector for 2001 contained only three tables on student attainment, but 20 tables on the financial performance of schools.¹

¹ Minister of Education (2002) *New Zealand Schools, Report of the Minister of Education on the Compulsory Schools Sector in New Zealand 2001*, Wellington, www.minedu.govt.nz.

Although there is no national assessment information, we can glean some evidence on the overall performance of students in the New Zealand school sector from NEMP and various international surveys that have been conducted in recent years. While the performance of the New Zealand system, as measured by international surveys, is not disastrous, there is considerable room for improvement. Indeed, the Ministry of Education described mathematics achievement by nine- and 13-year-old students in the Third International Mathematics and Science Study (TIMSS) study as ‘mediocre’ and the overall performance of students in science as ‘disappointing’.

The (relatively) good news: the NEMP project showed substantial gains in oral reading between 1996 and 2000 for Year 4 students and smaller gains for students in Year 8. For example, the proportion of students in Year 4 who performed above ‘normal expectation’ rose from 32 percent in 1996 to 48 percent in 2000. Results also improved at the bottom end of the performance range. Between 1996 and 2000, the proportion of Year 4 students whose performance was below ‘normal expectation’ dropped from 11 percent to 6 percent. Students in Year 8 saw smaller, but still important gains. In 2000, 56 percent of Year 8 students performed above expectation – compared with 51 percent in 1996. At the bottom end of the performance range, 5 percent fell below the expected performance range in 2000 – versus 8 percent in 1996.² The NEMP, which began in 1993, samples the performance of primary school children in all curriculum areas at Year 4 and Year 8. Each area is reassessed every four years and the aim is to track long-term national trends in performance.

In addition, New Zealand’s 15 year olds ranked well on the OECD Programme for International Student Assessment (PISA) survey. The survey, conducted in 2000, measured reading, mathematical and scientific literacy, and New Zealand ranked third, third, and sixth respectively. The PISA study of 32 countries looked at whether young adults have the ability to use their knowledge and skills to meet real life challenges, rather than whether they have mastered a school curriculum.

² See <http://nemp.otago.ac.nz>.

TABLE 1: PISA RANKINGS BY COUNTRY

GLOBAL RANKING	COUNTRY
1	Finland
2	Canada
3	New Zealand
4	Australia
.	
.	
31	Brazil

The bad news: the recent Progress in Reading Literacy Study (PIRLS), conducted in 2001, identified serious weaknesses in literacy levels amongst New Zealand school children, who ranked thirteenth in overall reading comprehension – behind countries such as the Czech Republic, Bulgaria and Lithuania, and just ahead of Scotland.³ The study measured literacy levels among some 2,500 nine and ten year olds from 35 countries. New Zealand’s performance placed it near the bottom of the ladder among English-speaking countries (see Table 2). This trend represented a significant decline from its performance in similar studies carried out in earlier years (first in 1970, sixth in 1991).

Evidence on literacy levels is not encouraging, either. The 1996 International Adult Literacy Survey (IALS) examined the ability of people to understand and use printed information in daily activities, across three literacy areas – prose, document and quantitative. The IALS results showed that there are large numbers of people in New Zealand whose poor literacy skills restrict their choices in life and work severely. According to the Ministry of Education, the IALS found that “over a million adults are below the minimum level of competence, in each of the three [literacy] domains, required to meet the demands of everyday life” and that only “around one in five New Zealanders are operating at a highly effective level of literacy”.⁴ These results reflect badly on education over several generations. However, literacy levels were high amongst the younger age groups, and, for nine- and 14-year-old children, New Zealand was among the higher scoring countries in the International Association for the Evaluation of Educational Achievement (IEA) reading literacy study that began in 1988.

³ See www.pirls.org.

⁴ Ministry of Education (undated) *Adult Literacy in New Zealand – Results from the International Adult Literacy Survey*, Wellington.

TABLE 2: PIRLS RANKINGS BY COUNTRY

GLOBAL RANKING	COUNTRY
1	Sweden
2	Netherlands
3	England
4	Bulgaria
5	Latvia
6	Canada
7	Lithuania
8	Hungary
9	United States
10	Italy
11	Germany
12	Czech Republic
13	New Zealand
14	Scotland
.	
.	
35	Belize

The TIMSS, conducted in 1994 by IEA, showed children in levels 4/5 and 8/9 performing averagely in mathematics and science amongst the 46 participating countries. New Zealand scored far below the top rating countries (Singapore, Korea, Japan, Hong Kong, Netherlands) and also significantly below Australia.⁵ The highest ranking of any New Zealand age group was fifteenth (out of 24 countries) for Year 4 science students. In a repeat of the tests in 1998, New Zealand Year 9 students came twenty-first out of 38 countries in mathematics (just above the international mean) and nineteenth out of 38 countries in science (significantly above the international mean).

Yet, even these numbers mask the area of greatest concern – the gap in student performance across different societal groups. Indeed, one of the defining characteristics of the New Zealand school system is that, while it may provide a good education for

⁵ A useful summary of the results is given in Education Review Office (2000) *In Time for the Future – A Comparative Study of Mathematics and Science Education*, Education Review Office, Wellington.

... one of the defining characteristics of the New Zealand school system is that, while it may provide a good education for children from families that are well-off, it appears to provide a much poorer education for those from lower-income backgrounds, for Maori and Pasifika students and, increasingly, for boys.

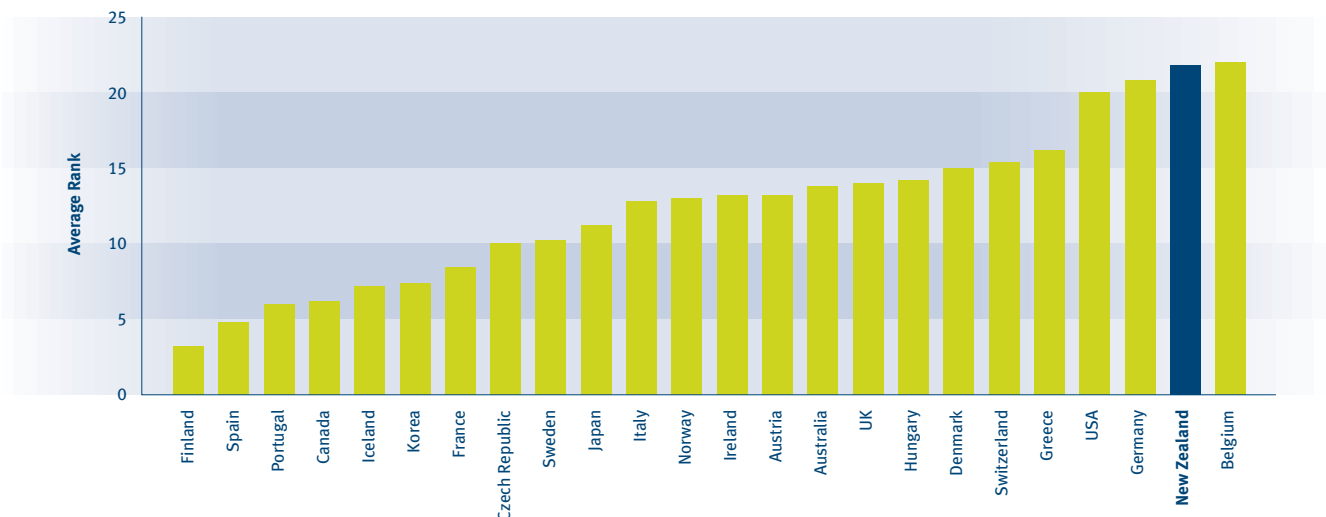
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children from families that are well-off, it appears to provide a much poorer education for those from lower-income backgrounds, for Maori and Pasifika students and, increasingly, for boys.

This gap recently caught the eye of UNICEF. Its *A League Table of Educational Disadvantage in Rich Nations* provides global evidence on the extent of relative educational disadvantage in New Zealand. As Figure 1 shows, New Zealand has one of the poorest rankings for ‘bottom end inequality’ – a measure of the extent of the difference in achievement between children at the bottom and at the middle of each country’s achievement range. Only Belgium scored below New Zealand.

The wide gap is reflected starkly in the PISA study, which showed that New Zealand has a very broad spread of scores for each of reading, mathematical and scientific literacy. New Zealand had the second largest spread of all countries in reading literacy, with relatively large proportions of people in both the top-performing and low-performing categories. For example, 5 percent of New Zealand students in PISA scored 693 or above on the

FIGURE 1: RELATIVE EDUCATIONAL DISADVANTAGE BY COUNTRY



Note: Relative educational disadvantage is measured by the extent of the difference in achievement between children at the bottom and at the middle of each country’s achievement range.

Source: UNICEF (2002) *A League Table of Educational Disadvantage in Rich Nations*, Innocenti Report Card, Issue No 4, November 2002.

combined reading literacy scale – higher than any other country, including other top-performers such as Finland, Canada and Australia. However, 5 percent of New Zealand students in PISA also scored below the comparatively low score of 337 on the combined reading literacy scale (students scoring below 335 are not capable of the most basic type of reading that PISA measures). By comparison, the ‘cut-off’ for the bottom 5 percent was 390 in Finland, 371 in Canada and 354 in Australia.

Looked at another way, the cut-off score for the bottom 5 percent on the combined reading literacy scale in New Zealand was below that of Spain, a country whose average score (493) and ranking (eighteenth) were well below those of New Zealand (529 and third). Additionally, the gap between students in the top and bottom quarters of the family wealth index is higher in New Zealand than the OECD average (55 points in New Zealand versus the OECD average of 34 points). New Zealand differences in performance between the top and bottom quarters on the scientific and mathematical literacy scales, though less pronounced, are still higher than the OECD average (85 versus 78 points and 84 versus 77 points respectively).⁶

By the end of high-school, the existence of a gap between Maori and Pasifika students and their peers is clear. Both Maori and Pasifika students are highly over-represented in underachievement statistics, whether measured by secondary school exit qualifications, by over-representation in stand-down and suspension figures, and by most other measures of performance. For example:

- in 2001, 33 percent of Maori and 25 percent of Pasifika students (versus 8 percent of Asians and 17 percent for the population as a whole) left school without a qualification;
- in 2002, Maori made up 47 percent of all school suspensions, although they represent only 21 percent of the school population. Pasifika students made up 11 percent of suspensions, and only 8 percent of the school population;
- the IALS showed that between 69 and 72 percent of Maori and Pasifika adults in the mid-1990s performed at the two lowest literacy levels, which represent performances that are inadequate for everyday work and life in a developed society (versus 46 percent for all adults); and

⁶ OECD (2002) *Knowledge and Skills for Life: First Results from PISA 2000*, Programme for International Student Assessment, p 253 and pp 284–286.

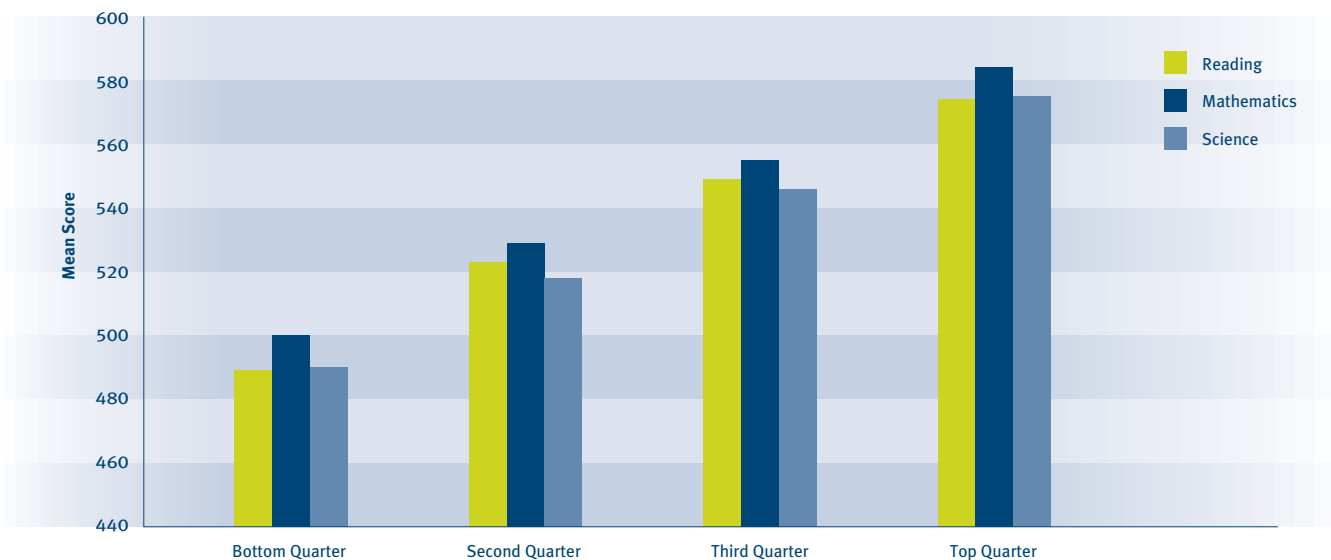
... surveys from the past 25 years show that New Zealand is the only country where the performance of the bottom 20 percent of students is getting worse.

- the ERO has highlighted widespread school failure in geographical areas such as South Auckland, the East Coast and Northland where there are high concentrations of Maori and Pasifika students.

Furthermore, surveys from the past 25 years show that New Zealand is the only country where the performance of the bottom 20 percent of students is getting worse.⁷

There is a close relationship between socio-economic status and education outcomes (see Figure 2). To some degree, this relationship is to be expected. It is not surprising that a student's performance at school would be significantly influenced by the home environment, including resources, attitudes and expectations. Not every school will be able to overcome the significant disadvantages that some students bring with them.

FIGURE 2: LINK BETWEEN STUDENT PERFORMANCE AND SOCIO-ECONOMIC INDEX OF PARENTAL OCCUPATION: NEW ZEALAND



Source: OECD (2001) *Knowledge and Skills for Life: First Results from PISA 2000*, Programme for International Student Assessment, Paris, pp 283–285.

7 Hattie, John, *op cit*, p 4.

At the same time, the link between socio-economic status and education outcomes is not immutable. Countries such as Austria, Belgium, Japan and Italy display a much weaker correlation between family wealth and student performance than other countries involved in PISA. In several OECD countries, even students in the lowest quarter performed better than the OECD average (including in New Zealand).

So, there is good reason to believe that what happens in schools does matter. A 2001 OECD report noted the important influence of home background on educational performance, but also argued that “PISA results suggest that school policy and schools themselves can play a crucial role in moderating the impact of social disadvantage on student performance”.

The Heritage Foundation, a US think-tank, has documented the practices of 21 successful schools in low-income neighbourhoods as part of its ‘No Excuses’ campaign. All of the schools share a number of characteristics, including that principals have considerable freedom to manage, use measurable goals to establish a culture of achievement, conduct rigorous and regular testing of students, and work actively with parents to make the home a centre of learning. The Foundation reasons that its ‘No Excuses’ schools show that students from poor backgrounds can be successful in breaking through the ‘culture of defeatism’, which argues that the fortunes of those from low-income backgrounds are set in stone from an early age.⁸ The view that poverty need not be a barrier to educational achievement is supported by results of the research conducted as part of the New Zealand Picking up the Pace project. The project, which involved the delivery of concentrated professional development in literacy instruction to groups of early childhood and new entrant teachers in decile one schools in South Auckland, yielded a substantial lift in the reading and writing achievement of new entrants to project schools.⁹

⁸ Casey Carter, Samuel (2001) *No Excuses: Lessons from 21 High Performing, High Poverty Schools*, The Heritage Foundation, Washington, DC, www.noexcuses.org.

⁹ Keith, Michael (2002) *Picking up the Pace – A Summary*, Ministry of Education, Wellington, www.minedu.govt.nz.

The education gap not only hurts children from poor backgrounds, but society as a whole. The effects of an under-performing school sector are not simply academic nor isolated to the individual students who fall through the cracks in the system.

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The education gap not only hurts children from poor backgrounds, but society as a whole. The effects of an under-performing school sector are not simply academic nor isolated to the individual students who fall through the cracks in the system. An under-performing school sector can also have a significant economic impact. A recent survey by the Employers and Manufacturers Association (Northern) found that the very poor literacy and numeracy skills of employees adversely affected manufacturers' productivity and posed health and safety risks. The survey results were consistent with statistics from Workbase, the National Centre for Workplace Literacy and Language, which show that 50 percent of manufacturing employees are below the minimum level of literacy competence and that 40 percent of the New Zealand workforce does not have sufficient skills to do their jobs properly.¹⁰

The under-performance of Maori and Pasifika students is an even greater concern given that these two groups are growing as a share of the population, and are expected to represent around 40 percent of children of primary school age and 35 percent of children of secondary school age by the year 2021.¹¹

However, before New Zealand can close this gap, we must have a sense of both how large it is and which children are not being served in the current educational system. The only meaningful way to measure the gap and progress in narrowing it is with a system of national assessment.

¹⁰ Sinoski, Kelly (2003) 'Government's schools fail industry', *The Independent*, 26 February 2003, p 1.

¹¹ Ministry of Education (2002) *Nga Haata Matauranga: Annual Report on Maori Education 2000/2001 and Direction for 2002*, Wellington, www.minedu.govt.nz.

A WAY AHEAD

While the school system serves a considerable number of families well, this does not reduce the need for improvements that would increase equity within the system and modernise it to meet the emerging demands of a more globalised and knowledge-driven economy and society. We must be concerned with both the performance of the ‘average’ student and the students at the bottom end. Certainly, most middle-class parents would not accept the standard of education that is currently being provided to the children in a significant number of low-income families – many of whom must send their children to poorly performing schools as a result of laws such as school zoning.

What to do? There are three broad reform directions that could be adopted to address existing weaknesses in the school sector. The trick is to merge them all in a way that best serves children across socio-economic backgrounds – none of these reforms alone, especially spending more money, will produce significant changes. Plus, a national testing system that measures student progress must overlay these combined reforms, so that parents and the government can judge how well every school is serving its students.

One of the key themes in the PISA study is the large range in performance of students within schools, as well as among them. All schools have some students who are not doing well – even schools that generally perform at a high standard. This suggests a need to build education reform from the student up. One-size-fits-all solutions will not address the individual needs of schools or students.

In the last 50 years, public per-student spending on education has quadrupled, and, in the past 30 years, after adjusting for inflation, it has more than doubled. If the ‘money changes everything’ argument were true, then surely we would have seen significant gains in performance in New Zealand schools.

Reform one: more spending

The first reform involves merely spending more on schools in the belief that these resources will translate into improved results – such as increased test scores, reduced suspensions, or an increased proportion of qualified graduates. This could involve any number of policies, including reduced pupil:teacher ratios, increased spending on Information and Communication Technologies (ICT) or simply increased funding for school operating expenses. For most governments, this option has been the preferred means of improving outcomes. For example, the 2001 Budget contained more than 20 school-related spending initiatives. In 2002, the number was more than 40. These include myriad new and continuing programmes, from school gardens to professional development for teachers. In the last 50 years, public per-student spending on education has quadrupled, and, in the past 30 years, after adjusting for inflation, it has more than doubled.¹² If the ‘money changes everything’ argument were true, then surely we would have seen significant gains in performance in New Zealand schools.

There are two problems with the spend-more approach. First, New Zealand already spends a great deal on education. In international terms, New Zealand’s spending on education is already high relative to the country’s ‘ability to pay’, as measured by Gross Domestic Product (GDP). In 1999, government spending on primary, secondary and post-secondary non-tertiary education represented 4.8 percent of GDP – second highest (along with Denmark) in the OECD and well above the OECD country mean of 3.5 percent.¹³

Second, the evidence linking increased spending and improved education outcomes is ambiguous, so there is little assurance that any additional expenditure will yield results. Countries such as Korea do very well on international tests, yet spend less on education than most other countries. In addition, a variety of more rigorous studies using US and international data support the general conclusion that more money does not necessarily equal improved results.¹⁴

¹² Hames, Martin (2002) *The Crisis in New Zealand Schools*, Dunmore Press, Palmerston North, p 22.

¹³ Centre for Educational Research and Innovation (2002) *Education at a Glance: OECD Indicators*, OECD, Paris, p 178.

¹⁴ See Hanushek, Eric (1998) *The Evidence on Class Size*, Occasional Paper 98-1, W Allen Wallis Institute of Political Economy, University of Rochester, Rochester, NY.

Evidence from the PISA study supports the view that there is no necessary relationship between resources and good educational outcomes. According to the PISA study, differences in student:teacher ratios had little impact on student performance on the combined reading literacy scale where student:teacher ratios were between ten and 25. It is only when student:teacher ratios rise above 25 that student performance on the combined reading literacy scale declines.¹⁵

The impact of student:teacher ratio and class size on student performance has been extensively studied in the United States. Once again, the results are ambiguous, with economists such as Eric Hanushek arguing that there is little evidence of consistent improvements in educational achievement resulting from class size reductions. Others, such as Alan Krueger, argue that there are substantial and significant returns to reducing class size where reductions are targeted to groups that need them most (for example, children in early grades and in schools in areas of high poverty).

In a 2000 study comparing educational performance across US states, Grissmer *et al* concluded that, while a generally positive relationship exists between resources and achievement, the results are so inconsistent and unstable that no reliable estimates are available to guide policy. They also argue that the way money is spent is critical, with the cost-effectiveness of spending differing by more than a factor of 25 depending on which programmes and grade levels are funded and which students are targeted.¹⁶

While the debate continues, it would seem that, though resources may matter, they are obviously not the only (and maybe not the major) determinant of outcomes. Spending increases are unlikely, on their own, to deliver consistent improvements unless they are accompanied by fundamental reforms to the way the sector operates. Additional spending would yield bigger gains if it were accompanied by fundamental reform of the education sector.

¹⁵ OECD (2001) *Knowledge and Skills for Life: First Results from PISA 2000*, Programme for International Student Assessment, Paris, pp 202–203.
¹⁶ Grissmer, David *et al* (2000) *Improving Student Achievement: What State NAEP Test Scores Tell Us*, RAND, Washington DC, p 31 and pp 100–101.

... it is far from clear that more of the same regulation will do much to lift performance. Schools are already hampered by too much regulation, covering all facets of school operation – curriculum, enrolments, staffing, school operation and school governance.

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Resources are rarely targeted well enough to address specific problems. That may be because the country has little sense of where the problem is, what it looks like and how best to respond. If we allowed schools to compete more for students, we could have a better sense of what works in New Zealand's education system. Combine that competition with national assessment that allows the government to measure how well a given school is serving its students, and there would be a powerful mechanism for targeting money to where it can make the biggest difference.

Reform two: more regulation

A second approach would make greater use of mandates, rules and regulations to improve education outcomes. Such mandates could take the form of increasing teacher accreditation requirements, setting maximum class size ratios, lengthening the school day or year and introducing new reporting requirements on schools (as was done as part of the Education Standards Act 2001).

While such reforms can be politically attractive, because they allow the government to be seen to be 'doing something' about the school sector's performance, it is far from clear that more of the same regulation will do much to lift performance. Schools are already hampered by too much regulation, covering all facets of school operation – curriculum, enrolments, staffing, school operation and school governance. While decision-making authority in New Zealand schools may compare well with that in other countries, the sector is far more regulated than just about any other sector in the New Zealand economy. This is particularly true in the area that is clearly of utmost importance to good education outcomes – staffing. There, principals face numerous constraints caused by teacher registration requirements, immigration rules, centralised contracts and employment legislation that combine to limit who can be hired, how teachers can be paid and how easily poorly performing teachers can be dismissed.

The existing degree of regulation limits the ability of schools to organise themselves in the most effective way to meet the needs of students. This is of concern given the importance of school organisation to the academic performance of students in schools. For example, US researchers John Chubb and Terry Moe, when working at the Brookings Institution and Stanford University respectively, found that effective school organisation

was second only to student aptitude in determining achievement gains, and it was more important than family influence. They also found that school autonomy had the strongest influence on the overall quality of school organisation. In brief, the more a school is subject to the influence of external administrators and unions the less likely it is to be effectively organised.¹⁷ In New Zealand, these external pressures are considerable, and we can expect organisational effectiveness and, thus, student performance, to suffer.

Other evidence reinforces Chubb's and Moe's results. For example, in a 2001 report, Ludger Woessmann, a research economist at the Kiel Institute of World Economics in Germany, found that school autonomy in hiring teachers, setting salaries, purchasing supplies and choosing instructional methods all improved performance on the TIMSS.¹⁸ It seems that autonomy in these factors takes advantage of greater knowledge at the school level, compared with central administrators, about student needs and the performance of different teachers, so allows schools to respond better to the demands of parents and retain effective staff.

New Zealand has been moving backwards on the autonomy front, with the abolition of bulk funding of teachers' salaries, the reintroduction of central contracts for principals and the tightening of zoning. These reversals come on top of a more general increase in regulation that applies across all market sectors, including tightened labour market laws and changes to occupational safety and health laws. This is occurring at a time when other jurisdictions, including the United Kingdom and the United States, have been moving in the opposite direction and relaxing cumbersome restrictions on schools.

One of the fastest growing segments of the US school system over the past ten years has been charter schools, which are publicly funded schools that are allowed to operate outside regulations governing things like zoning, staffing and curriculum. There are currently some 700,000 students attending almost 2,700 charter schools across the United States. A recent study from the Manhattan Institute found that charter schools produced slightly higher gains in mathematics and reading over a one-year period compared with public schools with similar demographic and geographic characteristics.¹⁹

¹⁷ Chubb, John E and Terry M Moe (1990) *Politics, Markets and America's Schools*, The Brookings Institution, Washington DC.

¹⁸ Woessmann, Ludger (2001) 'Why Students in Some Countries do Better', *Education Next*, pp 67–74, www.edmatters.org.

¹⁹ Winter, Greg (2003) 'Charter Schools Succeed in Improving Test Scores', *New York Times*, 20 July 2003, www.nytimes.com.

The existence of choice provides families with the best means of matching school type, quality and cost with their individual requirements. Political and bureaucratic control over decision making would be replaced by parental and community control ...

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However, the problem cannot be defined as easily as more or less regulation. In fact, what we need is better regulation. We can free schools from arbitrary restrictions on whom they can hire and how many years children must spend in school, while using regulation, in the form of standardised tests, to require them to produce improved education outcomes for students.

Reform three: market-based approach

A third approach to reform can be broadly categorised as market-based. This approach emphasises increased educational choice for families, self-management for schools and competition, including more flexible rules governing the supply of schooling. Such a system represents a bottom-up, rather than top-down, approach to reform. It also represents an evolutionary, rather than discrete, approach in that the incentives built into the system result in ongoing improvements and restructuring.

Proponents of the market-oriented approach argue that it offers the best means of aligning the education system to focus on the needs of children. Under such a system, families have a choice between different types of schools run by competing education providers. The existence of choice provides families with the best means of matching school type, quality and cost with their individual requirements. Political and bureaucratic control over decision making would be replaced by parental and community control in the form of student-based funding for both public and private schools.

Under this approach, schools would be provided with both the freedom and incentive to move toward effective organisational structures that maximise student performance. Those schools that cannot deliver would ultimately fail or be taken over by better performing schools. Although the primary decision makers under this approach would be families and schools, this does not imply that there is no role for government in education.

A SHIFT IN FOCUS

The improvement of education outcomes in New Zealand will require a comprehensive rethink of education policy and a reversal of recent trends toward increased centralisation of decision making over education. No single reform will, on its own, revolutionise the system – whether increased school choice, more spending or more regulation. The role that government plays in education is critical and a shift in the nature of that role is the foundation stone of any reform effort. The government’s focus should shift from being the (almost) sole provider and micro-manager of schooling in New Zealand to the chief funder and quality-control manager. This implies less focus on the ownership of schools, and an increased emphasis on funding, the provision of information and outcome-based regulation as the preferred mechanisms for achieving the country’s educational, social and economic objectives. In practice, this change in focus could be achieved through a policy programme that involved student-based funding, national assessment, more decision-making authority for schools and increased funding.

This would require changes to the way schools are funded and regulated; to the way teachers are trained, registered, employed and paid; and to the philosophies underlying the development of the curriculum. More government programmes and add-ons cannot, on their own, change the fundamental weaknesses in the system.

Such a comprehensive reform of the school sector has three building blocks:

- Expanding opportunities for all families. Families should be given the greatest possible range of choice of school – private and state. A school’s accountability for performance should be more to parents, as the agents of their children, and exercisable through school choice, and far less to state bureaucrats through observance of bureaucratic rules and regulations. This would also require devolving managerial responsibility to the school level for public schools, so they are on an equal playing field with private schools.
- Modernising the teaching profession. This should include steps to improve teacher registration and the quality of the teaching service, and ensuring that good teachers are rewarded in accordance with the quality of their work.

The true meaning of ‘public’ education should be education that is in the public interest – regardless of where it takes place.

A NEW DEAL: MAKING EDUCATION WORK FOR ALL NEW ZEALANDERS

- **Accountability.** Institutions should be in place to support the operation of the market, including ensuring that parents are well-informed on school performance, and opening up the ‘supply side’ of the education market. There should be fewer mandated barriers to entry into the education market.

The common thread running through these proposals is a move away from a compliance-based, centrally driven education sector to one with increased diversity, flexibility and choice. The quid pro quo is that schools must accept more responsibility for what happens in them.

Such a reform strategy would see the role of government evolve into one that better reflects the realities of today’s society and the areas where government can most add value. The principal roles of government would be to:

- establish a system of national assessment, so that families have the right information to choose the most appropriate school and that the government has the information it needs to oversee the sector;
- ensure access to quality schooling by providing schools with sufficient funding, and also allowing schools to determine how best that money can be spent; and
- regulate the school sector to ensure a minimal core curriculum and minimum quality standards.

The government’s role should be to promote ‘public’ education in the sense of preparing young people to take their part in the adult world. It is shortsighted to equate this goal with education in a uniform state system that is the result of accidents of history and the sustained influence of vested interests. The true meaning of ‘public’ education should be education that is in the public interest – regardless of where it takes place.²⁰

²⁰ See for example Hill, Paul T (2001) ‘What is Public about Public Education?’ in Moe, TM (ed), *A Primer on America’s Schools*, Hoover Institution Press, Stanford, California.



PART II: THE PLAN FOR REFORM

1

A new deal for families: expanding opportunity

Choice – Opportunity – Equity

MAKING THE CASE FOR CHANGE

In most areas of their lives, and education in particular, families are free to make the key decisions on matters that affect them – whether it is for a childcare centre or a tertiary institution. However, the one area of education where their decision-making prerogative is being increasingly limited is in primary and secondary schooling. Under current policy, the freedom to choose a school is curtailed in two ways. This happens first through enrolment schemes, which provide a right of access to ‘in-zone’ students, but restrict access to popular schools for ‘out-of-zone’ students, and second, because only a portion of funding follows those students who choose to attend schools outside the state system. Plus, the level of per-student subsidies for those attending independent schools is declining because of the cap imposed by the government in 2000. This means that real choice in schooling is open only to those families who can pay, not once, but twice – via their school fees and taxes. As a result, the impact is greatest on low-income families.

New Zealand’s policies, at the school level, do not recognise that the government’s goal is to ensure an educated populace and provide opportunity for all children, regardless of family income. Furthermore, schools of all types – publicly and privately owned – can assist the government in meeting that goal. There is no rationale for fully funding children who attend state schools, and only partially funding those who attend independent schools.

The current school system is effectively a government monopoly. This may seem an odd characterisation given the variety of schools available in New Zealand – these include: ‘full’ state schools, state-integrated schools, independent schools, kura kaupapa Maori and designated character schools. However, the reality is that the centralisation wrought by a variety of government rules, regulations, laws and mandates limits the diversity of the school sector in New Zealand. Consequently, the school system is certainly much closer to a monopoly than a system characterised by diversity and choice. In 2002, 96.5 percent of students were either state or state-integrated, while only 3.5 percent of primary and secondary students attended independent schools.

Several factors act to reinforce this government monopoly. These include: the state regulates the entry of new schools into the education system; governance arrangements at state schools are largely centrally determined; teacher employment conditions in state schools are centrally negotiated with the government; the state school curriculum is centrally regulated; and, through zoning, the state has a significant influence on which school each child attends.

This centralised, highly regulated, uniform system is at odds with the nature of schooling – a highly localised activity involving personal and customised interactions with students and their parents. Current policy lessens competition, reduces accountability for schools, and creates more segregation across income and ethnic lines in New Zealand schools.

The key building block for reform of the school sector in New Zealand is to give families real educational choice by abolishing existing zoning legislation, and providing a new funding system in which public funding for education follows the students to whatever school they choose – state, private or integrated. Indeed, under this reform, artificial differences in funding, and regulation between different types of schools, would disappear.

Increased choice and competition would deliver benefits in schooling: for example, lower costs, improved quality, and increased innovation. Competition would increase the pressure on schools to be efficient and to meet the needs of those who are best placed to know what is good for them – families and local communities. Those schools that do not reach this standard would be reorganised, taken over by other schools, or disappear.

Much of the recent evidence on the impact of choice comes from the United States. In recent years, the United States introduced a wide range of school choice initiatives,

*Current policy lessens competition, reduces accountability for schools,
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Zealand schools.*

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including charter schools, small-scale public and private voucher initiatives, the private management of public schools, open enrolment policies, and magnet schools. This range of choice is sure to continue as a result of the June 2002 US Supreme Court decision, which ruled that vouchers were constitutional. The first concrete effects are now being seen at state level in the United States, with Colorado recently introducing a voucher scheme for students in failing schools. The US Congress is currently considering the provision of private school vouchers to poor students in the District of Columbia. The plan, if approved, would represent the first time that the federal government has provided public money for students attending private schools and would have implications well beyond the District of Columbia.

Choice could also lead parents to become more actively involved in their children's education. Currently, parents in New Zealand are excluded from many of the key decisions made in education (even under a parental governance model), which can foster parental passivity.²¹

Two recent studies provide a summary of the evidence on school choice and competition arising from the public and private voucher experiments in the United States. For example, a 2001 report by RAND, a US-based think-tank, argued that, while none of the key questions regarding vouchers can be answered definitively, the evidence was converging in a number of areas:

- small-scale privately funded voucher programmes targeted at low-income students appeared to have a modest impact on academic achievement effects among African-Americans;
- parental satisfaction levels are high in virtually all voucher and charter school programmes studied;
- targeted programmes have succeeded in placing low-income, low-achieving and minority students in voucher schools (although they have been less successful with special needs students); and
- targeted voucher schemes may modestly improve integration (polarisation) in communities where public schools are highly stratified.²²

²¹ See Roback Morse, Jennifer (2002) 'Competing Visions of the Child, the Family, and the School' in *Education in the Twenty-first Century*, Edward P Lazear (ed), Hoover Institution Press, Stanford, California.

²² Gill, Brian P et al (2001) *Rhetoric Versus Reality: What We Know and What We Need to Know About Vouchers and Charter Schools*, RAND, Washington, DC, pp 202–205.

Competition promises to drive improvements throughout the system. As Harvard economist Caroline Hoxby has noted, public schools can and do react to competition by improving schooling and reducing costs.²³ Hoxby examined choice reforms in three US jurisdictions and found that, in each case, regular public schools increased educational achievement per dollar spent (that is, productivity) when exposed to competition. She also noted that schools facing the most competition had the biggest increases in educational achievement per dollar spent.²⁴

Hoxby also examined the impact of Catholic schools on public schools and found that public schools located in areas with more Catholic schools performed better – in terms of educational attainment, graduation rates, test scores and students' future wages – than those facing less private competition. According to her estimates, an increase in private school enrolments of 10 percent (or an increase in tuition subsidies to private schools of US\$1,000) would lift the achievement of public school students, whether measured by test scores, ultimate educational achievement or future earnings. The estimated effect of such an increase in competition would be to lift mathematics and reading test scores by 8 percentile points, wages by 12 percent and the probability of getting a baccalaureate degree by 12 percent.²⁵

While much of the US focus has, in recent years, been on choice developments, the reality is that choice policies are pursued in a large number of countries, including Sweden, Ireland, Denmark, Australia, Canada and the Netherlands.²⁶ The clear message from the international scene is that a wide variety of school regulatory and funding arrangements in place around the world provide real education choice to families. According to the PISA 2000 report, an average of 10 percent of 15-year-old students were in 'government-dependent' (that is, publicly funded) private schools across the 24 OECD countries that participated in the study. However, this proportion ranged from 58 percent to 75 percent in Ireland and the Netherlands.²⁷

There have been no US-type studies of the effects of choice on academic achievement in New Zealand – mainly because choice initiatives have been highly constrained and student

23 Hoxby, Caroline M (2001) 'Analyzing School Choice Reforms that use America's Traditional Forms of Parental Choice', in Claudia R Hepburn (ed), *Can the Market Save Our Schools?*, The Fraser Institute, Vancouver, p 93.

24 Hoxby, Caroline M (2001) *School Choice and School Productivity (or, could school choice be a tide that lifts all boats?)*. Paper prepared for the Economics of School Choice Conference, National Bureau of Economic Research, Cambridge.

25 Hoxby Caroline M (1994) *Do Private Schools Provide Competition for Public Schools?*, NBER Working Paper No W4978, Cambridge.

26 See Nesdale, Pauline (2003) *International Perspectives on Government Funding of Non-government Schools*, Education Forum Briefing Paper No 7, www.educationforum.org.nz and Subtext: *The Newsletter of the Education Forum*, March 2003, www.educationforum.org.nz.

27 OECD (2001) *Knowledge and Skills for Life: First Results from PISA 2000*, Programme for International Student Assessment, Paris, p 179.

We propose a ‘choice-based’ funding model for the school sector. Under this model, families would be given real choice because school zoning, the Berlin Wall of education opportunity, would be torn down and funding would follow students.

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performance data are lacking. There is, however, evidence of considerable demand for choice, particularly among Maori and Pasifika students. Ministry of Education sponsored research makes it clear that the latter were quick to make use of choice after the abolition of zoning in the early 1990s. In 1990, only 21 percent of Maori and 18 percent of Pasifika students attended ‘non-local’ schools. By 1995, these figures had increased to 39 percent of Maori and 38 percent of Pasifika students. In comparison, 26 percent of Pakeha attended ‘non-local’ schools in 1990 versus 33 percent in 1995.²⁸ Many Catholic integrated schools are expanding, new ones are being built, and others have substantial waiting lists for both preference and non-preference students. In addition, schools, parents and students saw the Targeted Individual Entitlement (TIE) scheme, which provided vouchers for low-income students to attend private schools, as highly successful. The programme also generated demand well in excess of the places available.²⁹ In addition, a high proportion of students in New Zealand attend out-of-zone schools, while Maori have made good use of alternative schooling opportunities such as kura kaupapa Maori.

STRATEGIES FOR REFORM

We propose a ‘choice-based’ funding model for the school sector. Under this model, families would be given real choice because school zoning, the Berlin Wall of education opportunity, would be torn down and funding would follow students. Under the model, the ultimate accountability will lie with parents, not bureaucracies.

The programme’s key components are:

- Abolish current zoning rules. In particular, the right to attend the ‘nearest school’ would be removed and school and enrolment criteria would be set by the school, rather than centrally.
- School funding would be tied to each student, so all schools – whether public, private, not-for-profit, for-profit, community or church – would receive the same funding for similar students.

²⁸ Hughes, David et al (1996) *Markets in Education: Testing the Polarisation Thesis*, The Smithfield Project, Fourth Report to the Ministry of Education, p 14.

²⁹ See Gaffney, M and Smith, AB (2001) ‘An Evaluation of New Zealand’s Targeted Individual Entitlement Scheme’ in Hepburn, CR (ed), *Can the Market Save our Schools?*, The Fraser Institute, Vancouver.

- Per-student funding amounts would be made up of a base level of funding, with top-ups that provide additional funding aimed at overcoming students' barriers to learning, broadly defined. For example, additional funding could be incorporated in the per-student funding levels to help schools meet the needs of children from low-income families.
- School funding would be comprehensive, incorporating the costs of delivering the curriculum, as well as meeting school operating and property costs.
- All schools that received funding would need to be 'registered' and subject to appropriate accountability requirements, including the requirement to participate in national tests, report on student outcomes (using a variety of measures), and be subject to ERO, or equivalent, school reviews.
- Unlike the current situation, all schools would be funded in cash and would determine how best to spend that money.

These proposals are, in general, consistent with the experience in the large number of countries that operate 'choice-based' school funding systems. They are also consistent with a proposal set out in a recent Education Forum Briefing Paper, Education Modernisation and School Choice, by Andrew J Rotherham of the Progressive Policy Institute, a Washington-based think-tank affiliated to the Democratic Party.

Such a system could be introduced in New Zealand. In fact, many of its underlying elements already exist, or have existed recently. Private schools currently receive per-student subsidies. The operations grant, which includes payments to schools to meet their operating expenses, is paid in cash. A system of bulk funding of teachers' salaries was in place for a decade until it was recently cancelled, and it proved both popular and eminently workable. There is already a close link between student numbers, on the one hand, and the subsidies that a school receives on the other. School zoning was abolished in the early 1990s, but has been successively reintroduced and tightened – for entirely political reasons, rather than any demonstrated negative impacts. In addition, the experience of other countries with independent school funding – for example Australia – could usefully inform the detailed policy development process in New Zealand.

2

A new deal for teachers: the new professionals

Choice – Opportunity – Equity

MAKING THE CASE FOR CHANGE

In New Zealand today, there are over 40,000 teachers in state schools and, each year, some 2,000 graduates begin their teaching career. Yet, the profession is in crisis. An ageing workforce, an increasing imbalance between male and female teachers, heavy workloads, low salaries, and bureaucratic micro-management of schools are all contributors to, and symptoms of, this crisis. The statistics speak for themselves. The average age of the teaching force is 49 and rising. While teachers in New Zealand are well paid relative to the general taxpayer (average salary of \$50,251 in 2001), and are ‘middle of the pack’ on international comparisons, their salaries are low relative to other professions and their skills are easily transferable. There has been some improvement in recent years (see Figure 3), but more remains to be done if teaching is to be a financially attractive career option for top graduates. Evidence from other countries suggests that it is becoming more difficult to recruit such students into teaching. The reversal of this trend requires reforming how teachers are paid and how they are recruited.

The increasing centralisation of the system is fuelling the crisis. Teachers become functionaries of an ever more complex system with less time to teach. Schools are often plagued by centrally driven programmes that may or may not be evidence-based. Attempts to define teacher quality centrally (for example, in terms of length of pre-service training) are often counterproductive. Principals cannot adequately reward high performers, and it

is difficult to ease out poor performers. Good teachers are under-paid, as are principals and others in leadership positions. This centralised approach is also at odds with teaching as a profession in so far as professionals are usually trusted to exercise their professional knowledge and skills independently and in a non-routine manner in the interests of their students. In addition, principals spend more and more time on compliance, and are less able to provide educational leadership. As Auckland University education professor John Hattie has noted, New Zealand principals already spend the greatest amount of time in administration compared with other OECD countries.³⁰

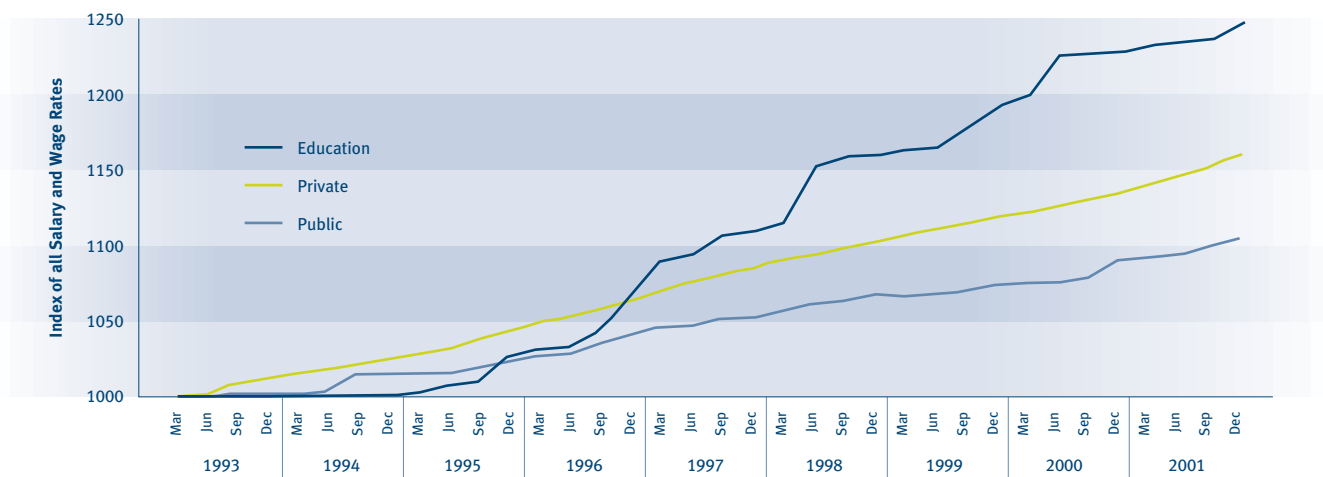
Under current arrangements, teacher salaries are negotiated centrally by the Ministry of Education. Those salaries depend mainly on qualifications and time served. There is only a limited performance component to pay, and the teacher salary scale is largely one-size-fits-all, though it allows for some differentiation across regions or for hard-to-staff schools and subjects.

Teacher pay arrangements are a significant contributor to the current crisis in teaching. We must address the twin issues of *how much* and *how* teachers are paid if we are to attract the best and brightest into the teaching profession.

³⁰ Hattie, John (2003) Presentation to Knowledge Wave 2003 – the Leadership Forum, Auckland, www.knowledgewave.org.nz, p 2.

Teacher pay arrangements are a relic of the past and are out of step with both the needs of a modern labour market and arrangements in other professions ...

FIGURE 3: PAY MOVEMENT COMPARISONS BETWEEN THE PRIVATE, PUBLIC AND EDUCATION SECTORS 1993–2001



Source: Statistics New Zealand, Labour Cost Index.

Teacher pay arrangements are a relic of the past and are out of step with both the needs of a modern labour market and arrangements in other professions such as accountancy and law. A centralised system has a number of adverse effects on the teacher labour market. It results in skilled teachers being paid too little and weaker teachers being paid too much. Because teachers are paid on a lockstep scale, it is impossible to attract good teachers to struggling schools. The same goes for hard-to-staff subject areas – typically those where there is competition from other sectors – for example, mathematics, physics, physical education, Te Reo Maori and computing.³¹

A second area of reform is teacher registration. Under current rules, all schools and free kindergarten associations must employ only teachers with a current practising certificate, or a limited authority to teach (LATT). Kura kaupapa Maori are the only schools exempt from these registration requirements. Registration is optional for teachers in other parts

³¹ See Hassel, Bryan C (2002) Better Pay for Better Teaching: Making Teacher Compensation Pay Off in an Age of Accountability, Progressive Policy Institute, 29 May, www.ppionline.org.

of the general education system, such as early childhood centres and tertiary institutions, although the government is currently phasing in registration for all teachers at the early childhood level. Schools can employ unregistered teachers under a LATT. This allows them to be employed temporarily for a period set by the New Zealand Teachers Council.

There are three forms of registration: provisional (teachers with under two years experience); registration subject to confirmation (experienced teacher who has not taught for two, out of the previous five, years in New Zealand); full registration (teacher who has, within the past five years, completed satisfactorily two years employment as a teacher in New Zealand). In 2001, the great majority of teachers in New Zealand were registered, with 84 percent having full registration and 14 percent being either provisionally registered or registered subject to confirmation.

While the objectives of teacher registration are laudable – safeguarding children while they are at school and ensuring a minimum quality standard for classroom teachers – teacher registration does not actually achieve these objectives. Plus, it is questionable whether any centralised system can provide quality assurance in the education sector, as Frederick Hess, an analyst at the American Enterprise Institute, a US think-tank, has noted:

While there is some agreement on what teachers should know, there is no consensus on how to train good teachers or ensure that they have mastered essential skills or knowledge. Debate rages over what the best pedagogical strategies are, and even proponents of the existing system cannot define a clear set of concrete skills that make for a good teacher. Despite the absence of widely accepted pedagogical standards, aspiring teachers are forced to run the gauntlet of courses, requirements, and procedures created by accredited training programs that vary dramatically in quality.³²

While the gains from registration may be small, its associated costs are tangible and significant. Teacher registration can introduce hurdles that raise the cost of teaching and discourage individuals from entering the profession, thereby reducing the pool of potential teachers.

³² Hess, Frederick M (2001) *Tear Down This Wall: The Case for a Radical Overhaul of Teacher Certification*, Progressive Policy Institute, 21st Century Schools Project, Washington, DC, p 1, www.ppionline.org.

We must improve the attractiveness of teaching as a career option and raise the professional status of the teaching force. Reforms to make that happen would include flexible teacher pay arrangements, changes to teacher registration, and the devolution of increased decision-making powers to teachers and principals.

A NEW DEAL: MAKING EDUCATION WORK FOR ALL NEW ZEALANDERS

STRATEGIES FOR REFORM

We must improve the attractiveness of teaching as a career option and raise the professional status of the teaching force. Reforms to make that happen would include flexible teacher pay arrangements, changes to teacher registration, and the devolution of increased decision-making powers to teachers and principals.

The introduction of increased choice for families would also be expected to change the teaching profession by demanding teachers with different characteristics such as tertiary qualifications in some subject areas, especially mathematics and science, and capable of making greater effort and accepting higher levels of independence.³³

The key elements of the teaching reforms required are:

- Introduce a more generous and flexible teacher pay system that delivers higher pay to good teachers; provides for a broad salary variation across subjects, locations and schools; is more reliant on site-based and individual agreements; and allows principals to reward high performance.
- Broaden the routes to teacher registration to encourage ongoing renewal of the profession. For example, prospective teachers could be required to meet only a minimal set of registration requirements, relating to education, demonstrated competency in their subject, and criminal background checks.
- Individual schools or groups of schools would have more flexibility to make the arrangements necessary to ensure that teachers are prepared, inducted and supervised in a manner that suits the task at hand.
- Encourage more options in teacher training. Over 90 percent of all enrolments in non-early childhood teacher training programmes (which are not the focus of this report) are in colleges of education and universities (55.8 percent and 35.2 percent respectively). Only 3.2 percent are in private training establishments.
- Current approaches to teacher training in state institutions should be reviewed to ensure that they meet world-best standards. This would include examining the use of more practically oriented approaches to teacher training.
- Give principals and teachers greater decision-making power around issues such as the curriculum.

³³ See Hoxby, Caroline M (2000) *Would School Choice Change the Teaching Profession?*, NBER Working Paper No 7866, and Hoxby, Caroline M (2001) 'Changing the Profession', *Education Next*, Spring, www.educationnext.org.

3

A new deal for results: accountability through testing

Choice – Opportunity – Equity

MAKING THE CASE FOR CHANGE

A key element of the reform strategy is to make schools more accountable to families for the delivery of education. Strengthened accountability of schools to their customers can take many forms, including measuring school performance, disseminating information on school performance to parents, administrators and policymakers, and introducing rewards for good performance or sanctions for poor performance.

The centralised nature of education regulation in New Zealand means that wrong decisions have significant impacts – if we get education policy wrong, we get it wrong in a big way. We do not have the luxury of different jurisdictions or a large independent school sector to provide policy comparators and judge the effectiveness of alternative policies. It also means that weaknesses in the system are either not identified or are not acted upon – either early, or at all. These concerns are exacerbated by the ‘tight-knit’ nature of the education community, the lack of ‘hard’ data on system performance and, again, the small size of the independent sector. A decentralised system can provide for increased sector learning about what does and does not work in education. In that way, a decentralised system can be seen as providing ongoing feedback that can lead to continuous improvement in both policy and pedagogy.

Consumer magazine provides more comparative (and more sophisticated) information on an average toaster, DVD player or lawn mower than is available on an average school.

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However, such a system works only if all components are measured by a common yardstick: a national test. The government will have to enforce fewer, but more significant, demands on schools around student performance rather than process, which means closing schools or dismissing staff when necessary. The final component of our proposed reform programme is to strengthen the institutions whose role it is to support the functioning of the education market.

On their own, the introduction of increased choice and competition in schooling will provide for much improved accountability. Schools that do not deliver the quality of tuition desired by families will face swift accountability in the form of reduced enrolments and funding. Governing boards and management teams that are not up to the task will need to improve their game or face replacement by others seeking to use the school facilities.

Reforms to strengthen accountability would complement and reinforce the benefits of reforms aimed at increasing the degree of choice and competition in the school system, and would give schools increased flexibility to manage their own affairs. Such reforms would sharpen incentives for schools to deliver quality instruction by providing families with improved information upon which to make schooling decisions, and by introducing additional financial rewards and sanctions based on schools' performance. A key component of increasing accountability would be to provide parents with more and better information on a range of school indicators. As noted at the outset of this document, there is currently very little information being made available on school performance. Indeed, the publication of information that would allow comparisons of school performance is actively discouraged.

So, parents and students have little information at their disposal to make informed schooling decisions; schools have fewer feedback mechanisms to assess areas of strengths and weaknesses; and the Ministry of Education has less information available upon which to gauge the performance of schools. The absence of information means that parents must make critical schooling decisions on the basis of other factors such as anecdotal information or the decile ratings of schools, neither of which is necessarily related to the quality of instruction at a school. It is certainly true that Consumer magazine provides more comparative (and more sophisticated) information on an average toaster, DVD player or lawn mower than is available on an average school.

New Zealand's experience with the reforms of the late 1980s/1990s has yielded some important lessons that should inform the reforms outlined in this report. One of the key weaknesses in New Zealand's earlier reform efforts was the absence of strong supporting institutions. There are several examples of this lack of support. First, the expansion of choice through dezoning in the early 1990s was not accompanied by a significant opening up of the supply side of the market: private schools were only partially funded, there were few avenues for popular schools to take over other less popular schools, school property was rationed to popular schools, few schools were approved under the auspices of section 156 of the Education Act 1989, and it proved difficult, in practice, to close schools. As a result, many of the beneficial effects that could have been expected from the reforms were lost.

Second, families were provided with little information to support their educational decisions. Although the ERO has played a valuable role in terms of school review, much of its focus is on school processes rather than academic results, and its overall performance has been hindered by a lack of appropriate instruments to inform parents. The absence of good information on school performance has doubtless been partly responsible for the use of indicators such as school decile ratings as a means of 'grading' schools. Recent moves to increase reporting requirements on schools, and the reporting of National Certificate of Educational Achievement (NCEA) results, could help to fill this information gap. However, more must be done to strengthen accountability and improve information. The introduction of national assessment has been proposed in the past, but has been defeated mainly because of teacher union opposition.

Third, the nature of the accountability framework for schools needs to be changed radically. At present, there is an excessive – and growing – focus on process-oriented accountability, centralised bureaucratic micro-management of the sector and detailed regulation of what schools can and cannot do. Such a system, with its focus on procedures, processes and paperwork, rather than results, can generate undesirable outcomes and perverse incentives for principals and teachers.³⁴ Effective delivery of education requires a significant degree of local variation and discretion at the school and classroom level, which is impossible under a system characterised by rigid rules that tie the hands of boards of trustees, teachers and principals.

³⁴ Wolf, Patrick J and Bryan C Hassel (2001) 'Effectiveness and Accountability (Part I): The Compliance Model', in Finn, Chester E, Andrew J Rotherham, and Charles R Hokanson (eds) *Rethinking Special Education for a New Century*, Progressive Policy Institute and Thomas B Fordham Foundation, Washington DC.

... the lack of political will to close failing schools, has meant that struggling schools have continued to operate, rather than being closed or taken over.

The introduction of a results-based accountability framework for schools would provide a superior alternative to the existing regime of top-down, centralised micro-management of the school sector. Under such a system, boards of trustees, principals and schools would be given increased freedom to organise themselves as they saw fit, in exchange for being held accountable for delivering agreed education outcomes and results. The introduction of results-based accountability would see schools take increased responsibility for the achievement of education outcomes. It would also sharpen the incentives of schools to monitor the progress of students toward those goals and, where necessary, take action to address areas of concern. Under a results-based accountability system, schools would have more scope for innovative delivery and have the flexibility to organise themselves so as to meet the needs of the local community better. The removal of the regulatory strait-jacket would do much to improve the organisational climate of schools, by recognising the judgement, experience and skill of education professionals.

Fourth, the government has had limited powers to intervene in failing schools, which has meant that its response to concerns was often too little, too late. For example, the Ministry of Education could not require struggling schools to seek financial advice, nor could it easily replace a struggling board of trustees. Bureaucratic rules have meant that efforts to reorganise schooling have been made more difficult and taken far longer than they needed to. This has been exacerbated by the lack of political will to close failing schools, which has meant that struggling schools have continued to operate, rather than being closed or taken over.

At the same time, support mechanisms for failing schools have been inadequate. The school support scheme, for example, was not introduced until the mid-1990s to work with failing schools. Where problems arose at individual schools, these were either not addressed or addressed too late in the piece.

Recent legislative changes have gone some way towards addressing these shortcomings by providing the government with increased powers of intervention when schools are deemed to be failing. A concern remains, however, that there is little robust information upon which to base that assessment. A system of national assessment would assist greatly in that regard by providing comprehensive and timely information on school performance.

To ensure that strong institutions are in place to support these market-based reforms, we propose a range of solutions. Broadly, they would be aimed at supporting choice through the provision of improved information, ensuring that the rules around setting up a school are flexible, making school management more flexible and responsive to results or lack thereof, and ensuring that schools can be closed more easily than at present, in cases of non-performance.

STRATEGIES FOR REFORM

National assessment and information

We do not attempt to set out a detailed system of school accountability in this document. Nonetheless, a key component of the new system of school accountability would be the introduction of national assessment. National testing is not perfect, and is by no means the only factor that should be considered in assessing school performance, but it can have many benefits. It is one of the few sources of objective information on school performance and provides a consistent, useful benchmark to compare schools across communities and over time. Research by Ludger Woessmann of the Kiel Institute of World Economics shows that, other things being equal, students in countries with centralised exams scored 16 points higher in mathematics and 11 points higher in science on TIMSS (although the science result was not statistically significant) than students in countries without centralised examinations.³⁵

We recommend that a system of national assessment be introduced in state primary schools, concentrating initially on literacy and numeracy. The aim of the system should be to provide an early warning system for learning weaknesses. While the details need to be worked through, one of the fundamentals of the system should be to ‘test early and test often’. The curriculum should be specified in terms of content and expected levels of achievement. The results should be published at both national and school levels in terms of the proportions of the age group reaching the required levels.

35 Woessmann, Ludger (2001) ‘Why Students in Some Countries Do Better’, *Education Matters*, Summer, www.educationnext.org.

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A system of national testing would need to be carefully designed and administered to ensure that it provided a true reflection of the performance of students in a school, provided appropriate incentives on schools and was not subject to gaming by individual schools. There is no question such a system would be imperfect. However, it is likely to be far less imperfect than the ‘information vacuum’ that characterises the existing system.

In addition, any set of accountability reforms should include a requirement that schools provide certain information to parents and the Ministry of Education as a condition of receipt of student subsidies. This information would focus on outcome measures and not information related to inputs or process. For example, schools should be required to provide information on:

- scores on standardised tests;
- curriculum and any particular school specialisations;
- qualifications available;
- student attendance rates;
- graduation rates;
- mission and philosophy of school;
- teaching methods employed;
- statistics on number of students suspended or stood down annually;
- qualifications of teachers and administrators.

State schools would also be required to provide information that reflected the fact they are state-owned, including financial and audit reports. All schools would continue to be subject to inspections by the ERO or an equivalent body.

School review and inspection

School inspections would continue, but with a greater emphasis placed on the quality of teaching and student achievement, rather than process. This would be possible by making use of the data available from the system of national assessment that would be introduced. The ERO would continue to be the main provider of school review and inspection, although schools would be allowed to employ private school review and assessment services. These would be especially important in fields such as ICT, where specific technical skills are required. Private sector firms or other schools could, for example,

provide such services. The ERO should develop and employ improved tools for assessing schools. Schools would also be encouraged to make increased use of other quality assurance mechanisms such as accreditation.

School management

Schools should be given increased decision-making powers. Recent years have seen a trend toward increasing regulation and centralisation of decision making. To achieve the return of the self-managing school, we propose that all schools would be bulk-funded and school managers would be free to determine how funding should be allocated to meet students' needs, including setting their own staffing structures. Schools would be free to set their own enrolment schemes. This would include the ability to determine school zones, in consultation with neighbouring schools, and to decide the criteria for determining priority in the event of overcrowding.

Schools should be free to determine their own curriculum, subject to a minimal core. Curriculum development services would be corporatised or privatised. Schools would be free to determine the curriculum and exit qualification(s) that best suited their students and circumstances. Schools would be funded directly for both. A review of all regulations pertaining to schools should be undertaken with the objective of eliminating all regulations that serve no useful purpose.

School entry and closure

School entry should be liberalised so that new schools could be set up, or existing ones converted, to meet the needs of the local community better. As a result, we would expect to see an increase in the range of schools operating, some with particular specialisations such as arts or at-risk students. This has been the experience with charter schools in the United States. High-performing schools would be free to take over non-performing schools.

Schools that do not deliver what the market expects should be allowed to fail or be taken over by other governing boards and management teams. Existing legislative and other restrictions would be removed so that school re-organisations could happen more easily where required. Boards of trustees could, if they wanted, contract out the delivery of education (either all or some parts of the curriculum) to external providers.

... one thing is clear: reforms that only tinker with the current system are destined to fail because they do not address the root problem of the government's monopoly on education.

CONCLUSION

The impacts of the monopoly nature of education can only increase as the school population becomes more heterogeneous – in terms of ethnicity, ability, and post-school aspiration. Against the trend of increasing diversity in the school population, the recent direction in school policy has been towards yet more uniformity and centralisation.

This report has outlined a comprehensive and integrated move forward in schooling policy. Its underlying principles – choice, decentralisation of decision making, increased self-management of schools and increased accountability – represent a significant evolution from existing policies. The proposed reforms use regulation sparingly to focus the government and schools on delivering results – through testing – and remove arbitrary restrictions on how schools choose to deliver academic results. This focus of accountability will shift from the centre to the periphery – from central bureaucracies to informed parents. The reforms are comprehensive, but much detail remains to be worked through, including transition arrangements.

While the teacher union leadership may oppose these measures, many teachers and principals will, individually, welcome such reforms because they offer an opportunity to exercise their professional knowledge and expertise without constantly having to look over their shoulders at official 'minders'. They will accept accountability to parents for academic excellence as inherent in a teacher's role. They will relish the opportunity to make key curricula and other educational decisions and to participate in a professional, collegiate environment in which such decision-making powers reside. Many parents will welcome the changes given the increased choice and focus on the needs of students under such a system. More active and informed parental involvement would encourage and challenge schools.

Finally, one thing is clear: reforms that only tinker with the current system are destined to fail because they do not address the root problem of the government's monopoly on education. Minor steps forward such as loosening the enrolment scheme legislation, bulk funding of teacher salaries, or re-launching the TIE scheme, while good, will be insufficient, especially for those who are, at present, being poorly served.

Reform of the school sector as a means of improving educational outcomes – especially for those at the bottom end – will not be easy. This document sets out the Education Forum’s vision for a future school sector that is built around the needs of students and families. However, in one sense, it is not a vision piece at all. One of the major benefits of the system outlined herein is that it does not attempt to specify a single ‘top-down’ solution or set of solutions to address the needs of the sector. Instead, it puts in place an environment in which school boards, teachers, principals and families work together to create a new and ever-changing evolving school sector.

Such a system requires a new way of thinking about the role and nature of government. Rather than controlling inputs, the government would focus on providing an effective policy framework for the sector, requiring schools to provide information to families, defining expected standards of performance and holding schools to account for their performance. It does not call for a dismantling of government, as some will argue. Rather, it represents a new and more appropriate role for government.

Will these reforms make the school sector in New Zealand perfect? Of course not. No system with 40,000 teachers and over 700,000 students will ever be perfect. The question is whether these reforms will make the system markedly better for students, families, and education professionals. We believe they will.