Executive Summary

In recent years, an increasing number of education systems in OECD and partner countries have welcomed the involvement of private entities, including parents, non-governmental organisations and enterprises, in funding and managing schools. Part of the interest in broadening the responsibility for schools beyond the government is to provide greater choice for parents and students and to spur creativity and innovation within schools, themselves. This report examines how private involvement in managing and funding schools is related to socio-economic stratification between publicly and privately managed schools.

Stratification, which, in this report, means creating "classes" of students according to their socio-economic backgrounds, can lead to unequal educational opportunities and outcomes, and can undermine social cohesion. Students who attend schools that have access to more resources and offer a supportive learning environment are more likely to perform better than students who attend schools with neither of these advantages. How children perform in school can have a great impact on their prospects in life later on. This report examines whether those countries that manage to have low levels of socio-economic stratification in their education systems – and thereby maximise equity and social cohesion – can, at the same time, have efficient – that is, high-performing – education systems as well.

Why do more advantaged parents tend to send their children to privately managed schools than disadvantaged parents do? One reason could be that parents believe that these schools offer a better education, an environment more conducive to learning, additional resources, and better policies and practices; and advantaged parents are more informed or aware of the differences in quality across schools. Indeed, results from PISA show that, in most countries, privately managed schools tend to have more autonomy, better resources, and perform better on the PISA reading scale than publicly managed schools. However, PISA finds that, in all countries, privately managed schools seem to attract advantaged students largely because their student bodies are advantaged. Indeed, **in most PISA-participating countries and economies, the average socio-economic background of students who attend privately managed schools is more advantaged than that of those who attend public schools.** Why, then, is socio-economic stratification more pronounced in some countries than in others?

Results show that while the prevalence of privately managed schools in a country is not related to stratification, the level of public funding to privately managed schools is. In Sweden, Finland, the Netherlands, the Slovak Republic and the partner economy Hong Kong-China, principals in privately managed schools reported that over 90% of school funding comes from the government, while in Slovenia, Germany, Belgium, Hungary, Luxembourg and Ireland, between 80% and 90% of funding for privately managed school does. In contrast, in the United Kingdom, Greece, the United States, Mexico, and the partner countries and economies Albania, Kyrgyzstan, Tunisia, Uruguay, Dubai (UAE), Qatar and Jordan, 1% or less of funding for privately managed schools comes from the government; in New Zealand and the partner countries and economies Panama, Brazil, Chinese Taipei, Kazakhstan, Peru and Shanghai-China, between 1% and 10% does.

In those countries where privately managed schools receive higher proportions of public funding, there is less stratification between publicly and privately managed schools. Across OECD countries, 45% of the variation in stratification can be accounted for by the level of public funding to privately managed schools; across all participating countries, 35% of the variation in stratification can be accounted for in this way.

There are many ways of providing public funding to privately managed schools. One way is through vouchers and tuition tax credits, which assist parents directly. The two types of voucher systems considered in this report, universal voucher systems, in which vouchers are available to all students, and targeted voucher systems, in which vouchers are provided only to disadvantaged students, have different effects on socio-economic stratification.

If school vouchers are available for all students, they could help to expand the choice of schools available to parents and promote competition among schools. School vouchers that target only disadvantaged students address equity issues, but they have a limited effect on expanding school choice and promoting competition among schools overall. An analysis of PISA data shows that **universal voucher systems tend to have twice the degree of stratification as targeted voucher systems.**

However, an analysis of PISA findings also shows that **providing more public funding for privately managed schools will not necessarily eliminate stratification between publicly and privately managed schools in all countries.** In some countries, socio-economic stratification is mainly explained by the fact that parents must pay more to send their children to privately managed schools; but in other countries, school fees do not explain stratification completely. Other school characteristics, such as a school's student-admittance criteria, academic performance, policies, practices and learning environment are also partly related to stratification. These aspects, which are not related to funding, also need to be considered when devising policies to reduce stratification between publicly and privately managed schools.

Crucially, PISA results also show that those countries that have low levels of socio-economic stratification also tend to have better overall performance. That means that policy makers – and ultimately parents and students – do not have to choose between equity/social cohesion and strong performance in their school systems. The two are not mutually exclusive.