

EDUCATION VOUCHERS: THE BASICS

This brief note gives the basics on vouchers. It is intended for those with a general, but non-specialist interest in vouchers. Any further questions, contact Clive Belfield at cb2001@columbia.edu. (With thanks to Professor Rouse of Princeton University for comments on an earlier draft).

1. What is an education voucher?

An education voucher is a coupon that could be used toward tuition at any school approved by the government to redeem it. A voucher-coupon would be an alternative to the current system of funding education in the US. Such a coupon could be issued by the local school district, by the State or by the Federal Department of Education.

Parents with children of school age would be given a voucher, which they would redeem by enrolling their children in an “approved” school, one that meets certain requirements. In effect, the voucher would entitle the family to use it as payment for schooling from eligible educational providers.

Although the idea of a voucher is simple, education coupons – just like grocery coupons – could come in many different varieties. How the coupon is designed makes a big difference on prospective costs and benefits of vouchers to both the user and society.

Vouchers can be designed in terms of:

- *Finance (how much is the voucher worth?)*

Larger-value vouchers would provide greater choice and higher quality choices than smaller vouchers. The ability of parents to add to the voucher would provide more and higher quality options for those who could afford it. Vouchers that were sized to educational need could emphasize equity.

- *Regulation (what are the terms of the voucher?)*

Regulations would limit the types of schools that vouchers could be used at in terms of curriculum, religious options, testing requirements, and admissions practices.

- *Support services*

Availability of transportation to and information on alternative schools would influence accessibility and informed choice.

Vouchers can be evaluated in how they affect:

- *Freedom of choice*

How many and what types of options are available?

- *Productive efficiency (in schools and at higher administrative levels)*

How does the voucher plan improve resource use?

- *Equity*

How would educational opportunities be distributed?

- *Social cohesion*

How would the voucher plan contribute to the common values and democratic practices for which we expect schools to prepare students?

2. Should we introduce vouchers into US education?

The issues surrounding educational vouchers are complex and depend heavily on the type of plan that is being considered. Clearly there are both potential benefits and potential costs that must be taken into account.

A- What might be the benefits of introducing vouchers?

The benefits of a voucher plan depend on how it is designed. Those who assert that voucher programs will increase benefits to society suggest that they:

- Allow parents greater *freedom of choice* in enrollment. The voucher may be valid at a range of schools, allowing parents to find a school that best meets their needs.
- Allow parents more *freedom of choice* on the amount they spend on education. Parents can redeem the coupon and may be able to spend extra (i.e. more than the voucher value) on education.
- Create competition among schools, raising their *productive efficiency*.
- Clarify to parents what the educational entitlement is. If the voucher is stated as \$4000, the parents can compare different schools with a tuition of \$4000. This accountability may raise schools' *productive efficiency*.
- Permit students from schools in segregated neighborhoods to choose schools that are racially and socio-economically diverse.

B- What might be the costs of introducing vouchers?

The costs of a voucher plan depend on how it is designed. Those who assert that voucher programs will increase costs to society suggest that:

- Parents may choose schooling that fails to provide a common set of values and knowledge necessary to future democratic functioning and that segregates people from others, thus undermining *social cohesion*.
- Students who are limited to the basic voucher may be forced to cluster together because of limited resources. If the voucher is a flat amount (say \$4000) only those from wealthier families will be able to add to the voucher and send their children to better schools than those from poorer families, undermining *equity*.
- High quality schools may not expand enrollments, because their quality is measured by their 'exclusivity'. This would reduce *productive efficiency*.
- Schools may seek to obtain enrollees through the use of public relations and inappropriate advertising at the expense of ignoring less visible and more important quality dimensions, reducing *productive efficiency*.

C- Practical issues

There may also be some practical issues in implementing a voucher plan:

- The high costs of record-keeping for assigning vouchers to individual students as well as monitoring school eligibility and providing information and transportation may substantially increase the non-instructional costs of the educational system, reducing *productive efficiency*.
- It is difficult to set an agreed value for a voucher.
- Given public opinion polls showing high support for public schools, there may be strong political opposition to vouchers, raising the costs of introducing them.

3. What vouchers plans exist?

In the US, the voucher programs that currently exist are small-scale. (Such programs were not necessarily designed to be small-scale). In the US, the small-scale voucher programs include:

- Florida Opportunity Scholarship Program
- Milwaukee Parental Choice Program
- Cleveland Scholarship and Tutoring Program

Internationally, there is a large-scale voucher program in Chile; and other education reforms may share some of the characteristics of vouchers, e.g. those in New Zealand or England.

4. What evidence is there on the costs and benefits of voucher plans?

A– Direct Evaluations of Voucher Plans

In evaluations of the Milwaukee Choice Program:

- Parents were found to be more satisfied with their choice schools than with their former schools.
- Three different studies of achievement generated mixed results and controversy. One study found no difference in achievement for voucher students, a second found advantages for voucher students in both reading and mathematics, and a third found no difference in reading and a modest advantage in mathematics.

B– Direct Experiments

Three related voucher experiments have been conducted: in Dayton Ohio, Washington DC and New York City. These experiments involved the random allocation of vouchers among families that had applied for that option, with between 400-1000 students at each site. The voucher was valued at about \$1500 for three years of attendance at any school. The experiment tested whether those students who received a voucher had higher educational outcomes.

- For African American students after two years of switching from public to non-public schools there was a moderate improvement in achievement.
- For other groups, achievement effects were not found.

C– General Knowledge

There are academic reviews of private schooling and competition. Reviews of research indicate: modest, positive results for student achievement and attainment in private schools under some circumstances; and that competition is associated with higher achievement and attainment, again under some conditions (see Occasional Papers #3 and #35 at www.ncspe.org). The effects are moderate though. In addition, economists have used models to simulate the effects of vouchers, with mixed results.

5. What evidence on voucher plans do we still need?

A number of questions that need to be answered are:

- What is the relative size of the costs against the benefits?
- Which groups benefit? And which groups lose?
- Would a new supply of schools grow adequately in response?
- What is the difference between a small-scale voucher plan, and a large-scale one?
- What value should the voucher be set at? Should it differ for different types of students?
- What are the trade-offs between potential gains in efficiency and potential losses of social cohesion?
- How can we assure that equity and common goals such as preparation for democratic values, knowledge, and participation would be served?

February 2002