

POLICY PAPER SERIES

IZA Policy Paper No. 137

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The Case of a Student Voucher System in  
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## ABSTRACT

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### **Policy Experimentation and Impact Evaluation: The Case of a Student Voucher System in New Zealand**

While economic and political ideologies play an important role in the design of economic policies, in practice and regardless of ideology, the policies that stand the test of time are those that suitably meet policy objectives. The deregulation of schools in New Zealand, also known as Tomorrow's Schools, has drawn significant international attention due to its pioneering nature (following Sweden), and its history. In this paper the deregulation of schools in New Zealand since the 1990s is discussed to examine the role of policy outcomes and evaluations in continued policy design. The analysis in the paper highlights the significance of policy evaluations in guiding policy-retention and fine-tuning.

**JEL Classification:** I20, I21, I28, I24

**Keywords:** policy evaluation, student voucher system, Tomorrow's Schools, hybrid policies

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## **1. Introduction**

The deregulation of schools in New Zealand, also known as Tomorrow's Schools, has drawn significant international attention due to its pioneering nature (following Sweden), and its history.

New Zealand has a long history of public provision of primary and secondary education. The deregulation of schools in New Zealand was implemented from 1989 to the early 1990s, following a series of deregulations and privatisations (such as in the financial sector) in the mid-1980s. The predominant economic ideology behind the school deregulation policy was reliance on decentralisation of school management and competition among schools, to provide greater efficiency. It was also envisaged that the policy would provide parents with a choice of schools for their children, greater student access to better-performing schools, and better academic achievement. The policy experiment (significantly reformed by year 2000) provides a number of useful lessons regarding both positive and negative outcomes of the schools' deregulation policy. These outcomes included major unintended consequences relating to equity and efficiency, and the required role of government.

Tomorrow's Schools, as implemented in 1989, had the following features. New Zealand schools became autonomous entities within a short span of time. Schools were required to elect boards of trustees from among parents, and those school boards became the employer of the school's teaching and professional staff. Student enrolment numbers largely, although not exclusively, determined government funding. In addition, a business-oriented approach to school management was introduced.

That part of New Zealand's education reforms related to student enrolment is internationally referred to as a 'voucher system'—a term that now refers to a wide range of policy designs involving parental choice of school. The existing policies generally do not involve a physical exchange of vouchers, but they have some characteristics in common: some provision for enrolment at a school other than the one nearest to a student's home; government funding that is connected to student numbers; and thereby a degree of competition among schools to attract students. New Zealand's school reforms of 1989 share these characteristics.

New Zealand's school reforms attracted international attention partly due to their pioneering nature, and their complete and universal implementation within a short span of time. However, what is noteworthy about the New Zealand system is the role of ideology in the initial design of the policy, and its pioneering nature. Further note has been taken internationally of the adjustments that became necessary since the implementation of Tomorrow's Schools, in particular those made within the first decade of the policy's introduction.

The aim of this paper is to provide an overview of some of the major features of the policy ideologies and later reforms in relation to parental choice and student access, and the role of government in the management of schools.

Section two in this paper covers the initial policy ideology and objectives of Tomorrow's Schools. Sections three and four cover the complexities of policy implementations and the lessons learned. Section five covers the role of policy evaluations and empirical evidence. Policy revisions and hybrid policy outcomes are noted in Section six, followed by concluding remarks in Section seven.<sup>1</sup>

## **2. Policy Ideology and Objectives**

During the 1980s and early 1990s, New Zealand introduced a number of major and pioneering policy reforms. These policies generally reduced regulation and increased privatisation. These policies also enhanced the role of market forces and competition in the provision of previously publicly-provided services.

New Zealand's education reforms were introduced against the backdrop of the market-oriented reforms of the 1980s. These reforms had already deregulated financial and other markets, with general support. Further changes in employment contracts and immigration policies were under preparation. Having a coherent set of policies that increased the role of markets was appealing at the time, although extending the role of market forces to social welfare, education and health ventured into uncharted territories. But there was a general ideological belief within the government of the time that the public sector was less efficient than the private sector, and that it was influenced by bureaucracy, impeding innovation or efficiency (New Zealand Treasury, 1987; Department of Education, 1988; Report of the Taskforce to Review Education [The Picot Report], 1988). The Picot Report (1988) described

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<sup>1</sup> For an overview of the school system in New Zealand, the reader may refer to OECD (2010), Papers 1 and 2.

the centralised bureaucracy of the education system as cumbersome and expensive, and as having 'good people' in a 'bad system' (Report of the Taskforce to Review Education [The Picot Report], 1988; Lange, 1999).

Further, the main ideological premise on which the policies establishing Tomorrow's Schools were based was that parental choice of school allowed the demand side of the market to influence outcomes more effectively, including for students from lower socioeconomic backgrounds and minorities (Department of Education, 1988; Lange, 1999).

The policies establishing Tomorrow's Schools were not implemented in a vacuum. At the time, the environment was ripe for reforms to the education management system. There was strong support for increased access to better education, decreased bureaucracy, and increased autonomy of schools (Department of Education, 1988; Lange, 1999).

The administration of public education in New Zealand since the Education Act of 1877 was based on a centralised system controlled by the government. In this system, regional boards monitored schools, while many decisions and approvals were made by the central government. During the decades preceding the Tomorrow's Schools reforms, the education system was criticised by parent groups, school principals and educationalists for its excessive bureaucratisation and central control (see Openshaw, 2014). The system was criticised for its lack of response to community and school needs. The idea of reforms had been raised in the past without much success (e.g. see Lange, 1999). An increasing number of academic studies further criticised the system by, for example, highlighting the challenges faced by urban Maori students in a system that did not adequately reflect their (Maori) cultural heritages (see in particular, Smith, G.H. 1987; and Smith, L.T. 1986).

Public support for the proposed educational reforms was further aided by two added factors. First, as part of the proposals for Tomorrow's Schools serious doubts were raised in relation to the quality of public education in New Zealand at the time, implicitly noting that excellence was the objective of policy changes. Incidentally, at the time, New Zealand pupils completed schooling years above the average among OECD countries (see e.g. de la Fuente, and Domenech, 2001). The average years of schooling in New Zealand of 11.86 years, in 1985, compared well with, for example, 10.48 years (Finland), 10.16 (France), 8.94 (Ireland), and 10.15 (UK), (de la Fuente, and Domenech, 2001, page 23). For the group of students who continued to upper secondary schooling, the curriculum was rigorous. However, the notably higher rates of early school leaving among students from lower socio-economic backgrounds and among Maori and Pacific Island teenagers also contributed to public acceptance of the need for change. Therefore, Tomorrow's Schools was also ideologically based on the premise

that enabling parents to choose the school their child attended would improve the relevance and quality of education, resulting in higher school retention rates and improvements in outcomes for at-risk students, leading to increased upward social mobility.

At the same time, strong concerns were voiced by educationalists, the strong secondary and primary teachers' unions, and some policy makers within the government regarding the introduction of market forces and competition among schools by means of Tomorrow's Schools policies (see, for example, Dale and Olga, 1991; Jones, 1990; Lauder, 1987; Lauder et al., 1988; McCulloch, 1991; Middleton, et al. 1990). In particular, while within the government there was clear agreement on the direction of economic policy reforms, there was not agreement on social policy reforms (i.e. social welfare, health, and education policy). The extensions of the reforms to social policy were somewhat problematic for the Labour government of the time, which saw these three areas as the bedrock of social policy (see, for example, Fancy, 2000). But Tomorrow's Schools policies were initially considered to be about parental voice and influence.

In addition, the recession of the 1980s had caused major government deficits, making a reduction in spending a priority.

The ideological features of New Zealand's education policy reforms of Tomorrow's Schools can be summarised based on:

1. the idea that state-owned enterprises were less productive and less efficient than those in the private sector
2. the belief that the old educational system had failed
3. the conviction that the reforms could make it better
4. the belief that the creation of school boards and parental involvement could meet community needs at the local level, and that the system would respond better to parents and minorities through elected school boards
5. the conviction that an emphasis on managerial effectiveness would develop
6. the principle of self-governing schools, which was at the centre of the reforms
7. the idea that schools should be able to spend their funding as they chose
8. the belief that school autonomy would allow schools to diversify their offerings
9. the belief that parental choice of out-of-zone enrolment would create market competition among schools for enrolments

10. the conviction that competition among schools creates more efficiency and creativity.

Overall, while the ideology of Tomorrow's Schools relied on greater choice and efficiency, an overarching ideology that was intended in the policy and superseded the above was that every child is entitled to educational opportunity through public education. Wide support for Tomorrow's Schools was to a great extent based on expected enhanced educational opportunity and outcomes (see for example, Department of Education, 1988; Report of the Taskforce to Review Education [The Picot Report], 1988; and Lange, 1999).

## **2.1 Efficiency through Market Forces**

New Zealand's Tomorrow's Schools educational reform policies were based on a demand and supply economic framework, and the notion that students can move freely among schools; where successful businesses (schools) would grow, and inefficient or low-quality schools would leave the market, making room for more productive providers. In practice, this ideological simplification of the education market was tested in the first few years of the policy's implementation and beyond (Cardow and Wilson, 2013).

Another ideological goal of the policy was to create a level playing field where private providers could grow in numbers. In addition, it was envisaged that based on a market-oriented system, private, and 'integrated schools' (private schools that receive funding in exchange for accountability to the government) would assume a greater role in the provision of education.<sup>2</sup>

## **2.2 Parental Choice and Influence**

A new enrolment system was implemented, where parents could select an out-of-zone school for their child, while they were guaranteed a place in their local school. Therefore, a major feature of Tomorrow's Schools, reforms was the introduction of parental choice of school for their child.

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<sup>2</sup> The New Zealand primary and secondary education system is mainly based on the public provision of education. Twenty years after the implementation of Tomorrow's Schools, 85 per cent of students were enrolled in public schools, 11 percent in State-integrated schools, and 4 per cent in private schools (OECD, 2010, page 7).



Initially, over-subscribed schools were required to use a lottery system to select out-of-zone applicants up to capacity.

### **2.3 Reduced Role of Government**

The New Zealand education reforms had two other major features. First, they changed the administration of schools, moving the role of government from that of an involved partner to that of a policy maker and funding agency. In keeping with this major change, the Department of Education was disestablished, and the Ministry of Education (MOE) was substituted.

Prior to the reforms, the Department of Education had a long tradition of partnership with schools and had provided teaching and curriculum advice to schools. The staff of the MOE that replaced it were, in contrast and by design, to be policy makers, reflecting the shift in the intended role of government in the management of schools.

A major operational change in the system was the decentralisation of authority. Schools became self-governing; but they were to have central direction from the government, and accountable to the MOE and the local community.

### **2.4 Cost Control (Bulk funding)**

Another objective of New Zealand's education reforms was to control the cost of education. This objective was partly ideological, with the goal of reducing the size of the public sector. But it also coincided with a large budget deficit that had developed due to hard economic times during the 1980s, and the reforms were seen as a way of managing costs.

The initial design of the policy relied on bulk funding of schools, such that elected school boards of trustees could negotiate teacher support and professional salary changes and hiring (Report of the Taskforce to Review Education [The Picot Report], 1988). Each school's individual bulk fund was intended to cover a variety of cost categories. The Picot Report (1988) recommended full bulk grants incorporating both teacher salaries and operating expenses. Schools could choose to increase salaries if they cut other expenses. Following public consultation, bulk funding was not included in the reform policy papers. But bulk funding, based on median salaries, was offered on a voluntary basis to public schools and was required for integrated (part private) schools.

### **3. Policy Implementation**

New Zealand's Tomorrow's Schools policies were implemented fully within a short span of time (Dale and Olga, 1991; Fiske and Ladd, 2000; Middleton, et al. 1990; Wylie, 1998).

Starting in the year 1989 the following policy changes were implemented:

#### **3.1 School Operation**

- Schools became self-governing.
- School boards were established (elected boards of trustees). Some 2700 school boards were established.
- Schools had to specify their mission statements, defining their goals and what they stood for.

#### **3.2 Role of Government**

- The Department of Education was disestablished and replaced with the Ministry of Education (MOE), which was more policy focused.
- The Education Review Office (ERO)<sup>3</sup> was established in 1989, to monitor schools on accountability of governance and management criteria.
- The New Zealand Qualifications Authority (NZQA) was established in 1989, for setting and monitoring quality standards for assessments and qualifications.
- The philosophy of curriculum design also changed from a set of concepts to be covered, to a set of general learning objectives (see for example, Irwin, 1999).
- A Targeted Individual Entitlement (TIE) voucher scheme for a small number of low-income students to attend private schools was introduced in 1996.

#### **3.3 Parental Choice**

- School zoning was first modified in 1989 so that every pupil could attend the school nearest to them, but there was also an option for students to be admitted to some other school of their choice.

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<sup>3</sup> The Education Review Office (ERO) and the Ministry of Education (MOE) are two separate public service departments with different functions. ERO reviews the education provided across all schools (i.e. state schools, private schools and Maori language immersion schools). The functions of ERO and its 150 trustees were based on the New Zealand Education Act of 1989.

- School enrolment schemes had to include the student's home zone, and schools had to accept all applicants in their zone, and then out of zone students subject to a supervised ballot system. In 1990 a supervised lottery system was introduced for student selection by schools operating at capacity.
- By year 1991, full parental choice was implemented, and school zones were abolished so that students could enrol in the school of their choice, but they were no longer guaranteed a place in their local school.
- The lottery system was also replaced by school enrolment selection mechanisms subject to Ministry approval in 1991.
- The reforms also created competition among schools, as envisaged.

#### **4. Emerging Policy Lessons**

Within the first few years of Tomorrow's Schools' implementation, a number of policy lessons emerged. These were broadly (although not exclusively) related to the five following areas: capacity building for school boards, particularly in relation to school charters; the need for an increased role of government (assistance, quality standards, and school accountability); parental choice criteria; winner and loser schools; and impacts of school bulk funding on school finances.

##### **4.1 Capacity Building for School boards**

One of the first lessons that emerged from the establishment of self-governing elected school boards was that initially many schools found it very difficult to manage themselves. Schools had to specify school charters, goals, and how they differed from other schools. In addition, schools became responsible for procedural accountability, and self-management of their funding. These skills were initially not required or developed at the school level, and many schools found difficulties in performing these tasks, in particular in economically disadvantaged school zones. Two main lessons from the introduction of self-governance in schools were:

- Schools in lower-decile areas had significantly greater difficulties, due to a lack of expertise in skills required to meet the demands of self-management. These difficulties compounded, making it clear that a degree of government assistance was required.

- School principals found that they were working significantly longer hours, particularly on managerial tasks. The effect of the change in the role of school principals to a managerial role was initially underestimated.

#### **4.2 The role of government (assistance, quality standards, accountability)**

Initially, Tomorrow's Schools was based on the premise that despite the role of government as the provider of public funds to schools, the government would have minimal interference in schools' activities. However, the following were soon recognised as areas where the government needed to assume greater interaction and partnership with schools:

- In general, the learning emerged that Tomorrow's Schools had initially underestimated the degree of assistance that was required for self-governance for the most disadvantaged schools.
- It was also recognised that there was a need for central intervention and greater partnership in the activities of low-performing schools.
- Regarding the accountability of schools, it became clear that the role of the government body to monitor schools' performance (Education Review Office (ERO)) needed to be expanded to provide more and clearer guidelines.
- Initially accountability was measured in relation to procedural compliance, but the need for a national curriculum also became apparent, to allow meaningful reviews of school performance, for quality control, and in relation to the educational attainment of students. Creating a national curriculum later proved more challenging than had originally been anticipated.
- The role and involvement of the New Zealand Qualifications Authority (NZQA) expanded to guide the sector and for quality assurance.
- It also became clear that the ultimate responsibility for quality assurance across schools remained with the government, limiting the role of the private sector for such assurance, and for provision of education in particular in economically disadvantaged areas.

### **4.3 Parental Choice and School Choice**

On the demand side, requests for enrolment at schools with greater resources (in particular income decile 7-10 schools) increased. However, on the supply side, schools could not grow sufficiently to meet demand and some schools in the higher income decile zones were operating at full capacity. Rationing places in oversubscribed schools, after the abolition of the lottery system in 1991, created a range of selection outcomes. Notably, schools that were operating at full capacity used student performance to select students.

The most unintended consequence of Tomorrow's School parental choice was that the movement of better performing students from lower-decile schools resulted in increased polarisation of schools ( Hughes et al, 1996; Lauder et al., 1994; Lauder et al., 1996; Wylie, 1998). A number of policy evaluation studies further noted increased socioeconomic segregation among urban schools in New Zealand. More able students, especially if from a European background, moved to higher-income decile schools or better schools within their school zone. Minority students (Maori and Pacific Islanders) were more likely not to be accepted in schools of their choice and more likely to remain in lower-decile schools (Fiske and Ladd, 2000).

The lottery system that was in effect only during the year 1990 had reflected the egalitarian component of the initial school choice models; but it was abolished partly due to the administrative costs of supervision of the lottery, and partly to its unpopularity among over-subscribed schools as a selection mechanism.

The movement of better-performing students to higher-income decile schools (often one decile higher) also created challenges for lower-decile schools. These challenges included increased segregation of schools by ethnicity and polarisation of enrolments (Fiske and Ladd, 2000).

### **4.4 Winner and Loser Schools**

The movement of better-performing students to higher-income decile schools and difficulties in self-management by schools in lower-income decile zones also created the emergence of loser schools. Once a school faced deteriorating conditions, the spiral effect was very hard to reverse.

Tomorrow's Schools policies were based on a demand and supply model, and the notion that inefficient or low-quality schools would leave the market, making room for more productive providers. Although in a market system poor performing businesses leave the

market, in the case of New Zealand, given that a school's proximity to the home can play an important role for children and their families low-decile schools that were affected negatively often could not close. Instead, those schools continued to operate with greater difficulty.

In the initial years, the government did not interfere with school closures (on ideological grounds). When a school was forced to close (such as in Northland, and South Auckland, in less-economically advantaged or rural areas), the closure of the school generally introduced a wider range of social and economic problems for displaced students, often from economically disadvantaged areas. In practice, failing schools and school closures created additional issues and problems that were initially not fully foreseen in the policy.

In addition, the experience of closure and displacement clearly showed that the market system is not likely to entice new schools to open to replace school closures, since private investments in those areas are generally less profitable in a private market.

Finally, it also became apparent that decisions by a school to expand programmes or to add additional school years (e.g. adding intermediate education years to a primary or secondary school) had great impacts on other schools in the area. In general, it became apparent that policy fine-tuning was required relating to the need to balance the interests of competing stakeholders.

#### **4.5 Bulk Funding and School Finance**

While bulk funding is not an integral part of school choice or school voucher systems, it was introduced as part of the Tomorrow's Schools reforms for cost saving objectives, as noted above.

Implementing the policy by requiring all schools to adopt it fully was problematic, since schools did not have full discretion over many aspects of their funding and as a result could run into financial difficulties. Notably, the government controlled the funding and payment structure per pupil, grants and other payments, and teacher base salary rates. Therefore, the policy was implemented on a voluntary basis for existing schools. But it was made binding for newly integrated schools.

The uptake of bulk funding was low and two-thirds of schools had not adopted the policy by 1999. Schools that received bulk funding were much more likely to report financial difficulties than those that had not (Woodfield and Gunby, 2003). Notably, whenever a school agreed to higher teacher salaries, or hired more experienced teachers, it was forced to cut

other expenditure on support staff or other operational costs such as repairs. This constraint also made it difficult for schools to compete by hiring more experienced or more effective teachers, or by carrying out required repairs.

It was also generally agreed that with bulk funding, per capita real funding to schools had decreased (Woodfield and Gunby, 2003, p. 878).

One could argue that the foremost unpopular part of implementing Tomorrow's Schools was its bulk funding component. Given the low uptake of bulk funding and the difficulties experienced by participating schools, it was abolished in late 1999.

#### **4.6 Competition and Collaboration**

The ideology of Tomorrow's Schools relied heavily on incorporating business-like managerial style and competition among schools as the guiding mechanism for the provision of education, and the creation of greater efficiency and higher quality. This was a major shift from the long history of public provision of education in New Zealand, where partnership and cooperation had been the underlying ideology. This partnership took many forms. First, the relationship between the Department of Education and schools was based on collaboration for curriculum development, and teaching resources. Current and past teachers were called to contribute within and outside of the Department of Education. There was also provision for collaboration among more- and less-experienced teachers within and across schools, based on the ideology that positive externalities were created across the education sector by information sharing and cooperation.

A major question that had not been fully teased out at the time of the implementation of Tomorrow's Schools was the extent to which the public education system could successfully lend itself to the 'competition model'. Initially, and ideologically, the expected benefits of the competition model in providing desired outcomes in the education market were overestimated, and its limitations in the education market underestimated.

A second question that had not been fully examined was whether the loss of the previous collaborative culture could cause productivity and operational efficiency costs of its own. Since information is the commodity of exchange in the education market, competition created a silo effect, reducing the sharing of information and expertise across schools.

The experience of Tomorrow's Schools demonstrated that the collaborative component of public education, in sharing information and expertise, is an integral part of the overall

system that can enhance the productivity of the sector in general (Wylie, 2009, 2011; New Zealand Post Primary Teachers' Association (PPTA), 2005).

## **5. Policy Evaluation**

Both the practical implementation of Tomorrow's Schools policies and feedback from the sector's stakeholders pointed to policy areas where changes to the initial reforms were required. In addition to in-house analyses within the Ministry of Education (see e.g. Lauder, et al., 1994; Waslander and Thrupp, 1995), feedback from schools and myriad analyses by independent researchers also evaluated the policies implemented through Tomorrow's Schools (e.g. Beaven, 2003; Fiske and Ladd, 2000; Henig, J. R., 1995; Jones, 1990; Levin, 1998; McCulloch, 1991; McGeorge, 1995; Manski, 1997; Woodfield and Gunby, 2003).

Reports by teacher unions raised further systemic issues across the sector (e.g. New Zealand Post Primary Teachers' Association (PPTA), 2005). These and policy evaluations, such as the above, contributed to the fine-tuning of the education reforms in the decade following the implementation of the policy. In some instances there were major departures from the policy compared to its original design.

Among academic analyses, Fiske and Ladd (2000) provided a comprehensive evaluation of the policy a decade after its implementation. This study noted the successes of Tomorrow's Schools, and also examined the learning process that followed the policy's implementation. Other studies by Hoxby (1994), Henig (1995), Wylie (1998, and 2009), Grimes (1998), Thrupp (1999), and Beaven (2003) are other examples of influential studies. A number of other evaluation analyses (e.g. Levin, 1998; McGeorge, 1995; Meyer and Glazeman, 1997; and Thrupp, 1997) were influential in highlighting the limited school choice for students from lower socioeconomic backgrounds and the polarisation of schools following the implementation of Tomorrow's Schools.

These analyses further concluded that parents were positive about parental choice and having an increased voice through school boards, and that the students who had moved to higher-income decile schools (mostly from the middle class) had benefitted from the policy. Increased parental voice had also provided greater impetus for education in the medium of Maori language and through Maori curricula, and the development of more Maori language immersion schools. However, rural, low income decile and isolated schools were noted to continue facing greater difficulties with governing themselves (see e.g. New Zealand Post Primary Teachers' Association (PPTA), 2008).



The analyses also highlighted the plight of loser schools and increased school segregation by socioeconomic status (e.g. Fiske and Ladd, 2000; Lauder and Hughes, 1990; Openshaw, 2014). Further studies noted the systemic conditions that contributed to low performance by students from communities of low socioeconomic status and in low-income decile schools. Such contributing factors could not be easily addressed by market forces, school autonomy, or increased competition among schools for less economically advantaged students (see, for example, Maani and Kalb, 2007).

The above analyses further concluded that competition among schools had increased, but there was no evidence after a decade that academic performance had improved among pupils across the New Zealand primary and secondary education sectors. Lack of conclusive evidence was partly due to the absence of a national set of examinations.<sup>4</sup>

In addition, the implementation of the policy at a practical level highlighted the realities of the government's ongoing involvement in the education sector being required.

The experience of New Zealand, and the policy evaluation literature on Tomorrow's Schools, has been valuable for recording the practicalities of implementing a policy shift of the magnitude of Tomorrow's Schools. It has also provided valued information for an international community that considers adopting the successful lessons from the New Zealand experience with awareness of the lessons learned (see e.g. Meyer and Glazeman, 1997; Salisbury and Tooley: 2005; Walford, 1996) .

In addition, for policy makers, two major factors are highlighted in New Zealand's experience, which tie back this paper's analyses to the discussion in Paper five of this volume. First, democratic and consultative frameworks in New Zealand's policy-setting systems allowed the stakeholders in the education process to provide feedback on their experiences and to voice their concerns. As such, this allowed important feedback to take place between theory, refutation, and policy implementation. Second, the New Zealand experience has highlighted the significant value of independent empirical evidence of policy evaluations in relation to their intended objectives. For this important objective, the availability of data to researchers for independent policy evaluations is an essential pre-requisite.<sup>5</sup>

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<sup>4</sup> For example, international tests of pupil literacy and numeracy, such as The Programme for International Student Assessment (PISA), started in 2000 and years after the New Zealand education reforms.

<sup>5</sup> See Paper five of this volume for greater discussion of these two points.

## 6. Hybrid Policy Outcomes

A decade after the implementation of the Tomorrow's Schools policy a number of modifications to fine-tune the policy were made, such that a hybrid set of policies had evolved by year 2000.<sup>6</sup>

First, after the policy's implementation it became clear that the government needed to continue to provide advice and resources to those schools that were under-resourced, and to schools that were failing. It also became apparent that such assistance was not a short-term measure, and continued support would be required.

Initially schools were encouraged to seek educational support through their funding and grants. But after the policy's implementation, assistance from the MOE increased gradually, in recognition of the need for support to schools in a number of areas.

In addition, and in practice, it became clear that school charters were not playing the major role they were initially anticipated to play for accountability. Instead, the Education Review Office (ERO) gradually developed an accountability system on governance and management (Fiske and Ladd, 2000), and the New Zealand Qualifications Authority (NZQA) assumed a greatly enhanced role over time.

Second, underperforming schools or those affected negatively by Tomorrow's Schools often did not close, and have continued to operate but with greater difficulty. In fact, closing schools proved much more problematic than may have been initially envisaged. In addition, experience pointed to the need for careful policy fine-tuning on the extent to which private and integrated schools could be relied on to emerge where other schools had failed, or to lift academic performance in failing schools.

Third, greater weight was placed on balancing the needs of stakeholders and neighbouring schools. This diversion from the initial policy design resulted from the ripple effect of some schools' decisions on other schools. Along with this understanding, the scope of government's attention moved to encompass students' benefit across the local network of schools and the children in the wider community.

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<sup>6</sup> See for example, Parliamentary Briefing Paper (2004) for further information on the funding structure.

Fourth, long-standing education problems such as poor academic performance and high rates of early school leaving by teenagers from lower socioeconomic backgrounds were highlighted. It became clear that demand side changes such as school choice were not sufficient to tackle the problem. As part of this policy fine-tuning, in 1995 The Funding for Educational Achievement (TFEA) system was introduced. The TFEA funding system recognised the need for higher funding and resources for schools where socioeconomic factors such as unemployment rates, poor housing, and low educational attainment of parents indicated it would be difficult for students to reach a satisfactory level of educational attainment. While TFEA could not mitigate the issues of schools in disadvantaged communities, the hybrid policy recognised the need for increased resources and for giving special attention to improving performance in these schools. In addition, initial hybrid policies that evolved made way for further fine-tuning of the policy that followed beyond the year 2000, such as the Ministry of Education's special projects to improve performance for disadvantaged groups.

Fifth, experience shows that school boards had survived their initial adjustment period, and they become an integral part of the system. Parents valued the greater community voice at the school level, and even years later (to the present), there was no sign that this component of the policy would change. In addition, many schools had built capacity in the areas of school board governance, finances, and self-management.

Sixth, a greater level of diversification of school offerings evolved in the market, and this effect continued beyond the first decade. Some schools focussed on narrow academic performance objectives, while others embraced offerings in a wide range of subjects including vocational skills and performing arts. In addition, in the years beyond the first decade, secondary schools diversified by offering preparation and testing for combinations of national school curricula, notably the National Certificate of Educational Achievement (NCEA), the Cambridge system of secondary school assessments, and the International Baccalaureate (IB).

Also, notably, schools responded more to parents and minority groups for developing Maori language and curricula.

Seventh, following interim amendments to school zone policy, in 1998 students could attend any school (and did not have an absolute right to attend their local school), and schools could choose their enrolment scheme subject to Ministry approval. Finally, in years 2000-2001, based on further school zoning amendments, the right of a student to attend the local school was reintroduced. In addition, oversubscribed schools could select out-of-zone students based on a selection scheme. These significant changes related to school zones and

enrolment rights were policy hybrids that evolved due to the practicalities of managing public sector educational demand, with practical supply-side limitations.

Eighth, it became clear that even with parental freedom to choose a school, choice was not possible on an equal basis for all students due to supply-side factors. Students from lower-income families had less choice in practice (costs of transportation and fees were among impediments). Schools that were operating at capacity also used selection criteria such as academic performance, which worked against students from lower-decile schools. Most of the movement happened by moving to adjacent areas and schools that served a higher decile (Fancy, 2000; Thrupp, 2007).

Ninth, a Targeted Individual Entitlement (TIE) voucher scheme of subsidies for low-income students to attend private schools (introduced in 1996) was abolished in year 2000. Despite the TIE policy's positive effects for participating students and outcomes for social mobility, it was abolished, most likely due to costs, and selection and administrative issues.

Finally, Tomorrow's Schools reforms were based on the role of competition to boost performance for greater efficiency. However, while competition among schools increased, it became apparent that there was scope for some of the previous collaborative mechanisms among teachers and schools. Examples of cost reductions, greater efficiency and enhanced outcomes through cooperation emerged in relation to capability building based on sharing information, and teaching expertise. Some schools responded to these potential positive externalities through inter-school cooperation in areas where it decreased costs for participating schools (see, for example, Wylie, 2009, 2011) and teacher development (New Zealand Post Primary Teachers' Association (PPTA). 2008).

## **7. Conclusion**

New Zealand's follow-up reforms to Tomorrow's Schools, and the resulting hybrid policies, recognise the successes and challenges of the original policy. The changes further show changing policy positions in light of experience.

It is useful to consider the changes and fine-tuning that Tomorrow's Schools went through, compared to some of the other policy reforms in New Zealand at the time that have stood the test of time. The changes and fine-tuning of Tomorrow's Schools policies that proved necessary were notably among the market-oriented policies that were introduced at the time (e.g. financial deregulation, the Employment Contracts Act, and immigration policy).

It can be argued that the economic reforms that stood the test of time were in the types of markets (e.g. financial markets) where the competition model works more naturally.

In particular, the experience of New Zealand and the policy evaluations that followed have highlighted increased parental influence through elected school boards, and parental school choice within greater limits than originally envisaged. The experience also shows the importance of school choice due to demand and supply-side constraints on parental choice and the reality of out-of-zone enrolment. Demand-side limitations on parental choice included the role of distance, transportation costs, and lower academic performance often impeding selection of an out-of-zone school. Supply-side constraints included limitations on the physical expansion of schools to accommodate higher numbers of enrolments.

Experience further showed the potential for increased school segregation by socioeconomic status with a school voucher system. Experience also highlighted systemic conditions that contributed to low performance by students from lower socioeconomic zones that could not be addressed by market forces, requiring a stronger ongoing partnership between affected schools and the government and the provision of increased resources for poorly performing schools. Furthermore, expectations of significantly higher overall academic achievement due to school deregulation have been adjusted downward.

While an increasing number of countries have implemented some version of the school choice model since New Zealand's policy experiment, New Zealand's experience has provided useful information on what policy outcomes can be realistically expected. For example, the experience of Tomorrow's Schools highlighted the special characteristics of primary and secondary education sectors that significantly limit the ideologically expected contribution of the competition model in this market. Despite the initial ideology of the model, the resulting hybrid outcomes recognise this learning.

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