



## CHOICE AND COMPETITION IN EDUCATION

Simon Burgess and Rebecca Allen (2010) have previously argued that extending parental choice in order to prompt competition between schools can only increase standards under the following conditions:

- first, parents must be able to observe and care about school quality;
- second, parents must be able to make meaningful choices between schools;
- finally, good schools must have incentives to meet extra demand by increasing capacity.

In their presentations, **Ellen Greaves** (Institute for Fiscal Studies) and **Simon Burgess** (CMPO) argued that competition does not currently work well in the school market in England because these conditions do not hold.

### School quality

First, Greaves argued that not all parents appear to value academic performance to the same degree. Although, on average, parents are indeed more likely to apply to a primary school with better exam results, parents value attributes other than school quality such as social composition and proximity.

More importantly, the highest socio-economic status (SES) parents appear to value exam results more than low-SES parents, who instead place a greater weight

on the probability of admission, which is itself determined by the school's distance-based catchment area. These findings imply that if a school improves its exam results and attracts more local high-SES applicants, lower SES-parents might fear rejection and be less likely to apply. Putting aside social mobility concerns, this effect is likely to reduce the net increase in demand for places at that school, undermining any positive demand effects resulting from improved results.

Greaves did note that this research uses a specific measure of school quality, 'raw exam scores', which may not be as important to lower-SES parents as 'value-added' scores or Ofsted ratings. Therefore, it is possible that low-SES parents are more responsive to alternative measures of quality. In a question and answer session following the presentation, Greaves noted that the effect of improving the quality of information available to parents is an area that warrants further research.

### School choice

Burgess then discussed the extent to which parents have meaningful choices between schools and whether high performing schools have sufficient incentives to expand. Burgess noted that children from low-SES families tended to end up in low performing schools and offered two possible explanations. The first of these is that low-SES parents do not have the same choice sets as high-SES parents. Improvements in school quality might increase the number of local applicants, causing the school to shrink its catchment area. This might then increase housing costs to a level that low-SES parents cannot afford. Alternatively, this segregation could be the consequence of

low-SES parents simply preferring schools that happen to be low-performing because they value proximity and social composition above all else. This narrative would also require that school performance is solely determined by SES intake.

Burgess went on to present evidence from the Brighton admissions process that the former narrative is more plausible. The difference between average school quality available to low-SES families and high SES families was a third larger when 'available' is defined by catchment area rather than 'within feasible travelling distance'. Burgess then estimated that 17 per cent of parents in the lowest SES quintile would have chosen another school if catchment areas were not an issue, compared to 11.6 per cent from the top SES quintile. Burgess concluded schools should consider alternative admissions systems such as a lottery.

### Expansion

Burgess then went on to discuss the general problem of good schools being oversubscribed. For competition to 'work' in the education market, schools must respond to extra demand from parents by expanding capacity, while less popular schools shrink. Burgess demonstrated that this simply does not happen.

Application ranking data is rarely given to schools. Hence, schools have little idea of how popular (or unpopular) they are. That Local Authorities used to even out applications between schools only worsened the information schools had regarding their popularity. Burgess noted that this issue does not exist for Academies and that recent structural changes in the education market will allow interesting future research in this area.

Additionally, school heads do not appear to value school size, nor does anyone else. Reputations are built on school quality, not size, hence increasing capacity is not an attractive option for high-performing schools. With this in mind, Burgess suggested considering paying schools for results or improvements rather than just 'warehousing', although he acknowledged that devising a system that does this effectively will certainly be challenging.

### Papers

Allen, R. and Burgess, S. (2010), *The future of competition and accountability in education*. Mimeo, CMPO. <http://www.bristol.ac.uk/cmppo/publications/other/competition.pdf>.

Burgess, S. et al (2013), *Preferences, competition and reform in the education market in England*, Working Paper.

Greaves, E. (2012), *Parents' preferences for school attributes: A discrete choice model incorporating unobserved heterogeneity*, Working Paper.