



on the

Draft Report of the Productivity Commission
More Effective Social Services
April 2015

June 2015

1. Introduction

1.1 PPTA submitted to the initial report. The main focus of PPTA's submission was education, a topic on which we have both expertise and experience. Our particular focus was on the topic of charter schools, which we have researched and investigated extensively and with which we have direct experience. The Association was disappointed, though not entirely surprised, to find that the evidence or research presented in our submission was ignored by the Commission.

2. Charter Schools as imagined by the Productivity Commission

2.1 From the perspective of an organisation that has engaged with the research it was frustrating to see that, not only were our initial comments ignored in this report, but that new claims were made by the Commission about the operation of charter schools that are blatantly untrue. For example, the claim in the report on page 66 that: "The new school collaborates with other schools in the Whangarei area so that students have access to specialist subjects" is completely wrong. It raises the question that if the Productivity Commission can be so casual with facts in matters that are local and so easily verifiable, how reliable are other parts of the report which deal with more obscure detail and research?

3. Charter schools – The truth

3.1 A battle for survival

New Zealand schools follow a model which is generally endorsed by the Productivity Commission; that is, they compete with each other for students and thus funding. In order to survive, schools must attract as many students as they can and retain them. If a secondary school should suffer from a falling roll, its staffing and funding is reduced, leading to a decrease in the number of curriculum subjects offered, a reduction in pastoral care provision and fewer sporting and cultural options for the students. These reductions may exacerbate the struggle to attract students and teaching staff, leading to further cuts in the options, activities and support that schools can provide. The resulting spiral of decline can be very difficult for a school to pull out

of. All the policy levers for schools with the exception of the government's recent initiative, Investing in Educational Success (IES), reward self-interest not collaboration.

3.2 Collaboration Costs

Where collaboration does occur, it is when there is no direct threat to the school roll. For example, girls' and boys' schools will often share curriculum delivery and many rural schools do the same thing via the VLN (Virtual Learning Network). In most other cases, collaboration carries risks to competing schools, which will quite rightly suggest that each student who wants to study a subject with them or play in one of their sports teams ought to enrol and contribute to the whole life of the school. To do anything else is to risk harming the school, the staff, and the students in it, by reducing funding and fuelling a possible decline. This not some theoretical economic dilemma; it is a real world issue with very real consequences.

3.3 Freeloading off the public system

3.3.1 Privatising the profits; socialising the responsibility

The other reason there is no desire to collaborate with charter schools is that PPTA members are not prepared to share their curriculum expertise with schools that operate under a legislative framework that does not value qualifications, teacher education or teacher registration, excuses them from the regulations and responsibilities that public schools must follow and gifts them better funding. Moreover, they are free to divert their taxpayer funding into inflated management salaries and profits for the sponsors. Even if a particular charter school does not do all (or any) of these things the fact remains they occupy a privileged place within the school network and they survive only by maximising their advantages at the expense of all other schools in the network.

3.3.2 Money is no object

The recent comment made by the manager of the Whangarei charter school, that public schools that couldn't afford to spend \$100,000 on a waka should "[get better accountants](#)"¹ shows how insulated these schools are from the reality of public education in New Zealand.

¹ Retrieved from http://www.waateanews.com/waateanews/x_story_id/OTQyOA==/National/Kura-waka-bought-with-savings

3.4 Irresponsible use of taxpayer funds

3.4.1 Too many schools; too few students

There were already too many secondary schools for the number of students in the Whangarei community and there should probably have been some consolidation of schooling. Instead two further charter school sites were opened, leaving the taxpayer funding multiple, uneconomic sites, too small to be able to deliver a reasonable breadth of secondary subjects.

3.4.2 Economies of scale

The cause isn't really, as the report imagines, "the funding and regulatory environment governing state schools"² but an issue of economies of scale. Providing individualised programmes for senior students with a full range of senior subjects that engage them and support their future career choices requires that schools be a reasonable size. The smaller the school, the more it has to make curriculum compromises either by restricting students' subject choices or by patching up the curriculum through correspondence or the VLN. These choices become acute for schools with fewer than 500 students. While it might be technically correct to characterise this as a problem of the staffing and funding formulae, in practice, the sorts of funding and staffing formulae that would be required to provide a reasonable range of senior curriculum options in all New Zealand's small schools would be unaffordable and unachievable. It would, for example, require thousands more specialist secondary teachers.

3.4.3 Rural schools don't choose to be small

Secondary schools in rural New Zealand are often small because of low population density. They need staffing and funding formulae that recognise the costs of remoteness so their students (who have limited, if any, choice of where they will go to school) are not disadvantaged educationally. Instead money is being wasted on the creation of a plethora of inefficient, small schools in urban areas to facilitate an impractical economic obsession with the ideal of choice.

² P66

3.5 It's not even good business practice

3.5.1 Deliberate oversupply

While the business model is often cited as a source of inspiration for schools, the deliberate creation of oversupply is totally devoid of business sense. No corporation that set up additional small outlets in areas where there was already an undersupply of customers would survive very long. Further, successful companies seek to exploit synergies between outlets and don't risk damage to the overall brand by encouraging separate branches of the same organisation to engage in a battle to the death.

3.5.2 Fragmentation

There is also no credible evidence which supports the notion that fragmenting the schooling system to increase schooling options for a small number of students has a positive overall impact on student outcomes. In fact, the opposite appears to be true as the thinning out of resourcing for all students reduces opportunities for the majority.

3.5.3 Investing in Educational Success (IES)

There is little doubt that all students in Whangarei would be vastly better off if the millions wasted on establishing competitive private charter schools had been used instead to support a collaborative endeavour, along the lines of the government's Investing in Educational Success (IES) initiative.

3.6 Bearing false witness

3.6.1 Marketing information isn't always factual

It is disappointing to note that the report repeats spin from a particular charter school without examining its veracity, while studiously avoiding any mention of the widely published failure of a second charter school in the same region. This is not acceptable in a document that makes some pretence to scholarship and reflects badly on the members of the Productivity Commission, collectively and individually.

3.6.2 Getting past the spin

The following factors should have been at least acknowledged, if not analysed when discussing Terenga Paraoa:

- **Student intake**

Fundamental to understanding educational achievement is an appreciation of the reality that the more successful a school, the more likely it is to be able to control its student intake so as to avoid the most challenging students. Schools are unlikely to admit to such practices because enrolment is an exercise in marketing. There are no rewards for schools that tell the truth about the difficult issues they may be facing.

It is naïve to imagine that the ballot for enrolment means that students are not being selected. PPTA understands that the usual “creaming and cleansing”³ we expect from charter schools has been occurring. For example, if the school goes to certain parents and asks that they put their names into the ballot, it can by that method ensure that it excludes the most dysfunctional families. There is also some anecdotal evidence that students are being “counselled out” rather than formally expelled and replaced with more biddable students from the waiting list. We know this to be occurring in New Zealand because local public schools are already reporting the return of challenging students from the charter school, minus the funding.

- **Cultural capital**

The report repeats the He Puna Marama Trust “success narrative” without analysis or question. PPTA does not dispute the success of the charter school forerunner, He Puna Marama, but believes it is less to do with education and more to do with cultural capital. The trust, through its boarding establishment, was doing all the things that John Dewey would anticipate that “the best and wisest parent”⁴ would do. It was ensuring the boys were well-fed, got enough sleep and exercise, did their homework and were free from drugs and alcohol. These are excellent predictors of

³ Education Policy Response group. Charter Schools for New Zealand. Massey University April 2012
http://qpec.xleco.com/images/stories/pdf_final_version_for_release_eprg_charter_schools_2012.pdf

⁴ Dewey, J *The School and Society*. Chicago University 1907. P3.

success at school and the boys were duly successful **at the local public secondary schools!** This was the innovation that the trust developed: supporting the parental role, not the school role.

A failure to understand what was actually causing the success has resulted in the establishment of additional secondary school places in a town already oversupplied. It is a classic example of poor policy leading to even worse practice with the result that there are now more fragile and vulnerable secondary schools in Whangarei than there were three years ago. The education of many more students has been needlessly and carelessly put at risk.

- **Achievement data**

Understanding the real meaning of achievement data takes some skill and requires some drilling down. As PPTA has noted (and the report deserves credit for acknowledging this)⁵ an evaluation of achievement data is only meaningful if it is possible to make a comparison with a matched group. Fundamental to understanding achievement data is an understanding of the impact of schools' capacity to control their student intake. In the case of popular schools, choice is an illusion; it is the school doing the choosing not the parents.

Repeating the marketing information that a school has assembled doesn't count as evidence either. The number of NCEA credits achieved is not a good proxy for school success because it is entirely possible for a school to meet the requirements by pumping students through unit standards that may not prepare the students particularly well for the future. In an article [Fact checking the myth-buster from Vanguard Charter School](#) PPTA has unpacked the story behind the apparent success of the Vanguard charter school.

- **Accountability**

It is mysterious that the report claims that charter schools are "more accountable" than public schools, given that they are legislatively excused

⁵ P.66

from so much of the scrutiny and monitoring that public schools are subject to.

As noted above, the requirement that a school demonstrate certain levels of achievement is very easy to meet at a superficial level. This is nonsense accountability which can be met by turning the school into a production line for churning out results at the cost of a broader and deeper education. The impact of such regimes is summed up well by Chris Lehmann⁶.

“I think we should ask why people of power advocate for one thing for their own children and something else for other people's children, especially when those other children come from a lower rung on the socio-economic scale or when those children come from traditionally disenfranchised members of our society. I think that's a very dangerous thing not to question.

Because we've done this before in America, and when we did that to the Native Americans, it did damage that has effects today.

To me, when you ensure your own child has an arts-enriched, small-class size, deeply humanistic education and you advocate that those families who have fewer economic resources than you have should sit straight in their chairs and do what they are told while doubling and tripling up on rote memorization and test prep, you are guilty of educational colonialism.

And it's time we start calling that what it is.”

- **School closure as punishment**

It appears that what is really meant by “accountability” is the threat of closure. The belief that the threat of school closure can be used as a way of lifting educational achievement is misguided and irresponsible. Transitions between school types constitute a risk for student learning - a finding that

⁶ Retrieved from: <http://practicaltheory.org/blog/2012/07/23/educational-colonialism/>

seems to be totally disregarded when it comes to discussions about school closure. The dislocation and uncertainty caused by school closure is profoundly distressing for parents and children and educationally destructive. It is unconscionable to require students to go to school by law then expect them to shuttle from school to school in search of one that might meet their needs. Every child should be able to attend a well-functioning and well-resourced neighbourhood school.

There is also a glib assumption that the line between a struggling school and a failing school is clear-cut and definable. In reality, teachers, parents and students will do everything they can to try to turn around a struggling school, often succeeding only in slowing the rate of decline while not actually arresting it. As noted earlier, every year funding and staffing decrease with a consequent reduction in curriculum choice and extra-curricular options and pastoral support for students. Recruiting and retaining staff and board members becomes difficult. During all this time, successive cohorts of students pass through the school and receive an impoverished educational experience.

These complications around school closure are probably part of the reason why the minister has not been able to simply close the charter school at Whangaruru. The other reason is that it will expose the financial mismanagement that has been a common feature of charter schools overseas. In this case, the school appears to have spent \$600,000 purchasing a farm and is rumoured to have paid out a substantial golden handshake to the ex-principal. Thanks to the legislative veil of secrecy that surrounds charter schools, taxpayers will never know how much this has cost them.

3.7 Innovation – the answer to everything

3.7.1 Promises, promises ...

The word “innovation” is used some 350 times in this report, which is more than once a page. Yet the only “innovation” proposed is that greater levels of taxpayer funding should be transferred into private hands and the control and oversight of that money should be reduced. There is some acknowledgement

that such an approach leads to fragmentation, competition and duplication but the concerns are not taken seriously and, in a triumph of hope over experience, the public is promised that all these difficulties can be managed through a sophisticated contracting process.

3.7.2 The innovation myth

In the case of charter schools, the claim is made that “culture and regulation limit the extent” to which new ideas can be developed. Typically, no evidence is provided for this statement. Neither is there any evidence provided for the “innovation” that charter schools will supposedly bring. As already noted, the international claims for success with charter schools often hinge on a narrow curriculum, rote learning and a “drill and kill” approach to testing. In New Zealand the single “innovation” that all charter schools proudly claim is very small class sizes. PPTA does not think that is particularly innovative.

3.7.3 Smaller classes

PPTA is pleased the charter schools are proving to be such strong advocates for smaller class sizes. This is the one real advantage they consistently advertise to parents as an edge over state schools. It is one which is denied to most state schools because the government has determined that they will not be funded at the level of charter schools.

3.8 Real Change not spin

3.8.1 Don't pretend we don't know ...

The most depressing part of the use of the word innovation as a talisman is that it is not as if we don't know what needs to be done to address social problems. Extensive work has been done by Sir Peter Gluckman, The Prime Minister's Science Advisor, on the approach that New Zealand needs to take in addressing a range of social, educational and health issues. The 17 recommendations in the Gluckman report on [Improving the Transition Reducing Social and Psychological Morbidity During Adolescence](#) reflect an understanding that social change is complex, takes a long time, must be comprehensive and consistent, and requires rigorous scientific evaluation without pre-determined conclusions.

3.8.2 Innovation isn't a synonym for improvement

In contrast, the productivity commission report has clearly been written with a political purpose in mind. The proposals will see the creation of a fragmented social sector, with provision reliant on insecure, short-term contracts that incline providers to employ unskilled and underpaid staff and then avoid investing in them for professional development. There will be a single-minded focus on results that are easy to measure in order to justify continued funding even though this approach actively militates against the prospect of meaningful improvement. The only winners from this scenario will be those investors who will be given the opportunity to enrich themselves at the expense of the New Zealand taxpayer.

4. How has the report got it so wrong

4.1 Blinded by the money

PPTA is very concerned about the 'magical thinking' that characterises so much of this report. Most of the proposals grossly overstate the capacity of financial rewards and competition to motivate human beings and understate the other complex social, emotional and psychological factors that drive human behaviour.

4.2 There's more to motivation than money

For example, a recent study by David Rand et al.⁷ on the efficacy of various interventions looked at a range of social interventions and concluded that interventions that actively engaged elements of human prosociality, were likely to be more effective in producing the desired behaviour outcomes than material rewards. Drawing on understandings from biology, psychology and behavioural economics, rather than the simplistic economic cost/benefit model, the researchers suggest that cooperation, reciprocity, altruism and concern with reputation are a product of human evolution "reciprocal concerns are deeply rooted in human psychology and influence our intuitive, gut responses." They note that the use of material rewards may actively damage engagement and cooperation because they leave participants open to a charge that their altruistic behaviour was in fact a form of selfishness.

⁷ David Rand, Gordon Kraft-Todd, Erez yoeli, and Syon Bhanot. [Promoting cooperation in the field](http://www.sciencedirect.com) retrieved from www.sciencedirect.com. 2015 p98.

5. Conclusion

5.1 “We cannot solve our problems with the same thinking we used when we created them.” Albert Einstein

It is regrettable that so much time and money has been put into a report which does little more than affirm the confirmation biases of the writers. The reliance on outmoded economic theories of the last century and the failure to engage properly with the scientific research around human behaviour has seriously compromised the validity of the report. On top of that, the report studiously avoids any mention of the words social inequality and stays well clear of the mounting evidence that the economic orthodoxy that has consolidated wealth in the hands of few and exacerbated the gap between rich and poor is a major cause of New Zealand’s current social problems. The New Zealand taxpayers who have funded this tendentious exercise deserved better, as do all New Zealand children.