Market-Based Education, Inequality, and Accountability in Chile: Perspectives from a Workshop

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Executive Summary

Since 1980, Chile has funded primary and secondary education solely through a voucher system in which families choose their children’s schools from various private and public options. Currently the majority of primary and secondary students in Chile attend private voucher schools. This market-based approach has not only been a major topic of research, analysis, and policy debate in Chile, but has also attracted attention from other countries that are either using vouchers or are interested in how vouchers may/may not improve low-performing school systems.

In June 2017, several international scholars and policy experts met in Santiago de Chile to discuss the evolution and impact of the Chilean voucher system and to reflect on broader issues of educational opportunity, inequality, and accountability. Chile’s long-term experience with a market-based education reform, and its more recent efforts to address inequality in its education system, may be instructive for the United States and other systems exploring school choice, privatization, and voucher-based reforms. This report synthesizes the research and analyses discussed at the workshop and related policy implications. The report also identifies the learning opportunities for other systems and communities.

Background on the Workshop

The workshop Cross-national Perspectives on Economic Inequality and Educational Opportunities: The Case of Chile brought together 14 international scholars and policy experts from Chile, the United States, the United Kingdom, Russia, and Israel. Held on June 27-28, 2017, in Santiago, the workshop was co-hosted by the Network on Global Educational Opportunity (n-GEO) at George Washington University’s Graduate School of Education and Human Development and by the Center for Advanced Studies in Education (Centro de Investigación Avanzada en Educación, CIAE) and the Center for Social Conflict and Cohesion Studies (Centro de Estudios de Conflicto y Cohesión Social, COES) at the University of Chile, Santiago.
During two days of presentations and discussions, workshop participants considered issues of educational inequality and accountability, both in the specific Chilean context and through an international comparative lens. Chile’s voucher system, now in place for 35 years, has impacted many aspects of Chilean society, and the report highlights several important themes that have emerged during that time:

• **The context for education in Chile is characterized by socioeconomic stratification.** Since the early 1990s, Chile has made progress in reducing poverty and increasing enrollments in higher education. But the system still struggles with large income disparities between groups, limited social mobility, and gaps among students and schools on a range of social indicators. The persistence of these inequalities has helped to spur a series of education reform in recent years.

• **Market-based policies implemented in Chile after 1981 exacerbated inequality and socioeconomic segregation, studies indicate.** After the adoption of a voucher-based education system, more students stayed in school longer—enrollments in secondary and higher education rose. At the same time, the majority of primary and secondary enrollments shifted from public schools to private voucher schools. Despite this progress, studies have found, however, that key policies of the voucher system favored higher-SES students and contributed to inequality. These policies included increased competition among various types of private and public schools, a lack of regulation about student entry to and exit from schools, and greater selectivity in student admissions.

• **More recent reforms aimed at decreasing achievement gaps and reducing socioeconomic segregation among schools show mixed results, according to early evaluations.** Legislation enacted in Chile in 2008 eliminated for-profit schools, prohibited schools from imposing student selection requirements, increased resources to promote quality and equality, and eliminated co-payments for priority students at fee-based charter schools. Preliminary research by the Inter-American Development Bank indicates that between 2005 and 2009, student test scores increased across the board, achievement gaps narrowed between high and low SES students, and test scores in public schools rose at a faster rate than before, especially in urban areas. Nonetheless, school segregation has remained relatively unaffected.

• **The U.S. and Chile can learn from each other’s educational experiences.** As U.S. policymakers continue to debate school choice, Chile’s prior experience with a relatively unregulated market-driven system can serve as a cautionary example. While Chile’s system increased competition among schools, it did not produce the improvements in educational quality, equity, and access envisioned by advocates. Recognizing the shortcomings, Chilean leaders have adopted policies intended to increase educational accountability and equity. As Chile moves toward this direction, it can learn from the U.S. experience with standards-based accountability, and the
Potential limitations and downsides of an overreliance on testing as the main measure of accountability

To help explain and analyze these and other themes that emerged during the workshop, the report covers four main areas:

1. The origin and implementation of Chile’s market-based system and a summary of evidence about the impact of this system on educational quality and equity.
2. The socioeconomic context in Chile and key aspects of its educational system.
3. Chile’s recent policy reforms intended to improve education and reduce inequality.
4. The implications for education policy in the U.S., Chile, and other countries.

Market-Driven Education in Chile

For more than three decades, all funding for primary and secondary education in Chile has been provided through a voucher system—“one of the most radical cases of market reform in education” in the world, according to Cristián Bellei, an associate professor of sociology at the University of Chile and an associate researcher in the university’s CIAE. The roots of this system go back to 1980, when the Pinochet regime adopted a decentralized voucher-based system of education, with advice from free-market advocate Milton Friedman and a group of economists known as the “Chicago Boys.”

Friedman believed that a universal voucher system would spur competition and innovation among both public and private schools, but in the case of Chile’s “grand experiment” with vouchers, his predictions were ultimately flawed. In Chile, families were given vouchers of equal value (regardless of their socioeconomic status), and the voucher could be used at any school (either public or private). Many middle-class families with extra means sought out private schools for their children, which in Chile are managed by both for-profit and nonprofit organizations. Recognizing a growing market opportunity, for-profit companies flocked to open schools that could serve these families. The Chilean system further incentivized them by allowing those schools to charge parents additional fees (over and above the value of the government vouchers).

Under this system, private schools effectively created a barrier to entry for lower middle-class and poor students while attracting students from middle- and upper-middle-class families who could afford the additional fees. And, as the private school sector grew, the public sector diminished. In 1980, private schools in Chile enrolled just 15% of primary and secondary students. Today 60% of students attend private schools (53% in subsidized private schools and 7% in paid schools), while 40% attend public schools, according to Patricio Espinoza, legislative coordinator in Chile’s Ministry of Education.

Research presented at the workshop suggests that market-based education policies advanced since the early 1980s have not worked as theorized. Evidence from a variety of studies suggests that the Chilean system has increased inequality and exacerbated socioeconomic segregation. According to Juan Pablo Valanzuela, an associate researcher at CASE, Chilean students are “hyper-segregated” socioeconomically across schools—Chile ranks among the highest in school segregation among the nations providing data for the PISA assessment. Academic segregation by school is high but less extreme than segregation by SES. These levels of school segregation cannot be explained by residential segregation alone, said Bellei.
One factor in this stratification has been the lack of regulation over which schools enter and exit the system. Many private schools, both for-profit and nonprofit, entered the voucher system, stayed for a short time, and then exited, noted Daniel Hojman of the University of Chile and the COES. Too many schools entering the system can have a “cannibalizing” effect other schools, he said.

Another factor is selectivity in student admissions among voucher schools. Research by Alejandro Carrasco, an associate professor in education theory and policy at the Pontificia Universidad Católica de Chile, indicates that schools use standardized entrance exams, parent interviews, and observations of play sessions to make admissions decisions.

Voucher schools may also charge add-on fees. In 2014, the average add-on fee was $30 (USD) per month, compared with an average voucher amount of $110 per month, according to data cited by Hojman. Studies have found no relationship between add-on fees and higher student test scores, after accounting for school-level SES. But research has associated add-on fees with increased social stratification. Data presented by Bellei indicates that enrollments are segmented by school sectors according to the amount of tuition charged. Public schools tend to serve low and middle SES families, subsidized private schools serve middle and high SES, and nonsubsidized schools serve high SES.

For-profit schools are likely to retain part of their income from fees and compete based on their selectivity without necessarily investing in quality. Studies cited by Hojman have found a negative association between for-profit schools and performance on national tests. For-profit schools also have greater teacher turnover, which may be a factor in achievement.

Social and Economic Context in Chile

In Chile, a nation of 17.8 million people, the education system serves about 5 million students. About 60% of these students are in primary and secondary education, 15% in preschool, and 25% in higher education, according to Patricio Espinoza of the Ministry of Education.

Education has been an engine for reducing poverty in Chile. At the end of the Pinochet dictatorship in 1988, about 45% of Chile’s population lived in poverty, said Emmanuelle Barozet, associate professor of sociology at the University of Chile and associate researcher at the COES. At that time, reducing poverty was the main focus of policy. In the following decades, sustained economic growth and improved access to education brought about a drastic decline in poverty and a general increase in Chile’s standard of living, especially compared with other Latin American countries. An “explosion” of higher education enrollments—more than a fivefold increase between 1983 and 2013—also contributed to economic prosperity and improvements in social indicators, said Barozet.

Decreases in poverty did not produce comparable reductions in inequality, however. Education has not proved to be an “open sesame” to economic success for the vast majority of the population, noted Barozet. Chile continues to have high inequality and low mobility by socioeconomic status, according to
Daniel Hojman. Chile has a high GINI coefficient (a measure of income inequality). Even with slight recent declines in the GINI measure, the top 1% of the population in Chile still have 24% of the wealth, higher than the U.S. There are deep barriers to mobility from the rural to the urban sectors, and from the middle to the upper part of the social structure. Even college does not ensure a good job. Although the supply of young people with a degree is large, the demand is not necessarily high. Sizable percentages of higher education graduates are underemployed or misemployed in fields for which they were not trained.

This inequality has a great effect on academic achievement and professional success, said Hojman. For example, although scores on the national language and math tests have been stable over time, there are large discrepancies by SES. Further, the market-based education system feeds these inequalities, he added.

Two other workshop speakers highlighted another type of inequality in the social context—gaps in social-emotional indicators for students. Verónica López, associate professor of psychology at Pontificia Universidad Católica de Valparaíso, called attention to differential rates of peer victimization, school climate, and social well-being for some groups of children in Chile. For example, students from public municipal schools report higher rates of school violence (peer victimization) and a lower sense of well-being in their schools than students from subsidized or fee-charging schools, said López. This can be addressed, however, through attention to social-emotional factors. She cited data showing that improvements in school climate are linked with gains in student achievement and decreases in school violence, and that a positive sense of social well-being can increase students’ achievement and reduce their likelihood of dropping out.

Ruth Berkowitz, an assistant professor at the University of Haifa, Israel, also emphasized the influence of school climate on students’ academic achievement, even after accounting for SES. Although low family SES is one of the factors associated with school violence and negative school climate, a positive school climate can compensate for low SES. However, the relationship among SES, school climate, and academic achievement is more complex than this “compensatory” model would suggest. Moreover, Berkowitz’s primary arguments stressed the importance of looking beyond access and outcomes toward school climate and ethos.

Attacking inequality in Chile will require more complex strategies than the pro-growth, pro-employment policies that were successful in lowering poverty in earlier decades, workshop presenters suggested.

Recent Reforms to the Market-Driven System

For the past several years, Chile has been undertaking a “process of deep reflection about the education we want,” said Patricio Espinoza. “It is the most important debate a country may have.” A series of educational reforms was begun in the early 1990s with the nation’s return to democracy after the Pinochet dictatorship. More recent reforms are intended to “guarantee that quality education becomes
a right for every Chilean,” said Espinoza, and ensure “an integrated and inclusive education” while respecting families’ right to choose their children’s school.

Of particular interest is the 2008 Preferential School Subsidy Law (SEP), which was intended to decrease student achievement gaps and reduce segregation among schools by socioeconomic status, said Emiliana Vegas, chief of the Education Division at the Inter-American Development Bank in Washington, DC. The SEP increased the value of school vouchers for students with family incomes in the bottom 40% of the national distribution. In order for schools to receive the increased funding, they had to agree to waive fees for low-income students and participate in a standards-based accountability system.

Vegas summarized the findings about student achievement from a study of the impact of SEP by the Inter-American Development Bank:

- On average, student test scores increased and income-based score gaps declined by one-third in the five years after passage of SEP.
- The combination of increased school support and accountability was the critical mechanism for the rise in student scores, especially in schools with high concentrations of low-income students.
- The migration of low-income students from public to private voucher schools played a small role in the achievement increase.
- The pre-SEP decline in student achievement in both urban and rural schools was reversed; after SEP, both types of schools improved, but the urban increase was steeper. The biggest achievement gains under SEP occurred in public schools and no-fee for-profit schools.

Vegas also discussed changes in school participation and enrollment after SEP. Nearly 100% of public schools and almost 90% of no-fee schools participated in the revised voucher system. Schools that charged fees were slower to join; only 50% currently participate. Enrollments declined steadily in public schools and increased in fee-charging, for-profit private schools.

Most notably, school segregation by income did not change after SEP, according to Vegas. However, some of this pattern stemmed from greater residential segregation.

Reforms adopted in 2015 address additional aspects of Chile’s free-market system that could aggravate school segregation by SES. As summarized by Carrasco and Espinoza, this legislation made the following changes:

- End for-profit schools and limit voucher funding to private nonprofit or public schools
- Institute a new random admission system that prohibits selective student admissions
- Gradually eliminate add-on fees in subsidized private schools
- Increase resources to improve the quality of subsidized schools

Valenzuela pointed out that the elimination of add-on fees and selective admission, along with the full subsidies for low-income students, could enable students from low SES groups to migrate from public schools into private voucher schools. But the problem of socioeconomic segregation continues within
schools through ability grouping of lower-achieving students in certain classes. Valenzuela cited data showing that 70% of the Chilean public agrees that grouping high-achieving students improves their educational opportunity, but only 40% agree that grouping low-achieving students together improves their opportunity. When asked if grouping should be eliminated, 68% said it should.

**Comparative Education Perspectives: Mutual Cross-National Learning**

The research and policy analysis discussed at the workshop yielded lessons about market-driven reforms, school improvement, and education accountability that have implications for Chile, the U.S. and other countries.

These cross-national comparisons were conceptually framed within comparative education research led by participants Susanne Wiborg, reader in education at University College London, Institute of Education, and Laura Engel, associate professor of international education and international affairs at GW. Within comparative and international education, several theoretical models exist to explain the rise of market-based reforms as global phenomena. As Engel noted, these models are characterized by a focus on trends in either convergence or divergence. Convergence arguments tend to explain education policy reforms of privatization, choice, and vouchers as exemplars of a neo-liberal form of globalization resulting in homogenization across systems. Yet, these convergence arguments tend to overlook the political economy and the contextual indicators that are important for understanding different system-level features, such as how market-based reforms unfold in different contexts, and the roles of different system actors. Wiborg added further examples from the political context about the mediating role of organized interest groups in the adoption of market-based reforms. In Sweden, for example, the Social Democratic Party moved to the right, which led to the teachers’ union being completely bypassed in the policy making process. In Finland and Norway, by contrast, labor unions and teachers’ unions hold sufficient influence to block market-oriented ideas for education.

Both the U.S. and Chile have struggled with how to sustain and scale up school improvement. In the U.S., major concerns include the inequitable distribution of income and resources; changing demographics; and the potentially damaging effects of political leadership that has deemphasized the value of public schools, said Maria Ferguson, executive director of the Center on Education Policy at GW. Recent shifts in the nation’s political landscape have reignited interest in private school vouchers and other market-driven reforms, Ferguson noted. School improvement strategies at the state and local level will almost certainly be impacted by this change.

U.S. political leaders considering vouchers can learn from the Chilean experience, noted Ferguson. An unregulated voucher system in Chile did not achieve its goals and contributed to more socioeconomic inequality among students and families. Any market-driven reforms in the U.S. should be evaluated carefully to ensure they do not make an already difficult problem even harder to resolve. Ferguson also noted that as the Chilean system moves towards greater accountability and oversight, Chile can learn from the U.S. counterparts about the limits of test-based accountability and other blunt measures of academic success.
Xavier Vanni, an associate researcher at CASE at the University of Chile, reported on the center’s research on school improvement in Chile. In almost all of the schools studied, school improvement efforts were affected by changes in the social and economic context and by competition among schools in a market-based system, he noted. The SES context at a school may place severe constraints on improvement efforts. Private schools tended to benefit more than public schools from market dynamics. Some schools, mostly public, were negatively affected by the decreased demand and segregated environments that stemmed from market dynamics.

Only some schools were successful in tackling negative effects, Vanni concluded. School improvement takes time, and school leaders are critical to starting and sustaining the improvement process. Public policies and support strategies are effective when they are aligned with school capacity and leadership. The key mechanisms for advancing school improvement include the development of professional capital and professional learning communities at the schools, Vanni said.

Research in the U.S. also suggests that increasing funding for lower SES schools does not necessarily lead to higher achievement, said Amy Berman, deputy director of the National Academy of Education and an adjunct professor at GSEHD. Rather, the more important predictors of students’ academic achievement are parental education and the socioeconomic makeup of their school. School districts in the U.S. have taken different approaches to ameliorate these issues.

Dallas, a large city district, created public “innovation” schools that are funded by private corporations; these schools reserve half of their available spots for high and middle SES students and the other half for lower SES students. Wake County, North Carolina, mandated that no single school may have more than 40% of its enrollment comprised of children eligible for free and reduced lunch, and no more than 20% of the student population reading below grade level. Wake County is also restricting teaching mobility within the school district as a means to bring about greater stability in schools and classrooms. Montgomery County, Maryland, is attempting to address educational inequality through housing policies, by requiring developers to make a portion of each building available to low-income residents.

**Conclusion**

This workshop enhanced knowledge about market-based educational reforms for all who attended. For U.S. scholars, the discussion was particularly apt because of the current presidential administration’s great interest in vouchers and other market-driven education reforms. As Chilean scholars continue to study the impact of vouchers on their country’s education system, the workshop’s shared knowledge about managing accountability measures, transparency, and strategies to overcome socioeconomic inequities was also highly relevant. The team of American scholars from the George Washington University’s Graduate School of Education and Human Development will continue n-GEO’s work in this area and share with the field through additional events, policy papers, and comparative case studies.