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Empowering Parents: Innovative Policies to Improve School Quality and Funding

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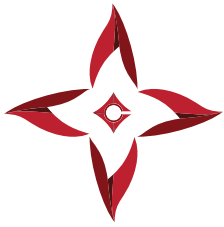
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Empowering Parents: Innovative Policies to Improve School Quality and Funding

By Muhammad Adi Rahman

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Empowering Parents:
Innovative Policies to Improve School Quality and Funding

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Introduction

The current education system in Indonesia has shown limited success. While it manages to widen participation access to allow primary students and junior secondary students to enjoy basic education, with figures reaching 99% and 94% respectively (BPS, 2015), it is the quality of education that has been of concern. With the budget size available for national education, improving the quality of education is the mandate of all parties concerned.

The quality of education is below expectation as attested by a number of education quality measurement indices. There has been a significant drop in the average score in the national examination between 2015 and 2016, from 61.29 to 54.78 (Antaranews, 2016). Student performance in basic school subjects such as Mathematics and Science have also seen a decline as evidenced by research conducted by Trends in International Mathematics and Science Study (TIMSS) and Progress in International Reading Literacy Studies (PIRLS), showing the national student performance lag behind that of other countries in the world.

The budget allocation for education has also been under scrutiny, where there is a discrepancy between what is expected in the raising of Indonesian teacher salaries. The raise in salary does not actually correspond to a recorded improvement of teachers as suggested by De Ree J (2012). Findings from the World Bank that suggests most of the government spending on education went to teacher allowances, at \$3.5 billion out of the total education spending of \$7 billion.

“The quality of education is below expectation as attested by a number of education quality measurement indices.”

One of the possibilities for this discrepancy is identified in the absence of the empowerment of students and their parents. In many of the cases observed, parents are yet to voice their concern over the management of the educational system. Schools do not usually attend to the needs and suggestions of parents, as schools understand that they need only to report to the government agencies responsible for education. On the other hand, parents in private school demonstrate more power to participate in education systems as schools usually recognize their role as significant sources of funding for the school.

This paper argues that in order to improve the school management and quality of education, the system of school financing needs to change. Students, represented by their parents, should have the liberty to control their finances and choose the schools deemed relevant to their own needs. By handing the power to choose to the hands of the parents/students, they can be held accountable for their own choice of education. By attaching education financing to the parents/students, it is argued that the students will have more power to choose which schools will give them better services and it will also bring more accountability to students as the real

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beneficiaries of education (Shah and Braun-Munzinger, 2006; Astle, S. Bryant, and C. Hotham, 2011; Sjunnesson, 2012).

This system has been implemented in several places with varying degrees of success, in countries such as the United States, Sweden, the Netherlands, and Chile. There are four types school choice programs, namely school vouchers, education saving accounts (ESA), tax credit scholarship and individual tax credits and deduction.

This paper will review the advantages and disadvantages of this program, by drawing on some examples of best practice from some of the countries mentioned above. However, this paper will introduce and discuss the first two forms of school choice; school vouchers and Education Saving Account (ESA), as the tax credit scholarship and individual tax credits and deduction schemes use a tax-based approach which would be difficult to be implement in Indonesia since the Indonesian tax system is not as advanced as developed countries.

As a study of school choice programs aimed at providing policy recommendations for the improvement of education performance in Indonesia, this paper will start by discussing the concept of school choice including school voucher and ESA programs and their respective benefits to the education system. The second section will discuss the implementation of school vouchers and ESA program worldwide and analyze success stories as well as the shortcomings in the implementation of both programs as a lesson learned for Indonesia. The last section will present some policy recommendations in order to provide policy frameworks that suit the implementation of school choice programs.

School Choice, School Vouchers, and the Education Saving Account

Given the wide implementation of national education that is much the legacy of Dutch colonial power, where administrating school management is very much a pecking order. Few Indonesians realize they have the right to choose their form of education and schools. Parents need to be in control when it comes to choosing schools based on their perceived suitability in terms of, among others, proximity and quality of services.

This is not the case of more wealthy parents who would have more liberty to send their children wherever they want, giving a wider array of choices. Consequently, wealthier parents will have the opportunity to send their children to better schools, while underprivileged parents have no choice but to be content to simply be able to send their kids to any available schools.

Some opponents of this school choice program, including Ladd (2002) argues that the implementation will lead to problems that include the prospect that some parents may decide to send their children to private schools. This argument states that it does not benefit the public school as the main beneficiary for the program, but it also benefits the private schools that already have their own revenue stream. That this scheme is regarded as inappropriate, as the source of funds are from tax payers that is not supposed to be disbursed for paying fees to private schools who seek profit.

However, this argument is unsubstantiated for two reasons. First, the school choice program actually uses public funds to its optimum benefits. This program will force schools to improve their services at their own will without incurring much cost. Second, Forster (2008) argues that based on empirical studies to examine the effect of school choice programs on students' achievements, of the ten empirical studies, eight studies showed that students who participate in school choice programs had better academic achievement compared to the control group. Although this is not conclusive, it demonstrates the potential that school choice programs can improve educational quality for society.

Knowing the potential benefits of school choice programs, we need to understand the mechanism of the programs.

1. School Vouchers

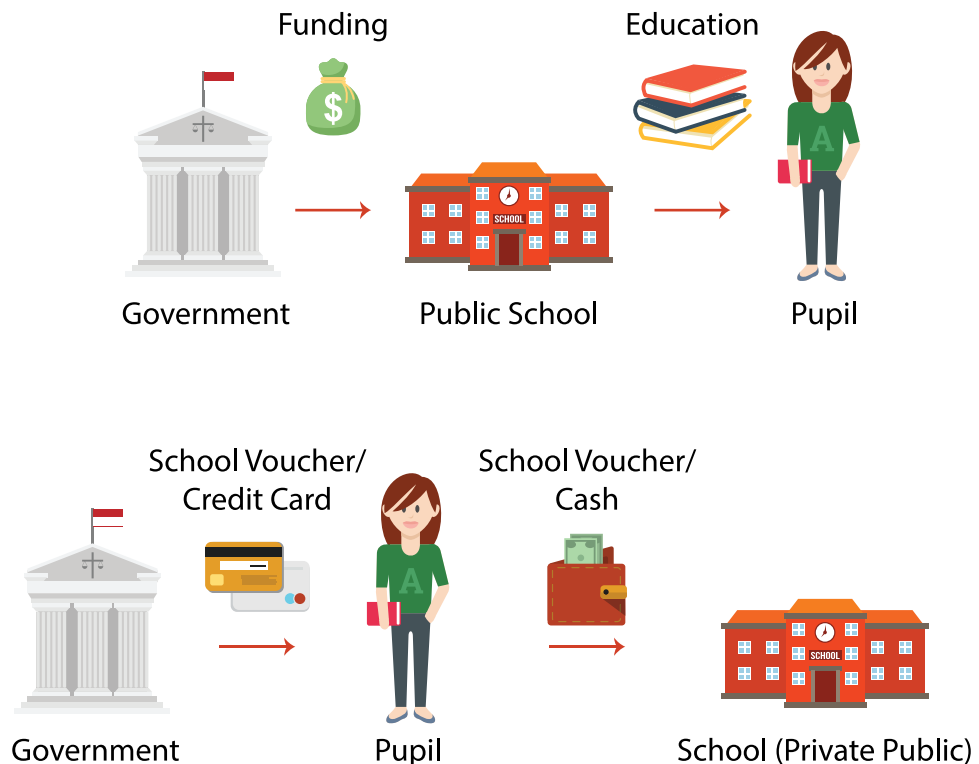
The first type of school choice program is school vouchers. The idea of school vouchers was popularized by a noble laureate economist, Milton Friedman in 1950. Although before him, recorded history mentions that similar schemes have been implemented before in the late 1800s in the American states of Maine and Vermont. In the Netherlands, one of the oldest school voucher program in the world was first implemented in 1917 (Gryzelius, 2014).

Unlike the current education financing in Indonesia where education spending goes directly to schools, in the school vouchers program, the education financing follows where the student goes.

“Few Indonesians realize they have the right to choose their form of education and schools.”

The vouchers can only be redeemed once they are enrolled in a school. School can then redeem the vouchers at a local education authority office or any education office granted authority to manage the program. This flexible financing mechanism also gives an opportunity for students who come from poor families to be enrolled in better quality private schools (See diagram 1).

Diagram 1
Comparison of Conventional Education Financing (Top) with School Vouchers (Below)



Sources: Adapted from Gryzelius, 2014

Since the aim of school vouchers programs is to change the way education is financed from school-based to student-based mechanisms, the value of the vouchers should be able to cover school operational costs per student. The values of the vouchers vary, depending on which country the voucher is applied in. For instance, the school vouchers pilot program in Lahore, Pakistan is worth of Rs.300 per student per month. This amount is set to be slightly higher than the average tuition fees of private schools in the area of the pilot project to attract schools to perform optimally.

The basis of calculating the value of school vouchers in Sweden is another example. The vouchers' amount in Sweden is set to be equal to the average cost for securing a place at public schools. The way Sweden sets the value of school vouchers can be a business model for Indonesia since Swedish school voucher programs implement universal coverage which is in line with the Indonesian constitution mandating government to guarantee education access for every citizen. Nevertheless, since there are different methods in calculating the value of vouchers, further analyses is needed to calculate the precise value which is relevant for Indonesia.

The design of school vouchers varies in implementation. In several American states such as in Indiana, Louisiana, and Milwaukee, the vouchers program is a *Means-tested* or *Means-preference*

program where the vouchers are limited to targeted groups, such as low-income families. Voucher programs give an opportunity for low-income families to choose schools based on the quality of education that most low-income families lack access to.

In addition, the vouchers program in the states of Arkansas, Florida and Georgia cater for a wider audience. For instance, in the form of scholarship programs for students with special needs. Unlike voucher programs designed to send students to a general school, voucher programs in those states allow students to attend either public or private schools that provide educational services for students with special needs.

The benefits of school vouchers program compared to traditional financing is through the form of school vouchers. Parents have more bargaining power to decide which schools to send their children. Consequently, this will increase competition among schools to attract more students by increasing their performance. It could also be an incentive for education providers to start new schools that could meet the demand for better quality of schools.

“Unlike the current education financing in Indonesia where education spending goes directly to schools, in the school vouchers program, the education financing follows where the student goes.”

2. Education Saving Account (ESA)

The second program of school choice is the Education Saving Account (ESA). It is an improved version of school vouchers for the digital era in the form of use-restricted debit cards with multiple uses. Compared to school voucher programs, ESA offers more features. For example, while school vouchers are only used for paying tuition fees, the ESA can be used for other educational expenses approved by the government, such as buying textbooks, paying tutors or going to a licensed therapist. Therefore, with the ability to customize the allocation of ESA funds, parents will have more flexibility in using the funds to optimize their children's education.

Additionally, receiving students can also use remaining funds for education spending for the following year or they can even save the remaining funds into a college savings account. It means that the features of the ESA are incentives for parents to not only find an appropriate education provider but to also factor in the costs of school in order to save some of the allotted funds for future education expenses.

“with the ability to customize the allocation of ESA funds, parents will have more flexibility in using the funds to optimize their children's education.”

“Accountability in the form of efficiency and transparency is important since the source of ESA funds is from tax-payers.”

In many instances, ESA is similar to the existing program of Kartu Jakarta Pintar (KJP) where the local government deposits allocated amounts of public funds in a Bank DKI Account. The receiving students, who mostly come from poor family, can then use this money to pay for tuition fees in private schools. They can also use the money to pay for textbooks and buy other approved expenses. However, KJP is just a complementary subsidy for the poor. It does not change the overall financing mechanism. On the other hand, ESA is not a complementary subsidy but it is the main financing scheme for that is expected to catalyze changes in the education financing mechanism.

However, the implementation of ESA is quite recent and mechanisms vary between states. The first ESA was implemented in Arizona in 2011. The concept of ESA program was also being implemented in the state of Florida under the name of the Gardiner Scholarship Program. However, the implementation of ESA between the state of Arizona and of Florida is markedly different. In Arizona, the ESA can be used to pay tuition fees at general private schools while in Florida it is limited to targeted students with disabilities. Besides the programs that are being implemented by Arizona and Florida, the latest revolution of ESA implementation was enacted by the state of Nevada which implements the ESA for all students, and is not restricted to a targeted group of students.

As a part of the school choice program, the aim of ESA is to widen educational options for parents and increase competition among education providers to give better services and efficiency. Accountability in the form of efficiency and transparency is important since the source of ESA funds is from tax-payers. The government or any authorized institutions that manage the program must ensure that ESA funds are used in accordance with educational expenses approved by the government from the approved providers. Since the ESA is a debit card that can be integrated with the banking system it can be tailored for authorized institutions to monitor the use of ESA.

International Experiences of School Vouchers and ESA

After discussing the underlying concept and the benefits of school choice programs, school vouchers and ESA, we need to further analyze how the concept is being implemented by looking at case studies. Analyzing the experiences of the implementation of school vouchers and ESA programs is crucial in order to assess what are the main successes as well as shortcomings as a lesson learned for Indonesia.

In this section, some international experience such as the implementation of school voucher programs in Sweden and in the Netherlands are analyzed as they provide the best examples of implementing universal school vouchers that could guarantee every child access to any education institution. In addition, for comparison, this section will discuss the experience of the implementation of ESA program in Arizona.

1. Sweden

The implementation of school vouchers program in Sweden started when the Swedish government reformed its education system in the 1990s. The reform led to the state governments to devolve their responsibility in controlling and funding primary and secondary education to governments at the municipality level. They also abolished the catchment areas regulation in order to create more school choice for parents, allowing them to choose whatever schools in their area to send their children. However, as the proximity of the school became the main consideration for parents in choosing the schools, it inadvertently led to an oversubscription in some schools.

In response to this situation of oversubscription, the government allowed private initiatives to set up their own schools and receive public funding in the form of school vouchers. The amount of the vouchers is equal to per pupil funding in public schools and the vouchers are also applied to every child from primary to secondary level.

However, there are several conditions for schools to receive the public funds. First, the school must follow the national curriculum and are willing to be supervised by the National Assembly of Education. Second, in order to minimize the problem of “cherry-picking”, the schools must accept students on a first-come first-served basis and students should take government examinations four times during their academic periods. The third requirement is the tuition fee of participating schools is restricted to the value of the vouchers. However, there are no restrictions on how schools are managed and owned – they do not need to be independent and some schools can also be for-profit entities.

The impact of school voucher implementation to academic performance has led to some different arguments. The

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proponent of school vouchers claims that competition among participating schools as a result of the implementation of a school vouchers program has led to higher academic achievement. By comparing upper-secondary school students from municipalities that have more participating schools in the school voucher program, with students from municipalities with less participating schools, it is shown that the grades obtained by the first group are higher than that of the second group.

On the other hand, the opponents of the school vouchers program argue that the implementation of market-based education system is the reason for the decline of Sweden's performance in international tests, declining from 7th to 23rd place between 2003 and 2012. The decline appeared to happen across the country both in public and private schools, signifying a problem within Sweden's education system. However, this decline cannot be solely attributed to the implementation of school vouchers. A further analysis shows that there are two main changes in the education reform. First, reforms that led to unregulated education financing (whereby schools are allowed to find their own sources of income however they find fit) created an education market that lowered standards and focused on mass education rather than an individualized approach. Secondly, a reformation in curriculum that also inadvertently lowered education standards.

Nevertheless, the implementation of school vouchers in Sweden brought some excesses. The study of Sahlrgén in Jan Sjunnesson (2012) showed that there is an indication that schools inflate student grades. The problem appears as a result of the competition among participating schools to attract more students in order to get higher funding. Instead of improving their education quality, they opted to find a shortcut to attract students. To overcome this problem, grade inflation could be minimized by conducting centrally-marked standardized examinations to prevent schools from attempting to inflate their students' grade. A centralized grading policy will help optimize the school vouchers programs as a medium to improve education quality.

2. The Netherlands

The Netherlands provides another important experience of school vouchers implementation. The design of the vouchers program is similar to that of the Swedish vouchers program where the vouchers apply to every child in the country. However, Gryzelius (2014) explained that the Netherlands has a stronger regulative framework than Sweden, which makes it possible for the school vouchers system to claim its success.

The study of Shah and Munzinger (2012) shows that there are some strict requirements for schools to be able to receive public funds. For instance, schools are not allowed to charge additional fees from parents. They also have to follow the national curriculum and take national exams. Furthermore, the class size, as well as teachers' qualifications and salaries are also subject to

“the Netherlands has a stronger regulative framework than Sweden, which makes it possible for the school vouchers system to claim its success.”

regulation. However, despite the fact that there are some strict requirements that should be met by the schools, they are given the liberty to decide which teaching methods as well as books and materials the school will use.

The Dutch education system that gives parents more opportunity to seek the best school for their children has successfully increased competition among schools to deliver their best education services to students. Consequently, it also increased the academic achievement of students. The empirical study of Himmeler (2007) confirmed this argument. He measured the competition between public schools, as the control group. The results show that the school vouchers system increased competition among non-Catholic schools and students' academic achievement in non-Catholic school increased to nearly match that of Catholic schools. Moreover, he also found that effective regulations issued by Dutch government helped minimize grade inflations committed by schools.

3. Arizona Education Saving Account Program

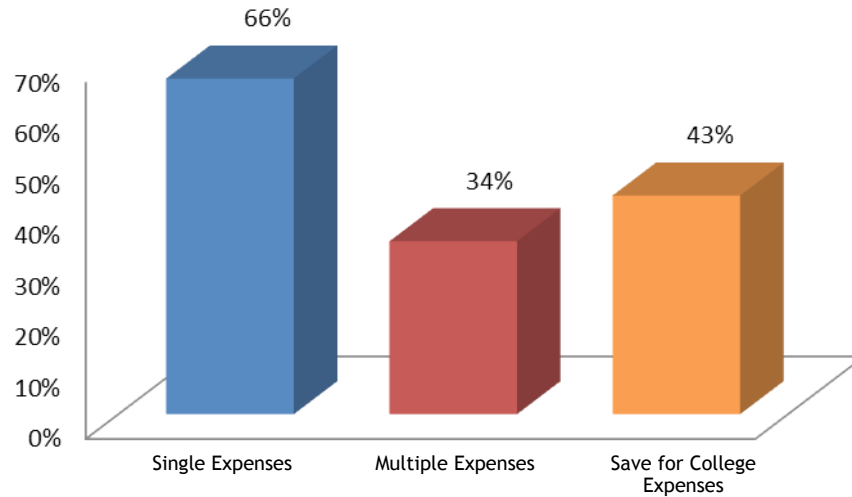
The implementation of the new generation of school choice programs in the form of a Education Saving Account gives fresh ideas in increasing opportunities for parents and fostering competition among schools to improve quality of education. However, the implementation of such a program is quite new. Thus, research on these topics is also limited.

Nevertheless, the study of Butcher and Burke (2016) points some interesting findings on the implementation of ESA in Arizona. According to his study, the Arizona government first enacted ESA in 2011. The program was applied by the state depositing public funds into parents' accounts so they can use the money for educational expenses. Moreover, parents not only use the money for single purposes but they are also allowed to customize their education expenses. For example, parents may use some of the money allotted in their account for paying tuition fees and they can use the remaining money to other supporting expenses such as paying for online classes or personal tutors. More importantly, they also can save the remaining money for future education expenses such as paying college tuition fees.

Butcher and Burke (2016) also presented some interesting findings related to the portion of the allotted funds that parents use. About 66 per cent of the participating parents used the money for single educational expenses while 34 percent of parents used the money for multiple purposes. Additionally, 43 per cent of parents saved the unused funds for future educational expenses (See Chart 3.1). Through allowing such high flexibility, parents can optimize the money to support their child's education.

“A collaborative survey of the Friedman Foundation and Goldwater Institute in 2013 revealed that all of the participating parents showed satisfaction with the program.”

Chart 3.1
Utilization of ESA in Arizona



Source: (Butcher & Burke, 2016)

A collaborative survey of the Friedman Foundation and Goldwater Institute in 2013 revealed that all of the participating parents showed satisfaction with the program. Parents also expressed that they were highly satisfied with the public schools. Those findings indicate that ESA is a highly potential program that could expand parents' options and at the same time guarantee the parents' access to any educational sources that best fits their child's needs.

From the discussion of the school vouchers and ESA concepts as well as examples of its implementation worldwide, we can analyze the contribution of each program to improve access and quality of education. As we can see from Table 1 below, both school vouchers and ESA could increase competition among schools providers and lead to the improvement of education quality. Both programs are also able to increase efficiency of government education spending. Moreover, the features brought by ESA allow parents to save the unused funds for future educational expenses. This feature could bring an opportunity for underserved families to reach the highest possible level of education for their children.

Table 1

Comparison between the Ability of School Vouchers and ESA in Improving Education System

Outcome	School Vouchers	ESA
Improve education quality	The implementation of school vouchers will increase competition among school providers to give their best quality of education services. It has been proven by some empirical studies	The implementation of ESA will also increase competition among school providers to give their best quality of education services. However, since it is the newest generation of school choice programs, researches discussing the implication to the ESA on academic achievement is still limited
Broaden education access to poor families	Implementation of universal school vouchers will not only broaden access to education for the poor but it also gives the poor opportunity to choose the best schools for their children	Since ESA can be used for multiple purposes, not restricted to pay school fees, parents from the poor families who have children with disability can also pay a therapist to support their children's education.
Increase efficiency of education budget	Through competition brought by school vouchers system, school providers are encourage to optimize their resources but still maintaining or increasing their education quality to attract more students. It, then, will lead to resources efficiency, including financial efficiency.	Because parents can customize the allotted funds to pay several educational expenses, parents will try to find the best schools with the lowest price for their children. Incentive to increase efficiency is not only from school providers but it also comes from the demand side of parents.
Increase student enrollment to higher education level	Since school vouchers are for single purposes, parents are not able to save for paying future educational expenses unless once their children enrolled in higher education level, for example in senior high schools, they have to register again to get the vouchers.	Besides customizing their educational expenses, parents are allowed to save the unused money in ESA to pay future educational expenses such as saving for future college expenses

Lesson Learned for Indonesia and Some Policy Recommendations

Knowing that school choice programs such as school vouchers and the Education Saving Account (ESA) are proven to bring benefits to the improvement of education quality, both programs, should be considered by the Indonesian government if they want to improve education quality in Indonesia. However, since the implementations of those programs also vary across countries, it would need adjustments to Indonesia's existing education policy framework in order to increase the efficacy and efficiency of the proposed programs.

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1. Promoting School-Based Management

In order to guarantee that competition among schools could lead to the improvement of education quality, government has to increase school autonomy by promoting School-Based Management (SBM) where the decision-making process is devolved to the school level (The World Bank, 2007). Through SBM schools will have more flexibility in choosing the best teaching methods as well as in managing their resources to optimize their education services. In Indonesia, the idea of SBM is already popular among education stakeholders but it is yet to be optimally implemented. Therefore, to optimize the implementation of SBM, policies on education should also be synchronized to the goals of SBM.

2. Increasing the Efficacy of Regulations to Assure Program Outcomes

Despite the fact that to ensure the efficacy of school choice programs, school autonomy needs to be increased, some regulations certainly need to be in place. For instance, rather than requiring schools to meet some minimum facilities requirements that might not have significant impact on student academic achievements, government can require schools to take standardized tests to measure their performances. Hence, it can also serve as an instrument for the government to minimize grade inflations.

Additionally, government can also require schools to create school prospectus, consisting of general information about the school and the average scores achieved by the students, as an

instrument for parents to make informed decisions when choosing the best schools for their child. Such regulations are necessary to gain the optimum benefits from competition among participating schools.

3. Reviewing Incentives and Salaries of Teachers

Teachers play an important role in the academic process because they facilitate the learning process and also transfer knowledge to students. It is agreed that teachers should be given the appropriate salaries according to their performance. However, the study of De Ree J (2012) confirms otherwise, that there is no direct correlation between a raise in salary and perceived improved students achievement in Indonesia. Therefore, incentives and salaries of the teachers should be calculated based on their performances and contribution to the increase of students' academic achievement. Performance-based allowances, then, can be an incentive for teachers to give their best performance and it also can be a disincentive for teachers who do not perform well.

4. Enabling For-Profit School Initiatives

Allowing private initiatives to operate for-profit schools could increase the level of competition among school providers. The reason why for-profit schools should be allowed is because through profit, private initiatives not only have opportunity and flexibility to expand their schools but it can also be an incentive for private sectors to participate in school choice programs and put all their potential in providing the most effective and efficient schools to the people.

For-profit schools, on the other hand, do not always mean that they will charge additional money to parents even though the schools have received tuition fees covered by school vouchers or ESA. For-profit means they are allowed to earmark funds between tuition fees covered by the vouchers or ESA and their actual operational costs so they can use it to further develop their schools.

However, for-profit schools should be subject to some regulations. For example, they are not allowed to suddenly close the school if they are no longer able compete with the other schools. It is because abrupt school closures will not only harm students but it will harm the whole implementation of school choice programs.

Conclusion

By understanding the power and benefits of choice in the education sector, parents and students in Indonesia start to change their perception of their child's education from that of regarding education as taken for granted, to a paradigm that allows them to choose the best school for their children. On the other hand, the government should also play its role as a facilitator to this change by considering and analyzing the potential of school choice programs to improve education performances of Indonesia. Indeed, the new concept of school choice also needs to be supported by policy adjustments to optimize its impact.

Case studies from international experiences in implementing school choice programs such as school vouchers and Education Saving Account (ESA) have proven to give significant improvement to education quality as well as education finance efficiency. Through such programs, parents, not only wealthier families, but also underserved families, also have greater opportunities to choose the best schools for their children and thus lead to an increase in competition among schools. Under competition, school providers are encouraged to optimize their resources to provide the best possible quality of educational services.

However, international experiences also give valuable lessons about both the success and the shortcomings of school vouchers or ESA implementations. Therefore, adjustment in policy needs to be in place. Some of the adjustments include promoting School-Based Management (SBM), increasing the efficacy of regulations, reviewing incentives and salaries of teachers, and allowing for-profit schools to operate. Those preconditions are expected to improve the efficacy of school vouchers or ESA programs when the program is finally implemented in Indonesia.

It is important to note that this study is a preliminary study to provide an overview of school choice programs and to pinpoint that for any education reform to be fully functioning there is the need for several changes in regulation and related education policies. The recommendations offered are therefore somewhat broad, thus requiring further study when opportunities arise. Furthermore, we will also benefit from pilot studies of school vouchers or ESA before it is widely implemented in Indonesia to guarantee its compatibility to local conditions.

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ABOUT THE AUTHOR

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