

Education is a key policy instrument for addressing unemployment, rising inequality and falling intergenerational mobility, the social problems that were the focus of the first three contributions to CEP's 'big ideas' series. In the latest overview of the Centre's research, **Sandra McNally** surveys evaluations of a wide range of school policies in the UK.

Big idea

Education

Education is central to public policy debates in both developed and developing countries. These are some of the reasons why:

- First, it is well known that education is one of the best 'investments' that individuals can make: this claim is backed by extensive research on the private monetary returns to education.
- Second, education is associated with other, non-monetary benefits for individuals, such as better health and less involvement in illicit activities.
- Third, research in macroeconomics highlights the importance of the accumulation of human capital for growth and development.

As these findings suggest, economics makes many significant contributions to education research. The origins of the economics of education as a significant field are in the 1960s and 1970s with the

work of Gary Becker, Ted Schultz and Jacob Mincer (though many issues go back much further than that). In the last decade, there has been a resurgence of interest in education among economists and CEP researchers have played a central part in this work (Machin, 2008; Machin and Vignoles, 2005).

CEP is one of the founding partners of the Centre for the Economics of Education (CEE), which was set up in 1999 by the then Department for Education and Skills. The education group at CEP has made a contribution to many important policy questions as well as advancing academic research in this area.

One of the big questions addressed by our research is what works (or not) to improve school performance. More specifically, what are the consequences of various types of school policy and institutional structures for raising educational standards in schools? And do these policies and structures benefit some children more than others?

Politicians of all persuasions have put faith in the market as a means of raising



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educational standards. There is much talk of the benefits of choice and competition. The idea is that with parents able to choose any school they want for their children (at least in theory) and being able to judge the performance of schools through 'league tables', schools will be under pressure to improve their performance – particularly since their funding is tied to how many pupils they have.

Whether such a policy works is an empirical question. The recent availability of detailed pupil-level data – the National Pupil Database – has made it possible for this issue to be analysed rigorously for the first time and CEP researchers have used these data, making full use of advances in econometric and spatial modelling techniques.

One CEE study evaluates whether primary schools in England that face more competition perform better than schools in less competitive situations, and whether parents who have more choice of where to send their children actually see gains for their children in terms of academic performance (Gibbons et al, 2008).

Image: Alan Lopez

The effects of higher spending have been consistently positive across all areas tested at the end of primary school

This research finds little evidence of a link between choice and achievement, and only a small positive association between competition and school performance (which is not causal). Moreover, there is some evidence that greater competition can actually be deleterious by creating 'stratification', where pupils of different abilities are less likely to be educated together.

These findings suggest that simply offering parents a wider choice of schools and forcing schools to compete does not seem to be a remedy for poor standards in education. So do more traditional 'resource-based' policies fare any better?

Over the last ten years, there has been a huge increase in investment in education. Spending on schools has increased by around 40% since 2000. There has also been a range of specific initiatives, often focusing on disadvantaged areas – for example, the 'Excellence in Cities' programme and academy schools. CEP researchers have been involved in the evaluation of these programmes as well as investigating

whether the general rise in spending has produced positive effects.

CEP's evaluation of academy schools is still in progress (see the next article in this *CentrePiece* for the initial findings). Evaluation of 'Excellence in Cities' shows an improvement in educational outcomes of secondary school pupils for a modest increase in per pupil expenditure. The effect is bigger for particular sub-groups, notably the most able pupils in schools with the highest rate of deprivation (Machin et al, 2007).

This is an example of a high profile government policy where rigorous analysis has been possible because of the ability to construct a suitable control group. The availability of good data has also made possible a thorough analysis of whether the general rise in expenditure has improved educational attainment at the end of primary school. The study shows that the effects of higher expenditure have been consistently positive across all areas tested at the end of primary school (Holmlund et al, 2008).

The magnitude of the effect suggests that the policy of increasing school spending over the past few years has been worth the investment. While this is good news for advocates of increased public spending on education, it remains the case that far too many young people leave the system with little or no qualifications. The UK also has a poor international standing with regard to young people who are classified as 'not in education, training or employment'.

Indeed, it has been difficult to help the 'hardest to reach'. Even the 'Excellence in Cities' programme was unable to do much for the attainment of low ability pupils in disadvantaged schools. Thus, how to tackle the 'long tail' of the distribution of educational attainment remains a challenging issue for the future.

Addressing these issues also requires a better understanding of the consequences of, on the one hand, different pedagogical approaches and, on the other, school structures, such as school governance and management. One example of CEP research on pedagogy is the evaluation of the 'literacy hour', which shows that this fundamental change to how literacy is taught in schools in England has raised standards at very low cost (Machin and McNally, 2008).

Research on the importance of school



structures suggests that the autonomy enjoyed by voluntary-aided schools might explain their higher performance (Gibbons and Silva, 2006). Our programme of research continues to explore these issues.

Whichever way school performance can be improved – whether by changes in resources, pedagogy or structures – we also need to know the economic value of changes in human capital. CEP and CEE researchers have contributed to measuring the value of educational qualifications in the labour market (Machin and Vignoles, 2005), and this issue has wider relevance to other CEP research programmes on macroeconomics, globalisation and productivity.

CEP researchers have also measured how parents value school performance using data on property prices (Gibbons and Machin, 2003). In this study, spatial



EDUCATION

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Further reading

Stephen Gibbons and Stephen Machin (2003) 'Valuing English Primary Schools', *Journal of Urban Economics* 53: 197-219.

Stephen Gibbons, Stephen Machin and Olmo Silva (2008) 'Choice, Competition and Pupil Achievement', *Journal of the European Economic Association* 6(4): 912-47.

Stephen Gibbons and Olmo Silva (2006) 'Faith Primary Schools: Better Schools or Better Pupils?', CEE Discussion Paper No. 72 (<http://cee.lse.ac.uk/cee%20dps/ceedp72.pdf>).

Helena Holmlund, Sandra McNally and Martina Viarengo (2008) 'Research on the Impact of School Resources on Attainment at Key Stage 2', report to the Department for Children, Schools and Families.

Stephen Machin (2008) 'The New Economics of Education: Methods, Evidence and Policy', *Journal of Population Economics* 21: 1-19.

Stephen Machin and Sandra McNally (2008) 'The Literacy Hour', *Journal of Public Economics* 92: 1441-62.

Stephen Machin, Sandra McNally and Costas Meghir (2007) 'Resources and Standards in Urban Schools', CEE Discussion Paper No. 76 (<http://cee.lse.ac.uk/cee%20dps/ceedp76.pdf>).

Stephen Machin and Anna Vignoles (2005) *What's the Good of Education? The Economics of Education in the UK*, Princeton University Press.

modelling methods identify how much parents are willing to pay to move into the catchment area of a better performing school. The results show that parents are willing to pay sizeable amounts to 'buy in' to an area served by primary schools with higher achievement.

This work illustrates how admissions policies based on residential proximity (combined with the workings of the property market) contribute to income-based segregation in schooling. As well as being socially undesirable in itself, such segregation may be a driver of educational inequality through 'peer effects'.

As previous contributions to the 'big ideas' series show, CEP researchers have been major contributors to what is known about educational inequality and how this relates to social mobility.

The UK's 'long tail' of people with low educational attainment remains a challenging issue

Image: www.flickr.com/people/my_new_wintercoat/