The pupil premium: assessing the options

Theory and Empirical Evidence

Ellen Greaves, March 2nd 2010.
Possible mechanisms for reducing the attainment gap

- Pupil premium
- Extra resources
  - Change in mix of pupils across schools
    - Increased competition
    - New providers
      - Specialist schools
  - Increase in attainment for disadvantaged students
Direct effect of extra resources?

- **US**
  - Hanushek (1997) summarises conventional wisdom
  - “there is not a strong or consistent relationship between student performance and school resources.”
  - Questioned by others

- **International evidence**
  - Little correlation between spending and attainment (OECD)

- **UK**
  - Some small but positive effects found for children going through school in 1970s
  - Other recent research finds small, positive effects of increasing resources
  - No clear differential effect for advantaged or disadvantaged pupils
Positive peer effects from a new school mix?

• Schools in England are segregated by income and ability

• School composition matters

• Why are schools segregated?
  – Mostly residential segregation and catchment areas
  – Selection by parents?
  – Selection by schools?

• Impact of the pupil premium?
  – Change the supply side – what pupils would schools prefer?
  – Change the demand side – what schools would parents prefer?
A new school mix? The supply side

• Would schools respond to financial incentives?
  – Schools don’t behave like firms
  – But they do need extra resources to teach “hard-to-teach” pupils
  – Evidence from SEN premium (West et al, 2006)

• Perhaps better to think about reducing the disincentive to attract disadvantaged pupils

• Can schools choose their pupils?
  – Schools aren’t meant to “cream-skim” pupils
  – Schools Admissions Code prohibits covert selection
  – But some evidence they do in the current system (West et al, 2006; Allen and West, 2009)
A new school mix? The demand side

• Do parents want high academic standards?
  – House price premium around “good” schools (Gibbons and Machin, 2001; Black, 1999)
  – Less incentive to pay this premium if the pupil premium raises attainment in other schools

• Do parents want a “good” peer group?
  – Burgess et al (2009); Rothstein (2006); Schneider and Buckley (2002)
  – Effective resources per pupil?
  – Or “People like me”?
A new supply of schools

- Context: Conservative proposals for new schools
- Pupil premium interacts with this policy
  - Clearer funding system
  - Increase in resources available in disadvantaged areas
- Would new schools be set up?
  - Chile, some states in the US, Sweden
- Do new schools need the profit incentive?
  - Kunskapsskolan – largest provider of “free” schools
    “The company would not have existed were it not for investors”
  - Large number of non-profit and “non-market oriented” charter schools in the US
  - Much interest in proposals in the UK
A new supply of schools - benefits

• Competition
  – A “tide that lifts all boats”? 
  – Strongly debated

• Specialist schools serving disadvantaged pupils
  – KIPP schools in 19 US states; Green dot schools in LA
  – Some evidence of positive results
A new supply of schools - disadvantages

- Selection by new schools?
  - Some charter schools “crop” their intake, avoiding hard-to-teach pupils (Lacireno-Paquet et al, 2009)

- Increase in segregation?
  - Chile - “massive exodus” of parents of high socio-economic parents from state schools (Hsieh and Urquiola, 2002)
  - UK - past reforms have led to no change in the level of segregation in schools (Gorard et al, 2002; Allen and Vignoles, 2006)

- Segregation may not increase the attainment gap when there is extra funding for poorer pupils
Summary of empirical evidence

• Direct effect of increasing resources
  – Evidence of small, positive effect
  – Reduce the attainment gap to some extent
  – How can/will extra resources be used?

• Indirect effect of peer groups
  – Parents may have less incentive to pay a house price premium, but probably still care about peers “like me”
  – Likely that schools have little scope to change their intake, but it may reduce the disincentive for taking disadvantaged pupils

• Indirect effect of increased supply
  – Likely that more schools will be set up
  – Could increase competition
  – More schools in disadvantaged areas (possibility for specialist schools)