New Study Identifies Classroom Gains in Philadelphia Schools Operated by For-Profit Companies

CAMBRIDGE – Philadelphia schools managed by for-profit companies outperform district-managed schools in math, and for-profits fare better in both reading and math when compared to schools under nonprofit management, according to new research by Paul E. Peterson and Matthew M. Chingos of the John F. Kennedy School of Government at Harvard University.

The Peterson-Chingos study, published in the peer-reviewed research section of the forthcoming issue of *Education Next* (Spring 2009), confirms that the effect of for-profit management of schools is positive relative to district schools, with math impacts being statistically significant. Over the last six years, students learned each year an average of 25 percent of a standard deviation more in math -- roughly 60 percent of a year’s worth of learning -- than they would have had the school been under district management. In reading, the estimated average annual impact of for-profit management is a positive 10 percent of a standard deviation -- approximately 36 percent of a year’s worth of reading. Only the math differences are statistically significant, however.

The researchers found the difference between the effects of for-profit and nonprofit management even more stark. In math, students in for-profits gained between 70 percent and greater than a year’s worth of learning more each year than in schools under nonprofit management. In reading, students learned approximately two-thirds of a year more in a for-profit than a nonprofit. Both math and reading impacts were statistically significant.

Peterson and Chingos used state and nationally normed test-score data as well as demographic and school enrollment information supplied by the Philadelphia school district for students enrolled in grades 2 to 8 from 2001 through 2008 to compare the performance of the for-profit, nonprofit and traditional schools.

“Year after year, students learned substantially more in reading and math if they attended a school under for-profit rather than one under nonprofit management,” Peterson and Chingos explain.

As part of a district-wide reform effort in 2002, the Philadelphia School Reform Commission (SRC) arranged for the for-profit management company Edison Schools to take over management of 20 of the city’s low-performing schools and the for-profit Victory Schools to take over management of five. Sixteen of the low-performing schools were to be managed by nonprofit entities -- the University of Pennsylvania (3 schools), Temple University (5 schools), Foundations (5 schools), and Universal, a community development corporation (3 schools).
In 2008, the Philadelphia School Reform Commission (SRC) terminated the contracts of five schools under for-profit management (four from Edison Schools and one from Victory Schools) for failing to meet the Adequate Yearly Progress (AYP) requirement of No Child Left Behind. Only one school was removed from nonprofit management (Temple). The six schools were returned to district control.

Peterson and Chingos examined whether the SRC’s decision to terminate the contracts for the five schools under for-profit management had a strong educational basis in the district’s own test-score database.

The Harvard Kennedy School researchers found that the five for-profits had strongly positive impacts in math in all years (as compared to district schools), while the nonprofits had decidedly negative ones, leading to very large, statistically significant differences between the two groups of schools. In reading, the nonprofits fared slightly better than the for-profits but in no year were the differences statistically significant. Peterson and Chingos conclude that the large differences in math clearly offset the statistically insignificant differences in reading.

“If math and reading are given equal weight in evaluating a school, these results provide no support for the district’s decision to terminate the for-profit management contracts,” Peterson and Chingos explain.

Read “For Profit and Nonprofit Management in Philadelphia Schools” now available online at www.EducationNext.org.

Paul E. Peterson, director of the Program on Education Policy and Governance (PEPG) at Harvard Kennedy School, is editor-in-chief of Education Next and a senior fellow at the Hoover Institution. Matthew M. Chingos is a PEPG research fellow.

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The complete study is posted on the website:
http://www.ksg.harvard.edu/pepg/PDF/Papers/PEPG09-02_Peterson_Chingos.pdf

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