
CONTRACTING OUT

Whittling Away the Public School Monopoly

Thomas Toch

This selection first appeared in *The Wall Street Journal* on 15 November 1999. Thomas Toch is a guest scholar at the Brookings Institution.

Edison Schools Inc., a company that has run public schools for profit since 1995, became a \$760 million business last Thursday when its stock began trading on the Nasdaq exchange. Its initial public offering marks the return of company founder and chief executive Christopher Whittle, the flamboyant former owner of *Esquire* magazine and Channel One, whose high-profile publishing and marketing company, Whittle Communications, crashed and burned in the mid-1990s.

More importantly, Edison's successful IPO reflects the momentum behind a market-based movement that is changing the very nature of public education. With 79 schools and 38,000 students, Edison is merely the largest of many new providers of public education that are now vying with traditional public schools for students. Churches, YMCAs, universities, at least two dozen for-profit companies, and many other types of organizations are operating publicly funded charter schools and, in Edison's case, traditional public schools under contract to local school boards.

The company knew from the outset that it would have to attract students away from conventional public schools. So it created a school design with attractive features such as home computers linked to school-based networks, and it lengthened both the school day and the school year so as to give students the equivalent of four extra years of instruction.

The company delivers its upscale school design not to rich suburban kids but primarily to disadvantaged urban students—kids conventional public schools haven't educated very well. Nearly half of Edison's students are black, and 60% are from impoverished families. The average Edison student comes to the company's school scoring at the 30th percentile on standardized tests. Symbolizing Edison's devotion to the poor, Mr. Whittle is planning to move its headquarters from midtown Manhattan to Harlem.

Edison has proved that the market forces are just as likely to spur innovation in public education as in other sectors. With its survival as a business tied directly to its performance in the classroom, Edison has come up with several ingenious solutions to pedagogical problems.

When the company opened its first middle schools three years ago, it found that its reading curriculum was far too advanced for its many students who could barely read. So the company hired the creators of Wilson Reading, a highly regarded adult literacy program, to adapt the program for preteens. As a way of shrinking staff expenses and enabling outstanding teachers to reach more students, Edison this summer entered a partnership with APEX, a company launched by Microsoft co-founder Paul Allen, to make Advanced Placement courses available to Edison high schools via the Internet.

Edison tracks student achievement and school performance to a degree unprecedented in public education. Every student's progress in basic subjects is measured monthly, and the results are delivered to the company's headquarters. Edison surveys parent, teacher, and student satisfaction in every school annually. Edison principals are awarded performance-based bonuses of up to about 20% of their salaries. And the company swiftly fires principals and teachers who don't perform.

Have such steps produced better-educated students? In a handful of scientific studies comparing Edison students' classroom performance over several years against that of students with similar backgrounds, Edison students have registered greater gains. And on the 300 or so state and national tests students have taken in different Edison schools, their passing rates have risen or their scores have ratcheted up faster than expected about 75% of the time. Student attendance is generally high in Edison's schools, and dropout rates are low.

Critics argue that for-profit companies aren't necessary to introduce such reforms and that the money Edison makes in profit should be returned to students. But it's clear that outside catalysts are necessary to

bring about real change. In Toledo, Ohio, facing the prospect of Edison opening a local charter school, the local teachers' union joined forces with the school system to reconstitute a traditional public school to look a lot like an Edison school. They lengthened the school day and school year and brought in the same highly regarded reading curriculum that Edison uses. They abandoned seniority-based hiring in order to ensure that they got the best possible teachers.

Edison hasn't been successful everywhere. Several of its schools have foundered, and last spring it temporarily suspended two struggling high schools. Some Edison schools have inadequately served special-education students. Many of Edison's teachers have failed to use its expensive technology effectively in their classrooms. And most of the new Edison schools that opened this year lacked books and supplies (some even lacked desks) because of purchasing blunders. In response, the company sacked its entire purchasing staff.

Nor has Edison yet turned a profit; it lost \$27.6 million last year. Losses have led to cost-cutting moves. The company has trimmed back expensive features of its school design—cutting the length of its typical school year from 210 days to 200 (the public school average is 180) and beginning its home-computer program in third grade rather than in kindergarten. And Edison cannot profitably operate schools in much of the South, the Rocky Mountain states, and California because of low state education spending. As a result the company has turned to philanthropy; it opened eight schools in California with the help of millions of dollars donated by Don and Doris Fisher, founders of the Gap.

Edison's model is not excessively expensive. The company received an average of \$5,555 a student last year, less than the \$6,392 that the average public school spent per pupil. The company is counting on such things as cheaper computers and economies of scale to put the company into the black. If the company grew to about 700 schools, it would have the revenues of a Fortune 500 company.

Whatever Edison's flaws, the mostly disadvantaged kids on Edison's campuses are by and large in more attractive, safer schools with higher standards, more resources, and a greater sense of purpose than the traditional public schools most would otherwise attend. And that's not because Edison employs a bunch of educational magicians. It's because the company has to compete for every student it enrolls.