Exit, Voice, Loyalty, and Neglect in an Urban School System

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The Martinez et al. (1995) paper is a useful contribution to the sparse literature on the workings of choice programs. While the results are generally predictable, they provide important information for the formulation of future research and provide empirical data to consider the validity of existing choice arguments. Due to space constraints I will limit my comments to consideration of the Children’s Educational Opportunity (CEO) Foundation program which provides partial scholarships for children to attend private schools (this is the truly unique part of the San Antonio program) and what this study tells us about private choice programs’ abilities to serve as effective mechanisms for turning around declining schools.

School choice’s first incarnation was in Milton Friedman’s (1955) musings about the possibilities of applying market mechanisms to education decisions. The idea gained new impetus in the 1980s when a series of studies, topped by the presidential commission report A Nation at Risk (National Commission, 1983), decried the failings of American schools. These reports called for new methods and new procedures to ensure that our schools meet the challenge of educating America’s children.

Choice proponents seized the opportunity represented by the opening of this policy window and argued forcefully and convincingly that one option that offered the possibility of success was using vouchers to allow students to attend whatever school they desired (Chubb and Moe, 1990). The belief was that if schools were forced to compete in an open market they would be forced to adapt, as business organizations are, and start providing a superior product. Such a policy was especially attractive in urban environments, which were perceived as having the greatest problems and where alternative suppliers already existed.

Exit, Voice, and Loyalty

How declining organizations can recover is the central focus of the exit, voice, and loyalty model developed by Hirschman (1970). Hirschman suggests that exit and voice are possible routes to recovery
for declining organizations. The exit option is the traditional option of the marketplace. Producer A finds that as the quality of her product starts to slip quality-sensitive consumers exit. They switch to Product B and Producer A's income suffers. The decrease in profits and income provides a clear signal and the impetus for actively improving the quality of output. If the organization fails to heed the signal, it runs the danger of further exit and bankruptcy.

Hirschman notes that while exit can be an effective signaling mechanism for some organizations, voice may prove to be more effective for other types of organizations. In these cases, due at least in part to loyalty, rather than exiting, consumers and employees provide feedback that the product is unsatisfactory. They actively work to improve the output of the organization by placing direct pressure on producers.

Hirschman's crucial point is that not all organizations are equally sensitive to voice and exit. When organizations that are largely exit-sensitive encounter voice, it leads to little change in the output of the organization. Voice will either be ignored or institutionalized. Market organizations that receive consumer complaints about their products, but see no effect on their sales, are unlikely to change their procedures. On the other hand, organizations that are mostly sensitive to voice will react only marginally to exit. Hirschman (1970:55–61) suggests that in some situations an organization may be relieved that those protesting the declining quality of the organization's output opt for exit. This could easily provide for a quieter and more peaceful work atmosphere as the troublemakers have now left.\footnote{Hirschman refers to this problem as the dilemma of the lazy monopolist.}

Are Urban Schools Exit-Sensitive?

If America's urban schools are declining organizations that need turning around, then a crucial question is whether they are likely to be sensitive to the exit option.\footnote{The other major thrust of reform since the 1980s has been in the direction of site-based management and shared decision making committees which implicitly are built on the assumption that urban schools are sensitive to voice. There are an interesting set of reforms built around the voice option, but considering them goes beyond the scope of this paper. Nevertheless it is important to note that should it be determined that urban schools are not sensitive to the exit option this does not by default guarantee they are sensitive to voice options. The schools may be sufficiently dysfunctional that neither option can succeed in effectively turning them around.} The exit option is most successful when it threatens the organization's existence. Hirschman's paradigmatic case is the threat to for-profit manufacturers from a drop in sales. For the loss of revenues to spur adaptive behavior, however, the number of clients who switch must be large enough that the loss of revenues is significant. In the present case, the San Antonio Independent School
District loses their state funds, which are based on enrollment figures, but not local funding that comes from property taxes. Whether that is sufficient to cause a change depends both upon the number of switchers and the size of the monies that disappear when those choosing the exit option move. Those advocating choice programs would propose a voucher that includes all funds spent on the children’s education—not only the state portion. They would also want a program with no limits on the number of students transferring. The CEO program is sharply limited. Thus in the San Antonio experiment public schools have fewer incentives, both because they lose less than total funding and because of the limited numbers of possible exiters, than they would have under a pure voucher system.

Nevertheless, the results of the CEO program do give us some hints as to the likelihood that urban schools would be sensitive to exit. This program, despite the author’s assertions to the contrary, shows little demand for transfers. There are only a few public school students who avail themselves of the opportunity to use the exit option. Martinez et al. tout the fact that their program is oversubscribed, while the Milwaukee program is undersubscribed. They suggest this shows the importance of including private schools in choice programs. Their over-subscription comes entirely, however, from children who are already in private schools.

For parents with children already in private schools, who meet the conditions of participation, the CEO program provides an opportunity to participate in a contest similar to the many scratch-off games run by the Texas Lottery. In fact it is superior to the scratch-off games in that there is no cost to play, the probability of winning is substantially higher than any of the scratch-off games (over 33 percent of those already in private schools who applied received scholarships), and the sum won ($750) is above the prize level for most scratch-off games. It is hardly surprising that a program which has no cost and only requires an application, yet promises the possibility of $750, can generate a substantial number of applicants. Students who are already in private schools represent 100 percent of those who are on the waiting list, and 50 percent of those who participate in the program. While these funds do represent a redistribution of income to low-income families and might be defended on those grounds, it needs to be pointed out that at least 50 percent of the expenditures of the CEO program provide no increase in the educational quality being received by the children of San Antonio.

3 For Texas as a whole the state covers 45 percent of educational costs. SAISD is among the poorer districts in the state, so the state provides greater than 50 percent of district revenues. The SAISD loses approximately $2,500 in state funds for each student who switches from a SAISD school to a private school.
There were 484 students who used the exit option and switched from public schools. If all of the participants in the CEO program came exclusively from the San Antonio Independent School District, there would be about 1 percent switching. Even the most market sensitive organization is unlikely to see the loss of 1 percent of its customers as a strong signal to change operations. The level of exit is, however, even lower than 1 percent. The CEO Foundation program does not operate exclusively in the SAISD, but in all school districts in Bexar County.⁴ There are 16 school districts with approximately 150,000 students falling into the grades eligible for CEO scholarships. Fewer than 500 applicants from a pool of 150,000 eligible shows virtually no effect of these scholarships on parental decisions. This very low level of participation may be considered a condition of a new program, but it is similar to participation rates in the Milwaukee private choice program where even after four years participation remains below 1 percent. It is also consistent with the less than 1 percent switching found in Minnesota after they allowed people to move across school district lines. San Antonio, because of its large population of Latinos, might be expected to have well above average interest in a program providing subsidies to go to parochial schools. Some support for this assertion is found in Table 3 of the Martinez et al. article, which shows that religious attendance is significantly related to participation in the private choice program. Despite this, participation is significantly below the 1 percent level.⁵

It is possible, but far from guaranteed, that the 484 students who have switched will receive superior educations in their new private schools.⁶ It seems quite unlikely, however, that this very small siphoning off of students will move the San Antonio public schools to action. The changes in enrollment are almost certainly indistinguishable from the year-to-year changes naturally occurring due to demographic variations in a school's population area. If anything it is possible the effect would be counterproductive because those parents who do use the exit option are exactly the ones who are most quality-sensitive and would be most likely to use the voice option. The data Martinez et al. provide

⁴ Bexar County includes San Antonio, but the San Antonio Independent School District covers barely a quarter of the city. There are several additional school districts both within the city and the county which are eligible for CEO scholarships.

⁵ A possible proviso is that if all the exeters came from a few schools this might be sufficient incentive for those schools to turn around. Data as to how the 484 exeters are spread across the eligible schools would be useful information to have. A very cursory check with the SAISD administration found that they had not noticed any significant drops in enrollment at specific schools which they could attribute to the CEO program.

⁶ The data from the Milwaukee private school choice study shows that the level of satisfaction among parents and students who switch from public to private schools increases significantly, but there is little or no evidence that switching leads to superior educational attainment (Witte, Bailey, and Thorn, 1993).
strongly suggest that those leaving are those with higher education levels, higher aspiration levels, and a dedication to helping their children in school. Removing the best and most dedicated students is likely to have a negative effect on the education received by those who remain behind (Henderson, Mieszkowski, and Sauvageau, 1978).

For exit to be effective, the possibility of closing down a public school needs to be a realistic option; otherwise we merely create the lazy monopolist Hirschman fears. Choice advocates are aware of this, and that is why they argue so strongly for the inclusion of private schools in any choice plan. Even with the inclusion of private schools, however, the exit option may be largely ineffective, because it fails to consider another reaction to declining organizations: silence or doing nothing. Barry (1974), in reviewing Hirschman, praises him but notes that he leaves out a crucial option for those faced with a declining organization: remaining in the organization, but not using voice, i.e., remaining silent. This alternative is an additional, and perhaps a more commonly chosen, option. Barry notes silent non-exit is rational when there are significant costs to choosing voice or exit. The propensity to use exit or voice is also affected by the perceived likelihood that either will lead to significant benefits.

Withey and Cooper (1989), building on Hirschman’s original model and later work by Rusbelt and colleagues (Rusbelt, Zembrod, and Gunn, 1982; Rusbelt et al., 1988), identify four options for dissatisfied workers: exit, voice, loyalty, and neglect. They define loyalty as remaining with the organization and supporting it. Neglect is characterized by maintaining formal ties with the organization, but limiting contributions to a minimum. In two separate samples of dissatisfied workers that Withey and Cooper followed over a six-month period, substantial portions of the sample used neither voice nor exit to resolve their dissatisfaction. They chose, instead, loyalty or neglect. Interestingly the factor which most clearly distinguished those choosing loyalty or neglect from the exiters and voicers, was external locus of control (Withey and Cooper, 1989:530). Those with external locus of control were more likely to remain silent either via loyalty or neglect. External locus of control has consistently been found to correlate strongly with low socioeconomic standing in the sociology literature, thereby providing a possible theoretical explanation for why choice programs have such difficulty in recruiting low-income participants.

For parents choosing schools, either loyalty or neglect is exercised when they leave their children at the local school. Parents choose schools for many reasons, only some of which concern the educational quality of the available programs. Issues such as the convenience of a neighborhood school, availability of after-school programs for children while parents work, and the child’s desire to be with her friends
all play major roles in parents' decisions on where to send their children to school. All of the aforementioned factors are concrete and tangible benefits, and when compared with the relatively abstract, difficult, and costly (in terms of time and effort) task of evaluating the quality of education possibly received at an alternative school, they may take precedence in deciding where to send a child to school. Bounded rationality pushes one to shop at the nearest grocery store, even if there may be a possibly superior store a farther distance away. The same is true of schools. Tradition and satisficing push many people in the direction of choosing their local schools, independent of the quality of education received at the school. That there is no automatic and simple relation between parent's perception of a school and the quality of education being received shows up very clearly in Table 2 of Martinez et al. The last two lines show that nonchoosers have a much more positive evaluation of their local public school than those opting for choice, despite their children scoring 50 percent lower on objective tests!

Choice advocates have two challenges before they can present choice as an effective mechanism for turning around American education. First, they need to develop a convincing argument or propose institutional arrangements that are likely to make public schools sensitive to exit. Most choice advocates argue this already exists through the threat of losing funding and closing down undersubscribed schools. While there is a theoretical logic to this assertion, it has not been proved (of course choice advocates haven't been given the chance to prove it either).

The more serious challenge is that, even if the mechanism exists, all indications from existing choice programs, and from the CEO experiments described in the Martinez et al. paper, are that the numbers choosing choice will be so low that they simply cannot be expected to have significant effects on the public schools losing students. There is no reason the small losses registered should stir the public schools to action. The crucial question for choice advocates is how to increase participation to levels that are significant enough to provide the expected benefits. These problems need not be insurmountable, but they need to be faced and convincingly answered before one embarks on a full-scale voucher program.

If these questions are not faced, a voucher program will quite possibly act like the CEO program would have, had it provided grants to all who applied. A huge portion of the program funds would go to subsidize parents who already have their kids in private schools, a few

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7 Whether the political will to close down underperforming schools exists, or whether school districts would simply expand the size of the neighborhood zoned to a declining school to compensate for the exiter, is a serious and unanswered question.
children of parents with high education aspirations would move from public to private schools, and almost no changes would occur for the great masses of public school students. That scenario does not sound like a particularly effective formula for turning around America’s education system. SSQ

REFERENCES


