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Choice and Vouchers – the Swedish experience

Thank you for once again inviting me to this conference.

I am invited here to share with you some experiences from the extensive Swedish school reforms implemented in the 1990: ies. As Secretary of State for Schools and Adult Education at that time, I was responsible for the development and implementation of the reform agenda of the Government and the Ministry of Education.

The most talked about of these reforms is the voucher system. That is the reform that gives privately owned schools the same right to public means and a right to compete on equal terms with public schools, given that some requirements are fulfilled. But that reform – and that will be my main message today – was just one part of a set of reforms, aiming at changing the steering system, the balance of powers in schools and the incentives for excellence in education. These reforms must be seen as context.

But first, a personal reflection. It is now 15 years since we introduced these reforms. They were doubtless very controversial at the time. But both we who designed them and those opposed to them were convinced that once implemented, they would become less controversial and perhaps even become in their main parts politically irreversible, simply because if the public once get used to manage a higher degree of freedom and responsibility, they reject giving it up.

Today I think one can say that the assumption was correct. Even if the ideological battle in Educational policies still is fierce - the concept of choice, the existence of independent schools and their right to public means is today accepted by practically all political parties in Sweden, with the former Communist Party as the sole exception. And hence, some of the great symbolism of schools ownership is lost in the public domain. And if we spend more time on discussing good and bad school, and less arguing over ownership, Personally, I think that is a step forward.

But that is in Sweden. I must admit that it surprise me that I, 15 years down the road, still get lots of invitations to present some supposedly avant-garde school reforms and that the concept of choice, competition and “customer empowerment” is still considered as cutting edge radicalism in countries that is expected to be far more market oriented and liberal in their tradition– that is in the European meaning of the word liberal- than the egalitarian – middle -way -Sweden.

The rationale for these reforms was ideological. Three out of the four parties that formed the non socialist coalition government of 1991-94 have had this kind of ideas in their programs for years. And yes, it is fair to say that this long term ambition had been inspired

by liberal thinkers such as Milton Friedman and his ideas on Education and other liberal economic theory underlining the importance of both voice and exit for consumers in a free society. Parts of the parties in government also had historical cultural ties to the tiny network of privately owned schools – they had a market share of less than 1 percent at the time and many of them struggled with financial difficulties- ranging from some old fine and traditional schools to some Christian, ethnic or pedagogical free schools.

But still so, I would say that the ideological argument was about common sense rather than utopian visions.

In one sentence; the political argument was that since we all pay for good schools with our taxes, it is unfair and unsound that I shall have to pay for it once more if I chose an independent school instead of a public one – even if they follow the same curriculum and standards.

But to understand the force and importance of the voucher system as practiced in Sweden, one should not only see its philosophical or ideological rationale but its systemic motive and hence the context of other school reforms to which it belongs.

To explain this, let me give you a few words of background on the Swedish school system. Ever since the 16th century Sweden has been a very homogenous country, with a strong central power and relatively few regional differences in public governance. Schools were a state concern, operated by local authorities, but managed by the National Board of Education.

It is said that one once up on a time in France, one could look at the watch and tell what page in the textbook every pupil in the country were reading. We came quite close. We had a national time table, detailed syllabuses and a constant flow of new national regulations and directions for teachers and headmaster.

Curriculum reforms in the 60: is added a far reaching, ideological motivated, ambition of conformity and standardisation to the centralised system. With the ambition of providing a common base of knowledge and experience for the whole people the unified school was created. “If we at least share the same school, chances for equality the rest of our lives will improve” was the logic behind. These reforms were accompanied with the new pedagogical ideas of the 70: ies, which I know that at least you from the Anglo-saxian world are quite familiar with.

All this was done with a very strong and normative ideological agenda, in some cases even utopian, describing the school as the tool of creating a new and better human being. This in turn contributed to a political debate on schools and education, full of compassion, conviction and ideological overtones rather than openness for empirical findings. Words like “progressive”, “modern”, “traditional”, “authority” became buzz-words for everything you either hate or love. In my opinion, this is a climate that education community still suffers from and that has caused our societies considerable damage.

In the 80: ies this development had reached the end of the road. Some of the reforms had gone terribly wrong. As the society became more complex and less homogenous in values, background and priorities, the “one size fits all” centralised school system seemed more and more obsolete. The experiences of trying to personalise education within a rigid and

uniform system was not very encouraging. The National School Board was often criticised for being the *Gosplan* of Schooling – with much of the same weakness as we remember from this giant Soviet planning authority.

In 1990, under a Social Democrat government, it was decided to outsource the entire school system from the state to local authorities – the *Kommunes* as we call it using the French word, corresponding to what you might call municipalities, cities or boroughs in your countries and ranging in size from The City of Stockholm with some 800 000 citizens to the small municipality of Bjurholm with some 2 500 souls. The National School Board was simply closed down and replaced by a smaller agency designed for monitoring and evaluation purposes rather than regulatory. *Management by objectives* was the word of the day, and also the new theme for school reforms.

That was the state of art when my government entered in 1991. We saw a number of problems we wanted to address in a well coordinated set of reforms. These were:

- Lack of information and output data for decision makers.

The fact that centralised government doesn't work well doesn't per se mean that decentralised government work any better. Decision makers need access to information, benchmarks and non normative observations of best and worst practices. We need a national system geared on evaluation and inspection; otherwise we might just have replaced national bureaucrats managing schools with one of local politicians and educational amateurs doing it.

- Lack of balance of powers between stakeholders.

If the important field of force in the old system had been the interaction between national governmental regulators and local governmental operators, we thought that we needed to empower the interaction between the professionals of the individual schools' and their "customers" – families and students. And to create that new power field, we had to both reinforce the professional integrity and freedom for schools and their professionals and the "power of consumers". Hence, by introducing a choice and an exit opportunity.

- Aversion for innovation in schools

The pedagogical experiments of the 70: ies had really gone wrong. And we who experienced these experiments as pupils – my generation – became conservative and reform aversive as result. No experimenting with education! is the popular slogan of my generation.

But education needs development – and yes, that implies also experimenting. But it doesn't imply experimenting with a whole generation at a time, which is a very risky way of doing R&D.

Developing and testing new methods and ideas should be done at the field, with the practitioners and professionals in the drivers' seat. But the problem with the great pedagogical reforms of the 60: ies and 70: ies was that they to a large extent had been top-down and desk top products, in practice limiting the professional integrity and incentives for development of schools and teachers even further. And the price for that was not only

the failure of these reforms, but also a generation of parents and politicians for good reasons averse to anything that can not be labeled as “traditional”.

And this, implies – first- opportunities to pluralism, second – incentives for progress, that success in providing good education should in some way pay off compared to failure and third- an exit and choice opportunity for the individual.

The reform agenda, based on these ambitions, consisted of five major steps.

First, we wrote a new legislation for schools stating the right to choose school within the public system. The difference was that the previous School Act had stated that school authorities should consider the will of families placing children in different primary schools, which in practice meant that you had to have some strong convincing arguments, if you preferred anything else than your “default” neighborhood school. In practice this was the exit we introduced, designed not perhaps to be used extensively – most of us probably prefer the school on the block with all the neighbors you already know – but rather to change the balance of powers in favor of families.

Second, we developed new curricula for primary and secondary education. The new philosophy in these curricula was to go from a description of a complete task to stating hard core minimum requirements and directions to strive in –i.e. to regulate the floor but not the ceiling – and that way create a larger space for professional freedom. The national time table was replaced with minimum requirements for each subject.

It might seem like a paradox, but deregulating education and introducing choice and competition demands in some areas new and more regulations. It is the difference between saying “do as we tell you” and saying “in addition to this that you have to do, do as you like”.

Regulations have to be less, but more authoritative and distinct.

Third, we introduced a new national marking system and increased the number of compulsory national tests, aimed at calibrating marks and that way reduce the risk for inflation – a risk that obviously will increase as you introduce choice.

The old system was a relative system, i.e. which stipulated a bell shaped distribution of grades in the population and in practice often misunderstood as a bell shaped distribution of grades in the individual class, while the new system was a system where grades were related to requirements and goals stipulated in the national curriculum.

And fourth, we introduced the voucher system, the “free schools reform”. This legislation says that every independent school will be given a license to operate from the National School Inspectorate, if it fulfils some basic quality requisites, such as teachers’ qualifications, curriculum, finances and admissions. And every licensed independent school is entitled to the same amount of money per pupil as the comparable public school in the municipality. Two other constraints are also worth mentioning. The value of the voucher is determined by the cost in each municipality, which means that an independent school in Stockholm that receives pupils from a handful of suburban municipalities actually receives different reimbursement for identical education. The rationale for this was to prevent “free riding” and ensure that municipalities still controls their total spending and priorities.

between for example education and other areas. The second constraint was that schools that receive vouchers are with some few exceptions not allowed to charge any extra fees.

As you see, this was a set of reforms all designed to create a school governed by goals and objectives rather than by a strong central administration, where government agencies was supposed to focus on evaluation rather than regulation, where the dialogue between families and professional educators was supposed to be the most important arena for developing education and where the strive for excellence was incentivised by competition, exit opportunities and the right for independent schools to public funding.

The voucher system was the single one of these reforms causing most controversy and international attention. This was perhaps not surprising, considering all the ideological symbolism connected to private schools and “privatizations”.

Opponents to that reform were concerned for several things. They talked about “Kentucky Fried Children” as commercialism and market forces exploit children’s education as a lucrative market. They feared religious fundamentalist schools, which would create segregation and obstruct the goal of equal life chances for all children. “What if we get free schools denying the evolution and girls right to sports or shorts- then we get a free choice for parents at the price of a limited choice of life for their children”, was a very typical worry at the time.

Even among those less ideologically provoked by the bare thought of privately owned schools, there was a concern for the effects on total costs as local authorities opportunities to gain economies of scales by planning, filling seats or closing schools, could be obstructed by new start-ups picking cherries from the cake. This concern was most evident in rural areas, where closing down small village schools often are causing strong opposition.

From the private school community, it was often a long awaited new chance for survival – even it was a surprise for some that the price for independent schools being part of the public funding system, is stronger regulation of minimum requirements of curriculum, admission, teachers and finances – and that it also means that the schools have to open their gates and books to the state inspectorate.

The Government didn’t share the fears of those opposed to vouchers. But, I must admit, neither did we consider the system as the most important reform in the package. The market share of private schools was – from a systemic point of view- neglect able. Choosing a private school was most often a “negative choice” – you chose a private school because you are deeply unsatisfied with your regular school for some reason, so the rationale is rather to avoid something than to go to something.

We thought, as I lined out in an internal memo in 1992, that the real impact would rather come from the introduction of unconditional choice within the public system – because this would fundamentally change the balance of power between schools and families. We thought that even if the voucher system would double the market share of independent schools- which is pretty much considering the starting point- independent schools will still be a marginal element. However, we also thought that even a challenger on the margin can create change, by forcing the Goliaths to listen and change. We know from other industries such as airlines, telecom and the Post, that small and marginal contenders force the giant to

change even if they don't really constitute a threat in market shares. And even if we didn't buy the horror scenarios for a system with choice, we had some concerns to what extent independent schools would continue being mainly a breathing place for the discontented, or whether we really would see some new broad, main stream independent school challenge the public sector.

So what is the result, today more than a decade with these reforms.

The pure figures are dramatic. The number of independent schools has increased from 80 to more than 1000 and their market share from less than 1% to some 10-15 % depending on what ages we are talking about.

This sector is no longer living on the margin. The variety of schools has also exceeded all expectations. One can identify some clear waves in this evolution. First, just after the reform was implemented, came some new schools from those most unsatisfied by the public offer and with an existing infrastructure. Churches, some ethnic groups and some Steiner and Montessori schools. That was expected, even if the worst problems some expected from that and that I just described, over and all were limited.

The second wave was the entrepreneurs. Teachers and co-operatives start schools and in some cases even municipalities that have outsourced schools to the staff instead of investing in them, a trend that caused some criticism for they way municipalities priced their assets selling them of.

The third wave, that now is growing more dominant, is the chains or companies running schools with a profit goal. Some of emerging from the entrepreneurial start-ups some ten years ago and some them owned by investors and venture capital operations. They have the advantage of access to capital, administrative processes and tools and opportunities to utilize concepts and practices. So what we are seeing as the market matures, is – just as you learn at business schools – there will be a share of specialized boutiques, conceptualised chains and start ups driven by mere enthusiasm.

The growth, size and variety of the independent sector have exceeded the expectations of both critics and supporters.

It is also doubtless that choice has changed the dynamics of the whole sector, beyond what follows from the share actually using choosing. Schools – public as well as independent – spend more time on the dialogue with families and on information to the market. The role of municipalities is to some extent changing, from monopoly operators to planners of infrastructure. And, as surveys have showed, whether a school is public or independent per se is not any longer a very important factor when families chose – the decisive factors are reputation, recommendations from other parents and pupils, location and educational concept.

It is also unquestionable that the reform today is less controversial. Even if the debate on profits, regulations, private vs. public etc still follows familiar fronts and trenches, today every political party, with the small former communist party as the only exception, agrees that independent schools financed by voucher is a sound, fair and permanent feature of our school system. Teacher unions, that where among the critics in the 90.ies, also says they support the system. You would also get all of them to tick in the box “agree” on the

statement that it is sound and necessary that these independent schools can be operated according to normal economic principles and making profits as long as these not are excessive.

How about other fears and hopes – what is the outcome? Let me give you some short comments on some of the most frequently raised fears and hopes and how it turned out:

Q: Has the system increased total educational cost while providing tax payers money to businesses as large profits?

A: No, there is no evidence for that. Total spending on schools went down in the late nineties and has increased somewhat in the last years – a result of macro economic conditions more than anything else. There is nothing indicating that choice per se has increased costs.

When it comes to the profit issue, the profitability of the sector is generally low.. Probably to low, many independent schools are not financially prepared to withstand challenges and are under investing – as public schools have done for ages – in things as real estate and teachers training. The large number of unprofitable schools, and the risks with that, is probably the *real* profit issue the system is facing, not the risk for capitalists making loads of money from our public funds for education.

The reason for that is simply that the vouchers size is determined by the costs in the comparable public school, and if you follow the minimum requirements, follow the curriculum, hire teachers with a relevant education, pay them the correct salaries , calculate the cost for real estate in a realistic way etc...then excess profits is probably not possible in the long term. The attractiveness of this sector for a commercial business is not its margins and profitability, but rather its stability and transparency in incomes.

But, as the profitable schools have shown, you can create a margin large enough for giving you access to capital markets and allowing investments, and the existence of this and the opportunity to increase it by developing better processes, is unquestionable the driver in this industry, as in any one sector.

Q: Has the system created room for extreme convictions creating their own closed communities isolating their children from ever getting a real life choice?

A: there have been a few such examples, but in general this negative effect is much less of a problem than was feared. Of course we have a strong and growing debate on were to draw the line between, for example, the freedom to practice your religion and culture and the common norms we want every school to practice in an open and liberal society- but neither choice or vouchers is the reason for that discussion.

Q: Has the system contributed to increased segregation in society

A: Here it is not really obvious what is cause and what is effect. True is that segregation in society has probably increased the last 10-20 years. Segregation in housing has increased as well as income- and life style differences. A top rating TV show today would gather one of five Swedes behind the TV set, some decades ago you could practically gather every human being able to sit in sofa to share the same program. In every area, the society has

become more heterogeneous and more segregated, and as every development in society, this is also seen in schools.

There are also results indicating that the difference between the best and worst performing schools have increased. However, there are several contributing explanations for this. One is that some of the best performing schools didn't even exist some 10 years ago. Another is that comparing outcome differences is a quite new exercise. Critics say that when the best and most ambitious students in the worst schools chose to leave to spend their time with other ambitious students, you lose the inspirational and good examples and hence increase the speed in the trip southwards for a school in a negative spiral. From the research I have seen there is a point in that. On the other hand, I think you also have to recognise the counter arguments against that. Namely, first, on what moral basis should a student with high educational ambitions from an environment that this is not common, be denied challenges in order to provide a "good example" for others? And, given that we have a society segregated in housing and income, isn't it better that you at least can provide the same educational choices to everyone – regardless if their families can afford to move to other areas?

Q: Has the system improved school outcome?

A: on a cumulative level, the School system of Sweden definitely has its problems. Our students' performance in natural sciences and math are lagging behind, and according to TIMMS the problem today is probably worse and not better than 10 years ago. We have our share of problems with shortcomings in basic knowledge and academic performance, discipline, harassment, drugs, increasing physical inactivity etc. Most of these problems have not on an accumulated level been solved by choice and voucher and most of them have probably not worse either. But, there are some impressive examples of schools that have performed in these areas. There are some interesting examples of new concepts, new methods and practices – some of them have proved some outstanding results and some might have been disappointing. But the important thing is that there are incentives and opportunities for developing education and schools – and for us doing so without putting all eggs of a nation, or even a generation, in the same basket.

So all in all, what is the overall conclusion of a decade of experience – is the Swedish example worth following?

The answer to that question is still to a large extent ideological. The debate has and will probably continue to be about how you value freedom of families choosing the best for their children vs. a uniform public school system. But if I focus on the more systemic and pragmatic question, considering this audience as not being too keen on political ideological battles, I would say this:

The Swedish model is neither heaven nor hell. It didn't create the mess its critics feared. On the other hand are many of the problems we struggle with in education still there. Especially has it neither solved nor worsened some of the broader social problems in society we sometimes hope that school can solve. On that point, I would add that the mistake is perhaps the high hopes we put on our schools to solve all kinds of broad social problems, maybe it just enough challenge for school to be extremely good on education.

But if you want to create innovation in your school system – if you think this sector needs incentives for change and renewal in a strive for excellence, and if you want to introduce that innovative climate without increasing risks and costs on a systemic level, there is probably no better way.

However, there is a price for this. Many policy makers I have met like the concept of choice, but fear the differences in how things are done that will follow and the bare thought that some schools will fail while others will prosper and expand. Of course you can create choice between schools governed the same way, and you can regulate independent schools so they are identical to the public system. Choice on an individual level is still important, because a pupil can avoid a teacher, class mates or an environment she or he cannot stand. But on a systemic level, you will not achieve the great gains with a system of choice.

If you want to take advantage of the potential in a system of choice and vouchers, you also have to accept the dynamics and context of such a system. That is;

You have to reduce regulations and increase the zone for development and differences, but you also need firmer regulations of minimum requirements and standards- when it comes to curricula, educational goals, admission, teachers, inspectorate and fair treatment from authorities.

And you have to accept that the reward for success in education and excellence in outcomes, is a fair return on the investment allowing expansion. Profitable schools are not a bad idea, considering the alternative.

And you must focus governmental efforts on – besides of creating these clear, consistent and limited set of rules- the task of creating a competent and non-normative evaluation and inspectorate system. Because, the ability for students and families to make rational and well- founded choices and the challenge for educators to create schools that are learning organisations and not only teaching, is still huge and important, if we really want to take advantage of the choice as a power of improving our educational systems.

Thank you.