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School Vouchers in Sweden

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The Swedish government undertook significant reform in the education sector in the 1990's. Among the important steps in this reform were the institution of vouchers for schooling, decentralisation of education to the municipal level, and entry of private for-profit schools.

These changes significantly improved school choice for parents and children, and increased accountability of schools, principals, and teachers. In addition, some researchers hold that the institution of vouchers for schooling at the very least halted the falling performance of Swedish children on learning achievement tests. This publication reviews the Swedish model, outlines the successes, challenges and gaps in the model, and highlights the political currency of this policy in present day Sweden.



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Foreword

by Gabriel H. Sahlgren

In the early 1990s, Sweden significantly changed its education system. First, in 1991-1993, responsibility for funding and control of primary and secondary education was devolved from the state to the municipalities. Secondly, strict catchment areas were abandoned in favour of more parental choice—parents were suddenly able to choose between municipal schools within the municipalities in which they resided. In practice, however, proximity has remained the key tiebreak device in case schools are oversubscribed, which means that municipal school choice has remained heavily restricted in practice.

While municipal school choice is still based on proximity, the real game changer was the reform's stipulation that independent providers would be allowed to set up 'free schools' and receive public funding. This means that each school, free and municipal, is dependent on a virtual per-pupil voucher: money generally follows pupils, ensuring that financial repercussions of success and failure are borne by the schools.

A key difference between the Swedish system and basically all other national voucher programmes—Chile being the exception—is that there are few restrictions on the ownership structures that are allowed. This became a key feature of the system, since it was not until for-profit actors began entering the market that Sweden saw significant increases in competition. For-profits have stronger incentives and opportunities to scale up. Indeed, today, 60% of pupils in compulsory free schools attend a school owned by a joint-stock company. In upper-secondary education, the figure is 89%.

Analyses of the reform indicate positive returns in terms of learning achievement. All research that focus on compulsory education (grades 1-9), find at least some positive effects accruing from the model, and the most recent robust evaluation additionally shows that the positive effects do not diminish in the longer-term. For example, pupils who are educated in municipalities with more free schools obtain higher grades in upper-secondary school and are more likely to attend university. This research also points out that there has been no impact on costs, indicating that the achievement gains can be interpreted as productivity gains. Perhaps most intriguing is that 70-80% of the positive effects result from competition effects; municipal schools improve as a result of a higher share of free schools. In other words, free schools do not appear to be much better than municipal schools per se, but they bring in competition that improves all schools.

Sweden has fallen in international tests, such as PISA and TIMSS, since the early and mid 1990s, and it is important to note that there is no evidence that school choice and competition should be blamed for this. The evidence, if anything indicates that Swedish school performance would have fallen further had it not been for the voucher reform. Instead, it is likely that the fall stems from other parallel changes in the Swedish system, such as universal changes in teaching methods that have been shown to be directly harmful for pupil achievement. Lecture-style teaching was abandoned for 'individualised' education, in which pupils are supposed to work more by themselves with the teacher as an aide. Studies display this to be outright bad for pupil achievement in general. Indeed, researchers now highlight this issue as the key reason for Sweden's fall in international tests since the 1990s.

At the same time, it is now clear that competition has indeed raised 'segregation by ability', referring to the between-school variation in achievement. Evidence also points to an increased concentration of ethnic minorities and poorer pupils in some schools due to competition (most of which can be explained by the increased segregation by ability). Yet, school competition has had no impact on the variation in grades between individual pupils. In other words, while choice might have changed the ability distribution between schools, it has not increased inequality of outcomes as a result.

This might not be too surprising since the research on peer effects and tracking is very mixed, with some studies finding that pupils are better off if they attend schools/classrooms with similarly-abled peers. We should thus not be surprised that the increased variation in absolute grades between schools is not reflected in increased variation in grades between individual pupils.

Overall, therefore, it is fair to say that the voucher reform has been positive. It should be pointed out that we know little of how competition has affected upper-secondary school education, where it has increased the most. This is because features of the Swedish upper-secondary school system make it difficult to assess how choice has affected it. Nevertheless, the research on compulsory education always finds at least some positive findings in terms of achievement.

Yet, it is also important to note that the evidence does not display that the voucher reform has been a panacea. The gains are positive, but not radically so. For example, according to the latest research, a 10 percentage point increase in the ninth grade free school share generates a 1.7 percentile point

rank increase in short-run achievement. While the voucher reform has been positive in terms of achievement, therefore, it has hardly led to very strong productivity gains.

Looking at the system design, this is perhaps not surprising. Sweden still has an extremely decentralised grading practice, and a heavily centralised admissions practice to upper-secondary school and higher education, which may create perverse incentives to inflate grades rather than improve quality. The issue does not seem to be competition, since research displays no or small effects of competition on grade inflation, but the problem is significant.

Other issues include: a non-differentiated voucher, which does not take into account that it is more expensive to educate lower performing and/or poorer pupils; rather restrictive municipal school choice; limited high-quality information with which parents and pupils can choose schools; and lastly, the fact that failing municipal schools rarely close. Despite these problems, however, it seems clear that the voucher reform, at least in compulsory education, has been somewhat beneficial.

In conclusion, the Swedish voucher reform was a significant departure from the status quo of heavily centralised government schooling. Despite being far from flawless, the reform has been reasonably successful. The key lesson policymakers should draw from the Swedish experience is that school choice and competition have the potential to improve achievement, but that design matters for how successful reforms will be.

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School Vouchers in Sweden

A successful market economy with a socialist-leaning welfare state, Sweden has one of the best functioning school voucher systems in the world. The combination of successful for-profit school corporations and other independent schools with a well-functioning government has proven that school vouchers can thrive even when the political majority votes for the left.

SOME FACTS

In Sweden, compulsory primary school starts at age 7 with grade levels 1-9 and ends at age 16. 77 % of all students finish primary school. The majority of primary schools are municipally run and typically pupils attend a municipal school close to their home. Each municipal school can develop its own profile, have different orientations, such as Montessori pedagogy, English classes or cultural and sports profiles. Independent primary schools are open to all and provide education that corresponds to municipal primary schools. The organisers/owners of independent schools may be a for-profit company, a non-profit foundation or an association of parents or teachers.

Secondary school starts at age 16 and lasts 3 years with classes in science, social science, arts, vocational skills, computing, and many other options. All secondary schools must fit their profiles into 17 national profiles. 99% of all students continue to secondary schools and 70% finish their studies within the stipulated three years. Independent schools are open to everyone but may set different admission rules if the places are oversubscribed.

The average number of pupils per school is 380. There are significantly more pupils per school in municipal schools (574) than in independent schools (188). Almost half of the pupils in secondary independent schools attended a school located in another municipality, compared with a quarter of pupils that attended municipal schools.

Teacher-student-ratio is 8:3 per 100 students in primary schools, and 8:1 teachers in secondary schools, which is higher than the OECD average and school expenditures are thus higher than average. Internationally, Swedish students read well but perform at an average level in EU/OECD tests in mathematics and science, down from earlier higher positions in 1980s. End-of-term reports were given only at grade 8 and 9 earlier but since 2011 have changed to be given from grade 6. Families and pupils will now be informed through meetings with teachers until grade 5 at age 12, a change from being informed at grade 7 at age 14, which has been the assessment policy since 1985. Written end-of-term reports and marks to students under age 15 were forbidden until 2011, but have now been relaxed.

HISTORY

Swedish education policy before World War II had viewed educational reforms as a means to open the gates to higher learning for all. To raise the best and brightest from the lower classes by giving them entry to the former closed schools for middle and upper classes was the goal for the ruling socialist labour party (which ruled 1932-1976, the world's longest democratically elected government). But after 1945, schools themselves needed to change according to the new more radical socialist education planners. Ruling political rhetoric held

that the levels of learning of the higher classes were to be brought down to conform to new but less knowledgeable students from the working class. Seeking the same knowledge as the middle and upper classes was not only unattainable but also undesirable, the socialists argued successfully, and implemented reforms to pursue this strange idea.

Initially, socialist criticism of schools was first directed towards what was viewed as bourgeois and traditional values and old-fashioned useless knowledge. Modern society needed new knowledge that was relevant to a welfare society, not to take over knowledge and skills from the old bourgeois education system, the socialists argued. The goal for primary education as stated in the 1962 curriculum of the new school system of equal and open municipal primary schools was to support the varied development of the pupils and thus bring them knowledge and skills. Note here that the order of the notions; development comes first, knowledge and skills second and as an after-effect of pupils' development. Development in social harmony was the openly stated goal for the post-war school system to which all Swedish parties adhered¹. To learn something in school was an added goal besides getting on socially and fitting into the welfare state.

In the 1980s, Sweden had one of the most centralized education systems in the world, with less than 1% students in independent schools (private boarding schools for the elite). But with the advent of liberal ideas from New Public Management and demands from parents, especially in rural areas, ideas of

deregulation started to influence local and central school authorities. Some parents in remote areas started cooperatives and hired teachers in order to secure schools nearby, albeit very small rural units, due to fear of municipal schools shutting down.

At the top level, education planners in government realised that they could not keep up with the pace of changes in curriculum, information technology, pedagogical profiles and international educational trends. The need for reforms was acute. But rather than abandon the whole system, the government attempted to create reforms that would allow for different initiatives that would perhaps blossom and become models.

By 1989, the responsibility for staff regulations and salaries were handed over from the state to municipalities, until which point the state had the last word in all negotiations with teacher trade unions. All schools became freer to adjust their organisational models and adopt flexible solutions to cater to the rising demands from parents and the public. But it was not enough.

CENTRE-RIGHT INITIATIVE

Per Unckel, Minister of Education 1991-1994 of the Moderate Party (formerly Conservative) said that "Education is so important that you can't just leave it to one producer, because we know from monopoly systems that they do not fulfill all wishes." An end to government monopoly in education came under his leadership. A shift in government from centre-left to centre-right in 1991 paved the way for a school voucher system at primary and secondary

¹ This emphasis on social values rather than knowledge was openly defended as only being right and natural. "In the golden age of Nordic social democracy, social virtues such as equal opportunity, cooperation, adaptation and solidarity were considered to be the main goals of compulsory schooling", Oftedal Telhaug et al 2006, p. 253.

school levels, enabling choice among municipal and independent schools in the community or even in other areas of the country. Under the system, local municipal schools are obliged to welcome local students, to ensure continuity and access. In case an independent school is shut down, students have the right to enter the local municipal school, which is always an option.

The vouchers are not pieces of paper but a sum per student in the account of the local municipality budget. The voucher is worth the average cost for a place at a government school. Restrictions prevent independent schools from charging top-up fees or selecting students, ensuring equality of access. Independentschoolssendaninvoicetothemunicipal office based on the total number of students in each grade and profile. All residents in Sweden have an identification number consisting of the date born and four numbers which reduces the opportunity for corruption since every admitted student is recorded in the system. To receive vouchers, all schools must adhere to national curriculum and be subject to the Schools Inspectorate. Before starting a school, an application process will determine the need for a school in a certain area with a certain profile. In this process, the local municipality may object, stating that there are already enough schools there. But the national Schools Inspectorate has the last decision power and may overrule the local standpoint.

COMPETITION AND SEGREGATION

In this manner, Nobel laureate Milton Friedman's idea of using vouchers to release pupils from their neighborhood government schools and increasing competition to stimulate better results was introduced in socialist-leaning Sweden.

Using tax money to subsidize the consumers—parents and children—rather than the producers—the school—was a whole new idea proposed in the 1950s and adopted in the 1990s in Sweden. Rather than giving vouchers to the needy, vouchers in Sweden are universal and for everyone. All families are entitled to school vouchers, in line with official Swedish welfare policy in health care, social welfare and other government services.

In 1992 when the voucher system started, independent schools only received 85% of the total expenses incurred per child from municipal funds. Interestingly, the succeeding centre-left majority from 1994 in Swedish parliament did not revoke the voucher system but expanded it. The socialist government increased the voucher value to 100% establishing vouchers as a key feature of Swedish education policy beyond rivaling political ideologies. Today there is wide support of the voucher system despite socialists' discomfort with for-profit corporations in education. Support comes from parents and children who are able to leave downtrodden areas with malfunctioning government schools. Binding them to chose the closest school again, will never win support.

But there is a great concern for children whose parents to not exercise their right to choose better schools, especially in immigrant populated areas with fewer Swedish children than before the voucher reforms. Many Caucasian children leave for better schools in more Swedish speaking areas, leaving the non-Caucasian children behind and with little contacts among the Swedish speaking majority. Some suburban schools have less than 1% native Swedish speaking children left. School authorities, academics, unions, journalists and all political

parties including strong voices from the centre-left parties (eg. the green ecological party), debate and discuss how to combine freedom of choice with need for social, cultural and linguistic integration. Socialists have recently argued for a system to ensure social variation and equality in each school, but have not come up with any practical policies how to divide students.

Sweden is ethnically very homogenous and has several policies in place including high taxation to level out any inequalities. Swedish school policy makers after a decade of the new system became anxious that the effects of school choice would lead to more segregation and less equality. The former enthusiasm of school choice gave way to market-skeptic and market-ambivalent groups of policy makers and scholars². The National Agency for Education (NAE, Skolverket) for example is skeptical and ambivalent as well, but has to follow the policy of the centre-right government in power since 2006. Favouring school choice has sometimes become equivalent to promote inequality and segregation against immigrants, which the left-dominated media is quick to use as rhetoric to portray proponents of school choice as evil money makers³.

PROBLEMATIC PROFITS

This year (2012), 11% of children in Sweden are in independent primary schools and 23% in independent secondary schools. More than 60% of

independent schools are run for-profit by a small number of national school corporations. Initially this was not the case. Teachers with new educational ideas started new schools by early 1990s to make a mark on educational development, not to make profits. Cooperatives run by parents and teachers were pioneers but did not last as long as the corporations that entered the sector by the early 2000s. However, all independent schools regardless of ownership have been successful in improving results in achievements and social functioning. In the spring of 2011, the average grade result for government primary schools was 66%, compared with 77% in independent schools. It is hard to argue for closure of well-functioning schools in Sweden, similar to the debate on the recognition of budget private schools in India since the RTE Act in 2010. Yet, these unrealistic and unfair efforts get a voice in debates over school reforms.

Anti-market sentiment from the left is generally high against any initiative run for-profit, but more so in education, since schools are cherished as an almost spiritual activity with high goals. Recently the Left party, workers trade union LO, leading social democrats and some academics have rallied against the school voucher system itself, with less public support, and the for-profit motive in education, with far more support, even among centre-right voting citizens. Even in the market-oriented US a recent survey showed that “people doubt the ability of profit-seeking business to benefit society”⁴.

²Bunar 2010, p.8: “With the exception of a few studies from liberal think tanks who wholeheartedly support the policy of school choice and acknowledge virtually all of its outcomes as solely positive, the vast majority of research in Sweden, including the ones from the NAE, could be classified as either clearly market-skeptical or strongly market-ambivalent”.

³Asp 2011. According to polls made by Gothenburg University in 2011 but with same trends since 1980, journalists have sympathies for the left parties far beyond the average Swedish voters, 70 % versus 40 %. School choice reforms are thus negatively biased in policy debates, but often not in private discussions among parents and students.

⁴Bhattacharjee et al, 2011, p. 4.

Profits for school owners must mean less quality for students, since there is a zero-sum rationality of every enterprise, the American public falsely concluded, as did the Swedish and the British⁵. That every action taken for profit must be anti-social is an “ineradicable prejudice” as eminent economist Joseph Schumpeter sighed in 1954⁶.

Friedman’s hope that competition would lead to better schools, independent and government, has been met in Sweden. A longitudinal study of schools and learning achievements since 1992 and achievements of students born in the period 1972-1993 shows that increase in the share of independent schools have robust effects on average performance at the end of compulsory primary school (grade 9) as well as long-run educational outcomes⁷. The results showed also that a higher proportion of independent schools has not increased costs, rather it has served to bring them down. Independent schools perform better than government schools, but do not cost more. The relative decline in student achievements since two decades prior has most likely been stemmed by increased competition and better efficiency in independent schools. Without them, Swedish schools would probably do much worse.

A hope Friedman cherished was that school vouchers would enable the students from low socio-economic backgrounds to enter better schools. Sahlgren (2011) shows this to be the case in Sweden especially for students in schools run for-profit. Non-profit schools have less even results. The leftist idea to ban for-profit schools (and other services run by private business on government contracts) would lead to closure of schools, lessened competition and lower efficiency.

CONCLUSION

Sweden has a well functioning voucher system that is supported by a robust majority of 75% of citizens⁸ but politicians and media are still not convinced. The successful reforms that are supported by students and parents and give rise to more schools and new for-profit corporations are questioned as if their successes were at fault. These perplexing results are hard to explain but may have to do with the role of left-leaning media and research, which have lost their grip over public policy. The Swedish people could not care less.

⁵ Muir 2012.

⁶ Quoted in Stanfield 2012, p.30. This anthology has three contributions from Swedish school entrepreneurs.

⁷ Böhlmark and Lindahl. 2012. Comparisons are made with similar voucher and charter school systems in UK, Canada, Chile and US.

⁸ Friskolornas Riksförbund 2011

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