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# School Choice in Sweden

## Lessons for Canada

*Claudia Hepburn and John Merrifield*

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# Executive summary

In 1991, a new Swedish government enacted a major change to Sweden's education system, one that opposition parties, teachers unions, and others claimed would threaten educational equity and erode the public education system. The change devolved power from central government to parents by giving independent schools public funding for the first time. Today, 15 years later, Swedish private (or independent) schools receive funding that is roughly equal to public schools on a per-student basis. The Swedish experience with publicly funded, private, school choice offers many lessons for Canadian policy makers, particularly those in Ontario, Saskatchewan, and Atlantic Canada, areas that do not yet extend any financial support to children who attend private schools.

**Attendance at private schools** Over 15 years since the policy was first implemented, attendance at Swedish private schools has risen from less than 1% of school-aged students to 6.8%.

- ◆ The gradual transition of a small minority of students from public to private schools should assuage the fears of those in Canada who predict that a sudden change in funding to private schools would create a sudden, disruptive, and harmful migration of students between sectors.

**Improved results** Competition from independent schools improved the academic results of students in public schools in both statistical and real terms.

- ◆ If Swedish evidence held for Canada, the large majority of students who remained in public schools would achieve greater academic success, if public funding were extended to private schools.

- ◆ In Sweden, students with poor results and those who are difficult to teach have not been adversely affected by competition from private schools. Private schools have not been attracted to areas where students are the most easily taught.
- ◆ In line with American research, Swedish evidence corroborates that the percentage of students attending independent schools is larger where public school quality is poor, not the reverse. This suggests that students in the worst performing Canadian schools would be helped the most by the implementation of a similar reform.

**Quality of education maintained** Swedish educational results have improved overall since the reforms were implemented, with private schools out-performing municipal schools.

- ◆ Fears that the quality of education provided by private schools would be unacceptable, or that competition would have deleterious consequences for the system as the whole have not been realized. Rather, the addition of private schools to the Swedish educational menu is correlated with improved educational opportunity for Swedish children overall.

**Regulation limits private schools** Heavy regulation of private schools limits their ability to specialize and innovate. Every country has a diverse student population and educators with different strengths. To match student attributes to educator strengths, Sweden and Canada need to allow private schools the freedom to specialize and innovate.

**Wide support** Parents and politicians from across the spectrum began to support public funding of private schools soon after it was introduced.

♦ As early as 1993, a poll found that “85% of Swedes value their new school choice rights.” Canadian politicians considering such a policy should take heart from the quick acceptance school choice found from the average Swede. Though school choice may be difficult to implement, it is also difficult to rescind once parents have felt its benefits.

Despite the many restrictions upon Swedish private schools, which limit their ability to differentiate

themselves and specialize and invigorate the education system, they have had many positive effects on the broader education system. Many Canadian provinces could improve their education systems by combining Sweden’s freedom of parental choice with a loosened regulatory grip. Independent educators would then have the autonomy to provide the diverse, continuously improving, schooling options that children need, and parents would have the financial means to choose them.

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# History of school choice in Sweden

Through a series of reforms during the 1990s, Swedish independent schools are now entitled to the same per-child funding as municipal schools. Despite many restrictions imposed on the independent schools that receive government funds, the initial reform by the Conservative Party in 1991 prompted the formation of innovative, new schools and improvements in municipal schools, and united socialist and conservative politicians, nearly all of whom now support school choice. Even the teachers' union supports the essence of the 1991 reform.<sup>1</sup> Teachers appreciate the improved working conditions of independent schools and a choice of employer. Only a minority faction of the ruling Social Democrats and the far-left, former Communist Party still oppose equal funding for approved independent schools. That's a sea change from the early days of the reform when nearly all the Social Democrats and Communists supported the central government's monopoly of schools (Lundgren, 1998).

## History to 1991

As Swedish socialism gained momentum in the first half of this century, high tax rates made it virtually impossible for families to afford anything but municipal schools. In 1990, Swedish independent schools served less than 1% of school-age students, a smaller fraction than independent schools served in any other country in Western Europe. The independent schools that were able to survive did so either because they catered to the moneyed

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<sup>1</sup> In a poll of teachers cited by Bergstrom and Sandstrom (2002: 16), 70% said working conditions were better; only 5% said they were worse. A majority noted that they had more autonomy.

elite or because a church subsidized them. The practices and inputs of the municipal schools were tightly controlled by the central government but they were not held accountable for their performance. Swedish municipal schools, like the public schools in New Zealand, became known for their drab character and indifference to parental concerns. Dissatisfaction with education policy grew for a generation (Lundgren, 1998) until 1991, when a new government implemented fundamental organizational reforms virtually overnight. The new government came into power promising to end central planning in education and to introduce decentralization and school choice. They eliminated some vestiges of central planning, but much is still dictated by the central government. As a result, the Swedish story is that even a slight loosening of central control can foster better matching between the talents of educators and the unique characteristics of individual children and unleash significant innovations.

## The Swedish voucher system

The 1991 legislation shifted some power from the central government to parents, municipalities, and independent schools. Education objectives were nationally legislated but their implementation became, for the first time, the role of the municipalities. The reforms also gave parents a measure of school choice. For the first time, parents could send their children to any municipal school or to an independent school, with public funding following the child to the school chosen. Independent schools approved by the National Agency for Education would receive 85% of the cost of educating a student in the municipal school system. The opposition party vehemently opposed the legislation but in its first year the

number of independent schools doubled and quickly filled with students (Lundgren, 1998).

As early as 1993, a National Agency for Education poll found that “85% of Swedes value their new school choice rights” and “59% of Swedish parents think that teachers work harder when there is school choice” (CGR, 1997: 2). That was true even though only 2% of Swedes had exercised those rights. When the Social Democrats regained power in 1994, the benefits and popularity of school choice had already become evident both in the number of families choosing independent schools and in their responsiveness to parental concerns. A Swedish professor of education concluded, “one cannot deny that the reform has made municipal schools more efficient” (Miron 1996: 79). And the improvement of municipal schools continues (Bergstrom and Sandstrom, 2002: 13), perhaps because of actual and potential rivalry from independent schools or because the departure of some children better served by other teaching methods has simplified teaching in municipal school classrooms. Even in the Stockholm suburb of Täby where independent schools are most numerous (22.2% of primary and secondary enrollment [Bergstrom and Sandstrom, 2002: 6]), they don’t have enough market share to threaten municipal schools with large enrollment losses. Since there have been no public-school closures because of student losses to independent schools (Daun, 2003), there is a good chance that the main effect on municipal schools has been smaller classes<sup>2</sup> with increased homogeneity of learning style—two changes that teachers celebrate.

Swedish governments changed the voucher amount twice: it was first decreased from 85% to 75% and, then, in 1997, raised—in theory at least—to 100% of municipal schools’ funding per student (Ornbrand, 1998; Glenn and de Groof, 2002: 519). In 1998, there were 195 applications to start an independent school. Largely due to greater demand for independent secondary schools, 1999 saw a further increase to 269 applications (Ornbrand, personal communication, 1999). Despite some tightening of the rules for approval, the National Agen-

cy for Education received 316 applications to start new schools for the 2003/04 scholastic year (Bergstrom and Sandstrom, 2002: 5).

### The growth of independent schooling

Though they began as a tiny minority of the education supply, independent schools are a growing and diversifying sector whose long-term influence on Swedish education belies the current proportion of the student population—3.4% in 1999/2000 and 6.2% in 2003/2004 (Swedish National Agency for Education, 2005: Table 3.1A)—that it serves. “From 1992 to 2004, the total increase of independent compulsory schools amounted to 469 new schools, representing an increase of 438%. At the same time the number of compulsory municipal schools has decreased by 252 schools or 5%” (Bergstrom and Blank, 2005: 5).

Independent schools’ share of total enrollment rose 0.7 percentage points per year over those four years, and the supply of independent schools grew by 10% per year, educating approximately 7,500 more students every year, at a time when the school-aged population in Sweden was declining (Swedish National Agency for Education, 2005: Table 3.1A). Through 1998, the number of students in independent schools rose by 15% despite an 11% decline in Sweden’s school-age population (Rolf Ornbrand, Secretary, Fristkommittén, Ministry of Education, April 28, 1999, personal communication). By 2004, Swedish independent schools enrolled 69,451 students, up from 8,650 in 1992. Municipal enrollments fell during that time (Bergstrom and Blank, 2005: 8).

The central government still dictates the curriculum of all schools: they dictate the subject content of 94.3% of the hours of the nine year’s of compulsory education for pupils from ages 7 to 16 (Glenn and deGroof, 2002: 521). Independent schools, therefore, have to use thematic and pedagogical differences to attract students. Schools can decide how to teach the prescribed subject matter and there is no limit on who can apply to run independent schools. Indeed, 30% are run by businesses (Bergstrom and Sandstrom, 2002: 8). As a result, the new independent schools were those with previously established

<sup>2</sup> The number of teachers rose 11.3% from 1998/99 to 2004/05; teachers per 100 students rose 5.3% from 1998/99 to 2004/05 (Swedish National Agency for Education, 2005).

communities and interests; schools with either a religious or a pedagogical affiliation. They included confessional (15%) and ethnic schools (15%) followed by a wave of Montessori (25%) and Waldorf schools (15%). The fastest growing schools were started by teachers, parents, and educators who were dissatisfied with the education provided by their municipal schools.

One of the first independent schools, Botkyrka Friskola, was started by an ex-communist in a low-income, immigrant suburb of Stockholm. With an emphasis on individual student responsibility, familial involvement, and efficient use of technology, it soon had 2,000 students waiting for one of its 240 places and a continuous stream of educators interested in imitating its success (Svangren, 1998).

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# Public funding and public controls

Sweden's 1991 reforms improved the Swedish education system and expanded the schooling options but they came with restrictions that reduced their potential benefits and created undesirable side effects. The public controls include prohibitions against selective admissions and tuition, and the power of municipal school boards to influence the amounts paid by government to independent schools.

## Selective admissions

The ban on selective admissions<sup>1</sup> can make it difficult for a school to establish a particular learning environment. Certainly, selectivity based on factors like race and class are unacceptable, but selectivity based on an independent school's chosen specialization is necessary for many specializations to be viable. For example, schools established for the academically gifted or those for a particular learning disability are impossible in this environment.<sup>2</sup> A ban on selective admissions can also work against the equal access it was set up to ensure. For example, Per Svangren, the principal of Botkyrka Friskola, hoped his school would become a challenging, multicultural environment for immigrant families poorly served by the local municipal school. But, as its reputation grew, Swedish families in neighborhoods with poor schools took advantage of the first come, first served, admissions requirement by applying early. The school had to reject some children whom the school's leaders believed would not only benefit most but also contribute most to the school's unique

environment. As a result, a fundamental aspect of the school's mandate was compromised (Svangren, 1998). It is a loss to Sweden that its policies keep many children from benefiting from a specialized education.

## Tuition

A second example of serious unintended effects of this well-intentioned pursuit of equity is a rule prohibiting tuition charges. When the 1991 reform took effect, independent schools received 85% of the municipal schools' per-pupil funding but the government allowed them to charge fees. Though the independent schools that did generally charged parents little, this power was revoked when funding levels were raised.

A rarely recognized, but dire, consequence of banning fees is de-facto price control (Hayek, 1945; Reisman, 1998; Shuettinger and Butler, 1998). Schools cannot offer services that cost more than what the government determines as the per-pupil payment. Because some services are expensive when first developed, prohibiting fees—price control—keeps many innovations from ever getting off the drawing board.

When the Swedish government originally allowed schools to charge fees, it allowed parents to decide whether or not they want to pay for educational extras. Now parents no longer have this choice. Price controls on schooling cap the education of millions of children both in Sweden and around the world and we cannot guess how much more education parents would have chosen to purchase for their children, if they had been permitted. What would Swedish education look like without price control? We cannot say, but the fact that a ban on fees surely keeps some parents from investing more in their children is proof that price control causes some children to learn less, while none learn more.

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1 Special exceptions are granted only for siblings of current students, students with special needs, and those who live in the immediate vicinity of the school (Gustafsson, 1998).

2 There are rare exceptions (as experience in Denmark demonstrates).

### Influence of municipal school boards

The third new public control is that municipal school boards now have power to influence the amounts paid by government to independent schools (Ornbrant, 1998). Leaders of municipal school boards have always seen funding for “public education” as their own and are often loath to share it with autonomous schools, as Albertan and American charter schools are also finding (Bosetti, 2001: 105–07; Finn, Manno, and Bierlein, 1996: 6). This arrangement has set the scene for quarrelling and litigation between some Swedish municipalities and independent schools whose funding actually declined when it theoretically should have risen from 75% to 100% (Lundgren, 1998). In 1998, 75% of schools reported receiving more money than they had before the funding change but not the increase of 33% intended by the legislative mandate. Indeed, their gains only averaged 10% (Ornbrant, 1999).

For instance, Thérèse Burenstam-Linder, Principal of Enskilda Gymnasiet, one of Sweden’s few old independent high schools, claims she now receives less than she had before the municipality gained control over independent school funding. She believes it happened because local education officials are resentful of Enskilda Gymnasiet’s long-standing reputation for student achievement. She would prefer independent schools to receive only 75% from the Ministry than be forced to contend with the local school board for 100% (Burenstam-Linder, 1998). The Danish system, which dispenses a single payment from a central office to all schools, municipal and independent, is preferable. Municipal schools would then be on equal footing with their independent colleagues as intended under current law.

### Funding Arbiter: The National Agency for Education

How well the Swedish model works depends heavily on a strong, non-partisan, National Agency for Education. If a local government can prove that the funding of independent schools would significantly damage its own capacity to provide education, it may take the issue to the National Agency. The impartial Agency then must assess whether or not a new school would be truly detrimental to the municipality as a whole. So far, out of the hundreds of cases brought to it, in every case but one the Agency has found that the establishment and equal support of the independent school would not materially encumber the provision of education to the community (Eriksson, 1998).

Public subsidies have made independent schools dependent on public funding and, consequently, have given elected officials the power to make independent schools submit to public controls. The problem is not that the regulations imposed so far on admission of students and fees have impinged on the educational quality of many existing schools. Rather, the danger is that these central controls will diminish the possibility for improvements through the formation of new schools, and that regulations will gradually erode the independence of non-municipal schools, so that eventually independent schools will be absorbed into the centrally controlled system. By removing the right of independent schools to charge fees or select students according to their compatibility with a thematic or pedagogical specialization, Swedish politicians have taken the first step in this direction. Likewise, the price control that results from banning fees weakens the incentive to innovate and the possibility of doing so, and thereby increases the uniformity of the school choices. Price control also reduces total education funding.

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# Effects of school choice

## Effect on public education

Perhaps the most common argument against public funding of independent schools is the potential for harm to public school students, through an exodus of talented teachers, motivated parents, and bright children to independent schools. Swedish researchers analyzing the effects of the dramatic increase in the number of independent schools over the 1990s have concluded that the competition for students has actually helped to raise the performance of public-school students. F. Mikael Sandstrom and Fredrik Bergstrom of the Stockholm-based Research Institute of Industrial Economics conclude:

We find that the extent of competition from independent schools, measured as the proportion of students in the municipality that goes to independent schools, improves both the test results and the grades in public schools ... The improvement is significant both in statistical and real terms. This result holds for test results, final grades, and for the likelihood that a student will leave school with no failing grades. Thus, our results confirm findings from earlier research which indicate that competition is beneficial for students in public schools. (Sandstrom and Bergstrom, 2005: 356)

## Effect on students of low ability

Another fear is that a burgeoning private-school sector will cater predominantly to the students who are easiest to teach, leaving the public schools to teach only the students who have the most difficultly learning. This does not appear to have happened in Sweden. In fact, the research gives “no support to the hypothesis that

independent schools are more likely to be established in municipalities with “easy customers,” i.e. few low-ability students” and “there is no evidence that low achievers are adversely affected by increased competition from independent schools” (Sandstrom and Bergstrom 2005: 373, 376). Indeed, in line with research by Caroline Hoxby (2003), these Swedish researchers found that the percentage of students attending independent schools is larger where the quality of the public schools is poor (Sandstrom and Bergstrom 2005: 373).

## Public information and the accountability of schools

Sweden’s voucher system has been an enormous step toward decentralization but all schools are still heavily regulated by the central government. Both independent and municipal schools must follow curricula imposed by the government. All students must sit local government tests four times in their academic careers (Gustafsson, 1998). National testing could be used to keep schools accountable to the public and to help parents with their choice of schools but the results are neither calibrated to a national standard nor distributed for community use. They seem rather to be trivial bureaucratic impositions rather than important days of reckoning.

With the “market” share of independent schools still at just 6.2%, it is difficult to attribute any national trends to their growing presence. Careful assessment (Bergstrom and Sandstrom, 2002; Bergstrom and Sandstrom, 2005) indicates that school choice has made the municipal schools better, and the independent schools are clearly not dragging national results downward as alarmist opponents of school choice always predict. The national results are on an upward trend. For example, the 2003/2004 merit rating (an index based on text scores)

is up 3% from that of the 1999/2000 school year. And the independent schools are better than the municipal schools by the vast majority of indicators,<sup>1</sup> even though struggling students (rather than the most successful ones) typically leave their assigned municipal school.

A 1998 OECD study recommended that Sweden continue to improve the effectiveness and efficiency of its education system by building on the 1991 reforms with less decision-making authority for agency administrators and politicians and more for parents and school-based educators. In return for increased local control of the government's schools, the Ministry could demand

greater accountability and quality controls from the municipalities (OECD 1998: 124–25) as New Zealand has done. Those were very reasonable recommendations but Sweden has yet to follow them, and more, by removing price controls and introducing flexibility into the national curriculum. Advisory curricular guidelines would be much more helpful than strict requirements. School choice in Sweden stalled at the original reform. It even retreated a bit.

Opponents of school choice often claim that few parents care enough to give consideration to the selection of their children's school. But in Sweden, even advocates of school choice were surprised at how quickly and broadly parents claimed choice as a right. One shrewd politician who had opposed choice predicted privately, shortly after it was implemented, that the government monopoly of education had been overthrown forever (Lundgren, 1998). Even in those early days of choice, he recognized that once people have been given the right to change schools, they will cherish the freedom of choice.

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<sup>1</sup> See Swedish National Agency for Education, 2005: Table 1.1. OECD's *Education at a Glance: OECD Indicators 2005* (OECD, 2005) says Sweden's private school results are 8% better than public school results. Those data are adjusted for socioeconomic differences among students. As a sign of positive influence on municipal schools or the tight regulation of Sweden's independent schools, OECD reported that the independent advantage is much higher in the United States, Canada, and New Zealand.

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## Lessons for Canada

A two-year pause in the rule of Sweden's Social Democrats saw the enactment and entrenchment of a school-choice reform. The 1991 reform made it fairly easy to gain the The National Agency for Education's approval to start an independent school that would teach a national curriculum that dictated the subject content of all but 5.7% of the first nine years of schooling. At first, the per-child subsidy was a little bit less than what the government's schools received, but independent schools were allowed to seek additional revenues through fees charged to parents. Later, the disbursal of the subsidies shifted to the municipal school boards that independent schools compete with and fees were banned, while independent and municipal schools were supposed to receive the same per-pupil government subsidy.

The freedom to decide how to teach the national curriculum was enough to prompt educators, clergy, and entrepreneurs to start new schools. They knew that since no pedagogy works best for all children, the availability of a menu of pedagogic and thematic school choices could directly help thousands of children. It apparently also helped the children that remain in the government's school, as improved results in municipal schools indicate.

School choice in Sweden helps children by permitting some diversity in schooling services but it barely scratches the surface of what is possible through the strengthening of competitive pressures and increased opportunities to exploit the differing strengths of educators to address the differences in children's learning.

To pursue those opportunities, Sweden should eliminate price controls, allow mission-based school admission criteria, and allow enough flexibility in the national curriculum so that schools can specialize in subject areas as well as pedagogy and themes like religions.

Canadian provinces that do not provide public funding of independent schools (Ontario, Saskatchewan, and the Atlantic provinces) should take note of the benefits to the education system when public funding follows students to independent schools. As Canadian research has also shown to be true in Canada (Hepburn and Van Belle, 2003), greater educational freedom in Sweden is correlated with higher educational achievement in public schools. In Sweden, public funding of independent schools has been particularly beneficial for students who have low ability or are hard to teach.

Canadian policy-makers should also note that the positive outcomes produced by Sweden's 1991 reforms do not assure momentum, or even that recent gains will not be lost. The Social Democrats' decision to retain the reform, implemented during a brief pause in their control of the government, proves that school choice is popular and not easily eliminated. But several countries have shown that school choice can disappear slowly in stages through regulatory encroachment, and that it does not expand incrementally. It is much easier to get right the first time (Center for Education Reform, 2003) through "radical reform" (Osborne, 2004) than to achieve legislatively in stages.

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