



School Choice ISSUES *in Thought*

School Choice Works! The Case of Sweden

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About the Authors

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The purpose of this paper is to describe the effectiveness of education reforms carried out in Sweden and what Americans can learn from the Swedish experience. We describe both the development of independent schools after the reform as well as an empirical study carried out by us to analyse what effects the competition has had on municipal schools. In addition, we briefly review the debate that has been conducted in Sweden relating to educational choice reforms.



Introduction

In contrast with the United States, in Sweden almost anyone can set up a school and receive public funding. Pupils and parents are free to choose whichever school they like. This is probably surprising to many outsiders since Sweden is also known as the country that has the Western World's highest taxation and the largest public sector, as well as a country that has had social democratic rule during all but nine years in the post-war era.

Because of comprehensive education reform undertaken in the early 1990s, Sweden has become one of the most permissive countries in the Western World with regard to allowing parents to choose schools freely. In Sweden, primary and secondary schools have traditionally been the responsibility of the municipalities, the lowest tier of government.¹

Prior to the 1990s, however, the municipal schools operated under strict national rules and regulations, and received funding from the national

government to cover teacher salaries. (In fact, the teachers were employees of the national government, even though they worked in schools officially run by the municipalities.) The schools also had to follow a national curriculum. Only a few independent schools², with special approval from the government, received government funding.

In 1990, the system was altered and the municipalities were given wider authority over their own schools. They were also given full financial responsibility for the school system.³ In 1992, a school choice reform was implemented under which the municipalities were obliged to give funding to independent schools. Parents were also

given the right to choose which school their children attended. The purpose of the reform was to give independent schools funding on terms equal to those of municipal schools.

Independent schools in Sweden must be approved by the National Agency for Education and

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meet certain criteria in order to receive funding. They have to meet the educational standards set up for the school system and must work in line with the targets set for the compulsory educational system. They must also be open to admitting all children regardless of their ability, religion or ethnic origin. Last, they are not allowed to charge tuition.

In practice, if these criteria are in place, few applications to start schools are turned down by the Agency for Education. It is more common that a school that has been approved does not start due to a lack of interest from parents and pupils or the inability to find a suitable locality, rather than the application not being approved.

The municipalities are allowed to give an opinion on whether they consider the establishment of an independent school to be harmful to existing schools, and the National Agency takes their views into account when approving or rejecting an application for opening an independent school. However, the municipalities have no veto power, and they are bound by law to finance an independent school once it has been approved. On several occasions, the Agency has approved schools against the will of the municipalities. Among the approved schools are schools owned by teacher or parent co-operatives, non-profit organizations and privately owned firms.

Over the past decade, the number of independent schools has increased more than five-fold, and the share of children attending

independent schools has more than quadrupled.

The parent-friendly reforms, and the rapid expansion of independent schools, have initiated a widespread debate in Sweden touching on a number of issues. How will the pupils be affected by the increasing competition between schools? Will segregation be deepened? Will municipal schools be affected in a negative way? What will happen to underperforming or special-needs pupils?

The possibility of parents freely choosing schools is a much-debated issue in the United States. One important reason for the hesitancy of more states in introducing school choice is the lack of knowledge about it. Therefore, the Swedish experience should be of interest for several reasons. First, it provides an example of comprehensive reform of school financing. Sweden has replaced an education system of almost complete centralization with a system featuring a significant freedom of choice. This has

resulted in a rapid expansion of independent schools. Second, having a reputation as a solid welfare state, Sweden can hardly be viewed as a haven of neo-liberal experimentation. Finally, the system has been in operation for a decade and the first studies evaluating the model are beginning to be published. So far, the results are encouraging for those who advocate freedom of choice.

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Reform in Sweden

There were very few private schools in Sweden pre-dating the independent school reform implemented in the early 1990s. Less than one percent of the pupils attended schools that were not managed by the State or the municipality.

In other countries in Western Europe, it is more common that a large share of pupils attend independent schools that receive some sort of government financing. The Netherlands has the largest share of children in independent schools — approximately 70 percent — which can be explained by historical circumstances. In the Netherlands, the issue of whether the state or the church should have the main responsibility for the schooling of children was a central and deeply dividing political issue during the second half of the 19th century and the beginning of the 20th century. The matter was resolved in 1917 through a constitutional compromise, which, to this day, results in the Netherlands having a school system with an unmatched number of private schools. According to the constitution after 1917, the government has an obligation to finance independent schools on terms that are equivalent to those of the State-run schools.⁴

Historically, the discussion — not only in the Netherlands but in other countries as well — has

concerned the churches' ability to run schools. Contrary to the USA, the right of churches to run schools in Europe has often been regarded as a way to uphold freedom of religion.

It is common in many other Western European countries, as well, that a considerable number of the pupils attend various kinds of independent schools. In Denmark, for example, approximately 13 percent of the pupils attend independent schools. Danish independent schools are entitled to public financing, though on conditions less favorable than in Sweden, since grants are not intended to cover the full costs of education. Parents who put their children in independent schools have to pay a small fee.

Before the independent school reform was implemented in Sweden, there were very few private schools. Some of these schools were both privately managed and privately financed — in other words, the parents paid to enter their children in these schools — while others received public support. A government decision was necessary for independent or private schools to receive State financing. Schools that received State financing were, for instance, the Estonian school, with pupils from the Estonian minority in Sweden. The Jewish school also received State support, as well as a number of schools using special pedagogy — for

example Steiner/Waldorf schools and Montessori schools — and some Christian schools. The independent schools could perhaps best be compared to American charter schools, and served a peripheral role in the school system.

Financing of the school system functioned principally as it does in the USA today. The municipality decided which school a child would attend, and there was little room for the parents to choose schools. Also, as in the USA, schools were financed partly by the municipal government and partly by the national government. However, the system was even more centralized. Teachers were employed by the national government, which also paid their salaries, but the municipal governments ran the schools under strict national rules and regulations.

Two legislative changes are significant in order to understand the Swedish reform. The first change in legislation took effect in 1991 and transferred responsibility from the national government to the municipalities,⁵ making teachers municipal employees. Instead of paying teacher salaries, the national government granted money to the municipalities on the basis of demographic and socio-economic characteristics. The municipalities were also granted more authority over the school system. The old and powerful National Board of Education was replaced by the National Agency for Education, which is supposed to set the goals for the school system, rather than specify how those goals are to be met. Responsibility was decentralized but the publicly run school system was intact, even though the municipalities had the right to provide funding to

independent schools as they chose. However, the fact that school financing was decentralized probably made the independent school reform easier to enact.

The non-socialistic government that came to power in September 1991 made what appeared to be rather minor changes in the legislation. In two bills to Parliament, the Government Bill on Freedom of Choice and Independent Schools⁶ and

the Government Bill on School Choice⁷, independent schools were given the right to receive funding from the municipalities on terms equal to those of the municipal schools. The first bill addressed the compulsory school (*grundskolan*), which in Sweden is nine years, i.e. primary and lower secondary school. The second bill addressed upper-secondary schooling — “*gymnasium*,”

roughly equivalent to high school. The laws enacted by Parliament as a result of these two bills came into force on July 1, 1992 for primary and lower secondary schools, and two years later for the upper secondary schools. Since then, every school approved by the National Agency for Education is entitled to public funding.

The new laws had no effect on the national budget, and no immediate impact on the budgets of the municipal governments. The law itself did not establish any new independent schools. However, the law did transfer the power to allocate resources to schools from municipal politicians to parents.

The laws governing the new system were passed by a non-socialistic government, with opposition from the Social Democrats and the “Left Party” (former communists). The debate leading up

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to the launching of a voucher system was largely initiated by the “Moderate Party” — conservatives, especially its youth wing. In fact, the first time that vouchers were mentioned in the Swedish Parliament, in 1982, was by Member of Parliament Gunnar Hökmark, then leader of the Moderate Youth Federation. When the Social Democrats returned to power in 1994, however, they did not reverse the reforms. Today, while there are certainly differences of opinion on various aspects of the system, of the seven parties in Parliament only the “Left Party,” with around 10 percent of the popular vote, is opposed outright to freedom of choice and the right of independent schools to receive public funding.

The regulations concerning grants to independent schools give municipal and independent schools equal economic conditions.⁸ The National Agency for Education must approve all schools that fulfill certain obligations. The schools must operate in accordance with the national curriculum and may not have discriminatory rules of admission. Furthermore, independent schools are not allowed to charge a school fee.

Apart from these demands, there are few limitations for the operation of an independent school. Moreover, religious communities are allowed to manage schools on the same conditions as companies and other organizations. The municipal

governments are entitled to give their opinion on an independent school applying for approval but they do not have the right of veto against the establishment of independent schools. The National Agency for Education may, however, declare that a school which is deemed to fulfill all criteria for approval will still not have the right to receive funding if this would have a “tenable” negative influence on the municipality’s school system. The children and their

parents are entitled to choose freely between municipal and independent schools.

As pointed out above, few applications to start schools are turned down by the Agency for Education. Of the applications submitted during the year 2000 to start primary or lower secondary schools (“grundskolor,” 1-9 grades), 125 were approved and only 13 were rejected. An additional 47 applications were withdrawn. Reasons for rejection were that an application was incomplete, that the applicant was not considered to be sufficiently viable to be able to run a school, or that, in the opinion of the Agency, the school would not have been able to give the pupils education at

an appropriate level. Two of the approved schools were not given the right to receive funding, as the agency deemed that that would cause “tenable” negative consequences for the school system in the municipalities concerned.⁹

The Swedish legislation is considered progressive from an international point of view as

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well. Apart from the Netherlands, establishing an independent school is probably easier in Sweden than in any other country.

Independent Schools Attendance Quadruples with Choice

The financing reform has triggered an impressive surge in the development of independent schools. The number of pupils attending independent schools has quadrupled and the number of independent schools has increased more than fivefold (see Diagram 1, below).

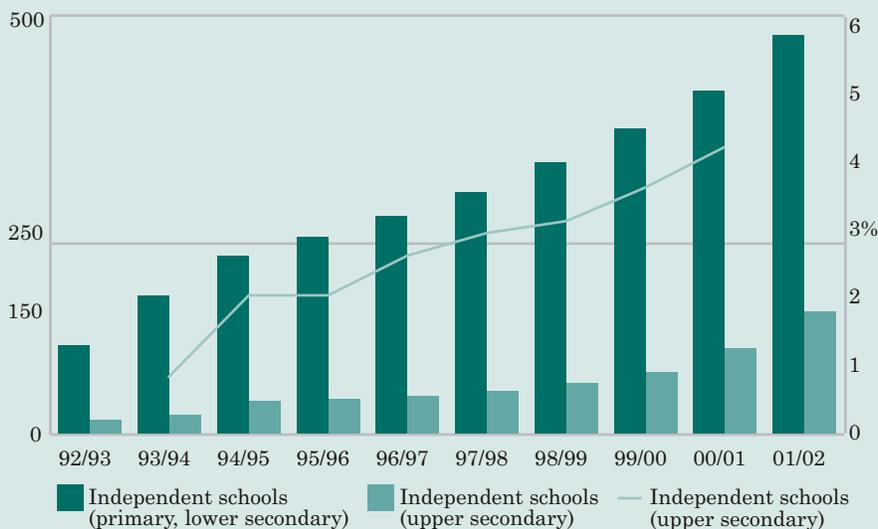
In the 1992-93 school year, there were 106 independent primary and lower secondary schools and 16 upper secondary schools. Today, the corresponding numbers are 488 and 149. The growth continues, even though the rate of growth may have slowed somewhat, since the number of applications to start new schools declined this year compared to last year. This is partly due to new rules and legislation that put somewhat more stringent conditions on the approval of new schools and higher requirements on teachers and localities.

The number of applications is still impressive. In total, the National Agency for Education received 316 applications to start new schools for the 2003-04 scholastic year. During the past couple of years, around two-thirds of all applications have been approved,¹⁰ and of those approved, around half actually got started. Extrapolating from these figures, Sweden would thus see the establishment of more than 100 new independent schools next year.

It is worth emphasizing, that independent schools still constitute a small share of the total number of schools, which is around 6,000. Compared to other countries, the share of pupils attending independent schools in Sweden is also small: approximately four percent of the primary school children and 5.6 percent of the upper secondary school pupils.

While the average certainly hides considerable differences between municipalities (the independent school share is zero in 74 of Sweden's 289 municipalities), independent schools have been established in all regions of the country, and in both rural and urban areas. Three of Sweden's northernmost municipalities, at or above the Arctic Circle in the rural and sparsely populated County of

Diagram 1 – The Development of Independent Schools



Norrbottnen, are among the municipalities with the largest share of students in independent schools, close to 10 percent. Judging from the last round of applications to start new schools, it appears that, while the rate of growth in the number of independent schools may have slowed somewhat in the major urban areas, it is undiminished in the rest of the country.

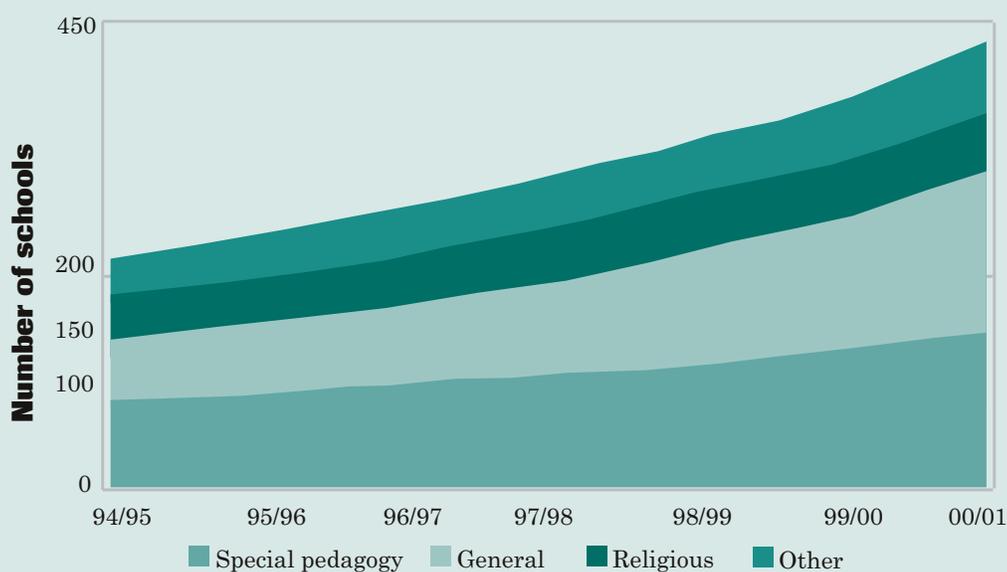
While it is clearly wrong to conclude that independent schools are mainly urban phenomena, it is in and around Stockholm, Sweden’s capital and largest city, and Gothenburg, the second largest city, that the expansion has been most rapid. Täby, a suburb of Stockholm, has the largest share of students in independent primary and lower secondary schools (over a fifth – 22.2 percent), while the neighboring municipality, Danderyd, has the largest share of secondary school students in independent schools (almost a third – 32.1 percent).

It is perhaps not surprising that many independent schools have been established in Täby and Danderyd; both are affluent municipalities,

with municipal governments that actively encourage independent schools. More remarkable, however, is that independent schools have also expanded rapidly in some less privileged areas. The fourth largest share of students in independent primary and secondary schools is found in the municipality of Älvkarleby, which is a mainly rural, working-class community. Several municipalities with large immigrant populations are also among those with a comparatively high proportion of independent schools. Botkyrka, which has the highest proportion of foreign nationals in the Stockholm region, and which is characterized by high unemployment and serious social problems, has the sixth highest proportion of students in independent schools in the country. Almost 13 percent of the primary and lower secondary students there attend independent schools.¹¹

An important difference between the Swedish independent schools and independent schools in many other countries is that “confessional schools” play a minor part. “Confessional schools,” or schools

Diagram 2 – Development of Independent Schools According to Specialization



Source of data: The National Agency for Education

run by a religious organization (hereafter referred to as “religious schools” in this paper), account for a small (14 percent) and shrinking share of the total number of independent schools (see Diagram 2, previous page). In the Netherlands, to the contrary, the majority of the non-municipal schools are operated by the country’s churches, and in the USA, parochial schools and other schools run by churches and other religious organizations account for the vast majority of independent schools. In Sweden, it is instead mainly the number of schools with specialization that is increasing. The great majority of independent schools are specialized and/or pedagogy-based, such as Steiner/Waldorf and Montessori schools.

Another distinctive feature of the Swedish model for school financing is that there are no formal limitations on how the schools should be owned and managed. In Denmark, private or independent schools must have a board with a parent majority. The schools also have to be independent, which in practice means that a successful school cannot open another school. By contrast, in Sweden, corporations are not only allowed to run independent schools, they are actually the most common form of ownership. Corporations run 30 percent of independent schools. These companies are also allowed to yield a profit.¹² Some companies run a large number of schools and they are rapidly expanding.

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Educational Choice and School Quality

Sweden's education finance reform has led to a transition from a highly centralized school system to a system where schools have to compete for pupils to receive funding. One of the most important arguments of voucher opponents, in Sweden as well as in the USA, has been that the municipal or state-run school would be depleted if subject to competition from independent or private schools. It has been said that the best students and teachers would transfer to independent/private schools, which would be of negative consequence for the quality in the municipal/state-run schools. A Social Democratic former Minister for Education, Carl Tham, writes that

(t)here is inevitably a conflict between freedom of choice and a good school for everybody.¹³ [Our translation]

On the other hand, defenders of freedom of choice have claimed that competition from independent schools would have a positive effect on municipal schools.

Since it was, on a theoretical plane, uncertain whether an increased element of competition would affect the quality of the education in schools, we, as

well as other researchers, have taken a closer look at this matter. The studies are briefly summarized below.

The Competition Effect

The studies that we have carried out in Sweden are of special interest because the Swedish school system probably allows the most freedom of choice for pupils and parents in the world. It is also of interest from a methodological perspective, as the design of the Swedish school system allows a high level of competition between schools and because the school capitation allowance system makes it relatively easy to set up independent schools. This, coupled with the fact that the number of independent schools has soared during the 1990s, renders it possible to evaluate the educational effects of increased freedom of choice.

In other words, the Swedish example can indicate what would happen if a country, for example the USA, introduced more freedom of choice for students and parents and thus more competition between schools.

Positive and negative effects of competition

Competition can affect quality and efficiency only if the school management, in order to respond to competition, *chooses* to organize the education more efficiently and seek higher performance levels. Lack of competition might cause so-called “x-inefficiency.” This expression means that an organization — a company, an authority or a school — does not reach the best possible result given the resource contribution; in other words, that resources are not used in the best possible way.¹⁴

Many people reject the notion that the municipal school is inefficient, particularly those working in that sector and those who are of the opinion that they can scarcely work any harder than they already do.

The cause of x-inefficiency is not necessarily that the employees are not working hard enough. It is rather the lack of pressure for change that keeps the employees busy doing the wrong things. Everyone in the organization is working hard but, due to poor organization, the result is not as good as it could be. Competition means both that this type of inefficiency becomes more evident — because comparisons can be made with other organizations — and that it becomes possible to learn from other organizations and thus implement improvements.

In all competitive processes, experimentation is an important component. By imitating successful

operators and by learning from the mistakes that are the result of less successful attempts, experimenting can contribute to an increase of the average quality of education.

Competition can also affect factors such as total school hours and family-specific factors, or lead to reprioritization of how many lessons are offered for different subjects in the municipal school. Regarding family-specific factors, it is possible for the

municipal school to follow the independent schools’ example and choose to involve parents more in their children’s education, thus activating the “home curriculum.”

Another effect of the competition could be that teachers would receive higher wages. Because municipal schools are so dominant, it is often difficult for teachers to change employers. In many cases the only alternative is to work in another municipality, which either means a longer commute or that a teacher is forced to move. Through the establishment of schools with other constituents, the

competition for teachers also can lead to both increased wage scattering and a higher wage level in general. Wage scattering can serve as an incentive for individual teachers to work harder, while in the long term the higher wage level attracts competent individuals to the profession.¹⁵ From a short-term perspective, however, higher wages could be an economic burden for individual schools.

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One significant result of competition for companies in different lines of business — and probably for schools as well — is that a selection effect leads to an upgrade of the average productivity in the trade in which the company works. In a competitive environment, new operators enter while other less competitive companies are forced to exit the market.¹⁶

A potential problem with allowing competition, either from other municipal schools or from

independent schools, is that the quality of the education in some schools might decline if the best pupils choose the more competitive schools. It has not been established that competition has this effect, but the risk exists because children with devoted parents tend to be more successful in school, and devoted parents are probably also more inclined to make an active choice of schools. If certain schools lose a large group of scholastically motivated pupils, it can be of negative consequence for two reasons. First, there is a risk that the share of resource-exacting pupils would grow while it is not certain that the resource allocation would increase proportionately. (Whether that happens depends on how the municipal remuneration system works.) Second, scholastically motivated pupils can have a positive influence on other pupils. If the scholastically motivated students disappear, then this positive effect disappears as well.

Similarly, the best teachers might choose to go over to competing schools if offered better working

conditions. This is not a necessary result of increased competition; it depends mainly on how the municipal schools react to the new situation. But the risk that competent teachers will find new schools does exist, and the risk would perhaps be particularly great if negative effects ensue as a result of a decrease of the share of scholastically motivated pupils in a particular school.

Both potential problems mentioned above might become particularly serious if the municipality does

not manage to adjust its costs to the new competitive situation. If independent schools are established, the number of pupils in municipal schools will diminish, unless the pupil population increases. If the municipality does not cut down on administration, premise and other overhead costs, this will have a negative effect on the grants for pedagogic materials and teacher pay. These possible negative effects have also been one of the most important arguments for the minority fraction within the Social Democratic Party that

is opposed to the school choice reform. In a debate in one of Sweden's leading newspapers, a number of Social Democratic politicians — Parliamentarians and leading municipal politicians — it was said that “[w]hen the municipality is forced to give out money to new primary and secondary schools under private management, the possibilities to improve the municipal school decrease. Less money means fewer teachers, poorer premises and older books.”¹⁷ [Our translation.]

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In summary, we can establish that there are both positive and negative effects of competition; which ones dominate will be discussed in the next section.

Which competition effect is the most important?

Internationally, there are a number of empirical studies that have investigated whether independent or private schools reach better results than publicly owned schools, and the effects that stem from increased competition between private schools and state or municipal schools. Most of those studies discuss American conditions.

The research on educational results in schools with different types of constituents was initiated through studies that showed that Catholic schools in the USA often reached better results than the municipal schools. But these studies have been criticized. The most significant objection has been that the pupil population is not comparable in these two kinds of schools. The better results of the Catholic schools, according to the critics, may just as well be owing to the fact that pupils with better qualifications tend to go to these schools. But several studies that have taken this criticism into consideration have reached similar results. The research thus indicates that private and independent schools can reach better

educational results than public schools.

Some of the most interesting studies in this field are about the so-called “Milwaukee experiment,” in which children of low-income earners could apply for a school voucher.¹⁸ A number of school vouchers were distributed by lottery among the applicants. Owing to this design, there was an automatic control group who remained in ordinary municipal schools. Several studies of the scholastic results showed that the pupils in private schools achieved better results.

Other studies focus on the effects of competition on the publicly managed schools.¹⁹ These studies generally seem to indicate that the positive effects of competition are greater than the negative effects — that is to say that the net effect of competition is positive. However, some of the studies that have come to this conclusion have been criticized because the results are not robust. In other words, with minor changes of the assumptions behind the model, the results are no longer statistically significant. Nevertheless, no study has succeeded in showing that the net effect of

competition could be negative, and recent studies that have taken the earlier criticism into consideration still seem to indicate that competition has a positive net effect.

Our study of the effects of competition on the public schools arrived at a similar conclusion — that freedom of choice and competition appear to

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have a positive effect on the quality of education in public schools.²⁰ In order to examine the relationships, we used data containing information on approximately 28,000 pupils in the ninth grade at both independent and municipal schools. The material contained pupils' grades and the results on the national compulsory test in mathematics, English and Swedish, given to all ninth graders.

To be able to study how an individual factor — in our case, the degree of competition from independent schools — affects the academic results of the students, it was important to take into consideration other factors that could have such an effect as well. It could, for instance, be the case that pupils in municipalities dense in independent schools had parents with higher education than the national average. If we have come to the

conclusion that municipal schools have a better success ratio in municipalities with a large share of independent schools, it could be that this fact is “shining through,” as children of well-educated parents are often more successful in school. To minimize the risk of coming to the wrong conclusions, we took into consideration the parents' education and income, if the pupil had an immigrant background, how large the school was, and the school's financial resources measured as municipal spending per pupil. In addition to this, we took into consideration that there might be differences between metropolitan municipalities and sparsely populated rural districts.

Adding to the challenge of this study was the fact that knowledge is difficult to measure. Hence, there was a risk that an analysis of pupil results

would become misleading if a too-narrow measurement were used. In order to avoid this problem to the extent possible, we used several different result measurements. We studied the effects on the final grade in the subjects of mathematics, English and Swedish; if the pupil had been failed in any subject; the results of the different parts of the national compulsory test in mathematics and the so-called “credit value.” The

latter is a total appraisal of all the final grades and constitutes the score that is used for admission to the upper secondary school.

None of our results indicated that the competition from independent schools had had a damaging effect on municipal schools. To the contrary, we found support for our conclusion that the municipal school improves through competition. In all

cases, the results in the municipal schools were better the larger the share of pupils attending independent schools. For more than half of the result measurements, the effect was statistically significant.

Since our first study we have carried out further analyses, as important criticisms of the study were made on two points. First, it was said that we had not thoroughly taken into consideration that the establishment of independent schools might be affected by how well the municipal school functions. Second, some critics claimed that we had not sufficiently examined if the results were “robust;” in other words, if they would change if small alterations were made in the model.

The first problem was solved through a special study of what is causing the establishment and

None of our results indicated that the competition from independent schools had had a damaging effect on municipal schools.

growth of independent schools in some municipalities but not in others. The information that emerged coincides with previous American studies as well. It seems as if independent schools to some extent grow faster if educational results of the pupils in the municipal school — after other factors have been tested for — are not good enough. There are also other important factors; for instance, if the population and the municipality have a positive attitude towards private alternatives.

We have addressed the question of whether the results are “robust” or not by making different types of changes to the model used — for instance, by excluding variables or observations or replacing missing data according to different principles. In total we have tested more than 20,000 different variations of our model without finding any reason to change our conclusions.

In summary, we can establish that in all the research carried out on how competition affects the quality of education, *there are no studies indicating a negative correlation*. The recurring tendency instead is that competition contributes to a positive development of the school. This is a valid conclusion for both Sweden as well as the USA.



Other Issues in the Swedish Debate on Educational Choice

The debate in Sweden on independent schools is very similar to the debate that has been conducted in the USA. However, in Sweden the debate has changed considerably after the introduction of independent school financing reform in 1992. Of the seven parties that are represented in the Swedish parliament, only one party wants to abolish the present system of financing independent schools. This is the Left Party, the former Communist Party, with around 10 percent of the popular vote. Yet, mainly within the ruling Social Democrat Party, there is also a large minority that is opposed to the independent school system, not least among politicians on a municipal level.

A common argument in the American debate — an argument that is seldom heard in the Swedish debate nowadays — is that a school voucher system would result in tax revenue being used to pay for private schools for children with rich parents. In practice there is very little to indicate that children of high-income earners would choose independent schools to a greater extent than low-income earners.

On the contrary, the school voucher system has rendered it possible for large groups in society to enjoy the same freedom of choice that was heretofore granted only to a few. For one thing, it turns out that many immigrants as Sweden-born citizens choose to place their children in independent schools.

Teachers and Sweden's Reforms

Another interesting difference between the debates in the USA and Sweden is that the Swedish teachers' trade unions have not been opponents of freedom of choice. There are certainly different opinions within the teaching profession, but the teachers' two main trade unions on the whole support the present legislation and have members that work both at municipal schools and at independent schools.

One reason for the support from the trade unions may be that teachers working in independent schools seem to be more satisfied with

their work situation than teachers in municipal schools. The Swedish Employers Confederation (now the Confederation of Swedish Enterprise, *Svenskt Näringsliv*) commissioned a poll among teachers who had left the municipal schools to work in independent schools. It showed that, even though around half of the respondents stated that the pace of work was faster in the independent schools (most of the remainder stated that the pace of work was the same), more than 70

percent stated that working conditions were better in the independent schools than in the municipal schools. More than half stated that working conditions were much better. Only one in 20 stated that working conditions were worse. A number of positive changes were noted among teachers who had moved from a municipal school to an independent school. They stated that they had more control over their own work and that they received more encouragement. The independent schools were

considered to be better at responding positively to initiatives by the teachers and to have better school management. Also, positive contact between teachers and parents was considered better in the independent schools by a majority of the teachers.

The tendency in Sweden for employees to find that moving from the public sector to private firms improves their working conditions is noted not only in the school sector. An important trend in the last couple of decades has been that municipalities contract out some of their responsibilities. Instead of using municipal employees to perform road and

city parks maintenance, for example, they contract private firms to do these jobs. Also, responsibilities such as care for the elderly and physically disabled have in many instances been contracted out to private firms. Within the Swedish system of socialized health care — health care for all citizens is almost entirely financed via the tax bill — contracting is also used to a considerable extent. A number of hospitals have been privatized, as well as

primary health care centers, even though the government still pays most of the cost.

One of the main opponents of this development has been the trade union organizing blue-collar workers in this sector — the Swedish Municipal Workers' Union.

However, the union has recently reversed its position. One reason for this is that many of their members seem to prefer their new, private employers. At least two polls commissioned by this union found that members employed by private companies ranked their

employers higher than those working for municipalities.

A possible reason for the disparity between the attitudes of the Swedish and American teachers' unions is that unionization in Sweden is rather high in most sectors of the economy. American teachers may fear that unionization would be lower in independent schools than in the present unified system. A similar concern seems far-fetched in Sweden for the above reason.

Another important argument in the debate on freedom of choice in the scholastic field is that it

One reason for the support from the trade unions may be that teachers working in independent schools seem to be more satisfied with their work situation than teachers in municipal schools.

leads to increased segregation. Even though the debate in Sweden is, in its fundamental features, similar to the debate in the USA, it is different on some points due to dissimilar ethnic structures in the populations of the two countries.

Historically, Sweden has been ethnically homogenous to a greater extent than most other European countries. There have been some distinct minorities, mainly Sami and Romanies, in Sweden, but these are very small. For a historical reason — Sweden and Finland were parts of the same country until 1809 — there has always been a considerable Finnish-speaking minority in Sweden. This is partly a result of migration and partly due to the fact that the border between the Swedish- and the Finnish-speaking areas does not coincide with the national border. The Finnish-speaking minority is, however, on the whole well integrated into Swedish society.

Throughout the history of Sweden, other types of immigration have taken place as well. In the Middle Ages, for instance, Germans had a dominant position in Stockholm and some other cities. During Sweden's period as a great power in the 17th century, and also later on, there was a considerable immigration of blacksmiths and other craftsmen as well as merchants from, among other places, the province of Walloon in today's Belgium, Germany and the Netherlands. During and after the Second World War, Sweden received a considerable number of refugees from the three Baltic States: Estonia, Latvia and Lithuania. These countries were occupied by Nazi Germany and the Soviet Union successively and remained under Soviet domination until 1991. However, all these immigrants have become almost completely integrated. Although some of the Baltic immigrants have kept the ties to

their native countries, and in some cases even moved back when these countries regained their independence, it is difficult to consider any of these groups as distinct minorities.

Instead it is the immigration that has taken place during the last two or three decades that has resulted in pockets of less-integrated populations in Sweden. The immigrants have originated from a large number of countries both in and outside of Europe. The immigration has consisted partly of foreign labor and partly of refugees, and some

immigrant groups have not integrated into the Swedish society. Especially around the country's major cities, there are areas with a large share of immigrants that are struggling with addiction issues, high unemployment and other social problems.

The Swedish segregation discussion has focused on the situation of the immigrants as well as on class distinctions. People have claimed that freedom of choice would make inhabitants in areas with a large number of immigrants even more isolated from the rest of the population and that it could lead to segregation along lines of parents' educational backgrounds and economic situations.

There is no evidence that freedom of choice would actually lead to increased segregation. On the other hand, there is little evidence to the contrary. No deeper analyses exist of what effects the freedom of choice reforms have had in this field. Instead, anecdotal support for different points of view has been presented in the debate.

Those who claim that segregation is increasing refer to statistics allegedly showing a disparity in quality between independent schools and those, mainly in the Stockholm region, having high numbers of pupils with immigrant background

There is no evidence that freedom of choice would actually lead to increased segregation.

whose parents have low education or low incomes. Those who claim the opposite refer to the fact that the share of pupils from suburbs with many immigrant inhabitants and with considerable social problems has increased in the popular schools in the center of the city.²¹

The Swedish debate is somewhat confusing due to the fact that it is not completely clear which type of segregation is being referred to. If, by

segregation, we mean that pupils attending different sorts of schools will be systematically differentiated, then it is almost natural that freedom of choice would lead to *one* type of segregation.

Muslims will attend Muslim independent schools to a larger extent than Christian children, and vice versa. It is likely that children with Spanish-speaking parents will choose schools with a Spanish language profile to a greater extent. That is actually the point of freedom of choice. We do want children and parents to be able to choose the school that is suitable for them. In such a case, it is not a problem that different people choose

different schools. Nor will people make the choices that politicians, researchers and public debaters believe they should. Whether or not the preferences of parents should prevail over the preferences of politicians is obviously a matter of ideology.

The important issue is actually not if freedom of choice results in segregation, but, first, if it leads to *detrimental* segregation; and second, if segregation

would be greater with freedom of choice than in a centrally controlled system.

Segregation can be detrimental to both individuals and to the society. There are many indications that the integration policy of the past decade has failed. We have large groups of Swedes with immigrant backgrounds who do not feel that they are a part of the Swedish society. There are areas, mainly metropolitan, where a large share of

the inhabitants are immigrants and where the incomes are low, the unemployment high and the social problems considerable. Those living in these areas often find it difficult to resolve their isolation. The isolation creates tension between different groups and damages the unity in the society.

Segregation in Sweden's educational system is a consequence of the housing being highly segregated and, in this matter, there is an obvious similarity to the American situation. Schools in the USA are to some extent segregated due to the fact that different population

groups are concentrated in different areas; this is also the case in Sweden. Since immigrants, low-income earners and people with a low level of education are to a larger extent living in certain areas, these groups are also concentrated in the schools located in these areas.

This in turn means that the schools in Sweden, as well as in the USA, would be segregated no

The important issue is actually not if freedom of choice results in segregation, but, first, if it leads to detrimental segregation; and second, if segregation would be greater with freedom of choice than in a centrally controlled system.

matter how we designed the educational system. It means also that we cannot compare the present situation to an ideal image where segregation is not a problem at all. We must instead compare the system that we have today with possible alternatives.

One alternative for today's freedom of choice system would be to revert to the "proximity principle," which was in force before. According to this principle, children mainly attend the schools that are situated closest to their homes. The local education authority draws a boundary line on the map between the schools' catchment areas and the children attend the school that they are allocated. If the housing is segregated, the schools will be segregated as well. Thus, it is not certain that we would have less segregation with the proximity principle.

The type of freedom of choice that existed in Sweden before the independent school reform — and which is the most important form of freedom of choice in the USA — is, furthermore, extremely unequal. With this system, there were two ways to choose schools. The wealthy had the option of choosing a completely private school where the parents paid the whole fee. But there was also the possibility of choosing

schools by choosing neighborhoods. It is difficult to imagine a system more efficient in giving freedom of choice to the rich but not to the poor. Wealthy persons can easily take up residence in affluent municipalities with good schools, while the poor are

forced to settle where they can afford, for instance in cities or suburbs with many social problems and poor schools.

We should not forget in this discussion that perhaps the most important counter to segregation is the moral argument that all children deserve a good education. Having a school that does not teach children how to read, write and count properly is a sure method to create isolation.

A related concern is that the independent schools may exclude students with special needs, such as physical disabilities or limited Swedish proficiency, etc. There is, however, no evidence that this is the case. A government committee, appointed by the social democratic government to evaluate some aspects of the reforms, makes the following statement:

In the debate, the view that independent schools are segregated, and do not have students with special needs is sometimes

*A government committee makes the following statement:
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None of the committee's findings indicate that independent schools have fewer students with special needs than do municipal schools."*

heard. None of the committee's findings indicates that independent schools have fewer students with special needs than do municipal schools. To the contrary, many independent schools have many students from this category. Parents that do not consider that their children get the support they require in the municipal school often take their children from the municipal school to an independent school.²² [Our translation.]

The committee also notes that a number of independent schools are explicitly focused on students with special needs.

The issue of whether it is appropriate for schools based on religious foundations to receive support through public funds has also been debated in Sweden, but has not figured as prominently as in the USA. An important reason for this might be that the religious schools constitute such a minor share of the independent schools — less than 15 percent (see Diagram 2, Page 7). There are no impediments for religious organizations to manage schools, and, as previously noted, there are Jewish and Muslim independent schools as well as schools run by various Christian denominations. The curriculum, which all schools must follow, does establish certain regulations; for example, that the education must be based on respect for the equal worth of all human beings. The National Agency for Education has investigated a number of Christian independent schools and has in general found this condition fulfilled. The criticism of religious independent schools has, if anything, been mainly about not fulfilling certain quality demands, for example, the competency level of teachers.



Lessons for the USA

The Swedish reality is certainly somewhat different from that of the USA, but there are a number of general lessons that can be shared. One important difference is that it is not mainly the religious schools that have expanded. It is not certain that the development in the USA would follow the Swedish pattern, but there are indications that in Sweden it is mainly non-religious schools that are favored by a school voucher system.

This is actually not so remarkable. Before the Swedish freedom of choice reform was implemented, parents who wanted to choose a certain school for their children were forced to pay twice for the education. They paid taxes for the municipal education system, as well as the fee to the private schools their children were attending. Furthermore, religious organizations often had the possibility of subsidizing the term fees by using voluntary work or donations. Under these circumstances, it was only parents who very strongly preferred a private school to a municipal who chose the private alternative.

It is perhaps not remarkable that mainly parents with strong religious beliefs choose private schools in such cases. Through a school voucher

system, schooling becomes a more normal market, where different schools compete through the quality of the education by offering special subjects or focusing on children with special needs. Religious schools will certainly continue to exist, but the market to which they appeal is limited.

The Swedish reforms also show that it is possible to unite local influence on the educational system with considerable freedom of choice. In Sweden, as well as in the USA, the local government has a great responsibility for the educational system. Financing comes both from local taxes and from contributions by the national government. The main element in the Swedish reform is that the national legislation forces the local governments to treat their own schools and independent schools alike.

Also, it would be silly to claim that Sweden is subject to a radical libertarian experiment. The changes in the system for school financing have not altered the fact that schools are entirely financed by public funds. The role of government in Sweden is larger than in practically any other country. The ratio of public expenditure to GNP is 52.9 percent, highest of all OECD countries. The employers' tax, paid by the employers on all wage payments, is around 40 percent. The income tax for low- and

middle-income earners is around 30 percent, depending on municipality of residence. The highest marginal income tax is over 55 percent. In addition, most goods consumers buy are subject to a value-added tax (roughly similar to a sales tax) equal to 25 percent. Swedes have public retirement benefits and almost free health-care.

It should also be clear that teachers have no reason to fear school vouchers. To the contrary, when the choice of employer is not only between different municipalities but also between several independent schools, this seems to benefit teachers. Also, the working conditions in the independent schools appear to be superior to those in the municipal schools. This may be due to a less bureaucratic structure of the former.

Further, there is no evidence that less privileged students are disfavored by school choice. Rather, many independent schools cater to students with special needs. Also, children with immigrant backgrounds choose independent schools to a larger degree than do other students.

The main lesson to be learned from the Swedish reforms is that school choice works. Sweden has left behind an almost completely centralized system, with tight national control of schooling and a miniscule role for non-government institutions. The number of students in independent schools has more than quadrupled over a decade, and the number of independent schools has increased more than five-fold. Yet no one has been able to show that this has had any negative consequences for the public schools. On the contrary, all evidence to date indicates that the public schools have improved due to competition.

The main lesson to be learned from the Swedish reforms is that school choice works. Sweden has left behind an almost completely centralized system, with tight national control of schooling and a miniscule role for non-government institutions.



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Endnotes

¹ It should be pointed out that Sweden is not a federal state. The municipal boundaries can be altered, and municipal responsibilities can be changed by the national government without the consent of the municipal governments. However, Sweden has a long tradition of municipal self-government, and the municipalities have wide-ranging authority.

² The terminology can be somewhat confusing, not least since public schools in the UK are privately owned, managed and financed. In some instances, the term private school is reserved for schools financed mainly through pupil fees. We use the term “independent school” to denote a school that is owned and run by an agent other than the local or national government, regardless of whether it receives public funds. An independent school may cover all, parts or none of its operating costs by public funds. Thus, both charter schools, schools financed by vouchers and tuition-based private schools, as well as British public schools, would fall under our definition of independent schools. The Swedish term is either, *friskola*, “free-school,” or *fristående skola*, “independent school.”

³ A general reform of the financial relationship between the different tiers of government has meant that municipalities pay to or receive money from the central government based on various socio-economic and demographic variables. This has largely replaced an earlier system with earmarked subsidies to schooling, care for the elderly and other municipal responsibilities.

⁴ “Netherlands, The. The Kingdom of the Netherlands (1814-1918).” *Encyclopædia Britannica*.

⁵ The man in charge of this reform was Sweden’s present Social Democratic Prime Minister Göran Persson, then Minister of Education, who enacted the change in legislation in spite of fierce opposition from teachers.

⁶ “*Proposition om valfrihet och fristående skolor*” (Prop. 1991/92:95)

⁷ “*Valfrihet i skolan*” (Prop. 1992/93:230)

⁸ It is a matter of debate if the conditions are really equal. Both the claims that independent schools are unfairly favored and disfavored have been

advanced. A government committee appointed to examine this matter came to no firm conclusion, but also established that there are large disparities between different municipalities as regards the treatment of independent schools.

⁹ “*Kommunernas yttranden om fristående skolor.*” Report from the National Agency for Education.

¹⁰ As pointed out above, it is rather uncommon that applications are rejected by the Agency. Rather, many applications are withdrawn. Since the process from application to actual start of a school takes approximately one and a half years, it is perhaps not surprising that changing conditions cause many applicants to withdraw the application.

¹¹ For upper secondary schools, Botkyrka ranks 17, with over 15 percent of the students attending independent schools.

¹² At least at the time being. The social democratic government is preparing legislation that will limit the possibilities of share dividend from companies running independent schools.

¹³ Carl Tham, “*Alla vinner på en gemensam skola*” [“Everybody gains from a communal school system”], *Pedagogiska magasinet*, 3/2001.

¹⁴ See for example Leibenstein (1966) and Tirole (1997) for further discussion on x-inefficiency. There are a number of studies that have shown the significance of competition for increased efficiency. In Mueller (1989, Ch. 14) a great number of studies are presented that show that a public sector that is not exposed to competition is, in most cases, more inefficient than corresponding private enterprises exposed to competition.

¹⁵ Rapp (2000) finds that teachers work more intensively when competition increases and Vedder and Hall (2000) and Hoxby (1994, 2000) show that wages tend to increase.

¹⁶ See for instance Caves (1998) for a summary.

¹⁷ *Dagens Nyheter*, 22 December 2000.

¹⁸ For analyses of the Milwaukee experiment, see for example Rouse (1998) and Greene, Peterson and Du (1999). There are also other experiments with vouchers or similar systems in the USA. Some of them are briefly described in Goodman and Steiger (2001).

¹⁹ See e.g. Couch *et al* (1993), Hoxby (1994, 2000), Newmark (1995), Arum (1996) and Dee (1998).

²⁰ See Bergström and Sandström (2001) and Sandström and Bergström (2002). The first-mentioned report, in Swedish with an English summary, is written on commission from the Expert Group on Public Finance (ESO), which operates under the Swedish Ministry of Finance. The other report is a more comprehensive scientific report available as a working paper.

²¹ Unlike many American cities, the central part of Stockholm is considered an attractive and socially privileged area. The social problems are instead more pronounced in some of the city’s suburbs.

²² SOU 1999:98, p. 48.

About the Foundation

The Milton and Rose D. Friedman Foundation is a non-profit, 501(c)(3) organization established in 1996 by Milton and Rose Friedman. The origins of the foundation lie in the Friedmans' long-standing concern about the serious deficiencies in America's elementary and secondary public schools. The best way to improve the quality of education, they believe, is to enable all parents to have a truly free choice of the schools that their children attend. The Friedman Foundation works to build upon this vision, clarify its meaning to the general public and amplify the national call for true education reform through school choice.

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