

Some Swedish Lessons of Independent Schools

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In 1992 Sweden launched a radical voucher reform

- Universal coverage
 - Both compulsory (1-9) and upper-secondary school (10-12)
 - Full public funding (no top-up allowed)
 - Often weighted by socio-economic criteria
- Very laissez-faire
 - No formal requirements on providers (eg educational background)
 - Full acceptance of for-profit schools
 - Municipalities can complain about new establishment but few application have been turned down for this reason
 - Basically free entry

General regulation

- Open to all. Student selection based on:
 - Queing time
 - Siblings
 - Geographical distance
 - At upper-secondary level: GPA9 main selection criteria (as for public schools/programs)
- Curriculum: same as public schools
 - Stricter in compulsory than secondary school

Little central monitoring

- Since 1991, municipalities in charge of education
 - Essentially no central monitoring until 2003. Tests are still graded locally
 - Locally set grades (GPA) central selection mechanism
 - Central inspections introduced 2009
 - Only recently sanctions have been imposed
 - No central pro-active authority for quality improvement
- Reform signals strong faith in market forces
 - But information for families limited

Educational markets unlikely to function well

- Informational problems both regarding own needs and what schools offer
 - Cannot contract on most outputs
 - Costly to switch school
 - Providers cannot charge for quality
 - Local monopoly power arises easily: incentives to differentiate product
 - "Customer" is co-producer: no ex-post liability
- Numerous ways for providers to "trick" customers

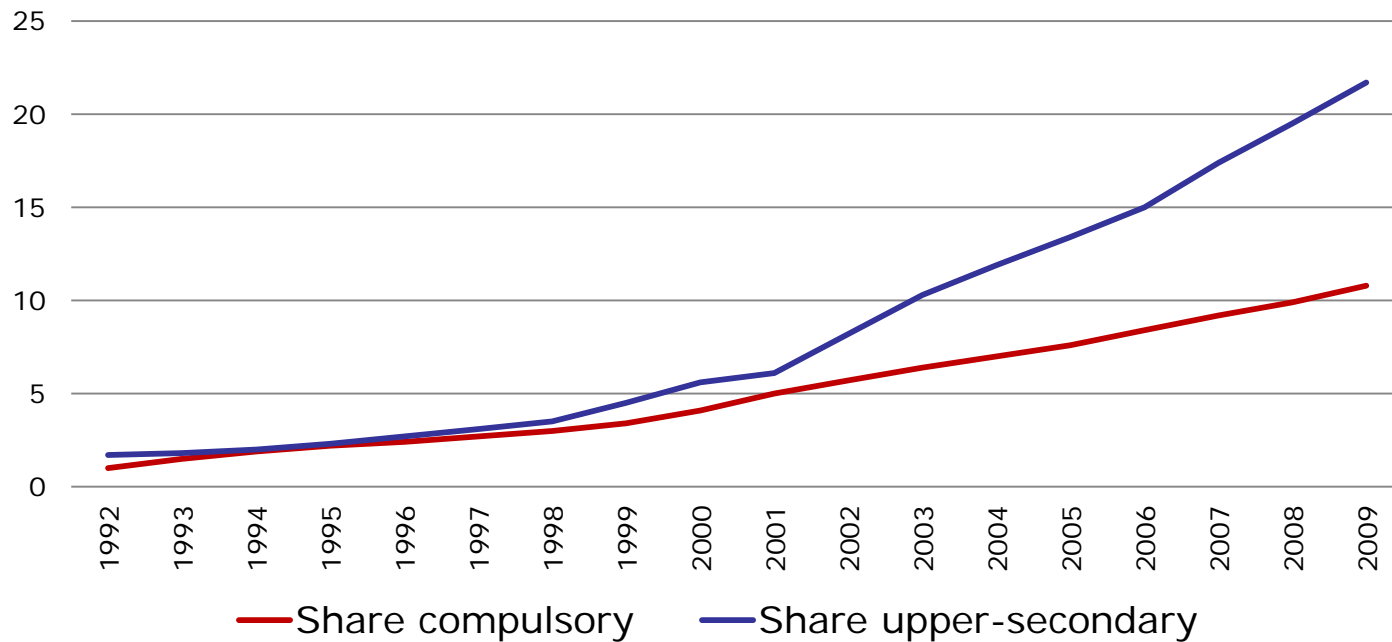
Should market forces be allowed to work?

- Is a happy consumer a well educated one?
 - Student composition most important choice criteria
 - Hard work might interfere with student's other needs
 - Fair assessment?
 - General: The school system has societal objectives
- In the best of cases, market forces channel resources from poorly functioning schools to good ones: what about equity?

Hard to correct these problems

- High stakes output regulation difficult
 - Can only measure some quality dimensions
 - Expensive and time-consuming to measure well
 - Most measures can be manipulated
 - Student background most central production factor
- Hard to avoid input regulation

Share of private school students



Substantial variation across municipalities

For-profits are the ones expanding

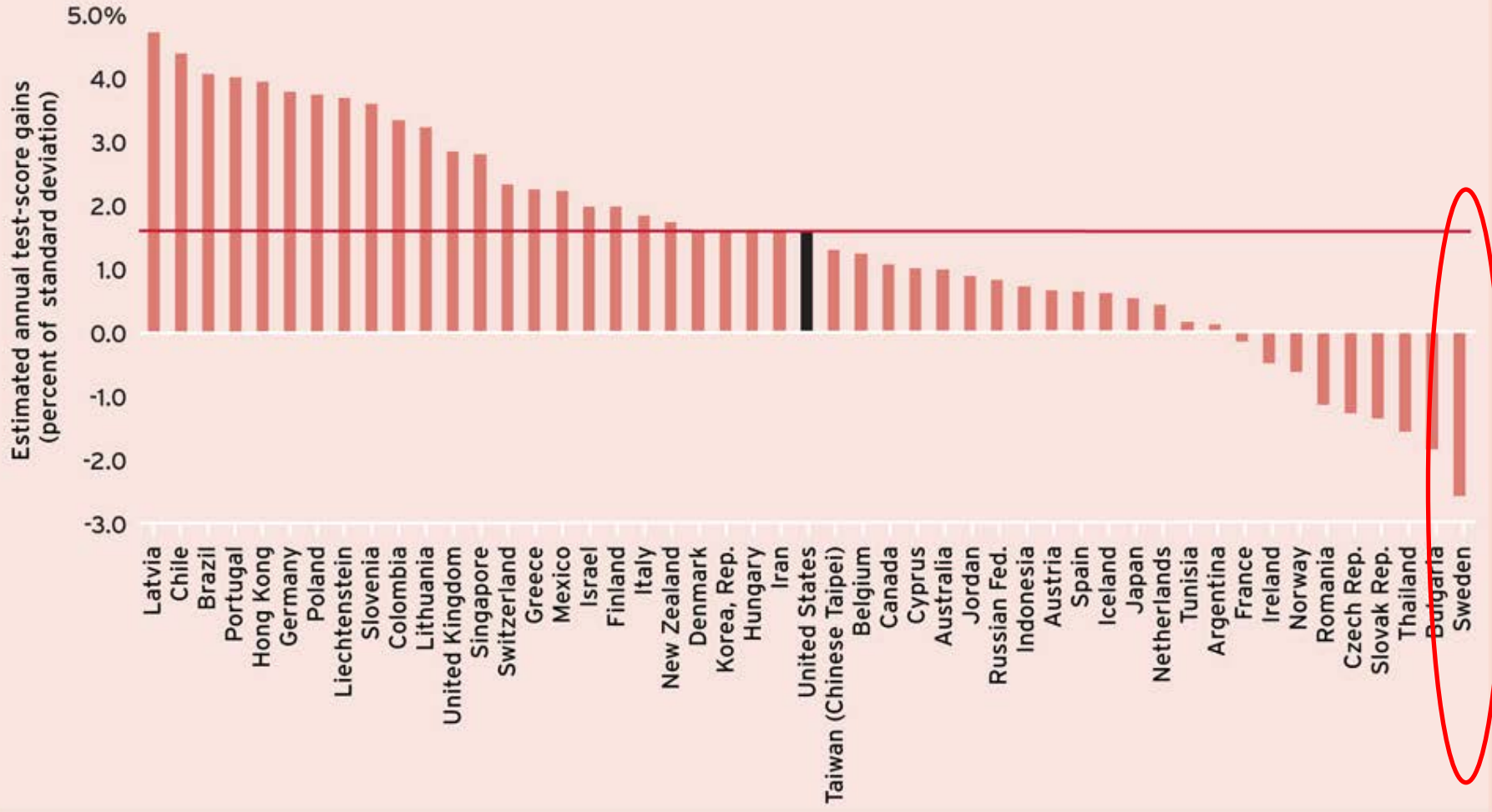
- 65 percent of private school students in grade 9 and 90 percent of upper-secondary in for-profit schools
 - Rapid consolidation into a few large groups
 - Venture capital firms major players
- Non-profits rarely grow
 - Even though often popular (5000+ students in line)

Barely Keeping Pace (Figure 1)

Changes in educational outcomes 1995-2009

Source: Hanushek, Woessman and Peterson (2012)

U.S. rate of improvement is in the middle of the pack.



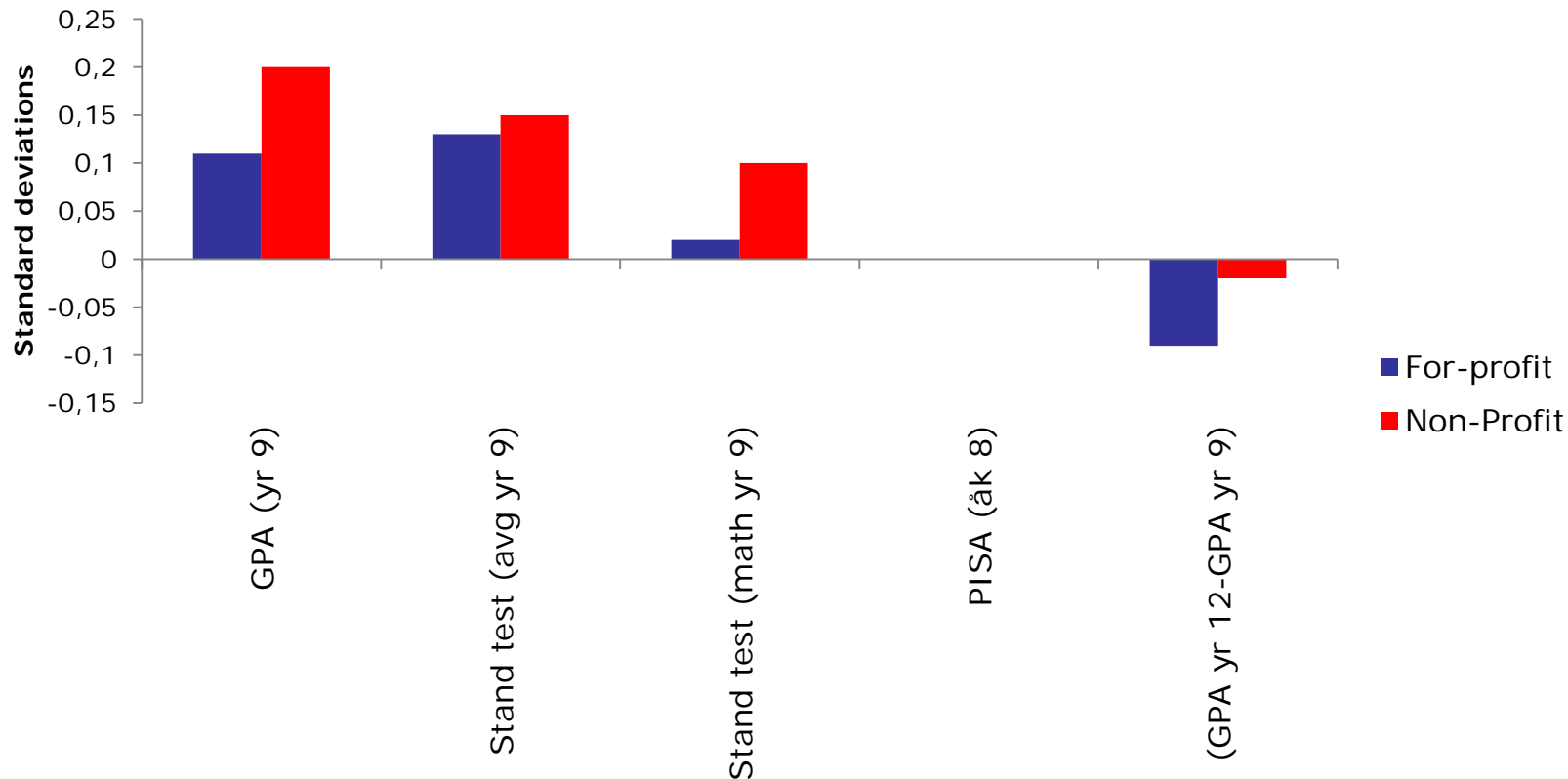
NOTE: The bars represent the overall annual rate of growth in student achievement in math, reading, and science in 49 countries, from 1995 to 2009.

SOURCE: Authors' calculations based on National Assessment of Educational Progress. See methodology sidebar for detailed explanation.



Are the private schools good?

Results for students from private schools (relative to municipal), adjusted for student background

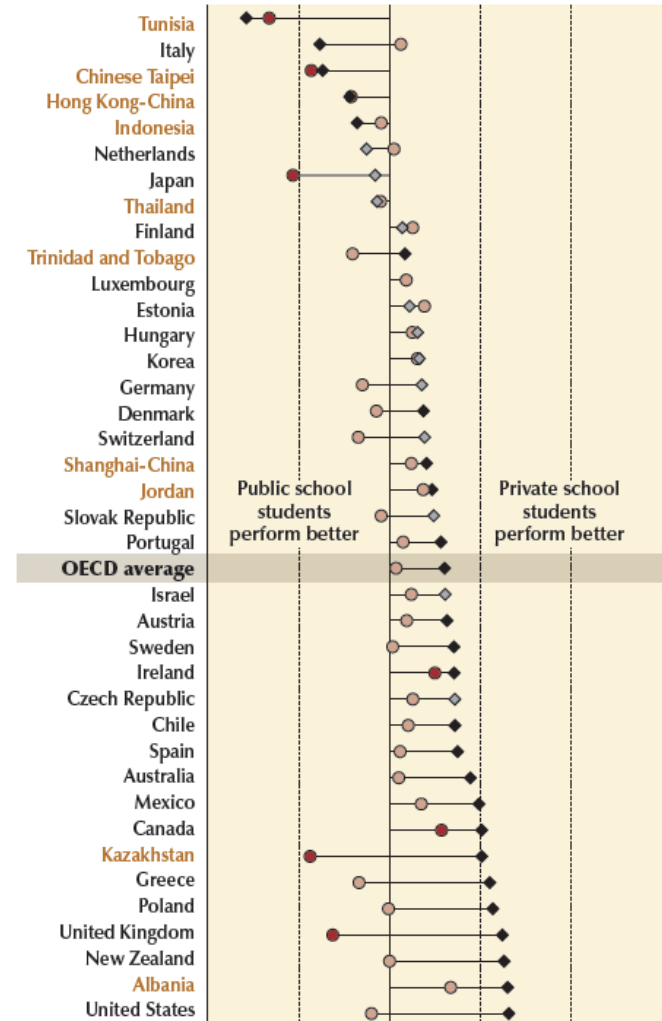


Recent evidence based on broader externally evaluated tests suggest that public schools are *better* on average



Difference in reading performance between private and public school students

- ◆ ◆ Before accounting for student background characteristics, school autonomy and school competition for students (gross difference)
- ● After accounting for student background characteristics, school autonomy and school competition for students (net difference)



Not a unique pattern

- Private schools are usually not better
- Differences mainly driven by selection (not perfectly controlled for)

What about competition?

- Differences between municipalities (so-and-so identification)
 - Modest gains in compulsory school
 - No signs of improvements in upper-secondary school
 - Some grade inflation
 - Segregation (by socio-economy and ability)
 - Product differentiation (very strong in u-s school)
- Competition cannot be counted on for weeding out poor performers (at least not rapidly)
- In line with international evidence suggesting at most modest gains of competition

Response by Swedish government: Regulate inputs!

- As predicted: mainly stronger regulation of inputs
 - Teacher requirements, study plans, libraries, special needs, more detailed curriculum, more standardized tests, detailed grading criteria, more documentation and follow-ups
- At odds with the importance of local autonomy
 - Such autonomy can be exploited
- The less trust for the intrinsic motives of providers forces authorities to take stands on detailed pedagogical issues
 - Otherwise legally impossible to hold providers accountable

Neither competition nor private provision are magic bullets

- Open enrollment, lotteries when over-subscribed
 - Weigh resources to reduce cream skimming
- Be selective prior to school openings
 - Consider motives of providers
 - Trusted providers can be allowed more actual autonomy
 - Difficult to close down schools
- Successful schools should expand
 - Vouchers not enough (for non-profits)
 - Complement vouchers with investment funds

Other general lessons

- Use well-constructed tests based on national curriculum
 - Other schools should be able to compare and learn
 - Use other evaluations as well: teachers need feedback
 - Eg <http://www.metproject.org/>
 - Use data, but in discretionary manner
- Give trust to principals
 - But be prepared to replace them
- Teacher recruitment very important
 - But limited success with high-stakes incentives