

# Learning from Europe

The Dutch and Danish school systems

By

**Mogens Kamp Justesen**

*“Were there no public institutions for education, no system, no science would be taught for which there was not some demand; or which the circumstances of the time did not render it either necessary, or convenient, or at least fashionable to learn”*

*(Adam Smith, *The Wealth of Nations*).*

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# Foreword

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**By Dr Eamonn Butler**  
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## *The debate on education*

Over the current year, the Adam Smith Institute is engaged on a major project — the *Better Education* project — to raise school standards by bringing new ideas into the organisation and delivery of education in the United Kingdom.

The UK's education system was created with the best intentions of promoting equality and excellence through state funding and provision. But there is now a widespread feeling that it has become too over-centralised to respond to the diverse and changing needs of today's more mobile population. The uniformity of its approach has squeezed out innovative alternatives against which schools' performance could be judged. Since parents are denied real choice, it has come to reflect the wishes of its LEA producers rather than its customers. And poorer families in disadvantaged areas, whom the system was designed to help most, have become those most failed by it.

With the hindsight of problems like these, governments and policymakers today are much more inclined to consider bringing a greater diversity of provision into our essential public services. The debate has already opened up in the health sector, to the effect that taxpayers' money might be better spent if some clinical services were actually managed and provided by private or voluntary hospitals and care groups.

## *The focus of our project*

The Adam Smith Institute project examines the scope for such *mixed models of provision* in the education sector. We ask how to *empower parents*, as the users of education, and how to customise individual schools to suit their needs and wants, while still guaranteeing an *equality of opportunity* for all.

Our focus therefore is on *deliverable change*, opening the education system to *innovative approaches* that are more in tune with our post-industrial world, more able to deliver a *customised service* to each child, and under constant incentive to adopt *best practice*. We are exploring how to give all parents a *realistic choice* of schools that are *diverse* in terms of their religious or moral ethos, their curriculum strengths, or their teaching methods; and how the *benefits can be measured*. We are asking what new *provision structures* will work best, such as parent-led collectives, charities, non-profit branded educational companies, or private consortia; and how the market for equipment supply, estate management, administration,

personnel, and other back-office services will work. And we seek to develop ideas on the *funding* of education, so as to unite performance with reward, in ways that do not leave poorer families condemned to suffer a second-class service.

### ***The message of this report***

In this report Mogens K. Justesen demonstrates that some of our near continental neighbours have in fact achieved much that is on this agenda. Combining public-sector finance with independent provision (by parents, teachers, churches, and non-profit bodies) these countries are approaching the UK government's idea of 'customer-focused' services, at least in the provision of education.

These organisational principles are now being tested in many parts of the world, but they have a particularly long history in Denmark and the Netherlands. By separating out the different roles of provision, regulation, and funding, they have managed to build an education sector that is not only fair, but innovative too. Their experience provides strong evidence that this 'public finance, diverse provision' approach could bring positive benefits to the UK as well.

The paper deals with primary and secondary education. It outlines the Danish and Dutch systems, showing how they combine independent provision of education with parental choice and government funding. This analysis will provide the basis for a comparative review of the school system in those two countries and in England & Wales, outlining some important lessons for the latter.

# 1: Introduction

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*If the government would make up its mind to require for every child a good education, it might save itself the trouble of providing one.*

(John Stuart Mill, *On Liberty*)

## **The problems of the education system in Britain today**

Back in 1976 Prime Minister James Callaghan warned that British schools were failing to equip their students for the realities of the modern world (Chubb & Moe 1992, 4). Today, among politicians and the electorate, there is a widespread recognition that the current institutions of state provided education have not raised the standards of educational and academic achievement to an adequate level, despite the best efforts of all governments.

Just as important, some schools are still failing: approximately 10% of British pupils leave schools without any meaningful qualifications and a large proportion of young people admit to difficulties with basic literacy and numeracy (Tooley 1998, 11). In around 15% of schools, less than a quarter of the pupils achieve GCSE grades A-C (DfES 2001a, 15). While a recent OECD test of literacy and numeracy placed British students in the top third of the participating countries (OECD 2001a), the longer-term Third International Mathematics and Science Study (TIMSS), places English students below the OECD average in maths and around the OECD average in science (IEA 1997; 2000; OECD 2001b, 309).<sup>1</sup> On any measure, though, it is clear that today's current political-bureaucratic school system is not providing the world's fourth-richest economy with an education system to match its wealth.

On today's political scene education is a top priority of both government and opposition. In the May 1997 election Tony Blair was elected on a mandate committing his New Labour government to improve the public services, the priorities being "education, education, education". In the election of 2001, improving education was still seen as the most important challenge facing the present government (Labour Manifesto 2001).

The search for innovative solutions is now in earnest. A recent White Paper suggested that the education system might benefit from the increased use of independent providers and by more deregulation of schools (DfES 2001a). The Prime Minister has emphasised several times that the use of independent providers in delivering education should be expanded and that "the key to reform is re-designing the system around the user" (BBC 2001). This will entail a shift away from the producer-centred system towards a consumer-centred system of education. However, no fundamental reform has yet been implemented.

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<sup>1</sup> The 2001 OECD *Knowledge and Skills for Life* survey of student achievement includes pupils from the UK whereas the TIMSS test only includes English pupils.

The concern over educational issues in the political parties also reflects a concern among the British population. In 1997 the electorate thought education one of the most important political issues facing any future government, and it remains so today (MORI 2001a). Another survey reveals that a staggering 64% of the population supports the idea of using government money to send children from low-income families to independent schools (MORI 2001b), while some 53% would send their child to an independent school if only they could afford it. Such polls are strong indications that the public is ready for — and approves of — a higher degree of independent involvement in the delivery of education and the extension of parental choice. Clearly, the very structure of state education in the UK is being questioned.

### **A note on definitions**

Education and schooling are not necessarily the same thing. Education is a continuous process taking place both within and outside schools. Schooling, on the other hand, is strictly what is going on in the school, in the classroom. Children can be schooled for several years without obtaining any meaningful education. Unfortunately this scenario is all too common in many British schools today. Nevertheless, this paper will use the terms education and schooling somewhat synonymously, despite the differences between the two concepts.

In England & Wales, some independent schools are often referred to as “public” schools. Schools run by the Local Education Authorities are referred to as state schools. However, in the Netherlands and Denmark, schools run by the local authorities are referred to as public schools. These are the equivalent of state schools in England & Wales. What we must refer to as independent schools in the Netherlands and Denmark are those schools which are not run by local governments — though they do receive government funding, as explained below. But because they serve a wide social mix of pupils, they have none of the class connotations of the British public schools.

The school and education system in England & Wales is somewhat different from the school/education system in the rest of the UK. The policy recommendations made at the end of the paper will primarily apply to the school system in England & Wales, even though they will extend to the UK as well.

## 2: The structure of schooling

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*“We are making the public services user-led; not producer or bureaucracy led, allowing far greater freedom and incentives for services to develop as users want”.*

Tony Blair (*Speech 16<sup>th</sup> October 2001*)

Despite the hefty debate on education, the aims of education policy are uncontroversial. These aims include quality (including high levels of literacy and numeracy), equality of opportunity and access, economic efficiency, and responsiveness to parents’/pupils’ needs. Where there are differences, it is about how best to arrive at those aims. This basically reflects different ideas about which institutional arrangements will best achieve the agreed aims.

The importance of institutions derives from the perspective that education (and schools) are shaped by their institutional settings (Chubb & Moe 1990, 2). The institutional rules, norms and incentive structures greatly affect the internal organisation of schools and, ultimately, their performance and the product they deliver. Hence, the different institutional settings in which schools operate produce different educational outcomes.

State schools in the UK today operate under centralised political-bureaucratic control. The proponents of this system believe that it is fair and can be efficient, and that where it fails, the reason is generally insufficient financial and staff resources. Therefore, better quality and equity can be obtained only by raising spending on schools within the framework of the present political-bureaucratic institutions.

One major problem with this argument is that there is *no* evidence showing any consistent association between the level of spending and outcomes, measured as student performance – i.e. exam results and levels of literacy and numeracy (Marks 1998; Chubb & Moe 1992, 6). The failures of the present system therefore cannot be attributed just to a systematic lack of resources. Rather, they point to a more fundamental problem in today’s school system; namely that the very institutions of top-down political-bureaucratic control may be the *cause* of the poor results rather than the cure. The problem is not so much that schools are funded (or under-funded!) by taxes; the basic problem is that they are constrained by the institutions of bureaucratic, hierarchical and political control. This strips them of autonomy and fosters uncompetitive, rule-bound, formalistic and highly unresponsive schools. Chubb & Moe (1990, 38) note that this producer-driven structure must inevitably serve the desires and opinions of the producers, rather than the users.

This is exactly the result that has led policymakers in other countries to look for new ways of providing quality education through an increased use of the market principles of local autonomy, competition and choice. *Local autonomy*, for example, would put schools beyond

the reach of arbitrary political and bureaucratic interference, allowing schools to perform well, and do what they are good at — teaching and educating. *Competition* will ensure that schools always have an incentive to improve and perform better and more efficiently, simply because that is necessary to attract and retain parent/pupil support. Parents can always *choose* another provider if they are not satisfied, forcing schools to be responsive to parental demands. Thus, the institutions of the market process create an incentive structure in which schools are motivated to compete with each other and improve their performance and responsiveness in order to attract parent and student support. Political-bureaucratic institutions, by contrast, do none of these things.

Clearly, a prerequisite for successful reform is that it tackles the fundamental causes of the problem. That is why altering the outcome of education requires a fundamental change in the political-bureaucratic institutions that deliver education. The main thesis of this paper is that the market-style institutions mentioned above will achieve the overall and agreed aims of education to a much higher degree than today's system of political-bureaucratic control.

### **Regulating, delivering and financing education**

To understand why, we must distinguish between the three different roles or functions that are inherent in the delivery of any public service such as education. Each of these roles can be performed *either* by government institutions *or* by firms, organisations and individuals. They are 1) *regulating* the service, 2) *providing* the service and 3) *financing* the service (Barr 1998, 78; Savas 1987, 60).

*Regulating* education can be done both in a qualitative and a quantitative manner (Barr 1998, 77). The former applies to topics such as deciding on the content of the curriculum that schools must teach. The latter regards decisions on how much should be produced (e.g. how many schools there should be) and on regulating demand, (e.g. decisions on the school leaving age). Regulation also involves decisions on who should deliver the product (e.g. state or independent schools, or both).

*Providing* the service constitutes the actual delivery of learning services. This implies organising and managing the schools, taking the responsibility for employing teachers, doing the actual teaching etc. In principle, this can be done at home by the parents or in a state or independent school. In the UK the state is by far the largest provider of education, running and managing most schools. This, however, does not have to be so, since providing education is entirely different from regulating or financing it. In fact, countries throughout the world increasingly separate provision from the regulation and financing of schools.

Finally, *financing* education can be a matter of individual or governmental responsibility. Government payments for education can be channelled through direct, fixed grants from the government to the schools, or through a type of per capita finance system where the funds follow the child. Parents may share some of the responsibility for funding through some kind of “top-up” arrangement, or they can be completely responsible for it, as they are in private schools in the UK.

Given the distinction between regulating, providing and financing education, we end up with a variety of possible combinations for government and market involvement in education. The point is that any and each of the roles can involve more government involvement or less (Savas 1987, 88). Independent provision does not mean that parents have to pay all the cost directly, and government finance does not require the state to own and manage all schools. These are entirely different roles and there is no reason why performing one role should necessitate performing the other. Both private companies and non-profit organisations could easily be introduced into the provision of education, without the state having to give up its financing role.

Educational reform can therefore be implemented in a variety of ways. Opposition to change often rests on the fact that people either do not appreciate or are not aware of the distinction between regulating, providing and financing public services (Savas 1987, 61).

### **Potential of the Danish and Dutch financing system**

Denmark and the Netherlands are instructive examples of how a partial reform of the education system can bring profound benefits. The key is that non-state providers are (relatively) free to provide education services, and that the state directs its education funding to these providers – not as block grants, but in proportion to the number of pupils that they are able to attract. This per capita funding might be weighted, as it is in the Netherlands, to give extra help to schools serving deprived areas. Whatever the details, the per capita funding approach means that schools which are well-run, which provide most value for money, which engage the support of parents, and which thereby attract more students will be compensated by proportionately larger funding from the state.

In other words, in these systems, government funding automatically follows the decisions and preferences of the service users — the parents and students.

### **Per capita funding and demand**

A system like those described, in which the choices and preferences of the service users direct how government funds are allocated, effectively gives parents “a tied grant which can be ‘spent’ (by parents) at a school of their choice” (Barr 1998, 347). Thus, a per capita funding system, where tax funds follow the choices of the parents, is not an end in itself, but a *means* to empower choice and improve the quality and efficiency of education. In such systems, the government certainly *finances* education by giving money to those schools which are chosen by parents – but that does not imply that government necessarily has to be involved in actually *delivering* education, running the schools, doing the teaching etc. Nor does it mean that government has to provide detailed regulation of the curriculum or of issues such as teacher employment, salaries and teaching time.

Compared to the traditional hierarchical-bureaucratic organisation of state schools and the top-down funding of those systems, a per capita finance system on the Dutch and Danish model changes at least two fundamental features — access and finance.

*Access* is changed by giving parents the right to enrol their child at a school of their own choice, thereby shifting the power of school selection to parents and away from (local) government education authorities. Parents are even given a choice between enrolling their child in a state or in an independent school and are free to choose any specific school of their preference.<sup>2</sup> Indeed, to work well, it is important that such a system does not exclude independent schools, since excluding non-state schools would not provide real equality of access, but would be simply an open enrolment programme (Savas 1987, 215), in which the independent schools remain elitist.

In fact, “the less choice parents have in choosing a public [i.e. state] school...the more selective non-public schools can be in their admission policies and thus the larger the social segregation between public and private schools” (Dronkers et al. 2001, 12). The degree of choice between (state *and* independent) schools and the degree of selectivity of independent schools may hence be inversely proportional. Furthermore, allowing parents to choose between both state and independent schools by including both of these in a per capita finance system will in fact produce *greater equality of opportunity* since children from poorer backgrounds will no longer be financially restricted from applying to independent schools.

Parental choice and user-preference finance will greatly benefit the poorer families, since they will be given the means to opt for a higher quality school.<sup>3</sup> In order to make per capita finance systems work as intended, it is crucial that there are no strings attached: that there are no institutional barriers to choice, such as legislative exceptions and the right of political authorities to veto the choice of parents. Provided no such barriers exist, the system will introduce one of the most important features of a market system into education, namely the right of service users to exit —to withdraw from one provider and choose another. Empowering parents to make their own choice of school will also foster more competition between schools, encouraging them to become more responsive to parental demand and offer well defined quality education in order to attract pupils.

In short, a per capita finance system like those in Denmark and the Netherlands would allow parents to express their satisfaction and preferences in the only real and genuine way — by giving them the opportunity to vote with their feet if they are not content.<sup>4</sup>

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<sup>2</sup> This is, of course, provided that the schools accept the children. A case where a child might not be accepted is when schools have a particular religious denomination, i.e. Jewish or Muslim schools may only enrol children with those particular religious affiliations.

<sup>3</sup> In fact, a study from the USA has shown that a group of African-American pupils who switched from public schools to independent schools achieved significantly better scores in tests after two years (Howell et al. 2000). This provides a clear indication that previously disadvantaged pupils really do benefit from choice-driven, per capita funding systems which enable them to attend independent schools.

<sup>4</sup> The main criticism of the consumer-choice argument is that, allegedly, parents do not possess adequate information to make rational choices (Barr 1998, 331, Liebermann 1989, 8-9). However, with a free choice per capita finance system there will be a much larger demand for information by parents and parents' associations. Thus, a market for information is likely to evolve, just as there are information markets for legal advice, health care, marriage etc. (Lieberman 1989, 5, 12). This is already known from both the UK and the Netherlands

Secondly, these systems change *the mechanisms of finance* by making school funding demand-led. When parents choose a school for their child, this triggers a specific sum of money — either the full cost or a proportion of that — to be transferred to the chosen school. It turns the system of finance into a *bottom-up system*, where school budgets are primarily determined by the choice of parents. School budgets then become more responsive to parents' demands and adapt to demand in a *symmetrical* way, creating a link between the activities and success of a school and its financial rewards (Kristensen 1987, 188). Not only does this improve schools' performance, it also means that the phenomenon known as “asymmetrical fiscal adaption” — whereby budgets rise when enrolments rise, but do not fall when enrolments fall, is avoided (Christiansen 1990).

In the UK too, a full-blown per capita finance system, whereby public finances are allocated according to the success of each school in attracting and retaining pupils, would make schools' budgets depend on their performance. In order to attract more money the schools would have to attract more pupils. Thus, schools would have to compete for pupils and improve their education services in order to remain successful.

### **Universality and cost covering**

The per capita funding approach with a free choice of school is an attempt to *restore consumer sovereignty* by giving consumers direct opportunity of selecting a school (see also Lieberman, 1989, chapter 5). It is exactly for this reason that it is important that the actual funding of the system is *universal* and covers a *sufficient* proportion of the cost of education. Universality implies that the funds should be available to all children, no matter whether they attend state or independent schools. This will broaden and strengthen the demand side of school choice, which is not only a necessary condition for the system to work efficiently and effectively, but also a guarantee that all parents and students will have equal opportunities in their choice of school. As a consequence, the demand for independent schools is likely to increase and, over a period of time, crowd out the state schools.

There is little agreement on whether the size of the grant in a per capita finance system should cover the full cost, or cover a proportion of that cost, or even be related to income (Barr 1998, 347; Lieberman 1989, chapter 6).<sup>5</sup> Different models of per capita finance have been suggested, and as chapter 3 and 4 will show, the first two proposals have been implemented in the Netherlands and Denmark respectively. Paying the full cost of education

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where league-tables and school evaluations provide an important pool of information for parents. Also, in a per capita system the government could collect, produce and distribute the necessary information for parents. The Swedish Nacka municipality, which recently implemented a free choice per capita funding system, provides an illustrative example of how information can be produced and distributed in such a system. In order to secure adequate information for the parents and to encourage active choice, school meetings were arranged and a large supply of information was provided for the parents (Lernberg 2001). Furthermore, to promote themselves, schools seem to have put an effort into providing the parents with more information (Lernberg 2001). Evaluations of the system indicate an increased awareness of education and schools among parents. This clearly suggests that information can, in fact, be channelled effectively to parents in a choice-driven per capita finance system. Problems with information may turn out to be theoretical and perceived rather than real and, as such, should not be a barrier to reform.

<sup>5</sup> Also, it has been proposed that a tax-credit should substitute the actual per capita grant (Coulson 2001).

is obviously very generous, but also has potential disturbing fiscal consequences — a major reason why independent schools were not considered part of the open enrolment programme in Thatcher’s 1988 Education Reform Act (Pirie 1993, 47). On the other hand, demand for independent schools would be likely to increase dramatically if parents could get the full cost covered. Milton Friedman, the intellectual father of the idea that parental choice should direct government funds, proposed that the government should pay a *proportion* of the total cost of educating a child (1962, 89-93), as in the Danish system. Thus, parents would be allowed to “top-up” the school fees in order to cover the full cost of the education they chose. In addition topping-up would follow international trends in educational finance since “public spending is now increasingly seen as providing only part, although a very substantial part, of the investment in education. Private sources of funds are playing an increasingly important role” (OECD, 2001, 54).

It seems evident that, to work well, per capita funding must cover the major share of the cost of education, although not necessarily the full cost. Indeed, Friedman also made this very clear in a recent essay by stressing that for parents to become genuinely active consumers, the per pupil government grant must be big enough to cover the cost of an independent profit-making education provider (2001, 18). Only this will make all parents financially capable of choosing and ensure that parents are not financially deterred from entering the independent school system. A universal per capita system with a sufficient degree of cost-covering will empower parents financially, which is crucial for the system to work effectively.

### **Per capita funding and supply**

One of the major deficiencies of the UK 1988 Education Reform Act was its lack of attention to the supply-side of school reform (Chubb & Moe 1992, 20). Today, restriction on the supply of schools still severely restricts the choice of parents. Per capita school finance programmes in which supply is severely regulated and limited are not likely to achieve the potential beneficial outcome of competitiveness, efficiency and responsiveness.

Liberating and deregulating the supply of schools is a prerequisite for the creation of an efficient education market, in which parents are given a real choice. As in any other market, the number of suppliers is an important factor: for a market to work efficiently it requires a large number of suppliers who do not collude and who are free to respond to changes in demand (Lieberman 1989, ch.5, 6). Even though such a situation may not evolve immediately, a market with more suppliers of education than today will certainly be an improvement and a significant step away from the disadvantages of government monopoly (Savas 1987, Lieberman 1989). A situation where per capita state finance only applies to a limited number of schools is likely to benefit only the most advantaged families (Hill 1999, 142). Finally, restricting supply will leave parental demand with little room for manoeuvre, and the schools will be under less pressure to respond to changes in parental demand.

In order to achieve a market-like environment, where the provision of learning services is free to respond to diverse and changing demand, it is important that as few restrictions as possible are imposed on starting up new schools or expanding existing ones. The practical implications

of expanding supply will rest on three groups of potential suppliers of education: non-profit organisations (e.g. religious organisations), for-profit providers and thirdly, groups of parents and teachers. But for such a situation to evolve it is necessary that no restrictions are imposed on people or organisations wanting to expand supply by starting new schools.<sup>6</sup>

However, even though non-profit organisations and parent/teacher groups may have the will and time to start new schools, they may not have the financial means to do so. This leaves a role for independent firms and investors. Expanding supply can be achieved either by using under-utilised capacity or by creating new facilities (Lieberman 1989, ch.5, 4). Whereas the former may be a matter of improving organisational skills, the latter, obviously, is a matter of money. Starting a new school normally requires large financial resources.

Investments in building and other physical facilities are expensive. These are areas where governments too often postpone important investment decisions. In the UK, as in other countries, state schools are notoriously under-capitalised and poorly maintained. This is partly because long-term investment decisions are only politically beneficial in the long run and therefore will not evoke immediate electoral support, and partly because teachers (who form a powerful interest group) are naturally likely to favour higher salaries over long-term physical investment. A per capita funding system can, however, bring forward the necessary new investment, but only if it is clear that government and opposition are both committed to maintaining that principle over the long-term.

Independent providers will be able to specialise in areas such as mathematics, science, sport, music, or in the education of pupils with special needs, thereby developing special abilities and directing professional resources to where they are most needed. Independent companies also possess the skills of corporate and organisational management and leadership, which is non-existent in most state schools today.<sup>7</sup>

### **Conclusion: Finance by user preferences**

Education markets *can* be created without depriving parents financially. A free choice – per capita funded school system provides a way of allowing parents to make direct choices of schools for their children and have the cost covered by the government. A per capita funding system will also avoid the unfairness of parents paying for education twice — once through taxes and subsequently school fees. However, allowing schools to be established and to respond to parent demand is crucial since this will allow genuine competition and diversity to develop. Certainly, there is reason to believe that independent schools, over time, will grow to provide a greater share of learning services if parents are empowered to use them. This will

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<sup>6</sup> Besides, of course, what is required by other statutory laws, e.g. competition law.

<sup>7</sup> In their path-breaking study of performance differences between American public and independent schools, political scientist John E. Chubb and Terry Moe concluded that organisational autonomy, freedom from bureaucratic control, managerial leadership and clear organisational goals are key factors in explaining why students in American independent schools perform better than students in the public schools (Chubb & Moe 1990). These results have been verified by studies of City Technology Colleges in England. It was similarly concluded that, given the same amount of money, leadership and organisational autonomy can turn bad schools into good schools (Chubb & Moe 1992: 20-26).

diminish the role of government in the provision of education, though not in its finance, and government will also retain an important regulatory role, by setting minimum standards.

However, the empirical evidence on the effects of choice-driven per capita finance systems is still scarce. This is partly because few countries have yet implemented such systems, and partly because more attention needs to be given to the programmes in effect. That is a gap which the following chapters on the Dutch and Danish systems set out to fill.

### 3: Lessons from the Netherlands

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In studies of education choice schemes, attention inevitably focuses on the Netherlands — and with good reason. There are several features of the Dutch education system that provide interesting and important lessons for countries exploring ways to reform their own education system. Furthermore, it is notable that the overall level of academic skills among pupils in the Netherlands is high; international tests have shown that pupils in the Netherlands perform among the best in Europe (IEA, TIMSS test 1997 & 2000).

The Dutch constitution provides institutional limits to government intervention into the sphere of education. The education system is centred around the user, providing parents and children with a nation-wide choice of either independent or public (i.e. government-run) schools. Both public and independent schools receive the same kind of funding from the government. Moreover, there are only limited barriers for people or organisations wanting to enter the education market by setting up new schools. The outcome has been a generally user-driven education system where education is mainly provided by independent organisations while being financed by the government. This is unusual in the western world (Dronkers et al. 2001, 4; Walford 2001, 190).

#### Historical summary

Parental choice is not a new phenomenon in the Netherlands. Nor is the fact that the government pays for education without necessarily providing it. Indeed, this element of the Dutch education system has its roots in the political and religious conflicts of the Nineteenth and early Twentieth Century. The Dutch constitution of 1848 guaranteed individuals and organisations the right to establish independent schools without prior approval from the government or the church (Mentink & Goudappel 2001). The purpose of this constitutional right was to create boundaries for state intervention in the sphere of education and to secure *freedom of education* (Mentink & Goudappel 2001).

The meaning of the term “freedom of education” was threefold, namely: the *freedom to establish schools*, which meant that anyone could found and set up a school; *freedom of conviction*, meaning that the principles on which the school was founded could reflect any educational, religious or political conviction or ideology regardless of the beliefs of the state and the church; finally *freedom of organisation* meant that the organisation of teaching and teaching methods could be decided upon by the school.

Nevertheless, government funds for education were almost exclusively reserved for public schools, and tensions arose between denominational and non-denominational schools concerning the funding of independent (religious) schools (Mentink & Goudappel 2001, 4). This started a long struggle in Dutch politics known as “the school conflict”, which ended

only with the adoption of the 1917 constitution which guaranteed equal funding for public and independent schools. Following these events, the independent school sector — mainly dominated by Catholic and Protestant schools — expanded and within few years around 70% of pupils attended independent schools (Karsten 1999, 305).

Thus, freedom of education (1848) and equal funding (1917) of public and independent schools constitute the basic historical foundations on which the current Dutch education system rests. After 1917, the Dutch education system changed from being a predominantly state monopoly into a system depending on private provision but (largely) public finance – a system that gives priority to parental choice and freedom of education. This path has been followed since.

### **The Dutch education system today**

Today, the Dutch education system still provides a good example of how regulating, providing and financing education can be separated between the state and the market.

### **Regulating education**

As in most other countries, the government in the Netherlands is a significant force in education. The regulation of schools and education is mainly imposed by the central government represented by the Ministry of Education (Karsten 1999, 305).<sup>8</sup>

*Regulation of the demand side* is limited. Although the demand-side regulation of the Dutch education system is *highly liberal*, a few overall rules apply. Hence, children must attend school from the age of five. *Schooling* (not education) is compulsory — which means that parents, for instance, are not allowed to educate their children at home if they so desire (Dutch Ministry of Education, Culture and Science 1998, 2).<sup>9</sup>

However, unlike most European education systems, parents are free to choose a school for their child on a nation-wide basis. In fact, the Netherlands abolished the catchment areas in the 1970s and 80s (Dronkers et al. 2001, 4,12). The really interesting point is that parental choice is *not* restricted only to public sector schools, but extends also to independent schools. The Dutch school choice system is not just an open enrolment programme among state schools, but a genuine choice scheme that applies both to independent and public schools. Hence, the principles of free choice and consumer exit are fully implemented in the Dutch education system. This is a unique feature, which distinguishes it from most other education systems in the world.

However, the provision of learning services, the *supply-side*, is in some respects highly liberal, but highly regulated in others (albeit less so than in most other European countries). While *establishing* a school is not an area of strict government control, *once in existence* schools must meet quite detailed legislative requirements which restrain their autonomy.

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<sup>8</sup> Little regulatory discretion is left to the local government tier.

<sup>9</sup> Although prohibited, home education is a particular form of privatisation.

Establishing a school is a right of citizens in the Netherlands under article 23 of the Dutch constitution. In principle, anyone can set up a school, decide upon the founding ideological or religious principles of the school and organise teaching and teaching methods accordingly, while receiving funds from the government (Dutch Ministry of Education, Culture and Science 1998, 2). Importantly, this means that the supply-side is highly liberalised and that there are no severe legal barriers preventing the establishment of schools. On the contrary, this policy allows and encourages schools to be set up, which means that a comparatively diverse and large supply of schools is on offer in the Netherlands.

Although a predominantly liberated supply system, there are some entry barriers to the school education market (Walford 2000, 16-20). First, in order to qualify for state funding the schools must be approved by the Ministry of Education; though this is a minor problem. However, in recent years governments have become more concerned about the relatively high number of small schools. In the attempt to improve *economies of scale* in education, governments have therefore imposed regulations and criteria on the number of pupils that must be enrolled in a school in order to qualify for government funding. This has made it more difficult to start up new schools. Recent legislation requires that primary schools, over a five-year period, must enrol a minimum of 333 pupils in the cities and 200 pupils in rural areas before government funding is provided — an increase from the 1994 requirements of 200 and 80 pupils, respectively (Walford 2000, 19). For existing schools similar legislation has been imposed, again with the number of pupils required to receive funds depending on the area and population density. The consequence of these regulations is quite clear. There has been a decline in the number of new schools being set up every year<sup>10</sup> and many of the existing schools have merged, no matter how popular they might be with parents, simply because the only alternative was closure (Walford 2000, 20). Although the constitution guarantees every citizen the right to establish new schools, this has to some extent been undermined by government regulation. However, these regulations are quantitative in character and do not negate the right of schools to decide upon their religious or ideological foundation. The way to establish a school is still a matter of finding *enough* parents who want to send their child to the new school (Dronkers et al. 2001, 13). Thus, setting up a school in the Netherlands is still comparatively easy and a *real possibility* for parents, teachers and organisations who believe they can provide better education than existing schools.

*Once in existence*, however, detailed regulation of both input and output measures are imposed on all schools. These regulations concern the national curriculum, class size, exams, teacher qualifications, salaries, school fees etc. (Dutch Ministry of Education, Culture and Science 1998, Dronkers et al. 2001, 19). All schools are required to teach a common curriculum prescribing the subjects of study<sup>11</sup> and schools must also make use of the same national exams, which follow the end of primary and secondary school. The traditional features of input regulation and high government involvement in education are thereby incorporated in the Dutch education system, which in these respects does not differ much

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<sup>10</sup> In 1990, 74 new independent and public primary schools were established; in 1991 the number was 67, and in 1992 55 new schools were set up. After the new legislation was implemented 13 schools were established in 1993 and only 5 in 1994. However, most recently an increasing number of Muslim and Hindu schools have been set up (Walford 2000, 19; 2001, 193).

<sup>11</sup> These range from core subjects such as Dutch, maths and English to subjects such 'healthy living' (Dutch Ministry of Education, Culture and Science 1998).

from other European countries. For independent schools, however, *freedom of organisation* is secured under the constitution protecting certain areas *in the process* of schooling from government intervention. Teaching methods and the choice of course books and materials are decided upon by the individual school, just as schools are free to employ and appoint staff as long as wage and teacher qualification rules are followed (Dutch Ministry of Education, Culture and Science 1998; Walford 2000, 17). Unlike public schools, which are open to all, independent schools are allowed to impose criteria for admission (e.g. religious criteria)<sup>12</sup> and independent schools are free to decide on the content of 120 teaching hours every year (Dutch Ministry of Education, Culture and Science 1998, Walford 2000, 17).

In sum, the constitutional rules and the choice of parents clearly enable and encourage education organisations to deliver a variety of options to parents. On the other hand though, the regulations of various governments also contribute to a centralised and more uniform education system by stripping schools of control over areas such as the curriculum and teacher salaries. Fortunately, there is increasing awareness of the problems of imposing heavy bureaucracy on schools and measures are being taken — both politically and from independent schools — to secure more autonomy and freedom for the schools (Vijlder 2000).<sup>13</sup> Despite the scope and detail of central regulation this has not demolished the independent school sector. On the contrary, the major part of schooling is still today provided by independent organisations.

## **Providing education**

The Netherlands has a long tradition of shared public and independent provision of education, and since the adoption of the 1917 constitution there has been a variety of independent providers of education. For more than 80 years independent schooling has been the favourite choice of the majority of parents and hence, in terms of pupils enrolled and the number of schools established, the independent education sector is by far dominant.

Whereas the public schools are run by the municipalities and the council of the local municipality is also the board of the local municipality schools, most independent schools in the Netherlands are run by independent bodies. Often these are faith-based organisations, though there remains much diversity among them, with Catholic, Protestant, Hindu, Muslim, and Jewish schools co-existing with inter-denominational or non-religious alternatives (Dutch Ministry of Education, Culture and Science 1998).<sup>14</sup> Independent schools have an independent board and management but, under government regulation, are required to establish a ‘participation council’ of parents and teachers (Walford 2000, 18). However, freedom of organisation creates a sphere of autonomy and independence for independent schools, which means that independent schools enjoy considerable degrees of autonomy in teaching and day-to-day organisation and in the management of the schools.

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<sup>12</sup> Public schools are required to expand in order to meet increasing demand.

<sup>13</sup> The concept of “Regulation Free Schools” with considerable autonomy has for instance been proposed (Vijlder 2000, 5)

<sup>14</sup> Besides, there is a very small non-government-funded independent school sector, which enjoys considerable degrees of freedom and does not have to follow government regulations concerning e.g. the curriculum, because it does not receive government funding. Less than 1% of Dutch schools belong to this category.

Today independent schools are still very popular. As table 3.1 shows, a large proportion of both primary and secondary schools are run by independent organisations, educating a remarkably high proportion of primary and secondary pupils.

**Table 3.1: Proportion of primary and secondary pupils in public or independent schools: % 1995 — 1999**

Year	Primary		Secondary	
	Public	Independent	Public	Independent
1995	31.8	68.2	24.0	76.0
1996	31.9	68.1	23.0	77.0
1997	31.8	68.2	24.0	76.0
1998	31.8	68.2	24.0	76.0
1999	31.8	68.2	27.0	73.0

Source: Dutch Ministry of Education, Culture and Science (2001)

This sustained dominance of independently run schools clearly shows that the provision of education can be successfully separated from government regulation and financing and that, given a choice, parents are likely to opt for independent schools. Certainly, in the Netherlands, this has proven to be a fact.

Furthermore, a relatively high degree of competition has evolved between the large number of schools, resulting in a comparatively high degree of variety and diversity (Dronkers et al. 2001). Quite simply, schools have to compete in order to attract more pupils since parents have the right to ‘vote with their feet’ and apply for any school they want without being financially deterred.

### **Financing education**

Consumer choices in education are most likely to be effective if they are backed by sufficient financial means. In this respect the Dutch system is both generous and farsighted.

The per pupil cost of public and independent schools does not differ much, and compared to other OECD countries government spending per pupil — in 1998 equal to 3795 US\$ in primary education and 5304 US\$ in secondary education — is close to the average (OECD 2001, 67).

The per capita cost of primary and secondary education has increased throughout the second half of the 1990s as table 3.2 shows, but as a percentage of GDP and as a percentage of total government outlays, government spending on education has *declined* from 1996 to 1999.

**Table 3.2: Per capita expenditure on education (1999 prices)<sup>1</sup>**

Year	1995	1996	1997	1998	1999
Primary	7300	7400	7600	8100	8700
Secondary	9200	9400	8800	9700	10400

Source: Dutch Ministry of Education, Culture and Science (2001, 7-9).

<sup>1</sup> Costs measured in Dutch Guilders (NLG). 1000.00 NLG = £285.25

The Ministry of Education is the main source of school finance (Dutch Ministry of Education, Culture and Science 2001, 8). It gives equal financial support to public and independent schools, consequently funding them on equal terms and conditions.<sup>15</sup> The decision of parents to use a particular school triggers a sum of money to be paid by the Ministry of Education to the chosen school.<sup>16</sup> The system is not, therefore, a voucher arrangement where parents are given a paper entitlement to spend a sum of taxpayers' money at any school they choose. In the Dutch system, the money follows parents' choices in the same way, but in a way that is invisible to parents. Nor does it require unwieldy bureaucracy by schools or government: enrolment numbers are simply reported to the Ministry, which releases cash on that basis, reflecting each school's ability to attract pupils because it is providing the service that parents want.

Another difference between the Dutch system of finance and education vouchers is that in the Netherlands, the government pays 100% of the cost of schooling: parental "topping-up" is neither required nor allowed. This imposes restraints on what schools can provide, but parental contributions for extra-curricular activities and some other purposes are *not* prohibited. Thus, despite the efforts of some politicians, both public and independent schools do in fact receive contributions and sponsorship funds from parents and companies, such as local employers (Vijlder 2000, 4; Dutch Ministry of Education, Culture and Science 2001, 8).

Although the money follows the child, the amount of money per pupil paid to the schools is not the same for every child. The amount of money paid to schools is *weighted* according to the socio-economic background of the pupils.<sup>17</sup> Also, schools located in poorer areas receive extra funding (Vijlder 2000, 2). This means that more resources are transferred to schools which enrol a relatively high proportion of pupils from poorer backgrounds.<sup>18</sup>

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<sup>15</sup> Investments in building and maintaining schools are also paid by the state for both public and independent schools (Walford 2000, 13).

<sup>16</sup> Some of the funds are, though, transferred via the local municipality.

<sup>17</sup> This has led to a system where pupils are divided into five "weight groups". In primary school pupils are weighted accordingly: children from the most privileged background weigh 1.0 unit, then, with decreasing socio-economic background, the weights are 1.25, 1.40, 1.75 and finally 1.90 for the least privileged. That is, for every child from the least privileged groups schools receive 190% of the sum paid for children from the most privileged groups (Dutch Ministry of Education, Culture and Science 2001, 33, 131; Vijlder 2000, 2).

<sup>18</sup> However, it is disputed whether this has actually led to the desired effect of giving more attention to these pupils (Vijlder 200, 3).

## Discussion and evaluation

The Netherlands give parents the right to choose a school for their child on a nation-wide basis. Furthermore, schools can be set up in a comparatively liberal manner. This has not only led to a high degree of competition between schools, but has also resulted in a high degree of diversity. It has removed the government monopoly in the provision of education, and provided parents with a real choice. It gives parents the financial power to withdraw their support if they think a local school is performing badly, and to patronise instead one which they believe is better for their children.

However, belying the predictions of many anti-choice advocates, the ability of parents to move freely between schools does not mean that the Netherlands is littered with failing, under-subscribed schools. A review of some of the vast literature on the Dutch education system reveals that, unlike in Britain, there is no major problem of failing schools (Dronkers et al. 2001, Walford 2000, 2001, Vijlder 2000, Karsten 1999). Quite the contrary: as a result of the competition among schools, schools which find themselves losing students have to improve and win them back in order to retain their funding. There is therefore an incentive on every provider to offer the quality in education and the responsiveness to parents' needs that is the only way to attract more pupils, and thereby more funding.

The Dutch case also seems to explode the myth that parental choice and independent involvement in education leads to selection and an unequal access to high-quality schools. As noted by Hill (1999, 142), if choice is limited then access is very likely to be unequal, but in the Netherlands there is widespread choice, and the large independent sector cannot afford to be highly selective in its admission policies. Indeed, in the Netherlands, *the social composition of pupils in independent and public schools does not differ significantly* (Dronkers et al. 2001, 11). Thus, a high degree of independent provision does not necessarily mean that only children from affluent families can attend independent schools: the nation-wide choice scheme of the Netherlands actually *increases* equality of opportunity since it does not deny poorer children access to high-quality schools.

An obvious problem of equal finance for public and independent schools — and state financing in education generally — is the terms and conditions under which it is granted (Walford 2000). In order to qualify for government funding the independent schools must accept serious regulation that restricts their autonomy. For example, although there is an increasing pressure to meet the individual demands of pupils (Vijlder 2000, 3), the curriculum is regulated in a way which makes it quite uniform. This makes it hard for schools to respond fully to the diversity of parents' demands, and it means that there is a real lack of incentive to innovate by offering courses which may not be included in the government specified curriculum. Other restrictions apply on the time allotted to curricular courses, teacher qualifications and on salaries, and on other subjects, which again limit schools' autonomy and ability to innovate. *Quid pro quo* — in return for state funding, schools have to accept restrictions on what they do.

Despite the difficulties imposed by government regulation, independent schools enjoy huge success in terms of pupil enrolment. Thus, the question remaining is why this success has been sustained throughout the decades?

In the years immediately after the 1917 constitution, the religious basis of schools might have explained much of their success and their attraction to parents. However, the role of tradition and religion is today no longer a significant factor in parental choice of school (Walford 2000, 2001). Parents are increasingly behaving as critical consumers in a marketplace, consciously evaluating schools in order to get the best education for their children (Vijlder 2000, 5).<sup>19</sup> The major reason why parents today choose independent schools is simply that they are performing better than their public counterparts. As more and more evidence shows, the independent schools outperform the public schools in terms of test scores, drop out rates and academic achievements, even after controlling for differences in student intake<sup>20</sup> (Dronkers 2001, 16; Karsten 1999). As noted by Karsten (1999, 313), “Parents opt for confessional schools because their results are better”. Schools are forced to compete for pupils and hence have a great incentive to improve the quality of schooling since this, today, is *the* decisive factor when parents choose a school. Thus the independent schools have succeeded in retaining a large and constant market share by performing better than the public schools.

Apart from the role of competition, independent schools *do* have more administrative flexibility, a closer contact with parents and the power to design the teaching process without government interference — all these are factors contributing to explain their superiority (Dronkers et al. 2001). *The process* of educating pupils is less bureaucratic and better safeguarded from political intervention than in the public schools. Importantly, these results correspond to findings in America showing why independent schools perform better than public ones (Chubb & Moe 1990).

Although the Dutch schools suffer from some regulatory restrictions, the benefits are marked. Dronkers et al. (2001, 24) stated this very clearly by saying, “The Dutch case shows that promoting parental choice and more competition between schools can be a good way to improve the quality of teaching, to decrease the level of bureaucracy in and around the schools, and to reduce the cost within schools”. Within the Netherlands this has led to superior performance by pupils attending independent schools.

However, the *overall* level of literacy and numeracy skills is high, and internationally Dutch pupils today perform among the best in Europe (IES, TIMMS test 1997 & 2000). This is the major benefit of an education system promoting the principles of ‘consumerism’ and demand-responsive schools without imposing prohibitive costs on parents.

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<sup>19</sup> In order to encourage active and critical consumer choices, results of exams are being published and made publicly available. These lists of results create league tables, which are used as a significant information tool for parent when evaluating the schools.

<sup>20</sup> It is important to stress that independent schools do *not* have a better qualified student intake than the public ones and thus “social composition is not a good (explanation) for the attractiveness of religious independent schools” (Dronkers et al. 2001, 11).

## **Key points on the Dutch education system:**

Below are listed key points on the Dutch primary and secondary education system.

- A nation-wide school choice scheme
- Free choice of public or independent school.
- No catchment areas; these were abolished in the 1970s and 80s.
- Highly liberated supply-side. Non-profit organisations or groups of parents and teachers can set up and run a school if minimum requirements are met.
- A comparatively diverse supply of schools.
- The central government imposes regulations concerning national curriculum and exams on all schools.
- Teacher salaries and work conditions are regulated through national collective agreements.
- Independent schools are protected by the constitutional right to freedom of organisation. This gives independent schools a comparatively high degree of managerial autonomy, and allows independent schools to organise the process of teaching.
- Around 70% of primary and secondary pupils attend independent schools receiving government funds.
- The principle governing the flow of funds is that of invisible per capita finance where the money follows the child.
- School budgets depend on enrolments and vary according to demand in both public and independent schools.
- The government covers the full cost of schooling. There is no parent “topping up”, but parents can contribute financially to extra-curricular activities in schools.
- Schools receiving more children from less privileged backgrounds will receive more government money

## **Key outcomes:**

- Equal opportunities for choice of public or independent school for all children.
- Student intake of independent schools does not, on average, differ from the student intake in public schools.
- Competition between schools is encouraged by 1) giving parents a free school choice and 2) allowing schools to be established and respond to excess demand.
- Cost of education approximately equal to OECD average. Parental choice has not resulted in a particularly expensive education system.
- Pupils in independent schools perform better in tests and exams.
- In international comparisons, pupils in the Netherlands perform among the best in Europe

## 4. Lessons from Denmark

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The fact that parents can opt for independent schools and have a large proportion of the cost covered by the state has drawn growing international attention to the Danish education system. Reform of the upper-secondary (age 16+) vocational schools has also provided an interesting example of how to successfully implement a system of finance where user choice directs government funds.

Denmark demands nine years of compulsory education for all children from the age of seven. Generally, primary and lower-secondary education is the responsibility of the 275 municipalities, while upper-secondary academic education is the responsibility of the 14 counties. Vocational upper-secondary training is also publicly provided, though recently these schools have been transformed into self-governing institutions financed by the central government.

There are also independent schools in both primary and secondary education. Opting for an independent school is a constitutional right of parents. Denmark's constitution, as in the Netherlands, guarantees parents and teachers the right to set up schools. Parents who opt for independent schools benefit from a kind of per capita state finance scheme covering a proportion of the cost, and today independent schools in Denmark are more popular than ever, educating approximately 12% of primary and secondary pupils. Although the number of pupils enrolled in independent schools is not as large as in the Netherlands, the Danish independent school system is growing and been cited as an example of the liberalisation of provision on a massive scale (Harper 2000, 295).

### History

Although Denmark has a long tradition of independent school alternatives, public-sector schools have always dominated the system. The first public schools in Denmark were founded in 1814 (Danish Ministry of Education 1996, 1).

Compulsory education was written into Denmark's first constitution in 1849. But it was *education* and *not schooling* that became compulsory. Consequently parents were given the option of educating their children at home, in a public school, or in an independent school — the first of which was established in 1852 (Danish Ministry of Education 1999b, 1). Today these three alternatives still exist (although very few parents educate their children at home).

In the 1980s, the Danish Minister of Education Bertel Haarder launched his so-called *Perestrojka* reform programme (Christensen 2001, 202). The aim of this was to provide parents with more of a free choice of school, to give schools more autonomy and managerial freedom, and to make school budgets depend on enrolments. The consequence, it was hoped,

would be to improve consumer responsiveness, efficiency and student performance (Christensen 2001, 198). However, the initial results were mixed and the more radical proposals came up against the opposition of interest groups, such as the teacher unions and municipalities (Christensen 2001, 203).

Despite the shortcomings of public-sector school reform, choice-led mechanisms were successfully introduced into the vocational school sector during the 1990s. In addition, the independent schools continuously expanded throughout the 1980s and the 1990s.

## **Regulating education**

Both central and local government authorities, along with teacher unions and public employers, exercise considerable influence on the regulation of demand and supply of education in Denmark.

Regulation of the *demand side* is in many ways more substantial in Denmark than in the Netherlands. In primary schools the local municipalities allocate places in public schools (the *folkeskole*), under legislative powers, and children are assigned to schools according to where they live (Danish Ministry of Education 2001a). Parents are allowed to apply for enrolment in a school outside the catchment area, but whether this application is accepted depends on the consent of the local municipality council. The council *can* allow parents to choose among the public schools in the municipality, but it is entirely up to the local council to decide whether or not such a policy is adopted. Also, the bureaucratic procedure of applying for enrolment in another public school may in itself prevent parents from trying. Consequently, the municipalities have a considerable degree of discretion in matters of school choice.

In secondary grammar schools, the principle of student allocation is the same and matters of choice among public grammar schools is heavily regulated by the counties (Christensen 2000, 208). Thus, within the Danish public school system parental choice is severely restricted and by no means guaranteed.

However, unlike the rest of the public school system, there is in fact a nation-wide free school choice for students attending the specialised vocational schools. Furthermore, under article 76 in the Danish constitution, parents have a guaranteed right to *opt out of the public school* sector and have their child educated in an independent school.<sup>21</sup>

From a choice perspective this is interesting. Parents are given a full and unrestricted right to opt for an independent school and have a large proportion of the cost covered by the government. In this way parents are provided with a genuine alternative to the public schools and the exit mechanism extends into the independent school education system.

On the *supply-side*, the provision of public schools is the responsibility of the municipalities. Hence, decisions of investment and school expansion or closure are political.

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<sup>21</sup> This applies both to primary and secondary schools provided that the children are accepted.

However, the provision of independent schooling is liberalised in Denmark, just as it is in the Netherlands. Since the Free School Act of 1855, in fact, parents and organisations have been entitled to set up their own school (Harper 2000, 298). This is still the case today, and parents and teachers who want to establish new schools are free to do so, as long as some basic regulations are followed (such as establishing a responsible board and teaching a basic curriculum). Setting up (and closing) an independent school is therefore a matter of independent initiative. The independent schools are also free to decide upon the religious, ideological, pedagogical or academical principles of the school and will receive government funding regardless of them. In fact, the very idea behind the independent school movement is that parents should be given a range of school options providing them with a variety of pedagogical or academical aims and values.

In order to receive government funding, the minimum number of pupils enrolled has to be just 28, which allows independent schools to be smaller than their public counterparts generally are. As in the Netherlands, there are very few legal restrictions on the establishment of new independent schools and hence this policy encourages parents and groups which are dissatisfied with the public school system to set up new schools.

Although the establishment of independent schools is quite liberalised, all schools are subject to national guidelines on the curriculum, national exams, teacher salaries and teaching time. The precise regulations vary considerably depending on the type and ownership of schools, but teacher salaries and work conditions are regulated by collective agreements for all types of schools.

In public primary and lower-secondary schools there is no dictated national curriculum specifying what must be taught. Rather the Ministry of Education sets out advisory guidelines, which in practice work as minimum requirements for the local council, who define the exact curricular standards for their schools (Christensen 2000, 202). Independent primary and lower secondary schools similarly follow some basic guidelines on what to teach, but they are given considerable freedom to offer a distinct curriculum emphasising selected subjects. This leaves the independent schools with more autonomy and freedom to design the process of education and teaching, and to offer courses that are not taught in the public schools. On the other hand, public and independent grammar schools possess little autonomy in these matters, since they are heavily regulated by the Department for Education (Christensen 2000, 202).

### **Providing education**

Denmark has a long tradition of shared public and independent provision of education, and this has resulted in a comparatively large variety of independent schools. The independent school sector is not as large as in the Netherlands, but the market share of independent schools in Denmark has been growing over the past two decades.

## **Public schools**

Municipalities and counties have the overall economic and organisational responsibility for public schools.<sup>22</sup> These political institutions are responsible for running and financing public schools and they also assume investment responsibilities (such as commissioning new buildings).

The local council can delegate certain tasks to the individual school board, but the extent to which this is done varies considerably between schools (Christensen et al. 1999, 183).<sup>23</sup> The exact responsibilities of the Principal in the public schools are also a matter of council decision and delegation. Consequently the extent to which public schools can run their own affairs is decided upon by the local council, and the degree of school autonomy varies between municipalities and counties. However, political authorities often intervene heavily in school management and leadership, resulting — at least in primary schools — in relatively weak school Principals (Christensen et al. 1999, 183 ).

## **Vocational schools**

However, the public vocational schools deviate from this general pattern. These have the legal status of self-governing institutions that are run on a non-profit basis and funded by the state. Hence, they are state-funded but largely independent institutions.

These schools each have an independent board which appoints a Principal, and the actual organisation and management of vocational schools is the responsibility of the board and the Principal. These schools have significant powers in areas of student intake, the organisation of teaching, etc. However, rules regulating teacher salaries and work conditions are determined by national collective agreements (Danish Ministry of Education 2000b, 1; Christensen 2000, 199).

When the vocational schools were reformed in the early 1990s, government regulation shifted from focusing on regulating the process of education — leaving this to the schools themselves — to a focus on results and output measures such as graduation rates (Danish Ministry of Education 1998, 5). Financial and managerial responsibility, and organisation of the teaching, is to a very significant degree left to the individual institutions. As a consequence, there is little direct political interference in the organisation and management of the vocational schools.

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<sup>22</sup> The actual organisation and division of responsibilities in public sector schools is quite complicated (Christensen et al. 1999, 181-183) and detailed description would be beyond the scope of this paper.

<sup>23</sup> The school boards were set up as “voice” channels to increase parent responsiveness. But these bodies are relatively weak because very little authority has been delegated to them and, secondly, because parents have taken little interest in the boards (Christensen 2000, 210). Consequently this is not an effective way to articulate parent demand.

## Independent schools

Article 76 in the Danish constitution safeguards the autonomy of independent schools. Independent schools typically have considerably more autonomy than the public schools. Independent schools (like vocational schools) have a legal status as self-governing non-profit institutions, with an independent board and a Principal appointed by the board, the board and Principal being responsible between them for organisation and management (Danish Ministry of Education 1999b, 4).

Financially independent schools also have considerable autonomy as long as the grants provided by the state are used for educational purposes. The absence of political interference means that independent schools retain ultimate economic and organisational responsibility and are, for instance, responsible for hiring & firing staff.<sup>24</sup>

The types of independent schools vary from religious schools to schools with particular pedagogical or academic aims to schools for minority groups (such as the German minority in southern Jutland). Also, independent boarding schools – some of which cater specifically for children with reading disabilities – are becoming an increasingly popular choice with lower-secondary pupils. Today independent schools are more popular than ever and, as Table 4.1 shows, the independent schools are conquering an increasing share of the education market in Denmark.<sup>25</sup>

**Table 4.1: Percentage of pupils in public and independent schools in Denmark<sup>1</sup>**

Year	Public schools	Independent schools
1981/82	92.6	7.4
1985/86	90.6	9.4
1991/92	89.1	10.9
1994/95	88.3	11.7
1998/99	88.1	11.9

Source: Danish Ministry of Education (1999a, 12)

<sup>1</sup> Primary and lower-secondary education only.

The dominant position of public schools is being challenged by the independent schools which have continuously expanded during the 1980s and 1990s — both in terms of number of pupils enrolled and number of schools established.<sup>26</sup> Indeed, allowing parents to send their children to independent schools and have a large proportion of the cost covered by the central government has clearly paved the way for a real alternative to the public schools.

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<sup>24</sup> However, independent schools also have to comply with collective agreements on teacher salaries and work conditions.

<sup>25</sup> However, because of the rigorous regulation of independent grammar schools these are virtually identical to the public schools and therefore not as popular as the independent primary and lower-secondary schools. Independent grammar schools only cater for 6% of grammar school students and have, during the 80s and 90s, had a declining market share (Danish Ministry of Education 1999a, 4; Christensen & Pallesen 1997, 12)

<sup>26</sup> In the school year 1998/99 there were 437 independent primary and lower-secondary schools which equals approximately 20% of the total number of schools (Danish Ministry of Education 1999b, 7).

## Financing education

Compared to other OECD countries, Denmark spends a high proportion of GDP on education — 8.8% in 1998 — and from 1989 to 1998, total government spending on primary and lower-secondary education increased by 9% (OECD 2000, 100; Danish Ministry of Education 2000a, 34). Per pupil expenditure in Denmark in primary and secondary education is among the highest in the OECD countries.

## Public schools

Public schools are funded through a mix of local government taxes and central government grants, with the local authorities deciding the level of spending. The schools are financed in the traditional political-hierarchical way providing primary and secondary public schools with a budget delegated by the local authorities (Christensen 2000, 202).<sup>27</sup> Within the public school sector, per pupil expenditure varies according to local authority. However, the per pupil expenditure also varies *between* the public and independent sectors of schooling, and as table 4.2 shows, per pupil expenditure is, on average, *lower in independent schools* than in public schools.

**Table 4.2: Per pupil expenditure<sup>1</sup> in public and independent schools<sup>2</sup>**

	1995	1996	1997
<b>Independent schools</b>	34500	34900	35700
<b>Public schools</b>	35800	37100	38100
<b>Additional expenditure in public schools</b>	4.2%	5.9%	6.3%

Source: Danish Ministry of Education (1999a, 23)

<sup>1</sup> Prices measured in Danish Kroner (DKK, cash terms). 1000 DKK = £84.28

<sup>2</sup> Primary and lower-secondary education only

## The taximeter system in vocational schools

In the early 1990s the upper-secondary vocational schools in Denmark were reformed. The system of finance was transformed into a so-called “taximeter” system, in which the money follows the student.<sup>28</sup> The aim of the reforms and the subsequent implementation of the taximeter system was to solve the problems of economic disincentives and poor management at the institutional level. The strategy adopted was to make schools accountable, to associate funding with results, and create incentives for schools to adapt to actual demand (Danish Ministry of Education 1998, 15; Danish Ministry of Education 2000b, 1). Therefore the

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<sup>27</sup> The local authorities may set up their own procedure for allocating funds and some municipalities have made school budgets more dependent on student enrolment.

<sup>28</sup> Interestingly, the taximeter system has been expanded throughout the 90s and today applies to several educational institutions in Denmark. This has in fact led to a situation where 28% of central government staff are employed in taximeter financed institutions which equates approximately 22,1% of the central government budget (Danish Ministry of Education 1998, 3).

reforms did not focus solely on the mechanism of finance but went hand in hand with a significant devolution of management responsibility.

The taximeter system rests on the idea that a public authority pays for activities provided by public or independent institutions on the basis of objective and controllable activity measures, such as the number of pupils enrolled or graduating every year. In this system, once again, every pupil releases a specific sum of money to the school (Danish Ministry of Education 1998, 12).

The benefit of the taximeter system is that it transfers resources from areas with declining demand to areas with increasing demand, but without complicated political negotiations. Resources are deflected automatically from areas of low user support to areas of high user support. This creates a direct link between school budgets and school activity, thereby solving one of the basic problems of traditional public funding through inflexible delegated budgets. Combined with the free choice of school, the taximeter system ensures that schools remain under the pressure of competition to serve parents and students in ways that give them every incentive to improve the quality of their education.

The taximeter system for vocational schools in Denmark covers 97% of the total grant for vocational schools<sup>29</sup> and comprises four elements of grants (Danish Ministry of Education 2000b, 2; Danish Ministry of Education 1998, 17):

- a basic lump-sum grant allocated on the basis of the number of pupils enrolled (though this his part only constitutes 2% of the total grant)
- a teaching grant (covers around 60% of the total grant)
- an operational grant (covers around 15% of the total grant)
- a building grant covering expenditures for rent, maintenance etc. (covers around 20% of the total grant).

Apart from the basic grant, all other grants depend on the activity of the school.<sup>30</sup> In this way the size of the grant varies according to enrolment. The budget of the school automatically decreases or increases as a consequence of falling or rising demand.

These reforms have led to situation where effectively vocational schools have to compete for students and where the school budget is no longer fixed since it depends directly on student enrolment (Christensen 2000, 206). The taximeter system also gives schools an incentive to ensure that the cost per pupil does not exceed the taximeter rate.

The taximeter system has transformed the Danish vocational schools from being highly bureaucratic and politicised to being demand-driven institutions operating in a competitive environment. According to an overwhelming majority of vocational school Principals, the result has been that the schools have become more professional, more responsive to demand

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<sup>29</sup> The remaining 3% is decided upon irrespective of the taximeter system.

<sup>30</sup> In order to give schools extra time to adapt to changes in demand a *time-lag* has been incorporated into the taximeter system. The operational grant and the building grant are allocated with a time-lag of more than one year (Danish Ministry of Education 1998, 23).

and better at prioritising resources according to demand; all as consequence of the taximeter system (Danish Ministry of Education 1998, 6).

## Independent schools

The funding of independent schools differs from that of vocational schools in one significant aspect. Independent schools receive a part of their funds from parent “top-up” fees. The government pays only a *proportion* (albeit the largest proportion) of the cost of educating children at independent schools, which means that parents are required to pay the rest. Indeed, Denmark has for many years been committed to this idea of parents being involved in education through their financial commitment. The basic principle, though, remains the same — taxpayers’ money follows the child and government funds are directed by parent choice.

Danish independent schools have received government grants throughout the Twentieth century (Harper 2000, 296). Before 1992, independent schools were funded through a system of expenditure reimbursement (Ministry of Education 1998, 3), under which a certain percentage of school expenses were refunded by the central government. But this system turned out to be too bureaucratic, and it did not provide any incentives to promote the efficient use of money by the schools (Danish Ministry of Education 1998, 3, 26).

Since 1992, the flow of funds comes from the central government (the Ministry of Education) and every year the independent schools receive funding based on the number of pupils enrolled by the 5<sup>th</sup> September.<sup>31</sup> Under this system, the government effectively covers 80-85% of the cost and parents end up paying approximately 15-20%.

However, not all parents pay school fees. Poorer families can apply for a *free place* in the independent schools, which means that they are exempted from user fees. On aggregate, therefore, schools receive around 77% of their income from government funds; some 18% comes from user fees and the remaining 5% from other independent non-government sources (Danish Ministry of Education 1999a, 23). The consequence of this system of finance is that the size of the school budget roughly equals the number of pupils enrolled multiplied by the size of the government per pupil grant plus parent fees.<sup>32</sup> Hence the success of the independent schools — in terms of pupils enrolled — is reflected directly in their budgets.

Even though there is absolutely no reason why a similar mechanism of finance should not apply to public schools, no such reform has been implemented, largely due to resistance from teachers unions and the local authorities, who feared a significant loss of power (Christensen 2000).

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<sup>31</sup> The actual size of the government per capita grant paid to independent schools depends on the per pupil cost in public schools (Danish Ministry of Education 1999a). Changes in per pupil cost in public schools is thereby reflected in the independent schools’ per pupil grant.

<sup>32</sup> Small schools are compensated because of their lack of economies of scale. Also, the age distribution of pupils and teachers affects the size of the government grant (Danish Ministry of Education 1998, 26).

## Discussion and evaluation

The institutional settings in which the various types of schools in Denmark operate vary considerably. *Public schools* are organised in a political-bureaucratic hierarchy, providing them with little autonomy and independence. On the other hand, *vocational schools* were successfully made more user-focused by making choice a decisive foundation for the allocation of resources. *Independent schools* (except grammar schools) are safeguarded from severe political intervention (for example, there is no tight regulation of the curriculum and teaching practices) and they attract public funding according to their success, making them the most autonomous sector in the system.

The liberalised *supply-side* policy applying to independent schools in Denmark has resulted in great diversity among independent schools — which according to the OECD is unparalleled in the Western World (Hepburn 1999, 5). During the 1990s this policy resulted in the establishment of 39 independent schools, while simultaneously some 171 public schools were closed down — an 8% increase in the number of independent schools and a 6% decrease in the number of public schools (Danish Ministry of Education 1999a, 6).

In terms of parent choice (that is, the *demand side*), the policies applying to the independent sector and the public sector are very different. In public schools there are at least two institutional barriers to choice. The first obstacle derives from the fact that parents' right to choose is not secured by law. Although the law in principle allows some parental choice to be granted by the local authorities, the legislative and bureaucratic obstacles remain daunting. As a result, there is no universal and nation-wide system of choice applying to all schools —public or independent.

The second obvious obstacle is that the local government council can overrule any application from parents wishing to move their child to a public school outside the catchment area. In the name of structural planning, local authorities actively resisted the idea of parental choice throughout the 1980s and 1990s and choice remains limited throughout the public sector even today (Christensen 2000, 210). Furthermore, because local authority choice policies vary, parents are treated very differently in matters of school choice. The only choice for parents who want to enroll their child in a good public school is to move into the catchment area of their desired school. However, as we have seen, only better-off families can afford this luxury. The limited availability of choice in the public school systems prevents parents in poorer areas from sending their child to a better-performing public school.

Strangely, the principles governing parent choice in the independent school sector are quite unlike those governing parent choice of public schools. Parents can ignore restrictive local-government policies and send their child to any independent school. No public authority can prevent this, since parents have a constitutional right to opt for independent education. This secures equal access to quality education, since everyone has an equal opportunity in choosing an independent school regardless of the central and local authorities. As table 4.1 showed, opting for independent schools is an increasingly popular option.

The choice scheme applying to independent schools in Denmark provides a perfect example of how to combine free parental choice with a degree of result-based public funding. Not only does the principle of state funding plus parental “top-up” fees make independent schools affordable for all parents, it also follows an increasing trend in international education funding (OECD 2001, 54). In the Danish independent school system, school fees on this scale do not deter parents from less privileged backgrounds from sending their children to independent schools. Independent schools are not elitist institutions catering only for affluent families. They provide education to children from all sections of society.

The public-funded choice scheme applying to the independent school sector has effectively redistributed the decision-making power to parents, and has simultaneously fostered a more diverse and competitive independent sector. The independent schools increase the range of choice available and give dissatisfied parents an alternative to poorly performing schools. Though the public schools do not really compete among each other, the independent schools provide a very real source of comparison and competition for their public counterparts (Christensen 2000, 208-210).

The competitive environment in which Denmark’s independent schools operate may also be the reason why, despite their smaller size, they perform at a lower per pupil cost than the public schools. Estimates vary year on year, but the independent schools operate at a per pupil cost that is roughly 90-96% of the per pupil cost in public schools (Christensen 2000, 211; Danish Ministry of Education 1999a, 22).

This does not, however, result in less time being spent on teaching. In fact, the total number of hours per pupil spent on *actual teaching* is the same for public and independent schools. Indeed, in terms of the number of hours spent teaching as a percentage of the total number of working hours for teachers, independent schools score higher than the public ones.<sup>33</sup> Remarkably, this comes at a lower per pupil cost.

Until recently, results of exams in schools were not published in Denmark and hence no serious quantification of student performance was attempted.<sup>34</sup> However, in November 2001, for the first time ever in Denmark, the results of pupil/student exams were made publicly available and published in the major newspapers.

Preliminary analysis of the results shows that pupils in independent schools perform better at exams than pupils in public schools (Jyllandsposten 7/12 2001). Among the 50 best performing schools in Denmark, 22 are independent schools. Interestingly, this seems to correspond with the evidence from both Dutch and American schools where independent

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<sup>33</sup> This derives from calculations based on measures available at [www.uvm.dk/\\_skoledata](http://www.uvm.dk/_skoledata). The total number of hours spent on actual teaching per pupil in the school year 1999/00 was 51.3 in public schools and 51.5 in independent schools. As a percentage of the total number of working hours for teachers this equals 32% in the public schools and 38% in the independent schools. Thus independent schools spend relatively more hours on actual teaching than the public schools. Generally, the reason for these comparatively low numbers of teaching hours is that teachers in Denmark, following collective agreements, are entitled to one hour of preparation for every hour spent on delivering actual teaching (Christensen 2000, 207).

<sup>34</sup> Denmark is still one of very few OECD countries that does not participate in the International Mathematics and Science test (the TIMSS test).

schools outperform the public ones in terms of student performance in exams. Although exam results are, of course, crude measures, they do allow parents to evaluate the performance of the schools which consequently may come under increasing pressure to improve the quality of teaching.

In terms of parent satisfaction, the evidence is quite clear. Surveys have shown that people in Denmark are more satisfied with those public services, like education, where they have a choice of provider (Danish Ministry of Finance 2000). Although parents are generally satisfied with the public schools, parents with children in independent schools are, on average, *more satisfied* with their school. Indeed, a remarkable 86% of parents with children in independent schools say they are satisfied or very satisfied with the school (Danish Ministry of Finance 2000, 22). More specifically, when parent satisfaction is compared on various issues, such as teacher skills and parent influence on schools, parents with children in independent schools are more satisfied than parents with children in public schools on almost all issues (Danish Ministry of Finance 2000, 26). This suggests that independent schools are more responsive to parent demands than public schools.

All in all, the independent school sector and the reform of the vocational schools provide fine examples of how to combine parental choice with a per capita system of finance resulting in desirable outcomes such as lower per pupil cost, higher pupil performance in exams and higher parent satisfaction.

## **Key points on the Danish education system**

Below are listed key points on the Danish primary and secondary education system.

- A nation-wide free choice of independent school. Parents and students can opt out of the public sector schools, choose an independent school and have a large proportion of the cost covered by the government.
- No free choice in public primary schools and secondary grammar schools. Catchment areas prevail and local authorities allocate pupils. Parents can apply for enrolment in a public school outside the catchment area.
- Free choice of school for students attending upper-secondary vocational schools.
- Independent schools are increasingly popular, educating approximately 12% of primary and secondary pupils today.
- A highly liberated supply-side. Non-profit organisations or groups of parents and teachers can set up their own school as long as minimum requirements are met.
- A minimum of 28 pupils must be enrolled in order to establish a new school.
- No specified national curriculum in primary and lower-secondary public and independent schools. The Ministry of Education sets out advisory guidelines concerning the curriculum.
- Teacher salaries and work conditions are regulated through national collective agreements.
- Government funds to independent and vocational schools are allocated according to the principle of invisible user-preference finance where the money follows the child.
- School budgets vary according to demand and enrolments in both independent schools and vocational schools.
- For parents, the government covers 80-85% of the cost of schooling in independent schools.
- Poorer families can apply for a free place for their child in an independent school and do not have to pay fees.

## **Key outcomes:**

- All parents can send their child to independent school; equal opportunities regardless of social background.
- An unparalleled diversity of schools, according to the OECD.
- Enhanced competition. Independent schools compete among themselves and provide competition for the public schools.
- Lower per pupil cost in independent schools, despite their smaller size.
- Higher pupil exam scores in independent schools
- Higher parent satisfaction in independent schools. 86% of parents in independent schools are very satisfied or satisfied with their schools.0

## 5: Education in England & Wales

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### History

Throughout most of the Nineteenth Century, education in Britain was generally a private matter with private, co-operative, philanthropic or charitable bodies providing it. It was not until the 1870 Education Act that governments became seriously involved in the provision and organisation of education (Walford 2000, 7). During the Twentieth Century, this involvement has grown, with the government taking over more and more of the provision and finance of schools. Simultaneously the scope and content of government regulation increased, making schools less distinctive and more uniform (although the present government's 'specialist schools' initiative is an attempt to reverse some of that uniformity). By 1979, when Thatcher came into power, most schools were run by government authorities, and only around 8% of school pupils went to private schools (Walford 2000, 8).<sup>35</sup>

### Conservative policy

During the eighteen years of Conservative government — from 1979 to 1997 — various measures were taken in the attempt to increase the diversity of provision and reduce the role of the state in education.

The 1980 Assisted Places Scheme (APS), for example, was designed to enable academically able children from poorer backgrounds to attend high-quality independent schools. Although the scope of the APS was limited, around 30,000 children were receiving government support to attend independent schools by 1995 (Flew 1995, 6).

The biggest initiative, however, was the *1988 Education Reform Act*, which comprised five major elements (Chubb & Moe 1992, 4). The *local management of schools* decentralised decision-making power to schools and diminished the influence of the Local Education Authorities (LEAs) on the administration and management of schools. Schools gained more control over their own budget and this enabled them to allocate resources according to their own priorities (Pirie 1993, 49). Secondly, an *open enrolment* programme was implemented, allowing parents to express their preference of school. This was an explicit attempt to reduce the powers of the LEAs by moving away from the LEA principles of place allocation and instead giving parents the opportunity to express their own preferences. The open enrolment programme was combined with a new formula funding system where 75% of the school budget was allocated on the basis of age-weighted pupil numbers (Jackson 1994, 133). Thirdly, schools were given the opportunity to *opt out* of their LEA and become independent grant-maintained (GM) schools, receiving grants directly from the central government.

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<sup>35</sup> The distinction between which schools are state schools and which ones are private is somewhat blurred (Walford 2000, 9). In this paper private schools will be defined as fee-charging schools. The officially religious schools are normally considered and treated as part of the state sector (Walford 2000, 9, 24).

Fourthly, new, more specialised *City Technology Colleges* (CTCs) were established to cater for children in poorer inner city areas, and involving some private finance. Finally, a common *National Curriculum* and a set of national tests were implemented in order to hold schools accountable in the more liberalised provision sector that was expected to grow as a result of the opting out arrangements.

The open enrolment programme did indeed extend parental choice. This was further encouraged by the publication of league tables which helped parents decide between different schools (though some educators argued, and still do, that such crude measures can be highly misleading). However, private schools were not included in the open enrolment programme — mainly for economic reasons — and state schools were thereby still protected from genuine competition with the private school sector (and vice versa).

Allowing schools to opt out of their LEA and become grant-maintained was probably — in terms of reducing LEA power — the most effective reform since it potentially could leave the LEAs with very little influence over schools. Parents could make the decision to opt for GM status by ballot. GM schools were still subject to top-down control from the central government, but the GM schools did get more decision-making power and gained more financial autonomy. Their funding comprised not only a per pupil grant but also an extra grant equal to their share of the LEA administrative cost (Chubb & Moe 1992, 29). But by 1995 only about 2.5% of schools, most of them from Conservative LEAs, had opted for GM status.

In terms of introducing new providers into the education sector, the only invention of the 1988 Act was the City Technology Colleges (CTCs), which delivered a combination of academic and vocational education, primarily in poorer inner city areas. The CTCs were regarded as independent schools and had more autonomy than most other schools. Another innovative feature of the CTCs was that some of their funding came from private sponsors, though central government continued to provide most of the funds (Walford 2001, 182-183). However, the CTCs were the only expansion of the supply-side under the 1988 Act. Indeed, the failure to liberalise the provision of education was *the most significant deficiency* of the 1988 Education Act (Pirie 1993, 57; Chubb & Moe 1992, 20).

The 1988 Act expressed many sensible objectives, but its results were mixed and not altogether as intended. The ‘internal market’ it sought to create turned out to be small and imperfect (Jackson 1994). Certainly, the Act did start to liberalise the education sector, increasing the educational and financial autonomy of schools, removing LEA restrictions from some schools, and creating a stronger link between the allocation of funds and the choices of the service users. But the incoming Labour administration saw few benefits and many failures in the internal market system, and pledged to abolish it after they were elected in May 1997.

## Recent developments

Today, state school education in Britain remains the responsibility of the Local Education Authorities (LEAs) and the Department for Education and Skills (DfES). These two political-bureaucratic institutions exercise great influence on schooling. Education is in practice compulsory from the age of 5 until the age of 16 (Walford 2000, 34), and by far the greater part of it is delivered in LEA/DfES-controlled schools.

England spends around 5.0% of GDP on education, which in per pupil terms is close to the OECD average (DfES 2001c, OECD 2001, 67). The per pupil expenditure in primary schools has increased throughout the 1990s whereas the per pupil expenditure in secondary schools decreased a little in the same period, as table 5.1 shows. This corresponds to a 12% increase in per pupil expenditure in primary school and a 2% decrease in per pupil expenditure in secondary school in the period 1991/92 - 1999/00.

**Table 5.1: Per pupil expenditure in England 1991-2000 (£ at 2000/01 prices)**

	1991/92	1993/94	1995/96	1996/97	1997/98	1998/99	1999/00
<b>Primary<sup>1</sup></b>	1850	1940	1920	1910	1860	1960	2070
<b>Secondary</b>	2700	2670	2600	2580	2530	2550	2640

Source: Department for Education & Skills (2001c, 20).

<sup>1</sup>Includes pre-primary pupils

However, LEA per pupil expenditure varies considerably with the most expensive LEA spending nearly twice the amount per pupil as the cheapest LEA (Marks 1998, 1).

In terms of school choice, parents do *in principle* still benefit from the open enrolment programme and are allowed to express their preference of state school, but admission policies vary according to LEAs and so does the level of bureaucracy imposed in parental choice (DfES 2001b). The LEAs administer parent applications for schools, and parental preferences are weighted differently according to LEAs.

While some LEAs take all parental preferences and applications (including those from other LEA districts) into account, the LEAs can *in practice* choose to consider only the preferences and applications of parents living within the LEA area. In this way, the LEAs effectively operate as school districts, restricting parental choice.

A recent survey of LEA admission policies in secondary schools, conducted by the Department for Education & Skills, concluded that there are four main ways in which LEAs ask parents to express their preferred schools (DfES 2001b). The most commonly used method, employed by 75% of LEAs, asks parents to express their preferences in a *rank order*. LEAs will then attempt to allocate school places on the basis of those preferences. Around 10% of LEAs use a *single preference method* where parents initially can only express a preference for one school. If the child cannot be enrolled in that school, the procedure starts over again. In 13% of LEAs, children are *allocated a place* in a school. The parents are then invited to notify the LEA whether or not that school matches their preferences, and subsequently, parents are given the option of naming an alternative school as their most

favoured. Finally, 5% of LEA's use a *multiple preference equal weighting system* where parents express their preferences for a range of schools. However, in this method preferences are treated as if they are *equal* and as if parents are indifferent as to which school their child should be enrolled in.

Although most LEAs use a type of ranked preferences method and although the open enrolment program in principle still applies, the consequence is that the LEAs, *in practice*, make most of the decisions about school place allocations, and that the choices of parents are marginalised and can be circumvented. Also, parents cannot opt for private schools and cannot have the cost — even a part of it — covered by the state.

On the *supply-side*, decisions on establishing and closing state schools are a (local) government matter. Although schools can be started on a private initiative, they will rarely qualify for government funding. The *surplus places rule* means that new schools cannot be established when there are unfilled (surplus) places in a school nearby. This rule is effectively a “no-competition rule” since it prevents new schools from being set up and successful schools from expanding. Thus, a popular school which experiences a huge excess demand from local parents cannot expand or set up a new facility to accommodate this demand if there are unfilled places in a neighbouring school. The surplus places rule treats all school places as equal, no matter how clearly the neighbouring unfilled school may be failing its parents and pupils.

Government regulation of schools *in existence* comprises voluminous and very detailed legislation (DfES 2001a). For example, all state schools have to follow the very detailed National Curriculum, which prescribes what must be taught, and how.

With the implementation of the *1998 School Standards and Framework Act* the LEAs regained considerable power over schools (Walford 2000, 25). The LEAs are generally responsible for *providing* education in state schools. While parents are represented on school governing bodies, so is the LEA, and day-to-day management is down to the head-teacher rather than the governors (Holt et al. 1999, 1-27). The LEA is the official employer of staff, although this can be delegated to the school governing body, and teacher salaries and qualifications are subject to national regulation.

In the provision of education there are four types of schools in the LEA maintained sector. These are: Voluntary Aided, Foundation or Voluntary controlled and the LEA community schools.<sup>36</sup>

The privately funded sector caters for only around 7% of primary and secondary children (DfES 2001d). Although private schools are also closely regulated, they do not have to follow the National Curriculum and have more freedom concerning teacher employment and other administrative matters (Walford 2000, 34).

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<sup>36</sup> In Foundation schools and Voluntary aided schools the school governing body, not the LEA, is the employer of staff (Holt et al. 1999, 1-22).

The private schools are primarily funded through parent fees or charitable foundations, whereas all LEA-maintained schools are state-funded and cannot charge fees. The LEAs receive funding from central government and from the local council tax; how they spend that money on education is closely prescribed by legislation such as the 1998 School Standards and Framework Act. School budgets still — to some degree — depend on the number and age of pupils, although the exact process is complicated, opaque and apparently arbitrary.

The 1998 School Standards and Framework Act also created the so-called Education Action Zones (EAZ) — an attempt to raise standards in the most disadvantaged areas by encouraging schools, parents, organisations and business to work together. The EAZs were given more flexibility than other schools on pay and the curriculum, but they proved insufficiently liberalised to generate marked improvements and the scheme has quietly faded away.

More significantly, the 1998 Act enabled non-state providers to take over and run failing schools, which, for instance, has happened in the case of the King's Manor school (now King's College) in Guildford (Walford 2001, 188).

As part of its agenda to abolish the internal market, the government has placed grant-maintained (GM) schools back in LEA control (Holt et al. 1999, 1-1), ending the ambition of making state schools largely independent and directly accountable to parents.<sup>37</sup> The Assisted Places Scheme, which enabled academically able children from poorer backgrounds to attend independent schools, was also scrapped, the aim being to use the same money on upgrading the performance of state schools.

## **Discussion of the system in England & Wales**

State schools in England & Wales come under political-bureaucratic control. But this rigorous control system is not characterised by high levels of achievement, nor has it prevented some schools from failing to deliver acceptable standards. Despite Britain's economic power, English students are not among the very best in the world in terms of performance. Indeed, the Department for Education & Skills has recently acknowledged that "the reality is...that tens of thousands of pupils are not getting the opportunity to achieve their potential" (DfES 2001, 15).

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<sup>37</sup> The abolition of grant-maintained schools provides a good example of the politically induced insecurity schools face when operating in political-bureaucratic institutional settings – an insecurity that is intensified by the tremendous power of the executive in Britain. While the grant-maintained schools were pioneers, they were also operating in a sphere of uncertainty about the future. This was largely a result of the lack of an institutional framework safeguarding their autonomy and independence. A key reason why no more schools opted for GM status during the 1990s was the critical awareness of the Labour party's opposition to the GM schools. Many parents and schools therefore anticipated that a future Labour government would abolish this system. As a consequence of this politically induced uncertainty, a relatively low number of schools opted for GM status. The sceptics were right and Labour abolished the GM school system in 1998. The fate of the GM schools provides a good example of why school independence and autonomy needs protection. This is what property rights and local autonomy are for: to secure and safeguard the freedom and independence of schools and limit political intervention in the sphere of education.

The argument throughout this paper is that such deficiencies can be corrected if the institutions regulating education are reformed, even in quite modest ways. The experience of other countries with more liberalised systems shows that the problems in British schools rest largely on the political-bureaucratic restriction on parental choice and on the power of schools to manage themselves and respond to those choices.

The heavy regulations that are imposed on schools by central government tend to make schools more uniform and deprive them of independence and autonomy. Despite the government's customer-focus rhetoric, more power has been concentrated within local and national government agencies (Walford 2000). The formula funding of schools and LEAs is opaque and immensely complicated. Furthermore, it seems that LEA budgets are not delegated to schools to the degree required by the DfES (Seaton 2001). The regulation imposed on schools and teachers is extremely extensive and detailed – so much that many teachers have left the profession under the burden of it. Schools and teachers suffer from a bureaucratic centralism, says one Professor of Education, "...on a scale to warm the heart of a Lenin" (O'Keeffe 1999, 67).

As we have seen, the demand-side power of parents to choose between different state schools is severely constrained. However, the most severe restrictions derive from restraints on the supply-side provision, such as the *surplus places rule*, which prevents new schools from being established and popular state schools from expanding in order to respond to local demand. Since the demand for admission to good state schools by far exceeds the places available, this has serious practical implications (Gibbons & Machin 2001). It affects performance too: Dennis O'Keeffe (1999, 17) concluded that "in Britain...illiteracy and innumeracy are clearly associated with lack of competition and exit in schools".

State schools are also well protected from the competition of private schools (and vice versa). Private schools have never been included in the government financed choice schemes and since the state sector is therefore excluded from competing with them, private schools can still charge high fees. Poorer children are practically excluded because their parents cannot afford to pay. In fact, 75% of children in private schools belong to the upper middle classes — the AB's (MORI & ISIS 2001, 9).

However, the absence of an effective market means that high fees are not necessarily associated with superior performance, and plainly there are some excellent state schools in England & Wales, which of course charge no fees at all. The problem is that the best state schools are often located in middle-class areas beyond the reach of poorer groups. This in turn fosters a great deal of inequality of opportunity. There may be no fees to pay, but access to quality education depends on a family's willingness to travel and its ability to buy its way into the property market within the LEA area of a successful school (Gibbons & Machin 2001). Affluent families may have the means and money to move to areas with popular state schools – the poorest certainly do not. The surplus places rule means that they have to put up with poor standards in their local area, without any prospect of successful educators being able to come in and improve things.

The school system in England & Wales needs fundamental reform if the failures of the present system are to be corrected, and if the overall education aims of quality, high levels of literacy and numeracy, equality of opportunity and access, economic efficiency and customer-responsiveness are to be achieved.

That is why the lessons from pioneering policies in other countries are so important. Rather than the standard solution of raising spending on schools, they show us that modest changes to the incentive and organisational structures can produce dramatically better results. Applying the lessons learnt from the Netherlands and Denmark, for example, could bring rapid and significant improvement in the school system of England & Wales today.

## 6. Learning from Europe

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This chapter will outline how England & Wales compare to the Netherlands and Denmark, emphasising in particular the issues of parent choice, demand-led finance, the establishment of schools and the provision of education services.

First, however, an overall comparison of a few standard economic measures of education may provide a useful background for the discussion of school choice policies that follows.

Measurements of the *proportion of the national wealth spent on education* reveals that Denmark, spending a total of 8.3% of GDP on education in 1998, devotes more resources to education than the Netherlands and the UK,<sup>38</sup> where the equivalent expenditure is 4.9% each (OECD, 2001, 100).<sup>39</sup> Spending on primary and secondary education as a *proportion of total government spending* is also higher in Denmark —8.8% of total government spending, against 6.8% in the Netherlands and 8.3% in the UK (OECD 2001, 100).<sup>40</sup> Comparing *government expenditure per student*, Denmark also comes out higher, whereas the Netherlands and the UK are around the OECD average, as table 6.1 shows

**Table 6.1: Government expenditure per student (US\$ 1998)**

	Primary	Secondary
<b>Denmark</b>	6713	7200
<b>Netherlands</b>	3795	5304
<b>UK<sup>1</sup></b>	3329	5230
<b>OECD average</b>	3940	5294

Source: OECD (2001a, 67)

Denmark also has the most favourable pupil/teacher ratio of the three countries, and is well below the OECD average, as table 6.2 shows.

**Table 6.2: Number of pupils per teacher (1999)**

	Primary	Secondary
<b>Denmark</b>	10.6	12.4
<b>Netherlands</b>	16.6	17.7
<b>England</b>	23.3	17.2
<b>OECD average</b>	18.0	14.6

Source: OECD (2001a, 243); DfES (2001d, 26-27)

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<sup>38</sup> All numbers here are for the UK and not just England & Wales.

<sup>39</sup> The OECD average is 5.3%

<sup>40</sup> The OECD average is 8.7%

Hence, in terms of the traditional measures of education input, Denmark is clearly the country that devotes most national resources to education. On most measures, the Netherlands and England & Wales (and the UK generally) are much more in line with average OECD use of resources on education.

However, what these overall economic measures do not reveal are the differences in institutional arrangements governing the education system in these three countries. Nor do the economic measures say anything about quality of schooling (e.g. the levels of literacy and numeracy that are achieved, and the results obtained in exams). Table 6.3 provides an overall comparison of the principles and institutional arrangements governing school choice in Denmark, the Netherlands and England & Wales.

**Table 6.3: Principles of governance and school choice policies in the Netherlands, Denmark and England & Wales**

	<b>Netherlands</b>	<b>Denmark</b>	<b>England &amp; Wales</b>
<i>Choice of school</i>	Yes, nation-wide free choice of school	Free choice of private and upper-secondary vocational schools. Choice of public school depend on local government policies and restricted by catchment areas and local government boundaries	In principle, open enrolment in state schools. In practice, parental choice is restricted by LEAs and limitations on supply.
<i>Opt for independent school with government per capita funding</i>	Yes	Yes	No, private schools charge fees. Faith-schools part of LEA state sector schools
<i>Private &amp; independent establishment of new schools with government funding</i>	Yes, independent non-profit organisations, parents & teachers can set up schools and receive government funds as long as minimum requirements are met	Yes, independent non-profit organisations, parents & teachers can set up schools and receive government funds as long as minimum requirements are met	No, establishment and expansion of schools restricted by the surplus places rule.
<i>National Curriculum</i>	Yes	No, advisory guidelines in primary and lower-secondary school. Yes, in upper-secondary grammar schools	Yes
<i>National Tests</i>	Yes	Yes	Yes
<i>Organisational &amp; managerial responsibility devolved to schools</i>	Yes, in private schools devolved to board & management In public schools municipalities have overall responsibility	Yes, in private schools devolved to board & management In public schools local authorities have overall responsibility	LEA's have overall responsibility. Shared responsibility between LEA, school, governing body and head-teacher.
<i>Rules and principles safeguarding the autonomy of schools</i>	Yes, private schools protected by constitutional freedom of organisation	Yes, private schools protected by constitutional principles and corporatist traditions. Tradition of local control protects public schools from central government regulation	No
<i>Funding principle</i>	Money follows the child	Money follows the child in private and vocational schools. Public schools: budgets delegated by local government	Delegated budgets and formula funding
<i>Government cost covering</i>	100%	Private schools: 80-85% Public schools: 100%	100%
<i>Parent user-fees</i>	No	Yes, in private schools	No
<i>Additional private &amp; non-government funds</i>	Yes, to extra-curricular activities	Yes, in private schools	No, except in City Technology Colleges

## Choice between schools

Policies concerning parental choice of schools vary considerably between these three countries and as a result, the proportion of pupils enrolled in independent schools varies considerably too. Within the OECD, an average of 10.6% of primary and secondary pupils are enrolled in independently-managed but publicly-funded schools (OECD 2001, 87). Among these countries, the Netherlands is clearly the nation with most pupils — around 70% — attending independent schools; Denmark is just a little above the average, with around 12% of pupils attending independent schools.

In the Netherlands parents and students are given a nation-wide free choice between public and independent schools. Although the Danish choice scheme does not include public schools, parents and students nevertheless have a free choice of independent and upper-secondary vocational schools.

In both the Netherlands and Denmark, parents can opt for independent schools without being restricted by rules about catchment areas. Once they have made their choice, the cost — fully in the case of the Netherlands and partly in the case of Denmark — is covered by the government. These countries provide powerful examples of how to make independent schools widely available to children from all strata of society. Indeed, school choice policies in the Netherlands and Denmark provide parents and pupils with a range of options that are quite unfamiliar to parents and pupils in England & Wales. In England & Wales, parents opting for independent schools have to pay the full fees for themselves, without any support being available from the government (though some charitable scholarships might be available in a few rare cases). The UK system, in other words, fosters a kind of class apartheid which is completely absent in Netherlands and Denmark, where government finance supports the choices of the parents.

By comparison with these two countries, the “choice” available to parents in the UK is very limited and very weak (and therefore very ineffective at bidding up standards). There is indeed the principle of open enrolment in all state schools in the UK — but in practice, the choices and preferences of parents and students are severely restricted both by LEA admissions policies, and by policies such as the surplus places rule, which restricts the supply of schools.

As outlined in Chapter 5, LEAs have far more say than parents in how children will be allocated between schools, and a few LEAs do not even rank parents’ choices, but regard parents as indifferent between each school on the list. Indeed, some LEAs allocate pupils before parents are even asked which school they and their child would prefer. This is far removed from the *consumer first* agenda of the Prime Minister: it is not real choice at all, just a bureaucratic parody of choice.

The evidence from school admissions policies clearly indicates that where local authorities are given the power to marginalise parent choice, they will use it; and once they use it, they are unlikely to give up this power voluntarily. That might make resource planning easier for

them, but if the goal is to focus public services around the user, then it is wholly inappropriate.

The school choice arrangements that prevail in the Netherlands provide an especially instructive example of how to give parents a genuine and real choice — a choice which includes both local government run and independent schools. Clearly, a choice policy like this is much closer to the ideal of a customer-driven market, where parents and students can shop around and choose a school according to their own preferences.

### **The supply of learning services**

A prerequisite for a successful school choice scheme is that parents are given a range of options to choose from – a wide menu of choices – and that educators are free to establish alternative schools to bid for their support, alongside the existing ones.

In England & Wales, however, the establishment and expansion of good schools is thwarted by the *surplus places rule* — a regulation which stands in stark contrast to the liberalised provision policies of the Netherlands and Denmark. Indeed, it effectively prevents new schools from being established, or successful ones from expanding when there are unfilled places in a nearby school – no matter how unpopular that neighbouring school might be, and how inappropriate and inadequate the education that it offers might be. It is a little like telling Garfunkles, or Pizza Express, or Chef & Brewer that they cannot open a new restaurant in your area because the local greasy-spoon café still has some empty seats. The result is that high quality and competition is kept out. Entrepreneurs who detect that there is unmet demand cannot establish new facilities, or extend existing ones, to meet it and failing schools are allowed to continue failing in their protected cocoon.

In the Netherlands and Denmark, by contrast, anyone can (in principle) set up a new school. Although for-profit companies will not receive government funding in either country, parents, teachers and non-profit organisations can establish new schools as long as minimum requirements (such as minimum enrolment numbers) are observed.

In the Netherlands, as we have seen, organisations or parents and teachers who want to establish new schools, must, over a period of time, enrol a minimum of 333 pupils in the cities and 200 pupils in rural areas in order to qualify for government funding. In Denmark, organisations, parents and teachers need only gather support from the families of 28 pupils in order to establish a school that will receive government funding.

These liberal provision policies have promoted a beneficial form of competition that has squeezed out most of the problem of failing schools that is so stark in the United Kingdom. In the Netherlands, competition is not a matter for ideological debate, but a fact of life for all schools. Parents can quite simply use their right to exit and choose another school if they are not satisfied with what the school has to offer. Schools are therefore forced to compete with each other and improve the quality of schooling in order to attract pupils.

In Denmark, there is hardly any competition among the public schools. However, public schools in Denmark do face very real competition from the expanding independent sector. Denmark's independent schools face a direct competitive pressure – both from other independent schools and from the public ones. Consequently, competition in an indirect and imperfect way extends even to local government schools. In fact, some municipalities now try to increase the level of competition among their public schools by linking funding to the number of enrolments.

All in all, the result of the Danish and Dutch liberalised supply-side policies has been that comparatively large, diverse and competitive independent school sectors exist in both countries, providing parents with a variety of schools to choose from and improving the quality of the educational services that all schools provide.

### **Regulation of schools in existence**

One counterweight to the diversity of the Danish and Dutch independent schools has been regulations imposed on schools: *he who pays the piper calls the tune* (Walford 2000). Nevertheless, Denmark, the Netherlands and England & Wales show quite different attitudes to the trade-off between standardisation and diversity, with England & Wales once again being by far the most restrictive.

Teacher salaries and work conditions are generally subject to national collective agreements and central government regulations in all three countries. In the Netherlands, and particularly in England & Wales, a national curriculum provides very detailed regulation of what courses must be taught, and in England & Wales teachers are even faced with directives on how to teach particular items. All in all, schools and teachers in England & Wales are considerably more tightly regulated than those in Denmark and the Netherlands, and indeed many UK teachers have left the profession citing the burden of bureaucracy as their reason.

In Denmark there is no national curriculum in primary and lower-secondary education. The Danish Department for Education sets out broad advisory guidelines on what should be taught. In practice, most schools follow these guidelines, but both municipal and especially private schools have freedom to innovate and offer courses of their choice. Such a liberalised policy contrasts greatly with the rigorous prescriptions of the national curriculum in England & Wales. However, this liberalised curriculum does not mean that schools cannot be held accountable: that is what national tests are for — to ensure that schools do not fail and that they match up to national standards in those tests.

### **Protection of school autonomy**

Unlike schools in England & Wales, independent schools in both the Netherlands and Denmark have substantial autonomy in *the process* of teaching and in the management and organisation of the schools themselves. Independent schools in the Netherlands and Denmark can decide on their own founding ideological or religious principles and are free to pursue their

pedagogical aims in the way they see fit. Schools in England & Wales are of course given no such autonomy.

Of critical importance here is that the Dutch and Danish education systems erect constitutional and institutional barriers against government intervention within the sphere of education.

In the Netherlands the constitutional principle of freedom of organisation safeguards school autonomy and limits political intervention in teaching methods and in the organisation and management of schools. The independent schools have been able to use this constitutional principle to hold back government intervention, leaving them with far greater autonomy than the Dutch municipal schools (Dronkers et al. 2001). Similarly in Denmark, constitutional principles and the educational traditions help to safeguard the autonomy of independent schools.<sup>41</sup> Consequently, Danish independent schools are more autonomous and less regulated than the local government schools.

The importance of such rules and principles is crucial. They are the reason why the regulation of independent schools in the Netherlands and Denmark is less severe than the controls on local government schools. Independent schools certainly receive government money in proportion to their effectiveness at attracting students, but they are not over-burdened by the bureaucracy of a centralised, top-down management system. Rather, they are left free to organise themselves and concentrate on what they are good at — producing good educational results.

Again, this stands in marked contrast to schools in England & Wales, which (it is generally accepted) are over-burdened with bureaucracy from the centre. Even the grant-maintained schools created under the 1988 Act could not free themselves from such entanglements. Perhaps the lack of an explicit written constitution makes it difficult for the UK to adopt the same kind of barriers against government interference that have so plainly benefited the Dutch and Danish independent schools. But in the absence of such a constitutional mechanism, it would seem essential that politicians of all parties should agree to restrain themselves and give choice, diversity and school autonomy a chance.

## **Financing education**

The United Kingdom is one of the few EU countries that does not support its independent schools with government funds (Dronkers et al. 2001, 2).

The funding of state schools in England & Wales today remains a classical political-bureaucratic system of finance through block grants (and on the basis of complicated and opaque funding formulae). Denmark and the Netherlands, by contrast, provide examples of how to combine parental choice of school with a per capita funding system where the money follows the choices and preferences of the parents and pupils.

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<sup>41</sup> Danish upper-secondary grammar schools do not, however, benefit from such autonomy.

The Danish ‘taximeter’ finance system that applies to upper-secondary vocational schools is much more simple – comprising only four grants – than the grant schemes and formulae that direct funds to LEAs and schools in England & Wales. Denmark’s vocational schools simply receive government funds in proportion to the number of pupils enrolled. Schools that are effective enough to attract more students receive proportionally higher funds.

Similarly, independent schools in Denmark are also funded (or at least part-funded) by the government on a per capita basis. The budgets of the independent schools are directly dependent on the number of pupils enrolled (Christensen 2000), though the Danish public schools remain funded through traditional fixed and delegated budgets. In the Netherlands, both public and independent schools receive funding on a per capita basis, although funds are weighted in order to allocate more money to schools with a larger share of pupils from poorer backgrounds.

Although parents can contribute financially to schools in the Netherlands, there are no user fees, as there are in the Danish independent schools (where the government pays 80-85% of the cost of schooling while the parents pay the rest). However, poorer families can apply for a free place in an independent school and be exempted from user fees. Apart from charitable scholarships, poorer parents in England and Wales who wish to exercise a choice by moving their child to a non-state school do not even have this measure of government support.

### **Costs and cost controls**

It is often held that a free choice scheme will, in itself and inevitably, lead to higher public expenditure on education. However, the evidence from the Netherlands and Denmark does not seem to support this view.

The centralised funding of schools in the Netherlands provides an interesting example of how to combine free parental choice and a choice-driven per capita funding system with centralised limits on education expenditure. As we have seen, the Dutch spending on education is around the OECD average, despite the fact that the Netherlands allows much greater parent choice than most other OECD countries. However, the centralised funding source has enabled the central government to stay in control of expenditure without depriving parents of that choice.

Education spending in Denmark is high, but not because of the choice that is given to parents. The per pupil spending in the independent schools is no higher than in state schools. On the contrary, Denmark’s independent schools demonstrated a lower per pupil cost than their public counterparts throughout the 1990s (Christensen 2000, Danish Ministry of Education 1999a). Similarly, the taximeter system give the upper-secondary vocational schools in Denmark an incentive to keep their per pupil costs below the taximeter rate.

Clearly, there is no reason why spending on education must increase as a consequence of free parental choice.

## **Educational outcomes**

Interestingly, the evidence from Denmark and the Netherlands seems to support the thesis that there is no consistent association between spending and the academic performance (in terms of grade averages) of pupils.

The expenditure on education, as a percentage of GDP, is similar in the UK and the Netherlands, but Dutch pupils have consistently performed among the best in Europe in maths and science (IEA, TIMSS test 1997 & 2000), while English pupils did rather poorly in the TIMSS test. Among the Dutch schools, examination results increasingly suggest that the independent schools perform better, despite the fact that there are no differences in the student intake. In Denmark (as we now know from the recent publication of examination results), pupils in independent schools generally perform better than pupils in local government schools (Jyllandsposten 7/12 2001).

Not only do Denmark's independent schools perform better than its public schools: parent satisfaction is also considerably higher in independent schools. At the same time, high quality education in independent schools in the Netherlands and Denmark is not a privilege available only to more affluent families (or to those prepared to make deep sacrifices) as it is in England & Wales. Since independent schools receive government support, equality of access is enhanced. All families, regardless of wealth and background, have the opportunity to opt for an independent school, making the education system as a whole much less class-ridden than it is in the United Kingdom.

The lessons from the Danish and Dutch education system suggest that the market-style institutions of education (i.e. local autonomy, choice and competition) when combined with taxpayer support for parents' choices can help greatly in UK efforts to achieve the overall aims of quality, access, efficiency, and responsiveness. There seems no doubt that comparatively small reforms in the provision and funding of schools in the UK could achieve some of the same effects here too.

## **Recommended actions**

Translating the Dutch and Danish experience to the UK educational context would mean the abolition of official barriers to school choice. It would require us to enhance school choice and liberalise the establishment, management, and growth of schools within the context of tax-funded education. Specific actions that might constitute such a programme include the following:

- End LEA control of place allocations by allowing parents to express their own choices, regardless of their location or status.
- Introduce a nation-wide choice scheme where parents are given an unrestricted access to all schools, without any institutional barriers being raised against them.
- Allow parents and pupils to opt for independent schools too, with government money following those choices.

- Abolish the surplus places rule. This rule prevents the establishment of new schools and prevents popular schools from expanding.
- Protect the rights of education companies, non-profit bodies, parents and teachers to establish new schools.
- Establish the minimum requirements that new schools must meet in order to qualify for government funding, and focus these around output performance rather than input measures.
- Follow Denmark's example and abolish the National Curriculum. Allow schools to innovate, diversify and secure basic common standards by measuring outputs through the examination system.
- In order to increase local autonomy, free all schools from LEA control by giving all schools legal status as self-governing institutions. Strengthen and depoliticise school governing boards to give ultimate control to parents and the community.
- Make the funding of schools depend directly on the choice and preferences of the parents and pupils by introducing per capita funding, weighted to give greater support to low-income families and deprived areas.
- Retain taxes as the source of most school funding. Set national limits, and make schools compete for their share of that total budget.
- Allow parents, companies and organisations to make voluntary financial contributions to schools.
- Aim for cross-party agreement on education reform. Schools should be free to operate in an environment without politically induced uncertainties about the future.

### **The need for reform**

Perhaps the key to understanding the successes of the Dutch and Danish systems is that free parental choice is combined with a per capita system of finance where the money effectively follows those choices — making schools' budgets directly dependent on their effectiveness at gaining and retaining the loyalty of parents. Choice alone, or per capita funding alone, is not likely to achieve the same results. Those two principles must be combined as they are in the Netherlands and as they are in independent schools and upper-secondary vocational schools in Denmark. Bolstered by liberal supply-side policies that allow organisations, parents and teachers to set up their own new schools or expand existing ones, this reform of choice and funding will enhance competition and the responsiveness of schools, as it has done for those neighbouring countries.

Indeed, the Netherlands and Denmark show that separating the provision of education from the regulation and finance of education while encouraging choice, competition and local school autonomy, will bring much better results than the traditional centralised and top-down control mechanism in the UK today.

The current administration's drive for 'customer-focused government' is just as appropriate in education as it is in any other part of the public service. Learning from Europe – in particular learning how customer-focus has been made to work in the Dutch and Danish

education systems – will show how all the agreed aims of education can be achieved, better, more effectively and more easily, in the UK as well.

The UK has a long and noble tradition in having some of the finest schools and universities in the world. Redefining the roles of the state in the provision, finance, and regulation of schools, so as to encourage a more open and diverse educational system, would take this tradition into the Twenty-first Century and place the UK once again at the leading edge of education reform.

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