



Sweden's school choice reform and equality of opportunity



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HIGHLIGHTS

- We study heterogeneous treatment effects of the Swedish 1992 school choice reform.
- The overall estimated effects of the reform on students' outcomes are small.
- The results suggest that none of the studied groups was harmed by the reform.

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ABSTRACT

This study analyses whether the Swedish school choice reform, enacted in 1992, had differential effects for students from different socio-economic backgrounds. We use detailed geographical data on students' and schools' locations to construct measures of the degree of potential choice. This allows us to study the effects of choice opportunities among public schools, whereas previous studies have focused on newly opened private schools. Our results indicate that students from a socio-economically disadvantaged or immigrant background did not benefit less from more school choice than those from more advantaged backgrounds. If anything, students from low-income families benefited slightly more than those from higher-income families. However, the differences between groups of students are very small, as are the overall effects of the reform.

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1. Introduction

The school choice reform that was introduced in Sweden in the early 1990s has dramatically changed the possibilities of choosing a school within the Swedish education system. Since the reform, the possibilities for students in compulsory education to choose their school of attendance have immensely increased. In addition to new choice options among public schools, a voucher system for private schools was introduced such that students could attend private schools without having to pay additional tuition fees. Due to this reform, the system has gone from one where students with few exceptions attended the public school of their catchment area, to one where many students opt for another school than the default school, and where there exist privately run but publicly funded alternatives alongside the traditional public schools.

In a companion paper (Wondratschek et al., 2013a, hereafter abbreviated WEF13), we investigated the *average* effects of school choice as introduced by the 1992 reform, and found them to be very small or zero. (In particular, we found that more choice options had a positive but small effect on final grades from compulsory school, and non-existent or very small effects on long-term outcomes.)

However, given the importance of the principle of “equivalent quality” in the Swedish school system, not only the average effect on the whole population is of interest, but also whether the school choice reform has affected students of different background differently. This is also an important issue in the context of the Swedish policy debate, where the fear that children from a socio-economically disadvantaged background would be harmed in absolute or relative terms has been one of the main arguments against the reform.

Whether school choice is “a rising tide that lifts all boats”, to quote from the title of Hoxby (2003), or rather a policy that is beneficial only for a subset of students, is also a topic of interest in the international policy discussion and research literature. For example, Hastings et al. (2006) report positive effects of gaining access to the most preferred

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schools on test scores among white students and students of higher-income families in the U.S., whilst there are no statistically significant effects among African-Americans and children of lower-income families. Hoxby (2000) finds a similar pattern in the effects of competition between U.S. public school districts on student educational attainment: white non-Hispanics, males and those whose parents have at least a high school degree are the ones who gain from more competition, but no group seems to lose. Deming (2011), on the other hand, finds that gaining access to a first-choice school through a randomised lottery decreases the crime rates, but that the effect is concentrated among African-American male students who are defined as high risk based on ex ante characteristics. Previous studies of the Swedish school choice reform, with the exception of our companion paper, have focused exclusively on the expansion of *private* schools, which are privately run but publicly funded. The results of these studies, see Ahlin (2003), Sandström and Bergström (2005), and Björklund et al. (2005), suggest that students from a better-off socio-economic background gain a bit more, but importantly, no groups seem to be negatively affected by the choice reforms. Overall, however, there are no large differences between students of different socio-economic backgrounds.¹

There has been no study that evaluates the effects of the full Swedish 1992 choice reform, including the increased possibilities to choose between *public* schools, on outcomes of different groups of students. Our study serves to fill this gap. As the Swedish reform changed the institutional setting for the complete population and not just for certain target subgroups, it is especially suited to study the effects of school choice on different subpopulations. In addition, given that twenty years have passed since the reform, we can also evaluate long-run effects.

We will focus our analysis on whether the reform has had heterogeneous effects on student outcomes with respect to the socio-economic background, based on parents' education, income and immigrant status as well as the crime rate of the residential area. We use detailed data on the exact geographical locations of all schools right before the reform as well as for the subsequent years. In addition, our dataset comprises detailed administrative data for the complete Swedish population born between 1972 and 1990. As the first five of these cohorts had already left compulsory education when the reform was introduced in fall 1992, we observe several cohorts of students who have been affected by the reform and students who have not.

The detailed geographical information about students' and schools' locations permits us to construct measures of the potential degree of school choice that is available to each student, based on the number of schools near the students' home. Our identification strategy is based on a difference-in-difference approach, comparing students that were affected and not affected by the reform and counting the number of schools in their neighbourhoods. We note that the number of schools before the reform could not have been affected by the reform itself as the reform came mostly as a surprise. In our identification strategy, we take into account that the number of schools after the reform, on the other hand, could have changed because of the reform.

We thereby estimate the differential effect of more school choice at the outset of the reform on student outcomes. We should emphasize that we estimate the effect of the variation in the choice options available to the student, and not the effect of whether the student in fact makes an active choice or not. We also note that our estimates might not only capture the effects of school choice but also of school competition. As a result of students' choice options, and budgets of schools being

tied to the number of students in one way or the other,² the reform simultaneously led to choice for students and competition among schools in many areas. These two concepts, as well as indicators measuring competition and choice, are naturally closely linked, as there would be no competition without student choice. We will not attempt to separate between these two in this study, and measure choice on the student level. The estimated effects will thus comprise both choice and related competition effects.³

The results of our analysis suggest that children from a socio-economically disadvantaged or an immigrant background did not benefit less than other students from school choice. On the contrary, we sometimes find slightly larger effects for these groups, especially with respect to household income. Overall, however, the effects are very small, as are the differences between the subgroups.

2. Swedish compulsory schooling and the 1992 school choice reform

We first provide a short overview of the Swedish compulsory school system and the 1992 school choice reform; for more details see WEF13. Swedish compulsory schooling comprises grades 1–9, with students starting grade one in the year they turn seven. Since elementary school (grades 1–6) and lower secondary school (grades 7–9) are often organised in different schools, it is common to change the school when starting grade 7, at the age of 13. Following previous studies on the Swedish school choice reform, we will focus on choice at the grade levels 7–9.

Since 1990, the municipalities are the responsible administrative entities for organising compulsory education. The main sources of finance are the local income taxes and central government grants. The central government, however, steers compulsory schooling through providing rules and regulation.

Following the election of a right-wing coalition in the fall of 1991,⁴ the nationwide compulsory school choice reform was implemented in the fall of 1992. The reform had two parts: first it opened up for attending another public school than the one in the catchment area, and second, it allowed for privately run but publicly funded schools to operate alongside the ordinary public schools. In 1994, the law was amended by also allowing for choice among public schools outside of the home municipality, which was previously only possible in very special cases (see Law 1985:100, Chapter 4 Section 8a). If the demand for a given public school exceeded the number of available slots, priority was given to students living in the catchment area. Private schools were not allowed to select their students on the basis of ability or other characteristics but only on a first-come-first-served basis.

The reform has had substantial effects on the workings of the educational sector, at least in more urban areas. Before the reform, students were, with few exceptions, referred to the school of their catchment area. Some alternative schools existed, such as Waldorf schools or schools with a special profile like music, but they were rare. After the 1992 reform, as more and more private schools were established and

² Due to the voucher that private schools get for each student, the school budget of private schools directly depends on the number of students. For public schools, the way in which the budget is tied to the number of students is specified at the municipal level. The corresponding rules have varied over time and across Sweden, from systems where the idea of vouchers has also been used for public schools to systems that have specified only broadly that the number of students should be taken into account when deciding about schools' budgets.

³ In a companion paper, we attempted to disentangle the choice effect from the competition effect. Whilst our estimates gave some indications of positive choice effects and negative competition effects especially shortly after the reform, the close relation between the two indicators of choice opportunities faced by students and competition from other schools faced by schools made it difficult to reliably empirically separate the two effects. For details see the working paper version of WEF (2013), i.e. Wondratschek et al. (2013b).

⁴ The right wing coalition (Moderaterna; Folkpartiet; Centerpartiet; and Kristdemokraterna) obtained 46.6% of votes, and the socialist block (Social Democrats and the Left Party (Vänsterpartiet)) 42.2%. New Democracy, which has since then disappeared from politics, obtained 6.7% of the votes, and the greens, Miljöpartiet, received 3.7% of the votes and were hence only 0.3% from parliamentary representation.

¹ Böhlmark and Lindahl (2012) also find positive overall effects of the private school expansion, but do not test for heterogeneous effects with respect to student background.

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