

PEARSON



Always learning

The Swedish Model:
could it work here?

Macro Trends

- Mature markets:
 - **State monopolies**
 - **Enrolment close to 100 %**
 - **Improve the quality of education and to reduce social forms of segregation (racial and economic)**
 - **The long term trend: state will become less of an operator and more of a facilitator**
 - **Public private partnerships - vouchers**
- Virgin markets:
 - **Enrolment are on the increase**
 - **Expand the provision**
 - **Private operators to fill the gap between state provision and public demand**

What is a Voucher?

- **Funding system designed to allow parents the opportunity to choose between different kinds of schools**
- **Symbolic**
- **Diversity among school operators important**
- **The arguments people use for vouchers are**
 - **To provide choice**
 - **To generate competition between schools**
 - **To improve quality**
 - **To target under privileged groups and provide them with access to private education**

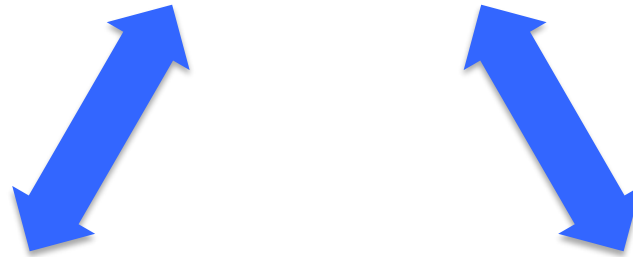
The Swedish Case - Background

- **Monolithic, centralized, "One size fits all" school system – 99% in state sector**
- **Detailed and operational curriculum**
- **All schools owned and run by central government**
- **Expensive – highest cost per pupil in the world**

1990's – Paradigmatic Shift

- **Local municipalities took over responsibility for all schools**
- **New curriculum – deregulation, decentralisation, goal, not time, oriented**
- **Voucher/free choice reform 1992**

State



Families



Schools

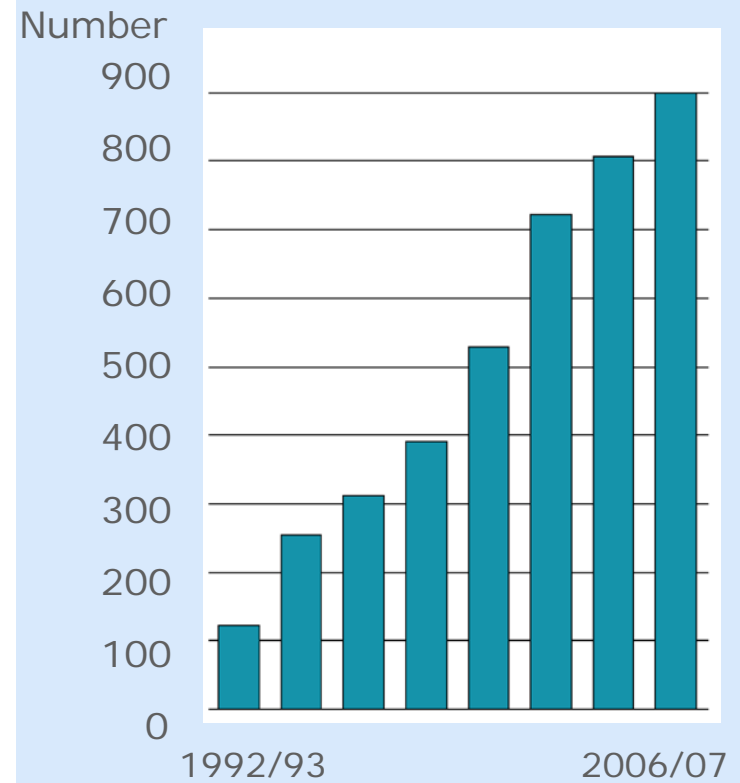
The Voucher Reform Introduced 1992

- **The National Agency for Education gives permission for new independent schools**
- **Criteria:**
 - Quality of teaching
 - Qualification of Teachers and Heads
 - Admission Principles
 - Profit etc.
- **Funding from local municipality**
- **Top-up fees not allowed**
- **No selection**

Growth of Independent Schools in Sweden Under Voucher Regime

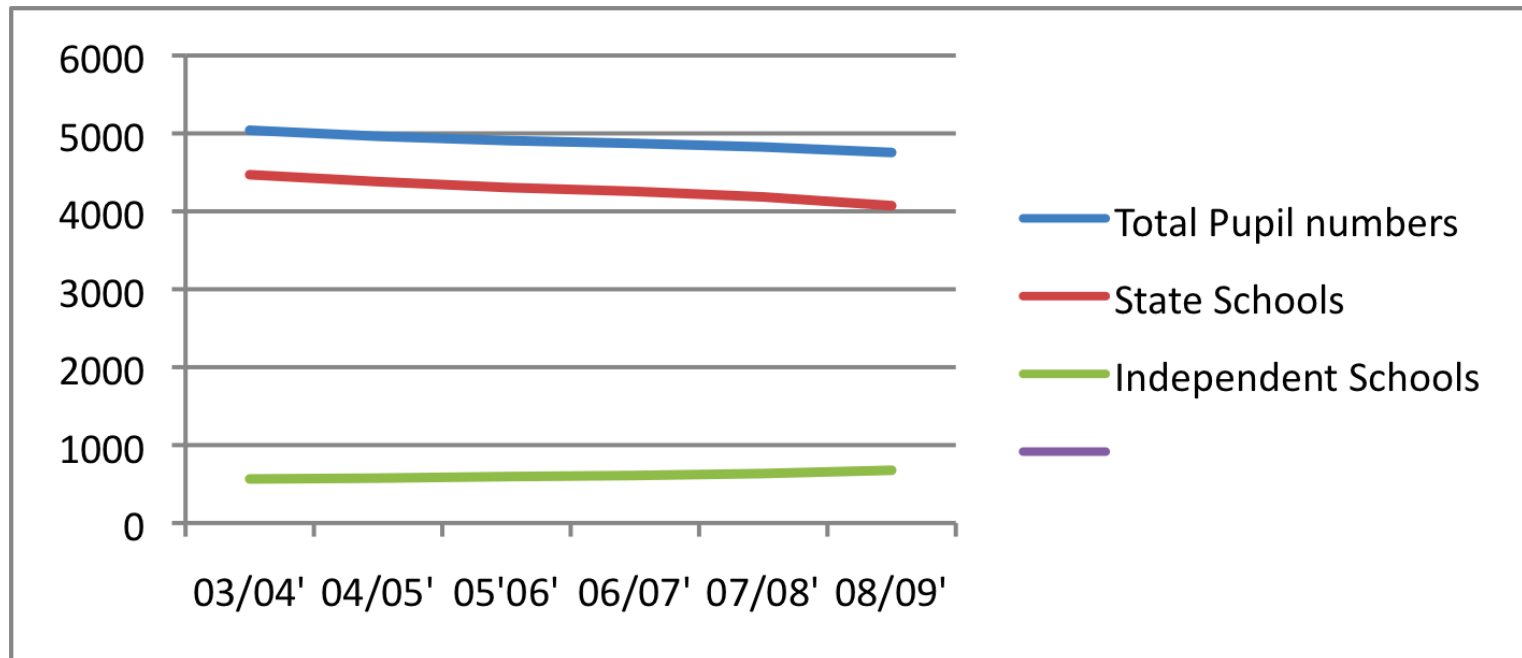
- **In 1992/93:**
8,000 students
In 2009/10:
135,000 students
- **Out of 1,100 free schools established, close to 800 are run by profit making organisations**
- **10 % market share for K-9 and 20% upper secondary**

Number of Voucher financed schools for students age 7 to 18

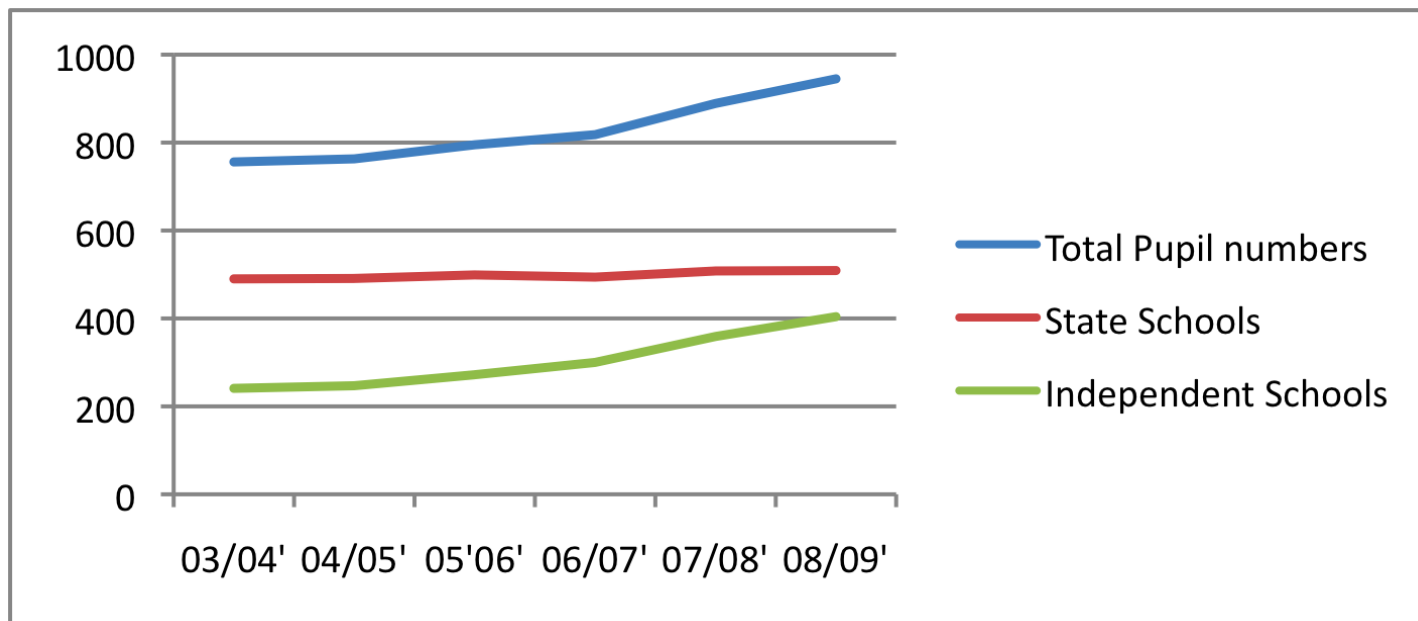


Source: The National Agency for Education, Sweden

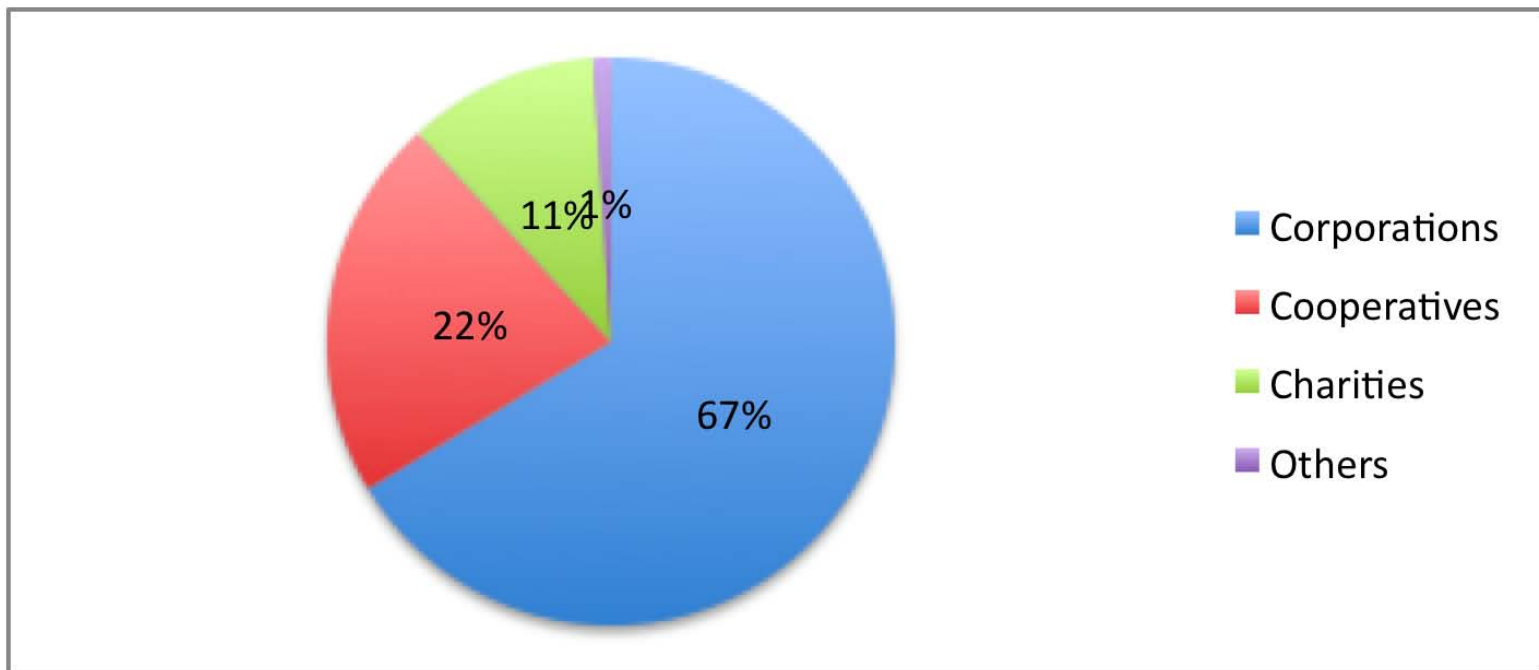
Number of Compulsory Schools 2003/04-2008/09



Number of Upper Secondary Schools 2003/04-2008/09



Ownership/Governance



A significant number of school companies have been created under the voucher regime

Company	Owner	Founded	No. Schools	No. pupils	Estimated Turnover	Estimated EBTIDA margin	Comment
Kunskapsskolan	Mr Peje Emilsson and Investor	1999	33	10, 500	71 Million GBP	10%	Only Secondary Education
Academedi	Listed on Stockholm Stock Exchange	2006	150	20, 000	166 Million GBP	9%	From nursery to adult education
Pysslingen	Polaris Private Equity	1984	70	9, 000	70 Million GBP	7%	Mostly Nurseries
JBO	Axcell Private Equity	1995	28	12,000	75 Million GBP	8%	Mainly vocational upper secondary

Transformation Based on the Swedish Voucher Impact

- Swedish Impact

- 1.From less than 1% to 10/20% in over 15 years.
- 2.CAGR 17%-20%
- 3.Number of schools increased from 80 to 1100 over 15 years.
- 4.Overflow from state sector to private sector: 7,500 pupils or 0.75% of total pupil population per year.
- 5.A migration of this scale continuous year on year.

- Speculative voucher impact on the Private Schools

1. Low fee private schools – strong incentive to convert to voucher scheme
- 2.Mid range private schools will struggle to survive or need to adjust cost levels significantly
- 3.Upper end private schools will possibly not be affected by the voucher at all

- State schools

- 1. Most of them will be attracted, but not least academies and other state schools which already enjoy independence from LA's and the state

Free Schools – the UK version

- **Free Schools = Academies**
- **Parents initiative**
- **Not only failing schools – even more high performing schools**
- **Central point of decision**
- **Academies framework**
- **CAPEX and funding**
- **Building/planning regulations**

Outcomes

- **Competition among schools, higher satisfaction – improved results?**
- **Decentralisation all the way from central government to parents and pupil – platform for parental engagement - strengthen civil society**
- **Pluralism (schools for minorities)**
- **Inventions – experimental approach**
- **Clusters of schools achieve economies of scale**
- **Export – new companies take their concepts abroad**
- **No cost cutting in short term – operating costs could increase temporarily – depends on local management - but public investments in new schools decrease**

- **Privatisation**
- **Consolidation**
- **Intellectual property**
- **Brands**
- **Chains and networks**
- **Scale benefits**
- **Synergies**
- **Bench Marking**
- **Assessment**
- **Technology**