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**Article**

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## MARKET-ORIENTED REFORMS IN SCHOOL-BASED EDUCATION IN ENGLAND AND FINLAND<sup>1</sup>

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### Introduction

Interest in market-oriented reforms in school-based education has been growing in recent decades. However, the meaning of “market-oriented reforms” varies from country to country. This is important in light of increasing interest in international comparisons of education systems, policies and educational outcomes. There is a tendency to assume that comparisons of this sort can be carried out without difficulty and that apparently similar policies and concepts have similar meanings in different contexts. We focus in this paper on two countries: England and Finland. In both countries notions of choice, diversity and autonomy underpin the school-based education reforms but the policies differ significantly. Thus we argue that policies implemented in different countries, given their differing contexts, need to be considered with care and precision. This is particularly important for both researchers and policy makers when making comparisons across countries.

In a variety of European countries there have been moves towards liberalising the welfare state. Both England and Finland have increased school diversity and, in theory at least, parental choice. In addition, certain functions have been decentralised to lower levels of the education system, and different levels of autonomy are apparent. Some elements of “markets” have been incorporated into the school systems in both cases. However, there are clear differences in

terms of the nature of the policies introduced (West and Ylönen 2010). This affects the extent to which generalisations can be made about the effectiveness or impacts of choice policies in school based education. In short, whilst there are apparent similarities, there are differences in terms of the type of choice policies that have been introduced, the extent of school autonomy and the financial control exerted by the central and local government.

### Institutional context

In both England and Finland comprehensive schooling was introduced in the 1960s although in different ways and with differing consequences. In Finland, the 1968 Comprehensive School Act was aimed at achieving equality of outcome not merely equality of opportunity. The previous socially and regionally inequitable system of private and publicly-funded schools was radically changed to bring about a near universal comprehensive education system. In England, in 1965, following the election of a Labour government the previous year, local authorities were requested to submit plans for the introduction of comprehensive education. Even though the Conservative government elected in 1970 withdrew this request, proposals for comprehensive reorganisation continued to be submitted by local authorities and by the early 1980s comprehensive education was nearly universal. However, the system differed across the country and academically selective grammar schools were retained by some local authorities.

### Education policy from the 1980s

From the 1980s onwards in both England and Finland, major education reforms, albeit different in kind, were introduced. An extensive programme of decentralisation had begun in Finland in the 1980s. In 1993, local authorities started receiving previously earmarked funds from central government in a lump sum, and they could thus decide how funds were divided between different services (Rinne et al. 2002).

The situation was not dissimilar in England until 2006–07. Since then the government has provided a

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Dedicated Schools Grant to local authorities to fund school-based education. In England, the goals of decentralisation and cost-cutting were less significant, where market principles were introduced into school-based education with the aims of increasing educational standards and improving economic competitiveness. The 1980 Education Act gave an increased emphasis to parental choice of school and the 1988 Education Reform Act established a national curriculum and testing programme and significantly, created a “quasi-market” in the school system. Parental “choice”, formula funding of schools based primarily on pupil numbers, the requirement for schools to admit pupils to their physical capacity and the publication of public examination and national test “league tables”<sup>2</sup> resulted in the incentive structure changing so that schools sought to maximise their levels of funding, and pupils’ test and examination results (West and Pennell 2000).

In summary, the reforms in England were clearly market-oriented, with major incentives to maximise test and examination results and levels of funding. In Finland, the reforms focused on a programme of decentralisation to a local level, but school diversity and choice were significant elements of the reforms.

### **Choice, diversity and funding**

Market-oriented education reforms are generally associated with parental choice and school diversity – with funding typically following pupils – which encourages schools to compete with one another for pupils and thus increase their income.

#### *Finance*

In Finland, although local authorities are responsible for the allocation of resources to schools, there is no regulation about how funds should be allocated to schools. Indeed, there can be much diversity between the funding methods chosen by different, and highly autonomous, local authorities. In the capital Helsinki per capita funding of schools was introduced in 2007 with each pupil bringing a certain level of resource to the school she or he attends. With funding following the pupil, a stronger school market has developed, with schools having incentives to compete for children to attract more funding. In other municipalities the situation is very different. In one municipal-

ity outside Helsinki, for example, the funding system has been partly designed to restrict the expansion of schools which had become more popular than other local schools; associated with this, there has been a restriction of parental choice and school diversity. In this case, equity considerations, together with financial and demographic considerations have affected decision-making (Ylönen 2009).

In England, the government allocates funds to local authorities to fund schools; as in Finland the amount allocated to different local authorities varies (e.g., on the basis of pupil numbers and different levels of need). Using formulae devised by local authorities and in accord with government regulations, funds are distributed to schools: the allocation is based predominantly on pupil numbers. Thus, the English financing system is heavily controlled, with central government regulating the funding methods.

#### *Parental choice and school diversity*

For school choice to be exercised there has to be a diversity of providers. In both England and Finland there is a relatively small private fee-charging school sector. Within the publicly-funded school sector there is diversity in both countries. In Finland, diversity was introduced following the new National Curriculum in 1994. This resulted in a shift from a stricter national curriculum to more variable school-based curricula, and it encouraged schools to specialise (Norris et al. 1996).

Parental choice was made explicit with the 1998 Basic Education Act. Local authorities were considered as one large “district”, and parents could choose a school of their choice within the municipality (Ahonen 2003). However, it is significant that only if there are places left after local pupils have been assigned to a particular school can parental choice be taken into consideration (see Rinne et al. 2002). The local authority is obliged “to arrange basic education for children of compulsory school age residing in its area” and to assign the child to a neighbourhood school ensuring that travel to and from school is “as safe and short as possible” (Finlex 2011).

Parents may apply for a place for their child at a school other than the local school and schools with a special emphasis on one or more subject areas may admit pupils on the basis of an aptitude test. However, even in this case, the municipality can prioritise

<sup>2</sup> These are intended to provide information to enable parents to make informed preferences about the school they would like their child to attend (West and Pennell 2000).

children living in the local area; this also applies to specialist classes (Finlex 2011).

In the large cities it appears that local authorities have in fact assisted the development of competitive school markets by deciding that some catchment areas in city centres should be so small that, in practice, a large majority of pupils can be “selected in” through admissions policies (Seppänen 2001). Subsequently, the most popular schools, which have strong specialist agendas and tend to be located in close proximity to city centres, have become “selective” as most pupils are not from the local catchment area (Seppänen 2003).

Evidence about the outcomes of market reforms in terms of equity and social justice is limited to small-scale research carried out in the largest cities, particularly Helsinki, where competitive educational markets in compulsory education have been introduced. The research suggests that it tends to be largely middle class parents who have exercised their ability to choose, and also that some popular schools have been able to “select in” advantaged intakes of pupils (Seppänen 2001; 2003). Seppänen (2006) also found that parental choice has led to segregation of the pupil population in secondary schools on the basis of parents’ education, socio-economic status and income, and to a greater extent than would be the case with school catchment areas.

In England, there was some diversity in the publicly-funded school system prior to the 1980s, with voluntary schools (predominantly with a religious character), comprehensive schools, and in some areas grammar (academically selective) schools. The 1988 Education Reform Act allowed for “independent” city technology colleges to be established, with capital costs (in theory) being met by private sector sponsors and running costs met by the government. Publicly-funded schools could also “opt out” of local authority control and become “grant-maintained” and funded by central government. Schools were also able to specialise in certain subject areas and select children with aptitude in particular subject areas. The focus on “choice” and “diversity” in England continued under Labour administrations (1997–2010), although there were some changes. Grant-maintained schools became, in the main, “foundation” schools and the specialist schools programme was expanded. Publicly-funded independent schools, known as academies, were introduced. These were initially set up to replace schools with low levels of pupil attainment. They required a financial contribution from a donor with revenue

costs being covered by the government. (Most city technology colleges also converted to academy status.) The Conservative-Liberal Democrat Coalition Government, elected in 2010, continued the academies programme but also changed it to encourage schools judged “outstanding” by the schools inspectorate to convert to academies (with no sponsor) in accordance with the 2010 Academies Act. In addition, under the same legislation, parents and other bodies are able to set up “free schools”, another form of academy (i.e., publicly-funded independent schools).

Parents are required to specify “preferences” for the schools of their choice, and children must be admitted to a school, on demand, up to the physical capacity of the school.<sup>3</sup> The decision about which child attends which school is made either by the local authority or by an individual school (in the case of voluntary-aided and foundation schools and academies). If there are more applicants than places available, the published admissions criteria are used to decide who should have priority for a place. Local authorities and schools responsible for their own admissions decide on their oversubscription criteria, with guidance being provided by the government. A key factor is that admissions criteria should be clear, fair and objective (West et al. 2011).

Concerns about access to different types of school have been raised. Schools with responsibility for their own admissions are more likely than others to use criteria that enable pupils to be selected in and out of schools – for example voluntary-aided schools generally select on the basis of religion and a higher proportion of foundation schools select a proportion of pupils on the basis of aptitude or ability (West et al. 2011). Significantly, areas where there is school allocation – by religion, aptitude in a subject area, or payment of fees – have been found to have higher levels of segregation (in terms of poverty; Gorard et al. 2003).

### Discussion and implications for policy

There are clear differences between the systems and their development in Finland and England but in both cases elements of markets have been introduced into the compulsory school system emphasising notions such as parental choice, school diversity and schools competing for pupils. The rationale for introducing education reforms from the 1980s varied. In Finland

<sup>3</sup> Except in the case of fully academically selective grammar schools.

decentralisation was a key factor. The system was seen to need modernising and the introduction of elements of the market provided a suitable solution. In England, a key focus was to increase competition between schools with the aim of raising standards. There was also a desire to reduce the power of local authorities and increase the autonomy of individual schools.

The Finnish legislation gives local authorities a key role in determining the school to which pupils are allocated. The priority is to ensure that every child has a place at a local school if that is what parents want and also to ensure that travel to school is as safe and as short as possible. Parental choice is restricted in Finland. Thus, although parents can make a request to go to another school, this can only be granted if there are places available after having allocated pupils who live near the school.

There are no formal published “league tables” of test or examination results to inform parental choice. Nevertheless, there are some similarities between Finland and England in relation to selection and specialisation. Finnish comprehensive schools can specialise and select pupils, although even here the local authority can decide to give priority to children residing in its area. In England, legislation is less prescriptive in relation to access and admission than in Finland – the local authority has a more limited role. However, in relation to funding schools, the legislation is more prescriptive in England.

Regulations relating to school access and school financing vary in England and Finland. In Finland, strong legislation relating to school access is applicable across the country, restricting variation between schools and municipalities. This is the legacy of the stronger interpretation of equality of opportunity as practised in the comprehensive school system of the 1960s. However, there is no such legislation relating to the financing of schools, which can create inequities within the system. Thus, there is considerable autonomy for municipalities to design education services in different local contexts according to different circumstances and priorities. This autonomy explains why some municipalities such as those in the south of the country, particularly in Helsinki, have been able to introduce more explicit school markets than others where development priorities have been different (Ylönen 2009). Whilst in principle, local authorities can decide that funding follows pupils, in practice this may only be feasible in larger cities where there is a higher number and greater diversity of schools. In England, legislation relating to school access is underpinned by

guidance and limited regulation, allowing for significant variation between schools and local authorities. However, legislation relating to school funding is more prescriptive. Thus Finland and England vary along the two policy dimensions of access and admission on the one hand and school finance on the other.

In conclusion, recent education reforms in England and Finland, although similar in some respects, reflect different historical and political contexts. In Finland, local authorities play an important mediating role in relation to school access and admissions: they have clear duties and responsibilities laid down by the law. This is not the case in England. However, in Finland, local authorities have more autonomy and power in relation to the allocation of resources to schools than they do in England. Our analysis demonstrates that it cannot be assumed that the notions of choice and diversity are similar across countries. Moreover, the outcomes of such reforms of the school-based education system cannot be assumed to be similar. Policy goals, policy instruments and policy implementation are all significant factors when making comparisons between jurisdictions.

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