

## Abstract

This report addresses the issue of what role primary and secondary schooling plays in the national economy. General schooling raises productivity and contributes to economic growth – are there ways of enhancing this contribution? Schools for youth are here viewed as a productive sector in a production system where they interact with other forms of education. The stress in this report is on schools' production process, resourcing, costs, and performance. There are no previous sectoral studies of public service producing activities.

The resource use in primary and secondary schools has doubled over the period 1970–90. Their share of GNP has stayed roughly constant. Primary and secondary education are currently undergoing a period of rapid change. There have been changes in which level of public authorities have the responsibility for schools; teachers are now hired by the municipality (the "kommun") and the municipalities are, by state mandate, now also responsible for providing pre- and afterschool care. The previous central micromanagement of process has been transformed into result-oriented performance standards, and the central government subsidies to schooling are no longer earmarked. Primary and secondary schools have now become a part of the municipalities' finances and have to compete for funding with other activities. These changes have coincided with the economic recession and local governments have been forced to economize; funding reductions have also hit schools, especially primary schools.

The present problem for local schools is to cope with increased volume due to rising student enrolments, higher quality standards due to increased demands from higher education and private employers (as well as the new state teaching guidelines) while receiving less funding than before. How are local schools going to accomplish this – are there useful examples from other public service sectors, e.g. health care?

The effects of funding reductions on activities and achievements are difficult to estimate – there are no precise performance standards today that can show the relationship between resources and outputs. In addition, the cost accounting done by municipalities is very unreliable. Municipalities have different accounting practices, activities are defined differently, etc., and the result is that the knowledge concerning the costs of primary and secondary school is inadequate. It is difficult to answer the question of how much local schools cost. There are substantial differences in

reported costs between municipalities that may indicate the presence of potential savings or perhaps just differences in accounting practices.

Cost accounts for schools for the period 1990-92 indicate the core activity, teaching, receives ever decreasing funding while costs for the premises are increasing and administrative costs are virtually constant.

The report stresses the very real conflict that may exist between the national educational goals of the central government and the demands from municipalities for cost effectiveness in their schools. Due to increased freedom of choice in education for various career paths, another conflict has arisen between the individual's right to choose schooling in low-growth oriented jobs and the state's desire to ensure that schooling produces more economic wealth for society. Because primary and secondary schooling provide the foundation for further education, it determines much of the achievement feasible at higher levels. Therefore, it might be possible to reallocate some funds from remedial post-secondary education to primary and secondary education as quality increases and there is less need for remediation.

The report presents three scenarios for the future development of local schools. One of these is a more economic growth-oriented education than presently. The last section gives a short-hand of various issues that must be discussed in order to realize such a school system.

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