

Chapter 3

Individualised service provision and the new welfare state: Are there lessons from Northern Europe for developing countries?

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Welfare states in the advanced countries are responding to the rise of new, immeasurable risks by relying less on social insurance and more on the provision of customised social services, such as education, which enable citizens to acquire the capacities needed to respond to the risks they face. These services are provided by a novel form of organisation that addresses the classic problems of public administration - how to limit discretion while increasing the responsiveness of the organisation to changing circumstance - by authorising front-line workers to search for new solutions, but with the requirement that they explain and justify their decisions to peers. The successful Finnish school system exemplifies this new type of organisation. Research on the limited effectiveness of conditional cash transfers, which is the favoured strategy for improving social services in developing countries, suggests the need for customisation in this setting too, so changes in advanced country service provision may hold lessons for development.

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- * Charles Sabel is at Columbia Law School. For reasons that will become obvious, but hopefully not burdensome, the author is even more indebted than usual in the composition of this paper to able and well informed colleagues. The author owes especially large debts to Reda Hamedoun, Matteo Morgandi and Ruslan Yemtsov of the World Bank and Natasha Iskander of NYU, on whose deep and diverse insights into the changing nature of social welfare institutions in developing countries he has relied to mitigate his own ignorance and confusion. If there is any interest to what the author says in this topic here it is due to them; if not, his own limits have been proved incorrigible.
- ** This paper draws extensively on “Individualised Service Provision in the New Welfare State,” a more comprehensive discussion of the organisation, origins and difficulties of the Finnish special education, co-authored with AnnaLee Saxenian, Reijo Miettinen, Peer Hull Kristensen, and Jarkko Hautamäki for Sitra, Helsinki, October, 2010.

Introduction

The welfare state is in transition. It is widely acknowledged that schooling in the broadest sense - the acquisition of the capacity to learn to learn in primary and secondary school; the application and development of that capacity throughout all phases of an ever longer work life - is increasingly a necessary condition for employability and through employability continuing, active and honourable membership in society. Conversely, redistributive transfers from market “winners” to market “losers”, which is the insurance mechanism at the heart of the traditional welfare state, are diminishing in relative importance as a guarantor of decent social inclusion, although such transfers are still far from irrelevant as a component of social security. Underlying the relatively recent yet widespread realisation of the requirement for life-long learning for diverse kinds of students,¹ and the increasing emphasis in policy discussion on skill development in “active” labour market policies for different groups at risk of exclusion, is the dual recognition that to safeguard social solidarity, a welfare state must today provide enabling or capacitating services to equip individuals and families to mitigate risks against which they cannot be reliably insured, *and* that to be effective, these services must be tailored to the needs of individuals or groups. The shift away from insurance and towards skill-based risk mitigation, moreover, can increase the productivity of the economy as well as its capacity for innovation: the increased availability of skills makes firms more flexible, allowing them to undertake novel projects that would have previously overtaxed their ability to respond to unfamiliar situations. At the limit, in tight labour markets, competition for skilled employees may induce firms to look for innovative projects to attract workers who demand challenging tasks as a condition of continued learning. To the extent that increases in individual skill levels reshape the labour market and the reshaped labour market influences the organisation and strategy of firms, the shift towards a welfare state based on capacitating services of each can contribute to the prosperity of all.

This shift towards an enabling welfare state providing individualised services is incipient and more pronounced, for historic reasons, in some countries or welfare-state “families” with similar origins and trajectories than others. It is far from being the dominant, let alone exclusive form of welfare provision even where it is most salient. Indeed, due to the fact that institutions of the new, enabling welfare state often arise from piecemeal adaptation of traditional organisations to current circumstance, their novelty has gone unremarked even where their success is most striking.

Nonetheless, despite these qualifications, the emergence of capacitating welfare institutions commands attention. The financial crisis has exacerbated

the long-standing debate about the vulnerabilities of the traditional welfare state in the advanced countries. The alternatives posed for public discussion and policy makers are stark: an explicit return to *laissez faire*, which has been repeatedly rejected, at least until now, by electorates in the advanced countries over recent decades; more open toleration of the cruel dualisms - welfare for the well organised and relatively well-to-do, *laissez faire* for the weak - that have crept into many of these societies even as they refuse to abandon the current order; or a deliberate effort at renewal along the lines of the capacitating welfare state, or a strategy of “social investment” as it is sometimes called. Reform of this latter kind has been, of course, often promised but seldom enacted successfully on a large scale. The promise is tainted by lingering doubts about the feasibility of the reforms, especially regarding the ability of even the richest societies to build the kinds of organisations that they seem to pre-suppose. For example, traditional public schools, organised as bureaucracies, have often failed to teach diverse student populations the basics of literacy and numeracy. Why should we be confident that we can create institutions that will do this and more? Simply to assess our possibilities at this crucial juncture, therefore, requires that we understand better how institutions providing customised services function and the paths that lead to them.

The shift towards a new form of welfare state is, moreover, potentially of great relevance to developing countries. The formation of global supply chains, which are based on just-in-time production and demanding quality requirements, opens new possibilities for development, but also places new demands on the skills and capacity for continued learning of employees and thus on national education and training systems. Put bluntly, countries that can only offer potential multinational partners a low-cost, disciplined, dexterous workforce will be outcompeted by countries that provide a better educated and trained one. Improving school possibilities, especially for large, disadvantaged populations, confronts policy makers with dilemmas related to those faced by school reformers in the rich countries. The same goes for efforts to improve the delivery of health care and social services, which are valuable in themselves and often a necessary complement to the reform of schools.

However, the organisational challenges to this kind of reform, daunting in the context of the advanced countries, appear to be overwhelming in the context of the developing ones. In the worst cases, the true function of school systems and social welfare bureaucracies, along with state-owned firms, in developing countries is not to provide services to the public, but rather a safety net of steady employment to a modestly privileged minority with the academic attainments or political or social connections required to occupy it.

Such employment providers are not a foundation for reform but rather an obstacle to it.

Moreover, the concern continues even when schools and social welfare ministries do actually provide some services, as their utility is best increased by modest interventions that are aimed at changing the behaviour of users, not by bolder reform that is aimed at the operation of the service provider. Conditional cash transfers (CCTs) are an example: a mother is provided a cash benefit on condition that her child regularly attends school, or her infant is seen periodically by a nurse or other health worker. Simple as they are, it is argued, programmes of this kind test the organisation capacities of developing countries. Farther-reaching reforms are, by implication, impossible.

There is truth in these observations, but they overlook much of significance. First, while CCTs regularly achieve their explicit aims, their effects are narrow and do not reach the broad goals motivating reform. Thus CCTs that aim to increase attendance rates do so; however, given the defects of the schools that students are attending, increased attendance does not result in improved educational performance - the “final” outcome towards which the reform is directed; nor do programmes that directly incentivise better performance or that - again avoiding bureaucracy - induce tightly specified improvements in particular school inputs (better textbooks, flipcharts, etc.) produce the desired “final” effects. As a result, thoughtful advocates of CCT-style reforms that put minimal burdens on organisational capacity have begun to underscore the importance of, for example, remedial educational programmes that are targeted to the needs of particular groups of students (Banerjee *et al.*, 2004). At the very least it is clear that CCTs are not a substitute for the provision of enabling services.

Second, while CCTs may turn out to provide some of the building blocks and impetus for service-based welfare, their implementation turns out to require extensive organisational reform - creating bank accounts for beneficiaries without them, establishing methods for registering attendance and systems for collecting the resulting data, and so on. These “preliminaries” to reform require innovative collaborations among many departments that have seldom, if ever, cooperated before. Whether these efforts are any less demanding than those required for restructuring poorly performing institutions, or help generate the capacities needed for such reforms, are very open questions. Moreover, successful CCTs produce self-reinforcing follow-on effects: systems for registering incentivised attendance at school, for instance, may also alert parents to the absence of teachers, and these alerts can lead to complaints, reductions in teacher absences and (in combination with improved pupil attendance) better learning outcomes. Whether it is possible to build further reforms on these effects, or adjust the incentive programme to induce them when they are not by-products of the initial

intervention, are again very open questions. In any case, it seems worth considering the possibility that both kinds of reform rely on and develop related kinds of capacities, and that it may be easier to combine both approaches, or transition from one to the other, than the clear differences in their underlying conceptions would suggest.

Quite apart from experience with CCTs, there is evidence from middle-income countries, such as Brazil, that experimentation with reform of traditional systems of tax collection and labour inspection is, in some instances, leading to the independent discovery of the same kinds of organisational innovations that permit customised service deliver in the advanced countries (Pires, 2011).

Finally, though incremental reform is often a prudent strategy for maximising the possibilities for learning and self-correction, a commitment to incrementalism is no license to ignore revolutionary moments such as the Arab spring. This vast movement is partly the result of successes and failures of development polices of the last decades: the Washington Consensus of the 1990s urged the privatisation of state firms and the reduction of the size and budgets of public bureaucracies. These measures rend the social safety nets provided by these institutions, usually without generating economic growth and employment alternatives. Related policies expanded educational opportunities, increasing the number of graduates with higher degrees and spurring their ambitions, even as the number of accessible jobs with the corresponding formal requirements remained fixed or even decreased.

The upshot is the formation of a mass of young people with skills, degrees and ambitions, but few prospects. The systems of social protection of many developing countries are therefore under substantial strain; the role of the state in fomenting growth and promoting forms of social protection that are adapted to current circumstances will be, as in the advanced countries, open to discussion. As part of larger programmes of reconstruction, might the most dedicated and alert of these generations be recruited to staff a reformed, perhaps re-founded, public administration? To dismiss the question as utopian is to ignore how much the fragile *status quo* has been undermined in many developing countries. To assume that the answer is “yes” is to overlook not only enormous political obstacles but also the same kinds of questions about organisational feasibility that haunt the discussion of welfare state reform in the advanced countries.

The aim of this paper is accordingly to specify the organisational challenges posed by the provision of individualised services; to show how in principle and by example they can be overcome in the advanced countries; and to suggest some connections between this experience and continuing discussion of improvement of social welfare benefits and services in

developing countries. The rest of the argument is in four parts. The next section briefly surveys the pressures that induce a shift towards an enabling welfare state based on the provision of customised services; illustrates its broad promise by reference to the recent, surprising success of the Nordic countries in combining superior economic performance with superior social protection; and suggests revisions in the dominant conception of organisations to account for otherwise unintelligible institutional achievements. The following section uses a case study of the Finnish school system to exemplify the alternative principles of organisation. The outstanding performance of Finnish schools in international comparisons has been widely noted. Much less remarked is that most of the overall success of the Finnish school system is due to the superior performance of the lowest quintile of the pupils compared to the corresponding group in other countries, and that these pupils - “low” performers by Finnish standards, high performers by most other ones - benefit from short-term, special education support, which is tailored to overcoming specific learning problems and so avoids cascades of failure. A recent comparison of the performance of a group of current Finnish students on a reading test originally administered in the 1960s with the performance of a like group of the initial test takers confirms that the current achievements are indeed due to the introduction of special education and other changes in the school system beginning in the 1970s. A second study, comparing teaching routines in Finland and Denmark - the latter with equivalent traditions of egalitarianism and respect for education, but mediocre school outcomes - corroborates the finding that superior outcomes are due to distinctive classroom practices, not features of the larger society. The following section discusses the implications for the provision of social services in developing countries. A final section concludes.

It will already be clear that this paper trades depth for breadth. In the compact format available, it is simply impossible to treat the shift towards a service-based welfare state, the exemplary case of Finnish special education and their relation to public administration in developing countries in the warranted detail. The impossible is not attempted. The aim is simply to induce reflection on policies toward improvement of social welfare services and social protection generally in the developing countries by examining them in the mirror of recent and, in many ways, counter-intuitive experiences in the advanced ones.

Individualised service provision and the organisational puzzle of its success

The shift to service-based solidarity is ultimately driven by the breakdown of key elements of the transfer-based, insurance system that defined the welfare state from the post-World War II years through the 1980s, and the need to find a workable alternative. The source of the difficulty - crippling for any insurance system - is the rise of uncertainty or, as it is sometimes called, non-actuarial risk: unforeseeable risks of harm make it impossible to say who should pay how much in premiums to create an insurance pool that is sufficient to indemnify those who actually incur losses. Changes in the labour market illustrate the problem. If risks of unemployment in a particular line of work are mostly seasonable or cyclical, it is straightforward to set aside funds from fair-weather earnings as a reserve on which to live during periodic bad spells. But if, as is increasingly the case, unemployment is structural and caused by radical shifts in product design or production technology that permanently devalue whole skill categories (e.g. a shift to computer-controlled manufacturing that displaces conventional machinists), unemployment insurance, by itself, is not a bridge to another job in the same line of work, or indeed to any job at all.

When risk pooling fails, the effective strategy is to help individuals and families to self-insure against risks by enabling them to acquire the capacities that they need to surmount the disruptions that they face. If each of us can acquire, with the support of public training or capacitating services, general skills that make us employable in a wide and changing range of jobs, this employability protects us against labour market risks even when conventional unemployment insurance cannot.

Explaining the shift to service-based social security

For three general, mutually complementary sets of reasons, these capacitating services will only be broadly effective if they are customised to individual needs, and if individualised services addressing different domains are bundled together. The first set of reasons concerns what might be stylised as the new understanding of learning. This is an understanding of what is entailed in overcoming obstacles to attaining the capacity to do something - and, conversely, the self-reinforcing consequences of failure to acquire basic capacities. This understanding has emerged in recent decades in education and vocational training, as well as in human services such as child welfare and the treatment of substance abuse. Variants of it inform Finnish education in general and Finnish special education in particular.

In the new understanding, learning is idiosyncratic. In a population of learners, all acquiring some new skill or capacity at their normal rate, each person engages in a different and unique activity: mastering the new skill by combining basic abilities in an individual way. For example, learning to read always requires ability to decode phoneme strings - the “phonics” approach to literacy - and ability to recognise words in semantic context - the “whole language” approach. However, the combinations are idiosyncratic: at various stages in the progress to literacy, some pupils find it easier to “sound out” words rather than to identify them from their setting, while for others the setting is rich in clues about the word, and pronunciation rules distract. Effective teaching under these conditions means choosing the combination of pedagogic approaches best suited to each child in their phase of development: customising the pedagogy to the child.²

A correlation to the idea of the idiosyncrasy of learning is the idea that learning problems arise from disruptions in the normal flexibility of individual personality, and that such disruptions typically result from co-morbidity: cognitive difficulties exacerbating behavioural difficulties, exacerbating family or psychological problems. If each learning task can be mastered in many different ways, a normal learner will by trial and error eventually find a way that works, even if, with expert guidance, he might have come to another method that would have produced better or quicker results. However, if this search process is obstructed by other, more urgent individual concerns that are unrelated to the cognitive task itself, the learner is thwarted by the first difficulty encountered. A familiar and common example is attention deficit disorders, which make it difficult to focus on the cognitive task at all. Hence, given co-morbidity, individualised capacitating services in different domains have to be provided in customised bundles: the learning problem can't be addressed (or in many cases even properly diagnosed) if the attention problems are not addressed as well.

Since learning problems or disorders are in this way deeply rooted in many aspects of a learner's life, they are seen in the new understanding as chronic and relapsing. As in substance abuse and eating and mental disorders, the frequency, duration and severity of “spells” of learning problems can be reduced. But there are seldom definitive cures for the underlying condition. Customising a learning plan, especially for a student with difficulties, is therefore a continuing, not a once-only task: strategies have to be revised in the light of breakthroughs and reverses, and it is crucial to have a reliable record of what has and has not worked in the past in determining what to try next. In anglophone literature this approach is known as response-to-intervention (Haager *et al.*, 2007).

Realisation of the need for continuing support goes hand-in-hand with the recognition that the costs of early failure - an incapacity to learn to read at the

normal rate, for example - are rapidly compounded, narrowing life chances in ways that frequently crush individuals and cumulatively impose large burdens on society. Those with poor reading or math skills are at high risk of leaving school early, with grim prospects on the labour market if they do. Conversely, apparently small gains in reading or mathematical proficiency in the early years of formal schooling increase the chances of later school success, with corresponding labour market rewards. Thus provision of customised, continuously adjusted bundles of capacitating services must, in the new understanding, begin as early as possible.

Customisation of services is, second, a response to the increasing differentiation - or heterogeneity - of the population. Even as it is recognised that the “same” kinds of people with the “same” kinds of problems require differentiated services to address the idiosyncrasies in their problem solving, the number of different kinds of people requiring services is increasing dramatically. Changes in migration patterns, family structure and labour-market behaviour - especially the massive entry of women into the work force - have put an end to the era of the standard household headed by a native-born male, working full time - often for decades at the same firm - to support a stay-at-home housewife and children. The multiplication of new living situations and domestic arrangements, with new burdens on family members often regardless of marital status, entails new demands for the diversification and coordination of social services.

These changes are reinforced by a third set of changes in the understanding of disability and what society owes persons with disabilities. Through roughly the 1970s disability was understood medically, as a significant, well-defined impairment of normal or healthy human functioning that persistently obstructed participation in the work force and other spheres of social life. Governments in the developed countries and organisations representing the disabled took the corresponding public obligation to be the provision, through transfer payments, of a decent standard of living. A decent society, in other words, was obligated to ensure that disability did not lead to degradation.

However, since the 1970s the disabled themselves and their organisations have rejected this medical model in favour of a social one that takes disability as a normal, not an extraordinary or pathological condition. Most of us, after all, will at some point in our lives be impaired in a way that does or could threaten our capacity to participate in many life spheres. Exclusion stunts development; what is stunted atrophies and degrades. To the extent that disability in the sense of a risk of degradation through stunted development is indeed a pervasive social condition, not a cluster of medical abnormalities, the appropriate response is not to provide a variant of accident or health insurance. Rather, the response to disability as a social condition requires a

comprehensive social response, which nowadays is commonly given legislative expression as a requirement of “reasonable accommodation” to risks of exclusion: social adjustments to include those with disabilities - in this view, nearly all of us, at one time or another - as fully as possible in education, the workplace and public life. This is done both by providing services that increase individual capacity to participate and by re-configuring these life domains to make them more amenable to such participation. Thus the social model of disability shares with the new understanding of learning the assumption that, given widespread but corrigible limits in our abilities to respond to developmental challenges, we will need at least occasionally and often periodically the support of customised capacitating services to avoid a cascade of exclusionary failure (Perju, forthcoming).

All these changes are, finally, contributing to a slow redefinition of the very idea of social justice: a shift away from understanding fairness or equality as treating all in the same way, and towards an understanding of equality as an obligation to give due regard to the needs of each and so enable all to flourish. The old understanding of equality as equal treatment made it awkward to speak of individualising services precisely because equal treatment required that services be uniform to be legitimate. It is partly for that reason that the shift towards individualisation has often gone almost unremarked in countries such as Finland and the other Nordics - in transition from one concept of equality to the other - where it is most pronounced.

The Nordic welfare states as frontrunners in the shift to the service-based welfare state and the puzzles that success poses

Although there are significant signs of the shift to service-based solidarity in many advanced countries, the Nordic countries are regarded, certainly within the European Union and increasingly in international discussion, as the exemplars of the new type of welfare state. What is distinctive about them is precisely that they spend a higher share of public revenues on services, ranging from day-care to active labour market policy, than do countries in other welfare “families” (such as the Continental or Bismarkian systems) that collect an equivalently high share of GDP in taxes, but redistribute this income as insurance payments and other benefits typically linked to occupational history (Kautto, 2002). Table 3.1 indicates the magnitudes of the differences.

Table 3.1 Public sector social outlays

(Share of GDP)

Countries ¹	Cash transfers	Direct provision of services	Active labour market policies	Total public sector social outlays
English speaking	9.8	7.2	0.4	17.4
Continental Europe	16.8	8.0	1.0	25.8
Nordic	14.2	11.4	1.2	16.8
United States	7.9	6.7	0.2	14.8

1. Figures are unweighted averages across countries. English speaking includes Australia, Canada, Ireland, New Zealand, UK and US. Continental Europe includes Austria, Belgium, France, Germany, Italy and the Netherlands. Nordic includes Denmark, Finland, Norway and Sweden.

Source: OECD (2004), Social expenditure database 1980-2001 (www.oecd.org/els/socialexpenditure). Values cited are for 2001; Sachs, 2006.

The relatively high expenditures on services in the Nordic welfare states correlate during the last decade and half with, on the one hand, high rankings in the league tables of international competitiveness (including capacity for innovation, flexibility in the labour market and so on) and increased social protection. Sapir (2005) for example, finds that the Nordic model of service provision combines “high efficiency” in the economy with “high equity” in the distribution of life chances: it attains the first by facilitating access to labour markets and so leading to comparatively high employment rates; it achieves the second by reducing the risk to individuals of falling into poverty. He finds that the reduction of poverty risk is only in small part explained by redistribution through taxes and transfers. But he detects a stronger link between poverty reduction and educational attainment, which serves as a proxy for provision of capacitating services in a general sense.

Ideally we would like to connect these and other studies of broad outcomes to an analysis of the Finnish school system and other such institutions, and show how exactly the organisational mechanisms produce the benefits apparently associated, in the aggregate, with them. However, it is extremely difficult to infer institutional mechanisms from highly aggregated data on their effects, just as it is, conversely, extremely difficult to draw out the overall social contributions of particular institutions from even a careful analysis of their organisation. Fortunately, for now, we need not link micro, institutional mechanisms to macro, social welfare outcomes. Instead it is enough to note that the combination of plausible accounts of individualised service delivery and data on general effects of service provisions suggest at least *some* significant development in the direction of the logic of the customisation of capacitating services, and that *any* development in this

direction poses theoretical puzzles that invite us to re-examine familiar, perhaps half-forgotten but still influential ideas about the feasible extent and organisation of the public sector.

The organisational dilemma

To see why this is so you need to recall that the consensus that was articulated in Anglo-American scholarship in the 1970s and 1980s (and never broadly and emphatically repudiated, although less frequently and aggressively asserted in many quarters today than then, was that welfare states were self-defeating and simply unworkable. The high share of GDP (around 45%) collected in taxes and expended by the state at various levels, together with the high marginal rates of taxation that went with it, dulled the incentive to work and invest of the most capable. Social-welfare payments dulled the work incentives and led to a culture of dependency among the most vulnerable. Public borrowing crowded private borrowing out of financial markets, further discouraging investment, it was claimed (Buiter, 1977).

Apart from these concerns, the welfare state was taken to be simply impractical because it depended for the distribution of benefits, whether in the provision of services or in the determination of eligibility for transfers, on public bureaucracies. These were doomed to failure both because they were bureaucracies and because they were public (Niskanen, 1968, 1978).

The general problem with bureaucracy, indeed of any large organisation, was the impossibility of controlling low-level discretion. The situation of potential beneficiaries was typically complex. It was up to the teacher or perhaps the school to determine whether, all things considered, a particular child qualified for a specialised class; it was up to the social-service caseworker to determine whether a particular family qualified for certain grant programs. These decisions by front-line workers, or “street-level” bureaucrats as they were often called, frequently depended on subtle, discretionary judgments that could not be observed and could only be very imperfectly reconstructed for the purposes of (infrequent) review by superiors (Lipsky, 1980, 2010). The life chances of individuals were thus often significantly affected by the discretionary decisions of unaccountable front-line workers who, it was feared, could privilege those they found sympathetic or punish those who offended them in any way. Indeed, applying and interpreting general rules to particular cases under these conditions, the street-level bureaucrats in effect inverted the hierarchical pyramid: they, not the high-ranking and formally accountable officials at the apex of the organisation in effect made policy.

Efforts to limit their discretion by imposing more detailed rules - a strategy pursued especially vigorously in the United States - proved

self-defeating. Adding more and more detailed regulations made the organisation as a whole more rigid and so less able to respond to even large changes in its environment, while creating potential conflicts among rules - which allowed street-level bureaucrats to again exercise discretion in choosing which to enforce.

These inherent problems of bureaucracy were compounded by public control (Chubb and Moe, 1988). Successive political fights over which rules to embed in the bureaucracy led, with changes in upper-level administration, to a cumulative hodgepodge of conflicting instructions. Public-sector unions increased the rate at which the problems compounded. Under these conditions public administration could hardly be an instrument of public policy; and much effort was consequently devoted to exploring the possibilities of achieving the purposes of the welfare state by market means - vouchers for the purchase of school services, for example - that would eliminate the need for detailed planning and control of over-provision by large, public providers.

Given this consensus, the most plausible explanation for the continuation of the welfare state in any particular country was political: welfare states persisted where the immediate political costs to political incumbents and their parties of dismantling them were higher than the benefits that would accrue to them for reducing the burden of the state on the economy (Pierson, 1995, 1996). By making welfare benefits universal - conditional on citizenship, rather than occupational history or (with regard to services like day care) need - the Nordic countries built on and re-enforced broad coalitions; and the breadth of these political alliances, and the common interests they generated, accounted in the consensus view for the particular robustness of the *folkhem* variant of the welfare state. The continuing requirement for rapid restructuring of the economy from the 1970s onwards, combined with the shift towards service-based solidarity, and the accompanying requirement of customising and bundling services should have increased the inefficiencies associated with the welfare state, pressing on inherently flawed organisations tasks that were more demanding than the ones at which they were already failing, and raising the costs of new failures. Through the mid-1990s this seemed to be precisely what was happening. Hence the recrudescence of the Nordic welfare states and their economies, as reflected in many of the closely followed international rankings of competitiveness, suggests that actors in the real world have found ways to do things that were not contemplated in our theories.

In retrospect, the answer to the concerns about tax burden and the concomitant dulling of incentive turned out to be fairly straightforward, at least as seen from the perspective of the Nordic welfare states. Citizens put a high value on education, healthcare and daycare services that they and their families can really use; they are willing to pay high taxes to support them.

The availability of these services makes it easier to enter the labour market (and of course to change jobs, since benefits are not tied to particular employers); they certainly do not eliminate the incentive to work. Active labour market policies combine income supports for the unemployed with training possibilities (and requirements for making use of them) that likewise encourage (re)-entry in the labour market. The availability of effective capacitating services and the heightened expectation of employability to which it leads makes it reasonable, furthermore, for wage earners to forgo traditional, seniority-related job guarantees. This increases the security of individual employees while also increasing the flexibility of the labour market and the economy as a whole - the “flexicurity” associated with the Danish labour market model. Taken together, this characteristically Nordic bundle of welfare state policies clearly creates (or is consistent with) incentives to work, as reflected in the high labour force participation rates of both genders across all stages of life, which is reported by Sapir and many other studies. This same bundle of policies also incentivises family formation, as reflected in the high fertility rates of the Nordic countries, which are among the highest in the OECD, having declined much less than in other wealthy countries since 1970 (OECD, 2010).

There has been, in contrast, much less discussion of the way in which the problem of organising flexible yet accountable public services is being addressed. Evidence of reorientation is hard to come by here, in part because (as in the case of Finnish special education) systemic change often emerges as the unplanned result of piecemeal modifications; in part because even when change is deliberate and systematic, reform programmes are formulated in the argots of the particular sectors from which they emerge and to which they are addressed, disconnected from the general discussion of the possibilities of policy and organisation; and in part because of hesitations to discuss changes involving the redefinition of equality.

An alternative to bureaucracy

However despite these obstructions in the field of view, a fundamental innovation in the organisation of public administration is visible. This innovation officialises the topsy-turvy world of street-level bureaucracy, but in a way that makes it accountable and capable of learning from its own diverse experience. Instead of trying to limit front-line discretion as the consensus view indicated, public-sector actors in many settings openly authorise it, actually increasing the autonomy accorded to front-line workers: the case worker for, example, is tasked not with determining which clients are eligible for which programs, but devising, in consultation with the client and a team of expert service providers, a plan that brings the relevant resources to bear on the client’s problems. As a condition of this autonomy, however, the

front-line worker (or, increasingly, the multi-professional, front-line team) must provide a detailed report on the client's progress under the plan and evaluate progress by agreed metrics. The plan and monitoring reports are in turn reviewed by a group of the front-line workers' (or team's) peers in the light of the experience in comparable situations (Noonan *et al.*, 2009).

It is peer review of this kind that creates a mechanism for accountability. The front-line worker is accountable when, in the judgment of her peers, she can justify her actions as in the best interest of the client, given the overarching purposes of the public organisation that provides the service, and given the range of results obtainable in similar cases. If doing this requires deviation from the rules, then the rules need to be re-examined in the light of the higher purposes that they are intended to serve. This dynamic or forward-looking accountability contrasts with conventional forms, in which agents are accountable to principles precisely to the extent that they comply with the rules established by the latter.

This peer review also creates a mechanism for institutional learning. It allows local error to be identified and corrected, dead ends in policy development to be detected and promising successes to be generalised or subjected to more intense scrutiny to verify initial results. Put another way, peer review as part of dynamic accountability affords the case worker and his team an opportunity to improve their decision making, while allowing the institution as a whole to reconsider current rules and routines in light of their successes and failures. Think of this as learning by monitoring. As such organisations share with philosophical pragmatism the assumption that routines and even guiding assumptions will be in need of correction, and put that philosophy into practice by developing routines for regularly exploring the advisability of doing so, they are called pragmatist or experimentalist.

Development paths

Very broadly speaking, there are at least two paths in the advanced countries that lead to the formation of such experimentalist organisations. The first might be called the direct or natural path because it develops the professional tradition informing clinical social work, education and health care that emerged “naturally” in Europe and the US in the early 20th century. It takes professionals as independent flexible problem solvers and enhances their capacity to address a widening range of (more and more individual problems) by decentralising authority within the large-scale organisations that typically employ them to regional and local levels, increasing the training and support available to individual practitioners, encouraging them to work in interdisciplinary teams, and introducing elements of peer review and dynamic accountability. Cumulatively these changes ultimately transform traditional

professional identity, especially the understanding of professional accountability, which is highly deferential to individual autonomy, only intervening in cases of gross, manifestly “unprofessional” misconduct. So the direct path is direct and natural only in the sense that it involves no abrupt and highly visible break with traditional and apparently “natural” forms of association, but not in the sense of leaving these entities unperturbed, in some imaginary original state.

As we will see in more detail in a moment, this is the path taken in the Finnish school system, particularly in special education. It is also the path taken in Danish labour market policy - especially continuing education at the heart of activation and flexicurity (Cohen and Sabel, 2010). Given its association with these salient cases, we will also refer to this path as the Nordic way; however, keep in mind that in many cases Nordic societies started down this path to reform only to lose their way, not least because they were too dependent on or perhaps deferential to the existing corps of professionals. For example, in the case of Danish schools, which we will consider in some detail, efforts to regenerate teaching focused on encouragement of new and more intense forms of cooperation among teachers, rather than on peer review and other elements of dynamic accountability - with unsatisfactory results. Conversely, there are many examples of the gradual transformation of professions in an experimentalist direction outside Scandinavia - in the health care sectors of the US and Great Britain, for example. So there are no uniquely Nordic prerequisites to this path to development.

The second or roundabout route is via the reconstruction of broken public bureaucracies and it is characteristic of the US. Large, highly formalised bureaucracies emerged there in public administration starting in the 1960s, mainly in response to the fear of front-line discretion that is mentioned above: the Left feared street-level bureaucrats, such as police officers on the beat, would be unsympathetic to the poor and persons of colour. The Right feared that social welfare workers might be unduly generous to claimants. Both could agree on the need for rules to restrict discretion, with the results noted (Titmuss, 1971). After years of crisis, public institutions as diverse as schools and child welfare agencies came independently upon the solution of enlarging the autonomy of front-line workers, but at the same time obligating them to explain their use of discretion, with peer evaluation of their results. As the enlargement of autonomy is often perceived as a (re-) professionalisation of front-line service occupations, this “top-down”, deliberate reform generates a “bottom-up”, cultural complement, just as the Nordic path introduces elements of “top-down”, deliberate review into traditional “bottom-up” professional culture.³ There are, moreover, strong affinities between this path to experimentalist institutions and the Toyota production system developed in

Japan - particularly the idea of using the detection and correction of local problems as an indication of systemic problems and how to address them. As the Toyota system has now diffused to countries around the world (Womack, 2010), there is nothing peculiarly American about the roundabout, US path, just as there is nothing uniquely Nordic in the Nordic way.

To judge by experience so far, neither path is superior. Their advantages and disadvantages mirror each other. Thus the advantage of the natural path is precisely that it is natural. Existing professions and institutions grow almost effortlessly, it seems, into new roles and responsibilities. Change is organic, incremental, and all but invisible. Deep assumptions can change, or at least relax their grip on practice, without contentious, potentially paralyzing debate about first principles. A system capable of collaborative learning and cooperative provision of specialised services emerges, but few of the actors have a sense that they are acting in a system - and still less of design principles that (have come to) shape their interactions.

However, this same natural, almost invisible process of change can become an obstacle to continuing development when several existing professional practices need to be reconsidered and revised jointly to reach emergent problems. In that case the informality of learning and self-revision that made adjustment seem automatic, and the corresponding inattention to the design of the system as a whole can be a barrier to more deliberate and analytic reconsideration of strategy and organisation. Indeed the very effort to organise such systematic discussion can seem, given the continuing emphasis on the primacy of individual self direction and responsibility, as an assault on professional dignity and autonomy. Such strains are apparent in the halting efforts of school reform in Denmark, and they are coming to light in current discussion about the need for more systematisation in the interests of more reliable and effective customisation of services in Finnish special education as well.

The strengths and weakness of the roundabout path are the reverse of these. Change is hard, nearly impossible it seems, to initiate. It takes a crisis, often decades of crisis, to force serious reconsideration of broken bureaucracies. Normally incumbents are sheltered from the need to change by the familiar logic of collective action: the costs of institutional failure are diffused over large numbers of supposed beneficiaries, none of whom has an incentive to fight for change, while the advantages of the *status quo* confers large rewards on the small group of incumbents, who are therefore motivated to defend their privileges against reform (Olson, 1974). It is only when the costs of failure are broadly seen as unacceptable - when parents see failed schools as crippling their children - that this logic loses its grip. But once change is seen as necessary, the only means by which it is possible involves identification and remediation of successive constraints - a continuing process

of collective enquiry into the operation of the institution or system in relation to its goals. This process too is incremental; but it is, unlike the natural development of professional competence, not tacit or nearly so. On the contrary, it relies on the ability of teams at all levels in the organisation to make explicit the limitations of their current activities and ways to redirect both their efforts and those of the institution. The introduction of methods of this type, diffusing rapidly in the New York City school and other US school systems could, we will see, help address some of the problems emerging along the Nordic path to customised service provision in Finland.

How individualised service provision works: the Finnish special education system

In a world that increasingly sees effective education as an indispensable form of both collective and individual insurance against economic instability, the success of the Finnish school system naturally draws attention. Finnish 15-year olds regularly outperform their peers in other advanced countries in the quite demanding PISA test of reading, mathematics, problem solving and scientific knowledge. The distribution of these results strongly suggests that schooling in Finland is contributing greatly to social solidarity: the variance or divergence of individual students' results from the mean result is smaller in Finland than in any other country, as is the variance of the performance between individual schools. While each quintile in the Finnish distribution of science scores (the lowest scoring 20% of the test takers, the next highest 20% and so on) outscores the corresponding quintile in other countries, it is the bottom quintile of Finnish students that outperforms the most and thereby raises the mean to the top of the international league tables. As might be expected from this outcome, the influence of the parents' social and economic status (SES) on the test performance of their children, while still detectable in Finland, is more attenuated there than anywhere else. The Finnish school system is thus an institution for disrupting the transmission of inequality in life chances from one generation to the next. By the same token (and given that a score in the highest three of the six categories on the PISA science scale, where most Finnish students place, arguably demonstrates capacity for life-long learning), the school system provides an essential capacitating service that reduces the risk of inequality and exclusion within each generational cohort. Understanding how the Finnish school system produces these results is thus likely to shed significant light not only on the conditions for success of a fundamental building block of the new welfare state - primary and secondary schools - but also on the encompassing question of how to institutionalise effective capacitating services.

However it is precisely here, in explaining how the Finnish school system actually works, that discussion and analysis falter. Current explanations of the PISA success focus largely, almost exclusively, on circumstances outside the school, indeed often outside the educational system broadly conceived - on inputs to schooling rather than the organisation of and activities in schools and classrooms.⁴ Perhaps the most prominent explanation of this general type points to the contribution of a homogeneous society that values education (and indeed long took the imparting of literacy to be a family, not a social responsibility) and reading in particular (as evidenced in strikingly high rates of library utilisation by students and citizens). Another explanation focuses on the role of highly competent teachers, who are selected by rigorous competition, thoroughly trained in substantive disciplines and pedagogy in demanding university courses, and rewarded for their accomplishments by high social prestige (including attractiveness as marriage partners) and professional autonomy in the classroom (but not especially high pay, as judged by OECD averages). Other related accounts emphasise the importance of a national curriculum directing attention to essentials but leaving room for adjustment to local needs, and the absence of testing, especially high stakes testing (where test results have important consequences for individual pupils, teachers or schools), with a corresponding reliance on the judgment of teachers to guide pedagogy. Still others look to the fundamental importance of a national commitment to equity and equality.

There is no doubt something in each of these explanations - how could it be proved, for instance, that the Finnish Lutheran esteem for reading has no influence on schooling - and we will see that teacher training does play an important part in school success, although in combination with distinct forms of classroom collaboration. Moreover, in light of the manifold and manifest failures of large-scale organisations in recent decades and the resulting scepticism about their capacity to carry out complex and rapidly shifting tasks, it is entirely understandable to assume that the schools' success must reflect features of the society in which they are embedded, rather than of the organisation of the schools themselves. However, there are six circumstances that strongly suggest that none of these explanations alone will bear the weight that is placed upon it in current discussion, and that all together they are partial or limited in the sense that they simply do not address school practices - together, a distinctive form of organisation - which is evidently crucial to explaining educational success.

First, Finland's extraordinary educational performance is a relatively recent development of the last decades, not an abiding or traditional feature of the society. Until the 1970s Finland, like most other Northern European societies, had a two-track system of education, with one track leading to the university and the professions, and the other to vocational training and skilled

blue-collar work. In the 1970s Finland, in response to long-standing egalitarian complaints against the rigid and early tracking of students, and again like many other societies in its neighbourhood, created comprehensive schools in which students of differing aptitude were taught together in the same building and often in the same classes. Before these reforms, which included transferring teaching education from specialised seminaries to the universities, the scores of Finnish students (apart from reading) were mediocre in international comparisons and their rates of grade repetition were high. This is a characteristic indication of a low-quality school system, as it is typically much more effective, for students and schools, to detect and correct individual learning problems as they occur, rather to compel a student to repeat a whole grade on the off-chance that they will overcome obstacles the second time around that went unnoticed during the first. After the reforms grade repetition rates went down, even though teaching to classes of mixed aptitude might be considered more difficult than teaching to homogenous groups, and performance in international comparisons went up. Thus no feature of Finnish culture - neither love of learning nor respect for teachers - can explain current performance.

Second, even within Finland's immediate Nordic neighbourhood there are countries with relatively homogeneous populations, egalitarian traditions, commitments to education for all (as measured by expenditures per student) that are at least equal to those of Finland, as well as similar combinations of national curricula and a deep respect for school autonomy, and yet they do not do well in the PISA tests. Denmark is a striking example. It spends more per pupil than any other country in the OECD except the US, and shifted to comprehensive schools at about the same time and for the same reasons as Finland. Yet whereas the PISA results of 2000 and the following years were a pleasant surprise for the Finns, they were an unpleasant one for the Danes: despite a demonstrated willingness to expend resources and a respect for schools and teachers as keepers of the living word of the nation's culture, Denmark usually places near Germany, slightly above the OECD average. To put the difference in educational performance with Finland more starkly: 7% of Finnish 15-year olds scored in the lowest PISA reading category in 2003 - a level indicating functional illiteracy - while 17.2% of Danish 15-year olds scored in the bottom category (Hattie, 2003). Plainly, egalitarian commitments, even in combination with marked attention to schooling, are not enough to ensure high performance.

The Danish result is especially interesting because the country is generally recognised as a successful pioneer of comprehensive, active labour market policies that create life-long learning opportunities for those who have already entered the labour market, and especially for those who, having done poorly at school, entered the labour market with few skills. Finland does

much less well in this domain; and recent efforts to address the problem are judged unpromising. One implication of the contrast is that national traditions of solidarity do not themselves yield successful institutions of solidarity, even in countries in which there is no general obstacle to creating such institutions. Indeed the contrast raises the further and broader question of whether the decisive conditions for success of the institutions of life-long learning, and the capacitating services of the new welfare state generally, are to be sought at the level of national endowments, rather than in the specific domains of activity and policy.

The third circumstance concerns testing. While the Finnish system does not use high stakes tests until the transition from general secondary to tertiary (university) schooling, it is simply wrong to conclude from this, as some observers apparently do, that teachers rely almost exclusively on their own evaluations of student performance, to the near exclusion of standardised instruments for assessment. In fact, Finnish education relies on the information from diagnostic testing from the start, well before the beginning of formal instruction. At two-and-half years of age, Finnish children are tested for emergent cognitive problems and by the time they reach pre-school, at age six, their teachers will be able to anticipate learning difficulties on the basis of a rich battery of further tests. Once formal schooling begins students are frequently tested - and recent legislation will make this continuous monitoring even more fine-meshed.⁵ These tests, in addition to being low-stakes (with neither punishments nor rewards attached to outcomes), are also typically diagnostic and formative: their aim is not just, and usually not even primarily, to register failures in learning but to indicate where, at what step in problem solving, a breakdown occurred, and thus to help suggest what might be done to overcome it. These diagnostic tests are created and continuously refined by a battery of institutes specialising in cognitive development and related disciplines, as well as specialised textbook publishers, in close consultation with the classroom teachers who actually use the instruments. Thus Finnish teachers do indeed play a crucial role in student assessment, but they do so with the help of tests and in collaboration with test makers, and this has gone largely unremarked in the discussion of the school system.

The fourth circumstance likewise concerns an underexposed aspect of school activity: special education. Some 30% of Finnish comprehensive school students receive special education services, by all accounts a much higher fraction of the school population than in other OECD countries, although precisely comparable data is hard to come by.⁶ More than two-thirds of these students (22% of the 30%) receive short-term special-needs instruction in standard classroom settings, with the aim of addressing particular learning problems and continuing with the normal course of study.

The remaining students have deeper and more pervasive cognitive or behavioural problems. They are diagnosed by a school psychologist as requiring more intensive and continuous attention and are often grouped for instruction in specialised classrooms. Special education teachers - certified teachers who must compete for the opportunity to complete rigorous, further courses on responding to a wide range of learning disorders - provide both kinds of services. The students who access short-term special instruction - each will typically receive several “courses” of such educational “therapy” while proceeding through comprehensive school - are of course the ones most likely to score in the lowest quintile of the distribution of PISA outcomes. As we have just seen, it is the outperformance of the lowest Finnish quintile in international comparison that contributes decisively to the overall result. So it follows that a significant part of the Finnish success in primary and secondary schooling is owed to special education teachers who, in turn, rely on and are also active in collaborating in the creation of (diagnostic) test instruments.

The fifth circumstance concerns monitoring. The provision of special education services of all kinds is carefully and regularly monitored in each school by a student welfare group (SWG). The SWG includes the school principal, the school psychologist (sometimes working for several schools and with several SWGs), the school nurse, special education teacher(s) and sometimes, as requested, a representative of the municipal social welfare administration. In the normal case, the SWG reviews the performance of each class (and sometimes each student) in the school at least once a year. This allows identification and tracking of students in need of remedial, part-time special education. When a student is identified as requiring full-time special education, the SWG checks that the individualised study plans - the Finnish acronym is HOJKS⁷ - guiding the development of each pupil needing support are being followed to good effect, and if not, what corrections are necessary. It is the SWG, in close collaboration with classroom and special education teachers, that bundles services according to individual needs, including, where necessary, calls for services outside the school system itself: municipal social-welfare services, for example, or mental health services provided by a local teaching or psychiatric hospital.⁸

Sixth and finally, a National Board of Education (NBE), which is officially part of the Ministry of Education but with substantial autonomy, provides the school system as a whole with some capacity for self-reflection and correction. The NBE, in consultation with the relevant stakeholders, prepares the framework or core curriculum for public schools. It participates in an annual evaluation of the performance of a sample of 5% to 10% of the student population to monitor the extent of regional or social disparities and, if need be, prompts improvement in individual schools included in the sample. (Schools are never ranked.) Together with the Ministry of Education

and other public agencies, the NBE funds the co-development by classroom teachers and outside experts of diagnostic tools, and training for special education teachers in their use. It also funds in-service training of teachers, principals and SWGs. On the basis of these continuing and rich interactions with all parts of the school system, the NBE identifies shortcomings in the organisation of the school system and suggests ways of addressing them (which are then formally presented by the Ministry of Education to parliament as draft revisions of education law). Put another way, the NBE is broadly responsible for guiding or steering the implementation of current reforms (within the limits afforded by school and municipal autonomy), and in light of the experience thus gained proposing the next round of improvements.

Overall then, there is strong circumstantial evidence that the success of the Finnish school system depends significantly on classroom, school and school-system practices - collaboration between regular and special teachers, as well as between teachers and test makers; the review of service provision by the SWG; some monitoring of system-wide performance by the NBE - whatever the role (if any) of very broad societal inputs, such as egalitarian values or love of learning or books. More precisely, the Finnish school success depends on classroom practices that systemically tailor pedagogy to the needs of individual students - the same kind of capacitating services on which the new welfare increasingly relies.

In the terms introduced above, the Finnish system is an experimentalist organisation: the special education teachers are the front-line workers. They, in consultation with other relevant experts, make and periodically update individual education plans for each student with whom they work. Peer review is conducted by the SWG in each school. It aims to ensure that the plan is at least as effective as the best that current experience suggests it can be, and to strategise about remedial measures if it is not.

The Finnish special education system does not, however, have well-developed mechanisms for generalising and exploring the organisational implications of the successes and failures of individual schools, although there are many informal means for doing so, particularly at the municipal level. One important consequence is that decision-making practices vary, sometimes widely, from municipality to municipality, typically for reasons unrelated to attempts to adjust to differences in local needs. Pupils in similar circumstances may therefore be offered quite different special education services; in some cases, intervention may come too late to be effective. In view of these problems, recent legislation requires further formalisation of frameworks for decision-making and review. The framework education law of 2010 requires, however, that municipalities address these irregularities (principally by intervening earlier, and providing “intensified support” to

pupils with difficulties before making decisions regarding full-time special education) and make a detailed report to parliament on progress in 2013. To the extent that the school system succeeds in meeting these new requirements (avoiding paper compliance that could undermine its current successes) it is likely to do so by developing the higher-level monitoring and information-exchange capacities that it currently lacks, and in that sense becoming more fully experimentalist.

Finland's present compared with its past: some quasi-experimental evidence that the system works

The single most compelling piece of evidence that the success of the Finnish school system in international comparison is due to the role of individualised pedagogy, and especially (part-time) special education in the comprehensive schools, is the striking performance of the bottom quintile of the school population in the PISA exams. This group does so much better against its peer quintile in other countries than the higher scoring Finnish quintiles do against theirs that its achievement accounts for much of Finland's overall high standing. And it is of course the lowest quintile that benefits most from the provision of part-time special education services.

Still, a more direct confirmation that the comprehensive schools and special education account for the superior performance of the bottom quintile would be welcome. It might be, for example, that in a highly egalitarian society such as Finland good students are traditionally under a moral obligation to tutor struggling ones, or that traditional forms of group study have this effect - as they have been found to do among Asian-American students of college-level math (Treisman, 1992). In that case the superior performance of the bottom group would owe more to traditional practices of solidarity than to institutional innovations in schooling in recent decades.

The methodologically pristine way to ascertain the importance of comprehensive schools and special education to the Finnish outcome would be to establish a sample that mirrors the relevant features of an entry-level school cohort and then randomly assign part of the sample - the control group - to a school setting with no part-time special education, and the rest - the treatment group - to a school setting that provides such services in the "typical" form, duration and frequency. The differences in outcome, measured periodically, would then reflect only the influence of the "treatment" - here, customised pedagogy directed especially to students with learning problems.

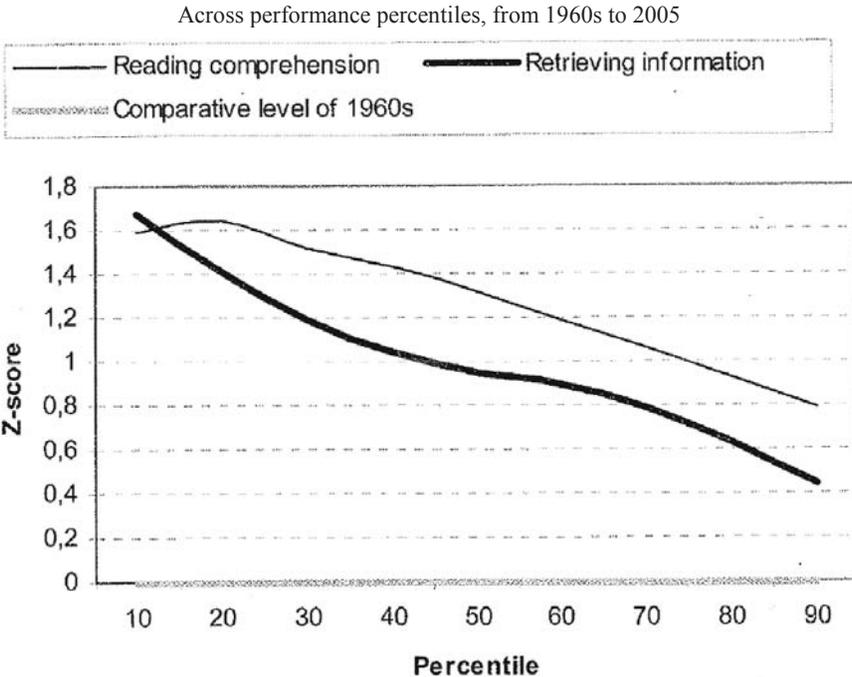
In recent research Moberg and Savolainen (2006) have designed an historical comparison that captures many of the advantages of a random

assignment experiment. Their control group is a random sample of 9th grade pupils from four schools in the city of Jyväskylä in 1966 - before the introduction of comprehensive schools and the wide diffusion of part-time special education. Moberg created the sample for his Master's thesis on reading comprehension and the speed of retrieval of written information. In 2005 Moberg and Savolainen used a random sample of 9th grade Jyväskylä students from the same schools as a treatment group. Pupils with severe learning disabilities and non-native speakers - about 2% of the student population in both cases - were excluded from the study. The shift under the new school regime to customised pedagogy for students with less severe learning problems was conspicuous. Whereas just 2% of the pupils in the 1966 sample received part-time special education services, they were provided to 29% of the pupils in the 2005 group.

To measure the contribution of the new school regime to pupils' reading proficiency, Moberg and Savolainen simply administered the 1966 tests for information retrieval and comprehension to the 2005 treatment group, in effect transporting them back in time for purposes of comparison with their untreated peers. The improvement in performance is striking. The mean score of the treatment group was sharply higher on both tests (by some 50% in comprehension and 30% in information retrieval). Expressed as effect sizes - roughly, the difference between the means of two groups adjusted for the variation within them - the changes are large (1.18 and 1, respectively) and statistically highly significant ($p < .001$) (p. 486). The variance within the treatment group was smaller than in the control - performance had become more homogeneous.

As Moberg and Savolainen emphasise, the crucial finding regards the distribution of these overall improvements in reading. It is the poorer performing students in the treatment group - the lower deciles in the 2005 sample - who improve the most relative to the 1966 control-group baseline. Figure 3.1 displays the difference in performance of each decile, expressed in terms of the distance above the 1966 mean (set at zero) that was obtained in 2005.

Figure 3.1. The change in reading comprehension and speed of retrieving information



Source: Sachs, 2006.

These results - an outperformance by low-deciles, a reduction in variance and an under-population of the low-performance categories - reproduce the defining features of Finland's showing on the PISA tests. Thus Moberg and Savolainen demonstrate that Finland's relation to its own recent past is like its current relation to lower-performing school systems in other countries. What has changed in Finland - the treatment that explains the improvement in performance - is the introduction of comprehensive schools that mitigate learning disorders through part-time special needs education.

Finland and Denmark compared: more evidence that customised pedagogy helps weak students

A complementary way to increase understanding of Finland's customised classroom practices is to compare the Finnish school system with a very similar school system and country that tried to introduce individualised pedagogy in comprehensive schools by a different strategy of professional

development and transformation, yet failed to achieve Finland's superior results.

Denmark is the obvious comparator. As noted earlier the Nordic countries, and Denmark in particular, are equally committed to egalitarian values (with service-based welfare states and universal, not occupation-specific entitlements), at least as committed to funding high-quality public education and have (by US standards) equally homogeneous populations. On closer scrutiny the similarities are even more extensive and striking. The other Nordic countries, and particularly Denmark, share with Finland a view of early childhood as a time of creative play and fantasy. For this and other reasons child-initiated activities, rather than structured learning, is the focus of pre-school and kindergarten, and the start of primary public education is delayed until the age of 6 or 7. Consistent with this, schooling in all the Nordic countries tends to be child-centric: the pupil is seen as naturally curious and enquiring, and the teacher's role is importantly to encourage and support these dispositions. All the Nordic countries have comprehensive schools, as in Finland, and none streams pupils in compulsory education; so the same children can typically attend school together as a class for 9 years.

Yet despite these and other similarities the two systems perform very differently. In the PISA 2006 tests Finland was 1st in science, 2nd in reading and 2nd in math; Denmark ranked 24th, 19th and 15th respectively. What explains the divergence?

For starters, the difference in outcomes cannot be explained by inattention to the problem or lack of determination to solve it. In the 1950s the Danes were fully aware that the eventual transition to comprehensive schools would require differentiated pedagogy - teaching the same things differently to each student according to need. A commission formed under the aegis of the Ministry of Education and including representatives of all the stakeholders in Danish education emphatically embraced both in an official report on curriculum planning in 1960 (*Det af Undervisningsministeriet under 1. September 1958 Nedsatte Læseplanudvalg*, 1960). Schools were in fact gradually integrated and tracking was slowly eliminated, starting in the 1970s. A school reform law of 1993 finally ended tracking, made differentiated instruction a requirement and obligated teachers to prepare individual study plans (*elevplaner*).

The differences, then, were not in intention but rather in organisation - in the way the Danes institutionalised their commitment to unitary schools and differentiated teaching. Where the Finns integrated teaching training into the universities so that teachers were (after 5 years of education) fully accredited in their fields and received carefully supervised clinical practice in teaching,

the Danes kept teacher training in separate seminars, which attracted and attract mediocre students. Nor did the Danes create a still more highly trained corps of special education teachers (with an additional year of instruction and practice) as the Finns did (Sahlberg, 2010).⁹

Instead of the Finnish ensemble of reforms, or some equivalent of it, the Danes tried to transform the practice of teaching almost exclusively from the bottom-up, relying on the initiative of thoughtful, engaged and experienced teachers. The vehicle for these efforts from at least the 1970s until the present (though less energetically in the last decade), was the pilot project,¹⁰ in which groups of motivated teachers undertook to demonstrate to themselves, and eventually to their colleagues and the larger educational community, how the new or anticipated demands on teaching could actually be met. The goal is to inspire diffusion by emulation. The emphasis was on differentiated teaching and other aspects of child-centric development, rather than on the monitoring of student performance that figured importantly in Finland (and has become more prominent in recent school reforms in Denmark).

Due to the focus on the experience of the teacher, rather than what the pupil learned, and for many other reasons, this bottom-up strategy failed. In the absence of any alternative, the Danes neither systematically improved the skills of beginning teachers nor fostered new forms of classroom collaboration by creating a corps of especially selected and trained special education teachers. There is no equivalent of the SWG in Denmark to monitor the provision of services in each school. As a result, special education has developed haphazardly, in response primarily to local and often idiosyncratic perceptions of need. A recent study (Egelund and Tetler, 2009) finds that rates of referral of students to special education vary greatly among municipalities, with the lowest rates in settings where the actors have informally cobbled together resources for prompt and continuing intervention. It is telling that the “culture of collaboration” in these more successful settings approximates the relation between special and general education in Finnish schools:

Teacher cooperation in self-organising teams is a feature of the work culture in schools where formal special education referrals are infrequent. It seems to be especially significant that there are in these schools teachers with expertise in teaching social skills and literacy, together with knowledge of the general principles of special education. These teachers can function as consultants for their colleagues. (Egelund, 2009)

A flood of recent reports confirms that Danish classrooms offer scant support for weaker students. Danish (but not Finnish) classes are organised as self-directed modules, but the weaker students are left to their own devices

when they lose direction at the end of the one-and-half hour periods (Ørsted Andersen, 2010).¹¹ Danish teachers understand differentiated teaching as helping students to realise special projects, not helping the individual student to master a skill their own way (EVA, 2011), and so on. Plainly organisational differences have a large effect on the effectiveness of service delivery in the advanced countries. Are lessons learned there relevant to service provision in developing ones?

Individualised service provision in developing countries

The currently favoured strategy for reforming services in developing countries is the contingent cash transfer, or CCT. As noted at the outset CCTs typically involve payment to a mother or other head of family, of a cash benefit in return for a child's regular attendance at school or at periodic visits to a doctor or dentist. Since their introduction in the mid 1990s, CCTs have diffused rapidly to some 30 countries on five continents because they promise to increase the utility to citizens of existing institutions without requiring much, if anything, by way of additional organisational capacities of the kinds in short supply in developing countries. Due to the fact that the allocation rules are simple, corruption is easily detected and therefore more easily deterred. This same simplicity means that the programmes are not administratively burdensome and that the burdens that are generated can often be shouldered by ad hoc organisations outside existing bureaucracies, at some remove from entrenched interests inside and outside the government. The simplicity of the "treatment" - cash or a cash equivalent to the family and participation in a beneficial activity for the child - makes it relatively easy to assess the effects of the programme by random assignment experiment, and thereby heightens its appeal to accountable donor organisations. In sum, CCTs have been adopted for cogent reasons. If they produce substantial benefits, or promise to do so, speculation about the potential of more demanding reforms, untested in these harsher environments, is moot.

However, the evidence, which is unusually ample and probative because the programmes were often designed to be evaluated, is that CCTs do precisely what they were explicitly intended to do, but no more, and manifestly not enough. A recent World Bank review of the performance of CCTs finds that programmes (six in Latin America, two from outside the region) that were designed to increase reliability in school attendance demonstrably do so - and with greater increases, as is to be expected, where attendance rates are initially very low (Fiszbein *et al.*, 2009). The same report finds, however, that the effect of the programmes on "final" outcomes - better education performance by beneficiaries - is negligible. Attendance improves but learning does not. The report is blunt:

*This pattern of programme effects - increases in enrolment without attendant improvements in learning outcomes - ...is sobering because it suggests that the potential for CCTs **on their own** to improve earning is limited.* (Fiszbein *et al.*, 2009, p. 163, emphasis in the original)

This finding is unsurprising. A small incentive that is carefully directed is enough to move a pupil from absence to presence in school; but without an enabling environment in school or an extraordinary effort (with no assurance of success) by the child, mere presence does not result in learning, even when - as in several CCTs - improved performance is explicitly incentivised. Thus a CCT in New York City, inspired by the highly successful *Oportunidades* programme in Mexico, rewarded students, among many other things, for improved performance on standardised tests. The programme was abandoned, not least because it was quickly discovered that it had insignificant effects on learning outcomes for elementary and middle school pupils, and significant effects only on those 9th graders (roughly a third of the treatment group) who were exceptionally well prepared, as measured by a score of “proficient” on a state test (Miller *et al.*, 2009).

Moreover, programmes that do not incentivise behaviour but otherwise strongly resemble CCTs in aiming to improve school performance by narrowly targeted interventions (more textbooks, provision of flip charts, etc.), thereby requiring little administrative adjustment, have also yielded meagre results. The upshot is that researchers who began by favouring programmes like CCTs for all the reasons that have been set out are coming to the view that the only effective way to address learning problems is to try to remedy them directly. Banerjee *et al.* (2004) puts this shift in perspective most clearly:

Policies that promote school enrolment may not promote learning. And indeed, the recent evidence suggests that many interventions, which increase school participation, do not improve test scores for the average student. Students often seem not to learn anything in the additional days that they spend at school.

It is therefore clear that efforts to get children into school must be accompanied by significant improvements in the quality of schools that serve these children. The problem is that while we now know a reasonable amount about how to get children into school, much less is known about how to improve school quality in a cost-effective way. Worse still, a number of rigorous, randomised evaluations have confirmed that spending more on resources like textbooks, flip charts or additional teachers has no impact on children’s test scores.

These results have led to a general scepticism about the ability of interventions focusing on inputs to make a difference (echoing

Hanushek’s earlier assessment for both the US and developing countries) and have led many... to advocate more systemic reforms designed to change the incentives faced by teachers, parents and children.

It is not clear, however, that we know enough to entirely give up on inputs. Based on existing evidence, it remains possible that additional inputs actually can work but only if they address specific unmet needs in the school. (Citations omitted)

Banerjee and his collaborators then go on to show that, in the context of the Indian schools that they are investigating, a remedial reading programme and a computer-assisted programme in mathematics both improve the performance of weaker students. Calling these programmes “inputs” is a misnomer to the extent that it blurs the distinction between interventions, such as improved access to textbooks, that provide tools beneficial to those (and only to those) who already have the skills to use them, and interventions that develop tool-using capacity. In the terms used here, they are more accurately characterised as special-education programmes or, more generally, capacitating programmes customised to the needs of particular groups of students.

In fact, Banerjee *et al.* are well aware that pedagogy has to be tailored to particular needs to be effective. They ascribe the failures of the (efficient) “more-of-the-same” policy implicit in CCTs and related programmes to the failure to realise that the “same” was in fact tailored to the needs of one (advantaged) group, while the students who now need “more” belong to different (disadvantaged) ones:

Neither the pedagogy nor the curriculum has been adapted to take into account the influx of children and their characteristics: many of these children are first generation learners whose parents are not in a position to follow what is happening in school or to react if their child falls behind. Yet, in many countries, the school system continues to operate as if it were catering to the elite.

Thus CCTs are not a substitute for customised service provision; rather, the limits of CCT-type interventions draw attention to the need for customisation of enabling services.

This conclusion does not, of course, entail the further one that CCTs are dead ends, or even substantial detours. Improving attendance in schools or visits to doctors or health clinics are necessary, though not sufficient conditions for raising educational levels and improving the delivery of health care. What is less obvious but potentially more directly relevant to the discussion here, is that the organisation of CCTs, though advertised as minimal - because the rules are clear and decisions regarding eligibility are

close to automatic - is in fact extensive. Frequently it requires innovation, and particularly collaboration across departmental and other lines, of a kind that seems closely related to that required for the construction of the institutions that deliver customised services.

The organisation of a CCT recently in Morocco illustrates the point. Outwardly the programme is simplicity itself, involving the usual payment of a cash benefit to a household on the condition of a child's regular attendance at school. However, many of the mothers targeted for the programme did not have bank accounts, so bank services had to be made available to them through the post office. As the country does not have a comprehensive system of identity cards or equivalents, a system of unique identifiers had to be organised so that participants could be reliably registered. Attendance had to be verified by an official, either the child's teacher or a school inspector. But teachers are frequently absent themselves, and neither can the inspectors be counted on to inspect school regularly, so an elaborate system involving checking by teachers, checking by inspectors and student self-registration by time-clocks purchased from China was devised to track attendance and catch errors in the tracking. A data system had to be built to manage the information after it was collected.

All of this activity would be invisible not only to most participants in the program, but also to most outsiders - in donor institutions or university research centres, for instance - unless they were themselves directly involved in building the institutions themselves. None of this machinery is likely to appear in any official or academic account of how the programme functions.

So what? Surely it doesn't follow that because the actors who designed and built the programme engaged in demanding activities that were invisible in its daily operations, that they must have possessed unlimited organisational capacity, or even that they had just the capacities needed for constructing a system of (more) customised service delivery in Moroccan education. However, it does follow from this list of activities that organising CCTs, in their official simplicity, does not exhaust or even begin to describe the organisational capacities of many Moroccan actors. It follows too that the idea that countries must climb a familiar ladder of development in public administration - first the Weberian bureaucracy, then, if ever, the "post modern" networked successor - reflects more a habit of mind than a thorough canvass of possibilities. By what measure is it "easier" to build a bureaucracy than to solve all of the (hidden) problems that need to be addressed before a CCT can function in all its elegant simplicity? And even if it is (marginally?) easier to build a CCT than an experimentalist service provider, what is the point of economising on costs if the institution does not work as intended? There is simply no way of knowing what the protagonists in the Arab Spring - and of course many others like them in developing societies - are capable of

doing without looking more closely at what they have actually done to organise “simple” programmes like CCTs; just as there is no way to think about what kind of education system will serve the needs of young people in developing societies today without taking account of the lessons of the Nordic experience, on the one hand, and the findings of Banerjee and his collaborators on the other.

This would be the conclusion in normal times, but we do not live in normal times. The Arab spring, the partial result, as noted above, of the successes and failures of the Washington Consensus, has revealed whole generations with unexpected energy, courage and capacities for self-organisation - and imprecise projects. It has, we may presume, done in (what seems like) a twinkling what it took decades of controversy and failed reform to do with regard to schooling in the advanced countries: exploded the Olsonian logic of collective action by showing “diffuse” beneficiaries - the public - the unacceptable costs to them and their children of failed public services, and thus making it irresistibly reasonable to contemplate or insist on change. To assume that these generations already know what needs to be done to reform their countries - that they are the new subject of history - is to repeat a cardinal error (once more than understandable, now unpardonable) of many past revolutions. To imagine policy makers, in collaboration with donor institutions and researchers, can go about their business without engaging these generations and devising with them ways of connecting their initiative and resolve to large reform projects, is to make the equal, opposite and equally unpardonable error of those who learn nothing from revolutions because they are imprisoned in a moderation or liberalism of fear not hope.

The example of Finnish education shows that our desperate hopes for renewal of the welfare state are not unfounded. The experience of the CCTs shows that the current strategy of reform without organisational innovation, indeed almost without organisations, must be extended and itself renewed. The Arab spring reminds us that the constraints of politics can, on occasion, be less binding than we normally fear. There is need for discussion and room for hope.

Notes

1. One measure of the novelty of the recognition that education is fundamental to social solidarity is that standard treatments of the welfare state in the 1970s and 1980s excluded it from consideration, sometimes with the historical justification that creation of public schools antedated the 1883 German sick-pay statute, which is usually taken as the first piece of modern social welfare legislation. The consensus was, as Wilensky (1975) put it, that “education is different” (p. 3). See also Iversen and Stephens (2008), p. 3.
2. For a good discussion of the concepts underpinning both approaches see Dahl, Scharer *et al.* (1999). For their combination in practice see Fountas and Pinnell (1995).
3. For historical reasons “professional” remains the omnibus term for a decision maker who is authorised to exercise independent judgment - rather than following a rule or executing a command - in addressing technically and morally complex problems.
4. An important but limited exception is the brief account of the school system currently posted by the Finnish Ministry of Education, which points in the direction of the analysis pursued below. See <http://www.minedu.fi/OPM/Koulutus/artikkelit/pisa-tutkimus/index.html?lang=en>, visited 12 May 2010.
5. Formally the new school law entered into force on 1 January 2011, but three sections, having to do with the rights of parents to participate in student welfare work and with confidentiality and data access have been applicable since 1 August 2010.
6. See European Agency for the Development in Special Needs Education, <http://www.european-agency.org/country-information>.
7. Henkilökohtainen (personal) Opetuksen (teaching) Järjestämistä (organisation) Koskeva (regarding, concerning) Suunnitelma (plan)
8. To avoid misunderstanding at the outset: integration of services functions better within the school than between the school and the municipal social

welfare administration. One aim of the reform proposals to be discussed below is to improve this link. See *infra*.

9. Teaching thus became much more demanding and selective (in 2008 only one applicant in 10 was admitted to the Master of Teaching programme at the University of Helsinki) even as it became collaborative in new ways, as exemplified in the cooperation between special and general education teachers, and peer review by the SWG. The regime or “treatment” that produces the improvement in school outcomes is an amalgam or fusion of the two; and because the two changes occurred together in Finland, near-natural experiments, such as the Jyväskylä comparison, cannot distinguish the respective contributions of each. It is, moreover, proving difficult to specify the individual attributes that predict success as a teacher, quite apart from any consideration of the possible contribution of collaboration to individual success. Thus it is possible to identify consistently superior teachers by their on-the-job performance - those capable of helping a class achieve above-average gains one year are likely to do so the next; however, there is, surprisingly, little direct connection between high qualifications, such as a degree from a prestigious teachers college or high test scores, and superior teaching. See Gordon, Kane and Staiger, 2006. Still, a rich anecdotal literature suggests subject mastery is an important, perhaps indispensable component of good teaching (Liping, *Knowing and Teaching Elementary Mathematics*, 1999). Finnish experience suggests that certain types of collaboration may catalyze individual attributes so that systematically successful teaching depends on (various?) combinations of both.
10. Krogh-Jespersen, 2005.
11. As a result Finnish students of all backgrounds have regular periods of “flow” while the weaker Danish students did not. On the concept of flow see Csikszentmihalyi, 1991. Flow can be interpreted as the experience of learning in what Vygotsky called the “zone of proximal development”: engagement with demanding tasks that stretch existing skills to new limits, without overwhelming the learner (Vygotsky, 1978).

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