

3. PAYING FOR EDUCATION

What is the role of private spending?

- On average in OECD countries, 83% of expenditure for all levels of education combined is from public sources.
- For all levels of education, public expenditure per student on public institutions is on average about twice what it is on private institutions – USD 8 027 versus USD 4 071.
- For the 19 OECD countries for which trend data are available, the share of public funding in tertiary institutions fell from 74% in 1995 to 67% in 2008.

Significance

This spread shows how the financing of educational institutions is shared between public and private entities, particularly at the tertiary level. Public funding provides a very large part of investment in education, but the role of private sources has become increasingly important. Some stakeholders are concerned that this balance should not become so tilted that it discourages potential students from attending tertiary education. Thus, it is important to examine changes in public/private funding shares to determine if they are influencing patterns and levels of student participation.

Findings

In all OECD countries for which comparable data are available, public funding for all levels of education represents on average 83% of all funds. Private funding tends to be more frequent at two levels of education – pre-primary and tertiary. At the pre-primary level, it represents an average of 19% of total funding in OECD countries, which is higher than the percentage for all levels of education combined. This figure varies widely, ranging from 5% or less in Belgium, Estonia, Luxembourg, the Netherlands and Sweden, to over 50% in Australia, Japan and Korea.

At the tertiary level, private funding represents on average 31% of total expenditure on educational institutions. The proportion of expenditure on tertiary institutions covered by individuals, businesses and other private sources, including subsidised private payments, ranges from less than 5% in Denmark, Finland and Norway, to more than 40% in Australia, Canada, Israel, Japan, the United Kingdom and the United States, and to over 75% in Chile and Korea.

Private entities other than households contribute more, on average, to tertiary education than to other levels of education. In Australia, Canada, the Czech Republic, Israel, Japan, Korea, the Netherlands, the Russian Federation, the Slovak Republic, Sweden, the United Kingdom and the United States, 10% or more of spending on tertiary education comes from private entities other than individual households.

While public expenditure mainly funds public institutions, it can also play a role in funding private institutions, although this varies according to the level of education. On average among OECD countries, and across all levels of education, governments spend twice as much per student on public institutions than private ones (USD 8 027 and USD 4 071, respectively). However, more than twice as much is spent on public rather than private institutions at the pre-primary level (USD 6 281 and USD 2 474, respectively), under twice as much at the primary, secondary and post-secondary non-tertiary education level (USD 8 111 and USD 4 572, respectively), and more than three times as much at the tertiary level (USD 10 543 and USD 3 614, respectively).

Trends

While public funding for all levels of education increased across OECD countries for which comparable data are available between 2000 and 2008, private spending on education increased even more in over three-quarters of these countries. As a result, the decrease in the share of public funding on educational institutions was greater than eight percentage points in Portugal, the Slovak Republic and the United Kingdom.

Decreases in the share of public expenditure in total expenditure on educational institutions and, consequently increases in the share of private expenditure, have not generally gone hand in hand with cuts (in real terms) in public expenditure on educational institutions. In fact, many OECD countries with the highest growth in private spending have also shown the greatest increase in public funding of education. This indicates that an increase in private spending is less likely to replace public investment than to complement it.

Between 2000 and 2008, 20 out of the 26 countries for which comparable data are available showed an increase in the share of private funding for tertiary education. The share increased by six percentage points, on average, and by more than ten percentage points in Austria, Portugal, the Slovak Republic and the United Kingdom. While the share of private funding for tertiary education rose substantially in some countries during the period, this was not the case for other levels of education.

Definitions

Data refer to the 2008 financial year and are based on the UOE data collection on education statistics, administered by the OECD in 2010. Private spending includes all direct expenditure on educational institutions, whether partially covered by public subsidies or not.

Information on data for Israel:
<http://dx.doi.org/10.1787/888932315602>.

Going further

For additional material, notes and a full explanation of sourcing and methodologies, see *Education at a Glance 2011* (Indicator B3).

Areas covered include:

- Relative proportions and trends of public and private expenditure on educational institutions for all levels of education.
- Annual public expenditure on educational institutions per student by type of institution.

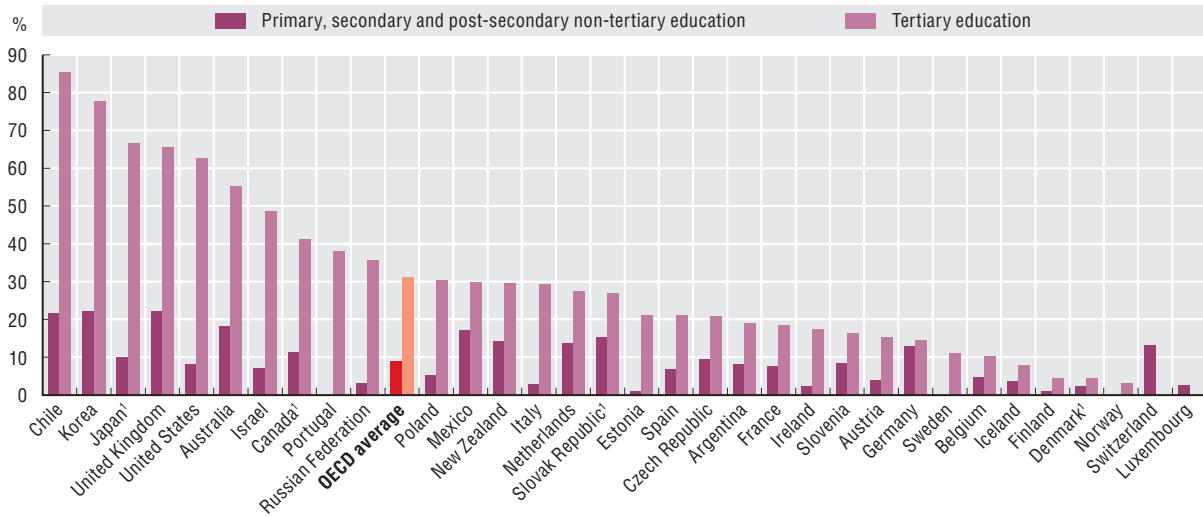
Further reading from the OECD

OECD Reviews of Tertiary Education (ongoing).

Higher Education Management and Policy (journal).

Figure 3.7. **Share of private expenditure on educational institutions, 2008**

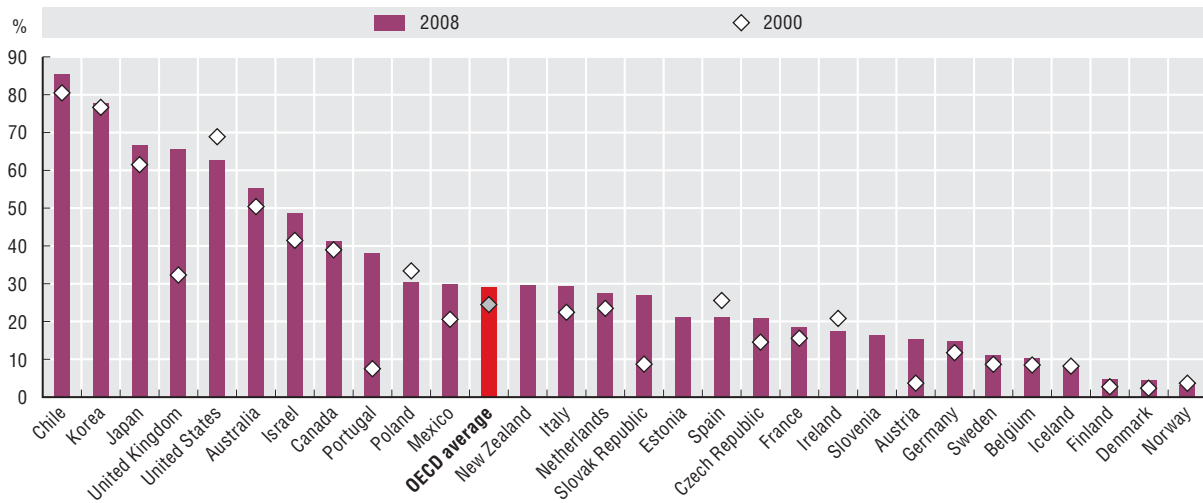
This figure shows the percentage of spending on educational institutions that comes from private funding.



Source: OECD (2011), Education at a Glance 2011, Table B3.1, available at <http://dx.doi.org/10.1787/888932463840>.

Figure 3.8. **Trends in the share of private expenditure (2000, 2008)**

This figure shows the increase – or otherwise – in private spending as a percentage of total expenditure on all levels of education from 2000 to 2008.



Source: OECD (2011), Education at a Glance 2011, Table B3.3, available at <http://dx.doi.org/10.1787/888932463897>.



From:
Education at a Glance 2011
Highlights

Access the complete publication at:
https://doi.org/10.1787/eag_highlights-2011-en

Please cite this chapter as:

OECD (2011), "What is the role of private spending?", in *Education at a Glance 2011: Highlights*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/eag_highlights-2011-25-en

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.