

## What is the role of private spending?

- On average, 83% of expenditure for all levels of education combined is from public sources.
- On average for all levels of education combined, public expenditure per student on public institutions is more than twice what it is on private institutions – USD 7 466 versus USD 3 675.
- For the 17 OECD countries for which trend data are available, the share of public funding in tertiary institutions fell from 78% in 1995 to 70% in 2007.

### Significance

This spread shows how the financing of educational institutions is shared between public and private entities, particularly at tertiary level. Public funding provides a very large part of investment in education, but the role of private sources has become more important. Some stakeholders are concerned that this balance should not become so tilted that it discourages some potential students from attending tertiary education. Thus, it is important to look at 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 83% of all funds, on average. Private funding tends to be concentrated at two levels of education – pre-primary and tertiary. At the pre-primary level, it represents an average of 20% of total funding in OECD countries, which is higher than the percentage for all levels of education combined (see Chart B3.2 in *Education at a Glance 2010*). This proportion varies widely, ranging from 5% or less in Belgium, the Netherlands, Sweden and Estonia to over 50% in Australia, Japan and Korea.

At 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, Japan, the United Kingdom, the United States and Israel and the Russian Federation 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, Japan, Korea, the Netherlands, the Slovak Republic, Sweden, the United Kingdom, the United States and Israel and the Russian Federation, 10% or more of spending on tertiary education comes from private entities other than individual households.

Public expenditure mainly funds public institutions, but it can also play a role in funding private institutions, although this varies according to the level of education. Public expenditure on public institutions per student is

more than twice the level on private institutions at the pre-primary level (USD 5 562 and USD 2 566, respectively), somewhat under twice the level at the primary, secondary and post-secondary non-tertiary level (USD 7 262 and USD 4 045, respectively) and more than three times the level at the tertiary level (USD 10 424 and USD 3 417, respectively).

### Trends

While public funding for all levels of education increased across OECD countries for which comparable data are available between 2000 and 2007, private spending on education increased even more in more than three-quarters of these countries. As a result, the decrease in the share of public funding on educational institutions was more than 5 percentage points in Canada, Mexico, 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 highest increase in public funding of education. This indicates that an increase in private spending tends not to replace public investment but to complement it.

### Definitions

Data refer to the 2007 financial year and are based on the UOE data collection on education statistics, administered by the OECD in 2009. 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 2010* (Indicator B3).

Areas covered include:

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

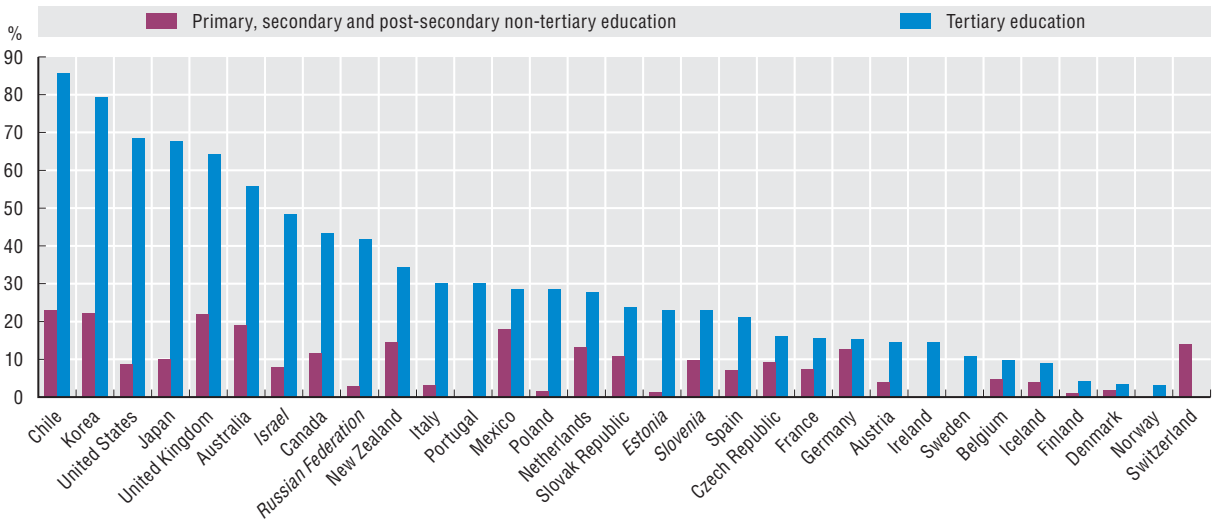
### Further reading from OECD

*OECD Reviews of Tertiary Education* (ongoing).

*Higher Education Management and Policy* (journal).

Figure 3.8. **Share of private expenditure on educational institutions, 2007**

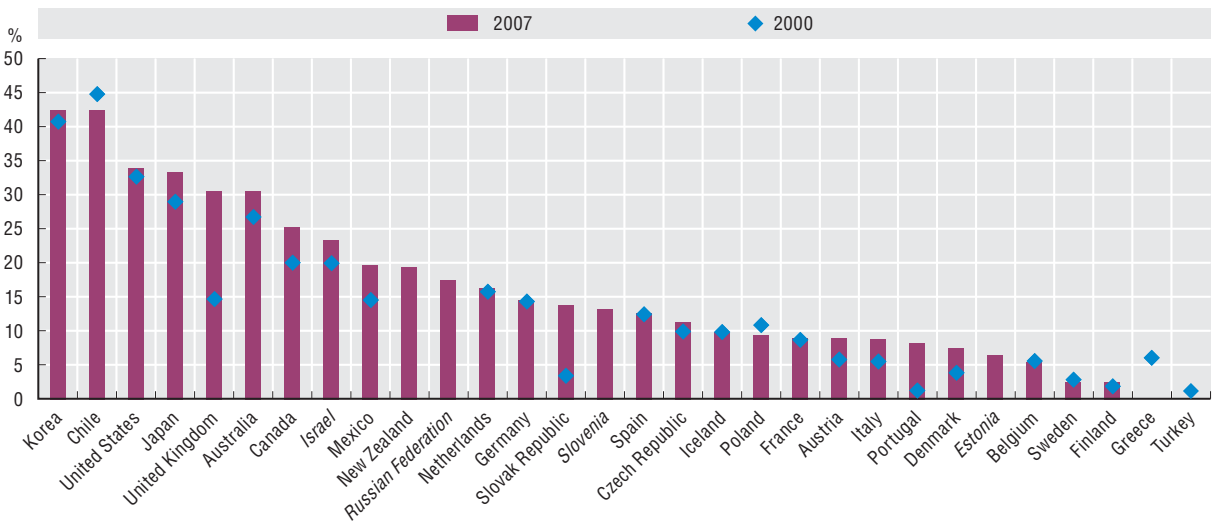
This figure shows the percentage of spending on educational institutions accounted for by private spending.



Source: OECD (2010), Education at a Glance 2010, Tables B3.2a and B3.2b, available at <http://dx.doi.org/10.1787/888932310320>.

Figure 3.9. **Trends in share of private expenditure (2000, 2007)**

This figure shows the increase – or otherwise – in private spending as a percentage of total expenditure on all levels of education from 2000 to 2007.



Source: OECD (2010), Education at a Glance 2010, Table B3.1, available at <http://dx.doi.org/10.1787/888932310320>.



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