

WHAT IS THE TOTAL PUBLIC SPENDING ON EDUCATION?

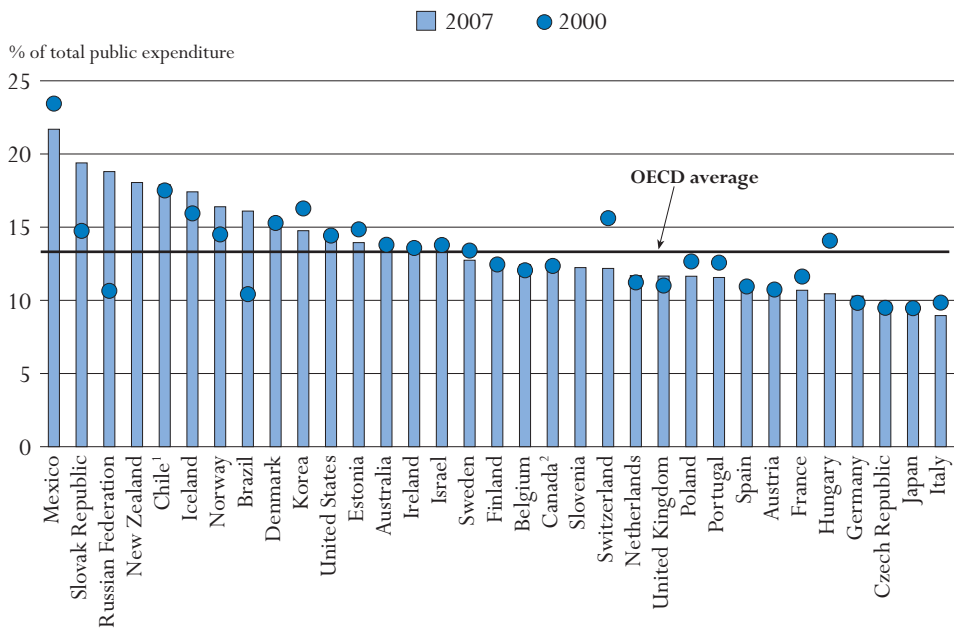
Public expenditure on education as a percentage of total public expenditure indicates the priority placed on education relative to other public areas of investment, such as health care, social security, defence and security. It provides an important context for other indicators on education expenditure, particularly for Indicator B3 (the public and private shares of educational expenditure), and is the quantification of an important policy lever.

Key results

Chart B4.1. Total public expenditure on education, as a percentage of total public expenditure (2000, 2007)

The chart shows direct public expenditure on educational institutions plus public subsidies to households (which include subsidies for living costs such as scholarships and grants to students/households and students loans), and other private entities, as a percentage of total public expenditure, by year. It must be recalled that public sectors differ in terms of their size and breadth of responsibility from country to country.

On average, OECD countries devote 13.3% of total public expenditure to education in 2007, but values for individual countries range from less than 10% in the Czech Republic, Italy and Japan, to nearly 22% in Mexico. The proportion of public expenditure on education increased between 1995 and 2007 in 18 of the 27 countries with comparable data in both 1995 and 2007. However, the main increase took place from 1995 to 2000, while public expenditure on education and on other public sectors increased in the same proportions from 2000 to 2007.



1. Year of reference 2008 instead of 2007.

2. Year of reference 2006 instead of 2007.

Countries are ranked in descending order of total public expenditure on education at all levels of education as a percentage of total public expenditure in 2007.

Source: OECD, Table B4.1. See Annex 3 for notes (www.oecd.org/edu/eag2010).

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Other highlights of this indicator

- Public funding of education is a social priority, even in OECD countries with little public involvement in other areas.
- Between 1995 and 2007, total public expenditure as a percentage of GDP tended to increase slightly. Education took a growing share of total public expenditure in most countries, and on average, it grew as fast as GDP. In Chile, Denmark, the Netherlands, the Slovak Republic, Sweden and the partner country Brazil, there have been particularly significant shifts in public funding in favour of education.
- The main increase in public expenditure on education relative to total public spending took place between 1995 and 2000 (0.9 percentage point on average in OECD countries), while from 2000 to 2007, public expenditure on education as a percentage of total public expenditure increased by 0.3 percentage point.
- In OECD countries, public expenditure on primary, secondary and post-secondary non-tertiary education is on average about three times that on tertiary education. This is mainly due to near universal enrolment rates below tertiary education, but also because the private share tends to be greater at the tertiary level. This ratio varies from two times or less in Canada, Denmark, Finland and Norway to more than five times in Chile and Korea. The latter figure is indicative of the relatively high proportion of private funds for tertiary education in these countries.

Policy context

If the public benefits from a particular service are greater than the private benefits, markets alone may fail to provide that service adequately and governments may need to become involved. Education is one area in which all governments intervene to fund or direct the provision of services (see Indicator A9). As there is no guarantee that markets will provide equal access to educational opportunities, government funding of educational services ensures that education is not beyond the reach of some members of society.

This indicator focuses on public expenditure on education but also looks at how public expenditure has changed over time. Since the second half of the 1990s, most OECD countries have made serious efforts to consolidate public budgets. Education has had to compete with a wide range of other government-funded areas for available public resources. In a context of increased financial pressure, this may even increase in the following years. To track this evolution, the indicator evaluates the change in educational expenditure in absolute terms and relative to changes in the size of total public budgets.

Evidence and explanations

What this indicator does and does not cover

This indicator shows total public expenditure on education, which includes direct public expenditure on educational institutions as well as public subsidies to households (*e.g.* scholarships and loans to students for tuition fees and student living costs) and to other private entities for education (*e.g.* subsidies to companies or labour organisations that operate apprenticeship programmes). Unlike the preceding indicators in this chapter, this indicator also includes public subsidies that are not attributable to household payments for educational institutions, such as subsidies for student living costs.

OECD countries differ in the ways in which they use public money for education. Public funds may flow directly to institutions or may be channelled to institutions via government programmes or via households. They may also be restricted to the purchase of educational services or be used to support student living costs.

Though expenditure on debt servicing (*e.g.* interest payments) is included in total public expenditure, it is excluded from public expenditure on education. The reason is that some countries cannot separate interest payments for education from those for other services. This means that public expenditure on education as a percentage of total public expenditure may be underestimated in countries in which interest payments represent a large proportion of total public expenditure on all services.

Finally, it is important to examine public investment in education in conjunction with private investment, as shown in Indicator B3, to get a full picture of total investment in education.

Overall level of public resources invested in education

On average, OECD countries devoted 13.3% of total public expenditure to education in 2007. However, the share of educational expenditure for individual countries ranged from 10% or less in the Czech Republic, Italy and Japan to 21.7% in Mexico (Chart B4.1). As is the case with spending on education in relation to GDP per capita, these figures must be interpreted in the light of student demography and enrolment rates.

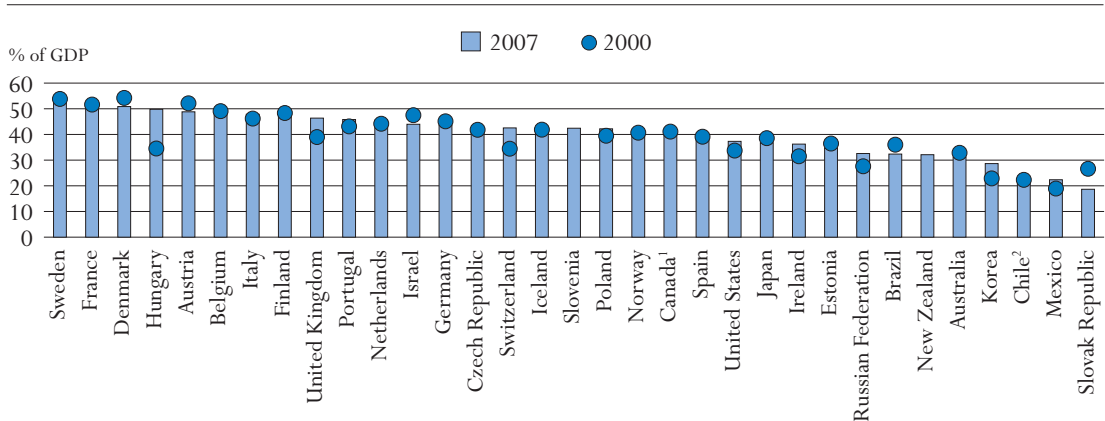
The public-sector proportion of funding of the different levels of education also varies widely among OECD countries. In 2007, OECD and partner countries allocated between 6.1% (the Czech Republic) and 14.6% (Mexico) of total public expenditure to primary, secondary and post-secondary non-tertiary education, and between 1.6% (Italy) and 5.3% (Norway) to tertiary education. On average in OECD countries, public funding of primary, secondary and post-secondary non-tertiary education is nearly three times that of tertiary education, mainly owing to enrolment rates (see Indicator C1) and the demographic structure of the population or because the private share of expenditure tends to be higher at the tertiary level. This ratio varies by country, ranging from two times or less in Canada, Denmark, Finland and Norway to five times in Chile and Korea. The latter figure is indicative of the relatively high proportion of private funds for tertiary education in these countries (Table B4.1).

Public funding of education is a social priority, even in OECD countries with little public involvement in other areas. When public expenditure on education is considered as a proportion of total public spending, the relative sizes of public budgets (as measured by public spending in relation to GDP) must be taken into account.

When the size of public budgets relative to GDP in OECD countries is compared with the proportion of public spending on education, it is evident that even in countries with relatively low rates of public spending, education has a very high priority. For instance, the share of public spending allocated to education in Chile, Mexico, New Zealand, the Slovak Republic and the partner country the Russian Federation is among the highest in OECD countries (Chart B4.1), yet total public spending accounts for a relatively small proportion of GDP in these countries (Chart B4.2).

Although the overall pattern is unclear, there is some evidence to suggest that countries with high rates of public expenditure spend proportionately less on education; only one of the top ten countries for public spending on public services overall – Denmark – is among the top ten public spenders on education (Charts B4.1 and B4.2).

Chart B4.2. Total public expenditure on all services, as a percentage of GDP (2000, 2007)



Note: This chart represents public expenditure on all services and not simply public expenditure on education.

1. Year of reference 2006 instead of 2007.

2. Year of reference 2008 instead of 2007.

Countries are ranked in descending order of total public expenditure as a percentage of GDP in 2007.

Source: OECD, Annex 2. See Annex 3 for notes (www.oecd.org/edu/eqq2010).

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From 1995 to 2007, public expenditure on education typically grew faster than total public spending and as fast as national income. The proportion of public expenditure on education increased over this period in 18 of the 27 countries with comparable data in both 1995 and 2007. At the same time, on average in these 27 countries, public expenditure on education as a percentage of GDP decreased slightly. However, the main increase in public expenditure on education relative to total public spending took place from 1995 to 2000, while public expenditure on education and on other public sectors increased in the same proportions from 2000 to 2007. Although budget consolidation has put pressure on all areas of public expenditure, the proportion of public budgets spent on education in OECD countries rose from 12.1% in 1995 to 13.3% in 2007. The greatest relative increases in the share of public expenditure on education during this period took place in Chile (14.5% to 17.9%), Denmark (12.2% to 15.4%), the Netherlands (9.1% to 11.7%), the Slovak Republic (14.1% to 19.4%), Sweden (10.7% to 12.7%) and the partner country Brazil (11.2% to 16.1%).

Definitions and methodologies

The data refer to the financial year 2007 and are based on the UOE data collection on education statistics administered by the OECD in 2009 (for details see Annex 3 at www.oecd.org/edu/eq2010).

Educational expenditure is expressed as a percentage of a country's total public sector expenditure and as a percentage of GDP. Public expenditure on education includes expenditure on educational institutions and subsidies for students' living costs and for other private expenditure outside institutions. Public expenditure on education includes expenditure by all public entities, including ministries other than ministries of Education, local and regional governments, and other public agencies.

Total public expenditure, also referred to as total public spending, corresponds to the non-repayable current and capital expenditure of all levels of government: central, regional and local. Current expenditure includes final consumption expenditure, property income paid, subsidies and other current transfers (*e.g.* social security, social assistance, pensions and other welfare benefits). Figures for total public expenditure have been taken from the *OECD National Accounts Database* (see Annex 2) and use the System of National Accounts 1993.

The glossary at www.oecd.org/edu/eq2010 gives a definition of public, government-dependent private and independent private institutions.

Further references

The following additional material relevant to this indicator is available on line at:

StatLink  <http://dx.doi.org/10.1787/888932310339>

- **Table B4.2. Distribution of total public expenditure on education (2007)**
- **Table B4.3a. Initial sources of public educational funds and final purchasers of educational resources by level of government for primary, secondary and post-secondary non-tertiary education (2007)**
- **Table B4.3b. Initial sources of public educational funds and final purchasers of educational resources by level of government for tertiary education (2007)**

Table B4.1.
Total public expenditure on education (1995, 2000, 2007)

Direct public expenditure on educational institutions plus public subsidies to households¹ and other private entities, as a percentage of GDP and as a percentage of total public expenditure, by level of education and year

	Public expenditure ¹ on education as a percentage of total public expenditure					Public expenditure ¹ on education as a percentage of GDP					
	2007			2000	1995	2007			2000	1995	
	Primary, secondary and post-secondary non-tertiary education	Tertiary education	All levels of education combined	All levels of education combined	All levels of education combined	Primary, secondary and post-secondary non-tertiary education	Tertiary education	All levels of education combined	All levels of education combined	All levels of education combined	
OECD countries	Australia	10.3	3.2	13.7	13.8	13.8	3.2	1.0	4.3	4.5	4.9
	Austria	7.2	3.1	11.1	10.7	10.8	3.5	1.5	5.4	5.6	6.1
	Belgium	8.3	2.7	12.4	12.1	m	4.0	1.3	6.0	5.9	m
	Canada ^{2, 3}	7.8	4.5	12.3	12.4	12.7	3.1	1.8	4.9	5.1	6.2
	Chile ⁴	13.3	2.6	17.9	17.5	14.5	3.0	0.6	4.0	3.9	3.0
	Czech Republic	6.1	2.5	9.9	9.5	8.7	2.6	1.1	4.2	4.0	4.8
	Denmark ³	9.2	4.5	15.4	15.3	12.2	4.7	2.3	7.8	8.3	7.3
	Finland	7.9	3.9	12.5	12.5	11.0	3.7	1.9	5.9	6.0	6.8
	France	7.1	2.3	10.7	11.6	11.5	3.7	1.2	5.6	6.0	6.3
	Germany	6.6	2.6	10.3	9.8	8.5	2.9	1.1	4.5	4.4	4.6
	Greece	m	m	m	7.3	5.6	m	m	m	3.4	2.6
	Hungary	6.6	2.1	10.4	14.1	12.9	3.3	1.0	5.2	4.9	5.2
	Iceland	11.6	3.3	17.4	15.9	m	4.9	1.4	7.4	6.7	m
	Ireland	10.4	3.2	13.5	13.6	12.2	3.8	1.1	4.9	4.3	5.0
	Italy	6.4	1.6	9.0	9.8	9.0	3.1	0.8	4.3	4.5	4.7
	Japan ³	6.8	1.7	9.4	9.5	m	2.5	0.6	3.4	3.6	3.6
	Korea	11.0	2.1	14.8	16.3	m	3.1	0.6	4.2	3.7	m
	Luxembourg ^{3, 5}	8.7	m	m	m	m	3.1	m	m	m	m
	Mexico	14.6	4.1	21.7	23.4	22.2	3.3	0.9	4.8	4.4	4.2
	Netherlands	7.7	3.2	11.7	11.2	9.1	3.5	1.4	5.3	5.0	5.1
	New Zealand	11.7	5.2	18.1	m	16.5	3.8	1.7	5.8	6.8	5.6
	Norway	9.9	5.3	16.4	14.5	15.5	4.0	2.2	6.7	5.9	7.9
	Poland ⁵	8.2	2.2	11.6	12.7	11.9	3.5	0.9	4.9	5.0	5.2
	Portugal ⁵	7.8	2.6	11.6	12.6	11.7	3.6	1.2	5.3	5.4	5.1
	Slovak Republic ³	12.6	4.2	19.4	14.7	14.1	2.4	0.8	3.6	3.9	4.6
	Spain	7.0	2.5	11.1	10.9	10.3	2.8	1.0	4.3	4.3	4.6
	Sweden	8.2	3.4	12.7	13.4	10.7	4.3	1.8	6.7	7.2	7.1
Switzerland ⁵	8.3	3.1	12.2	15.6	13.5	3.5	1.3	5.2	5.4	5.7	
Turkey	m	m	m	m	m	m	m	m	m	m	
United Kingdom	8.9	2.0	11.7	11.0	11.4	4.1	0.9	5.4	4.3	5.0	
United States	9.9	3.3	14.1	14.4	12.6	3.7	1.2	5.3	4.9	4.7	
<i>OECD average</i>	<i>9.0</i>	<i>3.1</i>	<i>13.3</i>	<i>13.0</i>	<i>12.1</i>	<i>3.5</i>	<i>1.2</i>	<i>5.2</i>	<i>5.1</i>	<i>5.2</i>	
<i>EU19 average</i>	<i>8.0</i>	<i>2.9</i>	<i>12.1</i>	<i>13.1</i>	<i>10.7</i>	<i>3.5</i>	<i>1.3</i>	<i>5.3</i>	<i>5.1</i>	<i>5.3</i>	
Partner countries	Brazil ⁵	12.2	2.6	16.1	10.4	11.2	4.0	0.8	5.2	3.8	3.9
	China	m	m	16.3	m	m	m	m	3.3	m	m
	Estonia	9.7	3.1	13.9	14.9	13.9	3.4	1.1	4.8	5.4	5.8
	India ⁶	m	m	m	m	m	2.6	0.7	3.3	m	m
	Indonesia	m	m	m	m	m	3.2	0.3	3.5	m	m
	Israel	8.8	2.4	13.4	13.8	13.3	3.9	1.0	5.9	6.5	6.9
	Russian Federation ⁵	10.5	2.9	18.8	10.6	m	3.4	1.0	6.1	2.9	m
	Slovenia	8.1	2.9	12.2	m	m	3.4	1.2	5.2	m	m

1. Public expenditure presented in this table includes public subsidies to households for living costs (scholarships and grants to students/households and students loans), which are not spent on educational institutions. Thus the figures presented here exceed those on public spending on institutions found in Table B2.4.

2. Year of reference 2006 instead of 2007.

3. Some levels of education are included with others. Refer to "x" code in Table B1.1a for details.


4. Year of reference 2008 instead of 2007.

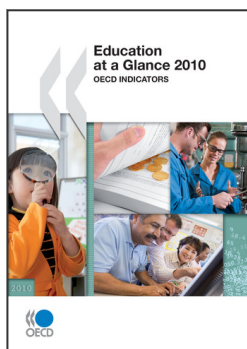
5. Public institutions only.

6. Year of reference 2005 instead of 2007.

Source: OECD, India, Indonesia: UNESCO Institute for Statistics (World Education Indicators Programme). China: The national *Statistics Bulletin on Educational Expenditure 2007*. See Annex 3 for notes (www.oecd.org/edu/eag2010).

Please refer to the Reader's Guide for information concerning the symbols replacing missing data.

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