

WHAT IS THE TOTAL PUBLIC SPENDING ON EDUCATION?

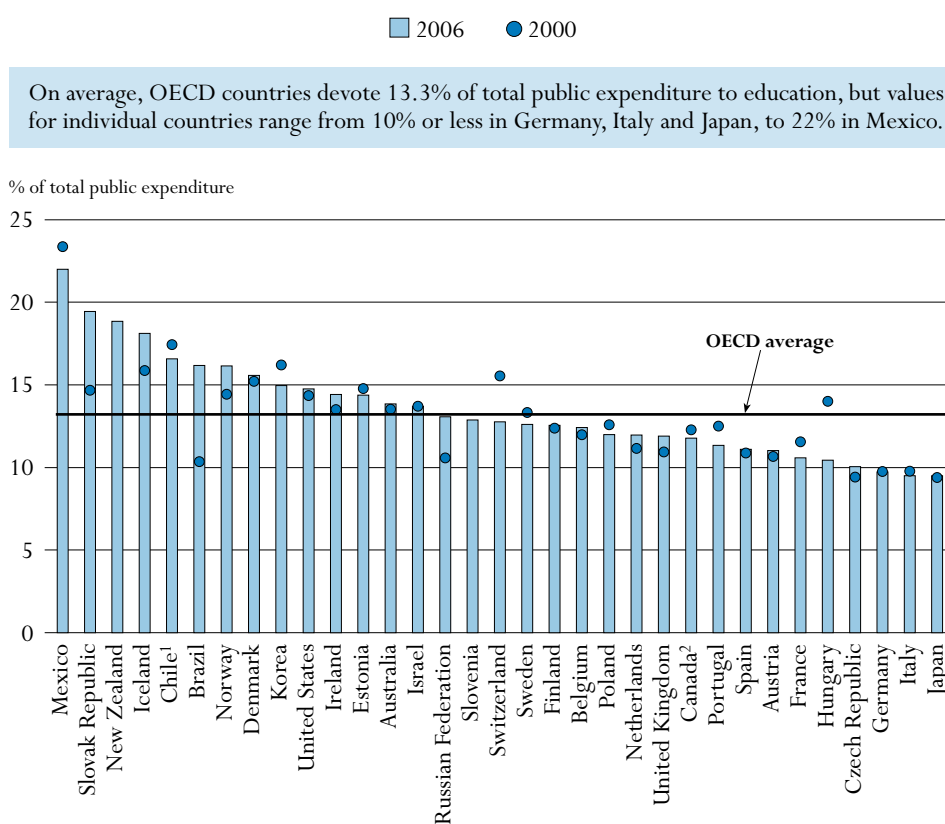
INDICATOR B4

Public expenditure on education as a percentage of total public expenditure indicates the value 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 the 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 in its own right.

Key results

Chart B4.1. Total public expenditure on education as a percentage of total public expenditure (2000, 2006)

The chart shows direct public expenditure on educational institutions plus public subsidies to households (including subsidies for living costs) 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.



1. Year of reference 2007 instead of 2006.

2. Year of reference 2005 instead of 2006.

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 2006.

Source: OECD, Table B4.1. See Annex 3 for notes (www.oecd.org/edu/eag2009).

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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 2006, total public budgets 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 Denmark, Ireland, the Netherlands, New Zealand, the Slovak Republic, the United States and the partner countries Brazil and Chile, 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), while from 2000 to 2006, public expenditure on education as a percentage of total public expenditure increased by 0.3 percentage point.
- In OECD countries, public funding of primary, secondary and post-secondary non-tertiary education is on average about three times that of tertiary education, 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 less than double in Canada, Finland and Norway to five times in Korea. The latter figure is indicative of the relatively high proportion of private funds going to tertiary education in this country.

Policy context

If the public benefits from a particular service are greater than the private benefits, markets alone may fail to provide these services adequately and governments may need to become involved. Education is one area where all governments intervene to fund or direct the provision of services. 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 evaluates 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 for public financial support with a wide range of other government-funded areas. 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 from 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 schools 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.

Total public expenditure on all services, excluding education, includes expenditure on debt servicing (*e.g.* interest payments), which is not included in public expenditure on education. The reason for this exclusion is that some countries cannot separate interest payment outlays 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 where 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 2006. However, the share of educational expenditure for individual countries range from 10% or less in Germany, Italy and Japan to 22% in Mexico (Chart B4.1). As in the case of 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 2006, OECD and partner countries allocated between 6.3% (Germany) and

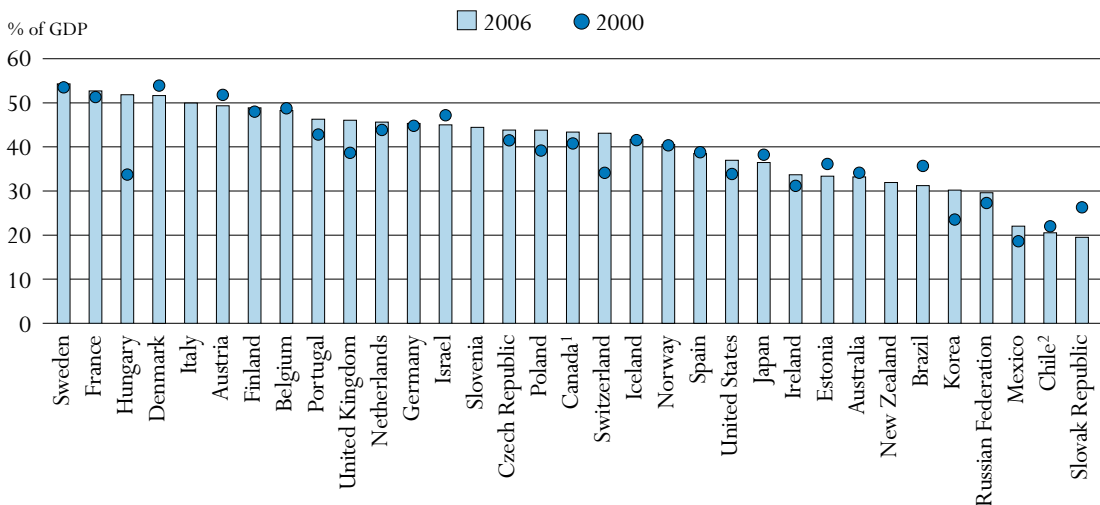
15.1% (Mexico) of total public expenditure to primary, secondary and post-secondary non-tertiary education, and between 1.6% (Italy) and 5.1% (New Zealand and Norway) to tertiary education. On average in OECD countries, public funding of primary, secondary and post-secondary non-tertiary education is 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 in Canada, Finland and Norway to five times in Korea. The latter figure is indicative of the relatively high proportion of private funds supporting tertiary education in Korea (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 Korea, Mexico, the Slovak Republic and the partner countries Chile and Brazil 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 not clear, there is some evidence to suggest that countries with high rates of public spending 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 (Chart B4.1 and Chart B4.2).

Chart B4.2. Total public expenditure on all services as a percentage of GDP (2000, 2006)



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

1. Year of reference 2005 instead of 2006.

2. Year of reference 2007 instead of 2006.

Countries are ranked in descending order of total public expenditure as a percentage of GDP in 2006.

Source: OECD, Annex 2. See Annex 3 for notes (www.oecd.org/edu/eag2009).

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From 1995 to 2006, public expenditure on education typically grew faster than total public spending and as fast as national income; the average proportion of public expenditure on education increased over this period in 21 of the 27 countries with comparable data in both 1995 and 2006. At the same time, on average in these 27 countries public expenditure on education as a percentage of GDP slightly decreased. 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 2006. Although budget consolidation has put pressure on education along with every other service, the proportion of public budgets spent on education in OECD countries rose from 12.0% in 1995 to 13.3% in 2006. The figures suggest that the greatest relative increases in the share of public expenditure on education during this period took place in Denmark (12.2% to 15.6%), Ireland (12.2% to 14.4%), the Netherlands (9.1% to 12.0%), New Zealand (16.5% to 18.9%), the Slovak Republic (14.1% to 19.5%) and the United States (12.6% to 14.8%) and the partner countries Brazil (11.2% to 16.2%) and Chile (14.5% to 16.6%).

Definitions and methodologies

The data refer to the financial year 2006 and are based on the UOE data collection on education statistics administered by the OECD in 2008 (for details see Annex 3 at www.oecd.org/edu/eqq2009).


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/eqq2009 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/10.1787/664366200117>

- *Table B4.2. Distribution of total public expenditure on education (2006)*
- *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 (2006)*
- *Table B4.3b. Initial sources of public educational funds and final purchasers of educational resources by level of government for tertiary education (2006)*

Table B4.1.

Total public expenditure on education (1995, 2000, 2006)

Direct public expenditure on educational institutions plus public subsidies to households (which include subsidies for living costs) 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				
	2006		2000	1995	2006		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	3.4	13.9	13.6	13.6	3.4	1.1	4.6	4.7	5.0
Austria	7.2	3.0	11.0	10.7	10.8	3.6	1.5	5.4	5.6	6.1
Belgium	8.2	2.7	12.4	12.1	m	4.0	1.3	6.0	5.9	m
Canada ^{2,3}	7.7	4.1	11.8	12.4	12.7	3.3	1.8	5.1	5.1	6.2
Czech Republic	6.5	2.3	10.1	9.5	8.7	2.8	1.0	4.4	4.0	4.8
Denmark ³	9.4	4.4	15.6	15.3	12.2	4.8	2.3	8.0	8.3	7.3
Finland	7.9	4.0	12.6	12.5	11.0	3.9	1.9	6.1	6.0	6.8
France	7.1	2.3	10.6	11.6	11.5	3.8	1.2	5.6	6.0	6.3
Germany	6.3	2.5	9.7	9.8	8.5	2.8	1.1	4.4	4.4	4.6
Greece	m	m	m	7.3	5.6	m	m	m	3.4	2.6
Hungary	6.5	2.0	10.4	14.1	12.9	3.4	1.0	5.4	4.8	5.2
Iceland	12.4	3.3	18.1	15.9	m	5.2	1.4	7.6	6.7	m
Ireland	11.0	3.4	14.4	13.6	12.2	3.7	1.1	4.9	4.3	5.0
Italy	6.9	1.6	9.5	9.8	9.0	3.4	0.8	4.7	4.5	4.7
Japan ³	7.0	1.7	9.5	9.5	m	2.6	0.6	3.5	3.6	3.6
Korea	11.3	2.2	15.0	16.3	m	3.4	0.7	4.5	3.9	m
Luxembourg ^{3,4}	8.8	m	m	m	m	3.4	m	m	m	m
Mexico	15.1	3.8	22.0	23.4	22.2	3.3	0.8	4.8	4.4	4.2
Netherlands	7.8	3.3	12.0	11.2	9.1	3.6	1.5	5.5	5.0	5.1
New Zealand	12.7	5.1	18.9	m	16.5	4.1	1.6	6.0	6.8	5.6
Norway	9.8	5.1	16.2	14.5	15.5	4.0	2.1	6.6	5.9	7.9
Poland ⁴	8.6	2.2	12.0	12.7	11.9	3.8	1.0	5.3	5.0	5.2
Portugal ⁴	8.0	2.2	11.3	12.6	11.7	3.7	1.0	5.3	5.4	5.1
Slovak Republic ³	12.5	4.6	19.5	14.7	14.1	2.4	0.9	3.8	3.9	4.6
Spain	7.2	2.5	11.1	10.9	10.3	2.8	1.0	4.3	4.3	4.6
Sweden	8.1	3.4	12.6	13.4	10.7	4.4	1.9	6.8	7.2	7.1
Switzerland ⁴	8.7	3.4	12.8	15.6	13.5	3.7	1.5	5.5	5.4	5.7
Turkey ⁴	m	m	m	m	m	1.9	0.9	2.9	m	m
United Kingdom	8.7	2.4	11.9	11.0	11.4	4.0	1.1	5.5	4.3	5.0
United States	10.0	3.9	14.8	14.4	12.6	3.7	1.4	5.5	4.9	4.7
<i>OECD average</i>	<i>9.0</i>	<i>3.1</i>	<i>13.3</i>	<i>12.9</i>	<i>12.0</i>	<i>3.5</i>	<i>1.3</i>	<i>5.3</i>	<i>5.1</i>	<i>5.3</i>
<i>EU19 average</i>	<i>8.1</i>	<i>2.9</i>	<i>12.2</i>	<i>13.1</i>	<i>10.7</i>	<i>3.6</i>	<i>1.3</i>	<i>5.4</i>	<i>5.1</i>	<i>5.3</i>
Partner countries										
Brazil ⁴	12.3	2.7	16.2	10.4	11.2	3.8	0.8	5.1	3.8	3.9
Chile ⁵	12.2	2.5	16.6	17.5	14.5	2.5	0.5	3.4	3.9	3.0
Estonia	10.6	2.8	14.4	14.9	13.9	3.5	0.9	4.8	5.4	5.8
Israel	9.1	2.3	13.7	13.8	13.3	4.1	1.0	6.2	6.5	6.9
Russian Federation ⁴	6.8	2.9	13.1	10.6	m	2.0	0.8	3.9	2.9	m
Slovenia	9.0	2.8	12.9	m	m	4.0	1.2	5.7	m	m

1. Public expenditure presented in this table includes public subsidies to households for living costs, which are not spent on educational institutions. Thus the figures presented here exceed those on public spending on institutions found in Table B2.1b.

2. Year of reference 2005 instead of 2006.


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

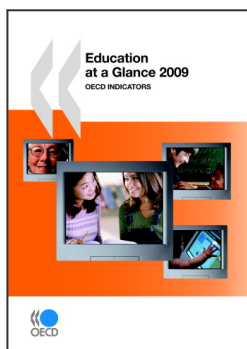
4. Public institutions only.

5. Year of reference 2007 instead of 2006.

Source: OECD. See Annex 3 for notes (www.oecd.org/edu/eag2009).

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

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