

3. PAYING FOR EDUCATION

What is the role of private spending?

- On average, over 90% of primary, secondary and post-secondary non-tertiary education in OECD countries is paid for publicly.
- In tertiary education the proportion funded privately varies widely, from less than 5% in Denmark, Finland and Greece to over 75% in Korea.
- On average, the share of private funding in tertiary institutions slightly increased from 21% in 1995 to 23% in 2000 and to 27% in 2005.

Significance

Private funding is increasingly seen as forming a part of investment in education, particularly for pre-primary and tertiary education, where full or nearly full public funding is less common than for other levels of education. This indicator shows how the financing of educational institutions is shared between public and private entities, particularly at the tertiary level.

Findings

In all OECD countries for which comparable data are available, public funding for all levels of education represents 86% of all funds, on average. Excluding pre-primary and tertiary education, this percentage rises to 92% 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 2008*). At tertiary level, private funding represents on average 27% 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 Greece, to more than 40% in Australia, Canada, Japan, New Zealand and the United States to over 75% in Korea.

Private entities other than households contribute more, on average, to tertiary education than to other levels of education. In Australia, Canada, Hungary, Italy, Japan, Korea, the Netherlands, the Slovak Republic, Sweden and the United States, 10% or more

of spending on tertiary education comes from private entities other than individual households.

Trends

While public funding for all levels of education increased across OECD countries for which comparable data are available between 2000 and 2005, private spending on education increased even more in nearly 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 Mexico, Portugal, the Slovak Republic and the United Kingdom.

On average among the 18 OECD countries for which trend data are available, the share of public funding for tertiary education decreased slightly between 1995 and 2000 and every year between 2000 and 2005. In more than half of those countries, the private share increased by 3 percentage points or more during that period.

Definitions

Data refer to the financial year 2005 and are based on the UOE data collection on education statistics, administered by the OECD in 2007. Private spending includes all direct expenditure on educational institutions, whether partially covered by public subsidies or not.

Going further

For additional material, notes and a full explanation of sourcing and methodologies, see *Education at a Glance 2008* (Indicator B3).

Areas covered include:

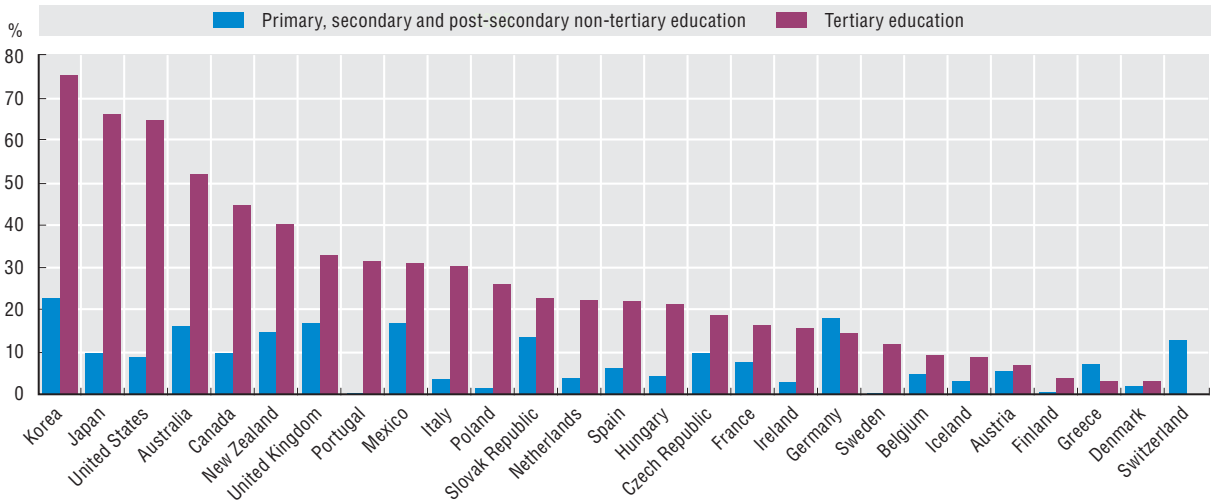
- Relative proportions of public and private expenditure on educational institutions for all levels of education, and trends.

Further reading from OECD

Reviews of National Policies for Education (series).

Figure 3.8. **Share of private expenditure on educational institutions, 2005**

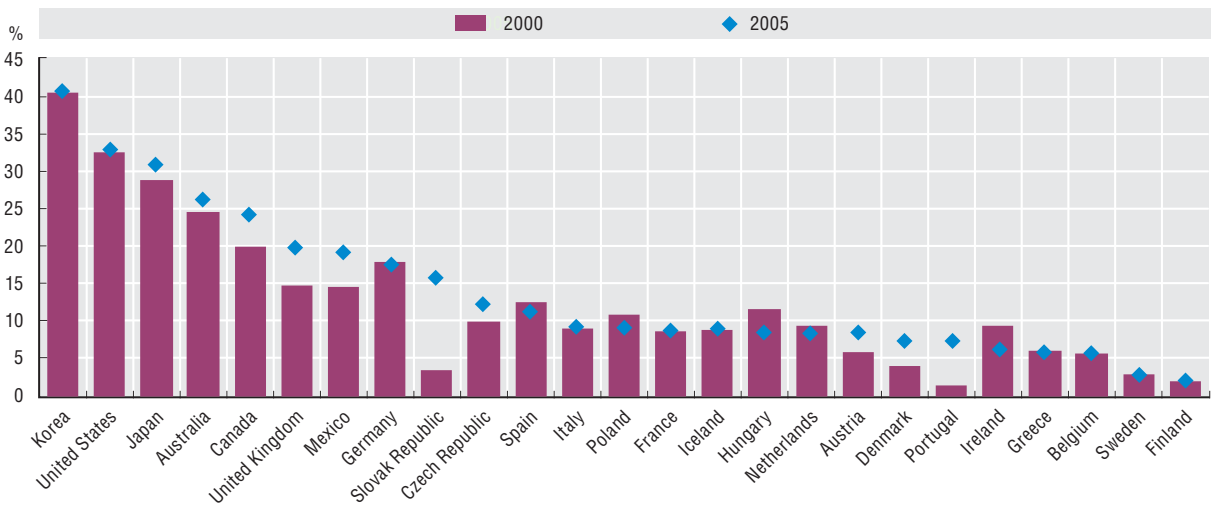
This figure shows the percentage of spending on educational institutions accounted for by private spending.



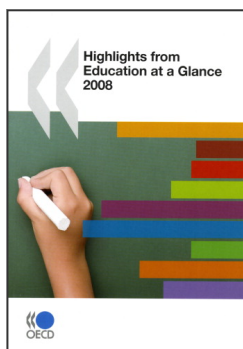
Source: OECD (2008), *Education at a Glance 2008*, Tables B3.2a and B3.2b, available at <http://dx.doi.org/10.1787/402017824643>.

Figure 3.9. **Trends in share of private expenditure (2000, 2005)**

This figure shows the increase – or otherwise – in private spending as a percentage of total expenditure on all levels of education from 2000 to 2005.



Source: OECD (2008), *Education at a Glance 2008*, Table B3.1, available at <http://dx.doi.org/10.1787/402017824643>.



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