



Is increasing private expenditure, especially in tertiary education, associated with less public funding and less equitable access?

- Between 2000 and 2009, total expenditure on educational institutions as a percentage of GDP rose by 0.88 percentage point from 5.34% to 6.22%; the increase came from both public and private sources.
- In OECD countries, 16.0% of total educational expenditure for all levels of education came from private sources in 2009, compared to 12.2% in 2000. The private share in expenditure increased from 22.9% to 30.0% on average at the tertiary level, whereas it increased from 7.1% to 8.8% at primary, secondary and post-secondary non-tertiary levels.
- The increase in private expenditure was not tied to a decrease in public spending on education. Rather, both sources of education expenditure had different growth rates.
- At the country level, a higher share of private expenditure for tertiary education institutions is not associated with more limited access to tertiary education or decreasing opportunities for students from disadvantaged families to enrol in tertiary education.

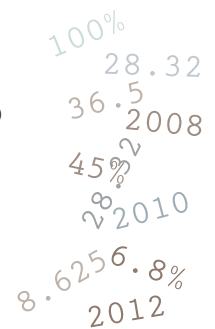
Private expenditure on education is increasing, especially in tertiary education...

In 2009 some 16.0% of total educational expenditure came from private sources, on average in OECD countries. Private expenditure was especially high in pre-primary education (18.3% on average) and tertiary education (30.0% on average). For primary, secondary and post-secondary non-tertiary education the share of private expenditure across OECD countries was 8.8%.

The major part of private expenditure for tertiary education institutions comes from households via tuition fees and other forms of expenditure. But private expenditure also includes other sources, such as contributions from private companies. In Australia, Canada, the Czech Republic, Israel, Japan, Korea, the Netherlands, the Slovak Republic, Sweden, the United Kingdom and the United States, 10% or more of expenditure on tertiary institutions is covered by private entities other than households. In Sweden, these contributions are largely directed to sponsoring research and development.

There are huge differences between countries with regard to the share of expenditure from private sources on education. Chile, Korea and the United Kingdom now draw over 70% of their expenditure on tertiary education institutions from private sources, and the proportion is more than 20% for primary, secondary and post-secondary non-tertiary education. The Nordic countries and Belgium receive around 10% or less of their expenditure on tertiary education from private sources.

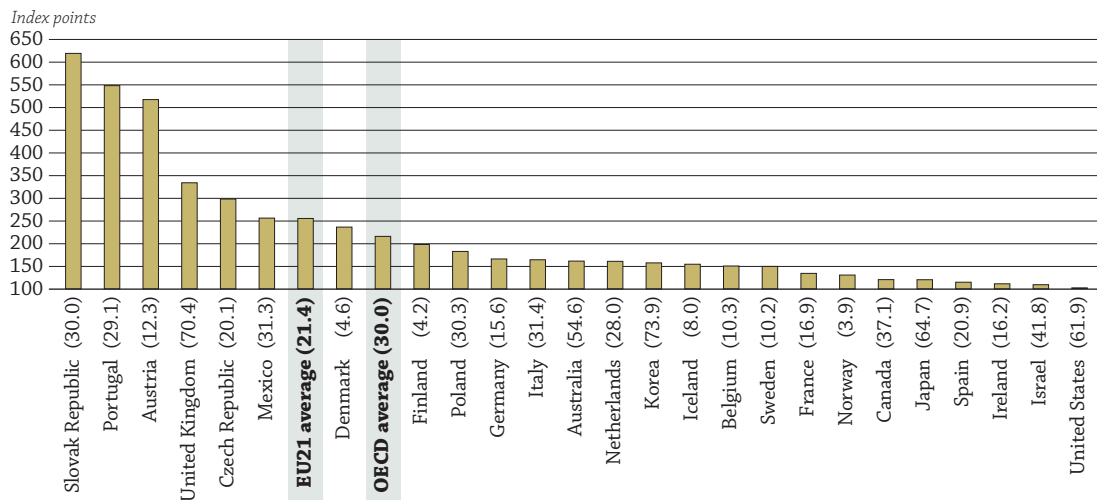
Between 2000 and 2009, private expenditure on education rose significantly. From an index of 100 in the year 2000, private expenditure has now reached an index of 186 across OECD countries. Private expenditure has doubled in Mexico between 2000 and 2009, and has even tripled in the United Kingdom. The increase is particularly high in tertiary education, where it more than doubled across OECD countries between 2000 and 2009,





with growth indexes (2000=100) as high as 518 for Austria, 548 for Portugal, 620 for the Slovak Republic and 334 for the United Kingdom. Some of these countries have high growth rates in the relative share of private funding, because this share was very low in 2000. But a country like the United Kingdom already drew 32.3% of its expenditure on tertiary education from private sources in 2000 and has further increased this proportion to 70.4% in 2009. On the other hand, the United States has seen a decrease in its share of private expenditure in tertiary education from 68.9% in 2000 to 61.9% in 2009.

Variation of private expenditure¹ on tertiary education between 2000 and 2009



Note: The values between brackets next to country names correspond to the percentage of private expenditure on tertiary education for 2009.

1. Including subsidies attributable to payments to educational institutions received from public sources.

Countries are ranked in descending order by increase of private expenditure in tertiary education between 2000 and 2009.

Source: Education at a Glance 2012: OECD Indicators, Indicator B3 (www.oecd.org/edu/eag2012).

...but this increase did not occur at the expense of public funding.

Between 2000 and 2009, public expenditure on educational institutions also increased significantly but at a lower rate, on average, than private expenditure. With the year 2000 at an index of 100, the total public expenditure on educational institutions at all levels of education grew to an index of 133 on average across OECD countries. The highest growth rates in public expenditure were seen in Australia, the Czech Republic, Estonia, Ireland and Korea. Looking specifically at tertiary education, where the increase in the share of private expenditure was the most remarkable, the index of public expenditure increased from 100 to 138 between 2000 and 2009 across OECD countries. But in the Czech Republic, Korea and Poland, the index grew to more than 180.

There is – contrary to what some might expect – no negative correlation between the growth indexes for public and private expenditure in tertiary education. In general, OECD countries did not substitute public spending for private expenditure. In almost all countries both public and private expenditure increased, but the balance between the two sources of funding can be very different. Countries like Austria, the Czech Republic, Mexico, and the Slovak Republic have higher than average growth indexes for both public and private expenditure on tertiary education. However, there are examples of countries where public and private expenditure have dissimilar growth patterns: Denmark, Portugal, and the United Kingdom combined a higher than average growth index for private expenditure with a lower than average growth index for public expenditure on tertiary education.



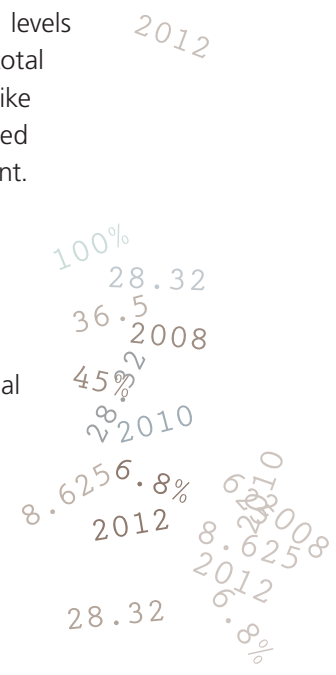
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As can be expected, the combined increases in public and private expenditure on educational institutions result in significant growth in the total expenditure available for educational institutions between 2000 and 2009 (Indicator B2 in *Education at a Glance 2012*). Total expenditure for education (all levels combined) increased by 35.8% on average in OECD countries. As a percentage of GDP, total education expenditure increased by 0.88 percentage point from 5.34% to 6.22%. Countries like Denmark, Ireland, Korea, Mexico, the Netherlands, Norway and the United Kingdom increased their total expenditure on education as a percentage of GDP by more than one percentage point.

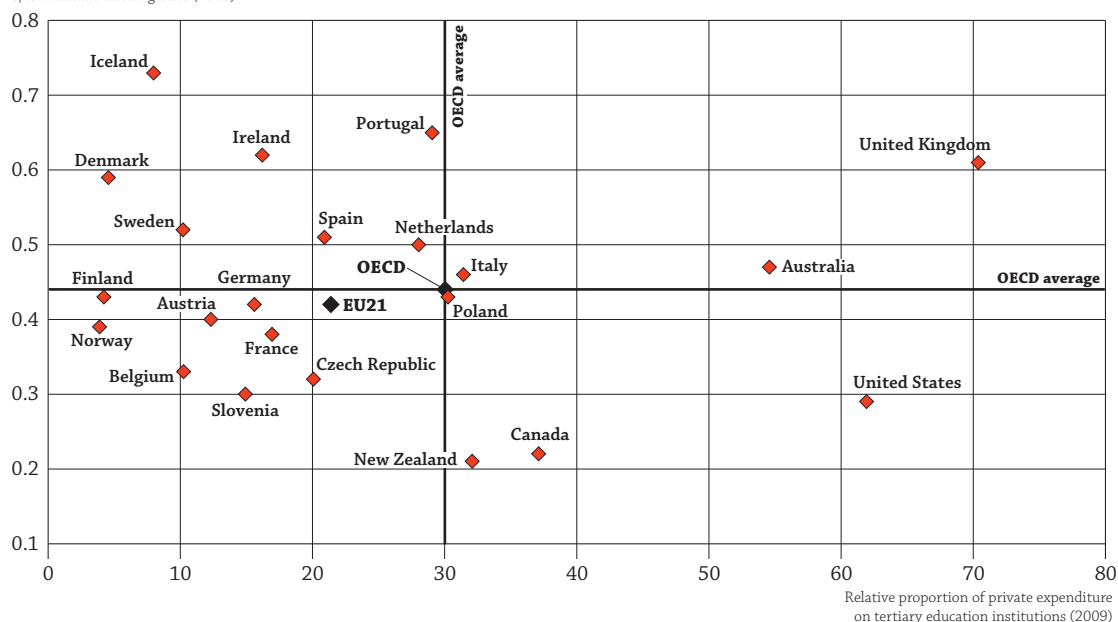
A higher share of private expenditure in tertiary education is not associated with more limited or inequitable access.

Not accounting for foregone earnings, the cost for one year of tertiary education for an individual adds up to 1 944 USD equivalent on average across OECD countries in 2008 (Indicator A9 in *Education at a Glance 2012*). But the the cost for households varies widely between individual countries, between a few hundred USD in Nordic countries up to USD 4 880 in the United Kingdom. Governments have implemented various mechanisms to compensate for this private cost, especially for disadvantaged households. At the same time the internal rate of return on this private investment is high, up to 13% per year on average across the OECD. This high private rate of return may explain that governments decided in recent years to gradually increase the private share of the cost of tertiary education.



Odds ratio to access higher education with parents of lower educational background and relative proportion of private expenditure on tertiary education institutions

Odds ratio to access higher education with parents of low educational background (2008)



Source: *Education at a Glance 2012: OECD Indicators*, Indicators A6 and B3 (www.oecd.org/edu/eag2012).



9
50
6%

An argument often voiced in the context of such political debates is the risk that higher private expenditure might limit access to tertiary education, or might, more specifically, discourage students from disadvantaged families from enrolling in tertiary education. However, on a country level and to this date, there is still no evidence which can substantiate such an assertion. There is no negative correlation between the relative share of private expenditure and entry rates in tertiary education (Indicator B5 in *Education at a Glance 2012*). For the 22 OECD countries for which both data sets are available, the analysis also shows that there is no correlation between the share of private expenditure in tertiary education and the odds ratio to access tertiary education if the student's parents have a low educational background (Indicator A6 in *Education at a Glance 2012*).

In the chart on page 3, the OECD countries for which both data sets are available are plotted with regard to the relative share of private expenditure on tertiary education and the odds ratio to access higher education for a student with a low educational background. Countries in the upper left quadrant combine a share of private expenditure lower than the OECD average with a higher than average odds ratio. The opposite situation can be found in the lower right quadrant, where countries such as the United States and Canada have a higher than average proportion of private expenditure and a low odds ratio. But countries like Australia and, especially, the United Kingdom, show that higher than average private expenditure can be combined with high odds ratios. At the European level, Italy, the Netherlands and Portugal have a private share of expenditure which is higher than the average for OECD countries that are part of the European Union (EU21), while still having higher than average odds ratios.

The challenging quadrant is the lower left one, including countries such as Austria, Belgium, the Czech Republic, France, Germany and Norway, where a low share of private investment goes hand in hand with a lower than average odds ratio. Unfortunately, trend data for both indicators are missing, therefore the effects over time of increasing private shares of expenditure on access cannot be analysed. However, from a cross-country analysis based on 2008-09 data, it is clear that a higher share of private expenditure is not associated with decreased opportunities for students from low educational family backgrounds to access tertiary education.

Among OECD countries, various models prevail with regard to the configuration of public funding for higher education, the financial investment requested from students and families, and the support mechanisms offered to students (Indicator B5 in *Education at a Glance 2012*, and *Education Indicators in Focus*, No. 2).

In general, the relative share of private expenditure seems to have little impact on access to tertiary education. Other factors seem to be more powerful in explaining inequitable access to higher education and educational mobility between generations, such as social disparities and social segregation between schools at the secondary level.

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3
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8.6256
20.

The bottom line On average across OECD countries, private sources add up to a larger portion of educational expenditure, especially in tertiary education. In some countries the increase in private expenditure is very remarkable. But private expenditure has not increased at the expense of public funding. And at the country level, a higher level of private expenditure in tertiary education is not associated with lower chances for students from disadvantaged backgrounds to access tertiary education.

Visit:
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[Education at a Glance 2012: OECD Indicators](#)

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Coming next month:
How does class size vary around the world ?

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