



## **EMERGENCE OF PRIVATE HIGHER EDUCATION FUNDING WITHIN THE OECD AREA**

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**September 2006**

This paper analyses longitudinal OECD data on the financing of higher education. It has been written during an internship of the author at the OECD Centre for Educational Research and Innovation, under the supervision of Stéphan Vincent-Lancrin, for the project on the future of higher education. The author gratefully acknowledges the assistance of Eric Charbonnier and other members of the Education Indicators and Analysis division of the OECD Directorate for Education. All the analyses and opinions expressed are the author's and not necessarily those of the OECD and its member countries.



## TABLE OF CONTENTS

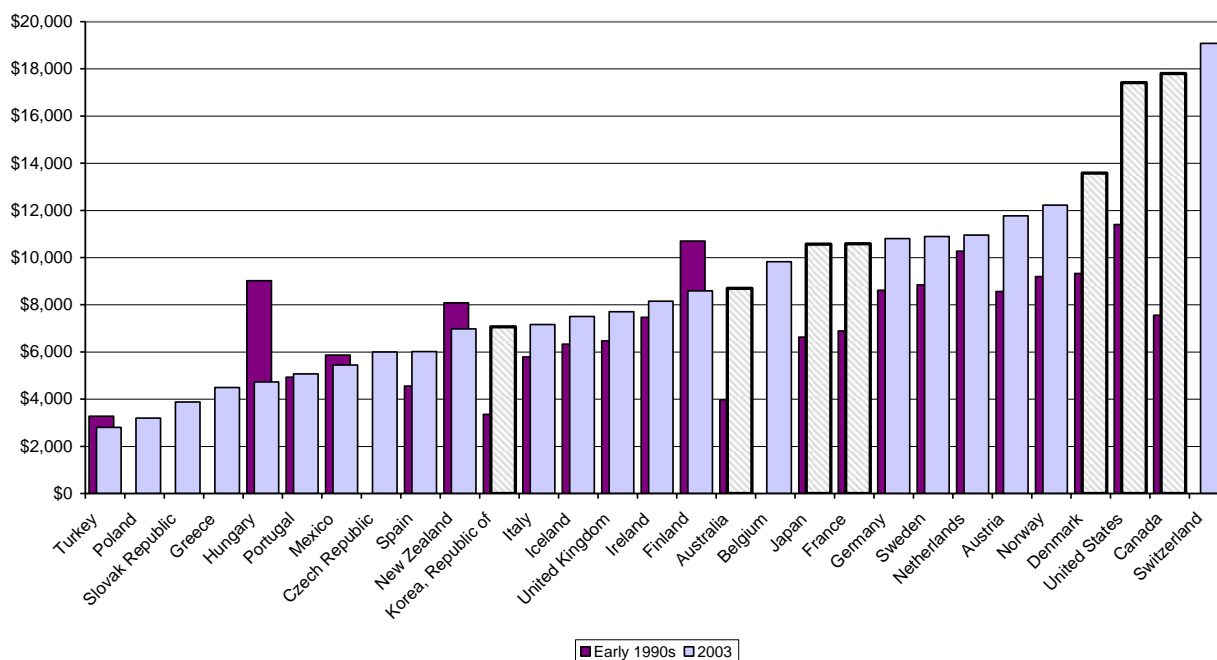
<b>INTRODUCTION .....</b>	<b>2</b>
<b>GENERAL PUBLIC-PRIVATE TRENDS IN HIGHER EDUCATION FUNDING.....</b>	<b>4</b>
REMAINING IMPORTANCE OF DIRECT PUBLIC FUNDING .....	4
EMERGING PRIVATE FUNDING .....	7
<b>COUNTRIES WITH EMERGING PRIVATE FUNDING .....</b>	<b>11</b>
INCREASING PRIVATE FUNDING TO HIGHER EDUCATION INSTITUTIONS .....	12
INCREASING PUBLIC FINANCIAL AID TO STUDENTS.....	16
FROM GOVERNMENTS TO STUDENTS, FROM STUDENTS TO INSTITUTIONS .....	19
<b>COUNTRIES WITH REMAINING IMPORTANCE OF PUBLIC FUNDING.....</b>	<b>22</b>
STABLE PUBLIC FUNDING TO HIGHER EDUCATION INSTITUTIONS .....	22
STABLE HIGHER EDUCATION EXPENSES FOR HOUSEHOLDS.....	24

## INTRODUCTION

*Overall funding for higher education institutions has increased along student enrolments in the long term, but the increase in funding per student has slowed down since the early 1990s*

1. Direct funding received by higher education institutions has significantly increased over the past decades. Since 1985,<sup>1</sup> both the total amount of expenditures on higher education institutions and expenditures per student have at least doubled in most OECD countries. While higher education institutions received more than 6 000 constant USD of 2000 per student in only two of OECD countries in the mid-1980s, overall expenditures to higher education institutions per student were less than 6 000 USD per student only in seven of the countries in 2003<sup>2</sup>. Furthermore, in 2003, higher education institutions received more than 10 000 USD per student in more than a third of OECD countries. The developments in funding for higher education institutions are thus globally in line with the developments in student enrolments: The number of students enrolled in higher education institutions has increased almost over the entire OECD area since the mid-1980s.

**All expenditures to higher education institutions**  
(USD of 2000 per full- and part-time students)



<sup>1</sup> It ought to be noted that the data from the 1980s exists only on third of OECD countries. One may however suspect that the similar developments have taken place within the OECD area in general.

<sup>2</sup> With the purpose of being able to make real term comparisons between different countries as well as in time, all of the data used has been converted from the early national currencies to constant USD of the year 2000. These total expenditure values in constant USD of 2000 have then been divided by the number of full and part-time student enrolments in all higher education institutions in order to be able to use expenditures per student as an indicator of change.

2. The picture tends to be slightly different, however; when examining the developments over a shorter period of time, for example, since the early 1990s. Along the generally increasing student enrolments, the overall amount of funds directed to higher education institutions from both public and private sources has continued to increase within the OECD area over the past ten years. Nevertheless, when looking at the developments by funding per full- and part-time students, the higher education institutions are not that well off. Overall expenditures per student to higher education institutions have even decreased in some OECD countries since the early 1990s, while the number of higher education students has continued to increase. In most of the countries, however, overall expenditures to higher education institutions have continued to increase since the beginning of 1990s.

*In addition to direct funding to higher education institutions, governments may fund higher education indirectly via financial aid to students*

3. Direct expenditures to higher education institutions are not the sole way for the governments to fund higher education. In addition to direct funding of higher education institutions, governments may also fund higher education indirectly via transfers and payments to private entities. This means essentially giving financial aid to higher education students either in the form of student loans or scholarships and other grants. To put it differently, even when households have covered an important part of the funding for higher education institutions, they may at the same time have received financial aid from governments in order to pay for higher education. This would partly mean indirect public funding for higher education. On the other hand, in some cases students may have received governmental financial aid, even when the public sector has already covered most of the funding of higher education institutions. Therefore, when examining higher education funding, one needs to consider also the overall amount of public funding as well as the ways to distribute this funding.

## GENERAL PUBLIC-PRIVATE TRENDS IN HIGHER EDUCATION FUNDING

4. Sources for the increased funding of higher education institutions can vary significantly according to an OECD country: While higher education institutions may rely on all receiving funds from governmental sources in one country, private sources may cover more than half of all funding received by higher education institutions in another. Higher education institutions within the OECD area may receive both direct governmental and private funding, which consists of both households and other private entities meaning essentially firms. From which sources do the funds for higher education institutions within the OECD-area come from? How has the importance of public and private funds for higher education institutions changed over time? What are the implications to the overall funding of higher education?

### Remaining importance of direct public funding

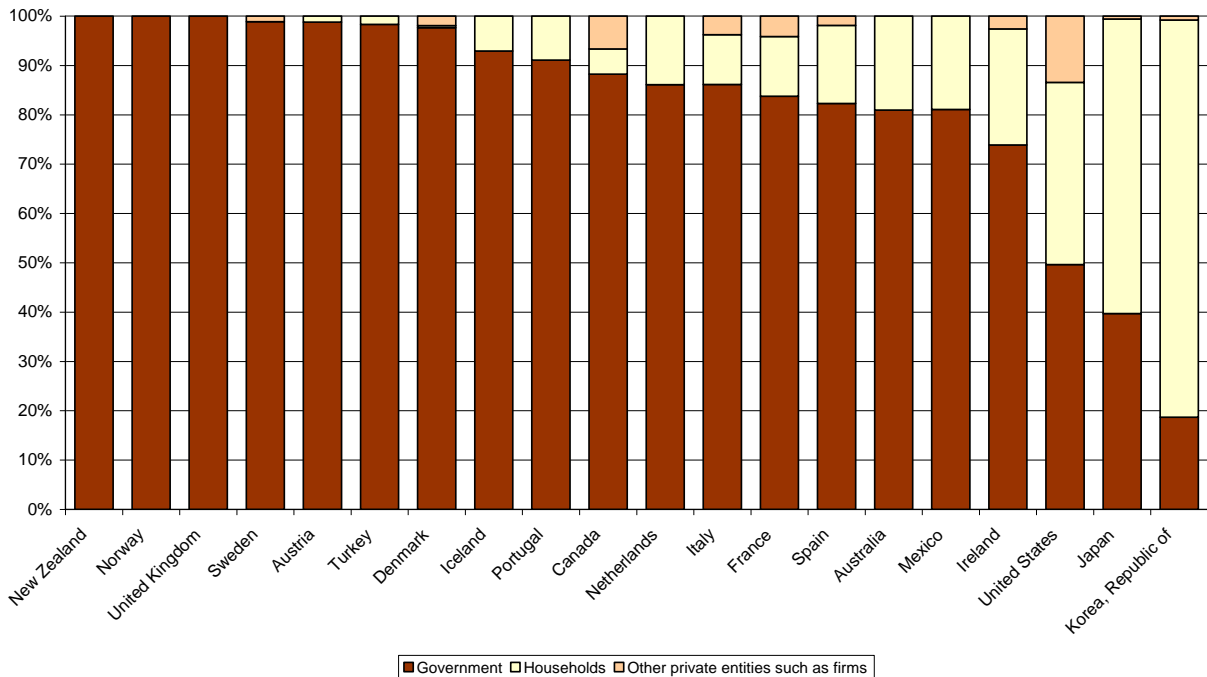
*Governments have traditionally covered main part of higher education institutions' funding in a great majority of the OECD countries*

5. Funding of higher education institutions has traditionally relied extensively on the public sector. Governments have covered at least 80% of all direct funding for higher education institutions in roughly two thirds of OECD countries in the mid-1980s as well as in the early 1990s. Furthermore, in the mid-1980s, governmental expenditures formed more than 90% of all the expenditures in almost half of the countries, which included, among others, **all of the Nordic countries**. For example in **Denmark** and **Sweden**, all of the funds received by higher education institutions in the mid-1980s came from the governmental sources. Still in the beginning of 1990s, public funding formed more than 90% of the funding for higher education institutions in almost a third of OECD countries.

*In the few countries with a traditionally important share of private higher education institution funding, households have formed the main source of private funding.*

6. Traditionally, households have provided an important part of funding for higher education institutions in four OECD countries. In the mid-1980s, private sources provided more than half of the funding to higher education institutions in **Japan**, while the share of private funding was a third of the expenditures in **the United States** and **Spain**. In the early 1990s, private expenditures formed at least half of the funding for higher education institutions in **the Republic of Korea** and **the United States**. In these countries, households have been the principal source of private funding to higher education institutions. In **Japan** and **the Republic of Korea**, their share of the funding of higher education institutions was at least 60% in the early 1990s, meaning expenditures of 4 000 constant USD of 2000 per student for **Japanese** households and roughly 2 700 USD per student in **Korean**. At the same time, households in **the United States** spent as much as roughly 4 200 constant USD of 2000 per student to higher education institutions. This reflected 40% of all expenditures to **American** higher education institutions.

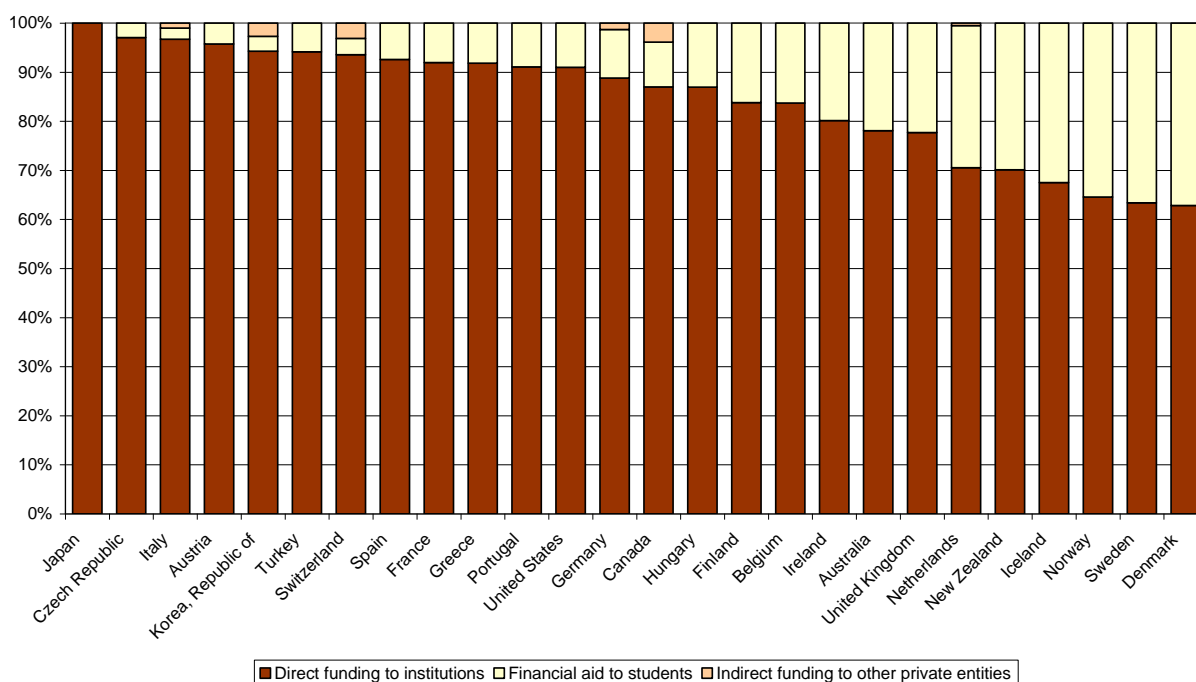
Funding sources for higher education institutions in early 1990s



*Most public funding has traditionally been distributed directly to higher education institutions in a majority of OECD countries*

7. Governments of the OECD area have traditionally directed an extensive part of the overall public funding directly to higher education institutions. In the beginning of the 1990's, at least 80% of the public higher education funding was distributed directly to higher education institutions in two thirds of OECD countries. In almost half of the countries, more than 90% of the public higher education funding meant direct expenditures to the institutions. Nevertheless, already in the early 1990s, more than 20% of all governmental higher education funds were distributed to private entities in roughly a third of OECD countries. This significant part of public higher education funds was distributed as financial aid to students in **a majority of the Nordic countries, half of the Anglo-Saxon countries** as well as in **Belgium and the Netherlands**. As higher education institutions in **the Nordic countries** have traditionally relied almost solely on governmental funding, it seems thus that the financial aid in particular to **Nordic** students has rather been aimed to cover living expenses than to help students to cope with tuition fees of higher education institutions.

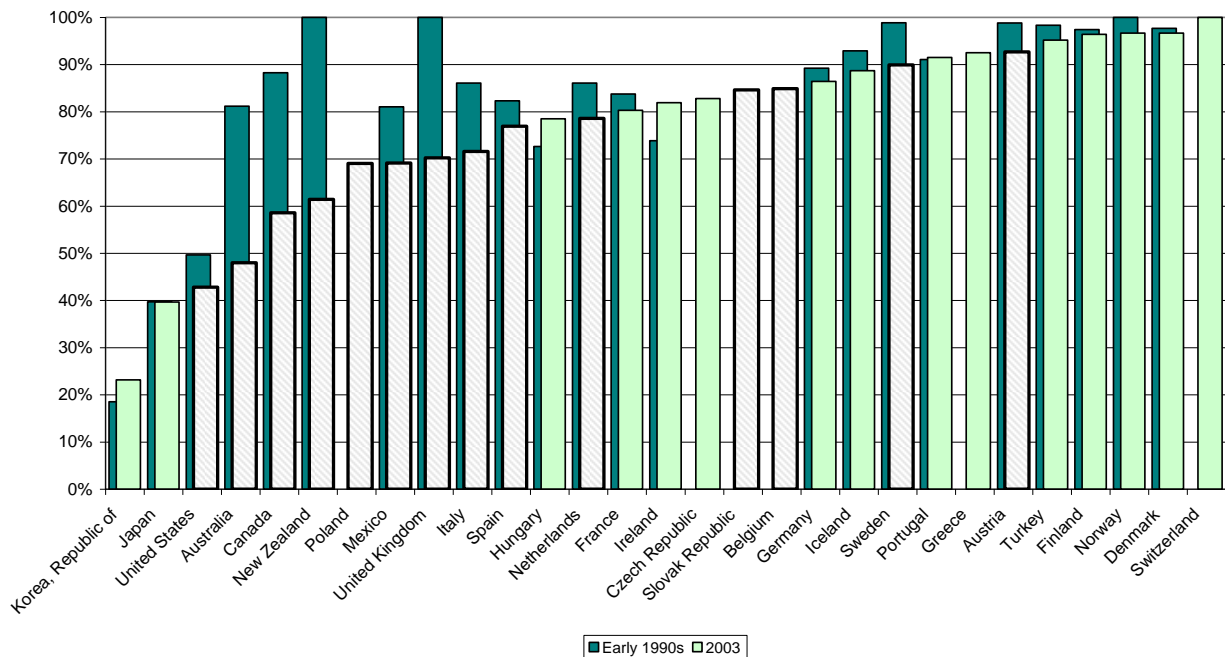
Distribution of public higher education funding in early 1990s



*Governmental sources provide majority of funding to higher education institutions still today, while a main part of the public funding is distributed directly to the institutions*

8. Public higher education funding has maintained its importance for higher education institutions over the past decades. Government covered at least 80% of all direct expenditures to higher education institutions in more than a half of OECD countries in 2003, while in almost a third of the countries, higher education institutions still received more than 90% of their funding from governmental sources. Moreover, in some countries the share of governmental expenditures to higher education institutions has even increased over the past ten years. Thus, funding of higher education institutions today remains mainly public within the OECD area. Furthermore, when it comes to distribution of overall public higher education funding, the global situation seems stable as well: Two thirds of OECD countries still distributed at least 80% of their public higher education funding directly to higher education institutions in 2003, while a third of the countries distributed more than 20 % of their funding indirectly as financial aid to students.

**Public expenditures to higher education institutions**  
(% from all expenditures to higher education institutions)



### Emerging private funding

*The share of private sources of funding of higher education institutions has increased in almost half of OECD countries over the past decades*

9. Changes have occurred regarding the sources and distribution of higher education funding within the OECD area. Despite the dominance of governmental funding, the share of private expenditures on overall funding of higher education institutions has increased within the OECD area since the mid-1980s. In almost half of OECD-countries, private sources cover today at least a 5% larger share of all direct funding for higher education institutions than they did in the beginning of the 1990s. Furthermore, as a clear difference to the mid-1980s and the early 1990s, today more than 20% of higher education institutions' direct funding comes from private sources in almost half of OECD countries. In these countries, private expenditures to higher education institutions were roughly 1 000 constant USD of 2000 per student in 2003, while they exceeded 5 000 USD per student in four countries. Also, the number of countries where governmental sources cover more than 90% of all direct funding to higher education institutions decreased from one half to less than a third, while the number of the countries where more than half of the funding for the higher education institutions comes from private funding sources has increased to four since the mid-1980s.

*While the increasing share of private funding is due to a fast increase of private expenditures over past decades, public funding per student has actually decreased in some countries since the early 1990s*

10. The increasing share of private funding for higher education institutions can be explained by a fast growth of private funding. Thus, public funding per student to the institutions has not decreased since the mid-1980s. This means that since the growth of funding from private sources has significantly



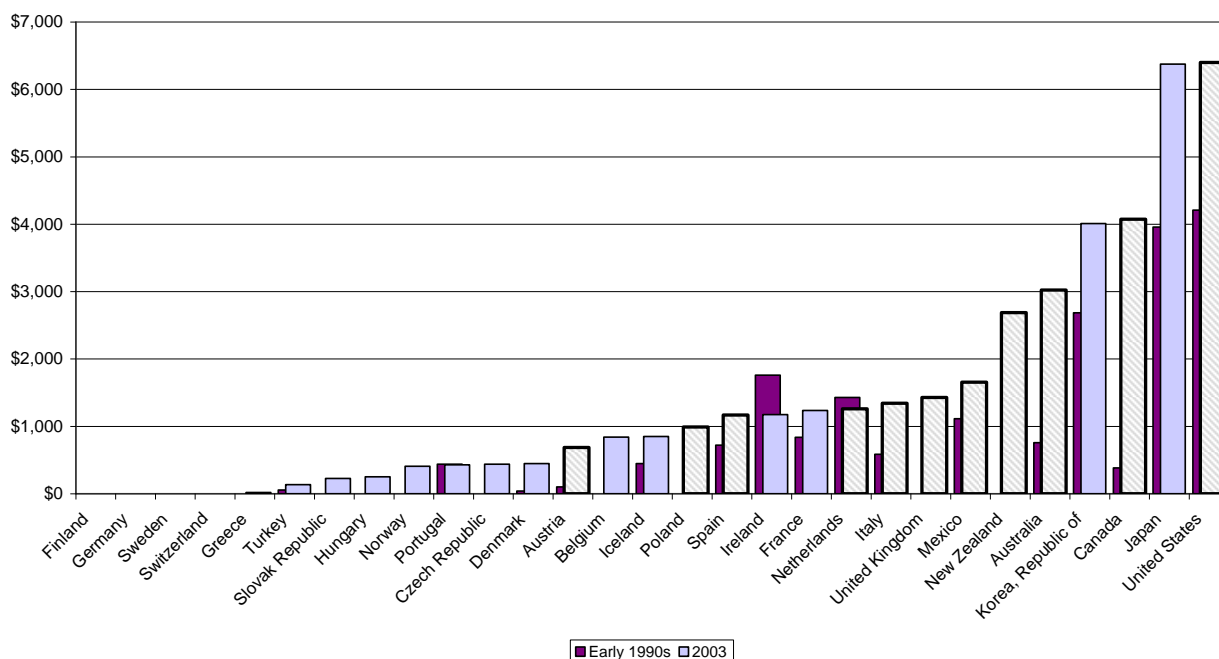
exceeded the growth of funding from governmental sources, the share of private funding in the overall funding of higher education institutions has increased in the long term.

11. The situation has slightly changed over the past ten years. Rapidly increasing private expenditures can no longer be seen as the sole explanation for the increasingly important part of private funding for higher education institutions. This means that since the early 1990s, public expenditures per student to higher education institutions have not significantly increased nor they have even decreased in the 14 countries, even though the global amount of governmental expenditures has generally continued to increase. The increasing governmental investment has thus been divided by an expanding number of higher education students. Since the early 1990s, governmental expenditures per student towards higher education institutions have at least slightly decreased in five of the countries with the increasing share of private funding, while they have remained fairly stable or slightly increased in nine of the countries.

*The increase in the share of private funding has weighed mainly, but not solely, on households*

12. Households have maintained their position as the main source of private funding for higher education institutions. This implies that the increasing share of private expenditures to higher education institutions weighs largely on households. Their share of all direct expenditures to educational institutions has even increased at least 15% in four OECD countries since the early 1990s, while households' expenditures per student have tripled in almost half of OECD countries over the past decade. Households' expenditures per student to higher education institutions has increased at least by 1 000 constant USD of 2000 per student in seven countries in the 1990s, while households spent at least 1 000 USD per student towards higher education in more than a third of OECD countries in 2003.

**Households' expenditures to higher education institutions**  
(USD of 2000 per full- and part-time students)



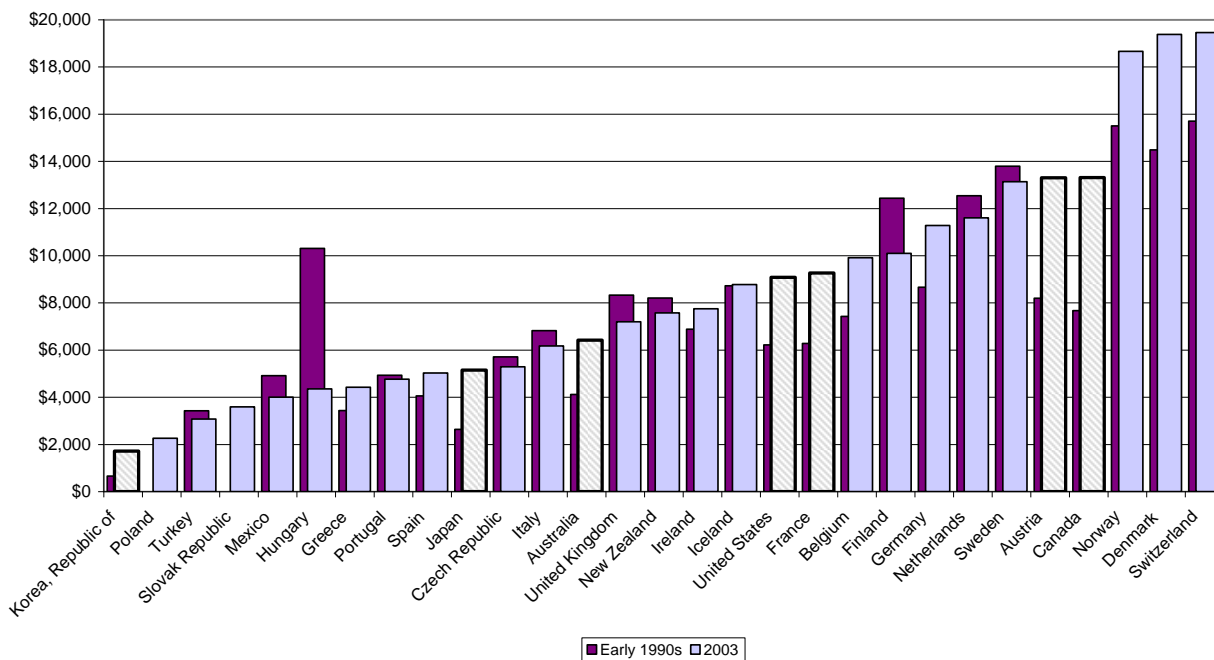
13. Despite this, the contributions of other private entities to the funding of higher education institutions should not be neglected. Even when households form the principal private funding source for higher education institutions, there has been an increase of at least 10% in the funding share that higher

education institutions received from other private entities in eight OECD countries. Since the early 1990s, the expenditures per student from other private entities has at least doubled in a third of OECD countries, while today these expenditures are at least 1 000 constant USD of 2000 per student in six of the countries. The shift towards increasingly private funding of higher education institutions has not relied solely on households.

*Overall public higher education funding per student has increased in a majority of OECD countries over the past decade, while it has decreased in a third of the countries*

14. Overall public higher education funding per student has increased in a majority of OECD countries, even though it has slightly decreased in almost a third of the countries since the early 1990s. There has been an increase of more than 2 000 constant USD of 2000 per student in overall public higher education expenditures in more than third of OECD countries since the beginning of 1990s. At the same time global amount of overall public higher education funding has increased or at least remained stable in OECD countries: The global amount of all public higher education funding has roughly doubled within ten years in a third of the countries. Despite the increase of private expenditures to higher education institutions, the governments have thus globally spent an increasing or at least stable amount of funds to higher education, no matter whether they distribute this amount directly to higher education institutions or as financial aid to students.

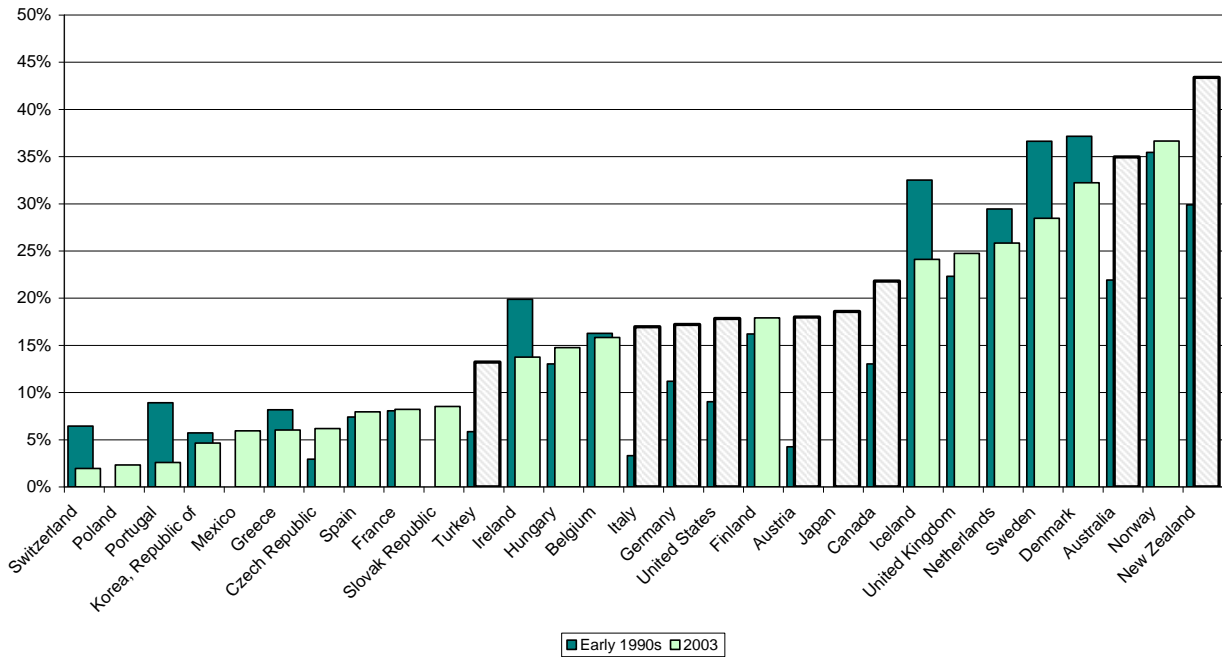
**Governments' overall expenditures to higher education**  
(USD of 2000 per full- and part-time students)



*A two way change has occurred regarding distribution of public higher education funding within the OECD area*

15. A two way change has occurred in public higher education funding distribution, even though its overall picture seems fairly stable. To put it differently, some OECD governments are distributing their higher education funds more as financial aid to students than before, while others are distributing them more directly to higher education institutions.

**Indirect distribution of public higher education funding**  
 (% from all governmental higher education expenditures)



16. The dominant change in distribution of public funding has gone towards increasingly indirect distribution of governmental higher education funds. The part of the public funding distributed essentially as financial aid to students has increased at least 5% points in a third of OECD countries since the early 1990s. Furthermore, the number of countries distributing more than 90% of their governmental higher education funds directly to higher education institutions has slightly decreased. In comparison with half of OECD countries in the beginning of 1990s, only a third of the countries distributed more 90% of their public funding directly in 2003. Nevertheless, it ought to be noted that since the early 1990s, the part of governmental higher education funds distributed directly to the institutions has also increased at least 5% points in five OECD countries.

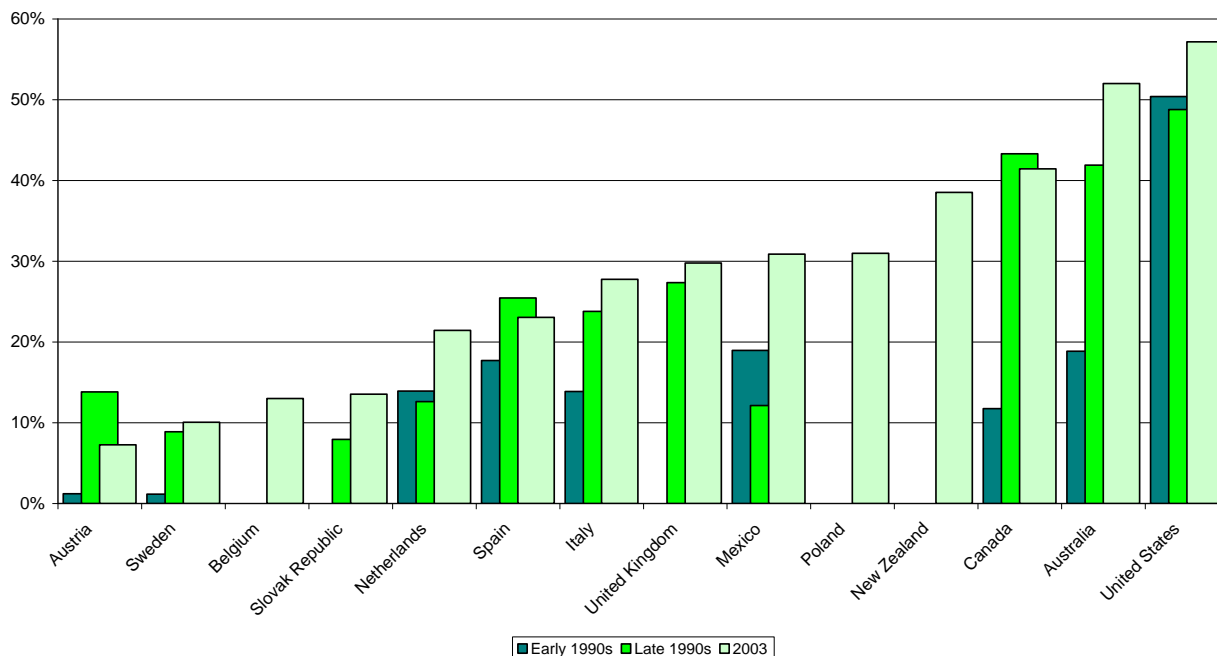
## COUNTRIES WITH EMERGING PRIVATE FUNDING

17. Over the past decades, changes have occurred both regarding sources of funding to higher education institutions and distribution of overall governmental funding within the OECD area. In which countries do these changes take place? Where do the private sources cover increasing part of the funding of higher education institutions? Do all the changes occur in the same countries? What are the implications of the change for higher education funding?

*The greatest shift towards increasingly private funding for higher education institutions has taken place especially in the Anglo-Saxon countries*

18. The share of private funding on the funding of higher education institutions has increased in almost a half of OECD countries over the past decades. The greatest leap towards increasingly private funding has taken place in **a majority of the Anglo-Saxon countries**, **Ireland** being a clear exception, as well as in **Poland**, as there has been an increase of more than 20% points in the part of the private funding since the early 1990s. For **the four Anglo-Saxon countries** this means an increase of more than 2 000 constant USD of 2000 per student in private funding for higher education institutions since the early 1990s. In 2003, private sources covered at least 30% of the all direct expenditures to higher education institutions in all these five countries.

**Private expenditures to higher education institutions**  
(% from all expenditures to higher education institutions)



19. Since the beginning of 1990s, there has also been an increase of more than 10% points in the share of direct funding that **Belgian, Italian and Mexican** higher education institutions receive from private sources, while this increase by 2003 was 5-10% points also in **the United States, the Netherlands, Sweden, Austria, Spain and Slovak Republic**. In general, this means for the very least an increase of

more than 500 constant USD of 2000 per student in private funding for higher education institutions. It seems also plausible that the changes in other **Eastern European countries** may be similar to those in **Poland** and **Slovak Republic**, even though most of the data concerning earlier years in many of those countries is missing.

### **Increasing private funding to higher education institutions**

*Overall expenditures per student to higher education institutions have clearly increased over the long term, while their growth has slowed down over the past decade*

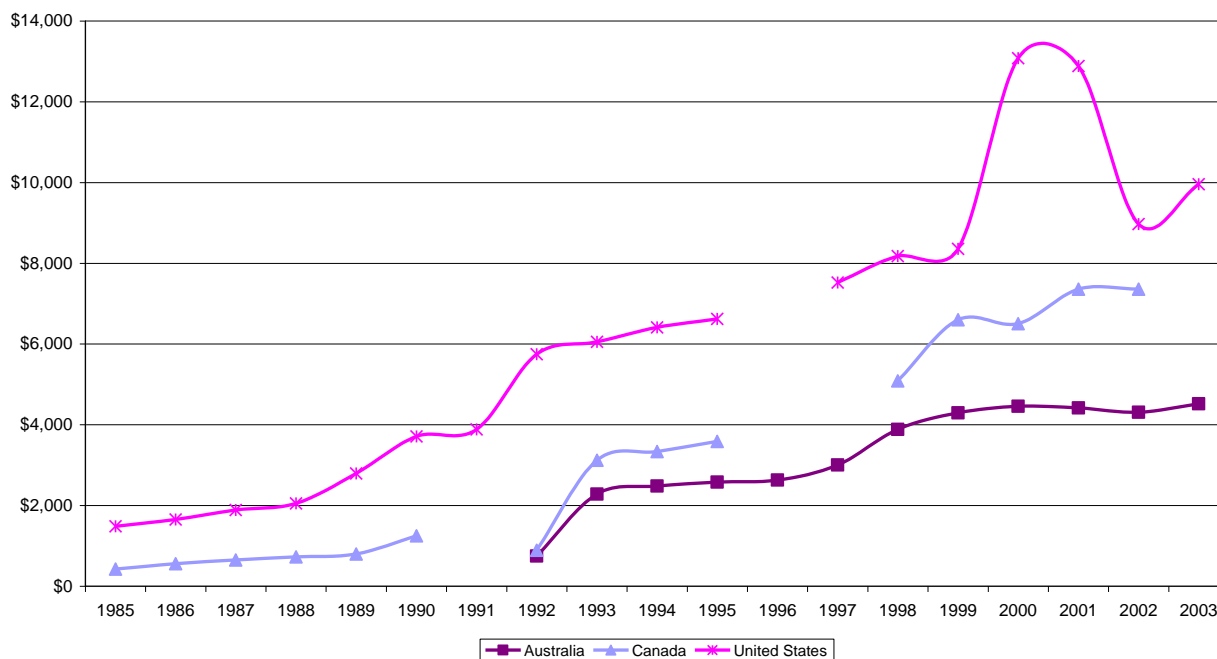
20. Along with increasingly private funding, overall expenditures per student to higher education institutions have increased in most of these 15 countries since the mid-1980s. Especially many of **the Anglo-Saxon countries** as well as **Spain** are among the OECD countries, where the increase in funds received by higher education institutions has been the greatest over the past two decades: Both the total amount of funding and the funding per student have by the very least tripled in these countries since the mid-1980s, while the number of full- and part-time students enrolled to higher education institutions has at least doubled in most of them at the same time. For example, **American** and **Canadian** higher education institutions received funding of more than 15 000 constant USD of 2000 per student in the beginning of 21<sup>st</sup> century. While the growth of higher education institutions' funding has exceeded the expansion in the number of student enrolments during the past decades, it seems that this growth has been partly enabled by increasing private funding for the institutions.

21. Yet, it ought to be noted that that growth of overall expenditures per student to higher education institutions has generally slowed down since the early 1990s. Even though global amount spent on higher education institutions has clearly continued to increase in many of the countries, this increase has been divided by often expanding number of students enrolled to higher education institutions. This has been especially the case with the **Eastern European countries** and **Mexico**, as the number of student's enrolled to higher education institutions has as much as tripled in these countries since the early 1990s. In other words, the amount of all funds directed to higher education institutions has had difficulty keeping up with the fast increasing enrolments. In 2003, the funding per student received by higher education institutions still remained below 6 000 constant USD of 2000 in **the Eastern European countries** as well as in **Mexico**.

*The change towards private funding of higher education institutions is mainly due to rapidly increasing private expenditures, even though public expenditures per student have decreased in some of the countries*

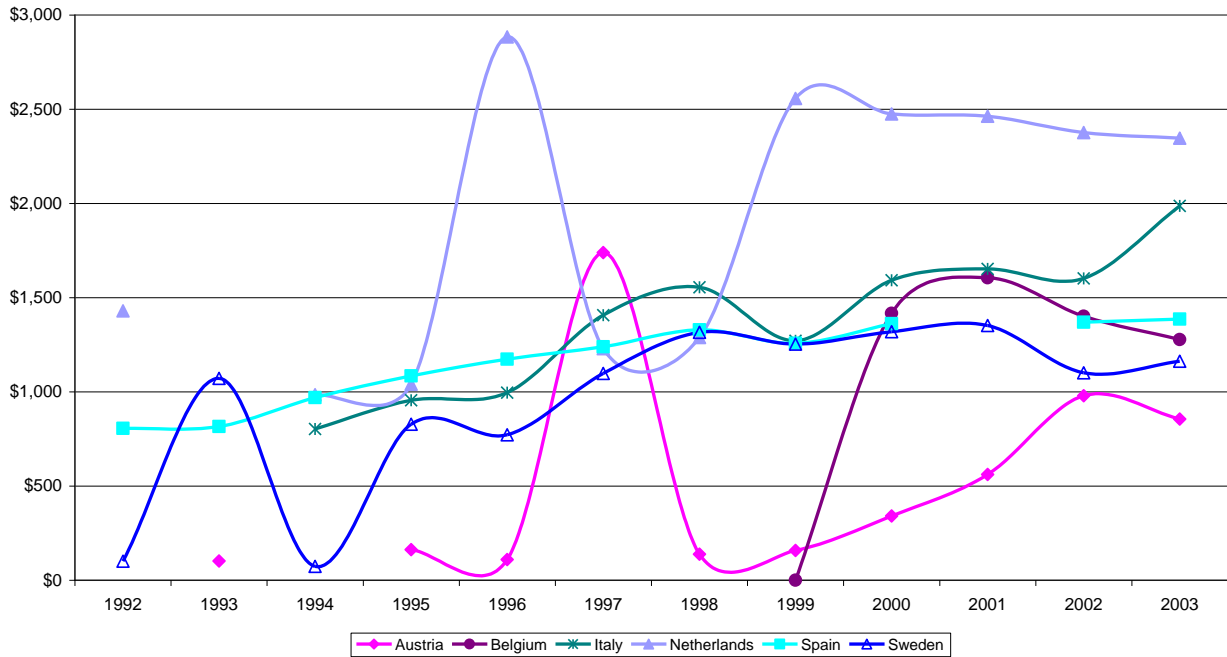
22. Despite the increasing share of private expenditures on the funding of higher education institutions, public funding per student to the institutions has not decreased over the long term. Instead, since the mid-1980s, governmental expenditures per student to higher education institutions have clearly increased in the countries with an increasing share of private funding. Therefore, in the long term, this increasing share can be explained by the difference in the growth of public and private expenditures. In other words, since the growth of funding that higher education institutions receive from private sources has significantly exceeded the growth of funding that they receive from governmental sources, the share of private funding on the overall funding of higher education institution has clearly increased. Even though governmental expenditures per student to higher education institutions at least doubled since the mid-1980s, in most of the countries with increasing share of private funding, the expenditures per student from private sources got at least five times higher over the same period of time.

**Private expenditures to higher education institutions 1985-2003**  
(USD of 2000 per full- and part-time students)



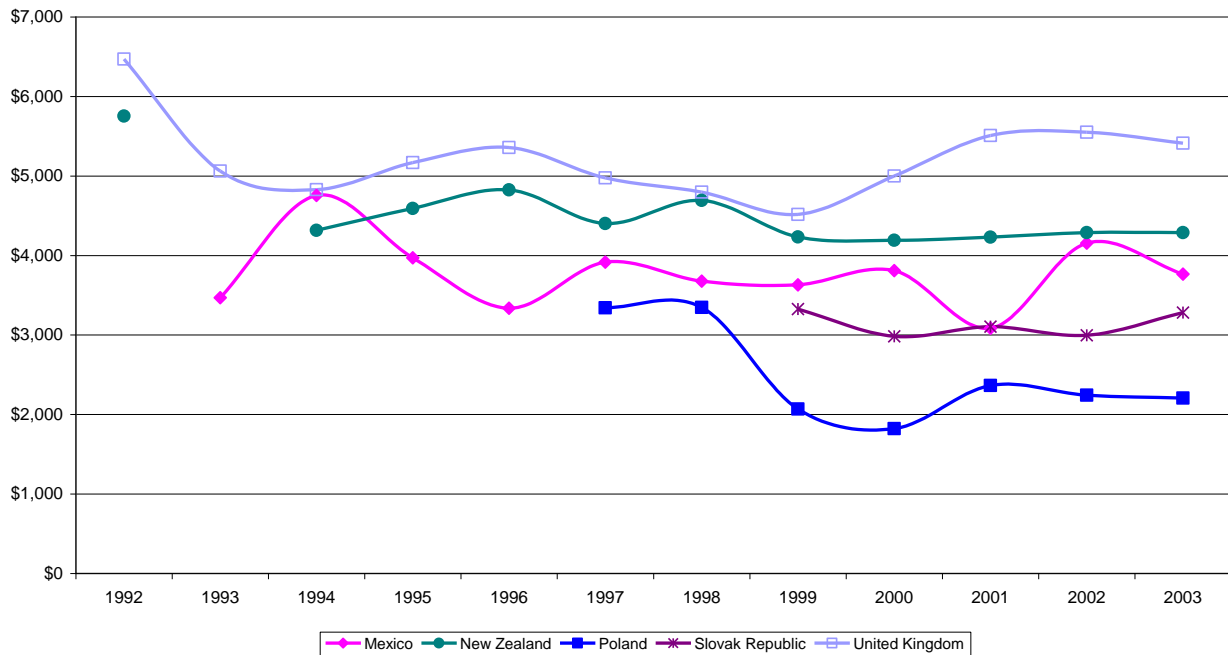
23. The situation has slightly changed since the beginning of 1990s. Rapidly increasing private expenditures can less and less be seen as the sole explanation for the increasingly important part of private funding for higher education institutions. This means that since the early 1990s, public expenditures per student to higher education institutions have not significantly increased. Governments' expenditures per student to higher education institutions have remained stable or slightly increased in **Australia, Canada and the United States** as well as in **the two Southern European countries, Belgium, the Netherlands, Austria and Sweden** over the past decade. Therefore, the main explanation for increasingly private funding of higher education in a majority of the countries is still the difference in the growth of public and private expenditures: Since the growth of funding that higher education institutions receive from private sources has significantly exceeded the growth of funding that they receive from governmental sources, the share of private funding on the overall funding of higher education institutions has clearly increased. While governmental expenditures per student to higher education institutions have remained fairly stable in most of these nine countries during the past ten years, the expenditures per student from private sources became in most cases at least five times higher. This means, at the very least, an increase of 1 000 constant USD of 2000 per student in private funding for higher education institutions.

**Private expenditures to higher education institutions 1992-2003**  
(USD of 2000 per full- and part-time students)



24. Nevertheless, governmental expenditures per student to higher education institutions have actually decreased in five of the 14 countries since the early 1990s. In addition to the increase in private funding per student, the increase in the share of private expenditures to higher education institutions can be explained also by a decrease in governmental expenditures per student in **New Zealand** and **the United Kingdom** as well as in **the two Eastern European countries** and **Mexico**. This does not mean, however, that the global governmental investment to higher education institutions would be any smaller today than it was in the beginning of 1990s. Instead, in many cases the decline in public higher education institution funding per student can be largely explained by a significant increase in higher education student enrolments. Indeed, in **the Eastern European countries** and **Mexico** as well as in **the United Kingdom**, the number of full- and part-time students enrolled in higher education institutions has at least roughly doubled since the early 1990s. Yet, despite the expanding enrolments, private expenditures per student to higher education institutions have increased over the same period of time. Indeed, while the direct public funding to higher education institutions has had difficulty increasing accordingly with the growth of higher education full- and part-time student enrolments, the private expenditures per student to higher education institutions have at least doubled in these five countries since the 1990s. In contrast, by 2003, the decrease in governmental expenditures per student to higher education institutions had been more than 1 000 constant USD of 2000 in most of the five countries.

**Governmental expenditures to higher education institutions 1992-2003**  
(USD of 2000 per full- and part-time students)



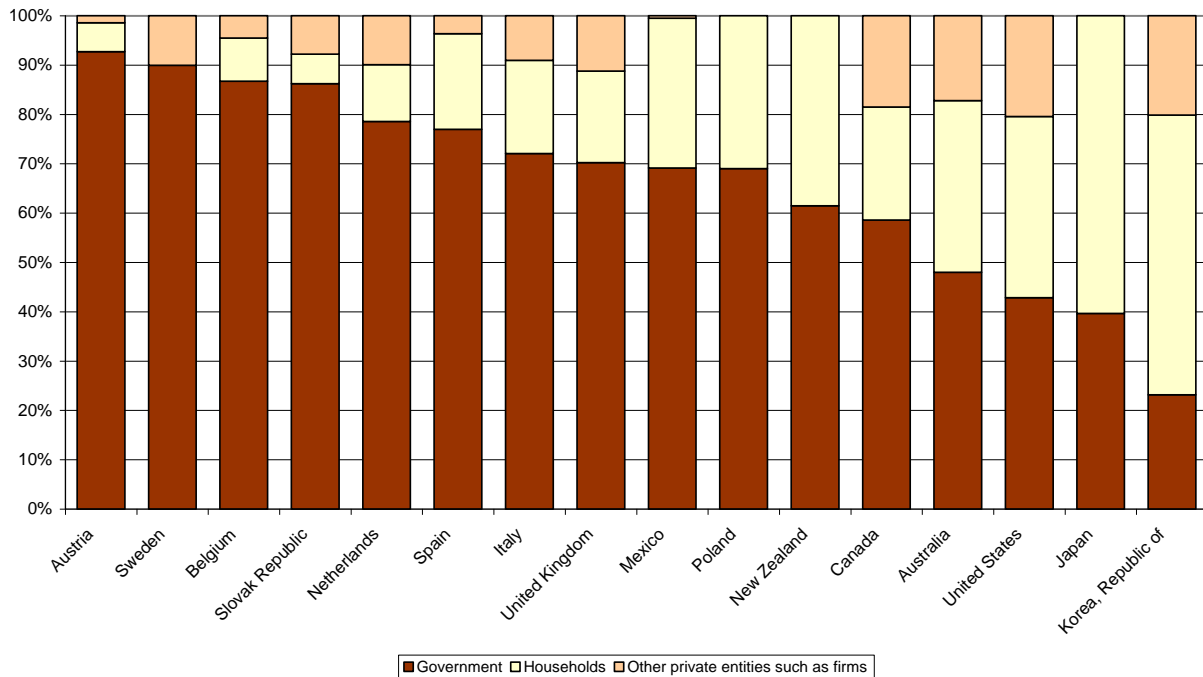
*The increase to the expenditures of private sources to higher education institutions comes mainly from households, but also from other private entities.*

25. The increasing share of the private expenditures to higher education institutions seems to weigh largely on households in **the Anglo-Saxon** and **Southern European countries** as well as in **Austria, Poland** and **Mexico**. This is the case in particular with **the four Anglo-Saxon countries**, where households' share of direct expenditures to educational institutions has increased at least 15% points and more than 2 000 constant USD of 2000 per student since the beginning of 1990s. As a result, households covered more than 30% of the funding for higher education institutions in **Australia, New Zealand** and **the United States** as well as in **Poland** in 2003. **Australian, New Zealander** and **Canadian** households therefore spent more than 2 500 constant USD of 2000 per student to higher education in 2003, while the expenditures of **American** households were as much as much as 6 400 USD.

26. Yet, the share of other types of private sources on funding of higher education institutions has grown as well. Indeed, in the beginning of the 21<sup>st</sup> century, the share of other private entities such as firms on all direct expenditures to higher education institutions was at least 10% in **four of the Anglo-Saxon countries** as well as in **Sweden** and **the Netherlands**. Since the early 1990s, an increase of at least 10% points has occurred in the funding share that higher education institutions receive from private enterprises in most of these countries. For **Australia, Canada** and **the United States** as well as for **the Netherlands**, this means an increase of more than 1 000 constant USD of 2000 per student. In **Canada** and **the United States**, the two of the countries in which higher education institutions currently receive the most funding per student, other private entities such as enterprises spent more than 3 200 USD per student to higher education in 2003. Furthermore, in **Sweden**, all the increase since the early 1990s from zero to 10% points and 1 000 USD of 2000 per student in the part of private sources of all direct expenditures to higher education institutions has come from private sources such as firms.



Funding sources for higher education institutions in 2003



27. Moreover, even though there have not been great changes in the share of public expenditures to the traditionally very privately funded **Korean** higher education institutions, there have been significant changes in the composition of private funding for higher education institutions: The share of other private entities such as firms on all direct expenditures to **Korean** higher education institutions rose 19% points since the early 1990s, while the share of households decreased 23% points at the same time. Even though **Korean** households expenditures per student increased by more than 1 300 constant USD of 2000 over a decade, so did the expenditures of firms. Yet, while households spent 4 000 USD per student to **Korean** higher education institutions, the expenditures of other private entities were still only 1 400 USD per student in 2003.

### Increasing public financial aid to students

*The overall public higher education funding per student has remained fairly stable in most of the countries over the past decade, while it has doubled in the two traditionally private Asian states*

28. Higher education institutions receive an increasing part of their funding from private funding sources, especially from households. Has this increasing private funding for higher education institutions enabled governments to save in their overall higher education financing? When taking a look at the global amounts of overall public higher education expenditures, the OECD countries with increasingly private funding for higher education institutions are not spending less on higher education today than what they did a decade ago. This means that the global amounts of overall governmental expenditures to higher education have generally remained stable in these countries since the beginning of 1990s. Moreover, in **the United States, Sweden and Spain**, the global amount of overall governmental investment to higher education has nearly doubled over the past ten years.

29. The overall public higher education expenditures per student have remained fairly stable in a majority of the 13 countries since the early 1990s. In a few countries, it has even slightly decreased. On the other hand, despite the increasing private funding, public higher education funding per student has clearly continued to increase in **Australia, Canada and the United States** as well as in **Austria**. In these countries, the increase in public higher education funding per student has been, by the very least, 2 200 constant USD of 2000 since the early 1990s. It ought to be noted that **Australia** and **Canada** are the two countries, where the number of student enrolled to higher education institutions has actually decreased over the past decade, therefore, the increase in the global investment of **Canadian** and **Australian** governments to higher education may not be as great.

30. There has also been a significant increase in overall public higher education of **the two traditionally private Asian countries**, as overall public higher education funding per student has at least doubled in **Japan** and **the Republic of Korea** since the early 1990s. The **Japanese** government spent over 2 500 constant USD of 2000 per student more to higher education in 2003 than it did a decade earlier, while the increase in expenditures of **Korean** government was 1 000 USD per student over the same period of time. The increased overall funding for higher education institutions in the two countries tends to reflect this increase in overall public funding.

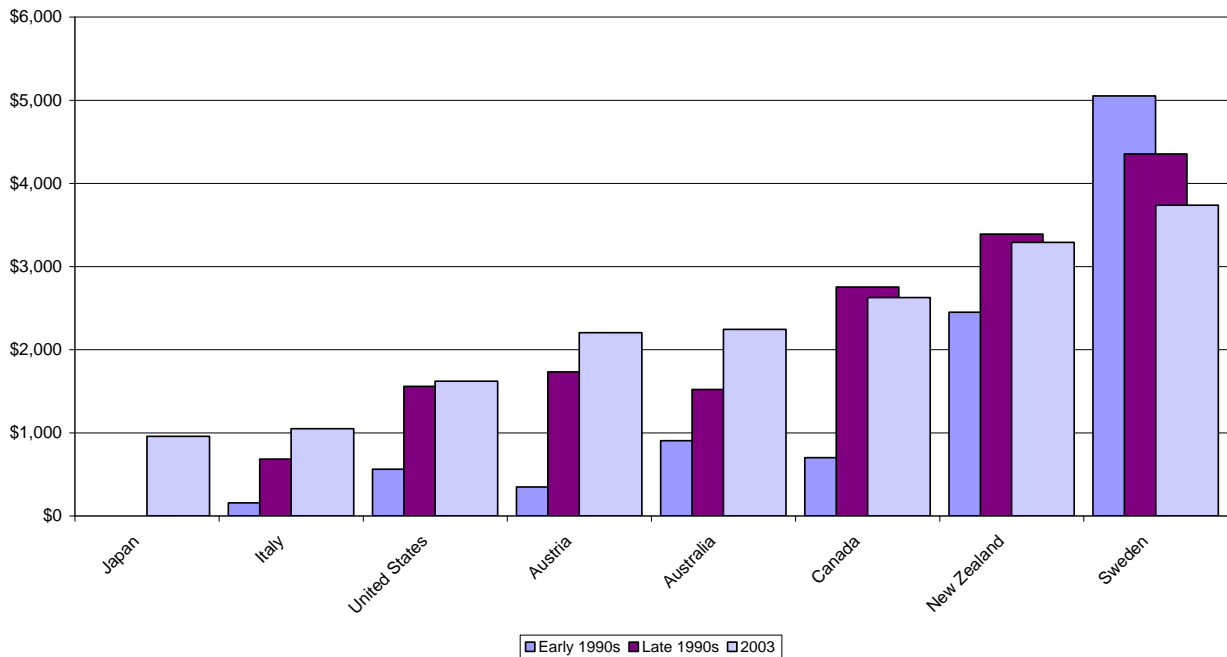
*Governments distribute increasing shares of their higher education funding as financial aid to students in roughly one half of the countries with increasing shares of private funding as well as in Japan*

31. While the share of private expenditures on funding of higher education institutions has significantly increased in 13 OECD countries, governments have been distributing an increasing part of their higher education funding as financial aid to students in **four of the Anglo-Saxon countries, Austria and Italy** as well as in traditionally private **Japan** since the early 1990s. The increase in the share of indirect distribution on all governmental higher education funding has been the greatest in **Australia, New Zealand, Austria and Italy**, as the share of financial aid to students on overall governmental funding has increased by more than 10% over the past decade. In **Canada** and **the United States**, students currently receive a 5% larger share of public higher education funds than they did ten years ago.

32. The distribution of public higher education funding has traditionally been very direct especially in **Austria, Italy, Japan and the United States**. These three countries distributed more than 90% of their public funding directly to higher education institutions in the early 1990s, while in 2003 only slightly more than 80% of higher education funds were directly targeted at the institutions. Despite the increase, the level of financial aid only slightly exceeded 1 000 constant USD of 2000 per student in **Italy** and **the United States** in 2003, while it remained slightly below that in **Japan**.

33. On the other hand, distribution of governmental higher education funds was traditionally indirect in **Australia** and **New Zealand**, as they distributed more than 20% of their public higher education funds as financial aid to students already in 1992. The share of indirectly distributed higher education funds was 35% for **Australia** as much as 43% for **New Zealand** in 2003. This means that in 2003, students in **Australia** received 2 200 constant USD of 2000 and the ones in **New Zealand** 3 300 USD as governmental financial aid. In **Canada**, an increase of almost 2 000 USD since 1992 resulted to a level of 2 600 USD per student in public financial aid over a decade.

**Governments' financial aid to higher education students**  
(USD of 2000 per full- and part-time students)



34. The general reason for the increase in the share of indirectly distributed public higher education funding is that the increase in public expenditures to higher education has rather gone to students in the form of financial aid than directly to higher education institutions. Hence, both the global amount of governmental funding distributed directly to higher education institutions and the amount per student have remained fairly stable in most of these countries since the early 1990s. In other words, higher education institutions in these seven countries are generally not receiving less direct funding per student from the government than they did before.

*There has been a shift towards increasingly direct distribution of public higher education funding in Sweden*

35. Furthermore, the part of governmental higher education funding given as financial aid to students has decreased 8% points in **Sweden** since the early 1990s. Since the level of directly distributed governmental funding per student has remained fairly stable, the **Swedish** government seems to have prioritized higher education institutions over students in the distribution of their overall higher education funds. Indeed, **Swedish** higher education institutions still received 90% of their funds from the government in 2002. Yet, despite the decrease in financial aid to students, **Sweden** still gives 28% of its public higher education funds as financial aid to students, as its government distributed indirectly at least 37% of its higher education funds already in the early 1990s.

## **From governments to students, from students to institutions**

*Governmental financial aid to students has often increased along with households' expenditures to higher education institutions*

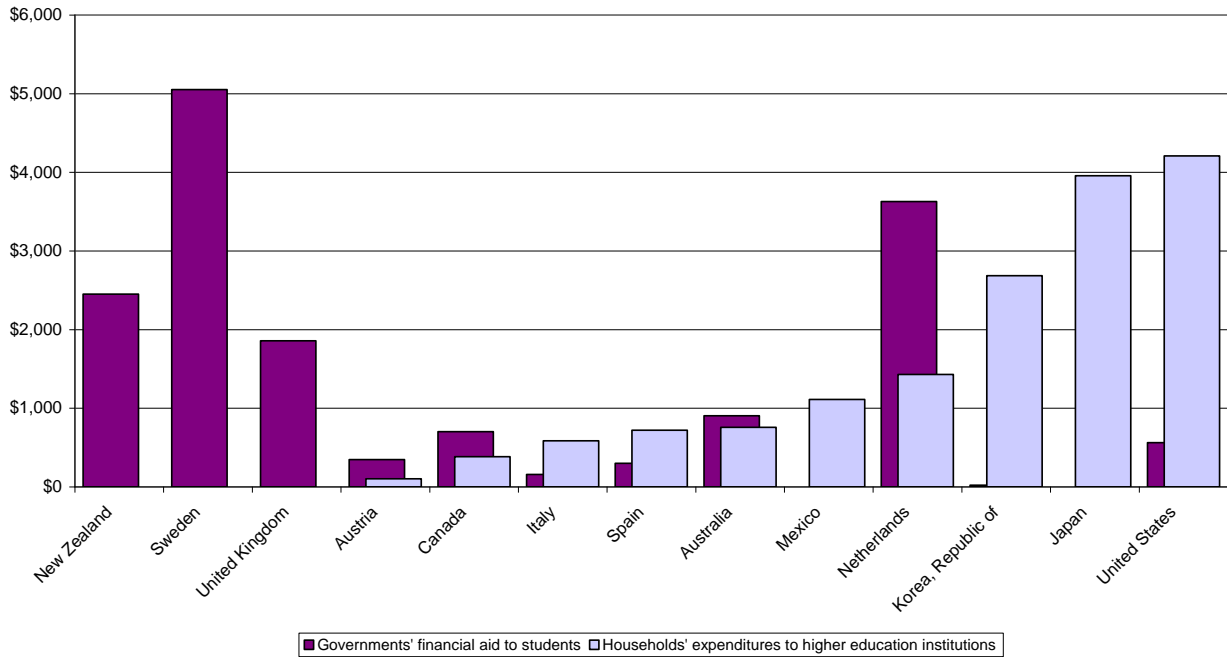
36. In many cases, public financial aid to students has increased at the same time as higher education institutions have received increasing part of their funding particularly from households. While governmental financial aid for students has increased since the early 1990s, the amount of households' expenditures per student to higher education institutions has become at least four times higher in **Australia, New Zealand and Canada** over the past ten years. This means respectively an increase of roughly 2 300, 2 700 and 3 900 constant USD of 2000 per student in the expenditures of households. In traditionally private **Japan**, households cover today as much as roughly 60% of the direct funding for higher education institutions, as they did already in the beginning of 1990s. On the other hand, the amount of governmental financial aid per student has at least doubled in most of the seven countries since the early 1990s. For example the amount of financial aid received by an **Italian** or an **Austrian** student was at least six times higher in 2003 than it was ten year earlier.

*Owing to the growth in public financial aid, increase in households higher education expenses has not been enormous in Italy, Austria, Sweden as well as in Japan*

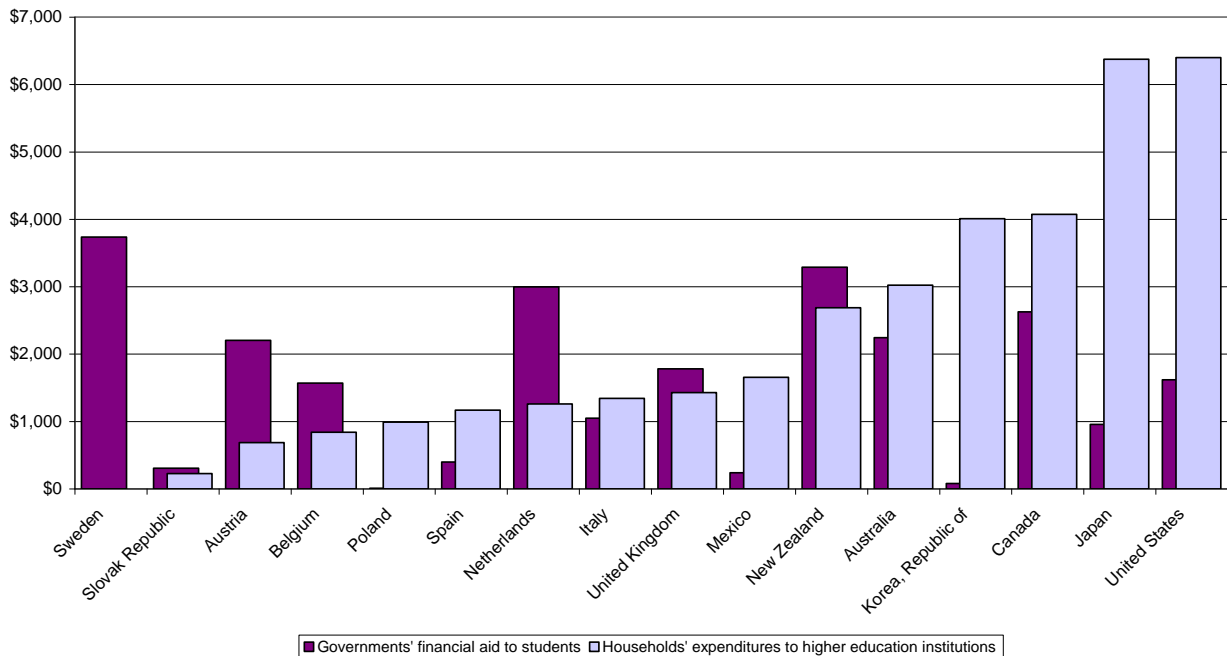
37. It seems that households' burden on the funding of higher education institutions in these countries has not increased as much as it may have seemed at the first glance: While households pay more to the institutions, they also receive more financial aid from the government. In other words, public higher education funding may be directed to higher education institutions more and more indirectly via students and households. This seems to be the case in particular with **Italy**, where governmental financial aid per student was in 2003 nearly equal to households' expenditures per student to higher education institutions. In **Austria**, public financial aid per student clearly exceeded household's expenditures per student to higher education institutions in 2003. This was also the case with **the Netherlands** and **Belgium**. Furthermore, even though financial aid to students has decreased in **Sweden** since the early 1990s, the increasing share of private expenditures on funding of higher education institutions has mainly weighted on private firms. In addition, it should be noted that **Austrian** and **Swedish** governments still covered at least 90% of the funding for higher education institutions in the beginning of the 21<sup>st</sup> century.

38. Also, higher education students in traditionally private **Japan** have started to get governmental financial aid what they did not use to receive a decade ago. Thus, even though in real terms household's expenditures per student to higher education institutions increased with roughly 2 400 constant USD of 2000 since 1992, financial aid to students increased by almost 1 000 USD per student at the same time. The increase in governmental higher education funding has this way benefited essentially **Japanese** households, who have continued to bear a majority of higher education costs without public financial help.

**Households and higher education in early 1990s**  
(USD of 2000 per full- and part-time students)



**Households and higher education in 2003**  
(USD of 2000 per full- and part-time students)



*Households' higher education expenses have increased especially in the Anglo-Saxon countries*

39. On the other hand, it ought to be kept in mind that the expenditures per student from households to higher education institutions have augmented more than government's financial aid to students notably in **Australia, Canada and New Zealand**, where the share of private funding on higher education institutions' funding has significantly increased. This means an increase of at least more than 2 200 USD of 200 in the expenditures of households per student to higher education institutions since the early 1990s. At the same time, public financial aid per student has increased by less than 2 000 USD in all these three countries. Despite the increased financial aid to students, households' financial burden on the funding of higher education institutions has therefore increased over the past decade particularly in **these three Anglo-Saxon countries**. This is also the case with **United States**, where government's financial aid to students increased by little more than 1 000 USD per student over the past decade, while households' expenditures to higher education institutions increased by more than 2 000 USD per student. Yet, in **New Zealand** as well as in **the United Kingdom**, public financial aid per student continued to exceed the household's expenditures per student to higher education institutions in 2003.

## COUNTRIES WITH REMAINING IMPORTANCE OF PUBLIC FUNDING

40. Despite the emerging private higher education funding in some OECD countries, governmental sources still cover at least 80% of all direct expenditures to higher education institutions in more than half of them. Furthermore, there has been a clear shift towards increasingly public funding of higher education institutions in few of the countries. Thus, which countries still rely on their traditionally public higher education funding? Have there been changes in its distribution? Where the shifts towards increasingly public higher education funding have taken place? What does this imply for overall higher education funding?

*Public funding for higher education institutions has kept its importance in many European countries over the past decade, while its importance has even increased in Ireland, Greece and Hungary*

41. Governmental higher education funding has maintained its importance for higher education institutions in roughly a third of OECD countries over the past decades. This is particularly the case with **Denmark, Finland and Norway** as well as with **Switzerland, Portugal and Turkey**. In these six countries the public sector still covered more than 90% of funding for higher education institutions in 2003, as it did in the beginning of 1990s. Also, as in the early 1990s, governmental expenditures formed more than 80% of funding for higher education institutions also in **Iceland, France, Germany and Czech Republic** in 2003. Furthermore, the changes in the shares of public and private expenditures to higher education institutions have not exceeded 5% points in **these ten European countries**. The very public end of the public-private spectrum in the funding of higher education institutions has thus remained fairly stable over the past decades.

42. Furthermore, the share of public funding on all the funding of higher education institutions has even increased in three OECD countries over the past decade. In **Ireland, Greece and Hungary**, the share of governmental expenditures on funding of higher education institutions has increased more than 5% since 1990s. As a result, the **Irish** government covered in 2003 more than 80% and **Greek** government' more than 90% of higher education institutions' funding, which meant an increase of more than 1 000 constant USD of 200 per student in public funding for higher education institutions since the early 1990s.

### **Stable public funding to higher education institutions**

*Even though overall funding per student to higher education institutions has clearly increased in the long term, it has since the early 1990s remained stable in most of the countries*

43. Overall expenditures per student to higher education institutions have increased in the 13 countries in the long run. Both the total amount of funding and the funding per student received by higher education institutions have by the very least tripled especially in **the Nordic countries** since the mid-1980s. Hence, even though the number of students enrolled to higher education institutions has since the the mid-1980s at least doubled in most of the these countries, especially their governments have been able to financially meet the increasing demand for higher education over the past twenty years.

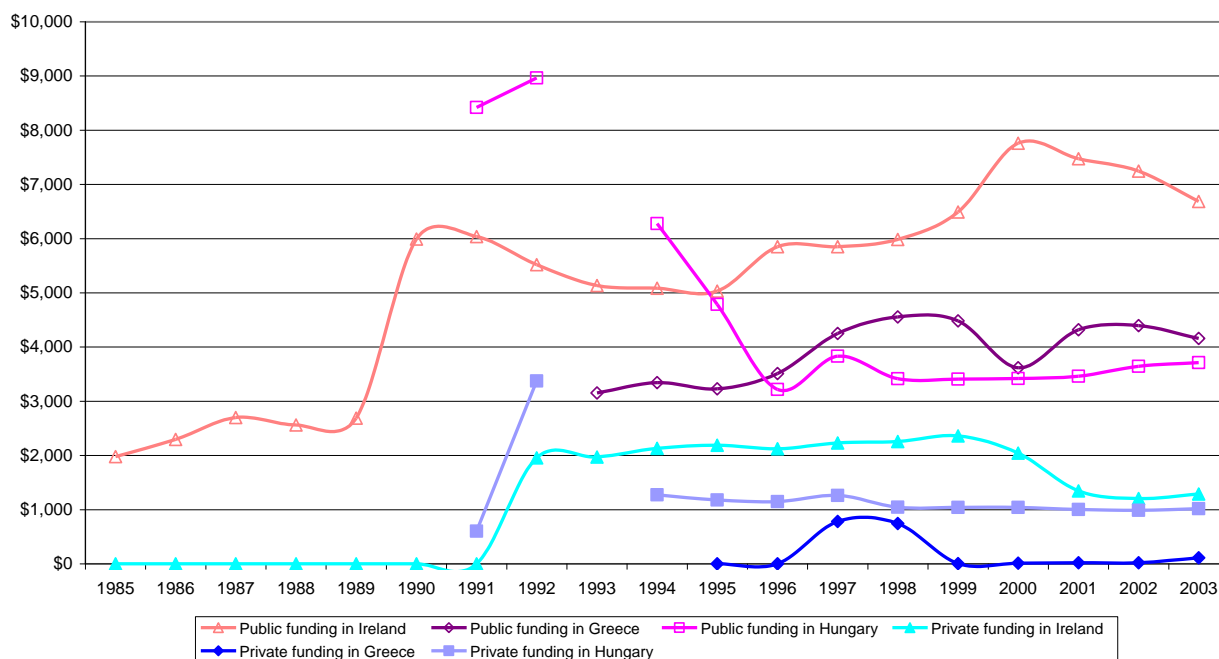
44. Yet, the situation has changed since the early 1990s: Overall expenditures per student to higher education institutions have generally remained fairly stable in the 13 countries. Particularly in **the two Eastern European countries and Turkey**, overall funding to higher education institutions per student has

even slightly decreased since the beginning of the 1990s. The decrease can be explained by expanding higher education student enrolments in these three countries: While the global amount of all funding to higher education institutions has clearly increased since 1990s, the number of students enrolled in higher education institutions in these countries has for the very least doubled over the same period of time. On the other hand, overall funding per student for higher education institutions has clearly continued to increase in **Denmark** and **France** since the early 1990s.

*The increasing share of governmental expenditures to higher education institutions in the three countries owes mainly to decreasing households' expenditures per student*

45. Since 1990s, the share of the public funding of all the funding of higher education institutions has increased in **Greece** and **Ireland**, as the increase of more than 1 000 constant USD of 2000 in governmental expenditures per student from to higher education institutions has been accompanied with an actual decrease in private expenditures per student to higher education institutions. In **Hungary**, the governmental expenditures per student have decreased as well. Nevertheless, private expenditures per student have also decreased in Hungary, which mean that the increase in the share of governmental expenditures can be explained by rapidly decreasing private expenditures per student: Along with expanding student enrolments, private expenditures per student to **Hungarian** higher education institutions are decreasing faster than the public expenditures.

**Public and private expenditures to higher education institutions 1992-2003**  
(USD of 2000 per full- and part-time students)



46. The decrease in private funding per student to higher education institutions has benefited households in **Greece, Ireland** and **Hungary**. Since 1990s, a decrease of more than 500 constant USD of 2000 per student in the household's expenditures to higher education institutions has occurred in **Ireland** and **Greece**.



## Stable higher education expenses for households

*The overall public higher education funding per student has increased in most countries*

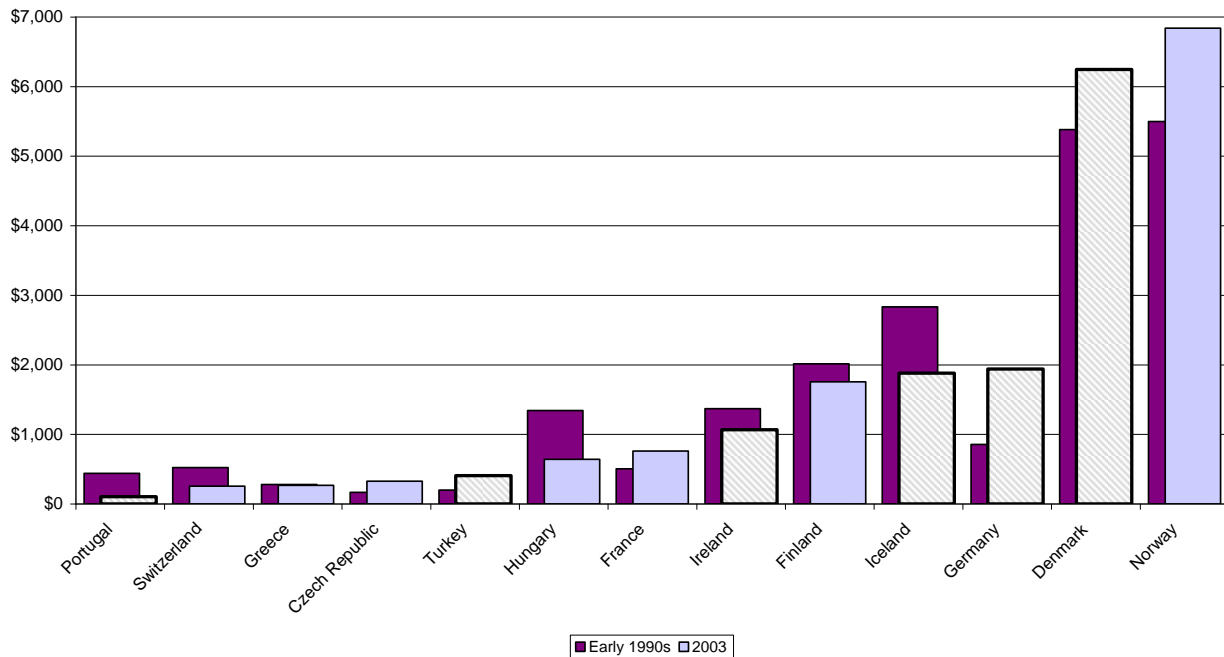
47. In nearly half of OECD countries, government has remained as the main funding source for higher education institutions, while its importance for institutions has even increased in few countries. At the same time, student enrolments have at least slightly increased in those countries. Thus, how are the governments coping with increasing funding needs of higher education institutions? Even though the global amount of public higher education funding has roughly doubled in many of the countries since the early 1990s, the overall governmental higher education funding per student has remained fairly stable or slightly increased in most of the 13 countries. Public higher education funding per student has even slightly decreased especially in **the two Eastern European countries** and **Turkey**, where the number of students enrolled to higher education institutions has significantly increased since the early 1990s.

*Increasing share of overall governmental funding is distributed directly to higher education institutions in four of the countries and as financial aid to students in two of them*

48. Increasing share of the overall public higher education funding to higher education institutions has been distributed directly to higher education institutions in **Denmark** and **Iceland** as well as in **Ireland** and **Portugal**. In these countries, a change of more than 5% towards an increased share of directly distributed governmental funding has hence occurred since the early 1990s. The share of public financial aid to students has decreased accordingly. In **the two Nordic countries**, more than 20% of governmental higher education funds have been traditionally distributed as financial aid to students. Despite the changes, this was the case also in 2003. In most of these four countries, the change towards direct distribution of public higher education institutions has been accompanied by an actual decrease in public financial aid per student. Thus, the main part of the growth in global amount of public higher education expenditures has gone directly to higher education institutions, while the fairly stable total amount spent on student's financial aid has been divided among an increasing number of higher education students.

49. In contrast, an increasing part of public higher education funding is distributed as financial aid to students in **Germany** and **Turkey**, where the share of governmental financial aid to students is today more than 5% points larger than it was in the early 1990s. Despite this, as in the beginning of 1990s, **German** and **Turkish** governments still distributed more than 80% of its higher education funding directly to higher education institutions. In **Germany**, the increase in overall governmental higher education funding has mainly been indirectly distributed as financial aid to higher education students. Thus, while direct governmental expenditures per student to higher education institutions have increased since the early 1990s, the amount of public financial aid per student has at least doubled by 2003. Also **Turkish** public financial aid per student doubled in roughly ten years. Yet, in **Turkey**, the direct governmental expenditures per student to higher education institutions have decreased at the same time.

**Governments' financial aid to higher education students**  
(USD of 2000 per full- and part-time students)



*In general, households' direct higher education expenses have not greatly increased over the past decade in the six countries*

50. The share of indirectly distributed governmental higher education funding has increased especially in **Germany**, even though the share of public funding on the funding of higher education institutions has not decreased over the past decade. While the share of households on funding of higher education institutions has not increased, students receive more financial aid from the governments. Indeed, in 2003, the amount of public financial aid per student clearly exceeded the amount of private expenditures per student to higher education institutions in **Germany**. This was also the case with **Turkey**. In contrast, unlike in the early 1990s, household's expenditures to higher education institutions exceeded public financial aid given to students in **Portugal** in 2003.

51. Yet, even though financial aid to students has decreased in **Denmark** and **Iceland** as well as in **Ireland**, there have not been great increases in expenditures of households to higher education institutions. In Ireland, household's expenditures per student to higher education institutions have even decreased since 1990s, while they have not increased more than 400 constant USD of 2000 per student in the two Nordic countries. Furthermore, in 2003, public financial aid per student still exceeded households' expenditures per student to higher education institutions in both of the Nordic countries. Therefore, the decrease in **Nordic** students' financial aid means most likely a decrease in allowances given to cover for example students' living expenses. In the case of **Ireland**, on the other hand, financial aid to students from the government has decreased simultaneously with the expenditures of households to higher education institutions since the early 1992. While **Irish** students received 300 USD less financial aid from the government per student, they also pay clearly less, 600 USD per student, to their higher education institutions.