

EDUCATION, SCIENCE AND TRAINING

SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2005-2006 SUPPLEMENTARY ESTIMATES HEARING

Outcome: 2

Output Group: 2.4 – Funding for higher education.

DEST Question No. E660_06

Senator Wong asked in November, EWRE Hansard page 99.

Question:

Is it the case that Australia is one of only three OECD countries where private expenditure accounts for more than half of all spending on tertiary education?

And a lesser level of public investment (in tertiary education) than many other (OECD) countries?

Answer:

Australia's Public and Private Expenditure on Tertiary Education

In 2002, Australia was one of four OECD countries where private share of expenditure on tertiary educational institutions is over half of the total (51.3%). The other countries are Korea (85.1%), Japan (58.5%) and the United States (54.9%).

The private share of funding for tertiary institutions for Australia is affected by a high proportion of fee-paying foreign students and by HECS related public sector transfers or subsidies. HECS advances to students and the 25% discount for up-front HECS payments are treated by the OECD as transfers to households, and subsequently as payments from households to educational institutions even though the funds originate in the public sector. Loan repayments (HECS repayments in Australia) by students or former students are not counted as expenditure on education both to avoid double counting, and because in many countries these funds are paid into consolidated revenue or to a lender and may not be spent for educational purposes.

If these distortions to the private/public funding of tertiary education are taken into account the share of tertiary funding in Australia borne by domestic students and their families is reduced by over AUD\$2 billion or about a third (from 51.3% of total expenditure to about 34%).

As a proportion of GDP, Australia's public expenditure on tertiary education in 2002 (including expenditure on institutions and subsidies to households in this case) is slightly below the OECD mean (1.2% compared with 1.3%). This is above the proportion for the United Kingdom (1.1%) and below that of the United States (1.4%).

Australia's total (public and private) expenditure on tertiary educational institutions was 1.6% of GDP in 2002, compared with an OECD country mean of 1.4%.