

*Education at a Glance 2011*

*OECD Indicators*

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## Country note - Chile

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### *Students in Chile demand more equitable access to education...*

In Chile, 2011 will be remembered as the year of student mobilisations. For more than three months, tertiary, secondary and primary education students have been at the centre of demands for more equitable access to quality education, for a reduction in the levels of debt students must incur to obtain a college degree, and to abolish the *de facto* for-profit nature of certain educational institutions. Chile's education system is unique among OECD countries in that it relies most heavily on privately sourced funds and has one of the largest private-education systems.

### *Spending per primary and secondary student is relatively low...*

As in many countries, all children in Chile are expected to complete primary and secondary schools. On average across OECD countries, school attendance is legally required until children are 16 years old. Enrolment rates in Chile, however, fall below this standard. More than 90% of children aged 6 to 15 attend school, but enrolment rates are lower among adolescents aged 16 to 18, even though their attendance is required.

In 2009, total annual expenditure per student on primary and secondary education in Chile was USD 2 707 for primary and USD 2 564 for secondary education. In absolute terms, the average OECD country spends USD 7 153 and USD 8 972 per student per year in primary and secondary education, respectively. This means that Chile spends 38% and 29%, respectively, of the OECD average per student. Chile's expenditure in primary and secondary education is greater than that of Mexico among OECD countries, yet its spending on secondary education is lower than that of Argentina. It is far lower than the more than USD 10 000 spent on primary education in Denmark, Iceland, Luxembourg and Norway, and the more than USD 15 000 spent on secondary education in Luxembourg and Switzerland.

However, the picture looks different when taking national income into account. Relative to total GDP per capita, non-tertiary education expenditure amounts to the equivalent of 4.2% of GDP. Relative to GDP per capita, educational expenditure is higher only in New Zealand (4.5%), Belgium (4.4%), Switzerland and Denmark (4.3%) and is similar to that in Israel, Korea and the United Kingdom (4.2%). Chile's expenditure on educational institutions is above the OECD average of 3.7%.

### *...despite a doubling of expenditure per student between 1995 and 2008.*

Per-student expenditure in Chile more than doubled between 1995 and 2008, making Chile, together with Poland, Estonia, Ireland and the Slovak Republic, the OECD countries that most increased their financial commitment to education. The increase in Chile's expenditure on education was concentrated between 1995 and 2000, while growth between 2000 and 2008 is very close to the OECD average of 34%. In Poland, Ireland, the Slovak Republic and Estonia, growth in expenditure was concentrated in the latter years.

### *Nearly a quarter of Chile's non-tertiary education is funded privately...*

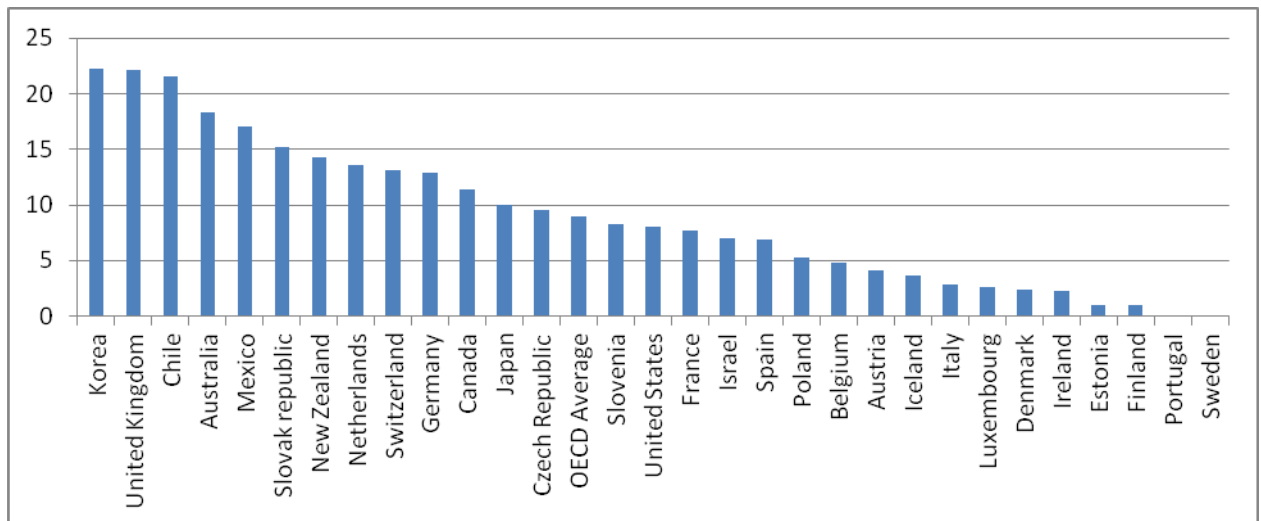
Chile is the OECD country that relies most heavily on private sources to fund non-tertiary education. After accounting for differences in GDP per capita, for every USD 100 spent on non-tertiary educational institutions, in Chile, USD 22 come from private sources while the remaining USD 78 are provided for by public funds in the form of direct spending or subsidies and transfers. Korea, the United Kingdom, Australia, Mexico and the Slovak Republic also rely heavily on private monies for non-tertiary education. On average in OECD countries, private expenditure on non-tertiary education accounts for USD 9 of every USD 100 spent and is negligible or nil in Estonia, Finland, Portugal and Sweden (see Figure 1).

### *...while public spending takes the form of school vouchers and transfers.*

Public expenditure on primary and secondary education in Chile takes the form of school vouchers and transfers. The government pays its per-student expenditure to the public or government-dependent school that this student attends. Private government-dependent schools are allowed to charge capped enrolment fees. Until recently, the value of the voucher was unrelated to a student's family income, meaning that students who were able to pay more could afford to attend schools that received more funding through vouchers and private fees. By design, public schools had lower per-student funding levels, as they were only funded to the extent of the value of the voucher, even after accounting for the value of transfers and other subsidies.

This voucher system is in place to encourage school choice and school competition for students, which, in turn, aims to improve the quality of education. Although there is no unambiguous evidence supporting the claim that the quality of education improved as a result of school competition, parents do, in fact, choose private schools for their children over public schools. More than 50% of students in Chile attend private government-dependent schools in primary and upper secondary education.

**Figure 1 - Private expenditure on primary, secondary and post-secondary non-tertiary education as a percentage of total expenditure**



Note: Private expenditures after transfers from public sources. Data for 2008.

Source: Education at a Glance 2011, Table B3.2a.

***Chile's mixed system of funding education goes along with deep socio-economic segregation.***

Although school socio-economic segregation also results from other sources, such as residential segregation, it is also more likely in a system where parents and students are encouraged to choose schools and where enrolment fees are allowed. This was largely the case in Chile before the implementation of the *Subvención Escolar Preferencial*, when the voucher system did not have a compensatory function. Not surprisingly, Chile has the lowest levels of social inclusion in schools among OECD countries and among all countries participating in PISA 2009. In Chile, less than 50% of the variance in socio-economic status lies within schools, meaning that it is unlikely that students from different socio-economic backgrounds attend the same school, which limits the short- and long-term benefits of social diversity. These levels of inclusion are much lower than those, on average, among OECD countries (74.8%) and than those in countries like Finland and Norway, where more than 89% of the variation in student socio-economic background lies within schools.

Chile's level of social inclusion is also substantially lower than that found in countries that rely on private spending for funding primary and secondary education, such as Korea, the United Kingdom and Australia, where the index of social inclusion is close to or above the OECD average. Chile also has a substantially lower index of social inclusion compared to the Slovak Republic (with a social inclusion index of 76.6%), a country that also relies heavily on private funding for primary and secondary education and that has a voucher system. The voucher system in the Slovak Republic, however, has an explicit compensatory function: vouchers are only awarded to low-income students. School choice is also highly prevalent in Belgium, where also only around 40% of students attend public schools. Yet the index of socio-economic segregation is still a moderate 69.8%, possibly because expenditure on non-tertiary education is largely

public: in Belgium, only 5% of this spending is private and vouchers are also only awarded to low-income students. Some school districts in the United States, such as that in Boston, have pursued both school choice and socio-economic integration, signalling that the relationship between school choice and socio-economic segregation is by no means inevitable.

### *Chileans have greater access to tertiary education...*

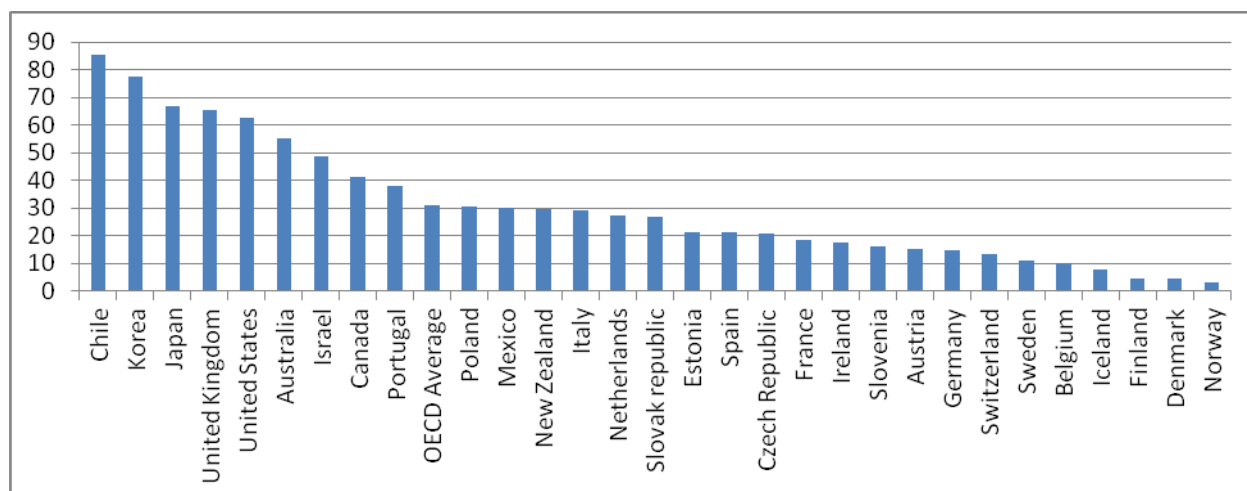
The indicators highlight Chile's successful expansion in tertiary education coverage, mainly due to greater participation by private institutions. However, this expansion has not been coupled with a greater financial commitment to higher education after considering changes in GDP: annual expenditure per tertiary student in 2008, USD 6 829, represented 77% of that in 2000, and a very similar amount to that in 1995. In tertiary-type A (longer, largely theory-based) and advanced research programmes, Chile spends USD 9 329, 80% more than the amount spent in Argentina, and more than the Czech Republic, Estonia, Hungary, Poland and the Slovak Republic spend. Chile's expenditure per student at these levels of education is comparable to that of Italy and somewhat lower than that of Brazil.

### *...but at a high cost to families...*

Tertiary education, like primary and secondary education in Chile, is funded from a mix of private and public sources, but private funding predominates. In fact, Chile ranks as the OECD country with the heaviest reliance on private funding for tertiary education: 85.4% of funding for tertiary education comes from private sources. Most of the total expenditure comes from household sources. Some USD 79.3 of every USD 100 spent in tertiary education comes from household sources – the greatest share among OECD countries. In Australia, Japan, Korea, the United Kingdom and the United States, more than 50% of spending on tertiary education come from private sources (see Figure 2). In Japan, Korea and the United Kingdom the reliance on household expenditure is also important, but substantially lower than that in Chile.

Chile's dependence on household expenditure for funding tertiary education means that the great share of a university's funding comes from tuition fees. And, given that total expenditure per student in tertiary-type A and advanced research programmes is above USD 9 000 in Chile, families face a heavy financial burden if they want to send their children to university.

**Figure 2 - Private expenditure on tertiary education as a proportion of total expenditure**



*Note:* Private expenditures after transfers from public sources. Data for 2008.

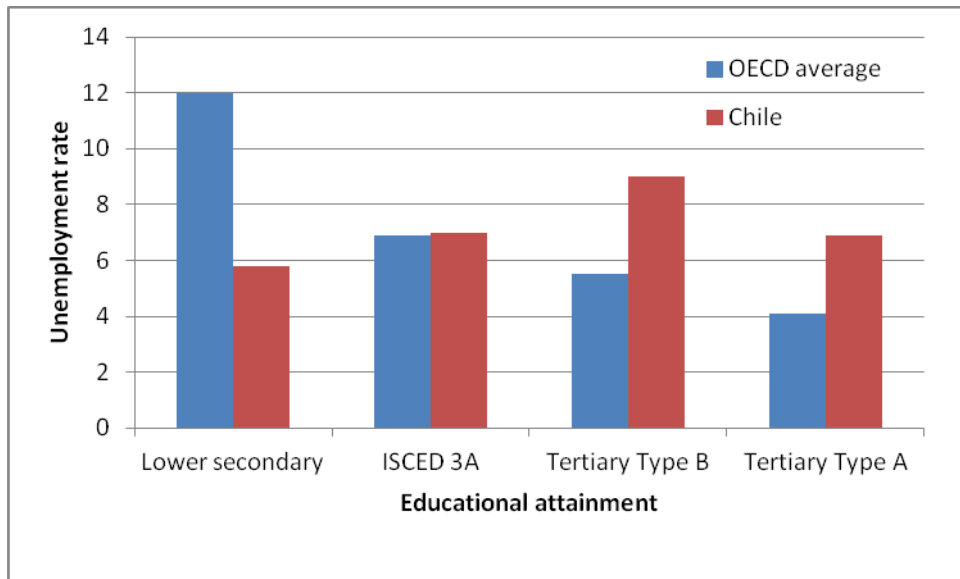
*Source:* *Education at a Glance 2011*, Table B3.2a.

***...and with the lowest levels of direct public expenditure.***

Of the 15% of funding for tertiary education that come from public sources, 44% is direct public expenditure for institutions, 33% takes the forms of scholarships and grants, and 22% is in student loans. Among the countries that rely more heavily on private funding sources for tertiary education and have high tuition fees, Chile has the lowest levels of direct public expenditure. In Canada, Japan, Australia, the United States and Korea, 69% to 85% of public expenditure takes the form of direct investment. Student loans are also an important share of public spending in higher education in Australia, Iceland, Japan, New Zealand, Norway and the United Kingdom.

Across OECD countries, trends in expenditure on higher education since 2000 show increasing reliance on private funding. On average, OECD countries spent 31% more public funds for higher education, and more than double the amount of private funds, in 2008 than they did in 2000. In Chile, private funding for tertiary education increased by 58% while public funding grew by 12%. Australia, Japan, Korea and the United Kingdom, all of which rely heavily on private funding, also showed greater increases in private funding than in public expenditure.

**Figure 3 - Unemployment rates and educational attainment**



*Note:* Unemployment rates for men are pictured. The unemployment rate is the number of 25-64 years-olds in unemployment as a percentage of the labour forced aged 25-64.

*Source:* *Education at a Glance 2011*, Table A7.2a.

***In Chile, having more education does not necessarily mean being less likely to be unemployed but does mean higher earnings.***

In most countries, and across the OECD, adults with a college degree are less likely to be unemployed. On average in OECD countries in 2009, an average of 6.9% of men with a general secondary education were unemployed, and 4.1% of men with a degree from a tertiary-type A and advanced research programme were unemployed. These trends are seen in practically all OECD countries. In Chile, however, attaining higher levels of education does not necessarily protect against unemployment: unemployment rates are lowest among adults without an upper secondary education and highest among adults with a vocational/technical tertiary education degree (see Figure 3). Other research suggests, however, that income returns to a tertiary education in Chile are similar to those found in other Latin American countries, and greater than those observed in developed countries (Sapelli 2009).