



Under embargo until 13 September, at 11:00 Paris time

COUNTRY NOTE – UNITED KINGDOM

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The UK has made a significant effort to increase investment in education...

In the United Kingdom, expenditure per student from primary to upper secondary education increased by 56% between 2000 and 2008, the 8th highest increase among 30 countries with available data. At the tertiary level, expenditure increased by 30%, the 6th highest increase (Table B1.5).

...much of which has been absorbed by shrinking class size...

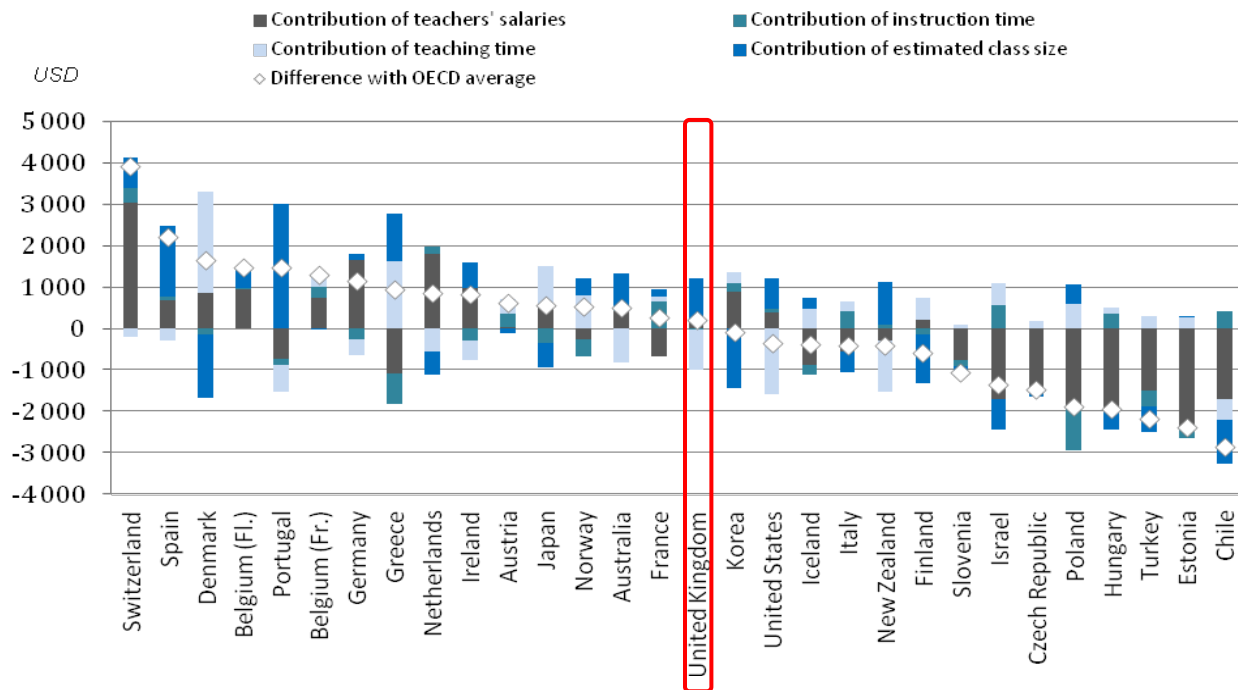
In lower secondary education, class size shrunk by 16% between 2000 and 2009 to 19.6 students per class, below the OECD average of 24 students per class. This was the largest decline among countries with available data. In primary education, class size decreased by 5% to 24.5 students per class, but still remains above the OECD average of 21.4 students per class (Table D2.1). As a result, class size has now become the most significant cost driver in education spending at the upper secondary level and the

second most important cost driver after teachers' salaries at the lower secondary level (Chart B7.1 below and Table B7.2). While analyses of data from the OECD's Programme for International Student Assessment (PISA) do not establish a significant relationship between spending per student and average learning outcomes across countries, data from PISA on secondary education do suggest that high-performing education systems are generally prioritising the quality of teachers over the size of classes (Chart B7.2).

...but overall national income invested in education remains below the OECD average.

Despite increases in investment, in 2008, spending on educational institutions as a share of GDP remained, at 5.7%, below the OECD average of 5.9% (Table B2.1).

Chart B7.1. Contribution (in USD) of various factors to salary cost per student, at upper secondary level of education (2008)



Countries are ranked in descending order of the difference between the salary cost and the OECD average.

Source: OECD. Table B7.3. See Annex 3 for notes (www.oecd.org/edu/eag2011).

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Funding has shifted significantly to private sources.

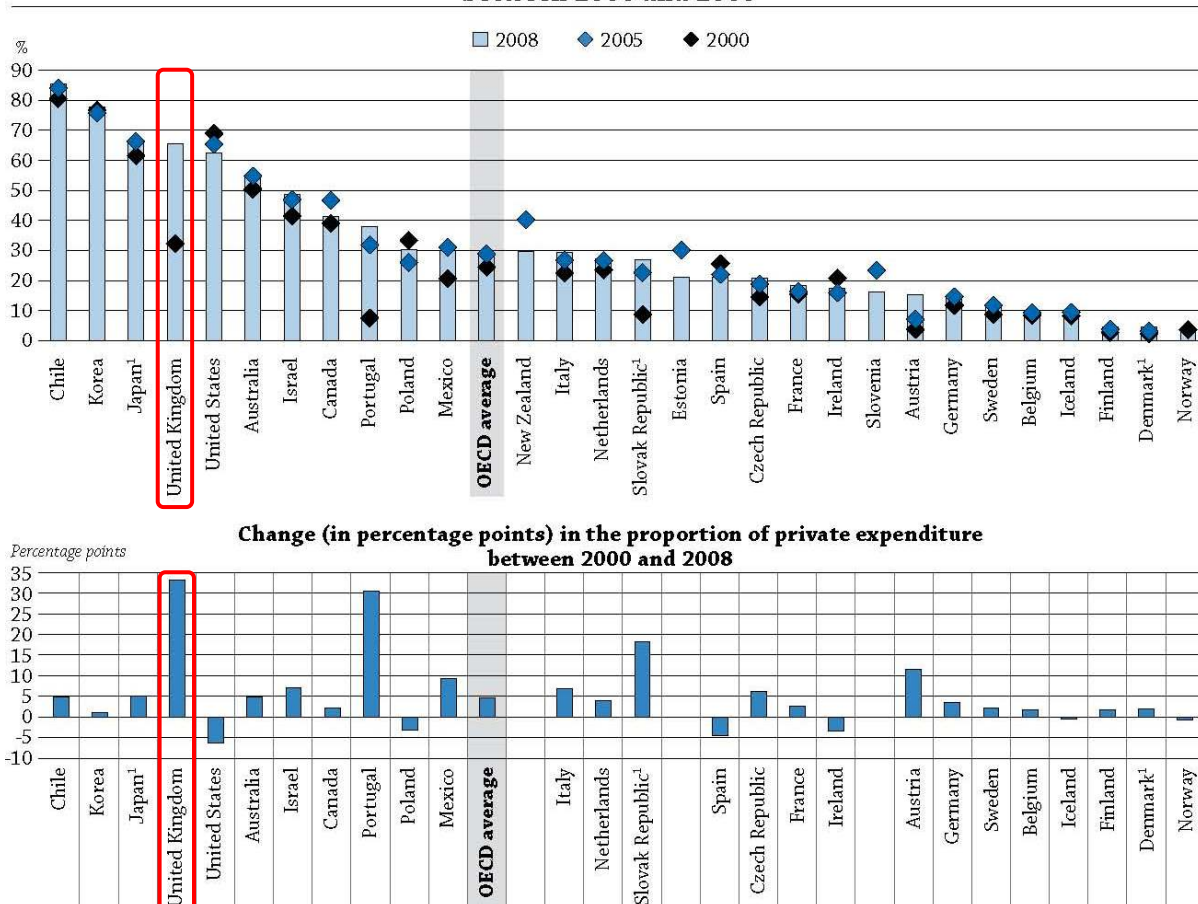
The share of public expenditure on education relative to the total public budget remained broadly unchanged between 2000 and 2008 (Table B4.1). This signals, on the one hand, that public spending has expanded in other areas too, but more important, that expenditure has shifted significantly to private sources. The share of private expenditure doubled from 11.3% in 2000 to 22.1% in 2008 for secondary and other below-tertiary-level institutions, and from 32.3% to 65.5% during the same period in tertiary education, a trend observed in only a few other countries (Chart B3.3 below and Table B3.2a and b).

At the tertiary level, the increase in private sources of funding is a result of major reforms of tuition fees and public subsidies since 1995, including differentiating tuition fees by field of education and between national and international students (Box B5.1). For the academic year 2008-09, students who were citizens of the UK paid the 3rd highest annual tuition fees (USD 4 840) among OECD countries (Table B5.1). These changes occurred before the most recent reforms were implemented, so tuition fees are expected to increase significantly in the near future.

Public subsidies to households and other private entities are provided to ease the financial burden on students and their families and also to encourage students from disadvantaged backgrounds to participate in education. The UK spends 53% of its total public expenditure on public subsidies, the 2nd highest proportion among OECD countries, and 0.5% of its GDP on these subsidies (Table B5.3).

Some 94.4% of expenditure on tertiary education is devoted to current expenditure, largely teacher and other staff compensation, leaving only 5.6% for capital investment – much less than the OECD average of 9.1% (Table B6.2b).

Chart B3.3. Share of private expenditure on tertiary educational institutions (2000, 2005 and 2008) and change, in percentage points, of the share of private expenditure between 2000 and 2008



1. Some levels of education are included with others. Refer to "x" code in Table B1.1a for details.
 Countries are ranked in descending order of the share of private expenditure on educational institutions in 2008.
 Source: OECD, Table B3.3. See Annex 3 for notes (www.oecd.org/edu/eag2011).
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The labour market continues to signal strong demand for tertiary graduates...

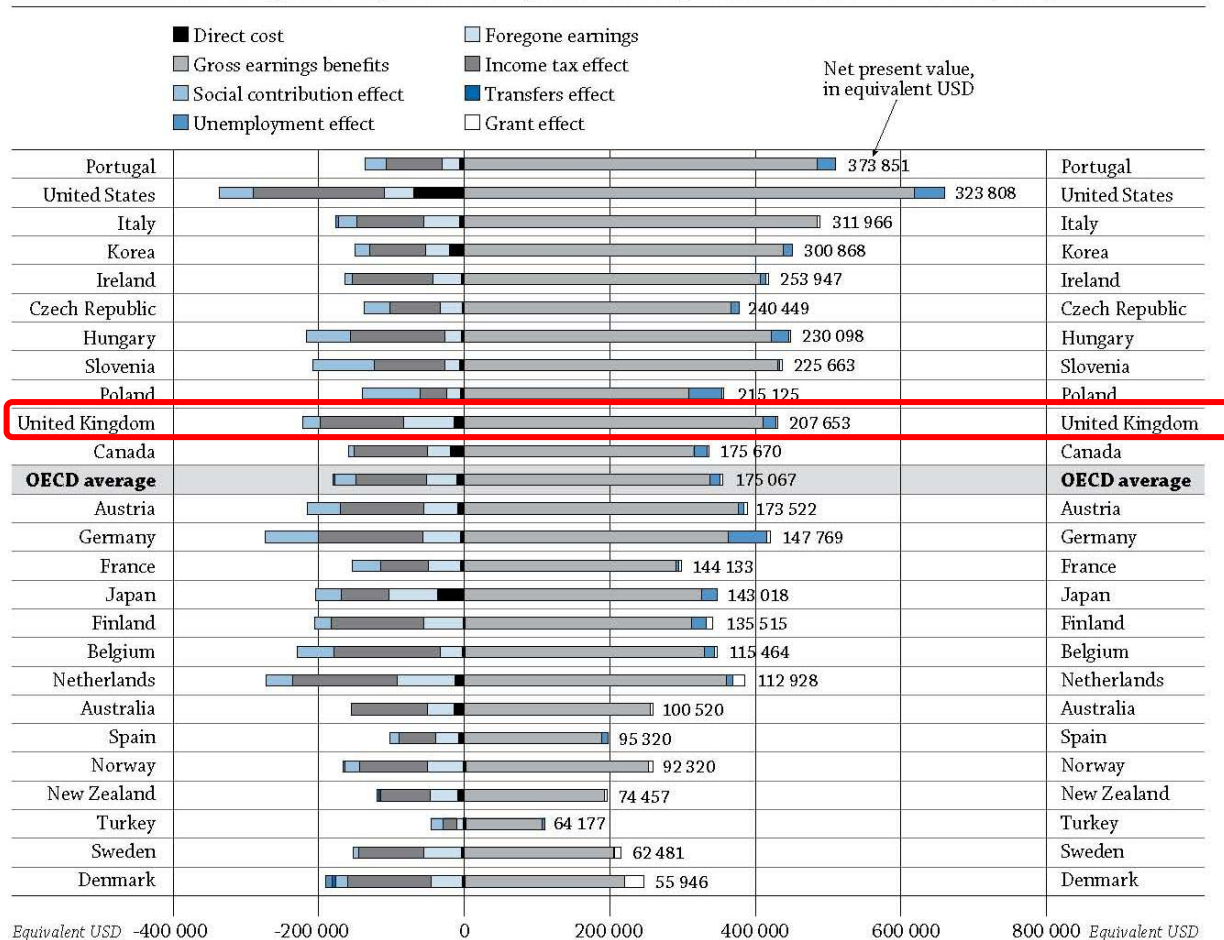
The UK has an above-average share of adults with tertiary qualifications – a result of the country’s historically strong investment in advanced skills. In 2009, 84.5% of tertiary-educated adults were employed – a proportion larger than the OECD average but, due of the intervening economic crisis, smaller than that in 2008 (Chart A7.3a).

...with the net present value of an upper secondary qualification higher only in the United States...

The gross earnings premium for individuals with both an upper secondary and tertiary education is substantial. After direct and indirect costs are taken into account, the earnings and employment benefits that accrue over the working life of a man with an upper secondary education amount to a net present value of USD 151 000 – the highest value after that observed in the United States (Table A9.1). The private net present value that accrues to a man with a tertiary education is USD 208 000, close to the OECD average of USD 175 000 (Chart A9.3 below and Table A9.3).

More education does not only benefit individuals but the general public too. In the UK, the public benefit that tertiary graduates generate through higher income tax and social contributions far outweigh the public costs. As a result, the UK taxpayer gains USD 95 000 per man and USD 79 000 per woman with a tertiary qualification, the 7th highest net return for man among the 25 OECD countries with available data (Table A9.4).

Chart A9.3. Components of the private net present value for a man obtaining tertiary education, ISCED 5/6 (2007 or latest available year)



Notes: Australia, Belgium and Turkey refer to 2005; Italy, the Netherlands, Poland, Portugal and the United Kingdom refer to 2006. All other countries refer to 2007.

Cashflows are discounted at a 3% interest rate.

Countries are ranked in descending order of the net present value.

Source: OECD, Table A9.3. See Annex 3 for notes (www.oecd.org/edu/eag2011).

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...and foreign students who remain in the country adding significantly to the benefits.

The UK has always been one of the most attractive destinations for foreign students: it holds almost 10% of the global education market share, the 2nd largest after the United States (18%) and, after Australia, the 2nd largest in relative terms for enrolment of international students too. Almost 364 000 students from around the world are enrolled in UK tertiary programmes, a significant increase, in absolute terms,

since 2000 – even if it represents a decline in the market share, as the rise in other countries has been faster. The main countries of origin of foreign students in the UK are China (47 000 students, or 13% of all foreign students) and India (34 000 students, or 9.3% of all foreign students). Overall, 49% (179 000) of foreign students come from Asia and 32% from Europe (Table C3.6, available on line).

In 2009, 24.8% of foreign students in the UK converted their status from student to employed worker and decided to remain in the country (Chart C3.5). The labour market and taxpayers are reaping the benefits of these additional highly educated workers without having incurred the cost of basic education.

Employers pay a higher price for qualified labour...

The UK has slightly higher labour costs than other OECD countries, on average, and these increase substantially with educational attainment, making workers with more qualifications comparatively expensive. Labour costs for a 25-64 year-old worker without an upper secondary diploma amount to USD 40 000; for a worker with an upper secondary degree, they average USD 54 000; and for a worker with a tertiary degree, they average USD 81 000 (Table A10.1).

A UK employer can expect to pay an additional USD 23 000 per year for a 45-54 year-old tertiary graduate with work experience compared to a 25-34 year-old recent graduate. The data also show that qualification outweighs experience (Table A10.2 and Table A10.4).

...and lower taxes allow individuals to take home a high share of this.

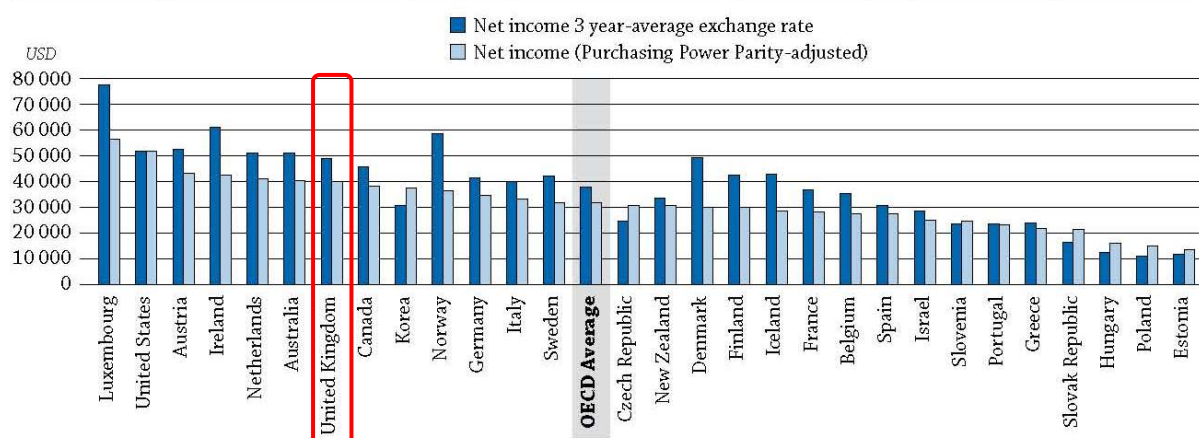
The comparatively high labour costs appear to reflect higher productivity rather than high taxes: the UK ranks 7th in terms of the share of labour costs that individuals can take home in the form of net income. The net income for 45-54 year-olds as a percentage of labour costs is higher only in Luxembourg, Ireland, Norway, Austria, Netherlands and the United States* (Chart A10.4 below and Table A10.4).

While factors other than potential earnings can spur migration flows, economic considerations are likely to become more influential as labour markets become more global, particularly for those with higher education. Some 34% of immigrants in the UK have a tertiary qualification; only in Canada, Ireland, Denmark, New Zealand, Norway, Australia and the United States* is that proportion higher. In the UK, the proportion of immigrants who have a tertiary degree is 4.9 percentage points greater than the proportion of non-immigrants who do (Table A10.6, available online). Immigrants with tertiary qualifications are also well paid in the UK; only in Luxembourg, Ireland, Norway, Austria, the United States, Australia, the Netherlands and Denmark* do they earn more (Table A10.1).

* Countries are listed in descending order.

**Chart A10.4. Net income in USD for 25-64 year-olds with a tertiary education
(2009 or latest year available)**

Unadjusted three-year average exchange rate and Purchasing Power Parity-adjusted exchange rate



Countries are ranked in descending order of PPP-adjusted net income.

Source: OECD, LSO Network special data collection on full-time, full-year earnings, Economic Working Group. Table A10.1. See Annex 3 for notes (www.oecd.org/edu/eag2011).

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On the other hand, the penalties for those without baseline qualifications are severe...

Adults who have not attained an upper secondary qualification, equivalent to five good GCSEs or an equivalent vocational qualification, have borne the brunt of the economic crisis and seen a marked drop in their employment prospects between 2008 and 2009. During this one-year period, the employment rate fell from 65.6% to 56.9% – a drop four times greater than the OECD average, signalling significant vulnerability for individuals with less education (Table A7.3a).

Across OECD countries, trend data suggest that the demand for tertiary-educated individuals has kept pace with the increasing supply of these graduates. Despite an increase in the proportion of 25-64-year-olds with a tertiary education – from 21% in 1999 to 30% in 2009 (Table A1.4) – the earnings premium for those with a tertiary degree over those with an upper secondary qualification has increased by 6 percentage points, on average, across OECD countries (Table A8.2a).

In the UK, the earnings advantage of a tertiary graduate decreased slightly from 62% in 1999 to 59% in 2009, but remains above the OECD average of 57%. The earnings disadvantage for individuals without an upper secondary education remains substantially larger in the UK than on average across OECD countries (Table A8.2a). In fact, 37% of individuals at that level of education earn half or less of the UK's median earnings; only in the United States, Canada and Austria* is the comparable proportion greater (Table A8.4b, available on line).

Tertiary graduates also enjoy about 17% higher earnings premiums than upper secondary graduates within the same occupational categories (skilled, semi-skilled white- and blue-collar, and elementary occupation), suggesting that although upper secondary and tertiary graduates may be hired in the same job categories, tertiary graduates might be performing more advanced tasks than those with an upper secondary education and thus earn higher salaries (Box A8.1).

* Countries are listed in descending order.

...and the transition into the labour market is difficult.

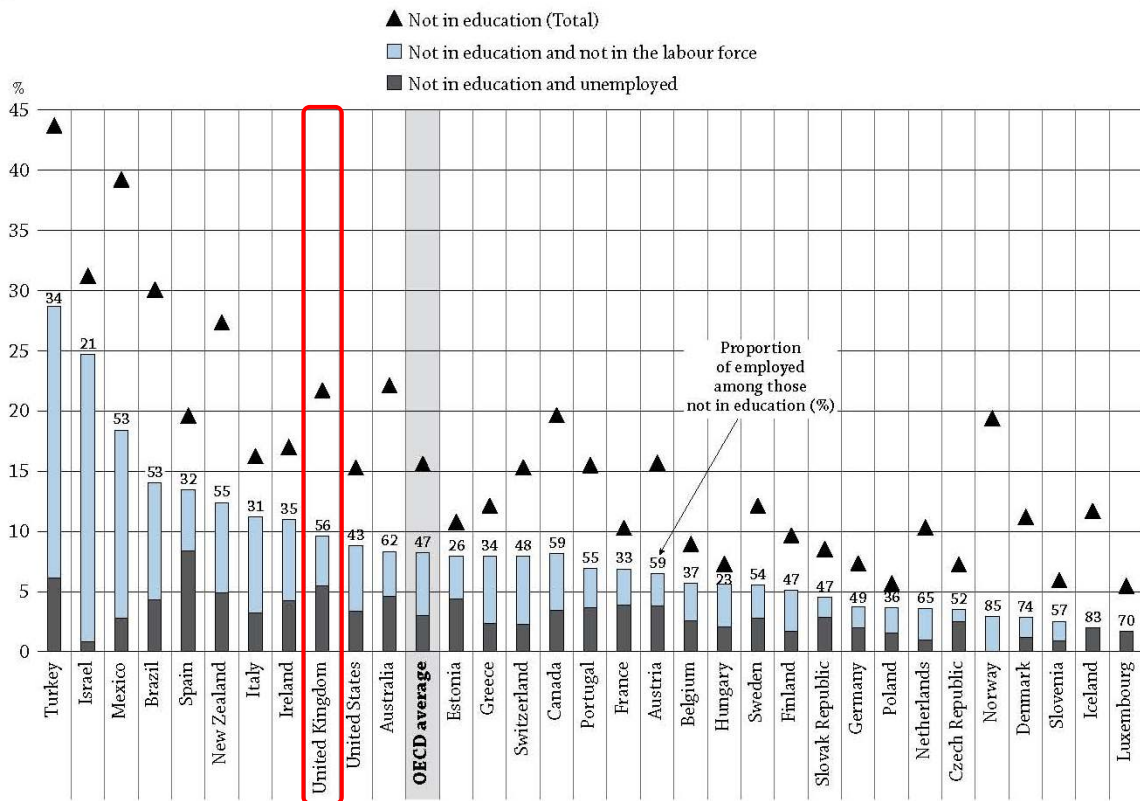
Even in the best of times, the transition from education to work is a complex process, affected by such variables as the length and quality of the schooling received, national traditions, the state of the labour market, economic conditions and demography. Some 22% of 15-19 year-olds in the UK are not in education. Of these, 12% are employed, 5.5% are unemployed, and 4% are not in the labour force (Chart C4.3 below). Of special concern are the 4% who are neither in education nor in the labour force, as they are at a particular risk of receiving little or no support from the welfare system (Table C4.2a).

More educated 15-29 year-olds are less likely to be unemployed. Only 4.7% of young tertiary graduates in the UK are unemployed compared to 6.6% of those with an upper secondary education and 10% of those without an upper secondary education. In addition, young adults with a tertiary education are less likely to be unemployed for more than six months: 4.9% of those without an upper secondary education are not in education and are unemployed for more than six months, higher than the OECD average of 2.7%. Only 1.4% of tertiary graduates are in that situation in the UK (Table C4.2d).

The transition between education and work is smoother in countries with work-study programmes at upper secondary and post-secondary non-tertiary levels of education. The UK also offers work-study programmes at these levels of education, and students in these programmes are less affected by unemployment. However, compared to other countries that offer such programmes to 15-29 year-olds, such as Australia, Austria, Belgium, the Czech Republic, Germany, Italy, the Slovak Republic and Switzerland, the UK has only a small proportion of students enrolled in these programmes. In Switzerland, for example, 36% of students in below upper secondary education and 5% of upper secondary students are enrolled in work-study programmes. In contrast, in the UK, only 1% of students in below upper secondary level and 1.5% of students in upper secondary education are enrolled in such programmes (Table C4.2d).

The lack of an upper secondary qualification is a serious impediment to finding a job. Young adults who do not have an upper secondary education and who are not in education are 19 percentage points less likely to get a job and 3 percentage points more likely to be unemployed for more than six months than those with an upper secondary qualification and who are not in education (Table C4.2d).

Chart C4.3. Percentage of 15-19 year-olds not in education and unemployed or not in the labour force (2009)



Note: Missing bars refer to cells below reliability thresholds.

Countries are ranked in descending order of the percentage of 15-19 year-olds not in education and unemployed or not in the labour force.

Source: OECD, Table C4.2a. See Annex 3 for notes (www.oecd.org/edu/eag2011).

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