To: Vice-Chancellor’s Executive  
From: Robert Webster  
CC: Julie Wells, Director Planning  
Re: OECD Education at a glance 2007  
Date: 24 September 2007

Purpose

To provide a briefing on major issues from the OECD report *Education at a glance 2007*.

Background

The OECD releases *Education at a glance* annually. The 2007 edition was released on the 18th of September. It has received wide coverage in the Australian media – particularly around issues related to the relative decline in tertiary funding.

Note

The following analysis refers variously to International Standard Classification of Education (ISCED) 5A and 5B classifications – this is documented throughout in the text. Broadly these equate to higher education and VET respectively. A detailed definition of each is included at the end of this briefing.

Issues

Overall the Australian tertiary education story is one of a high quality and high performance (efficient) sector despite both declining investment and slowing participation when compared to the OECD. At a time when Australia has an aging population; when economic growth is increasingly defined by knowledge industries; and, when Australia is facing vigorous non-OECD competition these declines are a critical public policy issue.

*Australian investment and participation in tertiary (5A and B) education has grown but contributions from the public purse continue to decline.*

Between 1995 and 2004 the tertiary education expenditure index (measuring both public and private sources) rose by 32% paralleling the change in student numbers (31%). Over the same period, however, when the expenditure index is decomposed into public and private components a marked shift in sources is seen. Public expenditures over the period declined by 4% whilst private expenditures escalated by 98%.

*Australian investment and participation in tertiary (5A and B) education compared to the OECD weakens*. Relative to the OECD for the same period Australia’s position has declined significantly with changes in the OECD average expenditure and participation being 55% and 41% respectively. Further, whilst the OECD average has seen slower growth in public expenditures than private (49% vs 176%) investment from both sources outpaces those for Australia.

2 Refer Education at a glance tables B1.5, B2.1, B3.2b and B3.3  
3 Refer Education at a glance tables B1.5, B2.1, B3.2b and B3.3
Despite funding issues Australia shows strong interest in tertiary (5A) commencements\(^4\). Australians’ enrolments in an initial tertiary qualification has increased strongly at OECD leading levels. Performance is calculated by summing the first time tertiary enrolment rate for each year of age. This provides an indication of interest for the age group rather than an actual participation rate. In 2005 at 82 Australia was first amongst the 26 OECD countries for which data are available and considerably above the OECD average of 54. Further Australia’s performance since 2001 has grown from 65 at the third fastest rate in the OECD (behind the US and the Slovak Republic both from considerably lower bases of 40 and 42 respectively).

**Australian expenditures (5A and B) compared to the OECD are middle-of-the-pack\(^5\).** In 2004 Australian public expenditure on tertiary education as a percentage of GDP was below the OECD average of 1.3% at 1.1%. This placed Australia 16\(^{th}\) out of the 30 OECD countries roughly equivalent with Germany, Greece, Poland, Turkey and Ireland. The four Nordic countries lead the table with percentage of GDP expenditures double that of Australia in excess of 2%.

**Australia’s current tertiary attainment rate (5A) needs focus\(^6\).** Australia’s 2005 tertiary education attainment rate for those aged 25 to 64 at 22.7% is 7\(^{th}\) out of the 30 OECD countries. This compares favourably with the OECD average of 18%. This reflects the relatively high levels of historical (largely public) investment. Two important issues regarding this statistic need to be noted however. Firstly, Australia’s high rate is driven in large part by baby-boom era investment. The baby-boom is a characteristic of most OECD country populations and the ‘stock’ of educated persons contribution to the economy can be anticipated to decline over the next decade or so. Secondly, with non-OECD competition from youth weighted populations across Asia accelerating the relative competitiveness of Australia in the knowledge economy will rely on either maintaining workforce participation of the current educated but ageing population or (more realistically) both raising tertiary education participation rates amongst school leavers and boosting skilled migration.

**Comparative graduation rates (5A) put Australia in a strong position.** Of the 24 OECD countries for which data are available in 2005 Australia ranks number one in terms of first time graduation rates. The OECD calculates performance by summing the first time graduation rate for each year of age from 18. At 59.4 Australia is well ahead of Iceland (56.3), New Zealand (51.3) and the OECD average (36.4)

**Tertiary educated persons (5A and B) make a strong contribution to the Australian economy\(^7\).** Australia’s 2005 workforce participation rate for the proportion of the population with a tertiary qualification, at 13\(^{th}\), is equal to the OECD average of 84%. This exceeds the employment rate for those with upper secondary qualifications (80%). The Australian unemployment rate for the same cohort at 2.5% is amongst the OECD’s lowest (23\(^{rd}\) out of 30) and significantly outperforms both Australians without tertiary qualifications (3.4%) and the OECD average of 4%.

From 1997 to 2005, whilst the earning capacity of those Australians without tertiary qualifications has stagnated, for those with tertiary qualifications it has shown steady growth. In 2005 in excess of 70% of those aged 25 to 64 with a tertiary qualification earned more than the median salary. In 2005, the relative earning power index of Australian tertiary graduates was 139 when compared to the benchmark of 100 for those with an upper secondary or post-secondary-non-tertiary

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\(^4\) Refer Education at a glance tables C2.4 and C2.5.  
\(^5\) Refer Education at a glance table B4.1  
\(^6\) Refer Education at a glance table B4.1  
\(^7\) Refer Education at a glance tables A8.3a, A8.4a, A9.1 and A9.4a.
qualification. In 2005 on this measure Australia ranked 21 out of the 25 OECD countries for which data were available.

*Australia is a world leader in international education (5A and B)*. Australia’s 2005 international student enrolment rate was 17.3\% - first amongst the 20 OECD countries for which data are available. Close competitors are New Zealand (17\%) and the UK (13.9\%). A parallel story is told in 2005 graduation rates with Australia’s international students accounting for 22.3\% of graduates, New Zealand 17.3\% and the UK11.8\%.

**Recommendation**

That VCE note the above.

**Definitions**

*Tertiary-type A education (ISCED 5A)*: Tertiary-type A programmes (ISCED 5A) are largely theory-based and are designed to provide sufficient qualifications for entry to advanced research programmes and professions with high skill requirements, such as medicine, dentistry or architecture. Tertiary-type A programmes have a minimum cumulative theoretical duration (at tertiary level) of three years’ full-time equivalent, although they typically last four or more years. These programmes are not exclusively offered at universities. Conversely, not all programmes nationally recognised as university programmes fulfil the criteria to be classified as tertiary-type A. Tertiary-type A programmes include second degree programmes like the American Master. First and second programmes are sub-classified by the cumulative duration of the programmes, i.e., the total study time needed at the tertiary level to complete the degree. See also *International Standard Classification of Education (ISCED)* and *Tertiary-type B education (ISCED 5B)*.

*Tertiary-type B education (ISCED 5B)*: Tertiary-type B programmes (ISCED 5B) are typically shorter than those of tertiary-type A and focus on practical, technical or occupational skills for direct entry into the labour market, although some theoretical foundations may be covered in the respective programmes. They have a minimum duration of two years full-time equivalent at the tertiary level. See also *International Standard Classification of Education (ISCED)* and *Tertiary-type A education (ISCED 5A)*.

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8 Refer Education at a glance tables C3.1 and C3.7.