

Study



The ABCs of Funding and Investment in Education

Foreword

The vocabulary deployed within the world of investment and funding in education and training is often difficult to disentangle. Terms tend to overlap and can seem identical. As part of our campaign on [public investment in education and training](#) we have gathered the key terms circulating in policy papers, academic articles and general discussions on the topic and mapped them out in what we are calling the ABCs of Funding and Investment in Education.

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Ancillary services

Are services provided by educational institutions that are peripheral to their main educational mission. The main component of ancillary services is student welfare. In primary, secondary and post-secondary non-tertiary education, student welfare services include meals, school health services, and transportation to and from school. At the tertiary level, they include residence halls (dormitories), dining halls and health care.

Cash cows (referred to international students)

A venture that generates a steady return of profits that far exceed the outlay of cash required to acquire or start it.

Club goods (colleges)

Public goods with benefits restricted to a specific group may be considered club goods. For example, expenditures that benefit all of the children in a household but not the adults.

Commodification of education

Transformation of things such as goods, services, ideas, nature, personal information, people or animals into objects of trade or commodities.

In education specifically it occurs at an administrative and instrumental level. The administrative level requires running the institute like an enterprise, focusing on budgetary cost-effect, seeking resources, product evaluation and corresponding adjustment, new hiring policy, and new relationship between teachers and students. The instrumental level treats the whole process of teaching and learning as cost-effect driven, focusing on learning/teaching as a necessary step for producing a product, re-adjusting the purposes of learning and teaching, depersonalisation in the whole process of learning/teaching, and utility-oriented curricular objectives. There are three components here: a preoccupation with economic policy and objectives while education seen as a branch of economic policy rather than a mix of social, economic and cultural policy; the economic content of public policy based on market liberalism; and operational control of ministers over education with emphasis on managerial efficiency at the expense of public service.

Core educational services

Include all expenditure that is directly related to instruction in educational institutions, including teachers’ salaries, construction and maintenance of school buildings, teaching materials, books, and school administration¹.

Corporatisation

The reconstitution of non-economic fields and relations as having the goals, practises, motivations and instincts of the private sector. The intense “corporatisation” of academia has its roots in the 80s and 90s (Brooks et al., 2014)², as government policy starved universities of public funding. Market-based reforms ushered in a shift from democratic governance to more managerial approaches,

¹ Yang, 2006, The commodification of education and its effects, [here](#)

² Brooks, R., Byford, K., & Sela, K. (2014). [The changing role of Students’ Unions within Contemporary Higher Education. Journal of Education Policy, 30\(2\), 165–181.](#)

but this was not the only change. In essence, this process refers to the way that Universities are “adopting corporate models, cutting costs and seeking profit-making opportunities” (Clay, 2008)³, made even more necessary nowadays due to austerity measures in the 2010s. Perhaps the most visible manifestation of this are tuition fees hikes, as administrators try to find ways to make up for the lost money, but equally the cutting of less-popular courses and student services or the high share of adjunct staff who will never make tenure are symptoms of the same issue (Wardle, 2017)⁴. Other researchers write about the cultural effects, wherein the educational institution starts viewing itself as a corporate entity. For example, treating education as a private good, redefining the role of the student as a consumer rather than as a member of an academic community and “branding” the university like a product or service to be advertised to potential customers (Steck, 2003)⁵.

Cost-benefit analysis

A way to compare the costs and benefits of an intervention, where both are expressed in monetary units. Cost-benefit analysis cannot be the sole criterion for educational planning but such an analysis should be an important element in decision making. The term ‘cost-benefit analysis’ implies a systematic comparison of the magnitude of the costs and benefits of a form of investment in order to assess its economic profitability. All forms of investment involve a sacrifice of present consumption in order to secure future benefits in the form of higher levels of output or income. Cost-benefit analysis (or rate-of-return analysis, which is the type of cost-benefit analysis most frequently applied to education) provides a means of appraising these future benefits in the light of the costs that must be incurred in the present. Some educationists have argued that cost-benefit analysis is inapplicable to education due to the multiplicity of educational objectives and the importance of non-economic benefits⁶.

Cost-effectiveness analysis

This technique compares alternatives such as different types of school (for example general versus vocational schools), different combinations of inputs (teachers, books and other learning materials) or different educational programmes (for example different types of teacher training) in terms of their effectiveness, measured by variables such as examination results, test scores, retention or completion rates. Cost-effectiveness analysis consists of three steps: (a) The costs of the alternatives must be carefully measured, for example expenditure on teacher salaries, books and learning materials in each type of school; (b) the outcomes of educational effectiveness of the alternatives must be measured, for example by standardised test scores of pupils in each school; finally, (c) costs and effectiveness measures are combined to calculate a cost-effectiveness ratio, for example by dividing the effectiveness of each alternative by its cost to show the unit cost of achieving a particular objective, such as a 1 percent improvement in pupil achievement⁷. The approach to measuring costs is similar for both techniques, but in contrast to cost-benefit

3 Clay, R. (2008). *The corporatization of Higher Education*. Monitor on Psychology. Retrieved March 14, 2022.

4 Wardle, A. A. (2017). *Student Unionism as a Means of Resisting the Neoliberalization of Universities*. San Diego State University ProQuest Dissertations Publishing.

5 Steck, H. (2003). *Corporatization of the university: Seeking Conceptual Clarity*. The ANNALS of the American Academy of Political and Social Science, 585(1), 66–83.

6 Maureen Woodhall (2004). *Cost-benefit analysis in educational planning*. Fourth edition. UNESCO.

7 Ibid.

analysis which uses monetary measures of outcomes, the results of cost-effectiveness analysis are measured in educational terms.

Direct costs

The direct expenditure on education per student during the time spent in school. Direct costs of education do not include student loans.

Direct private expenditure

Private direct costs: are the total expenditure by households on education. They include net payments to educational institutions as well as payments for educational goods and services outside of educational institutions (school supplies, tutoring, etc.).

Direct public expenditure

Public direct costs: are the spending by government on a student’s education. They include direct public expenditure on educational institutions, government scholarships and other grants to students and households, and transfers and payments to other private entities for educational purposes. They do not include student loans.

Education as a common good

The concept of education as a common good highlights the purposes of education as a collective societal endeavour. Education as a common good calls into question the current utilitarian model which sees education as a mere individual socio-economic investment. It favours a humanistic approach which places people and their connections with the community at the centre. It requires the establishment of forms of cooperation that replace the logics of economic competition with the acknowledgment of the ethical underpinnings of economic theory itself, grounded in social relationships more than in economic transactions and profit-making purposes⁸.

Education as a public good

Traditionally implied a primary responsibility of public institutions in the provision and funding of educational opportunities. Diverse interpretations of the principle of education as a public good in education include⁹:

1. As an approach/vision: To reaffirm a humanistic/integrated vision of education in contrast to a more utilitarian approach.
2. As a policy focus: To preserve the public interest and societal/collective development in contrast to an individualistic perspective.
3. As a principle of governance: To reaffirm the role of the State as the guarantor/custodian/main duty-bearer of education in light of the greater involvement of non-state actors at all levels of the education endeavour.

Endogenous privatisation

Involves importing ideas, techniques and practises from the private sector to make the public

8 Rethinking Education: Towards a global common good? (UNESCO, 2015), [here](#).

9 UNESCO, 2018, Education as a public and common good, [here](#)

sector more business-like.

Entitlement

A guarantee of access to benefits based on established rights or by legislation¹⁰.

Exogenous privatisation

The opening up of public education services to private sector participation on a for-profit basis.

EU fiscal policy (debt rules constraining investment in social and environmental areas)¹¹

- The European Semester: The European Semester is best described as a governance mechanism which provides an overview of EU Member States as they work towards meeting the objectives of EU 2020. The Semester is a process that both looks backwards (through annual monitoring and surveillance) and forwards (by providing recommendations for future action). It is principally a form of economic governance, concerned with fiscal and budget management in Member States, although EU2020 targets also relate to social (including education) and environmental concerns.
- Fiscal targets for Member States: Established in 1992 by the Maastricht Treaty, and these were reaffirmed in the Stability and Growth Pact (SGP) (1997). The key targets within the SGP are to maintain deficits within a maximum level of 3% of Gross Domestic Product (GDP), and total public debt within a maximum level of 60% of GDP. Enforcement of these financial commitments was strengthened in 1998 (Preventive Rules) and 1999 (Corrective Rules), and again in 2005 when increased clarity was provided relating to managing deficits.

Forms of privatisation

1. Privatisation as cost-sharing (public provision and private financing modality)
2. Privatisation by application of business-like management styles to public institutions (corporatisation)
3. Privatisation through voucher system (market provision and state financing)
4. Privatisation as emergence of non-state education sector (market provision and financing)¹²

Initial private spending

Includes tuition fees and other student or household payments to educational institutions, minus the portion of such payments offset by public subsidies.

Initial public spending

Includes both direct public expenditure on educational institutions and transfers to the private sector and excludes transfers from the international sector.

Lifelong Learning (Contending definitions)

1. The concept of learning as a process that continues throughout life to address an individual's learning needs' (UNESCO IIEP, n.d.).

10 International Labour Organisation, 2019, a review of entitlement systems for LLL, [here](#)

11 Maynooth University, 2020, Patterns and paths towards privatisation in Ireland, [here](#)

12 UNESCO, 2016, Privatisation in education: trends and consequences, [here](#)

2. Lifelong learning as an all purposeful learning activity undertaken throughout life with the aim of improving knowledge, skills and competencies within a personal, civic, social and/or employment-related perspective' (European Commission, 2000)
3. As a tool to be used to realise an individual's personal or social goals related to quality of life and civic engagement and not purely a tool for realising a government's or employers' economic objectives - includes the objective of personal fulfilment (Tuijnman and Boström, 2002, p. 103).

Lifelong Learning entitlements

Combining the two definitions provided above, it can be deduced that a person's entitlement to lifelong learning opportunities entails that right to lifelong learning be enshrined in a country's legislation, and the person should be able to access that entitlement at any time in life¹³.

Market failure

Failure of a market to deliver an optimal result. In particular, the economic theory of market failure seeks to account for inefficient outcomes in markets that otherwise conform to the assumptions about markets held by neoclassical economics (i.e., markets that feature perfect competition, symmetrical information, and completeness). When failure happens, less welfare is created than could be created given the available resources. The social task then becomes to correct the failure¹⁴.

Performance-based funding

Performance-based funding is a system based on allocating a portion of a government's education budget according to a specific performance measure such as course completion, credit attainment, and degree completion instead of allocating funding based entirely on enrollment¹⁵.

Private direct costs

Direct private: (from households and other private entities) expenditure on educational institutions includes tuition fees and other private payments to educational institutions, whether partially covered by public subsidies or not.

Private institutions

Those controlled and managed by a non-governmental organisation (e.g. a church, a trade union or business enterprise, foreign or international agency), or whose governing board consists mostly of members not selected by a public agency. Private institutions are considered government-dependent if they receive more than 50% of their core funding from government agencies or if their teaching personnel are paid by a government agency. receive less than 50% of their core funding from government agencies and their teaching personnel are not paid by a government agency¹⁶.

Privatisation of education (a new vocabulary)

- Privatisation of education: The trend towards the privatisation of education, understood as the

13 [ibid](#)

14 [Brittanica definitions, Market failure, 2022, here](#)

15 [Performance-based Funding in Higher Education](#)

16 [OECD,2021, Education at a Glance, here](#)

process of transferring activities, assets, management, functions and responsibilities relating to education from the state or public institutions to private individuals and agencies¹⁷.

- Privatisation of education new vocabulary: As education is increasingly regarded as an industry, its key characteristics have acquired the form of other market driven enterprises, driven by commercial concerns. Thus, terms such as 'contract', 'franchise', 'voucher', 'joint venture', 'customer demand', 'customer satisfaction', 'payment by results' and 'profit margins' have now entered the vocabulary of education in ways that diminish its traditional status as a public good.

Privatisation techniques

1. Delegation: In a delegation, the state continues to remain entirely responsible for a function but delegates the actual production activity to the private sector. Contracting out is an example of delegating, whereby the government privatises an activity by contracting a private organisation, either for profit or non-profit, to perform the work.
2. Divestment: It involves the government shedding its responsibility by transferring it to a private agency. The enterprise is either sold or given away as an on-going business
3. Displacement: Does not require an active measure on the government's part, but instead involves a more passive or indirect process that leads to government being displaced more or less gradually by the private sector - a withering away of the state, so to speak.

Public direct costs

Takes the form of either purchases by the government agency itself of educational resources to be used by educational institutions or payments by the government agency to educational institutions that have responsibility for purchasing educational resources.

Public expenditure on education

Covers expenditure on educational institutions and expenditure outside educational institutions such as support for students' living costs and other private expenditure outside institutions. Includes expenditure by all public entities, including the education ministry and other ministries, local and regional governments, and other public agencies. Public funds may flow directly to institutions or may be channelled to institutions via government programmes or via households. Public funds may be restricted to the purchase of educational services or may be used to support students' living costs¹⁸.

Public goods

Public goods have two distinguishing properties: one person's consumption does not diminish other people's consumption levels of the same good (non-rivalry), and to exclude someone from consumption is costly, if not impossible (non-excludability). Goods which fulfil these two properties are generally available to be enjoyed by all (universal), and are not subject to market competition¹⁹.

17 UNESCO, 2018, Education as a public and common good, [here](#)

18 OECD, 2021, Education at a Glance, [here](#)

19 UNESCO, 2018, Education as a public and common good, [here](#)

Public subsidies

Include public and international transfers such as scholarships and other financial aid to students plus certain subsidies to other private entities.

Public-private partnerships

PPPs are a medium - or long-term contractual arrangement between the state, regional or local authority, and a private sector company in which the private sector participates in the supply of assets and services traditionally provided by the government²⁰.

(Social) Exclusion

Low material means and inability to participate effectively in economic, social, and cultural life, and, in some characteristics, alienation and distance from mainstream society²¹. Room (1995)²² adds a new dimension to the discussion by couching the issue of social exclusion in a rights-based language when he talks about social exclusion as the 'denial or non-realisation of civil, political, and social rights of citizenship.' Such a rights-based approach to the problem of social exclusion has much to recommend it. It has great affinity with the capability approach developed by Amartya Sen which calls for efforts to ensure that people have equal access to basic capabilities such as the ability to be healthy, well-fed, housed, integrated into the community, participate in community and public life, and enjoy social bases of self-respect (Sen, 1992)²³.

(Social) Inclusion

Social inclusion is the process of individual's self-realisation within a society, acceptance and recognition of one's potential by social institutions, integration (through study, employment, volunteer work or other forms of participation) in the web of social relations in a community²⁴.

Tuition fees

Fees charged by education institutions for instruction or other services.

20 Transnational Institute, 2017, Reclaiming Public Services: How cities and citizens are turning back privatisation, [here](#)

21 Duffy, K, 1995: Social Exclusion and Human Dignity in Europe. Council of Europe, [here](#)

22 Room, Graham. 1995. Beyond the Threshold. The Measurement and Analysis of Social Exclusion, [here](#)

23 OECD, 2010, Social Exclusion and Children in OECD Countries, [here](#)

24 Council of the European Union, 2022, Social Inclusion, [here](#)

Point of action #1 - Sign the Charter

The Lifelong Learning Platform has issued a charter to gather momentum on the issue of disinvestment and to ultimately turn the tide on public funding for education and training in the EU. The charter sets out a number of concrete actions targeted at both the EU and national level to ensure education and training receive appropriate levels of public expenditure as we emerge from the pandemic. We invite you to sign the plea and to share.

Point of action #2 - Share our Study

We have also written a study titled 'Public investment on education and training in the EU: Trends, challenges and future prospects' where we track the extent to which public expenditure allocated towards education and training has changed over time. Our study clearly indicates that public expenditure is under threat and that a marked increase is required to turn the tide. Please share this study to raise awareness on the matter.

Point of action #3 - Get involved

A key goal of our campaign is to gather momentum on the need to increase public expenditure for education and training. We are very much open to suggestions on how to improve the traction of our efforts and would like to hear your suggestions. If you have an activity in mind or have completed related work/ undertaking work please get in touch with us at communications@lllplatform.eu.

LIFELONG LEARNING PLATFORM

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