The effects of the global financial and economic crisis on education:

UNESCO’s global findings so far
MONITORING THE EFFECTS OF THE CRISIS ON EDUCATION

Two major roles for UNESCO:

(i) **monitoring** the impact of the global financial and economic crisis on the education sector

(ii) **advocacy** for protecting education

So far, monitoring focused on **public education finance in its Member States**:

- a **“dirty” survey** on education spending in 50 countries launched in March 2009

- **case studies** for 25 countries on education finance in August 2009 (incl. Mongolia, Pakistan, Thailand)

- case studies in some 10 countries: The NGO perspective

- the review of information produced by other institutions

- community-level surveys in a few countries (supply & demand)
• The global crisis is expected to exert negative effects on education worldwide, but **no evidence yet of widespread cuts of budgets for education**, than others

• However, **too early to make a full assessment** as:
  - the economic crisis is still unfolding
  - the effects on social sectors, likely to be profound, esp. for the most vulnerable

• Learning from the past necessary, but **excessive “re-processing” of the info on past crises to be avoided**, as the current crisis differs from previous ones
  - current crisis more global, originated in advanced economies
  - Governments seem to have drawn lessons from past crises
  - budgetary orthodoxy (in past crises) vs. restoring aggregate demand thru mix of deficits, e.g. stimulus packages (currently so far)
THE TRANSMISSION CHANNELS

Global financial crisis

From global to national levels: resource flows

Trade Remittances Capital flows Public aid

Effects on national economic and social development

Economic growth Government budget Sectoral impact Employment Household income

Education expenditure, incl. aid Education services Graduates & teaching staff Demand-side

Effects on and possible policy responses in the education sector

Note: Impact channel Thematic links

- **Trade**: Decline in demand in advanced economies affected most other countries
- **Remittances** are declining: The World Bank forecasts that remittance flows to developing countries would decline to -7.3% for 2009
- **Net private capital** inflows dropped to $707 billion (representing 4.4% of developing countries’ GDP) in 2008
- **Aid**, critical for economic growth and achieving MDGs in many developing countries, is feared to backtrack (estimates 2009: ODA reduced by some $4-5 billion).
PROTECTING EDUCATION BUDGETS

• Many countries have been protecting education budgets
  ➔ with the anticipated risk of substantial fiscal deficit and debt burden in the future
  ➔ there is growing fear that next year education budgets will decline because of reduced tax revenue collection in 2009

• Certain countries have launched countercyclical packages, incl. education
  ➔ but how long they can sustain them is uncertain

• Some others already reduced their budget, including for education, last and this years
  ➔ Can be worse next year
IN CASE OF CUTS, WHICH EXPENDITURES?

- **Staff salaries** in public institutions are not the prime target
- Budgets for **lower education levels relatively more resilient than for higher levels** (as most of budget at these levels is comprised of salaries?)
- In some countries, staff costs do contract through softer measures (freezing of wages, lower increase than in the past, delay or freeze on recruitment, etc.)
- Some responses show an expansion of capital investment in education as part of wider **stimulus packages, often benefiting higher education & TVET**
- In a few countries the shock is absorbed through a **reduction of capital expenditure** (worsening conditions/double shifts,...) and **cut in non-salary current** (operational costs/grants)
  - jeopardizing access
  - further deteriorating quality.
GOVERNMENT RESPONSES (1)

1. Little impact of revenue, little impact on budgets:
   ✅ countries relatively isolated from global markets where remittances from abroad are showing resilience despite the global crisis

2. Revenue impacted, but budgets maintained:
   ✅ mainly using domestic resource (middle- and high-income countries, including diversified economies; important commodity- and oil-exporting countries) OR
   ✅ mainly through increased foreign grants and/or by borrowing from abroad (among low- to middle-income countries lacking sufficient domestic fiscal space)

3. A variety of countries that cut their expenditure on education,
   ✅ often freezing salary increases, cutting salaries of contractual teachers or delaying investment in non-salary expenditures.
4 broad categories of policy responses, often interlinked:

a) **Counter-cyclical measures** mainly found among middle to high-income countries with better fiscal capacity which allows them to increase education expenditure, even by borrowing, drawing on reserves or through deficit. In a few low-income countries as well...

b) **Targeted social measures**, by protecting the most vulnerable or reprioritising their spending on education in favour of specific education levels.

c) **Measures within the framework of a broader reform process**, often with support from international agencies.

d) **No particular counter-cyclical measures** (i) either as they have not been particularly affected by the crisis, thus operating incremental increases in the education budget, or (ii) evenly distributing expenditure cuts across subsectors when there is a noticeable impact of the crisis on government revenue.
IMPACT ON EDUCATION PROVISION: EARLY SIGNS

● Some country case studies indicate that vulnerable households face difficulties in meeting school costs:
  ➔ a growing number of reports of increased absenteeism, school drop-outs and increases in child labour
  ➔ demand for education is likely to be affected due to a decline in household income and an increase in families’ contributions to absorb rising indirect and direct schooling costs.

● Other reports indicate that, in some countries, educational quality in public schools deteriorates as a result of:
  ➔ Weak public support for non-salary expenditure
  ➔ Weak capacity vs. increased enrolment as students enrol or stay subsequent to reducing opportunity cost or no jobs

● However, monitoring must continue...
The crisis appears affecting private schools more than government ones. Some emerging trends though:

- Private schools in large cities which attract students from affluent families have been little affected.
- At university level, notably in the US and UK, rich private institutions suffer the most, because of the decline in university revenues (e.g. reducing endowments, difficulty for students to afford high fees)
- Enrolments at undergraduate/graduate levels fairly resilient, while enrolment declines at PhD level more noticeable as these students are often funded from stipends/tuition waivers, fellowships or students loans.
- Private institutions are taking various measures to respond to the impact of the crisis:
  (i) some schools are looking for new revenue sources to be less reliant on students’ fees;
  (ii) some others are developing new marketing and customer relations strategies to keep their “clientele”;
  (iii) others contain costs by postponing new investments, freezing salaries, or downsizing staff.
PRELIMINARY CONCLUSIONS

- So far, countries are taking measures to protect education budgets.
  > When budgets are reduced, there is no evidence that education budgets are being cut more than in other sectors.
- Countercyclical measures provide favourable environment for protecting education budgets
  > But at what cost and how long?
- The social impact of the crisis is likely to produce severe effects on education participation and achievements in many countries.
  > It is feared that the social sequel of the economic and financial crisis will be long lasting, particularly for the most vulnerable people.
- UNESCO monitoring the effects of the economic crisis on education in Member States must continue
  > reiterating the central role played by education in economic growth, technological advances, poverty reduction, improvement of health, income growth, promotion of equal opportunities and progress in democracy.
  > Governments are encouraged to resist the temptation to curb public spending on social services, especially education, and the international community is urged not to reduce its levels of development assistance.