



The system of financing education in England, Wales and Algeria and its alternatives.

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الملخص:

لقد تزايدت مصاريف التعليم بشكل مطرد بمرور السنوات
مختلف برامج التعليم فإنه يلجأ إلى وقف بعض
الإجراءات لا تفيد البلاد بحكم
الوضع جعاً
خزير
المقال
تقوم به
بشرح الأدب البديلة لتمويل التعليم مثل نظام القروض لكي يصبح التعليم أكثر فاعلية ونجاعة.

The expenditure on education has been growing up faster than it was expected, and because the government is financing the majority of the educational programs ,they tend usually to cut spending in order to reduce the growing expenditure on education .But this measure is not beneficial to the country on the ground that the growing number of educated people will help the country to overcome many of its problems, which will not be the case when the spending on education will be reduced. This state of affairs has led some economists to think about alternatives to finance education such as the loans scheme instead of grant system

In this essay, I intend to analyze the present system of educational finance in England, Wales and Algeria. I start first of all by giving an outline of the existing financial system of education in England and Wales, after that I emphasized on the role played by both Central and Local Government in financing education .The second point is dealing with the system of financing education in Algeria. The third point is about the possible alternatives to finance education in an efficient way as it is argued by many economists.

The finance of education in England and Wales :

We have to distinguish first of all between the public provision of education in institutions owned and administered by public agencies, such as Local Education Authorities, and the private provision of education .In the United Kingdom, both system are existing side by side. The publicly provided institutions may receive their funds, in whole or in part, from the payment of fees by individual students or their parents .Fees are paid, for example, by students attending courses run in Local Authority Colleges. Fees could be charged by schools or colleges and all of the sum could be reimbursed from public funds. The finance of capital expenditure, which covers, for example, items like a new school building, is faced by Local Authorities. For the most part, they have to raise loans to cover capital expenditure, these loans are raised on the private market and repaid out of current income just like other current expenditure .On the other hand, current expenditure on wages, and salaries, running expenses and equipment must be met either from some form of taxation,

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including in this context the rates, or from fees charged, or from some kind of grant from the government department .(Open University, block 04, p13)

In parallel with the public provision of education, there is the private provision of education in institutions that are wholly owned and run by private bodies. Their source of income are derived from three broad categories: fees, payments for extras (expenses not included in the fees such as payment for music lessons), and other sources of income such as rents, or transfers from associated trust funds. Some parents escape the full fee, but reductions are generally small .The most common are for brother registers at the same school, usually 5 percent of the fee or less. (Open University, block 13, p15)

The system of payments which parents have to make, for extra lessons and music lessons usually have to pay for extras, but many schools have medical fees, or subscriptions to books and magazines. There are entrance and registration fees, a basic fee but often they are not, particularly for boarding schools .(Open University, block 13, p15)

Apart from fees and extras which, with a few exceptions, are paid by parents, schools may have a source of independent income, for example, interest on a reserve fund or rent from property owned by the school .A few schools derive a regular income from associated trust funds. These last are primarily the old endowed schools that attracted political interest in the last century, but they also include some newer foundations which have prudently built up reserves .Independent school receive no grant income from the state. The direct grant is attributed to schools in the form of aid from the state, but only for their senior school tuition accounts. The junior and boarding departments must be supported by fees. Glennester and Wilson (1970) managed to estimate the importance of these various categories of income for the whole private system for the year 1965/66 by using the three sources mentioned earlier. Their findings were like this: fees come to £ 96.5 million or 86 per cent of the total. The government grants to the direct grant schools constituted the second largest source of

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income, £ 7.4 million or 6.7 per cent. Extras come to £3.9 million and all other non fee income to £4.1 million

Source of income of independent and direct grant schools, 1965/66 (£000)

Type of school	Total fee	Extras	Government grants	other	Total
Independent: public	34.845	1.976 - 1.846	38.667		
Preparatory	14.022	687 - 565	15.274		
Other recognized	20.885	1.111 - 222	22.218		
Non-recognized	13.939	- - 733	14.672		
All independent	83.939	3.774 - 3.366	90.831		
Direct grant (incl. housing and junior accounts)	12.809	192	7.413	715	21.129
All private schools	96.500	3.966	7.413	4.081	111.960

Independent schools have some direct state support which takes two forms. Parents either qualify for grants from Local Education Authorities or they receive an allowance from government departments. In January 1966, nearly 11500 boarders at independent and direct grant schools were assisted by Local Authorities, and another 14000 were helped by government departments. Local Authorities provide assistance for children who are in need for boarding education. They have spent nearly £5.5 million in 1965/66 in paying independent school fees. The total public support for independent and direct grant schools amounted to £23 million in 1965/66, or 20 per cent of the total income of the private system. In addition to actual payments by Central and Local Government, the schools receive indirect state support. Major benefits derive from charitable status, which is enjoyed by all public and direct grant schools, and some 750 other independent schools. The other source of indirect support arises from the working of tax system as it applies to parents in the income groups that patronize the public schools. (Glennester, 1970 p26 to 32)

If we come to the finance of higher education, we find that it has the same pattern as other institutions. There are a number of ways in which institutions of higher learning are financed in the United Kingdom. Four of such ways may be distinguished, fees, endowments (including gifts), local grants and government grants. I shall focus on the mechanism of

Therefore, no piece of legislation involving public expenditure can even be discussed by the House of Commons without a Treasury Minister's approval" (Open University block iv p18)

Even all these conventions were practiced, but by the late 1950s many critics came to argue that these powers were not sufficient to contain pressure for increased public expenditure on their own. The Central Government has the role to submit a range of control over the Local Authorities. This control is clear in the following points which are not all of them financials :

1)Legal Control: the Local Authority cannot spend money or undertake any activity unless it is allowed by the Central Government under an act of Parliament .

2)Audit Control: Local Council spending is checked by auditors which are appointed by Central Government. Their role is to make sure that money has not been dishonestly managed .

3)Inspection: sometimes Central Government takes over the functions of the H M I s, for instance, if standards in an authority school were falling to an unacceptable level, so the government let the Inspectorate to advice on certain local matters .

4)Advice: on frequent occasions, the Secretary of State issue Circulars giving advice to LEA's on a wide range of issues, for instance, the need for economy or cuts in spending.

5)Loans sanctions: the Local Authority has to refer always to the Central Government if they want to borrow money to build (a new school for example). This kind of control was originally used in the nineteenth century, but now it has become a highly sophisticated weapon by which Central Government came to control not only the level of capital spending on each service by each Authority, but the nature of that spending, for instance, what kind of schools they have to build, and also the design of the schools. (Open University block iv p23/25)

The Central Government has another way to finance the activities of Local Government, which is the rate support grant .It was introduced as part of the Local Government Act of 1966 .

There are three kinds of rate support grant:

1) Needs element: it is the largest one, about 80 per cent of the total.

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It is distributed on the basis of objective factors such as population, number of pupils and students and mileage of roads .

2) Resource element: it helps authorities with below average ratable resources

3) Domestic element: this is not distributed to the (spending) Local Authorities, but to the rating Authorities in order to reduce the rate payable by house holders:.

Each year, the government decides how much Local Authorities are likely to spend in the coming year, following discussions with Local Authority representatives, then they decide how much it will meet from central and within that, how much will be met by the R S G .

Once the amount of the R S G has been determined, it must be allocated to the Local Authorities. it must be allocated to the individual Authorities on the basis of a criterion which determines the allocation to different areas. The variations in expenditure are related to the Department of Environment, the size and age structure of the population, the

Because the grant is a general one, Local Authorities like the DES have no direct control on how they spend on its particular service. In 1976 there was a crisis like the one happened in 1920 s and 1931. The crisis was that Local Authorities were spending more in total than had been agreed in the previous year's grant negotiations. In order to prevent such situation, the government instituted the procedure of Cash-limits. The government set a limit to Local Authority capital expenditure on education, and a separate limit on their current expenditure. The government instructed Authorities that even if costs increased further than had been budgeted for, they would not get on adjustment to their grant. More than that, if Authorities looked like spending more than agreed, the government would take "Corrective Action", which involved reducing the next rate support grant. The Layfeild Report recommends increased government control over Local spending. This could be done by increasing Central responsibility which consist of telling the Local Authorities how much they can spend on each service. The Report suggests also that the government could give

Local Councils opportunity for raising a higher proportion of their own income, but on the other hand set a limit to the extent to which they increased their revenue in any year, and the Authorities which raise more than that should be penalized. (pen University, Block iv p27/28)

The role of Local Authority in financing education :

Local Authorities have some power in financing education in their countries with their own incomes. The Local Property Tax which is called in Britain "The Rate" is nearly the only form of local tax revenue available to Local Authorities, but in most Western countries such tax is merely one of a number of local form of revenue.

For Fowler (1975) Local Authorities may can borrow money on the open market. The problem which faces Local Government is that the tax system or the "rate" is very unpopular in society, so if they rely on it to finance education, it may happen that the growth of providing education will be very slow. Some critics argue that this latter point has happened in Britain since 1945. The domestic rate payers in 1974/75 financed only one ** eighteenth** of the net expenditure of Local Education Authorities. Other rate payers, industry and commerce, contributed a quarter of the cost.

The eventual sum spent on education is the outcome of a bargaining process within those Local Authorities that have education powers. The Open University block iv stated on this matter that "until very recently there was no formal structure for arriving at spending priorities except through the annual estimates and rate fixing round of discussion. Each committee, parks, housing, highways, education, estimated their expenditure for the coming year. The finance committee considered these combined estimates and what rate would have to be charge for the next financial year to meet them. (p32)

Since 1974 a reorganization of Local Government has been set up. They have established a process of long term planning and priority decision making in a great many of the larger Authorities. It is generally called "Corporate planning".

The next factor which is crucial to the Local Authorities is the outcome of the allocation formulae. Local Authorities will not be informed about their own allocations until December /January, and

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because the RSG is such a large part of an Authority's income even a small proportionate change of what officers were guessing that Authority would yet can necessitate major alterations in any LEA budget plan .There is also the public pressure on councilors as the rate fixing process approaches, because either in defending certain services that may be in line for cuts or as protest against a higher rate .

It should be useful to note here that many councils, about four in ten, have introduced a "Performance Review Committee". Its task is to monitor service committee expenditure and performance which is similar to that undertaken as part of the P A R exercise .

The new planning procedure has been accomplished by a new committee, therefore the education committee estimates now have overcome some of procedural obstacles that are much more difficult in the case .It is quite clear that corporate planning is the task of the Chief Education Officer and his

Once the estimate of the funds, the next logical stage in the process is the allocation of the funds of expenditure. In practice, this is done as part of the estimates procedure. The discussion of the estimates or cuts in each broad area of spending, there is a matching of resources on a large scale from schools to college or university on a single day, for example .

There is not a lot of chance for Local Authority to allocate the current spending between individual schools or colleges because it is circumscribed in important ways .The salaries are set at national level only for school teachers, but not for lecturers in further education and colleges of education. The Burham Committee, on which sits representatives of LEA's *, teacher's Unions and DES, fixes school teacher's salary scales for the year beginning 01 April .It determines what a teacher shall be paid for so many year's service and what he or she shall receive for various posts which normally go with particular responsibilities in a school, such as head of a subject department or year tutor.

Even though, there is some sort of partial control over the allocation

of resources between schools, still Local Authorities have a certain discretionary allocations. There have been in the past a fixation by Central Government of the number of full time teachers that a Local Authority could employ, but even then an Authority was free to vary its allocations between schools, some Authorities seek to provide a lower pupil/teacher ratio in schools in deprived areas, for instance. It has been traditional for primary schools to have higher pupil/teacher ratios and secondary schools lower ones, and for a long period of time the maximum size of class regulations were laid down by the old Ministry of Education, which set the maximum permitted size of class in primary schools at forty and secondary schools at thirty. These regulations were withdrawn at the end of the 1960's and the distributions between schools is now entirely within the discretion of L E A's. (Open University, block iv p31/34)

There is another matter which the Local Authority has in a way some intervention in it. It is the charge of fees. It is well admitted that the right to free education up to the end of secondary school was established by the 1944 Education Act, under section 61, no Local Authority is permitted to change fees for normal instruction at any of its schools, though they can charge for boarding facilities and, of course, for school meals, however, Authorities can and do charge for courses of further education. Students attending evening classes in evening institutes will have to pay fees, though they have usually met no more than 10-20 per cent of the cost of the course. Those attending day-release and other more advanced courses in colleges of further education will also pay fees. Fees are charged for full-time courses at advanced level, for example those run by a politechnic where the student is on a grant, his Local Authority will pay the fees in the same way as it would if he was at a university. In total, fees raised by Education Authorities covered 17 percent of their expenditure on further education and 34 percent of the costs of school meals and milk in 1973/74.

After drawing out the system of finance adopted actually in England and Wales, we can come to the criticisms that have been levelled against it. Fowler (1973) argues that "representatives of the Local Authorities have complained that the Government often had too little awareness of the

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needs and priorities of Local Authorities who they felt had a contribution to make at the formative stage of policy-making".(p38) Fowler (1973) makes some observations about the mechanism that he have been describing. He said " the system is characterized by several hierarchies which are 'imperfect', in the sense that the ranking of the parties involved is not rigid and the decision-making process being at the bottom, proposals being filtered by agencies on their way upwards and finally presented for government decision, when decisions have been made in over all terms at the top, they are again filtered by the agencies on the way down, and interpreted and applied in detail" (p41)

The House of Commons Sub-Committee was asked about the Public Expenditure White Paper. They noted that their representatives find it a frustrating experience. They argue that "white papers, on their present forms do not help individual authorities in planing the development of the content is too generalized and does not take into account the rates of development of Local Authorities.

Local Authorities have to make decisions when the same departments have spent the same amount on the development of services, while the results are different in Fowler, 1973, p38)

Further more, Fowler (1973) argues that the Local Authorities are very conscious of the lack of any Central Planning body which can ensure the proper allocation of resources within their sector of higher education".(p39)

The system of financing education in Algeria :

The system of financing education in Algeria is characterized by the central decisions of the Government. The budget hold all the burdens on its shoulders to finance all the expences of education from elementary education to higher education .

The Algerian politicians regard education as a very important factor influencing society so they have choosen from the beginning to take all its charges on the central budget of the Government. Their argument is based on some principles which are: - to provide education to all pupils in Algeria wherever they come from (the working class, the middle class

or the higher class)

- freeing education from speculation and influencing groups.
- by taking in charge all the expences of education, the Government can dictate its content including the social, political and ideological issues .

The finance of education is of two kinds :

- financing the construction of establishments like schools and universities and providing all the facilities and equipments used in the classes and amphetheatres .

-paying the wages of teachers and professors and all the salaries of administrators of institutions.

The Ministry of Planning is responsible of financing the construction of institutions. There is a department in the Ministry of Education occupied in the planning and evaluating the expenses of the construction of institutions. When the need of any educational structure is feeled in a town or a city, the decision is taken in the Ministry of Education to build this structure and its charges are keenly introduced in the budget of the Government .

The payment of wages and salaries is exclusively holded by the budget of Government. Each year, the Government creates some new "occupations" of education and administration by hiring people to do these jobs .

In practice the system of financing education in Algeria take the following steps:

- the source of finance: the Ministry of Planning under the budget of Government .

-department of planning in the Wilayat which hold the responsibility of financing the construction of different projects .

-service of planning in the Ministry of Education which has the task to suggest the different projects needed in towns and cities .

-the study of different project concerning secondary education is given to the D.U.C.H (deparment of urbanism and construction) including the realisation of projects of institutions .

In the primary education, the local Council hold some expenses in the realisation of projects .

the ones mentioned earlier. (p 290-291) Maynard (1975) argues that “ an alternative way of confronting the defects of the present system is to changes its structure radically rather than merelly to tamper with its facia .In particular, we are concerned with the devolution of power from Central Government and Local Government to individual family .(p26)

The alternative of the actual system in Maynard’s opinion is the idea of voucher. The practical process of this idea is relatively simple as Maynard summarises it in this few points :

- the Government ,Central, Regional or Local, issue the voucher to parents

- the parents take it to the school of their choice .

- the school returns it to the Government .

- the Government sends the school a cheque equal to its value.

Weiller (1974) considers that “the voucher plans are designed to introduce the market mechanism into the educational system .”(quoted in Baxter, 1977, p268)

Various voucher plans have been proposed by economists, starting with Adam Smith. Most contemporary plans, including those advocated by Professor Milton Freidman and Professor Christopher Jencks, include four common features as they have been stated by Weiller (1974)

- parents choose the schools their children will attend .

- in order to pay the schools of their choice, parents receive certificates- vouchers – from a Government agency, which redeems the vouchers against public funds upon receiving them from schools .

- both public and private schools are eligible to enter and compete in the voucher market place .

- schools survive only if they receive enough income to pay their expences .

Weiller (1974) believes that “ vouchers will overcome rigidities in the educational system brought about the public schools virtual monopoly of elementary and secondary education .” (p268) He argues also that “vouchers will promote educational innovation and diversity, parental interest in education, and school responsivness to parent and student needs” .(p269)

There are eight types of voucher which have have been discussed in

The alternative to finance education is the scheme of loans instead of grants. In order to justify the acceptability of the loans scheme Woodhall(1977)discuss the matter from the idea of state subsidy for education. She argues that the traditional economic argument for providing any service –so called public goods- society as a whole benefits from its provision, and that provision would be left entirely to private individuals to finance. To tax individual members of the society as a whole is a public good, so when we consider education for all members of the society, it becomes a public good. Therefore, to justify public expenditure on higher education, we have to prove that universities generate benefits for society and these benefits exceed the benefits to individuals, so that it will be necessary for the Government to tax private individuals to pay for more education than they would be willing to purchase for themselves .It is now commonly accepted that education has direct economic benefit for private individual in terms of higher earnings and has also social benefit generated from what is called the "spill-overs" or "externalities" from the educated peoples .

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skills necessary for the economy ; this knowledge increases the productivity of educated manpower and thus increases both the earnings of graduates and the national income .

Most Government also justify state subsidy of education on the grounds of equity .The principle is generally accepted that the opportunity of higher education should not be denied to anyone simply because of inability to pay. This argument increases in force when it is recognized that education influences the future level of earnings, so that to distribute it in accordance with purchasing power is to perpetuate inequalities of income .

All the argument so far put forward can be used to justify some form and level of public subsidy, but they are not sufficient to determine what form the subsidy should take .

The total cost of higher education could in theory be met in a number of different ways .Firstly, all costs could be borne by private individuals in the form of full cost covering fees and earnings forgone .Alternatively, the total cost could be met from public funds either in the form of direct subsidies to students to cover all fees and earnings forgone, or by subsidies to institutions to eliminate the need for fees, combined with subsidies to the students themselves, to recompense them for earnings forgone .In fact, these solutions represent alternatives extremes, and the question of how much and by what means a Government should subsidise higher education usually becomes a question of what balance to strike between these extremes .

Woodhall (1977) argues that the resources for education are limited, and so too, is Government revenue, which at the same time there are many competing claims on these resources .For example, education must compete for Government funds with health, transport, defence, and social services, and it must compete as well with primary and secondary education, or with the need for more nursery schools .There is one argument in favour of loans saying that it would help increase the supply of finance for higher education without causing long-term sacrifices of other objects of expenditure .Harris states this quotation in favour of loans, he said: "America's institutions of higher learning are in difficult financial straits, and this conditions can only be expected to worsen as

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college enrolment doubles in the next ten years, unless some way can be found to improve that positionTwo of the principle sources of funds, philanthropy and state Government, are not likely to justify the enormous need, though large additional sums will come from these sources. And the third source usually mentioned, the Federal Government has growing needs in other areas ...”(quoted in Woodhall, 1977, p331)

The solution according to Harris is to extend credit financing of higher education ; on the ground that housing and consumer goods have absorbed a much larger part of the national income because credit facilities have been made available, and “if an adequate credit programme was extended to higher education would be able to obtain a large share of the national income and services”. (quoted in Woodhall 1977, p331)

with student loans which have been put in place. These problems are: the funding gap, the demand for higher education, the class, and the migration problem. The adequate solution put forward by advocates of loans.

Conclusion:

In the course of this essay, we have distinguished between the public and private provision of education .The public provision of education may receive funds, in whole or in part, from the payment of fees by individuals or other parents .Fees could be charged by schools or colleges and part or all of the sum could be reimbursed from public fund .

The private provision of education is offered in institutions that are wholly owned and run by private bodies .This sources of income are derived from fees, payments for extras, and other sources of income such as rents, or transfert from associated trust funds .In Algeria, the financing of education is exclusively provided by public funds (budget of the Government).There is until now no private education in Algeria .

Because of the limits of resources, most economists advocate the contribution of private funds to educate people in the society and introduce some scheme of payment like vouchers in public education in

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order to stimulate it and make it more efficient and competitive in the free market of financing education .

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