

Education in Chile

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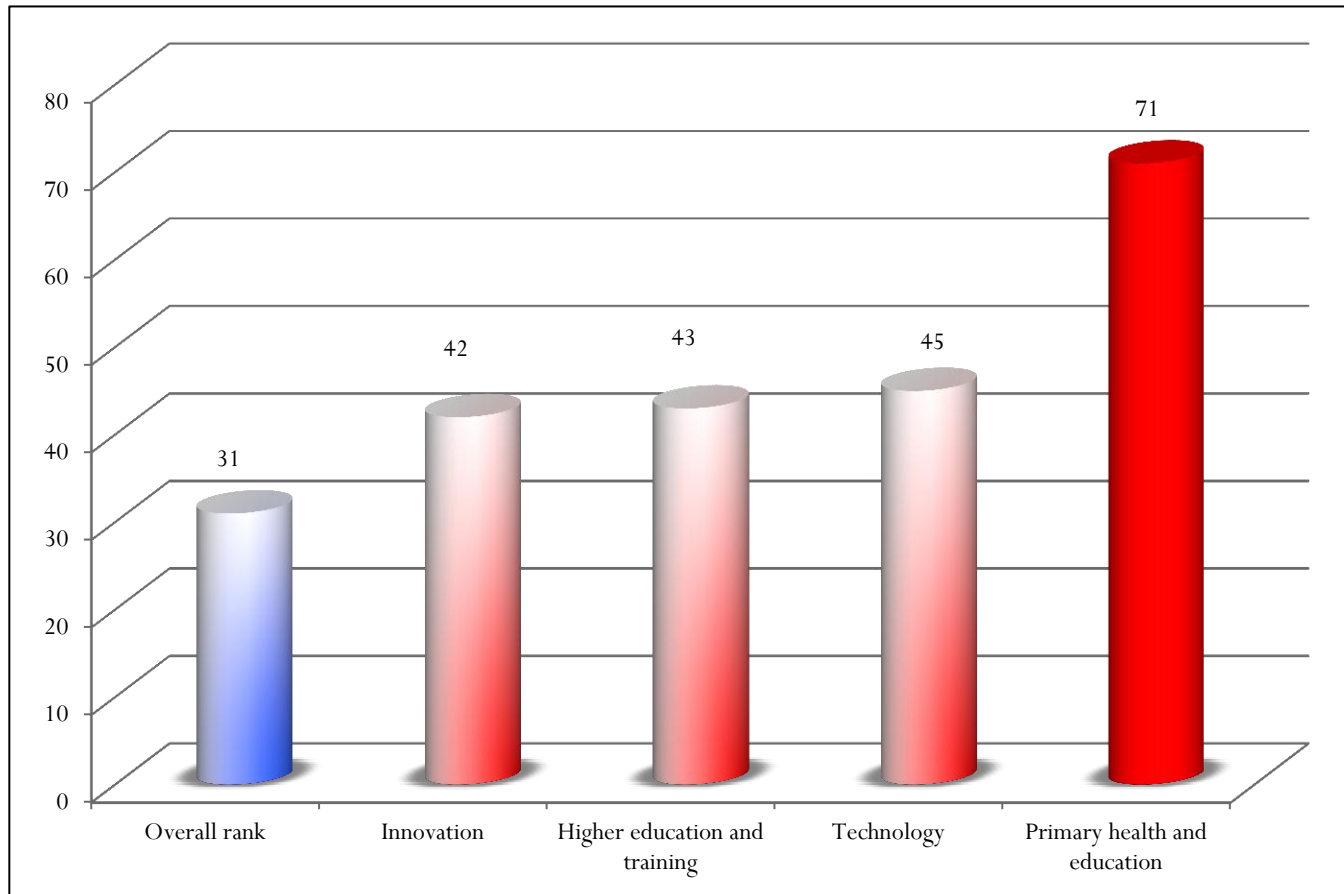
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Why is education so important at this stage of Chile's development?

- Chile is one of the most successful countries in Latin America:
 - It has grown steadily since 1985 (at a rate of around 5% per annum), with two relatively mild recessions (1999 and 2009)
 - It boasts Latin America's highest per capita GDP, corrected by PPP: about US\$ 16,000
- However, it is still heavily dependent on raw materials (particularly copper) and needs to diversify its economy toward more human-capital intensive sectors
 - 60% of exports and 25% of GDP come from copper; only 3% of employment
- Here is where education, broadly speaking, comes in

The reports of the World Economic Forum have identified education as the key laggard in Chile's competitiveness

Out of 141 countries, Chile occupies the 31st place, except that in education and innovation it is much worse



Deterioration of primary and secondary education during the dictatorship (1973-1990)

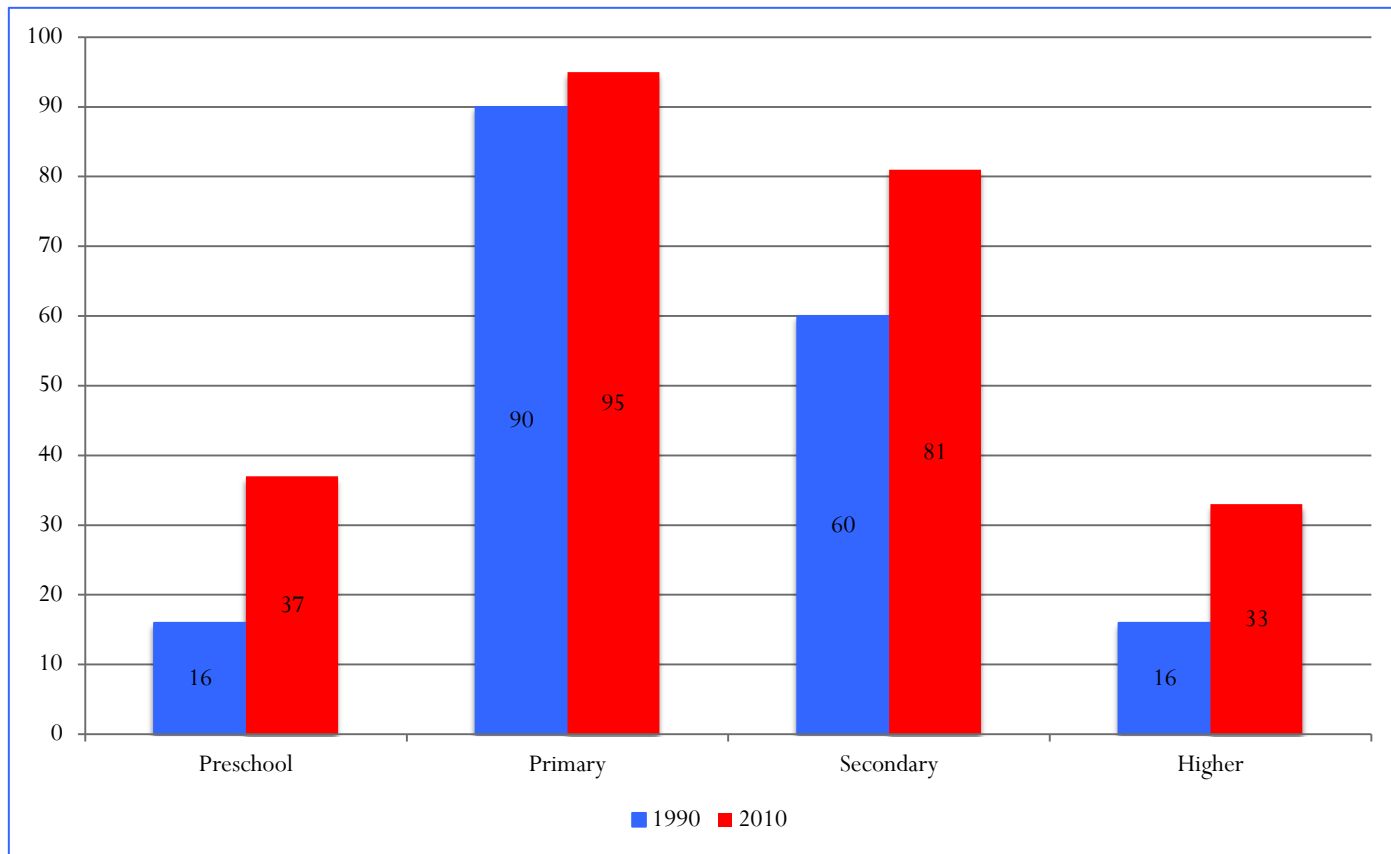
- The public school system was dismantled and public schools were transferred to municipal governments, which received a subsidy per student from the Ministry of Finance
- At the same time a voucher system was created to subsidize private education in a new category of private, mostly for-profit schools
- Firm control of wages gave no incentive to young people to become teachers: in 1990 teachers in the municipal school system had wages that were lower than those of house workers
- The University of Chile's Teachers College, with a tradition of training teachers, was separated from the University and converted into a separate entity, attracting students with less academic achievement in secondary education
- The universities had military presidents and freedom of speech and research was seriously restricted
- Chile came out of this period with low levels of schooling (barely 8 years in the adult population) and a primary-secondary school system with three segments: private, private-subsidized, and municipal

The Concertacion governments (1990-2010) improved education but not fast enough

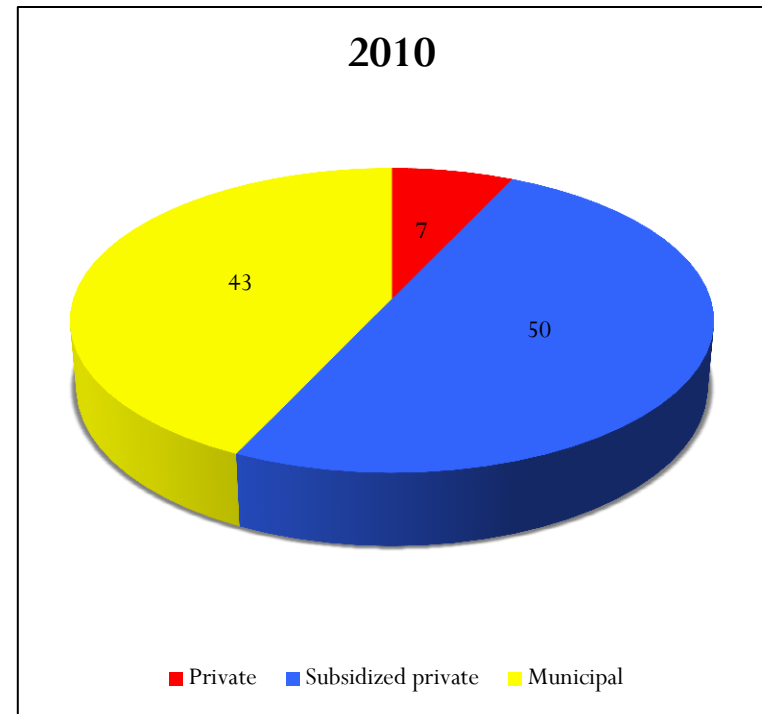
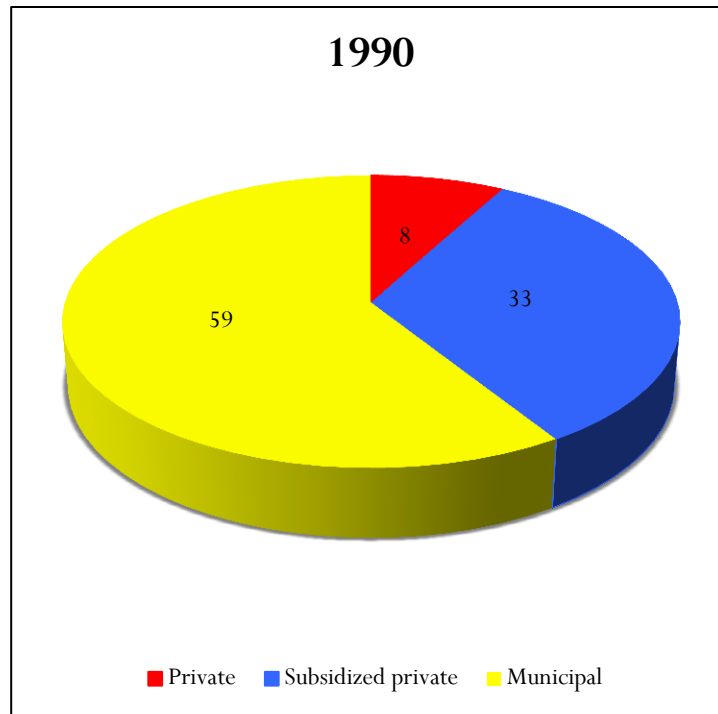
- Big improvement in enrolment ratios
- Full-day programs were instituted for municipal and private subsidized schools, which required the establishment of new schools
- It became compulsory to attend school through 12th grade
- Preschool facilities have boomed and have been receiving public subsidies
- Teacher wages were improved substantially
- But quality lagged, partly because the teachers union was strengthened, and it has refused to allow teacher evaluation
- The three-tier system means the minority whose parents can pay for private education receives good education and the majority get third-rate education

Net enrolment rates are up sharply

Number of students in school as a percentage of population in their age cohort



But parents are voting with their feet...



Subsidized private schools now require a copayment; but even so, parents are increasingly preferring them.

At the university and technical institute level ...

- The Pinochet government allowed the setting up of private non-profit universities and technical schools
- These have evolved in two directions
 - Some have done a reasonable job of becoming complex universities with research and full-time academic staff
 - Others are no more than diploma mills offering degrees that are not very useful in the market place, with part-time, inexperienced teachers
- Many don't respect the prohibition of making profits and syphon off profits through a variety of ways (real estate companies renting facilities to the university, financial institutions loaning them money)

University education is expensive in Chile ...

- Income distribution is very unequal:
 - Income per capita is about US\$15,000; but the richest 20% of the population starts at about US\$ 9,000 per person
- Tuition costs are in the range of US\$ 4,000-10,000, and state assistance is very meager
- Students from the poorest two quintiles who can get into the top universities in what is a very competitive system have full scholarships, but they represent no more than 10-15% of the student body
- Young people from the highest-income brackets are very over-represented in the top universities
 - To give you an example, we have 65% of students who come from private schools, whose families are either in the top 20 or top 10% of the income distribution
 - These are the kids who do well in university entry examinations
- Loan schemes have been improving, but loans are still expensive (about 6% in real terms for the majority, although some loans are heavily subsidized for a few top state schools; the latter have a rate of delinquency of 40%)

How do you improve the system?

- Effort must be concentrated in the preschool, primary, and secondary school levels: better supervision of private subsidized schools, a big effort to improve municipal schools (perhaps taking them to another level of government)
- This requires better teachers and better programs: teachers must be evaluated and replaced, if necessary
 - A step forward in this government: free university education for young people who choose teaching as first option and score above a minimum in country-wide university admission tests
- Doing away with private subsidized education is not an option: there are 1.7 million kids in these schools!
 - Need to supervise quality closely

What about university and technical education?

- More financing available for kids who can get into top schools: lower-interest loans and scholarships for the best
- Loans and scholarships should be available only for state and private schools that are duly accredited
- Supervision of institutions offering degrees is indispensable: there is a lot of asymmetric information in this
- No need to legislate whether schools should or should not be for profit; only not-for-profit institutions should have access to public funds