



Student financing and access

An international comparative perspective



Presentation at the 36th EAIR Forum
The Impact of Higher Education

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STRUCTURE OF THIS PRESENTATION

- **Why this study?**
- **Theoretical perspectives on student financing and access**
- **Broad overview of student financing facts and policies**
- **General results: does “cost sharing” harm access?**
- **Few interesting cases**
- **Reactions / questions**

WHY THIS STUDY?

DUTCH PROPOSAL: REPLACE GRANTS WITH LOANS

- **After years of debate the Minister proposed to replace current support (basic gr – mean-tested gr – voluntary loans) with “social loans” system:**
 - A loan of €967 p/m; €153 tuition / €814 costs of living
 - A supplementary grant €252 p/m (continuation)
 - Extra loans for higher tuition fees up to €765 p/m
 - Repayment structure equal: income based repayment
- **Why?**
 - A more equal distribution of costs between students and state
 - Re-invest over €1 billion of savings into quality of HE & R
 - Incentivise students to make more conscious study choices

CHEPS REPORT (Vossensteyn *et al.*, 2013)

- **Title:**
 - **International Experiences with Student Financing:**
Tuition fees and student financial support in perspective
<http://www.utwente.nl/mb/cheps/publications/>.

- **Countries covered:**
 - Australia, Canada, England, Germany, New Zealand, Norway, Sweden, USA

- **Focus:**
 - Diversity in tuition & student support situations; policy developments; and studies on impact on access

THEORETICAL PERSPECTIVES

- **Cost sharing:**
 - Need for HE income; fees and loans socially fair

- **Human capital perspective:**
 - Lifetime cost-benefit analysis
 - Tuition fees and loans will be outpassed by future benefits:
students will invest

- **Behavioural economics perspective:**
 - Loss aversion, mental accounting, reference frames, time, ...
 - Lower SES students perceive costs and benefits more negative:
debt aversion, reduced access for lower SES groups

STUDENT FINANCING: AN OVERVIEW

	AU	CAN	ENG	GER	NZ	NO	SWE	USA	NL
Costs									
<i>Tuition (and other) fees (€)</i>	3.600 - 7.500	1900 – 4980	10.500	Up to 1.000	2.850 – 3.160	140	No	Aver. 6.625	1771
<i>Student income/expenditure p.m. (€)</i>	+/- 1500	650	1,037	850 p/m**	Unknown	1023	832	1040	797
Support									
<i>Basic grants (to most)</i>	No	No	No	No	No	495	341	No	266
<i>Other grants p.m. (means tested, €)</i>	Aver. 540	75 – 188	Up to 375	320	520	No	No	Aver. 367	Up to 245
<i>(Other) grants (% recipients)</i>	Up to 30%	Up to 30%	20%	25%	22%	80%	80%	50%	30%
<i>Loans (€ p/a)</i>	Up to 7.500	Aver 3880	Up to 5.500	3.850+7.800	Up to 7.750	7.437	7.470	Aver. 6.700	5179
<i>Loans (% recipients)</i>	80% or over	40%	75% - 85%	25%+6%	74%	90%	80%-90%	70%	50%
<i>Indirect support (to parents)</i>	No	High	No	High	Limited	No	No	Middle	No
<i>Support in kind</i>	Limited	No	No	Middle	Limited	Limited	Limited	Limited	Middle
<i>% income/expenditure subsidised</i>	Up to 30%	Up to 60%	Up to 30%	Up to 60%	Middle	Up to 50%	40%	Up to 40%	Up to 65%

OVERALL FINDINGS & TRENDS

- **In general growing emphasis on tuition fees & student loans**
 - Tuition increases, differentiation
 - Special tuition (re)payment mechanisms
 - Some tuition limits or abolishing
 - Loans increase in importance (numbers and amounts), IBR
 - Grants more targeted at poorer students

- **Impact on access**
 - No serious responses to tuition increases and loans (Human Capital expectation)
 - Worries / debt aversion (Behavioural economics expectation)
but ... no hard negative impacts

A FEW SHORT CASE DESCRIPTIONS

- **Germany**
- **New Zealand**
- **England**

GERMANY (preliminary knowledge for EAIR 2014, Essen)

- **Tuition fees**
 - Since 2005 tuition fees possible: 7 states introduced it, but
6 cancelled it again
 - Some still have tuition for long-term or second study students

- **Student support**
 - Indirect support (for parents): around 50% of students' income
 - BAföG: 50% gift, 50% loan: 600.000 recipients (25%-30%)
€422 - €670 per month
 - Max BAföG debt €10.000, no interest, repayment on need; 30%
best students get exemptions
 - Deutschland Stipendium; Foundations with stipendia

GERMANY

- **Student loans**
 - BAföG loans (see before)
 - KfW loans: Bildungskredit & Studienkredit
 - Bildungskredit: max 24 months with amounts between €100 and €300 p/mnth
 - Studienkredit: monthly amounts between €100 and €650 p/mnth for max period of 7 yrs
 - Repayment period 10 years, but plans to extend to 25 yrs

GERMANY

- **Impact of student financing**
 - Tuition still heavily contested: some negative effects measured: reduced participation among low SES students, less mobility between states
 - But most studies seriously contested as well
 - Abolishment of fees does not bring any new participation patterns (like people from Austria and Ireland can confirm from their experiences!)

NEW ZEALAND

- **Tuition fees**
 - Since 2004 Fee/Course Cost Maxima (FCCM): fee increases are limited
 - Undergraduate fees between \$4.500 and \$5.000
 - Graduate fees between \$6.000 and \$7.500
 - International students pay around \$25.000

\$1000 = €586

NEW ZEALAND

- **Student support**
 - Student allowance scheme: max for 200 weeks (5 yrs)
 - Pass at least 50% of courses to stay eligible
 - \$164 per week living at parents
 - \$205 per week living away
 - Only bachelors students (22% recipients)

- **Student loans (not if one gets student allowance)**
 - Student Loan Scheme: interest free loans since 2006
 - \$1000 per year for fees and study costs
 - \$163 per week for living expenses
 - Repayment after income exceeds NZ\$19.000 (12%)

NEW ZEALAND

- **Impact of student financing**
 - Recently substantial increases in student enrolments
 - Particularly among younger students
 - No differences between SES groups
 - Students borrow more
 - Worries about effects on family size and planning, travel and home ownership after graduation, but several studies did not find adverse affects.

ENGLAND

- **Recent HE policy developments**
 - Students at the heart of the system
 - Securing a sustainable future for HE
 - Students are to pay more, but get better quality
 - Students' experiences more important
 - Increasing social mobility (new National Scholarship Program)

- **Tuition fees**
 - Introduced in 1998, increased / differentiated in 2006
 - 2012: from £3290 to £9000 (on average £8630)
 - Strong debates but relatively easy government act

ENGLAND

- **Student support**
 - In 1990s grants gradually abolished (replaced with loans)
 - Tuition loans
 - In 2005 Higher Education Grant (re)introduced (with tuition hike)
 - Maintenance grants for low-income students (max £3250 p/a)

- HEIs that charge max tuition need to have an “access plan”: one third of their tuition revenues available to low-income students:
Access Learning Fund

ENGLAND

- **Student loans**
 - Introduced in 1990s (gradually replacing grants)
 - Tuition loans and maintenance loans
 - Loans increase bit with parental income
 - Repayment: 9% of income above threshold (£21,000), automatically done by employer, 30 yrs repayment period
 - Interest is RPI + 3%

ENGLAND

- **Impact on access**
 - Between 1990 and 2009 participation almost quadrupled
 - Composition of student body hardly changed
 - 80% of students borrow
 - Poorer students borrow more while they are more debt averse
 - Students react slightly to tuition, grants and loans changes

- Recent tuition hike resulted in 9% fall in applicants, but ...
 - students who normally postpone studies now did not
 - no change in students that stay with parents, choose cheaper studies, or low-SES students applying for cheaper programs
 - decrease in high-SES students was stronger (more often gap year?)

LESSONS TO BE LEARNED

- Student loans must be flexible in take up and repayment
- Repayment via automatic debt collection → psychological effect
- Support graduates with repayment difficulties: adjusted repayment
- “Up front” grants to weaker SES students → positive psychology
- Limit period of support to stimulate study success and quality
- Monitor the long-term impact of student financing changes
- **Simplicity** of rules, **transparency** and clear communication about study costs, student financing, managing future debts and the expected levels of benefits and debt

THANK YOU FOR YOUR ATTENTION !

REACTIONS / QUESTIONS

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ELABORATE CASE DESCRIPTIONS

AUSTRALIA

- **Policy context**
 - New funding mechanism based on student demand (vouchers)
 - Profiling HEIs (mission-based-compacts)
 - Selection mostly abolished

- **Tuition fees (HECS-HELP)**
 - 1989: introduction of tuition fees
 - Since 1996: 3 tuition bands (\$4520, \$5648, and \$9425)
 - 10% discount for paying up-front
 - 25% loan fee for students on full fee places taking out a FEE-HELP loan

AUSTRALIA

- **Financial support**
 - Commonwealth Grant Scheme (CGS): basic funding for publicly funded student places
 - Commonwealth Scholarships Program (CSP): Scholarships for Aboriginal and Torres Straight Islander students
 - Student Start-up Scholarship: for up-front costs of study materials
 - Youth Allowance: 160.000 youngsters who study or in training, apprenticeships, etc. Students from poor families only.
 - AUSTUDY: full-time students, 25-yrs or over (21.000 studs)
 - ABSTUDY: helps Aboriginal and Torres Straight Islander students with costs: 3,700 studs.
 - Some smaller (institutional) scholarships programs

AUSTRALIA

- **Student loans**
 - HECS-HELP: loans for the student tuition contributions
 - FEE-HELP: loans to help with tuition fees
 - SA-HELP: loans for services and amenities (non-academic costs like sport, recreation, food, child care, ...)
 - OS-HELP: loans for overseas expenditures
 - VET FEE-HELP: loans for VET fees

- **Repayment conditions**
 - Through the tax offices
 - Repayments 4% - 8% from income after \$49,096 (€32,000)
 - In certain employment groups extra exemptions
 - Early repayments 5% bonus

AUSTRALIA

▪ Effects

- Opening up more student places: more low SES students attracted in 2012 (19% increase)
- Introduction of fees in 1989 had limited effects: temporary lower enrolments of 5%, no changes in SES (neither by tuition band)
- HECS in several surveys not found to be an overriding factor in student choice of disadvantaged students
- Study performance studies show HECS stimulated study motivation and grades in 1st year, not later; marginally lower retention rates for those who take HECS.
- HECS debt graduates less often own houses, and are from lower SES groups

CANADA

- **Tuition fees**
 - Regulated growth, organised by Provinces
 - Average fees in 2011: C\$5366 (C\$2549 in Quebec vs C\$6640 in Ontario)
 - Differentiation by discipline and institution (Dentistry most expensive with C\$16000)
 - Quebec makes 35% of fees go into financial aid

- **Student support**
 - Canada Student Loans Program and Canada Student Grants Program

CANADA

- **Student support**
 - Canada Student Grants paid up front and depend on family income (low-mid income families: \$250 - \$100 per month resp.)
 - 380.000 grants for 1.2 million students (33%)
 - Also grants for several target groups like disabled persons, those with depending children, part-time students
 - 67% of grants in Ontario

- Family savings plan (Canada Education Savings Grant) 20cent per \$ up to \$400 per yr. Higher amounts for low SES families
- Various tax benefits for parents who pay the tuition of their children \$2 billion per year

CANADA

- **Student loans**
 - Federal programs integrated with Provincial programs: one-student-one-loan approach
 - National Student Loans Service Centre manages borrowers' accounts
 - Several loans remission programs: hand out money at end of academic year (Ontario) or end of studies (Alberta)
 - Government pays interest while students are in school
 - 60% of loans for students in Ontario
 - Average amount \$5225 per year per recipient
 - No repayments until 6 months after graduation
 - Repayment defaults reduced from 28% in 2003 to 14% in 2010 by using Repayment Assistance Plan (income related)

CANADA

- **Impact on access**
 - Most borrowers study fulltime in (public) universities (60%)
 - Part-time students get/take more loans
 - No real evidence for impact of tuition fees and students loans on student choice
 - Grants/tuition reductions in net price help low-SES students
 - Tax benefits particularly used by higher SES families
 - Standardised test scores and high school marks main predictors for student choice, like having parents that did not attend PSE

ENGLAND

- **General HE policy developments**
 - Students at the heart of the system
 - Securing a sustainable future for HE
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GERMANY

- **General policy developments**
 - Increased HE responsibilities for the States (2006)
 - HE Pact: extra student places offered (365.000)
 - Research & Innovation Pact

- **Tuition fees**
 - Since 2005 tuition fees possible: 7 states introduced it, 6 cancelled it again
 - Some states still tuition for students that study long or follow a second study

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NEW ZEALAND

- **General HE policies**
 - Attract more students, particularly minority students
 - Transitions from secondary to higher education

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NORWAY

- **General policies**
 - Quality reform since 2003: success rates, flexible learning routes, gender equality (HRM-issue), long term economic planning

- **Tuition fees**
 - Not applicable in Norway except for some private institutions that charge up to €6,500

NORWAY

- **Student support**
 - Performance-related loan-to-grant system through Norwegian State Education Loan Fund (NSELF)
 - Amount of loans depends on studying in full time or not
 - All support provided as loans, but up to 40% can be converted into grants if certain conditions are met:
 - Pass all exams, earn less than NOK145.400 in 2012, assets not exceeding NOK331.000

- **Loan repayments**
 - Mortgage style, fixed amounts, interest of around 2,5%
 - Waivers possible in case of low income

NORWAY

- **Impact of student support**
 - Majority of Norwegian students independent in terms of finances
 - Small differences between socio-economic groups
 - Lower-SES students have more worries to repay debt
 - Though system provides students more funds, they increase work involvement due to also increase in income threshold for reducing student support eligibility
 - After reform students obtain more study credits

UNITED STATES

- **General HE policies**
 - Focus on performance based funding
 - Credit completion and graduation

- **Tuition fees**
 - Median family income rose little, but tuition fees by 150%-230% since 1980
 - \$2.500 at CC; \$11.000 public 4-yr and \$26.000 at private non-profit 4-yrs

UNITED STATES

- **Student support**
 - Federal and State grants cover about 25% of aid, loans 70% and other forms 5% (work-study, tax benefits)
 - Pell Grants under pressure due to recession
 - Some states have very elaborate scholarship and loans programs for various target groups: Massachusetts; Texas
 - Savings plans, like Texas College Savings Plan (various investment portfolios, tax-free growth of investment, ...)

UNITED STATES

- **Student loans**
 - Regarded becoming really high
 - States offer various types of loans, different interest rates, repayment conditions (10 yrs, 10-30 yrs, Income-based Repayments (IBR), Graduate Repayment (continuous increasing repayment scale))
 - Obama loans with IBR characteristics

- **Impact of student financing**
 - High debt leading to worries about access
 - Limiting study places at high end institutions
 - Open online institutions and opportunities for low access groups