

Challenges in Student Financing

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Funding, equity and efficiency in higher education

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Challenges to higher education



Increasing demand for higher education services

Limited public budgets

Need for new income, therefore ...

Cost sharing: "Shifting part of the burden of HE costs from the government (taxpayers) to parents and students"

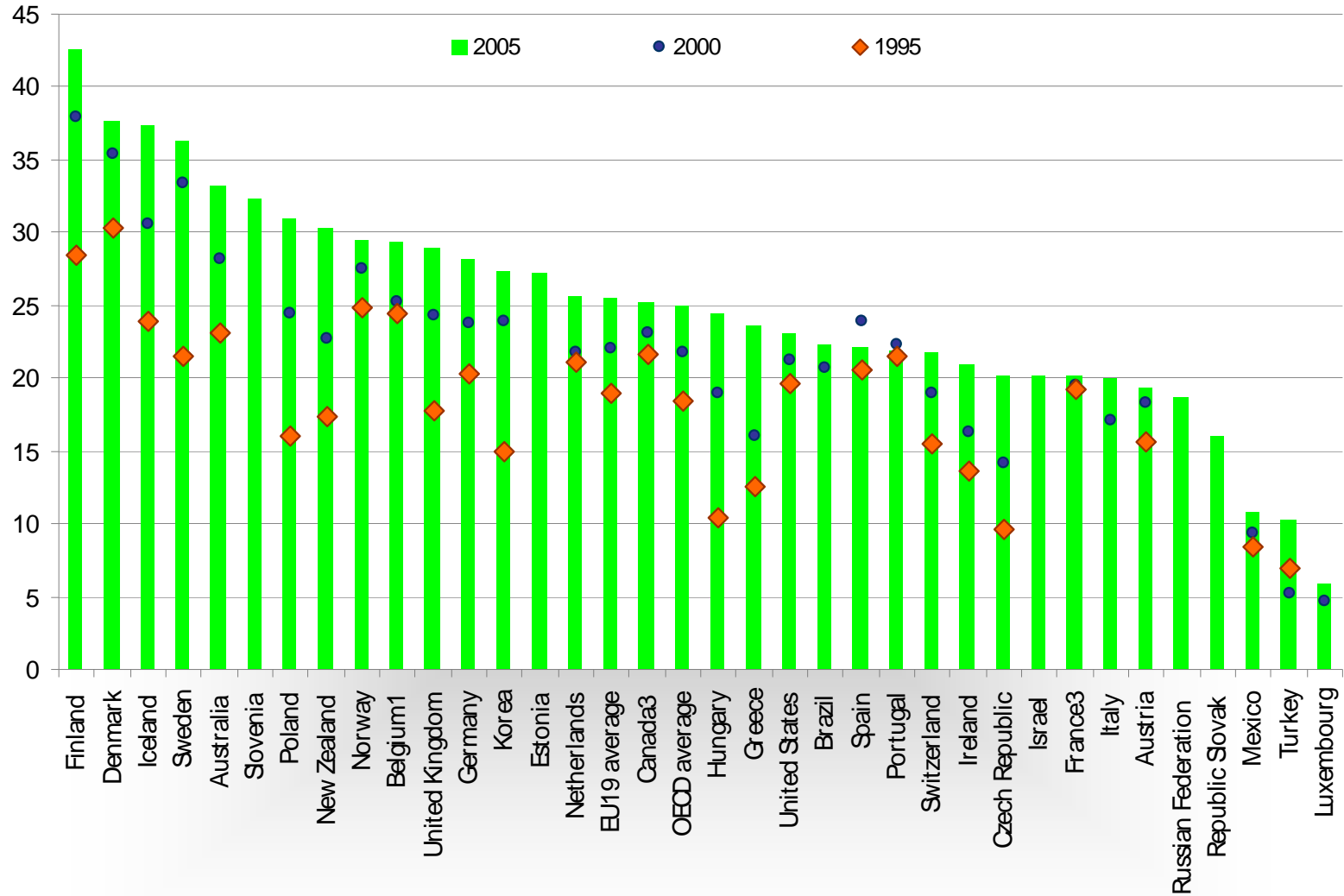
Johnstone

Problem of access to higher education

Massification of HE

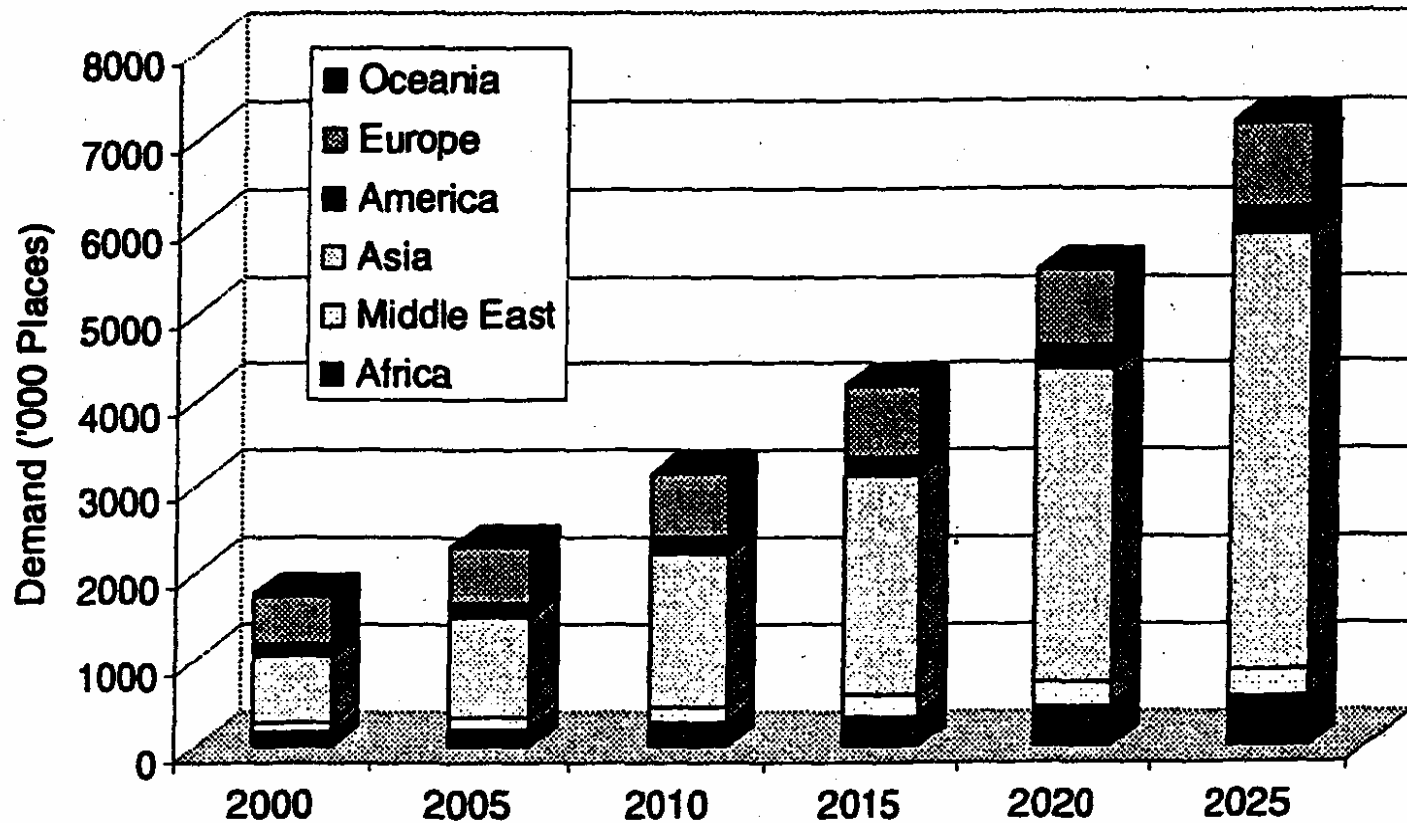


Enrolment rates of 20-to-29-year-olds (2005)
Full-time and part-time students in public and private institutions



Massification of HE

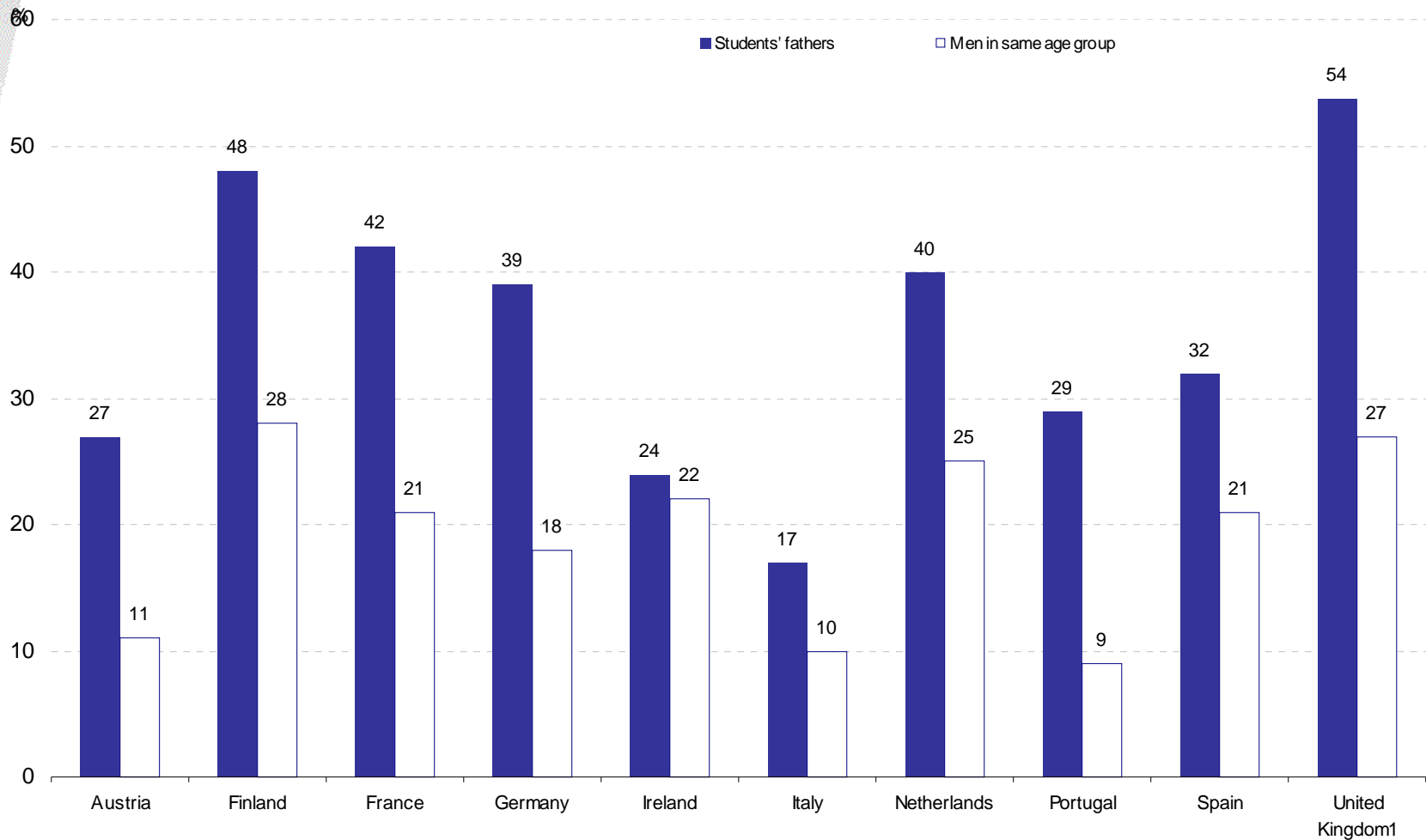
Forecasts of Global Demand for International Higher Education
Base Scenario, By Region



Socio-economic background



Proportion of students' fathers with higher education compared with men of corresponding age group



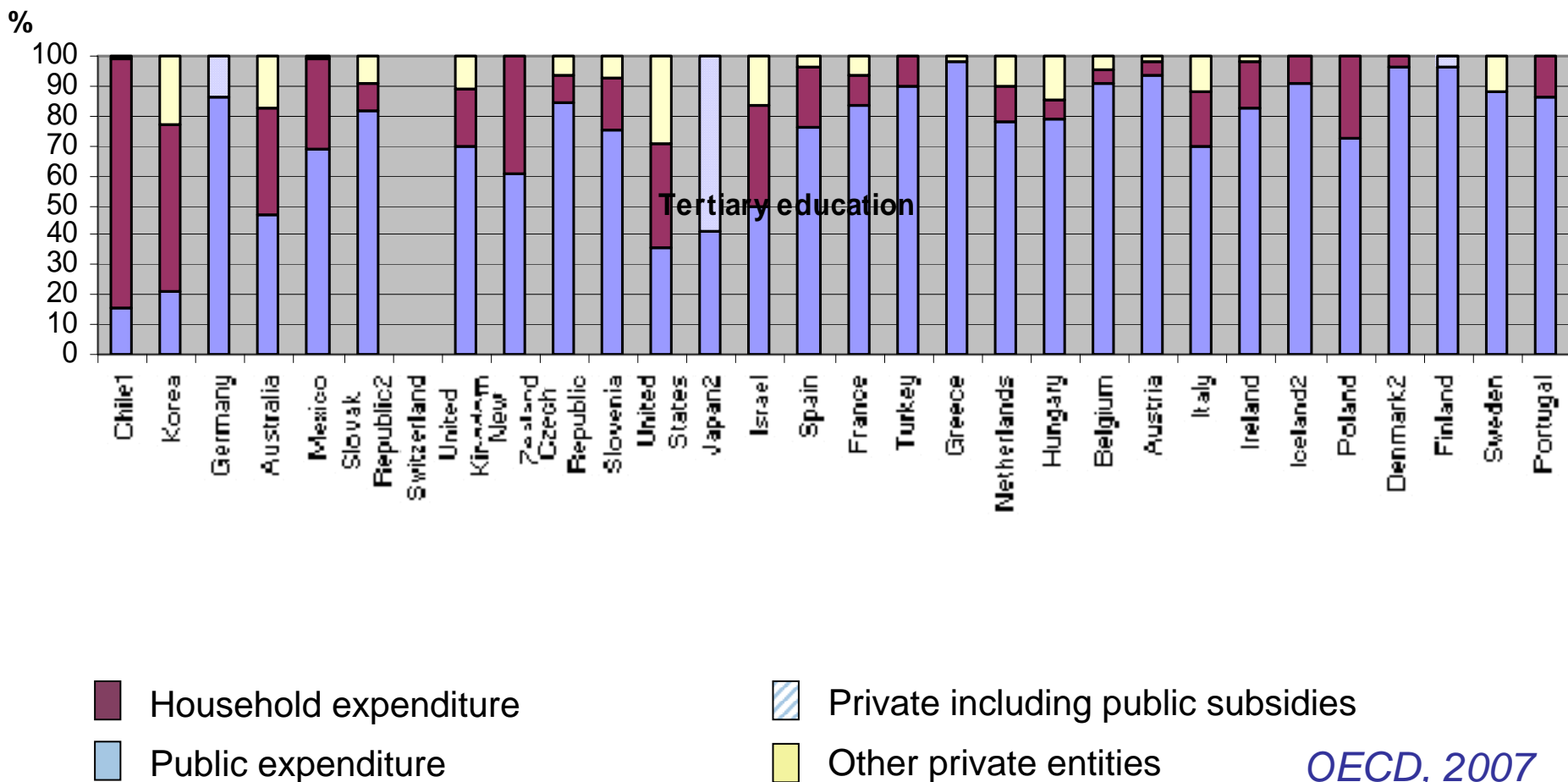


Socio-economic background

Country	% of students from ethnic minorities	% of fathers blue collar worker students		% of fathers with higher education students		% of students from lowest income groups (quartile)
			all		all	
Austria		17%	41%	26%	10%	17%
Australia	4%					15%
Belgium – NL				50%	22%	3%
Belgium – FR		19%	45%	50%	15%	
Canada	16%					20%
Finland		28%	30%	23%	14%	
France		20%	34%	38%	21%	12%
Germany		19%	37%	37%	16%	7%
Ireland		24%	38%	30%	19%	
Italy		14%	32%	19%	9%	
Netherlands	8%			39%	26%	9%
UK	19%	13%				
USA	29%					

Expenditure per student

Distribution of public and private expenditure on educational institutions (2004)

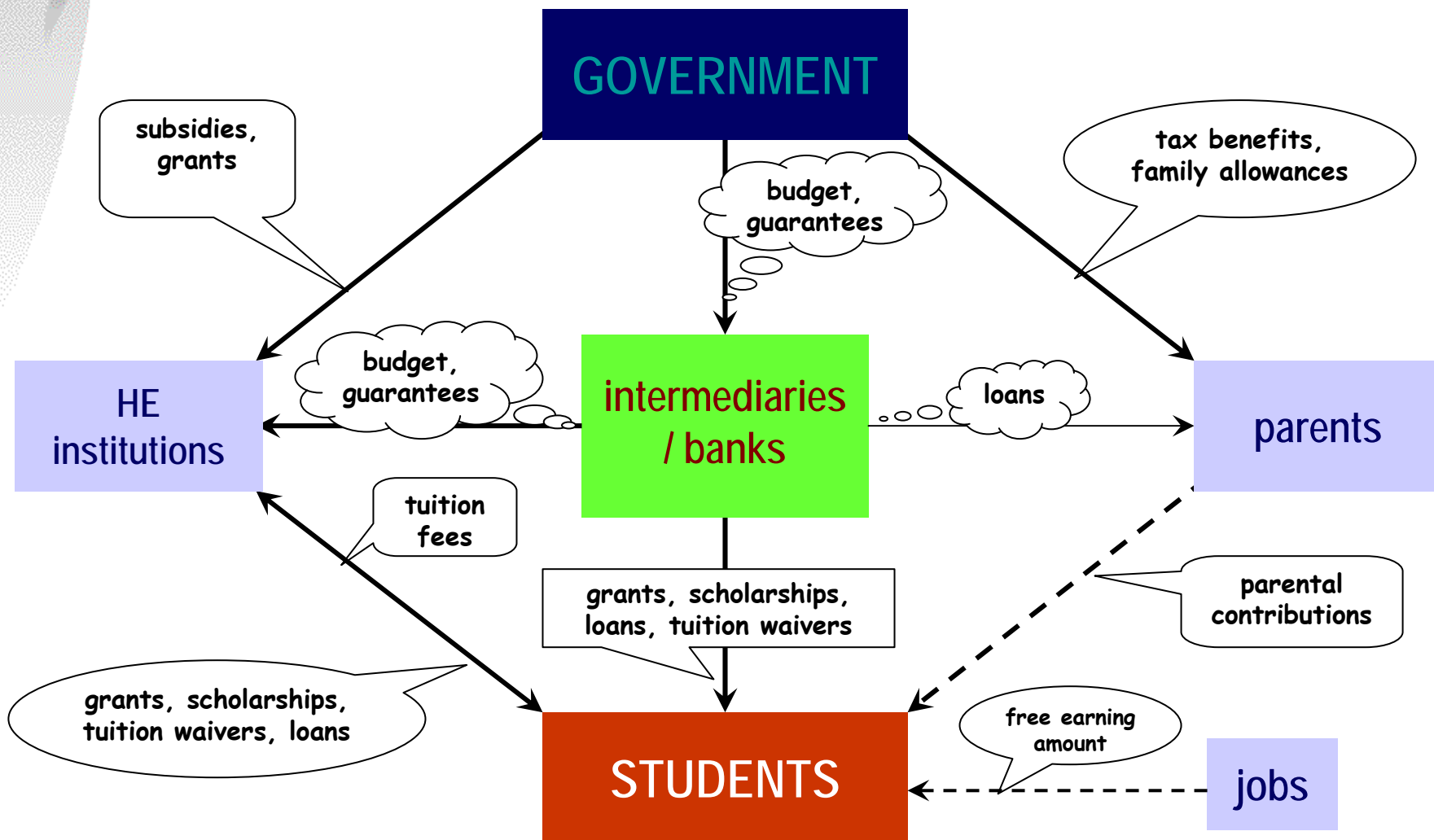




Benefits and costs of HE

	Private	Social
Financial benefits	<ul style="list-style-type: none">• Higher wages (productivity)• Higher chance of work• Higher savings• Higher mobility	<ul style="list-style-type: none">• Higher national production• Higher tax income• More flexible labour force• Higher consumption• Less financial dependency on government
Non-financial benefits	<ul style="list-style-type: none">• Consumption• Better working conditions• Higher personal status• Higher work satisfaction• Better health• Better financial managem.• More leisure• Personal development	<ul style="list-style-type: none">• Social cohesion• Social mobility• Cultural development• Lower crime• More charity• Greater technology adaptation• Democratic participation
Costs	<ul style="list-style-type: none">• Tuition fees & other costs• Foregone earnings	<ul style="list-style-type: none">• Operational costs• Student support• Foregone national production

Student finance: a complex issue





Worldwide trends: cost sharing

Tuition: introduce or increase tuition fees

Grants/scholarships: abolish or reduce real value

Loans: introduce, increase, replace grants, ...

Parents and students: stronger emphasis
allow / stimulate part-time jobs

Private HE: allow / stimulate private HE



Tuition fees: introduction & increase

Introduction of tuition fees in a number of countries

- Australia (1989), Austria (2001), Hungary (1994), Brazil (plan), China (1997), Kenya (1991), New Zealand (1990), Tanzania, UK (1998), Germany (2006) ...

Allowing **full-fee** paying students

- Australia, Russia, Hungary, Poland, . . .

Rising tuition levels

- United States, Canada, Australia, Netherlands, Mexico, Portugal, ...

Other fees (user charges)

- Germany, Scandinavia, CE-Europe, Africa ...



Tuition fees: differentiation

Particularly an issue in countries with tuition fees

Rationale: diversification, quality and competition

Tuition differentiation (introduction / increase / discussion)

- US, Canada, Australia, UK, Asia, Kenya, South Africa, Chile, Mexico, . . .
- discussed in: Netherlands, Asia
- **but** . . . limitation of differentiation in New Zealand

Accessibility the major concern



No tuition fees

No tuition fees

- countries in: Southern, Central and Eastern Europe, Africa, L-America
- not an issue: Scandinavia . . . social welfare principle

Tuition fees an issue of debate

- CE-Europe . . . tradition of free HE

Tuition fees abolished

- Scotland, Ireland, Hungary . . . a matter of access
- Nigeria . . . forbidden in 2002

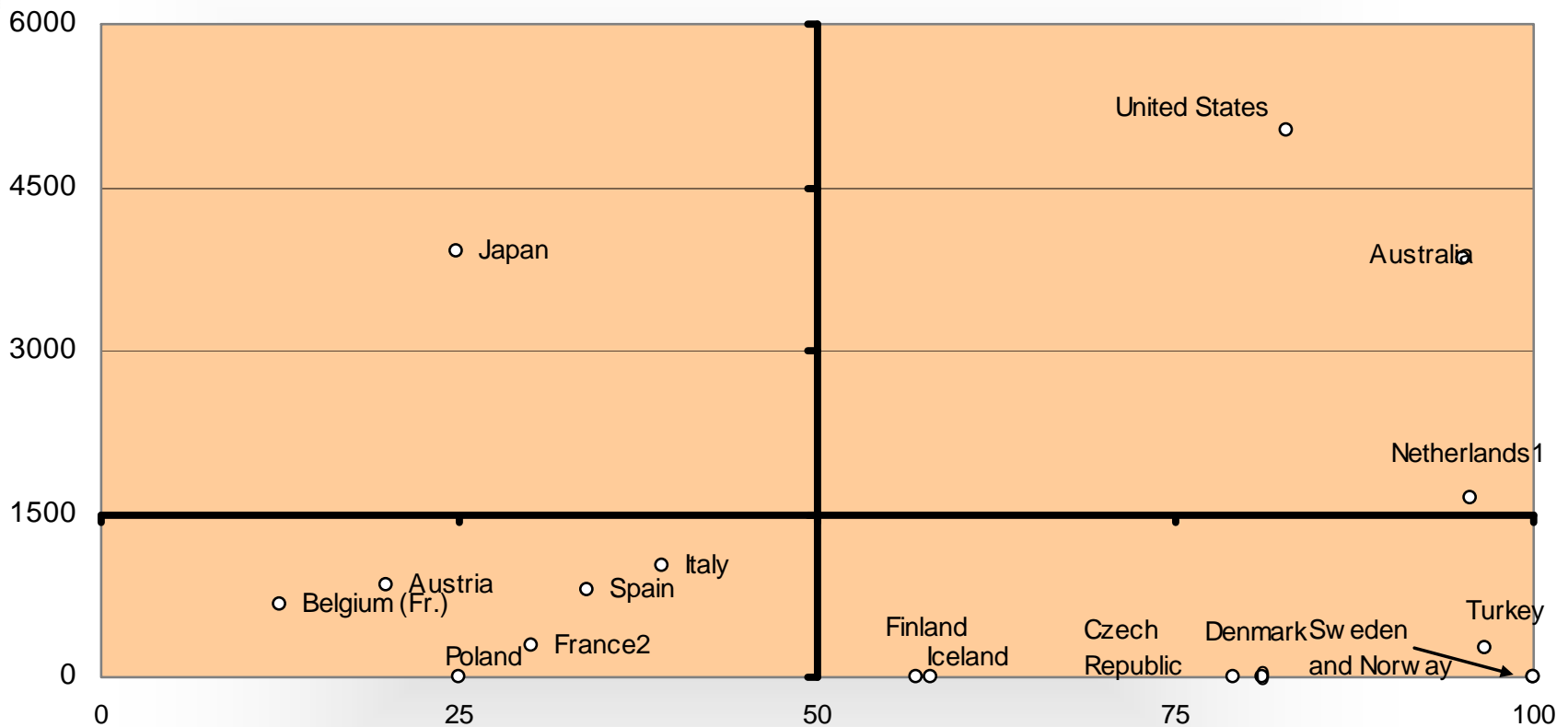
Tuition fees: an overview



Country	Average tuition fees (fulltime students)
Austria	€ 727
Australia	Max €2,450 - €5,125
Belgium – NL	Up to €650
Belgium – FR	Up to €726
Canada	€ 3,400
Czech Republic	No
Denmark	No
Estonia	€840 - € 2400
Finland	No
France	€350 (public) €3,500
Germany	€0 - €1000
Hungary	Up to €2,400
Ireland	No (€750 other fees)
Italy	+/- €1,000
Latvia	€1,870 - €6,175
Lithuania	€0 - €3,350
Malta	€ 25
Netherlands	€ 1,538
New Zealand	Average €2,100
Norway	No
Poland	No (regular)
Portugal	€464 - €852
Slovakia	No
Slovenia	No (grad. studs to €1,550)
Sweden	No
UK (Engl. / Wales)	€2,860 - €4,290
USA	Median €5,750

Tuition fees and student support

Average tuition fees charged by public institutions in USD



% of students that benefit from public loans OR/AND scholarships/grants



Student support: crucial issues

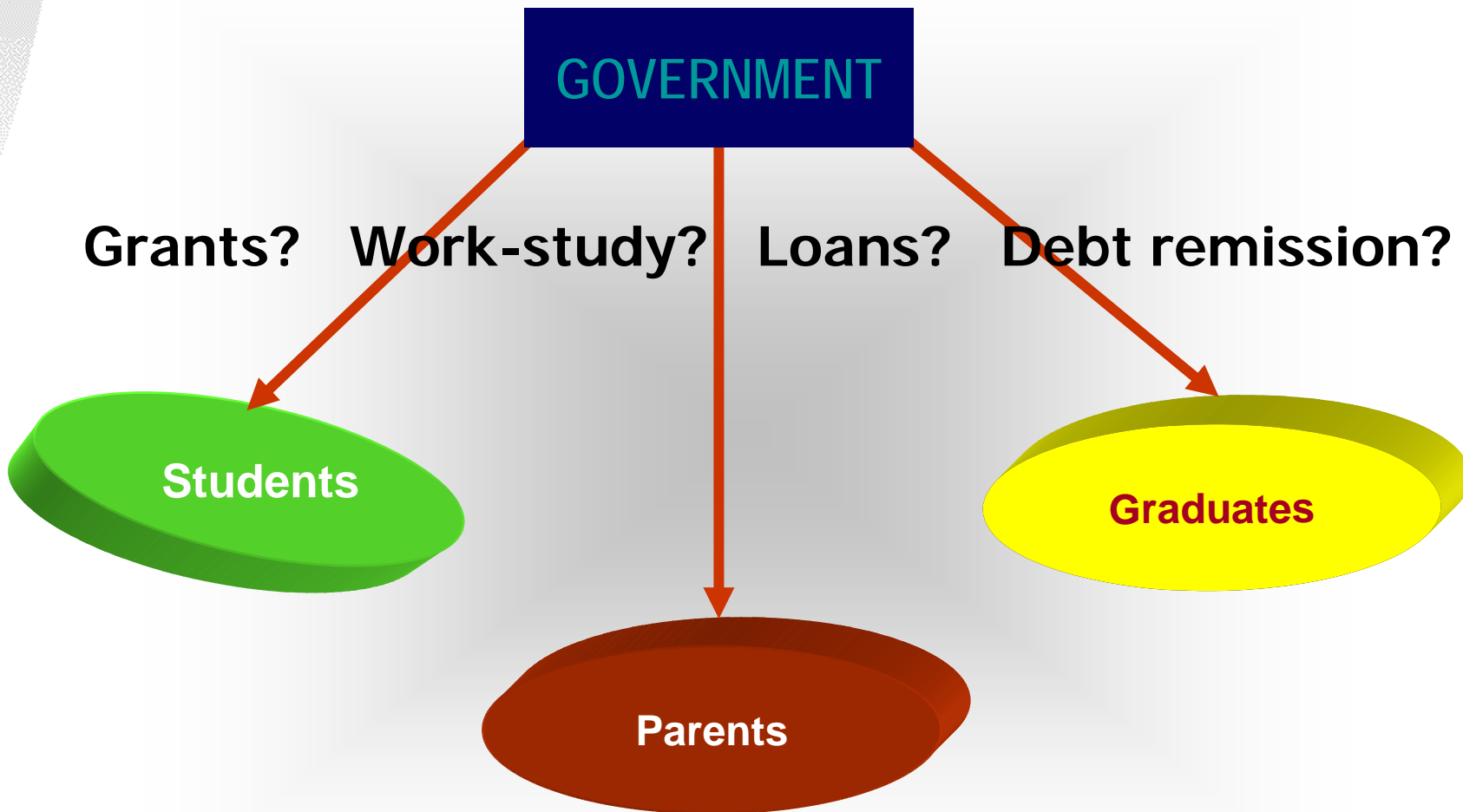
Support for tuition fees and/or living costs ?

Generosity: how many students get how much ?

What forms of support ?

- direct support: grants/scholarships, loans
- indirect support: family allowance, tax benefits

How to accommodate & who to subsidize ?





Student support: practices

Some countries focus on generous grants & loans for all students (independence)

Scandinavia, Netherlands

Many countries focus on (little) family support

+ grants and/or loans for a few students

Germany, France, Belgium, Spain, Italy, Portugal,
Czech Republic, Slovenia, Poland, Hungary, ...

Some countries focus on loans for all

+ grants for a few students

Australia, US, UK, New Zealand



Institutional support

US: institutions define tuition and support mix

UK: institutions asking higher than standard tuition fees (£1200) have to sign an **access agreement:** provide bursaries for low-income students

Belgium: institutions have social services for low-income students



Loans

Introduction of student loans

- Australia, UK, Hungary, Poland, Slovenia, Hong Kong, Chile,

Replacing grants with student loans

- US, Netherlands, UK,
- decline in value of grants: CE-Europe,

Public loans versus private loans

- private loans in: France, Slovenia, but not popular

Repayment conditions: conventional / income contingent

- IC: Australia, Chile, Hungary, South Africa and UK,
- but not ... in Canada



Parents and students

Financial responsibility of parents: **legal / moral obligation**

- A, AU, D, F, B, UK, US, CE-Europe, Africa, Asia, L-America
- **(partially) independent**: Scandinavia, Netherlands

Indirect student support: **tax facilities / child allowances**

Cost-increases for parents and/or students

Parents' willingness to pay (culture)

- non-expected contributions, avoid loans: Denmark, Netherlands
- HE a private good: Asia, Africa, US → sacrifices
- HE a public good: Scandinavia → high taxes

Students' involvement in part-time jobs

Student support: an overview



University of Twente
The Netherlands

cheps

Country	Grants / scholarships	Tax / family support	Student loans	Average debt
Austria	Low	Middle	Middle	
Australia	Low	Low	Low	€ 8,239
Belgium – NL	Low	Middle	Low	
Belgium – FR	Low	Middle	Low	
Canada	Low	Middle	Middle	€ 13,705
Czech Republic	Low	Middle	Low	
Denmark	High	No	High	
Estonia	Low	Middle	High	
Finland	High	No	Middle	
France	Low	Middle	Low	
Germany	Low	High	Low	€ 5,600
Hungary	Low	Low	Low	
Ireland	Middle	Low	No	
Italy	Low	Middle	Low	
Latvia	Low	Middle	Middle	
Lithuania	Middle	Middle	Middle	
Malta	Low	No	Middle	
Netherlands	Middle	No	Middle	€ 8,700
New Zealand	Middle	Low	Middle	€ 8,370
Norway	High	No	High	
Poland	Low	Low	Low	
Portugal	Low	Middle	No	
Slovakia	Middle	Middle	Low	
Slovenia	Low	Low	Low	
Sweden	High	No	High	€ 22,665
UK (Engl. / Wales)	Low	No	High	€ 13,087
USA	Middle	Low	High	€ 17,731

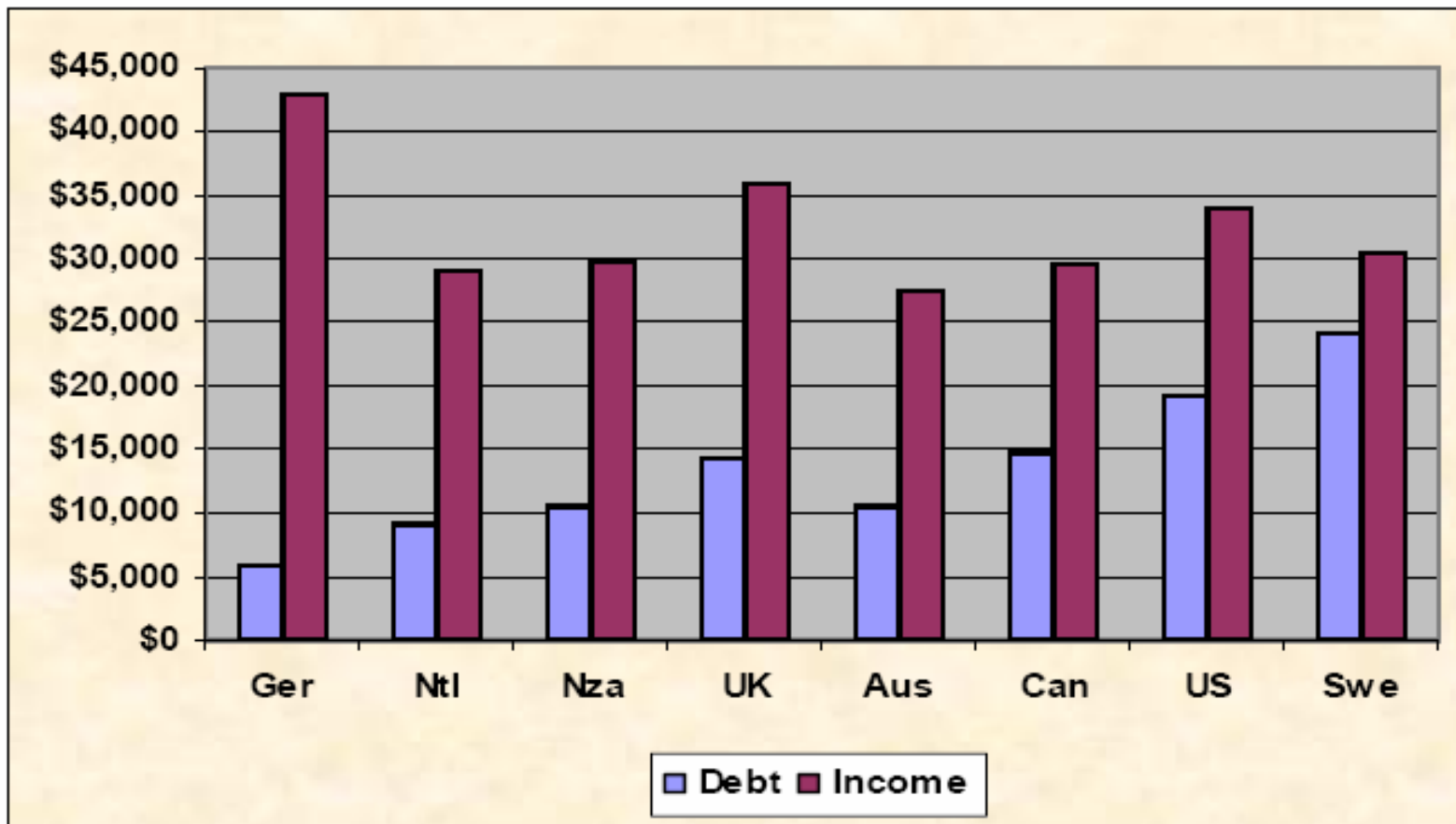
Average debt, starting salaries & % of students with debt



	% of Graduates with Debt (approx.)	Average Debt at Graduation	Estimated Annual Income of Recent University Graduates
Australia	77%	\$A 14,697	A\$38,000
Canada	50%	\$C 18,900	C\$38,000
Germany*	15 – 20%	€5,600	€41,136
Netherlands	15 - 20%	€8,700	€28,000
New Zealand	(check)	\$NZ 15,930	NZ\$44,510
Sweden	85%	230 000 SEK	290 400 SEK
United Kingdom†	85%	£8800	£22,000
United States	50%	\$US 19,300	US\$34,100

At 2004 PPP, \$1Cdn = US\$.78 = A\$1.08 = €.75 = NZ\$1.17 = SEK 7.46 = £.48

Debt and starting salaries





Private and part-time HE

Growth in part-time higher education

- paid-for: students not selected, allows students to work (CE-Europe, Africa, L-America, Portugal)

Establishment of private sector (in the 1990s)

- in CE-Europe: Czech Republic, Hungary, Poland, Slovenia, . . .
- in Africa: Ethiopia, Kenya, Nigeria, Tanzania,

Growth of private sector

- US, Japan, Asia, Chile, Russia, Western-Europe, . . .

Status of private sector: recognition and prestige

Problem of affordability: only high- and middle income groups



Impact of tuition & support

In general students are not very price sensitive (e.g. Austria, UK, ...)

But low-SES students more price sensitive than high-SES students

- particularly in situations with high differences in prices and quality
- they do care about tuition fee increases
- they are attracted by grants and scholarships

Student loans have an ambiguous position

- they do not promote access that well
- low-SES students indicate to be debt averse

Non-financial factors are more important

- parental education & income, gender, academic preparation



Experiences of students

Support often too little: students remain poor

- credit cards, personal loans, part-time jobs
- high private debts and study delays

Students & parents often have poor information

Danger negative perceptions: debt aversion & access problems

! COMMUNICATION !

Due to being uninformed, not interested or principally against student borrowing

But this does not mean one does not attend higher education or that one does not take up student loans !



Address

Thank You !

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