

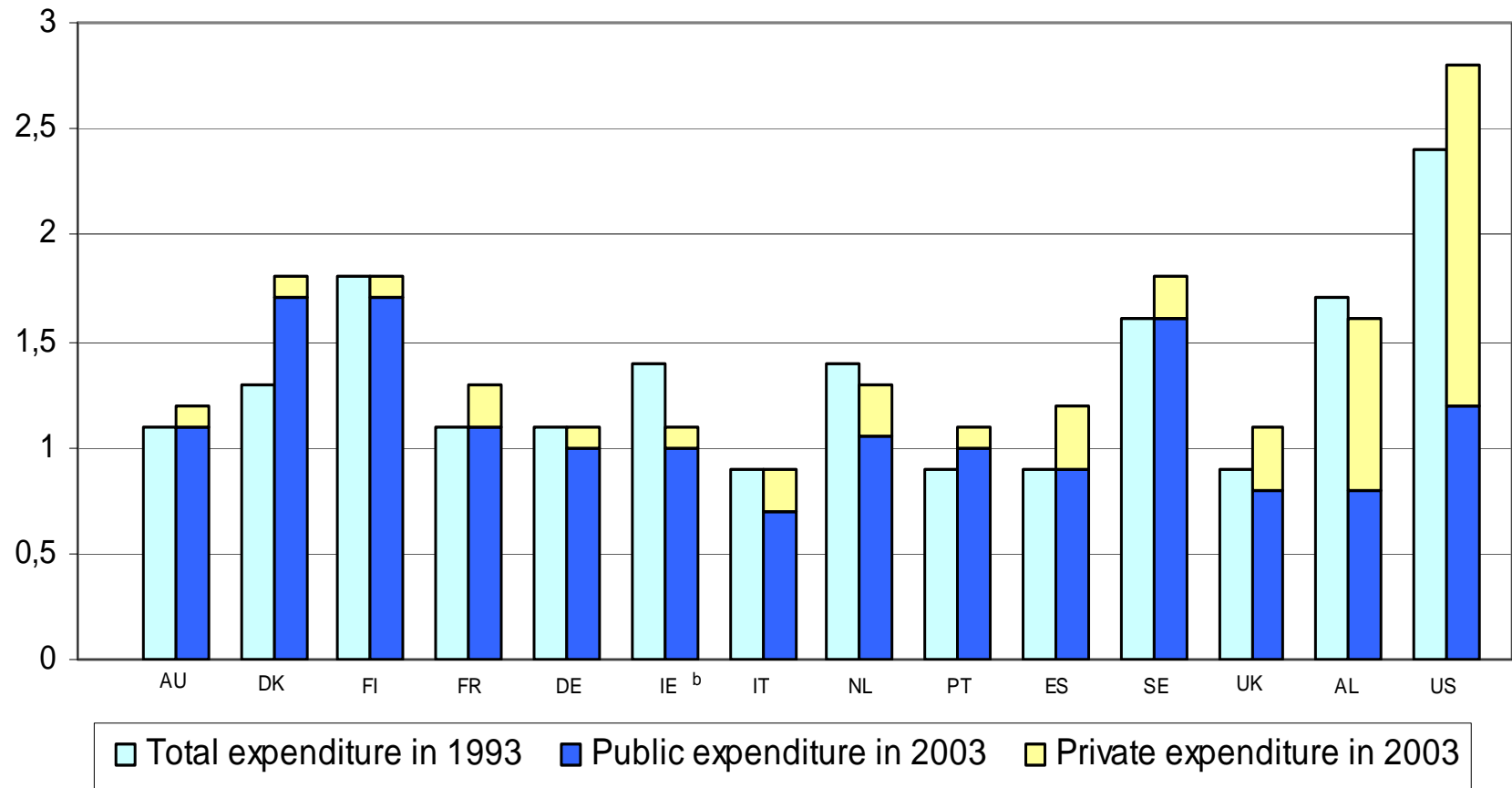


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An Equity Perspective on Access to, Enrolment in and Finance of Tertiary Education – A Critical Assessment of the Literature

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Total (public and private) expenditure on tertiary education (GDP-%) in 1993 & 2003, selected countries ^a



(a) Public expenditures include public subsidies to households attributable for educational institutions, as well as direct expenditure on educational institutions from international sources. Private expenditures are net of public subsidies.

(b) For Ireland (2003), total expenditure on educational institutions as a percentage of GDP is underestimated.

Justification:

- **FACT**: The policy of expanding participation in tertiary education has induced a substantial increase in enrolment across Europe.
- **ARGUMENT**: Increased participation in university studies in Europe has not necessarily enhanced equity in access.
- **CONCLUSION**: Since the large public subsidy injected in tertiary education has not succeeded in reducing disparities in access, this is compelling evidence for the reform of higher education finance.
- **WORRY**: Achieving a more equitable access to university education through changes in the funding mechanisms is a challenging policy with long term implications
 - => should be based on reliable empirical evidence.
 - => what can the theoretical and empirical literature tell us?

How severely under-represented are students from socially disadvantaged backgrounds? Has this inequality changed over time across and within European countries?

- Our knowledge on these matters is surprisingly **scarce!**
- **Comparative international data** on participation rates and trends by socio-economic background are simply **not available.**
- The only more recent sources shedding at least some comparative light on this question are:
 - the EUROSTUDENT Reports (2000, 2005)
 - the OECD–PISA study for 2000
 - the Blöndal et al. study (2002)

Why do these differences in the decision to go to university exist and prevail over time? Why is the social background still exerting this strong influence?

- Several **hypotheses**, all more or less consistent with a form of liquidity constraint,
 - explaining the **failure** of these children **to achieve access** to university studies;
 - stressing various factors which **discourage** these children **from enrolling** even when they are eligible to do so.
- Remaining empirical controversy: relative importance of **short-term versus long-term** liquidity constraints.

Why should students and/or their families bear more of the financial burden of university participation – also on equity grounds?

- **Large-scale public subsidisation** of university studies is argued to
 - distort the (life-time) distribution of the costs and benefits of university studies (graduates vs. non-graduates);
 - involve a distributional effect that is regressive rather than progressive in nature;
 - but the empirical literature is becoming increasingly inconclusive!
- **Economic returns** from investment in university education are high and to most part private
 - but the correlation between the return and the private–public financing ratio is far from clear!

Which is the most equitable and efficient way of financing university education ?

- Rapidly expanding theoretical literature.
- Common feature of the suggested models is that they claim superiority to large scale direct public subsidisation of university education in solving capital and insurance market failures and, hence, the resultant under investment in human capital from a social perspective.
- Few studies have applied formal analysis to the problem of optimal financing of risky university education
- To the proposed theory based solutions all conclude in favour of a graduate tax based scheme! – So far no country has implemented a pure graduate tax, though.

European countries differ to the extent they provide university students with financial aid and the way they combine the various support devices.

=> Do the different European student support schemes represent equally efficient means of attaining equity?

- Not necessarily!
- Parents' educational background is only one of several dimensions which should be accounted for when judging the equity effects of student support systems!
- But there is...
 - ...an obvious need of equity indicators which are harmonised across countries to allow for rigorous quantitative assessment of the effectiveness of the various financing schemes in equalising access to and enrolment in university studies, but even so...
 - ... harmonised data on direct (or indirect) financial support are missing as well.

Equity effects of changing tuition fees and student financing systems? – What do undertaken evaluations indicate?

- The existing empirical evidence on the effect of tuition fees on enrolment is rather ambiguous.
- These empirical controversies illustrate the difficulty of evaluating the effects of student financing reforms.

Background literature:

- ***Inequality in Access to and Finance of Tertiary Education***, Chapter 5 in Dolton, P., R. Asplund & E. Barth (forthcoming), *Education and Income Inequality*, Edward Elgar.
- ***An equity perspective on access to, enrolment in and finance of tertiary education***, The Research Institute of the Finnish Economy ETLA, Discussion Paper Series No. 1098. Helsinki.
<http://www.etla.fi/eng/julkaisuhaku.php?type=details&id=1440>