



Tuition fees and student support

principles, trends & impact

Hans Vossensteyn

Center for Higher Education Policy Studies

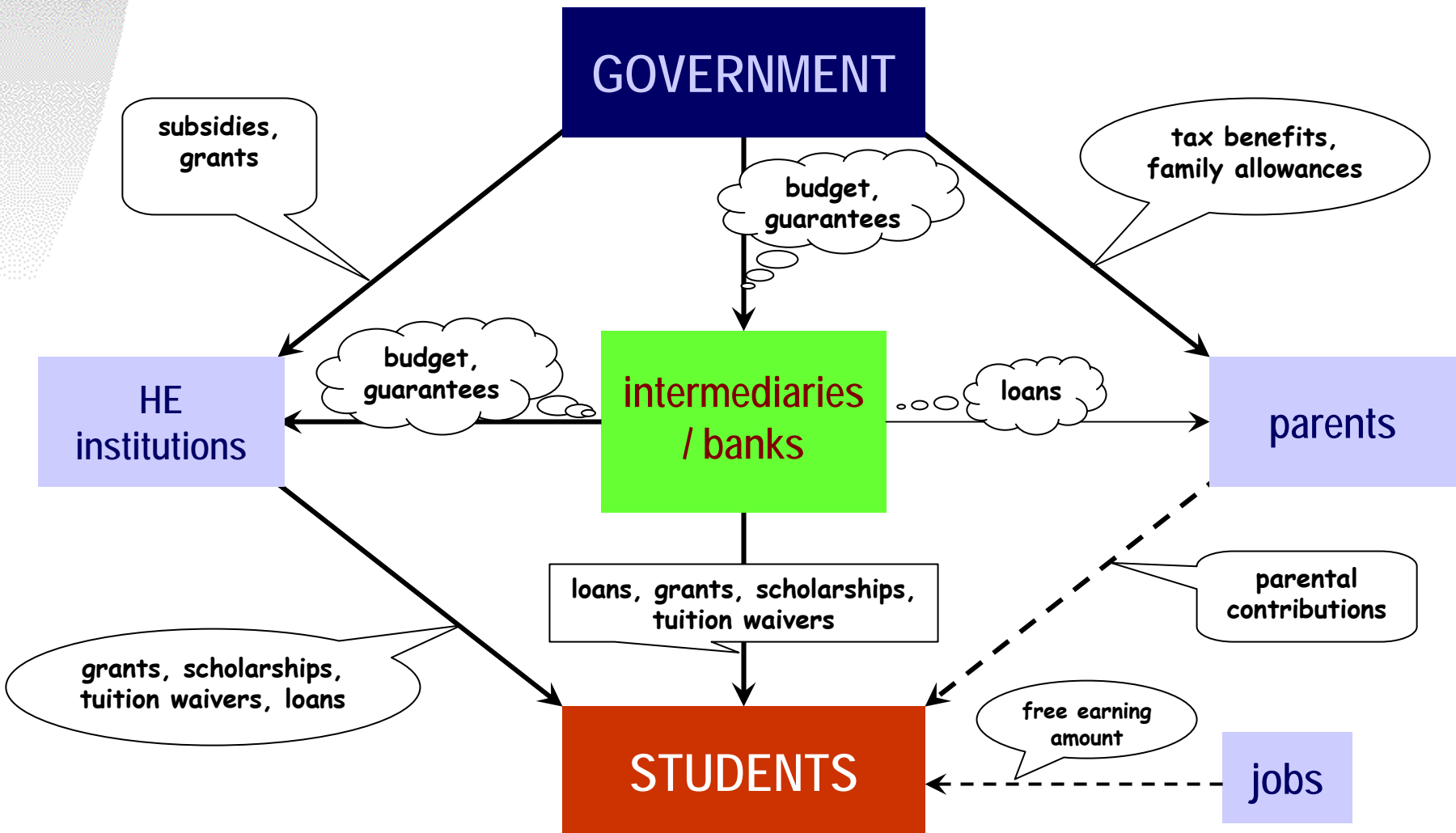
EUA Conference

Hamburg

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Student financing is complex





Challenges

Increasing demand for higher education services

Limited public budgets

Need for new income

Problem of access to higher education

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



Shared benefits → cost sharing

Conclusion from the table: **shared benefits**

Research shows high rates of return to HE:

private rates of return: 5% to 30%

social (fiscal) rates of return: 4% to 10%

Benefits used to argue increased private contributions:

various forms



Worldwide trends: cost sharing

Tuition: introduce or increase tuition fees

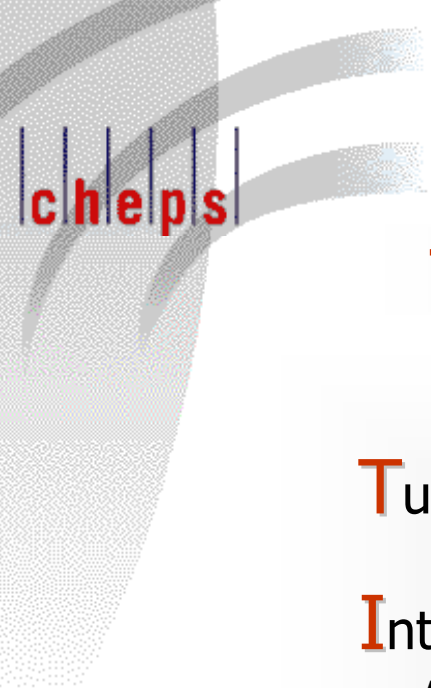
Grants/scholarships: abolish or reduce real value

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

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

Private HE: allow / stimulate private HE

Nevertheless: student aid on a large scale



Tuition fees: growing importance

Tuition fees an issue of **ongoing debate**

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), ...

Allowing **full-fee** paying students

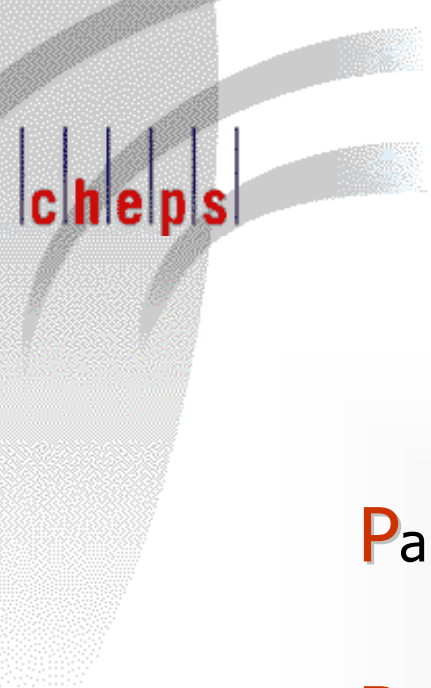
- Australia, Russia, Hungary, Poland,

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**

- Germany, . . . **a matter of access**
- CE-Europe . . . **tradition of free HE**

Tuition fees **abolished**

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

Level of tuition & other fees

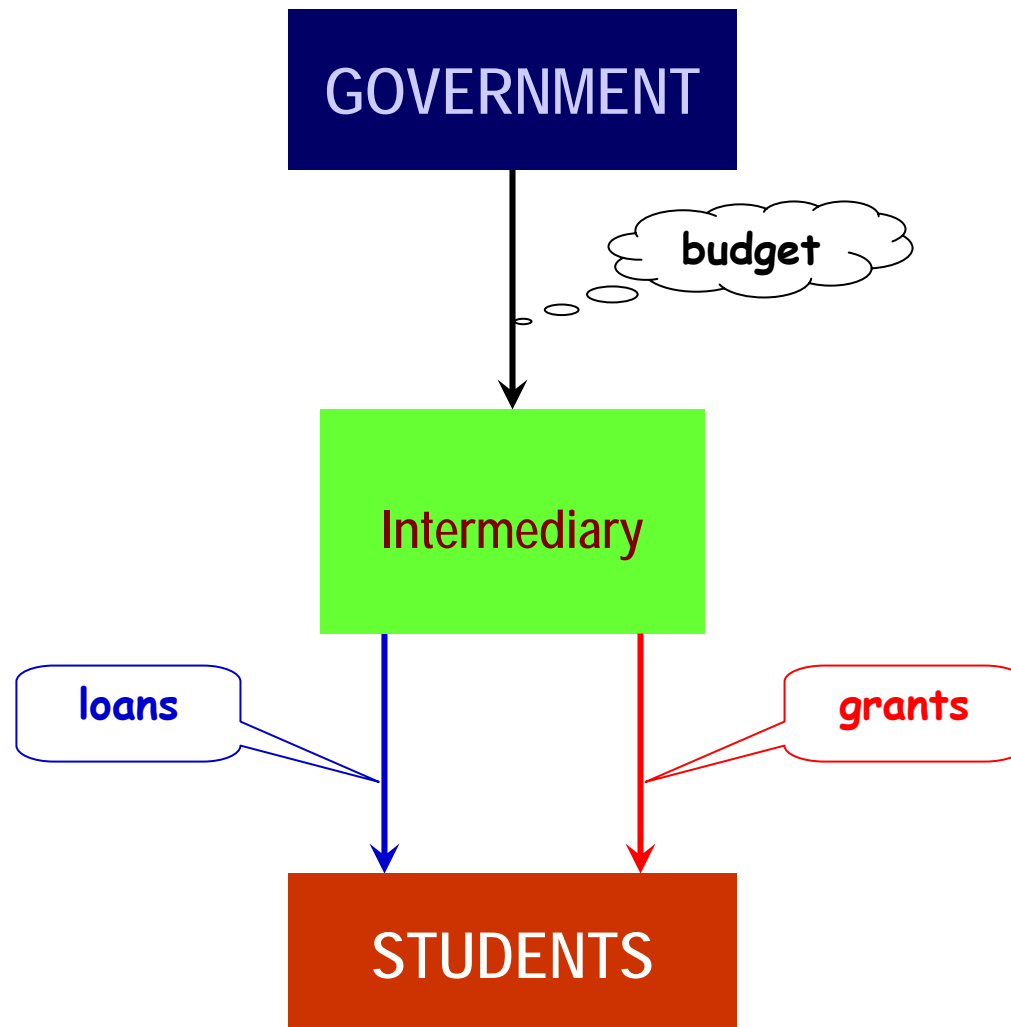
No	Low	Moderate	High
€0	€25 - €250	€400 - €850	€1.500 - €4.500

DK, EE, FIN	CZ, D, HU, IRL, LT, LV, MT, NO, PL, SI, SV, S	A, B, F, I, P	NL, UK (E,W), UK (SC)
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Some countries require fees from part-time or additional students

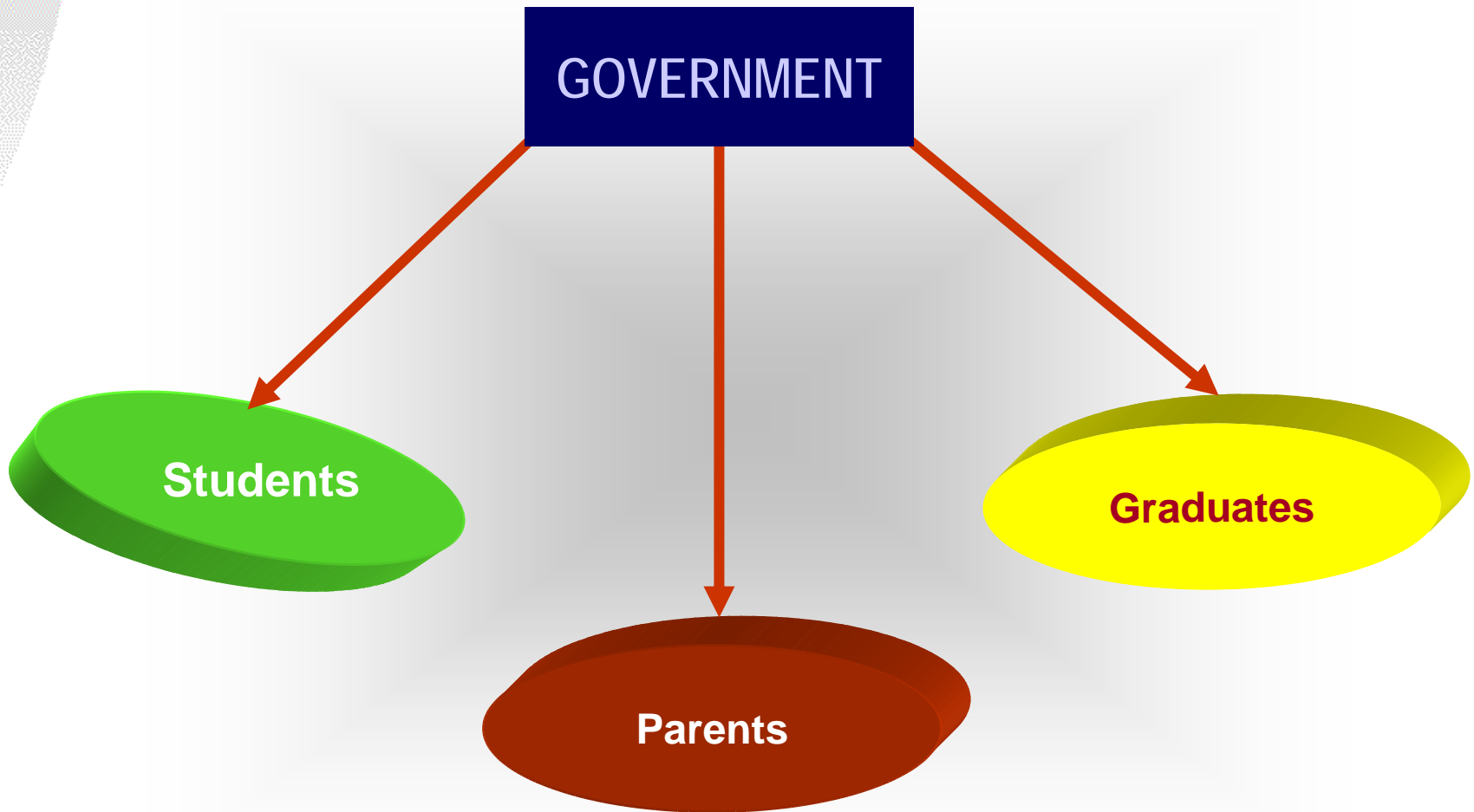


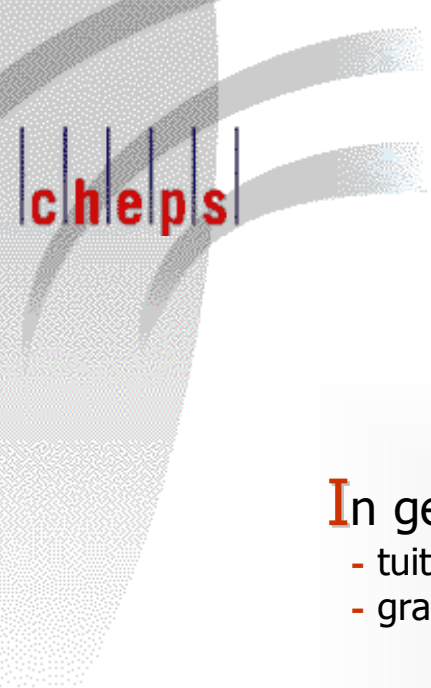
Ways to accommodate fees





Whom to subsidize ?





Impact of tuition & support

In general students are not very responsive to price changes, both

- tuition fees
- grants and loans

Non-financial factors are more important

- parental education & income, gender, academic preparation

But.. perceptions of financial incentives do differ across SES groups !



Impact of tuition & support

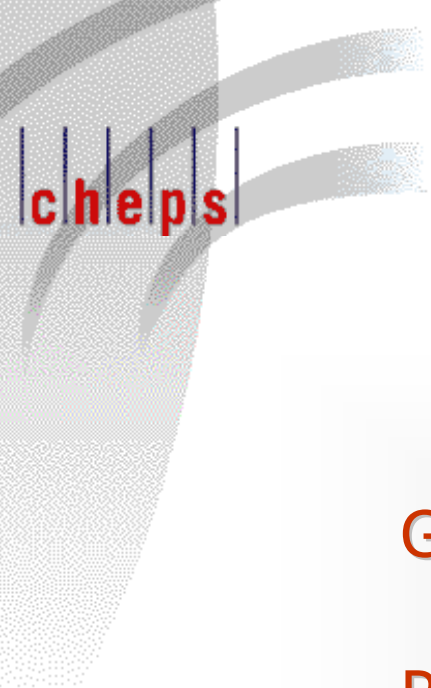
Low-SES students:

- find HE investments more risky
- regard tuition as a greater problem
- find grants and scholarships more important
- expect lower starting salaries
- expect lower maximum salaries throughout career
- find student debt less acceptable: debt aversion

But.. actual choices do not show strong price sensitivity !

Student loans have an ambiguous position

- they do not promote access that well
- students are very debt averse



Reflection

Growing importance of tuition fees (and student loans)

Perceptions of financial incentives do matter !

Aversion of tuition and debt is real,
but... not necessarily leads to reduced access

Family background is most dominant factor in student choice

Prospective students have poor information: **COMMUNICATE !**