Center for
Higher Education
Policy Studies

International Experiences with Student Financing

Tuition fees and student financial support in perspective

Final Report

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March 2013

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C13HV024

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Management samenvatting

Studiefinanciering en collegegelden zijn net als in Nederland in vele andere landen met regelmaat onderwerp van discussie en beleidsmatige verandering. Het onderliggende rapport maakt inzichtelijk dat er in veel landen om ons heen sprake is van een tendens naar "*cost-sharing*": de overheid wentelt een groter deel van de kosten van studeren af op studenten en hun ouders. Dat gebeurt via collegegelden en studieleningen, maar ook door een afname van studiebeurzen, meer privaat hoger onderwijs en de (impliciete) verwachting dat studenten bijverdienen of meer ouderlijke bijdragen krijgen. Studeren wordt zo duurder voor studenten en hun ouders. In dit rapport is gekeken naar een aantal landen dat hierin het voortouw heeft genomen en naar landen die een gelijkwaardige sociaal-economische structuur kennen als Nederland. Het gaat dan om Angelsaksische landen als Australië, Canada, Engeland, Nieuw Zeeland en de Verenigde Staten aan de ene kant en Duitsland, Noorwegen en Zweden aan de andere kant. De geselecteerde landen hebben alle een sterke focus op studieleningen. De mogelijke gevolgen van de overgang naar een sociaal leenstelsel in Nederland zetten we zo in perspectief.

Redenen om kosten meer af te wentelen op studenten en hun ouders

De belangrijkste achterliggende reden voor *cost-sharing* is de wens om de vaak al sterke groei van het aantal studenten verder door te zetten. Gezien de financiële taakstellingen van overheden en de vele aanspraken op het publieke budget, is het onmogelijk om de gewenste groei op hetzelfde kwaliteitsniveau te realiseren zonder extra financieringsbronnen. Tevens speelt het evenredigheidsbeginsel een rol. Ondanks de vaak sterke groei van de deelname aan het hoger onderwijs blijkt de studentenpopulatie nog altijd sterk gedomineerd te worden door studenten uit de hogere sociaal-economische klassen. Overal ter wereld komt ongeveer 20% van de studenten uit lagere inkomensgroepen terwijl zij zo'n 60% van de belastingbetalers representeren. Omdat afgestudeerden tot de hoge inkomensgroepen gaan behoren – het rendement op hoger onderwijs is overal fors – betekenen publieke subsidies op hoger onderwijs een financiële overdracht van de huidig lage inkomensgroepen naar de huidige en toekomstige hoge inkomensgroepen. Deze sociale ongelijkheid wordt wereldwijd steeds meer onderkend. Tenslotte proberen overheden de kwaliteit van het onderwijs en studiesucces te stimuleren door studenten meer kostenbewust te maken. Dat moet leiden tot betere studiekeuzen, een grotere inzet, minder uitval en meer efficiënt studeergedrag. Naast maatregelen voor universiteiten en hogescholen moet dit leiden tot een beter opgeleide beroepsbevolking die de nationale economische en sociale positie ondersteunt.

Ontwikkelingen in het buitenland

In de geselecteerde landen zijn de afgelopen decennia maatregelen genomen om de kosten voor hoger onderwijs meer evenredig tussen overheid en studenten te verdelen. Zo zijn in

verschillende landen collegegelden en studieleningen ingevoerd zoals in Australië, Engeland, Nieuw Zeeland en Duitsland. In andere landen zijn reeds lang bestaande collegegelden substantieel verhoogd zoals in Canada en de VS.

In **Australië** zijn sinds de invoering in 1989 de collegegelden herhaaldelijk substantieel verhoogd. In 1997 zijn de tarieven gedifferentieerd tussen groepen opleidingen op grond van de opleidingskosten en het verwachte rendement op de arbeidsmarkt. In 2012/13 betaalt een student jaarlijks minimaal €3500 en wel €7370 voor dure en hoog renderende opleidingen zoals medicijnen, techniek, rechten en accountancy. Studenten kunnen de collegegelden na afstuderen als percentage van hun inkomen via de belastingdienst terugbetalen. Nieuw Zeeland heeft het voorbeeld van Australië min of meer gevolgd, maar de collegegelden mogen door de instellingen zelf worden vastgesteld binnen een bepaalde limiet. Sinds 2008 mogen collegegelden jaarlijks met maximaal 4% toenemen tot €3200 in 2012.

In **Engeland** zijn in de jaren '90 de studiebeurzen afgebouwd en vervangen door leningen. In 1998 werden collegegelden ingevoerd, destijds £1000. In 2006 zijn de collegegelden met een grote sprong verhoogd en variabel gemaakt naar een maximum van £3.000. Vanaf september 2012 mogen Engelse universiteiten een collegegeld van £9.000 (€10.350) vragen, iets wat driekwart van de instellingen ook daadwerkelijk doet. In ruil daarvoor moeten zij wel 25% van de collegegeldopbrengsten inzetten als studiebeurzen voor de armste studenten. Andere instellingen vragen iets minder, maar het gemiddelde collegegeld dat een student in Engeland moet betalen is £8.527 (€9.800). De kosten van levensonderhoud kunnen studenten lenen en inkomensgerelateerd terugbetalen.

In **Duitsland** mogen de deelstaten sinds 2006 collegegelden heffen. Slechts 7 van de 16 *Länder* hebben in 2006 of 2007 collegegelden ingevoerd, €1000 per jaar. Vanaf toen zijn private financiers met studieleningen op de markt gekomen, zoals de semi-overheids bank KfW die ruim 5% van de studenten bedient. Vanwege wisselingen in de politieke signatuur van de deelstaat-regeringen zijn in de meeste *Länder* de collegegelden weer afgeschaft. Dit heeft vooral geleid tot minder financiële ruimte voor universiteiten.

Canada en de VS kennen een lange traditie van collegegelden en studieleningen en continue stijgingen hierin. In de VS moeten studenten echter aanzienlijk meer investeren dan in Canada. In beide landen worden ouders vooral via belastingfaciliteiten geholpen om de kosten van studeren te dekken, eventueel met fiscaal gunstige spaarplannen.

In **Noorwegen en Zweden** zijn studenten financieel onafhankelijk van hun ouders. Ondanks de afwezigheid van collegegelden moeten zij daardoor fors lenen en zijn de studieschulden aanzienlijk hoger dan nu in Nederland het geval is.

Overigens geldt in alle hierboven genoemde landen selectie aan de poort waardoor niet alle potentiële kandidaten kunnen gaan studeren. In alle landen behalve Noorwegen en Zweden dekt de studiefinanciering slechts een deel van de totale studiekosten.

Invloed op de toegankelijkheid

In alle onderzochte landen speelt de vraag in hoeverre de ontwikkelingen in collegegelden en studiefinanciering de toegankelijkheid van het hoger onderwijs negatief beïnvloeden. Het algemene beeld dat naar voren komt is dat een verhoging van de private bijdragen voor hoger onderwijs slechts beperkte en tijdelijke effecten heeft op de deelname aan hoger onderwijs. Het aantal studenten dat zich aanmeldt bij universiteiten en hogescholen daalt

doorgaans niet of marginaal na een substantiële verhoging van collegegelden of vergroting van de rol van studieleningen. Bovendien herstellen de traditionele deelnamepatronen zich al weer na één of twee jaren. Ook blijft de verhouding tussen studenten uit lage- en hoge inkomensgroepen doorgaans gelijk. Dat neemt niet weg dat er doorgaans felle discussies worden gevoerd omtrent veranderingen in de financiële arrangementen voor studenten. Onderzoek wijs uit dat (aankomend) studenten een afkeer hebben van collegegelden en studieschulden, leenaversie speelt dus wel degelijk een rol. Maar als men moet kiezen tussen niet studeren of studeren met een lening, dan doet men doorgaans het laatste. Studenten kiezen vervolgens wel bewuster. Zo vervroegen zij hun deelname soms een jaar om een aangekondigde prijsverhoging voor te zijn. Anderen stellen hun keuze een jaar uit om een meer overwogen keuze voor een opleiding te maken.

De invoering en periodieke verhoging van collegegelden gekoppeld aan studieleningen in **Australië** hebben tot nu toe geen nadelige gevolgen gehad voor de deelname aan het hoger onderwijs. Vele studies hebben dit laten zien. Bovendien zijn zowel de samenstelling van de studentenpopulatie als keuzes tussen disciplines nagenoeg onveranderd gebleven. Met het extra geld heeft de overheid juist het aantal studieplaatsen fors uitgebreid. In N**ieuw Zeeland** is de studentenpopulatie wel relatief jonger geworden. Studieschulden hebben geen effect op de keuze om al dan niet kinderen te krijgen.

Duitse deelstaten die collegegeld hebben ingevoerd zagen in het eerste jaar het aantal studenten dalen, gemiddeld 2,7%. Sommige studenten zijn daardoor in andere *Länder* gaan studeren. Het grootste effect is echter dat collegegelden "oneigenlijke studenten" die zich alleen inschrijven vanwege de gratis ziektekostenverzekering hebben ontmoedigd. De deelnamepatronen hebben zich na een jaar weer hersteld. Vervolgens heeft de afschaffing van collegegelden – net als in Ierland en Oostenrijk – niet geleid tot een stijging van de deelname. Ook niet van studenten uit sociaal zwakkere milieus.

In **Engeland** hebben alle veranderingen van de afgelopen decennia niet geleid tot een afname van het aantal studenten. In 20 jaar is de instroom juist verviervoudigd. Ook hier is het aandeel studenten uit lagere inkomensgroepen onveranderd. Omdat studenten uit lage inkomensgroepen sinds 2004 weer beurzen kunnen krijgen is hun aandeel sindsdien relatief toegenomen. Hoewel er vaak gesproken wordt over leenangst, zijn Britse studenten massaal gaan lenen (meer dan 80%). De beschikbaarheid van studieleningen heeft juist de negatieve effecten van collegegeldstijgingen opgevangen. De verdrievoudiging van het collegegeld in 2012 heeft het aantal aanmeldingen bij universiteiten wel met 7% tot 9% doen dalen. Dit wordt echter deels verklaard door de negatieve demografische ontwikkeling. De deelname uit hogere inkomensgroepen is harder gedaald dan uit lagere inkomensgroepen. Omdat de maatregel reeds lang bekend was zijn studenten die in 2010 en 2011 normaal hun studiekeuze een jaar zouden hebben uitgesteld meteen zijn gaan studeren. Dit gebeurde ook in 1998 bij de eerste introductie van collegegelden. Daarnaast melden studenten zich nog steeds massaal aan voor de duurste opleidingen. Net als in andere jaren melden kiezen studenten uit lagere inkomensgroepen vaker voor goedkopere studies. Het aantal uitwonende studenten is niet gedaald en de animo voor studies die leiden tot beroepen met hoge respectievelijk lage salarissen is gelijk gebleven.

Canada en **de VS** kennen een grote variëteit aan dure en minder dure studies en instellingen. Er is ook een behoorlijk verschil in studiefinancieringsarrangementen tussen de provincies, staten en universiteiten. De continue stijging van collegegelden aan universiteiten zet de toegankelijkheid wel enigszins onder druk, hetgeen versterkt wordt

door sterke selectie. Open toegang en lage collegegelden bij de community colleges vangen dit weer op. Omdat beurzen en leningen vooral gericht zijn op studenten uit de lagere inkomensgroepen hebben ze een positieve invloed op de deelname. De belastingfaciliteiten worden vooral door de hogere inkomensgroepen gebruikt en zijn daardoor minder effectief als toegankelijkheidsinstrument.

Tenslotte betalen **Noorse** en **Zweedse** studenten weliswaar geen collegegeld, maar zij moeten doorgaans fors lenen omdat zij geacht worden financieel onafhankelijk van hun ouders te zijn. Hoewel studenten ook hier aangeven liever niet te lenen, doen zij dit in de praktijk massaal en bouwen behoorlijke studieschulden op. In gezinnen die dat onwenselijk vinden springen de ouders bij. Veel studenten geven aan dat zij zonder de beschikbaarheid van leningen niet waren gaan studeren. Beurzen hebben uiteraard een nog positiever effect en studenten proberen daarnaast te werken.

Alles overziende blijkt dat financiële prikkels doorgaans slechts beperkte en tijdelijke effecten hebben op studiekeuzegedrag. Een deelname-effect treedt alleen op bij substantiële wijzigingen in de netto kosten voor studenten. De internationale praktijk ook dat wat nu als een majeure verandering geldt, al snel als nieuw referentiekader gaat dienen, waarmee de impact al snel wegebt. In gevallen van substantiële collegegeldverhogingen worden vooral studenten uit lage inkomensgroepen gecompenseerd met beurzen, "*tuition waivers*" of leningen. Zo worden grote toegankelijkheidsproblemen voorkomen, in ieder geval de psychologische effecten. Wat betreft studieleningen treedt er een duidelijke verschuiving op in de richting van inkomensafhankelijke terugbetaling van studieschulden: afgestudeerden betalen hun schuld terug als percentage van hun inkomen en alleen als hun inkomen boven een bepaald drempelbedrag uitkomt. Dat kan automatisch verlopen – bijvoorbeeld via de belastingdienst – of op aanvraag. Het adagio is: baat het niet dan schaadt het niet! Afgestudeerden met een laag inkomen betalen langzaam, weinig of niet terug. De overheid staat garant. Maar goed verdienende afgestudeerden betalen sneller en alles terug.

Reflectie en lessen voor Nederland

Kijkend naar de Nederlandse discussie over de invoering van een sociaal leenstelsel ter vervanging van de basisbeurs kunnen de volgende lessen worden geleerd:

- Studieleningen moeten flexibel zijn, zowel wat betreft de toekenning als de terugbetaling: voor ieder op vrijwillige basis beschikbaar en terugbetaling naar draagkracht.
- Terugbetaling kan worden gefaciliteerd door dit zo veel mogelijk te automatiseren. Als een eventuele inhouding op het inkomen via de belastingdienst verloopt, dan gebeurt de terugbetaling meer ongemerkt. Het psychologische effect van de financiële afdracht wordt dan afgezwakt. Men heeft immers het geld niet eerst in handen gehad.
- Extra ondersteuning van afgestudeerden met terugbetalingsproblemen kan helpen, zoals een terugbetalingsvrije periode of een aangepast terugbetalingsschema.
- De toegankelijkheid van studenten uit sociaal-economisch zwakkere milieus kan vooraf worden versterkt door extra faciliteiten zoals hogere "aanvullende beurzen". Positieve aandacht en compensatie voor deze groep heeft tevens een positief psychologisch effect.

- Leeftijdsgrenzen hebben een beperkende invloed op de deelname van vooral oudere en deeltijd studenten. Aandacht en stimulering van deze groepen help om de algemene deelname aan hoger onderwijs te vergroten.
- Binnen de bredere context van beleid dat moet leiden tot een hogere kwaliteit van het onderwijs en tot meer studiesucces, is het beperken van de periode waarin men studiefinanciering mag gebruiken mogelijk.
- Monitoring van de effecten van financiële maatregelen op iets langere termijn is aan te bevelen om, waar nodig, bijstellingen te doen en toekomstig beleid te informeren.
- Tenslotte zijn eenvoud, transparantie en heldere communicatie zeer belangrijk. Niet alleen wat betreft de collegegelden en studiefinancieringsarrangementen, maar ook ten aanzien van de te verwachten studieschulden, terugbetalingsscenario's en het toekomstig inkomen dat studenten kunnen verwachten.

Als aan veel van deze criteria wordt voldaan, dan kunnen we op grond van de internationale ervaringen verwachten dat het effect van de overgang naar een sociaal leenstelsel wat betreft de toegankelijkheid zeer beperkt en tijdelijk zal zijn.

1 Introduction to this study

This study aims at exploring international student financing practices by means of private contributions (e.g. tuition fees) and student financial support policies in the wider perspective of higher education policies as well as concerning their impact on student behaviour and the effectiveness, efficiency and equity in higher education.

1.1 Private contributions as a policy rationale

The European Commission argues that that governments have increasing difficulties to match the rising costs of science and providing quality education and excellent research that will help Europe to become the most economic competitive block in the world. Lack of competitiveness has been one of the major challenges for European universities noted by the Commission since 2003. The Commission believes that the quality and attractiveness of the European universities need to increase, human resources need to be strengthened, and the diversity of the European higher education system needs to be combined with increased compatibility. Therefore, the Commission *in 2006 formulated the Modernisation Agenda for higher education in Europe in which it stressed among other things autonomy and accountability for universities, partnerships with business, make funding more effective and based on outputs and increase the role of tuition fees (EC, 2006, COM 208). The renewed Modernisation Agenda of 2011 raises the expectations about tertiary attainment levels to 40%. To that end it for example encourages higher education systems to become more inclusive, to financially support lower income students, to better inform study choice and reduce drop-out (EC, 2011, COM 567).* In this context, considerable attention has been given to the adoption of more market-type mechanisms and modern types of governance. Keywords like accountability and concepts like New Public Management or network governance ('state supervision', 'the evaluative state') are gradually replacing the traditional focus on state control and academic collegial governance. More self-management in the name of efficiency and responsiveness to society's diverse needs is advocated. Institutions are being encouraged to increase their capacity and willingness to become engaged in the production of useful knowledge and relevant teaching. Through competition and greater institutional autonomy higher education institutions are being driven to become more sensitive to their varied consumers' demands for relevance.

Within this overall line of thinking, governments remain the primary funding source for higher education institutions. But in order to close that gap with the USA, Japan and upcoming economies, a strong call for increased private contributions to R&D and higher education is made. Though it is widely recognised that securing private revenue sources will be necessary in the years ahead to sustain the current capacity, the contemporary social view that higher education is primarily the responsibility of the State has made this a politically difficult option to pursue. In addition, the economic crisis has made it difficult for governments to provide incentives and subsidies that are capable of encouraging private investment in research and development. In the area of teaching, tuition fees and student

loans may increasingly find justification on efficiency and equity grounds. Many governments adopt the economic sound arguments to implement forms of cost-sharing. On the other hand, national policies towards cost-sharing are often met with scepticism due to fears of a decrease of access to higher education (Vossensteyn and Mateju, 2008).

This study recognises the advantages and disadvantages of cost-sharing as a means of allowing the expansion of the higher education sectors in Europe and the focus on quality and excellence underpinning the "Europe of Knowledge". However, the study is aimed at delivering evidence about the real impact various forms of cost-sharing may have as enablers or disablers of the further growth and prosperity of European higher education as a pillar under the European knowledge economy.

1.2 Objective of the study

Also in the Netherlands the debate on public and private contributions is an ongoing one. In 1986 the current student financing system was implemented. Then major forms of indirect support like family allowances and tax benefits to parents of students were transformed into a system of direct support to students in the form of basic grants, loans and supplementary grants to students from weaker income groups. Other parents were expected to make a financial contribution to the costs of study. In addition, the tuition fee rates were equalised between universities and universities of applied sciences. Since then, many smaller and bigger changes were implemented in this system. Tuition fees gradually rose to €1771 in 2012/13. Amounts of various elements were raised and reduced and interest was imposed on loans. In 1996, grants were made dependent on performance requirements: if one does not get a degree within 10 years, the basic grant has to be repaid and thus considered as a loan. In 2007, the costs of living and tuition fees were decoupled and next to the other support available, students could also take up an extra tuition fee loan. At the same time, student financial support was made portable for study abroad in any recognised tertiary programme in the world. In September 2012, a regulation was implemented that students who exceed the nominal duration of a study programme by more than 1 year will have to pay €3000 extra tuition fees per extra year. This was cancelled again at the first of January 2013. The government proposed to a "social loans facility" instead. The social loans are envisaged to replace all basic grants by a loan that has to be repaid after graduation as a proportion of the graduate's income: an "income contingent loan". These social loans are currently debated in the political arena.

In order to put this Dutch debate on "social loans" in the international context, CHEPS has been asked to make a report on the state of affairs with relation to student financing – tuition fees, grants, loans, indirect support and support in kind – and their impact and effectiveness in various countries. Also in many other countries many changes in tuition fees and student financing have been implemented and it is interesting to analyse the effects of such measures in the national context of broader policy ambitions with relation to higher education. As such, various countries have introduced, increased as well as abolished tuition fees. Also many countries have introduced student loans or increased its share in total support available to students. These developments are linked to a general trend towards *cost-sharing*:

students and their parents are asked to bear a larger part of the costs of higher education. The main policy discussions generally revolve around the question whether *cost-sharing* has an impact on the affordability, accessibility and effectiveness of higher education. Can and will students still go to higher education and will they get a degree?

In this report a number of national systems of student financing will be presented. Next to an overview of the national systems of tuition fees, grants, scholarships, loans and forms of indirect support, also policy rationales and the developments will be discussed. The study will also pay particular attention to the impact of such developments on access to and affordability of higher education (evidence based policy). In addition, it will be analysed to what extent the mentioned student financing policies serve more general policy objectives in terms of general steering philosophies, equal access, quality, study success and internationalisation. Based on such an overall picture, policy lessons and recommendations can be formulated for the current policy debate on student financing in the Netherlands.

1.3 Research questions

Based on the above mentioned considerations the following research questions have been formulated fort his study:

1. Can the concept of "cost-sharing" be used as an analytical framework for the relationship between student financing arrangements and wider policy objectives for higher education?
2. What is the student financing arrangement in some selected countries? What are the various elements in terms of:
   a. Tuition fees and potential other private contributions / fees for students
   b. Direct student support:
      i. grants (basic grants, income related grants, merit based grants, scholarships, etc.)
      ii. student loans (through public or private providers) and the repayment conditions for student debt
   c. Indirect support (family allowances and tax benefits for students and their parents)
   d. Support in kind (subsidies for travelling, accommodation, health care, meals)
   e. Potential private initiatives like scholarships from business
3. Is student financial support portable for study abroad in terms of credit mobility and/or degree mobility? Including additional support for mobile students.
4. What are the policy rationales for student financial support and tuition fee policies? What are the expectations about their potential effects on student choice?
5. To what extent do student financing policies fit within the general policy framework and objectives for higher education?
6. What are the experiences with student financing arrangements and cost sharing with relation to:
   a. the "total" costs for students in terms of study related costs (fees and study materials) and costs of living (accommodation, nutrition, travel and leisure).
   b. the relationship between public and private contributions to those costs.

   c. the consequences of different student financing arrangements and private contributions in terms of access to higher education, particularly for students from different socio-economic backgrounds.
7. To what extent is there an idea that student financing arrangements and private contributions have an influence on reaching wider objectives for higher education in terms of access, competition, study success, internationalisation, quality and affordability of the system?
8. To what extent could one detect a relationship between student financing arrangements and private contributions with some performance characteristics of higher education systems, like access, study success, internationalisation and investments in higher education?
9. What lessons can be learnt for the Netherlands?

Selection of countries

To study the phenomenon of cost sharing and its consequences for access to higher education eight countries were selected. The main selection criterion was that the selected countries have to show a clear development towards cost-sharing with elements that are close to the issues that are important in the Dutch policy discussions, including debates on tuition fees and student loans. In addition, activity on broader policy issues like competition, quality, study success, affordability, equal access and internationalisation were used as selection criteria. Finally, countries have been selected based on familiarity in policy cultures compared to the Netherlands like other continental European countries as well as countries with a stronger focus on competition, like in Anglo-Saxon countries. Based on these considerations, the following countries were selected: Australia, Canada, England, Germany, New Zealand, Norway, Sweden, United States of America.

Structure of the report

The next chapter will explore the concept of cost-sharing, including the arguments, the main forms and the recent developments around the globe. In the succeeding chapters, the eight country cases will be described on the basis of the research questions. This includes a description of the national policy frameworks, student financial support system and role of tuition and other fees. In addition, the extent to which student support is portable for study abroad is discussed as well as the impact of student support and tuition fees on access to higher education. In the end, a fit between student financing arrangements and the wider higher education policy development is addressed for all countries.

The overall summary and analysis is presented at the end of the report while an executive summary can be found at the start of the report.

2 Cost-sharing: a major theme in higher education financing

Higher education financing has received a lot of attention in recent policy discussions. The potential relationships between funding, equity, access and efficiency are debated on many occasions. The Modernisation Agenda points at the need for cost-sharing. It suggested that member states should "critically examine their current mix of student fees and support schemes in the light of their actual efficiency and equity" and it pointed to the positive rate of return as a justification to increase the investment level. This argument is also widely used in the current academic debate (see for example Teixeira *et al*. 2006). The idea of tuition fees and student loans are gaining popularity both on conceptual and technical grounds. Tuition fees and loans are regarded more equitable because they charge part of the costs to the people who will actually gain from education, not to general taxpayers. Tuition fees may also help to improve the quality and management of the universities and reinforce student motivation. However, cost-sharing also meets a lot of criticism. Tuition fees and other forms of cost-sharing are often said to limit accessibility of higher education, particularly for students from lower socio-economic groups. This means that many talents in society remain underused for our knowledge economies. Despite the rapid expansion of higher education, students from lower socio-economic groups continue to be underrepresented in higher education (Vossensteyn, 2007).

In the following sections, the arguments for cost-sharing are made, the concept is defined and the major developments in cost-sharing are pointed out.

2.1 Cost-sharing: the arguments

The notion of "cost-sharing" revolves around the question "who should pay for higher education" when public funds are limited (Johnstone and Shroff-Mehta, 2000). If the growing demand for higher education is not accompanied by a similar growth in resources, it may be argued that this puts quality under pressure while high quality higher education is a key element in national strategies to become a knowledge economy. Because higher education is only one of the many areas that call for increased societal investment, every society feels a need to offset some of the public investments in higher education with increased contributions from those who directly gain personal benefits from higher education: the students and/or their parents.

In evaluating whether students should make a contribution to the costs of higher education one requires a cost-benefit analysis for both society and the individual student. Such overviews generally show both the monetary and non-monetary costs and benefits of private and public investment in higher education (e.g. Jongbloed & Vossensteyn, 2002; World Bank 2002). Private costs include tuition fees and opportunity costs for students while public costs concern public funding to universities, student support and forgone national productivity. Private benefits include higher future wages, less unemployment, personal status, better

employment conditions, etc. Public benefits of higher education concern higher tax revenues, a flexible labour force, higher social cohesion, etc. Studies that try to measure the monetary benefits to education generally show substantial private and social rates of return to higher education investments (Mora et al., 2007; Psacharopoulos, 2009). These studies show the wage premiums of graduates compared with individuals having only secondary schooling to vary between 5% in Sweden and Denmark, up to around 14% in the United Kingdom and even 20% or higher in Poland, Portugal and the Czech Republic. The rates of return are generally a bit lower for society because governments pay for most of the costs of higher education (Psacharopoulos, 2009). Consequently, if society and individual students both gain from higher education it is fair that they both should also pay some of the costs (Johnstone, 2006).

However, the argument for increased private contributions and cost sharing is not as strong in all situations. There are substantial differences in the situations between countries and/or students. For example, in Scandinavian countries the wage premium of graduates in the labour market is relatively small. In other countries, no favourable student financial support arrangements may be available for students to pay the running costs of higher education. Finally, students from disadvantaged social-economic backgrounds are less likely to invest in higher education because they get less family support and are more risk averse (Vossensteyn, 2005; Callender, 2006). This calls for higher subsidies for poor students to guarantee access.

Altogether, scarcity of public resources and the fact that individual students also have a strong (financial) interest in obtaining a degree, makes many governments and politicians increasingly rely on cost-sharing policies in higher education.

2.2 Cost-sharing defined

Cost-sharing basically concerns the development in which governments gradually shift a greater part of the burden of higher education costs from the public budget to the students and their parents. In other words, cost-sharing reflects the development to bring more private resources from students and parents into the higher education funding mix (Johnstone and Shroff-Mehta, 2000). Cost-sharing generally can take place in various forms (Johnstone and Marcucci, 2010):

- The introduction or increase of tuition fees. In a broad sense one may also include other types of fees, like registration fees, examination fees or obligatory contributions to student unions.
- The introduction or increasing role of student loans; for instance through widening the eligible target groups, increasing the borrowing limits or increasing the interest to be paid over the loans.
- A diminishing role of grants and scholarships; for instance by reducing the groups eligible, lowering the amounts awarded (or not compensating for inflation), reducing the period of eligibility or even abolishing them.
- A diminishing role of financial support for the parents of students, like family allowances or tax benefits for parents with studying children.

- Increasing the opportunities for students to be gainfully employed during the time of studies.
- The growing reliance on private higher education offerings; for example through allowing private higher education institutions to offer official degrees or to allow public institutions to admit a certain proportion of self-funded students on top of the quota for publicly funded student places (dual track tuition).

The research team regards all these ways of cost-sharing relevant to the study to be conducted. However, the most important and directly visible ways of cost sharing concern the introduction and increase of tuition and other fees, the introduction or strengthening of student loans, the diminishing of grants and scholarships. National and institutional policies regarding fees, loans, grants and scholarships will therefore be the main focus of this study. But where relevant, the other forms of cost-sharing will be addressed too.

2.3 International policy developments in cost-sharing

As a first step to determine what countries could be relevant to be included as case studies in the proposed research, the following section will provide a broad overview of the international policy developments concerning the different forms of cost-sharing.

2.3.1 The increasing role of tuition fees

Whether or not students should be charged tuition fees and how much is in permanent flux and continuous debate (Eurydice, 1999; Marcucci and Usher, 2012). Within the perspective of cost sharing, we discern broad tendencies in tuition policies around the globe: countries that introduce tuition fees for regular students, countries that increase tuition levels, countries with differentiated tuition levels and countries with tuition fees for specific target groups. In some countries combinations of such policies exist or emerge over time.

Regardless of the perceived advantages and disadvantages of tuition, it has become more often daily practice in many countries around the globe (Vossensteyn and Dobson, 1999; ICHEFAP, 2009;). **Countries that have introduced or reintroduced tuition** for regular fulltime students in public higher education include Australia, Austria, Brazil, China, Hungary, Kenya, New Zealand, Tanzania, and the United Kingdom. Prominent examples of the introduction of tuition fees are Australia in 1989, New Zealand in 1990, the United Kingdom in 1998, Austria in 2001 and Germany in 2005 (Chapman, 1997a; Jongbloed, 2004b; BMBWK, 2001; Callender, 2006; Jongbloed and Dassen, 2009; Marcucci and Usher, 2012). Even in the large group of countries in Central and Eastern Europe, Latin America, South East Asia and Africa, where higher education was traditionally free of tuition, private contributions were recently introduced, particularly for part-time students.

Australia reintroduced tuition fees in 1989 accompanied by a deferred income-contingent repayment scheme through tax authorities. Over time, this so-called Higher Education Contribution Scheme has gone through considerable changes leading to increasing and differentiated costs for students. Also in the UK tuition fees were introduced in 1998 at a

moderate level of £1000. However, the introduction of tuition fees was rapidly followed by the replacement of maintenance grants with loans in 1999 and successive tuition increases in the following decade. Since 2012, students have to pay up to £9000 per year.

Hungary introduced tuition fees in 1994-95, but abolished them again in 1998 while introducing a private income-contingent loan scheme. Ireland also abolished its tuition fees in 1995, but reintroduced fees again in 2008 which will be substantially increased up to €3000 in 2015. In Austria tuition fees of €727 per year were installed in 2001, but abolished again in 2008. Because of the financial crisis, the reintroduction of tuition fees is again on top of the political agenda (Gardner, 2011). Since 2005, the 16 German Länder are allowed to charge tuition fees. Many Länder charged fees of €500 per semester in the years that followed, but due to political changes, most Länder abolished them again (Jongbloed and Dassen, 2009).

In countries where tuition fees have been in place for a long time, **the level of** these **fees has increased** substantially over time such as in Australia, Canada, India, Mexico, the Netherlands, Portugal, the UK and the United States (Junor and Usher, 2004; Vossensteyn & De Jong, 2006; Teixeira et al., 2006; Ehrenberg, 2000; ICHEFAP, 2009; College Board, 2011; Usher and Marcucci, 2012). Tuition levels have often increased faster than the rate of inflation. Between 1981 and 2011, tuition prices have increased with 368% in American four-year public universities (College Board, 2011). In the Netherlands tuition rates increased from €450 in 1985 to €1771 in 2012. In England, after the introduction of tuition fees of £1.000 in 1998, this was increased to £1.225 in 2001 and from 2006 onwards institutions were allowed to charge up to £3.225 per academic year. From the academic year 2012-2013 onwards, all institutions can charge up to £9.000 per annum.

Differential tuition has a long tradition in the United States, Canada, Chile, Korea, the Philippines, and Japan (ICHEFAP, 2009). Other countries more recently introduced differential fees, like China (1997), Australia (1997), New Zealand (1999) and the UK (2006). Most often differential rates are based on the costs, quality and popularity of programs, but in some cases also include the expected future income of graduates, like in Australia.

Some governments recently allowed higher education institutions to enrol a particular proportion of students or **specific target groups** on a full fee-paying basis. In general, this means students who (just) do not pass the selection procedures for publicly funded higher education institutions can participate in higher education by paying tuition charges. Such "dual track" tuition fees are common in Australia, China, Egypt, Ethiopia, Hungary, Kenya, Lithuania, Poland, Romania, Russia, Tanzania, Uganda and Vietnam (ICHEFAP, 2009). In Australia (since 1998) and Russia (since 2000) universities may admit up to 25% of their total enrolment on a full fee-paying basis, as long as all available publicly funded placements are filled.

Some countries charge **tuition fees for part-time students**. This tendency has grown in Central and Eastern Europe, Latin America, and Africa. Poland is an extreme case, where more than 50% of the students are enrolled in part-time higher education. In Slovenia (30%) and Hungary (12%) a similar trend was seen, but due to demographic developments there hardly are part-time students anymore.

Still, a large number of countries maintain their traditional **principle of "free public higher education,"** such as in Southern, Central, and Eastern Europe; Africa; and Latin America (Johnstone, 2006; Marcucci and Usher 2012). For example no Argentinian university uses the right to charge tuition fees and in Brazil a proposal for tuition fees for wealthy students was rejected in 2011. Denmark, Finland, Norway and Sweden do not consider tuition fees for inland students because higher education belongs to a social welfare package paid for through high taxation levels.

Ireland, Hungary, Scotland and Austria have recently abolished tuition for regular students. In 1999, the Scottish government replaced tuition and fees with a graduate endowment tax. The Irish government nullified tuition and fees in 1995. In 1998, Hungary abolished tuition for regular students that had been introduced in 1994.

2.3.2 Growing importance of student loans: replacing grants?

A second way in which cost sharing takes place is through a reduction of subsidies to students and their families. Students today must rely more heavily on student loans or own resources rather than on grants and scholarships. Loans imply higher private cost than grants because student loans must be repaid and grants generally not. But loans also include costs, such as administration, interest subsidies, and costs of non-repayment (default). Further, some believe loans harm access for students from disadvantaged backgrounds, whereas grants could potentially help to widen access to higher education by reducing socio-economic inequalities (Callendar, 2006).

Student **loans have a longstanding tradition** in a number of countries, such as Australia, Austria, Canada, the Netherlands, the United States, and several Asian countries. Often, loans form a financial option for students beyond grants, scholarships, and other forms of aid. In many of these countries, the proportion of costs that can be covered through loans compared to grants has increased in recent years because increases in tuition and living expenses are compensated primarily in the loan portion of national student support. Because in Scandinavian countries students are regarded as financially independent, the share of loans in student support is relatively high in order make this policy affordable for the government.

Because of limited public funds and a growing emphasis on the private returns to higher education, the 1990s have witnessed a trend towards the **introduction of student loans** in countries where they did not exist before. For example Germany (2006), France (1991), Hong Kong (1998), Hungary (2001), Poland (1998), Russia (1999), Slovenia (1999), India (2001), Egypt (2002), Kenya (1991), South Africa (1994), and the United Kingdom (1991) have introduced student loans (ICHEFAP, 2009). France and Slovenia are good examples of countries where loan programs heavily rely on private banks, resulting in repayment conditions that are unattractive to students and thus not really helping access. In Germany with the introduction of tuition fees in 2006 also a number of private student loans initiatives have been taken, mostly for limited groups of students so far.

In some countries, such as Canada, the Netherlands, the United Kingdom, and to some extent the United States, **student loans have replaced existing grants and scholarships** (ICHEFAP, 2009; Marcucci and Usher, 2012). In the United States, the increasing costs of attending higher education have been offset primarily with loans, rather than with scholarships and grants. In the Netherlands, a similar trend is occurring: grants to students have been cut and loan entitlements have been increased (Vossensteyn, 2009). Currently a full loans system for master students is envisaged to replace the current grants and loans system in 2013. When the United Kingdom introduced student loans in student financing system in 1990, a gradual replacement of the maintenance grants with loans started until the system devolved into a full loans system in 1999.

Student loans vary in terms of target groups and **repayment options**. Repayment options can include fixed versus flexible repayment periods, fixed versus flexible repayment amounts, and variations in the amount of interest charged. Such characteristics can heavily influence the attractiveness of student loans. In many countries student loans are "conventional loans" with relatively strict "mortgage-type" repayment conditions and a high interest rate. However, more flexible repayment options—particularly income-contingent loans—have recently gained attention. With income-contingent loans, graduates repay their debt as a percentage of their income. For example, in Australia and the UK, repayments are automatically withdrawn from gross salary through the tax authorities or employers. In such a system, graduates repay quickly if their income is relatively high, but more slowly in periods of low income. But particularly income contingent loans require a well-established tax or debt collection mechanism. In the Netherlands, conventional loans include an income contingent repayment option for graduates with a low income.

While economically student loans are the fairest way of helping students meet the costs of education, establishing a "friendly" student loan system does not guarantee that students will actually find loans acceptable. Students are often reluctant to assume loans, like in Denmark, the Netherlands, the Philippines, France, Slovenia and the UK. There may be a culture of avoiding debt which nowadays is recognized as debt aversion (Callender, 2006). However, Vossensteyn (2005) found that groups of students that indicate to be most debt averse still take up student loans to cover their costs.

2.3.3 Indirect support and parents' and students' own resources

In many countries, postsecondary students are legally or morally considered dependent on their parents. For example, this applies in Western European countries as Austria, Belgium, Germany, Greece, France, Italy, Portugal and Spain; in most countries in Central and Eastern Europe; and in Africa, Asia, Latin America, Australia, Canada, and the United States (ICHEFAP, 2009; Marcucci and Usher, 2012). Due to the increases in education-related costs, including living expenses, the financial burden on parents is growing, particularly when such cost increases are not compensated in grants and loans. However, in many of these countries, parents receive indirect assistance in the form of family or tax allowances. However, the arrangements often are complex and tax breaks often offer larger benefits to higher-income families. In addition, parents may not always pass these benefits on to their children. Aside from these indirect benefits, parental contributions grow in importance in

many countries, either because public expenditures do not keep up with rising study costs, or because student support becomes more loan oriented and parents want to prevent their children from accumulating high debt levels.

Another tendency is for students to seek part-time work to help defray education costs and avoid student loans while affording a higher living standard. Not only are more students taking part-time jobs, up to 80% in many countries, they are also working more hours (Vossensteyn, 2009).

In the coming chapters the eight country cases will be described on the basis of the research questions. The final chapter will address the overall international comparative analysis.

3 Australia

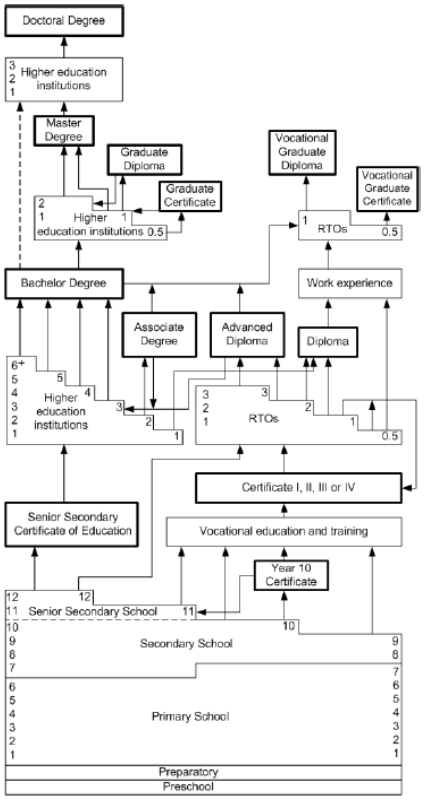
3.1 The higher education system

The Commonwealth of Australia has 6 states and 2 territories – New South Wales, Queensland, South Australia, Tasmania, Victoria, Western Australia, the Australian Capital Territory and the Northern Territory. There are 3 levels of government: Australian (Federal), state and territory and local. The diagram below shows the education system of Australia (Australian Government, 2011).

The higher education system in Australia combines elements of both the British and American systems though it origins lie in the traditions of Oxford and Cambridge. The higher education sector is made up of both universities and other higher education institutions, called higher education providers. A higher education provider is established or recognised by or under law of the Australia Government, a State, the Australian Capital Territory or the Northern Territory. The higher education provider must be approved by the Australian Government Minister for Education before it can receive grants or its students can receive assistance from the Australian Government under the Higher Education Support Act 2003 (HESA). The range of higher education providers therefore encompasses the following types of institutions: universities, self-accredited providers or non-self-accredited providers. Chart 3.1 below shows the education system of Australia, including the paths to higher education.

As of 2010 the higher education system in Australia comprised 39 universities (2 of which private), 3 other self-accrediting higher education institutions (authorised by government to accredit their own awards), and around 120 non-self-accredited providers, most of which were private providers offering specialized courses closely related to professional work. A non-self-accrediting provider is (a) recognised under relevant State or Territory legislation, (b) included in the list of non-self-accrediting higher education institutions contained in the Australian Qualifications Framework Register, and (c) offers at least one course of study that is accredited as a higher education award (a nationally recognised higher education award includes a degree, status, title or description of bachelor, master or doctor. It may be an award of graduate diploma or graduate certificate, or any other award specified as a higher education award under the Australian Qualifications Framework) (DEEWR, 2011a).

Figure 3.1 The Australian education system. Source: Australian government



Australian universities are generally comprehensive institutions offering a variety of programmes. They differ in size, ranging from the largest with around 40,000 students down to the smallest at around 2,000 students. Most range between 10,000 and 20,000 students. Many universities are located in the major cities but there are a significant number located in smaller regional centres. The larger universities usually have a number of campuses. Most universities are organised on the basis of faculties or schools but may also have a number of specialised research centres or institutes.

Basic student statistics for year 2011 are as follows[1]:

Total enrolments	*1,221,008 (+2.4 % from 2010)*
Undergraduate enrolments	*861,130 (+3.3% from 2010)*
Postgraduate enrolments	*321,958 (+0.5% from 2010)*
Domestic enrolments	*888,431 (+3.6% from 2010)*
Full-time students	*70%*
Enrolments in public providers	*1,137,511 (+2.4% from 2010)*
Enrolments in private providers	*83,497 (+2.7% from 2010)*
Total commencements	*489,959 (+0.4% from 2010)*
Domestic commencements	*70.4% (+2.5% from 2010)*
Overseas commencements	*145,064 (—4.3% from 2010)*
Commencement in FT study	*358,526 (+0.7% from 2010)*

When talking about the 37 public universities, there exists a well-known typology of Australian universities (Marginson 1997), to some extent institutionalised via specific University associations. However, it is not a formal categorization of universities as recognized by Government policies. This typology includes:

- The Group of 8 (Go8) - 8 old research intensive universities represented by the Go8 Coalition
- Technical Universities - represented by the Australian Technology Network ATN
- Other pre-1987 universities, most of which represented by the Coalition of Australian Innovative Research Universities
- Post-1987 universities, which for a period were represented by the umbrella "The New Generation Universities"

It has been shown that the groups indeed can be distinguished from one other in terms of their research output as well as indicators related to graduates (such as graduation time and employment), in part a reflection of high selectivity of the Go8 universities (Ramsden, 1999).

Since the 1990s the Government policies have emphasized the need to develop unique profiles in universities and concentrate on certain areas (particularly in research). Yet the Australian government follows an approach of distant steering and avoids direct prescription of what the role and mission of each of the institutions should be. Institutions themselves have a responsibility to define and seek their unique profile, and the government is involved by observing whether universities are making any concentration and profiling plans.

[1] For more data (e.g. by indigenous status, fields of study, SES) See: http://www.innovation.gov.au/HigherEducation/HigherEducationStatistics/Documents/Publications/11AttachmentB.pdf (summary) and http://www.innovation.gov.au/HigherEducation/HigherEducationStatistics/StatisticsPublications/Pages/2011StudentFullYear.aspx (all tables)

A central question arises how this profiling can be achieved and particularly how the funding framework that currently is being developed will facilitate or encourage such a profiling of institutions. The emphasis is not on the technical details of the funding mechanism, but to sketch the outlines and how funding issues are closely intertwined with the policy priorities for Australian higher education as formulated by the national government. The emphasis will be on the teaching and learning component of the funding reform.

Information was gathered through the central documents available on the internet. Further details were obtained from experts at the Commonwealth Department Education, Employment and Workplace Relations (DEEWR) and key organisations in the field as well as experts on Australian Higher Education. These are listed at the end of this paper. We are grateful to all of them for their cooperation.

3.1.1 General higher education policy developments

In 1973 the Tertiary Education Assistance Scheme (TEAS) was introduced. It marked a change from previous student assistance in that it was non-competitive and based on parental and student income means testing. When TEAS was introduced, tuition fees for higher education were also abolished, thereby making tertiary education more accessible than it had been in the past. TEAS sat alongside the Adult Secondary Education Assistance Scheme (ASEAS) and the Secondary Allowances Scheme (SAS). The scheme returned the age of independence to 25 years (Am 2011, p.58).

In March 2008, the then Minister for Education, Julia Gillard, appointed Professor Denise Bradley to chair a panel to undertake a comprehensive review of Australian higher education sector. This is the most recent major review, which has the strongest impact on today's higher education system in Australia[2]. The Bradley Review in 2008 identified a range of structural and funding reforms which the Government considered (Bradley et al. 2008). The Government's response to the Bradley Review was structured around a 10-year reform agenda that included (Ernst & Young, 2012, pp. 4 ff.)[3]:

- Phasing in a new system for higher education funding to allocate funding on the basis of student demand
- Changes to funding for university research
- Upgrades to higher education infrastructure
- Changes to the indexation for teaching, learning and research under the Higher Education Support Act 2003
- Measures to better support students and improve lower socio-economic status student participation
- Strengthening linkages between higher education and vocational sectors

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2 Other important policy reviews were conducted earlier such as the Coalition's Our Universities: Backing Australia's Future (BAF) in 2003.

3 This report «compares the level of actual funding with what would have been provided had the reforms not taken place»

In general (and resulting from the Bradley review), the key developments in the Australian higher education policy discourse focus on (a) profiling, (b) selection and (c) reforms in fee structures.

a) Profiling: the so-called «mission-based compacts» make the Government's focus on individual profiles of each university more explicit. Mission-based compacts are agreements between the Government and public universities that detail public funding commitments and reciprocal institutional commitments. The mission-based compacts have several aims. Most importantly, in response to the Bradley review Australian government has set ambitious targets on the system expansion, particularly among the students from lower socio-economic groups and other underrepresented groups. Through mission-based compacts government enters into a negotiation with universities to achieve these targets and hopes to increase participation of under-represented groups. It is thus a tool to align institutional activities with national priorities, respecting the autonomy of institutions. Secondly, the compacts are expected to minimise duplication and fragmentation within the system and to concentrate resources for maximum efficiency and impact (DIISR 2010)
b) Selection: Australian tertiary education is seen as a highly competitive system. Policies focus on expanding participation and insuring diversity (most notably the recent move to «uncapped» admissions described below). The impetus of change in selection in Australia is given by the way undergraduate enrolment is funded. Until 2012 the funding system was «capped». In other words, the government funded a certain number of students per institution and all universities worked on allocated places. As a result, institutions justified their strict tertiary admission rank-based selection with their limited capacity of funded students. However, since 2012 Australia has introduced a demand-driven «uncapped placement» expected to increase participation as students get a better chance of gaining their first-preference course. The funding is supposed to follow a "voucher system" where funding follows the student
c) Fees: see below

3.1.2 Tuition fees and other private contributions

The fee system in Australia distinguishes between Commonwealth supported places and tuition fee places.

Commonwealth supported places are places at an approved provider that is subsidised by the Australian Government[4]. The Australian Government contributes towards course costs for Commonwealth supported places but students also pay a «student contribution». This student contribution may be borrowed from the Commonwealth government under the HECS-HELP Scheme (described later). Student contributions vary between providers and courses but must be within a range set by the government, as shown in Table 3.1 below taken from the Queensland Tertiary Admission Centre (2012). From 2012, all Australian public universities and the Bachelor Institute of Indigenous Tertiary and Education will be funded for student places on the basis of student demand—i.e. admission places are

[4] See: http://studyassist.gov.au/sites/StudyAssist/HELPpayingMyFees/

«uncapped» (Department of Industry, Innovation, Science, Research and Tertiary Education, 2012).

Table 3.1. Student contributions per year

Band	Estimated Student contribution range for 2012*
National Priorities: mathematics, statistics and science	up to $4520 (€3.600)
Band 1: humanities, behavioural science, clinical psychology, education, nursing, social studies, foreign languages, visual and performing arts	up to $5648 (€4.500)
Band 2: computing, built environment, health, engineering, surveying, agriculture	up to $8050 (€6.400)
Band 3: dentistry, medicine, veterinary science, accounting, administration, economics, commerce, law	up to $9425 (€7.500)

Source: http://www.qtac.edu.au/InfoSheets/StudyCosts.html

Tuition fee places are for all those who are not supported through the Commonwealth supported places. These fees are set by individual providers. Fees for non-government institutions - Bond University, Christian Heritage College, Qantm College and Queensland Institute of Business and Technology - are set out in course entries in Search for Courses. Modes of payment should be negotiated with the institution. FEE-HELP loans (see later) may be available. However, most full-fee undergraduates – principally at NUHEPs (Non University Higher Education Providers) – must pay a 25% loan fee if they take out a FEE-HELP loan. For example, if a full-fee undergraduate student borrowed $10,000 the government would record a debt of $12,500. However, for undergraduate students receiving Commonwealth subsidies there is a 10% discount for paying up-front, which converts to an 11% charge for deferring[5] (Norton, 2012).

Table 3.2, taken from Australian Vice-Chancellors' Committee[6] shows the fee charging policies for Australian higher education from the establishment of the first institution in 1850 to 2005.

[5] For example, if a course costs $10,000 a year a 10% discount would be $1,000, bringing the price down to $9,000. However, another way of looking at this is that the 'real' price is $9,000, and that anyone who defers pays an extra $1,000, or 11% more

[6] Quoted on the web page of Griffith University

Table 3.2: Australian higher education fees policy 1850 – 2005

Period	Fee Policy
1850 – 1950	All States other than Western Australia charged tuition fees, at different levels in different States.
1951 – 1972	Commonwealth scholarship scheme introduced which, with State studentships 75-80% most students from fees.
1973 – 1985	Tuition fees abolished.
1986 – 1988	All students were required to pay a higher education administration charge, which was $250 or 3% of average higher education teaching costs.
1989 – 1996	Higher education contribution scheme introduced at a flat rate of $1,800 or 15% – 20% of teaching costs, depending on the cost of the subjects; repayments started when income reached annualised average weekly earnings, then $22,000.
1997	Differential hecs in 3 bands introduced; minimum hecs band increased by 34% to $3,300, middle band increased by 92% to $4,700 and the top hecs band 3 increased by 124% to $5,500; repayment threshold reduced to $20,701.
2002-2004	Postgraduate education loans scheme which provides an income-contingent or hecs-like loan for tuition fees for private fee-paying places in public and private institutions.
2004	HECS bands $3,768, $ 5,367, $6,283; threshold $25,348 (average weekly earnings $49,530 p.a.).
2005	Institutions set hecs up to a maximum of $4,808 for subjects in band 1, $6,849 for subjects in band 2, $8,018 for subjects in band 3, and up to a maximum of $3,847 for pre-service teacher education and nursing programs. The minimum repayment threshold increased to $35,000 for the 2004-05 financial year and to $36,184 for the 2005-06 financial year.
2005	Fee-help introduced, which provides income contingent or hecs-like loans for all private fee-paying places offered by public and private institutions. Borrowers can incur a lifetime maximum fee-help debt of $100,000 for medicine, dentistry and veterinary science programs and $80,000 for all other programs, which is indexed for inflation.

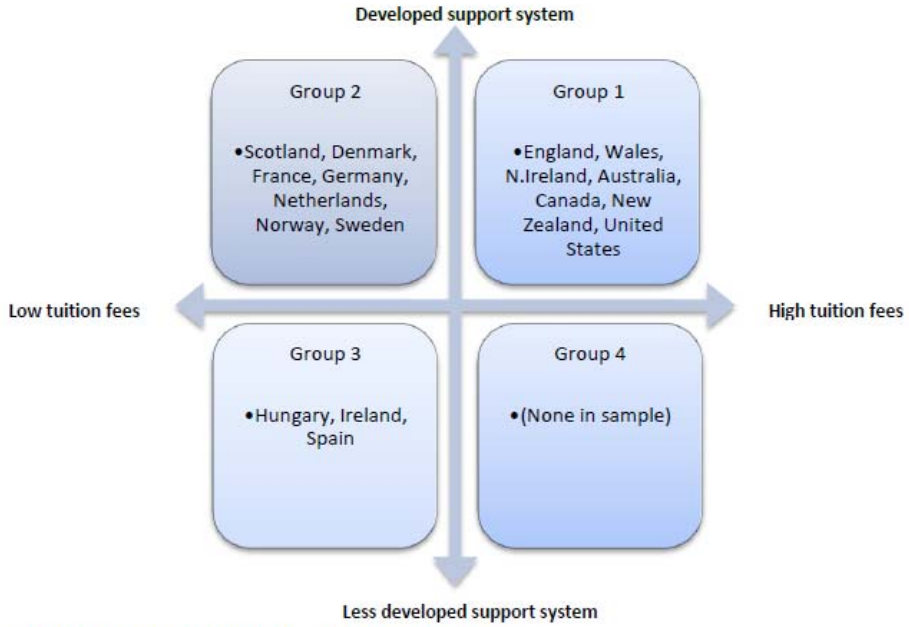
Source: *http://www.griffith.edu.au/cgi-bin/frameit?http://www.griffith.edu.au/vc/ate/content_he_fees.html*

3.2 Student financial support

In 2010 the UK Department for Business Innovation and Skills conducted a «Review of Student Support Arrangements in Other Countries», including Australia. The Australian Government's Review of Student Income Support Reforms (Am 2011, p.78) shows the different groupings of countries based on the assessment of the relative size of the tuition fee imposed on students and the degree of development or sophistication associated with the student support arrangements. As Chart 3.2 below shows, Australia is generally classified as a system with high tuition fees counterbalanced with a well-developed support system.

Furthermore, the same report (p.79) presents the public student financial assistance in the OECD countries, as presented in Marcucci and Johnston (2010). Table 3 shows that Australia provides basic universal loans (in the form of deferred tuition fees) in addition to means-tested grants.

Figure 3.2 Matrix of characteristic-based groupings: tuition fees versus development of support system.



Source: UK Department for Business Innovation and Skills 2010, p.35.

Source: Am, 2011, p. 78

Table 3.3: Public student financial assistance in the OECD

Public student financial assistance in the OECD

Basic Universal Grants	Basic Universal Loans (including deferred tuition loans)	Means tested Grants		Means tested Loans	Merit-based Grants	Merit-based Loans
Denmark*	Austria[16]	Austria	Japan	Canada	Belgium	Estonia
Netherlands	Australia[17]	Australia	Luxemburg	China	Chile	
Sweden*	Denmark	Belgium	Mexico	Chile	China	
	England	Canada	Netherlands	England	Estonia	
	Finland[18]	China	New Zealand	Germany	France	
	France	Chile	Norway[22]	Japan	Korea	
	Hungary	Czech Republic	Poland	Netherlands	Greece	
	Iceland	England	Portugal	Poland	Hungary	
	Korea	Finland[21]	Russia	Portugal	Mexico	
	Luxemburg	France	Slovakia	Slovakia	New Zealand	
	Norway	Germany	Spain	Turkey	Poland	
	New Zealand	Greece	Switzerland	United States	Portugal	
	Portugal[19]	Hungary	Turkey		Russia	
	Sweden	Ireland	United States		Switzerland	
	United States[20]	Italy				

* It could be argued that Denmark and Sweden actually belong in the means tested grants column as the grants may be reduced if student's own income becomes too high.

Source: Marcucci and Johnston 2010, p. 6.

Source: Am, 2011, p. 79

3.2.1 Direct support for students

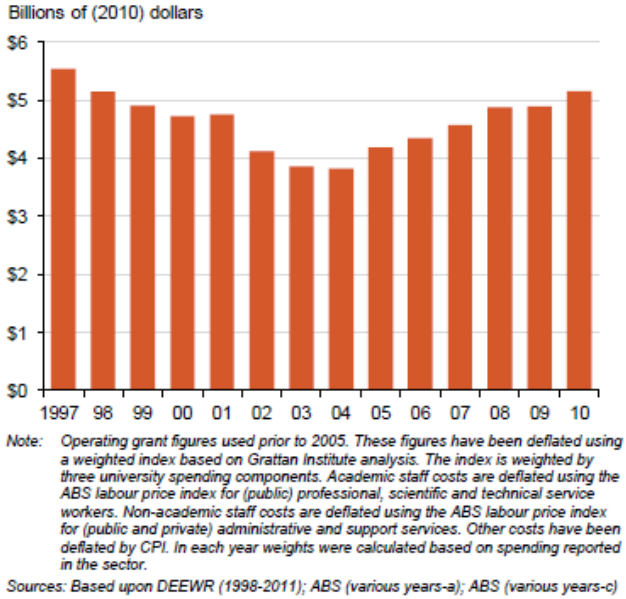
Direct support for students includes grants/scholarships and student loans, which need to be repaid under different conditions.

Grants and scholarships[7]

a) The *Commonwealth Grant Scheme* (CGS) provides funding to higher education providers for Commonwealth supported places (CSPs) for courses of study at the bachelor level and some CSPs in sub-bachelor, non-research postgraduate, medicine and other courses of study specified by the Minister. Prior to 2012, the Commonwealth provided funding to eligible higher education providers for an agreed number of Commonwealth supported places (i.e. targets) in a given year. The amount that the Australian Government provided was determined by reference to the number of places in each funding (or discipline) cluster. During the transitional period in 2010 and 2011, the «cap» on funding for over enrolments was lifted from 5% to 10%, allowing universities to over enrol by 10% (in funding terms) above their funding agreement targets. From 2012, public universities determine the number of students they enrol in bachelor level courses (excluding medicine) and receive funding for these places. Universities are able to increase the number of Commonwealth supported places they offer in particular disciplines in response to employer and student demands. For designated courses of study (non-research postgraduate courses, medicine, enabling courses and courses of study leading to a diploma, advanced diploma or associate degree), the Commonwealth will provide funding to public universities for an agreed number of Commonwealth supported places in a given year. All other providers are funded for Commonwealth supported places based on allocations by the Commonwealth. Providers must enter into a funding agreement with the Commonwealth in order to receive a grant under the CGS. Providers' funding is subject to adjustment in relation to their performance in meeting funding agreement targets in the preceding year. Providers may receive additional funding through the regional, enabling, medical student and/or transitional loadings under the CGS. Chart 3.3, taken from Norton 2012 (p. 38) shows the CGS contributions between 1997 and 2010.

[7] See: http://www.innovation.gov.au/HigherEducation/Funding/

Figure 3.3: Commonwealth Grant Scheme (1997-2010).



Source: Norton, 2012 (p. 38)

b) The *Commonwealth Scholarships Program* (CSP) assists Aboriginal and Torres Strait Islander students from low socio-economic backgrounds, particularly those from rural and regional areas, with costs associated with higher education. The scholarships program changed in 2010 and is now only available to commencing Aboriginal or Torres Strait Islander students. The CSP continues to support students who were awarded a Commonwealth Scholarship prior to 1 January 2010 under transitional arrangements provided they maintain their eligibility. Changes to the CSP occurred due to significant reforms to student income support including the introduction of the Student Start-up and Relocation Scholarship. The Student Start-up replaces the CSP's Commonwealth Education Costs Scholarship (CECS) and the Relocation Scholarship replaced the CSP's Commonwealth Accommodation Costs Scholarship (CAS).

Note on CGS spending following the 2012 uncapping of Commonwealth-supported places

Because the number of student places is a key driver of total spending, uncapping Commonwealth-supported places is likely to lead to more CGS spending. Norton, 2012 (p. 38) states «from 2012, numbers of student places and therefore funding will be less certain. With a few exceptions, the federal government is lifting controls on the number of undergraduate Commonwealth supported places in Table A higher education providers. As a transitional measure, in 2010 and 2011 the government agreed to provide CGS funds up to 10% more than in the original agreement. Most universities responded by significantly increasing their student intakes. The government calls the new system starting in 2012 'demand-driven'. Student preferences for particular courses or providers will shape funding much more than in the past. However, universities are not obliged to offer places simply because there is demand for them. Uncapping Commonwealth-supported places is forecast to have a significant effect on total CGS spending. The Budget forward estimates predict a 30% increase between 2010-11 and 2014-5, or about $1.5 billion. These increases represent a substantial reversal of recent government policy. Between 1997 and 2004 operating grant funding (the CGS predecessor) dropped in real terms almost every year».

c) *The Student Start-up Scholarship*[8] is a payment that helps with the up-front costs of items such as textbooks and specialised equipment for students undertaking an approved scholarship course. To get a Student Start-up Scholarship the applicant must be also receiving either ABSTUDY, Youth Allowance or AUSTUDY. Eligibility for ABSTUDY and Youth Allowance depends on a young person's individual and family circumstances. The Family Actual Means Test (FAMT) was introduced in the mid-1990s as a mechanism for targeting assistance at those most in need through AUSTUDY. FAMT applies if the parent of a student claiming student income support is self-employed, involved in a trust or company or earned or held assets above a certain level outside Australia (Am 2011, p.59).

- Youth Allowance: Financial help for young people who are studying full time, undertaking a full-time Australian apprenticeship, training, looking for work or sick. The biggest student income support scheme is Youth Allowance. As of mid-2011, about 160,000 higher education students were receiving Youth Allowance, at a cost to the budget of around $1.3 bn. The total cost of Youth Allowance has been increasing in recent years due to increasing numbers of students, changes to eligibility, and other reforms. A little under half of Youth Allowance recipients receive it based on household need, assessed by a parental income test. Students whose parents earn $46,000 a year or less are entitled to the full at-home Youth Allowance rate of $265 a fortnight. The fortnightly payment reduces as parents earn more than $46,000, or if the student earns more than $236 a fortnight. There are also lump sum payments to assist with textbooks and similar costs, and for relocation expenses for students who must leave home to study. The remainder of Youth Allowance recipients are not subject to the parental income test. Independence is mainly secured via work history or age. The government is lowering the age at which students are no longer subject to a parental income test. It dropped to 22 from January 2012, from 25 when the government came to office (Norton 2012, p. 42).
- AUSTUDY: Financial help to full-time students and Australian apprentices aged 25 or more. Austudy is for students aged 25 or older, and in 2011-12 cost an estimated $233 million for 21,000 students (*Ibid*.).
- ABSTUDY: helps with costs for Aboriginal and Torres Strait Islander Australians who are studying or undertaking an Australian apprenticeship. In 2011-12 it cost an estimated $30 million for 3,700 students (*Ibid*.)[9].

d) *Australian Postgraduate Awards* are merit-based scholarships for research students. They are funded by the federal government (approximately $219 million in 2011-12), but allocated by universities. (*Ibid*)

e) The *Higher Education Participation and Partnerships Program* (HEPPP)[10] aims to ensure that Australians from low SES backgrounds who have the ability to study at university get the opportunity to do so. It provides funding to assist universities listed in Table A of the

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8 See: http://www.humanservices.gov.au/customer/services/centrelink/student-start-up-scholarship?utm_id=7

9 Norton, 2012 also points out that given that higher education students are generally from a high socioeconomic background (section 2.4), this age-based entitlement dilutes the household needs basis of Youth Allowance. 'Independent' Youth Allowance recipients may still be living with their parents.

10 http://www.innovation.gov.au/HigherEducation/Equity/HigherEducationParticipationAndPartnershipsProgram/Pages/default.aspx

Higher Education Support Act 2003[11] to undertake activities and implement strategies that improve access to undergraduate courses for people from low SES backgrounds, as well as improving the retention and completion rates of those students. In addition, the HEPPP supports the Australian Government's ambition that 20% of domestic undergraduate students will be from low SES backgrounds by 2020. The HEPPP consists of two components, Participation and Partnerships. The HEPPP consists of two components, Participation and Partnerships. The total amount of funds available for allocation under the HEPPP is presented in Table 3.4 below (taken from Ibid and re-formatted). The Partnerships competitive grant process provides an opportunity for universities to develop and implement innovative strategies aimed at increasing the aspirations and capacity of people from low SES backgrounds to participate in higher education. It builds on Partnerships baseline funding and offers an incentive to those universities or consortia with the strongest proposals. The Australian Government announced on 15 December 2011 funding of approximately $67.1 million for 11 projects under the first round of the Partnerships competitive grants process (*Ibid*). Students in receipt of equity and merit-based scholarships will have the first $6972 exempt from means testing. Any scholarship income in excess of this amount will be subject to means testing (Australian Government Family Assistance Office 2011, p. 20).

Table 3.4: total amount of funds available for allocation under the HEPPP

	2012	2013	2014	2015
Participation	$133 213 303	$111 696 248	$121 739 238	$132 252 615
Partnerships	$44 404 434	$62 180 598	$63 562 868	$67 132 442
Total HEPPP	$177 617 737	$173 876 846	$185 302 106	$199 385 057

Source: The Department of Industry, Innovation, Science, Research and Tertiary Education

f) The *Australian Postgraduate Awards* (APAs), administered through higher education institutions, provide stipends for living costs for higher degree research students. The Australian Postgraduate Awards offer full-time students enrolled in a research higher degree a stipend valued in 2008 at $20,007 per annum.

[11] Table A providers are Self-accrediting bodies, eligible for all funding under the Act and include: Central Queensland University, Charles Darwin University, Charles Sturt University, Curtin University of Technology, Deakin University, Edith Cowan University, Griffith University, James Cook University, La Trobe University, Macquarie University, Monash University, Murdoch University, Queensland University of Technology, Royal Melbourne Institute of Technology, Southern Cross University, Swinburne University of Technology, The Australian National University, The Flinders University of South Australia, The University of Adelaide, The University of Melbourne, The University of Queensland, The University of Sydney, The University of Western Australia, University of Ballarat, University of Canberra, University of Newcastle, University of New England, University of New South Wales, University of South Australia, University of Southern Queensland, University of Tasmania, University of Technology, Sydney University of the Sunshine Coast, University of Western Sydney, University of Wollongong, Victoria University, Australian Catholic University, Batchelor Institute of Indigenous Tertiary Education

Student loans[12]

The Government administers five HELP loans schemes to assist students with the cost of their tuition. The amount of HELP debt outstanding has increased over the years, as depicted in Chart 3.4 below. This reflects both an increasing number of debtors, and higher average debt as tuition costs increase. The five HELP loan schemes include:

a) *HECS-HELP* is a loan program to help eligible Commonwealth supported students to pay their student contribution amounts. Before 2005 it was known as 'HECS'. HECS-HELP is not just a loan scheme. Under HECS-HELP, eligible students can also receive a 10%* discount when they pay $500 or more of their student contributions (for a study period) up-front. From 1 January 2012, the Australian Government has lowered the HECS-HELP discount from 20% to 10% for up-front student contribution payments of $500 or more. The HECS-HELP discount works by increasing the value of a person's up-front payment which means that they will actually be required to pay less (if they pay their whole amount up-front) or to take out a lower amount (if they make a partial up-front payment and take out a loan for the rest).
b) *FEE-HELP* is a loan program to help eligible fee paying students to pay their tuition fees: FEE-HELP is a loan scheme that assists eligible fee paying students pay all or part of their tuition fees. It cannot be used for additional study costs such as accommodation or text books. The total amount of FEE-HELP a person can use is known as the 'FEE-HELP limit'.
c) *SA-HELP* is a loan scheme that assists eligible students to pay for all or part of their student services and amenities fee: SA-HELP is a loan scheme that assists eligible students to pay for all or part of their student services and amenities fee. The student services and amenities fee is a fee that universities and other approved higher education providers (providers) can charge for student services and amenities of a non-academic nature, such as sporting and recreational activities, employment and career advice, child care, financial advice and food services. Students can choose to defer all or part of their fee for the relevant year. If you use SA-HELP, the amount will be added to your accumulated HELP debt. You can take out a SA-HELP loan even if you do not wish to take out any other HELP loan.
d) *OS-HELP* is a loan program to help eligible undergraduate Commonwealth supported students to pay their overseas study expenses[13]: OS-HELP is a loan available to eligible undergraduate students enrolled in a Commonwealth supported place who want to undertake some of their study overseas. OS-HELP can be used for a range of expenses such as airfares, accommodation, and other travel or study expenses. Students may receive one loan per six-month study period and can access a total of two OS-HELP loans over their lifetime.
e) *VET FEE-HELP* is a loan program to help eligible students enrolled in higher-level vocational education and training courses at approved VET providers to pay their tuition fees: VET FEE-HELP is available to assist eligible students studying higher level vocational education and training (VET) qualifications to pay their tuition fees. Higher

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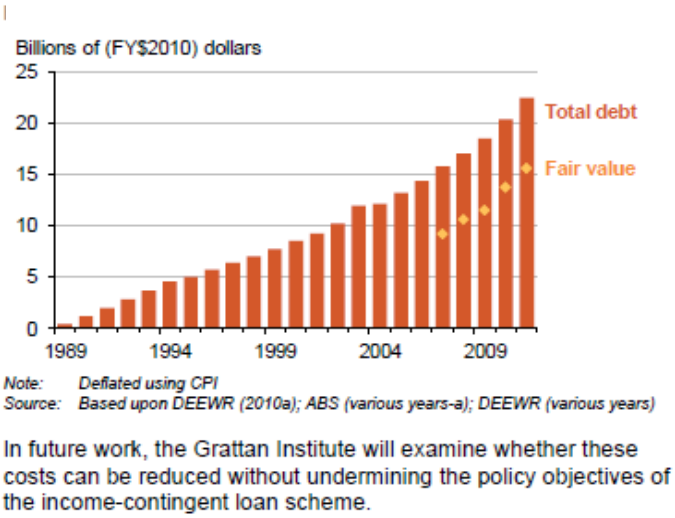
12 See: http://studyassist.gov.au/sites/StudyAssist/HELPpayingMyFees/

13 The Rudd Government has removed this loan in 2010 (see: http://www.innovation.gov.au/HigherEducation/Documents/Archive/PDF/Pages%20from%20A09-303%20Budget%20Fact%20Sheets-5_webaw.pdf)

level VET qualifications are at the diploma level and above; VET FEE- HELP is not available for certificate level courses. VET FEE- HELP can be used to pay all or part of an eligible student's tuition fees, but cannot be used for additional study costs such as accommodation or text books.

Figure 3.4. HELP debt outstanding.



Source: Norton 2012, p. 40

Repayment Conditions

HELP loans must be repaid to the Government. Through the Australian Taxation Office (ATO) the government sets out the conditions for repayment, which by and large depend on income. The summary below is based on ATO 2012. HELP loans are repaid depending on the income, which is called «HELP Repayment Income» (HRI).[14] If the HRI threshold is reached, payments are directly deducted from the salary through the employer. Payments can be deferred under strict conditions (e.g. hardship). In addition to compulsory repayments, voluntary payments by the debtor or anyone on his/her behalf are possible at any time. Voluntary repayments over $500 attract a 5% bonus on the amount paid (as of 1 January 2012). This means that the payer's account is credited with up to an additional 5% of the payment.[15] Voluntary repayments are non-refundable.

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[14] HRI = Taxable income plus any total net investment loss (which includes net rental losses), total reportable fringe benefits amounts, reportable super contributions and exempt foreign employment income (See http://www.ato.gov.au/individuals/content.aspx?doc=/content/8356.htm).

[15] For example: Kate has a debt of $4,500 and makes a $1,500 voluntary repayment. With the 5% bonus, the value of her repayment is $1,575 ($1,500 × 1.05) and her total debt is reduced to $2,925 ($4,500 – $1,575). Her bonus amount is $75 ($1,500 × 5%), See ATO 2012, p. 25.

Debt that has remained unpaid for more than 11 months is annually indexed to maintain its real value by adjusting it in line with changes in the cost of living (as measured by the consumer price index. The HELP-debt is not waived if the debtor goes overseas (the amount outstanding will continue to be indexed each year until the debt is paid off and voluntary repayments remain possible from overseas). The Table below lists the repayment thresholds and rates for the compulsory repayment of HELP and HECS loans for 2012-13.

Table 3.5. HELP repayment thresholds and rates 2012-13

HELP repayment income (HRI*)	Repayment rate
Below $49,096	Nil
$49,096-$54,688	4% of HRI
$54,689-$60,279	4.5% of HRI
$60,280-$63,448	5% of HRI
$63,449-$68,202	5.5% of HRI
$68,203-$73,864	6% of HRI
$73,865-$77,751	6.5% of HRI
$77,752-$85,564	7% of HRI
$85,565-$91,177	7.5% of HRI
$91,178 and above	8% of HRI

Source: ATO (at: http://www.ato.gov.au/individuals/content.aspx?doc=/content/8356.htm)

To encourage graduates to seek employment in certain areas of the country (specifically early childhood education teachers in remote areas, Indigenous Australian communities or areas of high socio-economic disadvantage) or to take up employment in an eligible occupation relating to courses (such as math or nursing) there is provision for a HECS-HELP benefit. This is a tax benefit, not a cash payment. It reduces the compulsory HELP repayment or accumulated HELP debt. Applicants must reapply each year and the maximum annual benefit amount is also annually indexed each year. Table 3.6 shows the maximum HELP tax benefit.

Table 3.6: HECS-HELP Benefit Amounts

Income year of tax return	Early childhood education teachers	Maths or science graduates	Nursing (including midwifery) graduates	Education graduates
2008–09	$1,600	$1,500	–	–
2009–10	$1,662.40	$1,558.50	$1,558.50	$1,558.50
2010–11	$1,693.99	$1,588.11	$1,588.11	$1,588.11
2011–12	$1,744.81	$1,635.75	$1,635.75	$1,635.75
2012–13	$1,795.41	$1,683.19	$1,683.19	$1,683.19

Source: ATO 2012, p. 14

3.2.2 Indirect support

The key form of indirect support is the voluntary repayment bonus described above.

3.2.3 Support in kind[16]

There is support especially for those who need to travel away from home to attend their studies. This support includes:

a) *Relocation Scholarships*, with the following conditions/characteristics:
- Full-time dependent students in receipt of Youth Allowance who have to live away from home to undertake a higher education or preparatory course at a higher education institution will receive a Relocation Scholarship
- The Relocation Scholarship is also available to independent students who are disadvantaged by personal circumstances and are unable to live in the parental home
- Students already receiving a Commonwealth Accommodation Scholarship (CAS) or indigenous CAS are not eligible to receive the Relocation Scholarship
- The Relocation Scholarship will provide $4124 to eligible students in their first year of study and $1031 in each year thereafter
- The Relocation Scholarship is payable in addition to the Student Start-up Scholarship

Note: other higher education programme funding not directed at students are, e.g.:

- *Better Universities Renewal Funding (to renew universities' infrastructure)*
- *Capital Development Pool (CDP) Program (for creating regional networks, refurbishment, focus on government priorities etc.)*
- *Education Investment Fund (supporting world-leading, strategically-focused infrastructure investments that will transform Australian tertiary education and research)*
- *Higher Education Providers - Private Providers (Approved private higher education providers are able to offer FEE-HELP to their eligible students, see above)*
- *Rural Tertiary Hardship Fund (has been discontinued)*
- *Structural Adjustment Fund (The Australian Government is providing funding of $377.2 million for projects to assist universities to prepare for the new operational requirements of a demand driven funding system with new quality measures in place. This funding includes $200 million from the Education Investment Fund (EIF) earmarked for capital investments. The priority of the Structural Adjustment Fund (SAF) is to assist universities that may otherwise struggle in the new student demand driven system to be introduced this year. The challenges are likely to be particularly acute for universities serving regional and outer metropolitan areas)*
- *Superannuation Program*
- *Teaching and Learning Capital Fund for Higher Education (The Teaching and Learning Capital Fund for Higher Education (TLC (HE)) was announced by the Prime Minister on 12 December 2008 as part of the $4.7 billion nation-building infrastructure package to support Australia's economy. The TLC(HE) is a one-off capital injection of $500 million to eligible higher education institutions across Australia to target new infrastructure as well as the upgrading of existing facilities)*

[16] See: Australian Government Family Assistance Office (2011).

b) *Fares Allowance*, with the following conditions/characteristics:
- Only paid to tertiary students who have to live away from their permanent home for study
- Reimbursement of the cost of the cheapest practicable form of public transport, regardless of transport actually used
- Not payable for daily travel

c) *Rent Assistance*, with the following conditions/characteristics
- Rent Assistance for single people without children may only be paid to those who receive the away from home rate of Youth Allowance
- Where both members of a couple without children are getting an allowance or benefit Rent assistance is shared

3.2.4 Support from private entities[17]

The most important non-government student support is provided through the Cowan Grants. The Cowan Trust is a private, enduring, autonomous charity providing financial help to tertiary students. It commenced in 1994 and has given over $1.3m. The Cowan Grants are exclusively need-based (not based on applicants' academic achievements). This is a key reason for the Trust's priority to rural and regional students, because of their additional accommodation burden.[18]

The grants provide support to eligible students who may also qualify for a Centrelink allowance.[19] Most Cowan Grants are given to students intending to study in Adelaide at a University or TAFE College, but there are grants for UniSA Mount Gambier, Whyalla, and JCU Cairns students. The Trustees give funds each year to the organisations listed below.[20] These organisations then call for applications or nominations and select students for scholarships or grants. Each organisation has different scholarships or grants, and differing ways of applying for them:

- Adelaide University:
  - Roseworthy Campus Residential College Scholarships
  - Marnie Cowan Music Scholarships
  - Bill Cowan Barr Smith Library (Post-Graduate) Fellowship
- James Cook University, Cairns:
  - JCU Professional College Young Endeavour Leadership Scholarships
  - Cowan Grant School of Marine & Tropical Biology, Cairns
- Kathleen Lumley College
- St Mark's College

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17 See: http://www.cowangrant.org/

18 See: http://www.innovation.gov.au/HigherEducation/Documents/Review/Subs2008/026CowanGrantTrust.pdf

19 These are the public endowments described above, which are administered through Centrelink, the government organisation that provides financial support to eligible applicants in all areas (including, e.g. unemployment, Parenting Payments etc.), based on income status

20 See: http://www.cowangrant.org/about-the-grants.html

- University of South Australia:
  - Ability Grants
  - International Placement Grants
  - Regional Grants, Mount Gambier & Whyalla
  - STS 'Young Endeavour' Practicum Grants

3.3 Portability of student financial support

3.3.1 Regular financial support

There are different reasons for discussing portability (e.g. the need to travel during the period of study to seek eligible medical treatment). However, this report focuses on portability of financial support for the purposes of studying abroad. In general, a secondary non-school, tertiary or Masters & Doctorate level student who is studying overseas is eligible for ABSTUDY assistance where:[21]

The student is enrolled on a full-time or concessional study-load basis in an approved course at a Australian higher education institution which approves the overseas study and is prepared to credit the results of study at the overseas education institution toward the approved course, and
The student meets the normal study-load requirements in respect of the approved Australian course

Subject to the Living Allowance and Fares Allowance provisions, students approved to study overseas do not receive any additional entitlements over and above their entitlements if studying at an approved Australian institution. A secondary non-school, tertiary, or Masters and Doctorate Level student approved for ABSTUDY while studying overseas is entitled to the Away From Home rate of Living Allowance.

Eligibility for approved Australian HEIs

The student must also ensure they remain enrolled in an approved course at an Australian higher education institution. Where a student defers their enrolment from the Australian higher education institution and is still enrolled at an overseas institution, they will no longer be eligible for ABSTUDY assistance.

In other words, students cannot use they normal support for degree mobility: they must be enrolled in a HEI in Australia and study abroad as part of their Australian studies. However, «[…] there is no limit to the period of assistance for secondary non-school, tertiary or Masters and Doctorate students who are undertaking overseas study, provided other eligibility and reasonable time conditions are met […]»

Students approved to study overseas may receive Fares Allowance entitlements, for travel within the overseas country, if their circumstances overseas would entitle them to Fares Allowance if these conditions were experienced in Australia, e.g. the student's family is

[21] See the Department of Education, Employment and Workplace Relations at http://deewr.gov.au/ (and http://deewr.gov.au/Indigenous/Schooling/Programs/Documents/ABSTUDYPolicyManual2009.pdf)

posted to a remote area overseas. Fares allowance to travel between Australia and the overseas country is not available.

Youth Allowance and AUSTUDY
If overseas absence is for the purpose of undertaking overseas study as a part of a full-time Australian course, this is covered for the entire period of the overseas study. In other words, short term mobility if supported.[22]

3.3.2 Additional funds for student mobility

There are two forms of funding specifically targeting mobility, namely (a) awards for foreigners to enter Australia, and (b) to support Australians wishing to go abroad for the purposes of tertiary study. Foreigners who wish to study in Australia may be eligible for one of the many private scholarships, listed in the database at http://www.studyinaustralia.gov.au/Scholarships. Aside these options, the Australian Agency for International Development (AusAID) and the Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE) offer the so-called «Australia Awards»[23]. The Australia Awards are comprised of two streams, namely (a) an «achievement stream» to target students, researchers and professionals to come to Australia and for Australians to do the same offshore and (b) a «development stream» that builds capacity in developing countries. The former stream provides for example the so-called «Endeavour Awards», merit-based scholarships providing opportunities for citizens of the Asia Pacific, the Middle East, Europe and the Americas to undertake study, research and professional development in Australia and for Australians to undertake study, research and professional development abroad[24]. The latter include initiatives such as the «Australia Awards» to promote knowledge, education links and enduring ties between Australia and its neighbours through an extensive scholarship programs.[25]

Australians wishing to study abroad can avail themselves (in addition to the above-mentioned «Endeavour Awards») of several options[26], including OS-HELP. These are loans available to Australian undergraduate students who wish to study at an overseas institution for part of their degree. HELP loans are not available for an Australian student who is enrolled at an overseas institution completing a qualification that will be awarded by the overseas institution[27]. Moreover, there are several scholarships offered by the Australian government or in cooperation with recipient countries, for example:[28]

- Fullbright Scholarships

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22 See: Department for Family, Housing, Community Services and Indigenous Affairs, at http://www.fahcsia.gov.au/about-fahcsia/international/policy/portability-of-australian-income-support-payments#table1

23 See: http://www.australiaawards.gov.au/

24 See: http://www.innovation.gov.au/InternationalEducation/EndeavourAwards/Pages/default.aspx

25 See: http://ausaid.gov.au/australia-awards/Pages/default.aspx

26 See: http://www.studyoverseas.gov.au/financialassistance/financial.html

27 See: http://studyassist.gov.au/sites/studyassist/helppayingmyfees/pages/os-help-loans-and-study-overseas

28 See: http://www.studyoverseas.gov.au/financialassistance/scholarships.html

- The German Government's Goethe Institute language programs for teachers and students of German
- Australasian Centre for Italian Studies (ACIS) Cassamarca Scholarships: scholarships of up to $6000 each for Australasians wishing to undertake research in Italy the following year
- The Walter Mangold Trust Fund Study Abroad Scholarship: to assist young Australians who are going abroad to study a language for a period of between three months and one year. The designated languages for 2012 Study Abroad Scholarships are Indonesian, Japanese, Chinese and Spanish
- Australia-Korea Foundation Scholarship Program: to promote people-to-people and institutional links covering the spectrum of Australia's relations with Korea
- Japanese Government Monbukagakusho Scholarships: to Australian undergraduates who wish to study at Japanese universities for 12 months
- The Baudin Travel Grants: to encourage Australian nationals to study for a semester or a full academic year at a French university at an undergraduate level (3rd year), postgraduate level (master 1 or 2: years 4 or 5 of university studies, or PhD)

3.4 Policy rationales for student financing

The Bradley report (pp. 47 ff.) states that:

> A strong correlation exists between students' socio-economic status and their participation in higher education. Income support and other financial assistance are critically important to attract financially disadvantaged students into higher education and keeping them there. The nation's need for improved productivity as well as simple fairness means that we must ensure that people from this group are able to participate. Also financial support arrangements must encourage older workers to retrain or upgrade qualifications.

Therefore, according to the same report, the organisation of income support for higher education students should abide by following principles—which have guided the recent changes, particularly the switch to the a demand-driven uncapped placement system (p.48):

- Allow for a fair allocation of resources and treat recipients fairly
- Link criteria to improving participation of financially disadvantaged students by:
    - Targeting at the most needy students.
    - Recognising the special financial needs of Indigenous, low socio-economic status and regional and remote students.
    - Providing a satisfactory level of benefits to enable students to support themselves and their dependants with only a small amount of additional income supplementation.
- Assist national productivity by encouraging initial and on-going participation by a broader group of the Australian community to make the personal investment in higher education study
- Be easy to understand and to access by:
    - Transparently and consistently applying criteria for access to benefits.
    - Ensuring that assessment of eligibility criteria and access to benefits are completed in a timely fashion on application

But the Report then points out that (p. 49 ff.):

> […] concerns about income support arrangements have been growing. There is evidence of a decline in the financial circumstances of higher education students between 2000 and 2006; failure of student income support to accurately target those most in need; and a decline in Australia's position compared with other countries in the provision of subsistence grants and scholarships. These factors may well be having an adverse impact on participation and attainment rates and the quality of the higher education experience for many. […] However, because the Commonwealth Scholarships program has failed to increase the participation rate of low socio-economic status or regional and remote students the panel considers the program needs more radical change.

The report concludes that although higher education is becoming less affordable the contributions made by students themselves through the income contingent loans scheme are currently appropriate and should not be increased. On the contrary, the report calls for urgent action on publicly-funded income support and scholarships, taking into account the following general goals (pp. 58 ff.):

- The need to change the scope and nature of the program, e.g. by extending Centrelink benefits (AUSTUDY and Youth Allowance) to all Masters coursework programs subject to students satisfying the usual eligibility conditions
- Refining the targeting of the recipients, in particular the definition of student «independence» (which impinges on the eligibility for support)
- Updating and changing the indexation arrangements, particularly the thresholds for being eligible for acceding to benefits
- Changing the management arrangements for scholarships (e.g. the timing for applications)

As mentioned above, in response to the Bradley Review, the Government has uncapped the number of university places as of 2012. This is seen as an important move towards a «universal» higher education system.

3.4.1 Fit of student financing rationales with overall higher education policies

The higher education financing arrangements must support a vision that provides more highly qualified graduates, and nurtures, supports and rewards those who produce new ideas and new ways of doing things to prepare Australia to compete more effectively as the global race for talent intensifies. Therefore, the higher education financing arrangements must (Bradley report pp. 141 ff.):

- Provide adequate resourcing and flexibility in terms of student entitlement and choice to enable a step change in the numbers of people with higher education qualifications
- Meet attainment targets
- Lift participation and success for under-represented groups, including Indigenous students and those from low socio-economic backgrounds and regional and remote areas
- Contain costs for students and improve income support for those in need so that they can complete their studies without being unreasonably worried about surviving financially

- Attract and retain academic staff and reduce student-to-staff ratios to improve the quality of the learning environment and outcomes
- Strengthen our universities in their mission to underpin the country's research and innovation effort

3.5 Experiences with student financing

3.5.1 Total costs of study

Even though the Australia Government subsidises Commonwealth supported places, students still have to make a payment towards their education and this is known as the «student contribution» amount. The Government groups different areas of study into «Bands» and it sets a minimum and maximum range that can be charged on a EFST, for units that fall into the various Bands. This was described above (see Table 1).

In addition to tuition fees/contributions, other costs might include commute/relocations, subsistence and accommodation. http://www.studyinaustralia.gov.au estimates that an average international student in Australia will spend about A$500 a week on accommodation, food, clothing, entertainment, transport and telephone.[29]

3.5.2 Public subsidies through student support in relation to the costs of study

A 2012-13 press release (Evans 2012) claims a multi-billion dollar increase in aggregate funding over the life of the Government—including an increase of >41% in the CGS between 2010 and 2015 in response to the expected expansion in enrolments resulting from the 2012 uncapping. The same press release also points out that the uncapping has already had advantageous effects in terms of supporting access from lower SES students. Evans, 2012:

> These reforms have resulted in 40,000 university offers being made to students from low socio-economic or disadvantaged backgrounds this year. This is a 19 per cent increase since 2009 when the Gillard Government set targets to increase participation by low SES students.

Table 3.7, taken from Evans (2012), shows trends in CGS funding side-by-side the number of funded student places.

[29] See: http://www.studyinaustralia.gov.au/en/Study-Costs/Study-costs

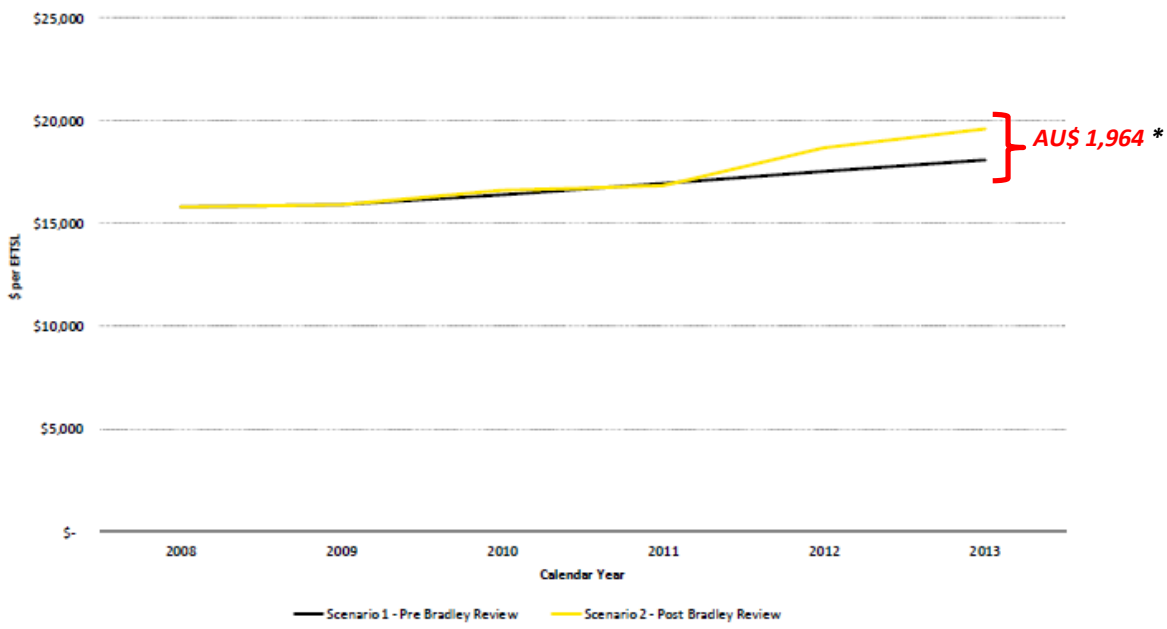
Table 3.7. Students, funded students places and CGS, 2007-2015

	Students	Funded student places	Commonwealth Grant Scheme funding
2007	562 079	428 735	$3.5 b
2008	575 675	439 666	$3.8 b
2009	612 873	469 073	$4.1 b
2010	652 394	499 704	$4.8 b
2011*	670 000	518 900	$5.0 b
2012*	710 000	547 900	$5.9 b
2013*	740 000	572 400	$6.1 b
2014*	760 000	590 700	$6.5 b
2015*	770 000	598 300	$6.8 b

Source: Evans 2012

In April 2012 Ernst & Young was engaged by the Australian Department of Innovation, Industry, Science, Research and Tertiary Education to conduct an independent review of higher education funding levels (Ernst & Young, 2012). Two scenarios were constructed. The first scenario (Scenario 1 – «Pre Bradley Review») examined the likely outcome if no Bradley Review related reforms were made and funding levels as published in 2008-09 remained in effect. The second scenario (Scenario 2 – «Post Bradley Review») examined the effects of the Bradley Review higher education reforms from 2010 onwards. Student numbers for each scenario were developed based on the unique parameters of each scenario. According to projections presented in this review, higher education funding per Commonwealth subsidised EFTSL (Equivalent Full-Time Student Load) is generally increasing under both scenarios. Scenario 2 funding per EFTSL exceeds Scenario 1 in nominal terms in 2010 and from 2012 onwards. In 2013, the per EFTSL funding is $18,074 for Scenario 1 and $19,600 for Scenario 2, the difference being an increase of 8.4% over Scenario 1.

Figure 3.5. Higher Education Funding per Equivalent Full-time Student Load (T&L and HECS-HELP).



Source: Ernst & Young, 2012, p.11 (*difference cipher added by author)

3.5.3 Impact of student financing on student behaviour

There have been few studies on how Australian student financing mechanisms might impinge on student behaviour. The change to an uncapped system is very recent and effects are still hard to assess. There are, however, some analyses of the impact of earlier reforms, particularly changes in HECS, on different aspects of student behaviour. Also, there are some first indications/estimates on the effects of the latest reform.

Impact on participation

Key changes are the introduction or increase of loans and repayment terms. As mentioned above, in Australia HECS was introduced in 1989 and underwent changes in 1997, 2004 and 2005 (i.e. higher and differentiated bands coupled with changes in repayment thresholds, see table 2). Several studies suggest adverse effects on student enrolments immediately after the reforms. For example, Andrews (1997, cited in Andrews 1999, p. 11) investigated the impact of HECS on the level of applications to higher education institutions. Applications from school leavers were found to be slightly reduced following the introduction of HECS in 1989 while those from mature persons were down slightly following the 1997 changes. Both falls in demand as measured by the level of applications amounted to about 5–7% of total application, which effected the «unmet demand» not that actual enrolments (as the number of applications has always exceeded the number of places offered in any year).

Impact of loan liability on participation

- *Slightly less applications (- 5-7%)*
- *No big drop in enrolments*
- *Less unmet demand*
- *No change in socioeconomic make-up of student population*
- *No effects on fields of study*
- *No effects on propensity to apply*

Andrews (1999) also points out that the effects of HECS on the overall socio-economic composition of student population is virtually nil although significant differences in representation in the three HECS bands persist (with low SES students being under-represented in HECS Band-3). Nonetheless, it is also known that the dominance of students from high socio-economic backgrounds in Band-3 fields of study has been a long-term feature of Australian higher education and predates the introduction of HECS in 1989 (a 1984 Commonwealth of Education survey found that over 75% of veterinary science and law students had fathers who worked in professional or managerial occupations, in Marginson 1997, p 146, cited in Andrews 1999, p.18). Moreover, changes in HECS had no effect on the fields of study, which are intrinsically related to personal interest and antecedent conditions, e.g. peer group/family (*Ibid*.).

Attitudinal studies also suggest that increasing debt (through higher HECS and lower re-payment thresholds) did not significantly affect propensity to apply. The Higher Education Council commissioned a survey in 1991 to examine the effects of HECS on both the aggregate and the composition of students (Higher Education Council 1992, cited in Andrews, 1999, p. 12). The survey targeted disadvantaged groups among year-12 students and adults and revealed that for school leavers HECS was found to be a low ranking factor for those deciding not to go to higher education and a middle ranking factor (behind academic factors and more pressing economic factors) for those intending to undertake higher education, or still undecided whether to do so. For adults HECS was again only a middle ranking factor regarding their attitude to undertake higher education (behind academic and more pressing economic factors).

Impact on performance

Students may defer HECS repayments to the future when it will be part of the income tax under certain conditions (see above) or they may pay up-front. The former (and most made) choice means that students are accumulating debt. But this raises the question whether debt accumulation has or not an effect on student performance overall (e.g., grades, and probability of completing their degree). Birch and Miller (2006) suggest that there are three possible effects of HECS on student performance, namely (a) making students more appreciative of the value of their education, and hence induce greater effort, (b) inducing students who pay upfront to engage in market work to the detriment of their studies, or (c) HECS debt paid upfront might compound the effects of an existing set of financial hardships, further reducing performance. To provide a comprehensive picture, Birch and Miller (2006, pp. 14 ff.) looked into performances of 1st year students as well as older students, and interacted the HECS debt variable with the Tertiary Entrance Scores (TER, which is used for selection to universities).[30]

Impact of loan liability on performance

- *More motivation for lower SES students but year-1 high performers (TER>88) still have lower grades than their peers (high performers) who have no debt*
- *No effects on performance over time (measured by grades after year-1)*
- *Marginally lower retention rates*

The key findings suggest that first year students who take out loans to finance their university study have marks that are slightly lower than the marks of students who pay their HECS liability up-front (i.e. finance their university study by other means).[31] However, when the «All HECS Deferred» variable is interacted with the «TER variable» the picture is different. Students who defer all their HECS liability, and whose TER score is below 88, have marks that are higher than the corresponding marks for students who pay their total HECS liability up-front. This pattern of effects is consistent with the notion that a HECS debt is associated with higher levels of motivation. But, a HECS debt continues to have a negative impact on first year marks among students with higher TER scores (above 88). This might reflect the less favourable socioeconomic background of students who defer their HECS, which is associated with poorer academic performance which in turn is not offset by higher levels of motivation for such high-TER students (see also Tinto 1975, cited in Birch and Miller 2006). If the latter point holds true, the HECS Debt effect on student performance would be expected to dissipate over time (among second- and third-year students) and, as students integrate into the academic and social environment of the institution.

Birch and Miller (2006, pp. 21 ff.) found that students who defer their total HECS liabilities (i.e. take out student loans for the full cost of their tertiary study) have lower retention rates at university than students who pay some or all of their HECS upfront (i.e. students who finance their study by other means), but the impact is small, and is similar to the impact seen in the U.S.

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30 As of 2010, it has been replaced by the Australian Tertiary Admission Rank (ATAR). In the text we leave the word TER because that was used in the analysis

31 This finding is consistent with US studies (e.g. Reynolds and Weagley ,2003) which indicate that, in the United States, having a student loan has a negative impact on the likelihood of graduating

Regarding performance (measured in grades), Birch and Miller's empirical study suggests that over time students with HECS liability *and* high TER scores (who in year-1 under-performed vis-à-vis their peers with similar TER scores but no HECS debt) show no significant difference in grades from their peers. In other words HECS debt appears to be as a proxy for socioeconomic background and the related circumstances that impact on study habits and commitment.

Other societal impacts

Studies on the effects of HECS debt on social inequality have generally pointed out that individuals with HECS debt are less likely to own a house, and less likely to have a higher socioeconomic status, relative to their counterparts without HECS debt (Houssard, Sastro, & Hardy, 2010).

3.5.4 Impact of student financing on achievement of general policy objectives

It is too early to undertake a detailed assessment of the impact of the current expansion in the higher education system, and of the new demand-driven system, on university admissions. In general, the number of applicants is expected to rise. Therefore, the Government has committed large amounts towards universities (Group of Eight, 2012a).

The Quote (9 May 2012)

«I don't think anybody believes that uncapped commonwealth-supported places will be there in five years […] most (vice-chancellors) are trying to position themselves for as much growth as possible over the next two years, because they think this can't keep going».

(Mr Maddock, head of one of Victoria's biggest TAFEs)

From: Uncapped system can't last: TAFE boss at: http://www.theaustralian.com.au/higher-education/uncapped-system-cant-last-tafe-boss/story-e6frgcjx-1226350135567

Increasing the number of offers to school leavers necessarily means most of the additional offers will go to students with low ATARs. This is clearly what happened following «Backing Australia's Future» reforms (2003), and to a lesser extent during the «phased implementation» of the demand-driven system (2010 and 2011). Hence, this move is likely to lead to more students who are less academically prepared and who will, therefore, need more support and more intensive teaching, which will cost more (Group or Eight, 2012b). At the same time, one can expect greater emphasis on learning outcomes and exit standards at the expense of the current focus on entry standards (such as ATAR). Finally, a «universal» system will be a more diverse system, so in addition to strong minimum standards, there will need to be ways for universities to demonstrate outcomes above the minimum (Group or Eight, 2012).

4 Canada

4.1 The higher education system

Canadian higher education system comprises 94 universities and university colleges. The system has seen a strong expansion of 44% since 2000. In 2011 just over a million undergraduate students were studying at Canadian universities (1,015,000) (QuickFacts 2012, http://www.aucc.ca/media-room/publications/quick-facts-on-canadian-universities/). The increase in enrolments was also seen among graduate and foreign students. Full-time graduate enrolment grew from 81, 000 in 2000 to nearly 145,000 in 2011. The number of international students increased from 25,000 in 1995 to 100,000 in 2011 (Ibid.). Overall, the system can be characterised as a multimillion industry with 1.2 mln students in degree programmes, 42,000 full-time professors and $10 bn worth of research activities (AAUCC 2013, http://www.aucc.ca/canadian-universities/).

Provinces and territories are responsible for all levels of education including universities. There is no federal ministry of education or formal accreditation system. Since 2008, federal responsibility for higher education is under the umbrella of Human Resources and Skills Development Canada (HRSDC), Learning Branch. This branch oversees the following programs: Canada Student Loans and Grants, Saving for Education, Student Exchanges and Academic Mobility (Ibid.) In the absence of a federally coordinated system, higher education policy at the national level is represented by the amalgamation of the common interests of 13 provincial and territorial systems variable in size. At the same time, as noted by Kirby (2007) shared provincial and federal responsibility for economic development, along with federal spending power, has frequently permitted the national government to involve itself in various aspects of higher education policy. While the 13 provincial and territorial governments are the primary sources for the funding of public higher education institutions, the federal government also has supported the development of higher education by providing funding in areas such as research initiatives at community colleges and universities, financial assistance programs for students and indirect funding to institutions via fiscal transfer arrangements with the provinces (Kirby 2007).

Amongst the OECD member countries, Canada has the highest level of educational attainment with almost half of the population (46%) aged 25 to 64 having completed either tertiary-level education. The OECD average for this measure is 26%. With approximately 2.4% of its gross domestic product (GDP) devoted to higher education, Canada has the third highest expenditure on educational institutions relative to GDP amongst OECD countries, after the United States (2.9%) and South Korea (2.6%) (OECD, 2008).

4.2 General higher education policy developments

Among a host of policy issues, Canadian universities are working to improve the undergraduate education experience, research and innovation, global connections, accessible education for Aboriginals, and a modernized legislative framework for digital access to copyright material. For example, in the province of Ontario (the one with the highest tuition fees), access to higher education is a central policy issue. It is acknowledged that participation in higher education is beneficial for the society as a whole, thus the province of Ontario aims to ensure equitable access to higher education for people from all backgrounds (Zhao, 2012).

As there is no federal steering of universities, the policy making regarding higher education mainly takes place at the federal Parliament level or the provincial government levels. The Canadian university association website notes that the key policy aims are enhancing quality and innovation in undergraduate education. The same website as well as the committee report on the higher Education internationalization Strategy note that one of the crucial aims for the Canadian higher education policy in the face of global competition and the need of attracting additional income to universities internationalization is becoming a top priority for Canadian universities. First of all, it is established that international students markedly contribute to the Canadian economy by $6.5 bn annually. The enrolment of international students has increased by 10% in 2011, these students represent about 8% of the total undergraduate student body and close to 20% of full-time graduate students. Further, it is noted that international students enrich the educational experience of Canadian students. The Federal government report notes that international students generate 81,000 jobs. It is also noted that it is imperative to increase the chances for Canadian students to study abroad. 12% of undergraduates in Canada participate in the study abroad before graduation. The government argues that more Canadians should experience studies abroad in order to prepare a more diverse workforce for the Canadian knowledge economy (Association of Universities and Colleges in Canada, 2013).

Financial considerations are often cited as the most significant reason for Canada's low participation rates in international study experiences. University representatives argue that they should do better. The policy advice so far related to the release of the advisory panel's report on Canada's International Education Strategy which is supposed to advice the federal government on a new strategy for international education proposes a new mobility program to enable an additional 50,000 Canadians to study abroad by 2022 (Ibid.). The Strategy document gives two main recommendations related to study financing. To provide unified study abroad scholarship for undergraduate students and to unify and brand under one label the postgraduate scholarships in the areas which are vital for the Canadian system of innovation (Advisory Report, 2012).

4.3 Tuition fees and other private contributions

According to Finnie and Mueller (2008), tuition was low as the percentage of the total cost of education at Canadian higher education institutions until mid-1990s. However, with the

reduction of university funding by provincial governments in the 1990s, higher education institutions were inclined to diversify their sources of income through higher tuition fees (Finnie and Usher, 2005, cited in Finnie and Mueller (2008).

Tuition fees are regulated by ten provinces in Canada and the fees vary per province. Some provinces set the upper limit of the tuition fees while others allow the institution to raise tuitions in small annual increments following the agreements between provincial governments and institutions. Overall, in 2011 fees rose nationally by an average of 4.3% in a year to C$5,366 (1 Euro=-1.34 C$). The differences of fees between the provinces varied from C$2,549 in Quebec to C$6,640 in Ontario. The tuition fees also differ per discipline. For example, to study Education students had to pay on average C$4,000 per year, while Dentistry major cost C$16,000 per year (Marcucci and Usher, 2012, p. 22). The trend of incremental change is likely to continue as the provincial governments are not inclined to allow institutions to offset increasing costs by raising further the tuition fees. The 'cheaper fees' province, Quebec, for example, has allowed their universities to increase the fees by C$325 for five consecutive years starting in 2012. While the government of the 'more expensive' province in 2011 proposed to reduce tuition fees in higher education institutions by one third for the full-time students from families making less than C$160,000 per year (Ibid.).

4.4 Student financial support

Canadian student financial support systems is made up of direct and indirect support. Direct support includes student loans and grants. The indirect support includes tax incentives and savings programs for parents. These programs are supported by the federal, provincial and territorial governments. In 2007, the Canadian government spent over $6 bn annually on student financial support (Fry, 2007).

The student financial support system is regulated by one national legislative framework, the Canada Student Financial Aid Act, which is applicable for all provinces and territories. According to the students, there are three main paradigms of student financial support in Canada. The first one encompassing 98% of total provided assistance is the assistance programmes run by the Canada student loans system, provincial assistance programs and the Canada Millennium Scholarship Foundation (CMSF). The second and third paradigms are applied mainly to part-time students. This pertains to the aid based on income and to the students from the Northern territories who all receive some kind of aid based on income and need (Fry, 2007, p.15).

The student aid programmes have not been changing much in the past years despite the numerous discussion on access to higher education. The aid programmes at federal level continue to overlap with the provincial aid. The Canadian governmental loan program did not change its loan limits. The federal grant programme became 'slightly more generous through indexation"(Marcucci and Usher, 2012, p. 23). Similar trend is observed at the provincial level. Provincial aid programs remained the same as changes took place only at the extreme margins. Saskatchewan provides more scholarships for Aboriginal students and

New Brunswick has promised to increase bursaries. The province of Quebec is the one with main news in 2011 as it announced that 35% of funds raised through fees will be set aside for use in the financial aid program. This money will be used to give grants (100% tuition fee waivers for the poorest) and to expand eligibility for loans (Quebec has the tightest eligibility restrictions for dependent student because of its very high parental contribution requirements (Marcucci and Usher, 2012, p. 23).

Through various outreach initiatives, the Canada Student Loans program (CSLP) informs students and families of the costs and benefits associated with post-secondary education as well as financing options available to students. The CSLP also works to improve awareness of the Government's programs for students who have traditionally faced barriers in accessing post-secondary education.

The CSLP's main information dissemination tool is the CanLearn.ca website, which is the Government of Canada's online source for information to help Canadians save, plan and pay for their post-secondary education. The CSLP provides outreach efforts across Canada aimed at raising awareness about various program initiatives. This includes presentations and training, exhibit activities, campaigns, online resources, and the development of toolkits, publications and reference material (http://www.canlearn.ca/eng/index.shtml, accessed 2013 January 20).

In 2010-2011, the CSLP collaborated with the provincial governments of Manitoba and Nova Scotia to create the "Why Not You?" pilot awareness campaign designed to reach out to low-income Canadians, particularly students in grades 8-12, first generation students, rural Canadians and students with dependants.

4.4.1 Direct support for students

The direct student support consists of loans and grants both from the federal government as well as the provincial governments. The Canada Students Loans Programme and the Canada Student Grants Programs are central governmental programmes provided direct support to students in Canada. Applicants are assessed for federal and provincial loans and grants through a single application process. For students receiving funding for full-time study, more than half (60%) of their assessed financial needs is funded by the Government of Canada (up to maximum of $210 per week in loans). (EPI, 2008, p. 19). These programs either hand out money either at the end of a year of studies (as in Ontario) or at the end of a program of studies (as in Alberta), and are technically payable to a students' financial institution rather than the student him/herself (Junor and Usher 2004 as quoted in EPI, 2008, p. 19).

Grants and scholarships

Canada Student Grants offer non-repayable funding to eligible students, including those from low and middle-income families, with permanent disabilities and/or with dependants. Students' eligibility for a Canada Student Grant is assessed at the time the student applies for provincial/territorial assistance.

Students from low- and middle-income families qualify based on a set of defined income levels (the low- and middle-income thresholds are adjusted to reflect the cost of living in each province and for different family sizes). The program provides $250 each month in grants for students from low-income families and $100 each month for students from middle-income families. The program also provides full-time low-income students with dependants an additional grant that provides more up-front money ($200 per month for each dependant under 12, or a dependant with a permanent disability who is 12 or older) (Human Resources and Skills Development Canada, 2011).

Canada Student Grants are also available for students with permanent disabilities. Students with a permanent disability can receive a grant of $2,000 for the school year and those who require special services and/or equipment can receive up to $8,000 in additional funding. Students who wish to apply for the Grant for Students with Permanent Disabilities or the Grant for Services and Equipment for Students with Permanent Disabilities provide additional documentation when they apply for a Canada Student Loan in order to be assessed for these grants.

Canada Student Grants are designed so that students know up front how much money they will receive and when. Grants for low- and middle-income families are based on the size of family income, which better reflects the particular financial circumstances facing the borrower.

In 2010-2011, 380,221 grants were provided to 320,154 students, which is an increase of approximately 8% as compared to the number of students who received grants in 2009-2010 (See table 4.1).

Table 4.1: The distribution of each type of grant provided in 2010-2011 (Note: Totals reflect data values which are rounded, a student may receive more than one grant).

Type of Grants Reference * is located after the table	2009-2010		2010-2011	
	Number of Grants	Value of Grants ($ million)	Number of Grants	Value of Grants ($ million)
Students from low-income families	190,083	$353.4	206,001	$385.9
Students from middle-income families	83,341	$60.9	87,604	$64.7
Students with dependants	28,212	$66.3	33,733	$79.9
Students with permanent disabilities	18,185	$33.8	20,613	$38.6
Students with permanent disabilities - equipment and services	8,099	$22.1	8,876	$23.7
Part time students	4,147	$4.4	6,186	$6.7
Part time students with dependants	114	$0.1	162	$0.2
Transition Grants Reference ** is located after the table	35,089	$52.1	15,884	$24.0
Millennium Excellence Awards Reference *** is located after the table	39	$0.2	1,162	$6.5
Total Number of Grants Reference **** is located after the table	367,309	$593.4	380,221	$630.0
Total Number of Grant Recipients Reference **** is located after the table	295,153	$593.4	320,154	$630.0

* Refer to Glossary for a description of each type of grant.

** Preliminary numbers for 2010-2011. Transition Grants are provided to students who received funding from CMSF. The decreased level of support in 2010-11 is owing to the fact that these grants are gradually being phased-out as students complete their study programs.

*** As the CMSF distributed the majority of the 2009-2010 Millennium Excellence Awards prior to its sunset, the small number of grants (39) cited here are those which the CSLP provided. 2010-2011 was the first year the CSLP delivered the Excellence Awards to a full cohort.

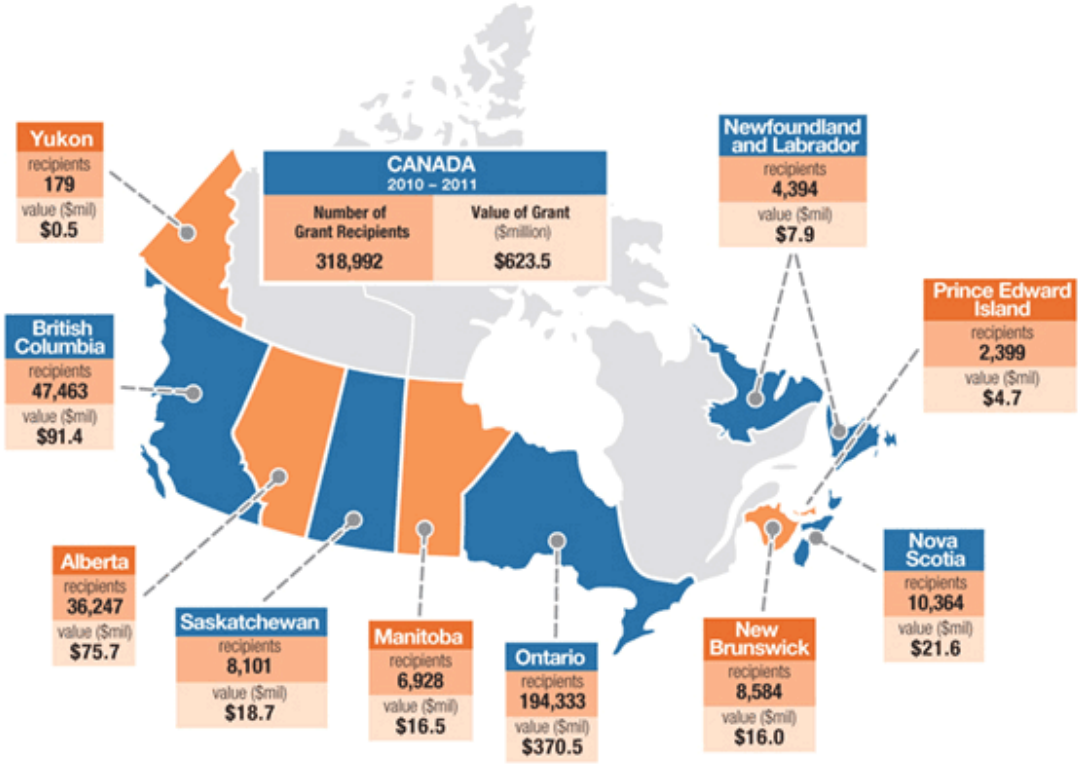
**** Total number of grants is greater than the total number of grant recipients because some students received more than one type of grant.

Source: Human Resources and Skills Development Canada Annual Report 2011:adahttp://www.hrsdc.gc.ca/eng/learning/canada_student_loan/Publications/annual_report/2010-2011/results.shtml#student_grants

As shown in Table 4.1, the variety of grants are made available depending on the income level and the need of students. Besides the earlier mentioned grants for middle and low income students as well as students with disabilities, grants for students with dependents and part-time students are also available:

- Canada Student Grant for Persons with Dependants: Under this grant, low-income students with children may receive $200 in grant assistance per month of study for each child under 12 years of age.
- Canada Student Grant for Part-Time Students with Dependants: Under this grant, part-time students with up to two children under 12 years of age may be eligible for $40 per week of study, and part-time students with three or more children may be eligible for $60 per week of study.
- Canada Student Grant for Part-Time Studies: Under this grant, part-time students may be eligible for up to $1,200 per school year (Human Resources and Skills Development Canada, 2011).

Looking at the regional distribution, it is possible to see that the largest number of grant recipients is in Ontario, the province which has highest tuition fees. The map below illustrates the distribution of Canada Student Grants by province and territory for 2010-2011.



Caption: This is a graph of the geographical distribution of full-time grant recipients and value of grants. In the 2010-2011 loan year, the CSLP disbursed 380 221 grants worth $630 million, of those, 194 333 students from Ontario received grants for a total value of $370.5 million, while 179 students from the Yukon received grants totaling $500 000.

Source: Human Resources and Skills Development Canada Annual Report 2011: http://www.hrsdc.gc.ca/eng/learning/canada_student_loan/Publications/annual_report/2010-2011/results.shtml#student_grants.

Student loans

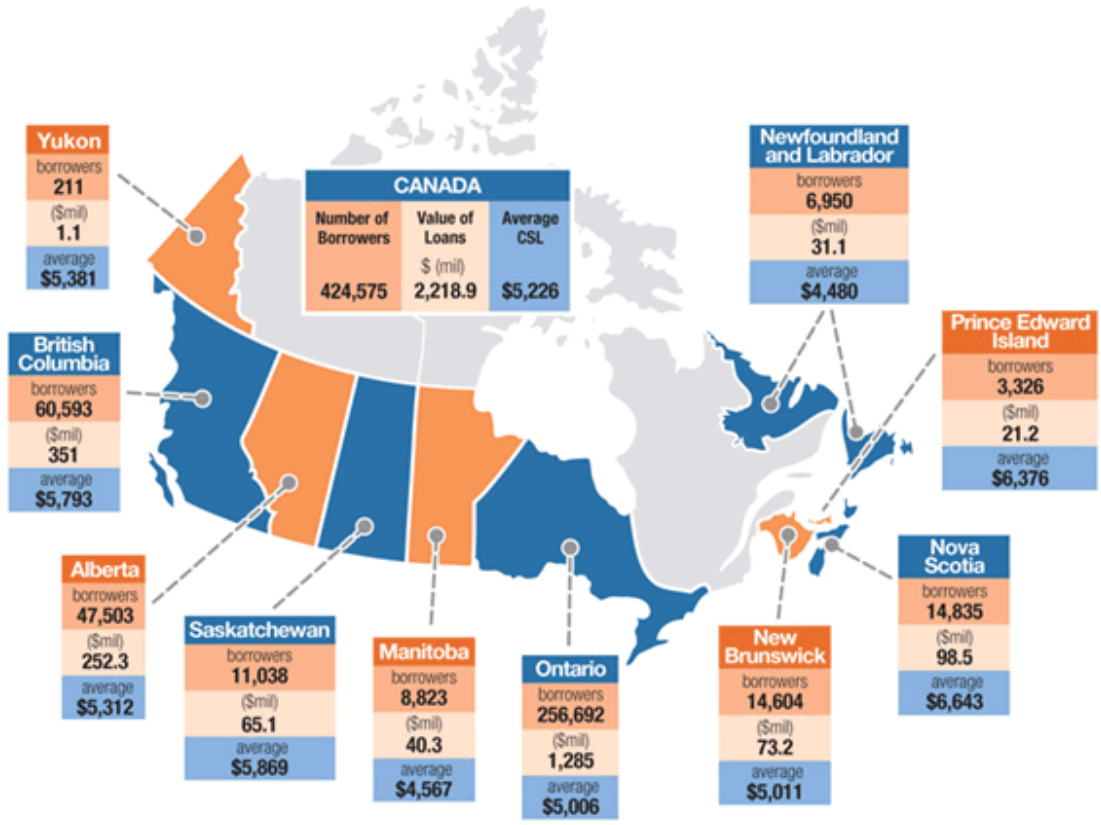
Canada Student Loans are available for eligible Canadian students enrolled in a degree, diploma or certificate program at any higher educational institution. To be eligible, a student must reside in a province or territory that issues Canada Student Loans. Further Canada Student Loan recipients are provided with interest subsidies, whereby the Government of Canada pays the interest on their loans while they are enrolled in school.

The CSLP contracts a private-sector Service Provider to manage borrower accounts, which operates under the name National Student Loans Service Centre (NSLSC). The NSLSC is the main point of contact for borrowers in managing their loans and it serves them throughout each phase of the loan cycle.

In 2010-2011, the CSLP provided $2.2 billion in loans for full-time studies to approximately 425,000 students. This is an increase of approximately 6% in the number of full-time students who received Canada Student Loans in 2009-10.

In 2010-2011, over half of full-time Canada Student Loans were disbursed to students from Ontario (60%), while 14% went to students from British Columbia, the next largest participating province. The increase in number of Canada Student Loan recipients was highest in Saskatchewan and Alberta which increased by 12% and 11% respectively.
The Government of Canada now has integration agreements in place with five provinces: British Columbia, Saskatchewan, Ontario, New Brunswick, and Newfoundland and Labrador. This means that more than 80% of Canada Student Loan borrowers can manage and make payments on their federal and provincial loans at the same time, to the same place following the one student one loan approach.

The following map provides a provincial/territorial breakdown of Canada Student Loans for full-time students in 2010-2011:



Caption: This is a graph of the geographical distribution of full-time loans disbursements by average loan amount. In 2010-2011, the Canada Student Loans Program provided $2.2 billion in loans to 424,575 full-time students, with an average of $5,226 per recipient. Over half of full-time loans were disbursed to students from Ontario (60%), while 14% went to students from British Columbia, the next largest participating province.

Source: Human Resources and Skills Development Canada 2011.

Recent program enhancements have broadened access to financial assistance for those studying on a part-time basis, including adults who are retraining to upgrade their skills and better position themselves for the job market. Specifically, the enhancements are deferred payment of accruing interest on loans while in-study. Part-time students can borrow up to a maximum of $10,000, up from the previous maximum of $4,000.

In 2010-2011, $6.9 million in Canada Student Loans for part-time study was provided to nearly 4,000 students. This represents a significant 47% increase from the number of part-time students (approximately 2,700) who received support in 2009-2010. The number of part-time student loans has more than tripled since the 2008-2009 loan year.

The following Table 4.2 illustrates the increased support that has been provided to part-time students over the past three years:

Table 4.2 Canada Student Loans for Part-Time Study

Canada Student Loans for Part-Time Study		
Loan Year	Number of Borrowers	Value of Loans ($million)
2008-2009	1,425	$2.8
2009-2010	2,698	$4.6
2010-2011	3,974	$6.9

Additionally, there has been a five-fold increase in the number of married students receiving support for part-time study under the Canada Student Loan Program (132 in 2008-2009 vs. 632 in 2010-2011) (Service Canada 2013).

Repayment conditions

Canada Student Loans, like any loan, must be repaid by students. Interest only begins to accumulate on a Canada Student Loan after completion of studies, and no payments are required in the first six months. Loans are typically scheduled to be repaid through monthly payments over a 114 month (9.5 year) period, but borrowers may choose to pay more quickly or to extend the payment period, up to a maximum of 14.5 years.

The CSLP provides assistance to students throughout the entire life cycle of their loans and offers several repayment options once they have completed their studies. In keeping with the goal of promoting access to post-secondary education, the Government of Canada pays the interest on student loans for full-time and part-time study while borrowers are in school.

In recent years the Government of Canada has improved the repayment assistance it offers to student borrowers experiencing difficulty repaying their loans. The Repayment Assistance Plan was implemented in August 2009, streamlining and enhancing the support that had been available under previous CSLP debt management programs (Interest Relief and Debt Reduction in Repayment). Further, disability related and work-contingent loan remission programs have been initiated.

Further, Human Resources and Skills Development Canada strives to reduce the default rate on Canada Student Loans. The majority of defaults occur within three years of entering repayment. The CSLP uses the three-year cohort default rate as a main indicator of the performance of the Canada Student Loan portfolio. This rate compares the value of the loans that enter repayment in a given loan year (cohort) and default within three years to the value of all the loans that entered repayment in that cohort.

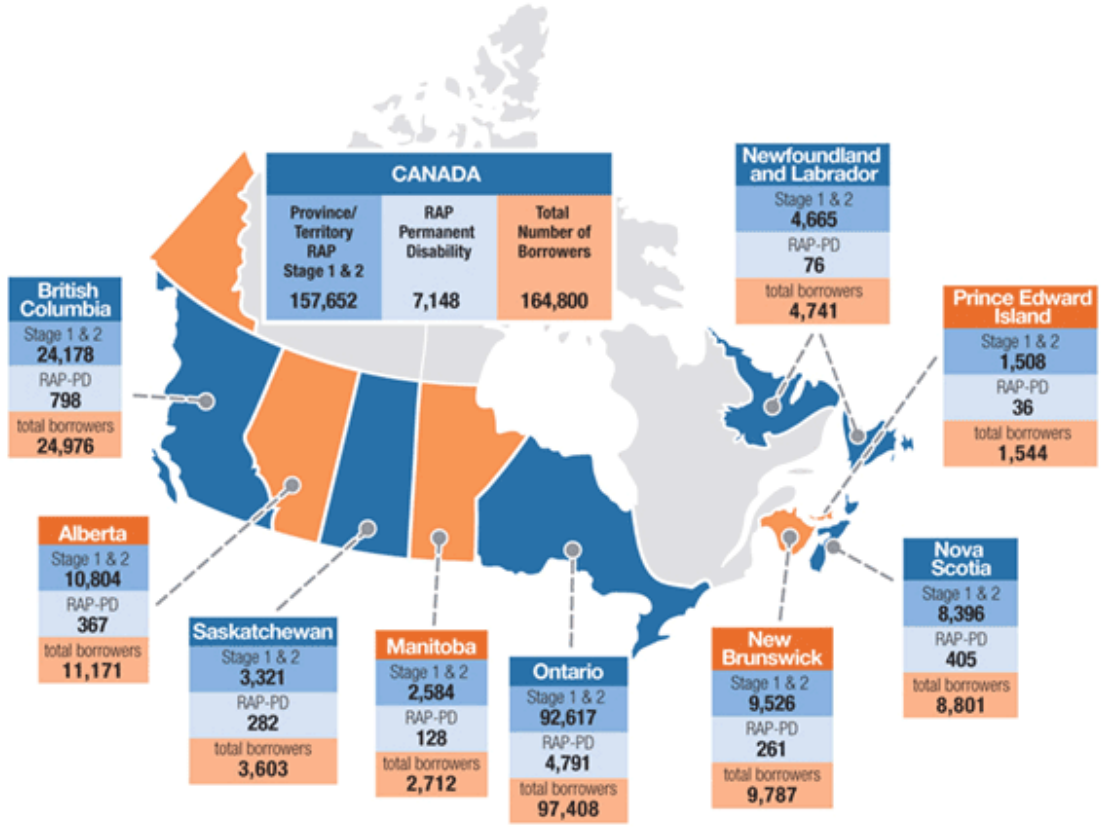
Between 2003-2004 and 2009-2010, the default rate fell from 28% to 13.8% (See Table 4.3) This decline was observed across all institution types, and was most significant for students at colleges/institutes.

Table 4.3.Canada Student Loan Default Rates

Canada Student Loan Three-Year Cohort Default Rates						
2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 P
28.0%	19.4%	16.6%	15.8%	14.7%	14.3%	13.8%

Though the vast majority of students repay their loans fully and on time, the CSLP has several repayment assistance measures available for those who experience difficulty in repaying their loans. As of August 2009, the Repayment Assistance Plan (RAP) has been available to borrowers who are having difficulty repaying their Canada Student Loans. This plan makes it easier for students to manage their debt by paying back what they can afford. Eligibility for RAP is based on the borrower's family income, family size and outstanding loan balance. Borrowers are approved for a period of six months and have the option to re-apply at the end of each six-month period. RAP consists of two stages. During Stage 1 students who qualify will make affordable payments toward their loan provider. Paying the loan principal provider reduces the total debt. Graduates will not make payments exceeding 20% of their gross family income toward loans covered by RAP.

If a graduate requires further assistance after having received 60 months of RAP assistance during Stage 1, or has been in repayment for 10 years, the borrower may qualify for Stage 2 of RAP. During Stage 2 the Government of Canada will continue to cover interest payments and will begin to cover the part of the loan not met by the borrower's affordable payment.
As indicated in the map below, in 2010-2011 RAP supported nearly 165,000 borrowers who experienced difficulty repaying their loans. This is a similar level to the number who received support under RAP in 2009-10.



Caption: This is a graph of the geographical distribution of borrowers receiving repayment assistance (RAP). In the 2010-2011 loan year, 157 652 borrowers benefitted from RAP stage 1 and 2, while RAP-PD supported 7 148 borrowers with permanent disabilities.

Source: Service Canada, 2013.

Nearly 90% of these borrowers (147,077) who benefited from RAP made no monthly payments while the Government of Canada paid the interest on their loans. The remaining 17,723 borrowers received a level of support which enabled them to reduce their payments to an affordable level.

The Repayment Assistance Plan for Borrowers with a Permanent Disability (RAP-PD) is available to borrowers with a permanent disability who are having difficulty repaying their student loans. Like RAP, RAP-PD makes it easier for student loan borrowers to manage their debt by paying back what they can reasonably afford. Student loan borrowers have to apply for RAP-PD in order to qualify, and eligibility is based on family income, family size, permanent disability, disability-related expenses, and outstanding loan. In very particular cases, some borrowers with a severe permanent disability may be eligible for loan cancellation. Further, the federal government introduced a very limited work-contingent remission program in 2011. It offers doctors and nurses loan forgiveness of up to C$ 8,000 and C$4,000 per year for five years if they work in rural and remote communities (Marcucci and Usher, 2012, p. 23).

4.4.2 Indirect support

Indirect support includes financial benefits to the families of students, in general their parents. In Canada this consists of the Canada Education Savings Grant and tax benefits.

Family allowances

The government has incentivized parents to save for their child's higher education by running education savings program 'Registered Education Savings Plan', RESP. This savings scheme is meant for Canadians between ages of 10 and 17 years to save for the higher education studies. The savings account is created with a financial institution and it grows tax-free until the start of the higher education studies. Three types of RESP are available: family, individual or group plan. When the RESP is opened there are two main ways to accrue value. The government can add funding through two savings schemes – the Canada Education Savings Grant (CESG) and through Child Learning Bond (CLB).

The CESG is a grant offered by the Government of Canada to encourage parents, family and friends to save for a child's education after high school. It is paid by Human Resources and Social Development Canada directly into a RESP in which the child is a named beneficiary. Every child who is a Canadian resident, has a valid social insurance number, is named as a beneficiary of a RESP up to and including age 17 is eligible to receive the grant (Fry, 2007). In 1998, at the start of the program, contribution rates were 20 cents on the dollar, up to a maximum of $400 per year; the program was adjusted in 2004 to increase the match to 30 or 40 cents per dollar saved to families from lower income backgrounds (EPI, 2008, p. 17). The second scheme was introduced in 2004. The CLB, a one-time $500 bonus not requiring any matching, to low-income parents (in this case defined as those eligible for the full amount of the Canada Child Tax Benefit), followed by $100 annual top-ups for as long as the family retains low-income status (Ibid.).

Tax benefits

According to Fry (2007), tax benefits available to student and their families makeup almost 40% of student financial assistance. Canadian governments spend twice as much on tax credits than on students grants (Fry, 2007, p. 35). This is more than the amount of all Canadian student loan and grant programs combined they note. Thus tax based assistance is very important in this system.

Canada has provided "universal" aid through various forms of tax relief, available at the end of a tax year (which usually coincides with the end of a period of studies) available to all students largely without regard to need (EPI, 2008). This tax relief can take a number of different forms. In Canada, tax benefits are most frequently delivered in the form of "tax credits". These reduce an individual's taxes by the amount of the credit multiplied by the lowest tax rate. This method of delivering tax relief means that the credit is worth the same regardless of one's income tax bracket (Ibid.).

Another way of delivering relief is via a "tax deduction" (EPI, 2008, p.19). Unlike a credit – which reduces tax payable at the lowest level of taxation - a deduction reduces the amount of taxable income an individual has, and hence is worth more to individuals with higher incomes (and who pay a higher rate of tax on each marginal dollar) than to individuals with lower incomes. Other forms of tax benefits include "tax deferrals", which allows one to avoid paying tax on an amount during a particular period, or "tax exemption", which means that a particular type of income is simply not included in one's taxable income (Ibid.).

In Canada, tax expenditures on post-secondary education in Canada are now over $2 billion per year. In accounting terms, these expenditures exist simply to reduce tuition bills. Indeed, they act precisely as grants do in terms of reducing net costs. This is grounds for some of the critiques that are frequently made of tax credits; namely, that they go in large amounts to all students, instead of just those who need it (EPI, 2008). There is also some grounds for questioning their efficiency; Johnson (2008) used the effects of changes in various types of net tuition (i.e. tuition minus tax credits) in various provinces and could not find any effects on student persistence (EPI, 2008, pp. 19-20).

4.5 Portability of student financial support

4.5.1 Regular financial support

The Government of Canada provides Canada Student Loans to eligible students for study at any higher education institution. While most students remain in their home province or territory, some choose to study elsewhere.

In 2010-2011, approximately 10% of students receiving Canada Student Loans chose to study outside their home province or territory or abroad, in keeping with the trend of the previous years. Student borrowers from large provinces were less likely to study outside their home province; for example, only 5.5% of Canada Student Loan recipients from Ontario studied outside their province.

Conversely, students from smaller jurisdictions are more likely to use their Canada Student Loan at an institution outside their home province: 84% of student borrowers from Yukon and 39% of student borrowers from Prince Edward Island studied outside their home jurisdictions in 2010-2011.

Regionally, borrowers in Atlantic Canada who left their home province to study tended to remain within Atlantic Canada (East coast), while those in Western Canada (West Coast) tended to either stay in their region or attend post-secondary institutions in Ontario (Human Resources and Skills Development Canada 2011).

4.5.2 Additional funds for student mobility

Increasing international student mobility has been high on the policy agenda in the past years in Canada. A pan-Canadian international student mobility program is suggested, with both government and private sector funding, would help students gain the international experience they need to achieve their potential and contribute to the global economy. This program should include opportunities for both short-term and long-term study, work and research abroad. Private sector involvement will be key to providing students with hands-on experiences through internships and similar opportunities. One of the recommendations of the Panel for Internationalisation (2012) states that "the Government of Canada should provide co-funding for 8,000 new Canada scholarships for top international undergraduate students to study at Canadian universities, colleges and polytechnics. It is anticipated that this investment will be matched by institutions and/or provinces/territories and private donors by a 2:1 ratio". In the view of the expert committee it is important to brand Canada through scholarships for international students. Further it has proposed to regroup grants available to international graduate students under one brand and to focus on priority areas important for Canada's innovation agenda. They proposed all international scholarships to be regrouped under one label/brand, such as Canada Scholarships, to manage all available resources to maximize Canada's brand recognition. They estimate there should be sufficient funding to enable the Government of Canada to provide 2,000 international graduate scholarships/grants and 1,000 post-doctoral fellowships per year under a unified brand (Advisory Panel Report, 2012).

4.5.3 National studies on the benefits of student mobility

Student mobility is perceived as very important for the national economy as international students generate revenue through tuition fees and living expenses. A 2012 report commissioned by Foreign Affairs and International Canada (DFAIT) indicated that in 2010, international students in Canada spent in excess of $7.7 billion on tuition, accommodation and discretionary spending (up from $6.5 billion in 2008). More than $6.9 billion of this revenue was generated by the 218,200 long-term international students in Canada. In addition, short-term (staying for less than six months) language students contributed $788 million to the Canadian economy. When accounting for additional tourism benefits from international students, the report finds that the expenditure resulting from international students in 2010 was $8.0 billion, which translates to 86,570 jobs and $455 million in government tax revenue (Advisory Panel Report, 2012).

4.6 Policy rationales for student financing

Overall, the main arguments for the elaborate student financial system in Canada are those of equity and responding to the needs of the labour market and economy of the country for the specialist with higher education qualifications. The government has also been concerned about the effectiveness of the student financial system in its Economic Plan (2007) "Advantage Canada". The plan proclaimed the aim of modernizing Canada's system of

student financial assistance to make it more effective'. This plan was only partially taken up by the 2007 Federal Budget and was criticized by the Canadian student associations (Fry, 2007, p. 17).

According to the Canadian Alliance of Student Associations students willing to pursue higher education should not face any barriers of access. They argue that wider participation in Canada's higher education system is needed 'not only to secure Canada's place within a global, knowledge-driven economy, but to do so in the face of an aging population' (Fry, 2007, p. 11) They argue that two out of three jobs will require some form of post-secondary credential, thus allude to the labour market needs. The main criticism of ensuring the adequate provision for the labour market needs is the rather dispersed multi-layer system of student financial assistance. A serious concerns have been expressed regarding the access to higher education among the lower-income family group as well as the indigenous origin families.

Another strong concern is the amount of debt accrued in the context of ever increasing tuition fees and the increasing number of enrolled students. As noted by Fry (2007), the Canadian Undergraduate Survey Consortium survey data shows that 59% of undergraduates students graduated with debt in 2006 with an average of $24, 047 worth of debt during their 4-year degree. A similar situation is seen amongst the college students. In 2006, for example, 4 out of 10 students were expected to accumulate over $10,000 worth of debt by the end of the program. The Student Association is of opinion that students should not have to accumulate an unreasonable amount of financial debt.

Further discussing the access, ones needs to discuss the tax incentives although they are not explicitly targeted to improve access to higher education. Historically, the Government of Canada has been very vague when it comes to the policy goals of education tax credits, stating that they exist to "provide assistance to students" without suggesting why the assistance is necessary or what outcomes this assistance is expected to affect. Provincial governments are for the most part altogether silent on goals and outcomes (EPI, 2008, p. 21).

The rationale for the original introduction of the Tuition and Education Amount Tax credits in 1960 is not known, but the more recent rationales that have been advanced for the progressive extension of these credits. In 1997 when the credit was increased to $200 and the tuition tax credit was extended to cover ancillary fees, the language referred to the need to help parents and students "better cope" with the rising costs of education (EPI, 2008, p. 21) The language of helping students "cope" was also present in 2000, when the education amount was raised from $200 to $400 per month (Ibid.). The budget language always carried an undertone that families need help in order to cope and therefore strongly implied that without such help, participation rates might be negatively affected (Ibid.).

Some of the provinces have been more explicit about their political priorities in terms of ensuring access to higher education. For example, Ontario is the case in point. The provincial government states that ensuring access to higher education is central to Ontario's future competitiveness and also important from an equity perspective (Finnie, Childs, Wismer,

2011). The provincial government especially raises concerns regarding specific target groups, such as low-income families, families with no history of attending higher education, families living in distant rural areas, families whose mother tongue is French, immigrant families, single-parent families, or families of Aboriginal origin (Ibid., p. 3).

4.6.1 Fit of student financing rationales with overall higher education policies

Student financing does not have a coherent policy goal but it does related to the access policy imperatives as well as the labour market policy demands in Canada. Further, the financial incentives also resonate with the policy imperatives regarding internationalisation of higher education. The Government is also taking care of ensuring labour market coherence in terms of geographical spread as can be seen from the example of loan incentives for the graduates of medical degrees if they decided to work in remote areas. Thus, the most important policy imperatives and matched financial instruments have to do with the affordability, equity and contribution to the labour market needs.

Further, the life-long learning rationales are met through the addressing the needs of a wide range of students, including those who are working full time and studying part time. Over the past years, the Government of Canada recognizes the importance of addressing the different needs of all post-secondary students (Yearly Report, 2011). The significant increased uptake in financial assistance for part-time students shows that the Government is committed in this area. With the additional measures introduced in Budget 2011 access was further broadened to financial support required by the part-time post-secondary student population.

4.7 Experiences with student financing

4.7.1 Total costs of study

The total costs of study consist of the cost of application, tuition fees and living costs, other costs (like insurance). Tuition fees vary per province and per field of study. The overall trend is that the tuition fees have been constantly increasing over the years:

Table 4.4 Undergraduate tuition fees for full time Canadian students, by discipline, by province in Canada (Canadian dollars).

	2008/2009	2009/2010	2010/2011	2011/2012[r]	2012/2013[p]
	average ($)				
Canada	**4,747**	**4,942**	**5,146**	**5,313**	**5,581**
Agriculture, Natural Resources and Conservation	4,366	4,697	4,803	4,961	5,095
Architecture and Related Services	4,503	4,826	5,179	4,788	5,077
Humanities	4,364	4,525	4,638	4,769	4,942
Business Management and Public Administration	4,978	5,191	5,386	5,673	6,060
Education	3,652	3,739	3,850	3,804	4,006
Engineering	5,319	5,577	5,992	6,155	6,552
Law, legal professions and studies	8,030	8,229	8,657	9,335	9,949
Medicine	9,821	9,815	10,867	11,313	11,891
Visual and Performing Arts & Comm. Technologies	4,377	4,592	4,748	4,591	4,793
Physical and Life Sciences and Technologies	4,679	4,885	5,049	5,247	5,478
Math., Computer and information Sciences	4,987	5,299	5,526	5,781	6,111
Social and Behavioural Sciences	4,251	4,431	4,586	4,656	4,862
Other Health, Parks, Recreation and Fitness	4,539	4,477	4,698	4,873	5,092
Dentistry	13,290	13,917	15,062	16,037	16,910
Nursing	4,422	4,558	4,662	4,731	4,909
Pharmacy	8,366	8,783	9,014	9,719	10,297
Veterinary medicine	4,959	5,609	5,612	5,889	6,224

Notes: Since the distribution of enrolment across the various programs varies from period to period, caution must be exercised in making long-term historical comparisons. For Nova Scotia and Quebec, both in- and out-of-province students are included in the weighted average calculations.
Source: Statistics Canada, Centre for Education Statistics. Available at: http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/educ50a-eng.htm

The application fees depend if you are a Canadian student or a foreign student applying to study in Canada. The application fees vary from $50 to $150 per university. Academic tests can cost from $100 to $200 per examination. Mostly for entrance examinations students take at least 2 tests. Finally, the GMAT or GER tests would cost up to 20$ per university.

The accommodation, living expenses and transportation on average can cost from $600 to $800. The costs are higher in the bigger cities like Toronto, Vancouver and Montreal. The costs would also very for students who live on campus in dormitories or who rent flats outside campus). Other costs such as health insurance may cost $300-500 per year (Source: http://www.ilwindia.com/canada-education-cost.php).

4.7.2 Public subsidies through student support in relation to the costs of study

The available support through grants and loans offset part of the tuition costs. Depending on the savings available for student, the grants received students can offset most of their costs. Part of the costs is offset by loans. As argued by Fry (2007), most of the financial aid is indirect support via tax deductions and other support, while the direct support via grants is rather limited. This causes difficulties to students from lower socio-economic background families.

4.7.3 Impact of student financing on student behaviour

Most of students receiving financial aid (60%) for attending university (2010-2011), 30% for attending college and 10% for attending a private institution. The highest loans are taken up by those students who attend a private institutions ($7,398), while the lowest is for those attending colleges. Students mainly borrow during their undergraduate studies (59%), while only 4% at the masters or doctoral levels. The increase in tuition fees in the 1990s due to reduced funding of universities from provincial governments has led to concerns that students, especially from low-income backgrounds will not be able to participate in higher education (Finnie and Mueller, 2008, p. 40). The increase in participation in 1990s mainly took place among the students of higher income families (Finnie and Mueller, 2008).

The studies on the influence of tuition increase on access and participation show that in the mid-1990s when tuition at Canadian institutions was rather low as a percentage of the total cost of education, most students who were able and willing to attend could do so. If low-income families were financially constrained and were not able to send their children to higher education, then the student loans were available to fill the gap. The studies in Canada have shown that the demand for higher education is price inelastic (Junor and Usher 2004). Frenette (2008) as quoted in Finnie and Mueller (2008) finds that 12% of the gap in university participation between high and low income students can be explained by financial constraints.

Entrance to higher education is not particularly sensitive to tuition or family income (Finnie and Mueller, 2008, p. 82). But the decision to attend higher education depends on a variety of

financial and non-financial variables related to students' family background, their education levels, and preparedness for post-secondary studies (Finnie and Mueller, 2008, p. 83). It was found that having parents who did not attend higher education is the most important factor across the country, and the effects are great in Ontario, much less important than being from a low-income household (Finnie, Childs, Wismer 2011).

Swail and Heller (2004) and Usher and Cervenan (2005) as noted by the EPI report (2008) have all shown that there is no evidence to suggest that the absolute level of tuition in a particular province in a particular year has any influence on national levels of enrolment, or on providing more "equal" access to higher education (EPI, 2008, p.9). However, there is evidence to suggest that grants to students which add to total assistance are effective in increasing attendance from low-income students. This is because low-income students have systematically different perceptions of the cost-benefit of education, and therefore require significant differential incentives in order to make them "see" the benefits the way youth from wealthier families do. Grants are a more efficient way of doing this than tuition reductions because they can be targeted based on income (EPI, 2008, p. 16).

However, it is still not clear how "effective" this assistance is compared to loans (EPI, 2008, pp. 11-12). Lower income Canadians both overestimate the costs and underestimate the benefits by larger margins than other Canadians (Usher 2005). Frenette 2007 shows that credit constraints are not the most important explanation for the university participation gap between students from high and low income families. It is the differences in standardized test scores and high school marks that explain the major portion of the gap. (Finnie, Childs & Wismer, 2011, p.6).

The fact that family income does not have a significant effect when other characteristics are controlled means that student financial assistance policies can remove only part of the barriers for lower social-economic background students. Thus, instead of limiting the policies only to financial aid, they should shift direction and provides resources that consider the needs of each specific youth sub-group (Zhao, 2012, p. 26).

4.7.4 Impact of student financing on achievement of general policy objectives

One of the main policy goals in Canada has been increasing access to higher education. The policies of spreading out of the student support among the students from various backgrounds and targeting specific groups via the diversified grant and loan possibilities, as well as savings schemes have had their effects.

Savings schemes and access

Savings schemes for families seems to work adversely to improve access for students from lower socio-economic backgrounds as noted by EPI (2008). There are strong and predictable correlations between saving frequencies and amounts by income levels. However, the largest proportional increases in saving rates over time have occurred among low-income Canadians. Nearly half of families with incomes below $30,000 save for their children's education (COMPAS 2005) compared with nearly 20 percent at end of millennium (SAEP

1999). Much of this change is likely due to the maturation of the Canada Education Savings Grant program (EPI, 2008).

The above studies found a significant positive correlation between the highest level of parental education and saving patterns. Parents with a university education themselves were four times more likely to be saving for their children's education than were parents or guardians with less than a high school education.

It seems likely that the majority of savings are coming from wealthier families, and hence the majority of funds dispensed under the CESG program are going to them as well. Milligan (2002) as quoted in EPI report (2008) argued on this basis that CESGs were an inappropriate public policy tool so far as widening access was concerned. The 2004 federal budget responded in part to critique's such as Milligan's by creating a number of new policies, such as the CLB which were specifically designed to increase savings among poorer Canadians (EPI, 2008, p. 17).

Finnie and Usher (2008) find that once parental education levels and secondary school academic achievement are taken into account, the incidence and amount of savings have extremely small or negligible effects on higher education attendance, (and this only at the college level) and the amount of savings none at all. This suggests that to the extent that savings work, they work by encouraging certain habits and expectations among family members with respect to education rather than by acting as a source of financial support. To the extent that CESG has raised savings incidence among lower-income families, it may be contributing gently to an overall increase in access to education (EPI, 2008).

The incidence of savings has some positive but essentially marginal effects on college (but not university) attendance while the amount of savings has appears to have no effect on access at either level. To the extent that the CESP has increased the incidence of savings among low-income Canadians (which it appears to have done, it is fair to say that these programs may have a small effect on access to PSE. However, the Finnie-Usher and Milligan evidence strongly suggests that CESP money has gone to upper-income families who have in effect received a windfall gain. As a result, there are serious questions to be answered with respect to the cost-efficiency of CESPs as a means of promoting access to education (EPI, 2008, pp. 18-19).

In Canada, the concern is that tax credits do not favour the poor over the rich and that higher income families, on aggregate, receive too much benefit. The poor receive benefits on the same basis as the rich, but receive fewer benefits on aggregate because they are less likely to attend post-secondary education in general (EPI, 2008, p. 20). The EPI argues that since enrolments at the university level have increased substantially with no apparent change in the composition of the student body, increased accessibility may correlate with the expansion of tax credits. There have not been any other financial factors at work over the same period that might explain the increases in enrolments; over the same period, total tuition costs have risen and total student lending has dropped. Non-repayable need-based aid increased in most of the country – but the increase in grants was less than half the size of

the increase in tax credit aid. EPI argues that while there have been other financial factors at work, the tax credit increase has been by far the largest such factor acting in students' favor (EPI, 2008, p. 23).

A number of things remain unclear about the tax credit programs available to Canadians as noted by EPI (2008). It is unclear to what extent they are actually "about" access, as opposed to being "about" delivering tax relief to the middle-class. To the extent that they are "about" access, there is some evidence that the rise in tax expenditures has coincided with a major rise in enrolment. They may, however, be beneficial to those lower-income students who receive them, just as grants to low-income students are. However, the fact that they are not targeted specifically to low-income students suggests that much the expenditure is the gain for higher-income families (EPI, 2008, p. 24)

Financial aid and retention

McElroy (2004, 2005) looked at the effects of grants on retention in Canada. Two studies came to different conclusions regarding the efficacy of grant aid. The first, which simply attempted a pre-post analysis of the effects of adding two years of grant eligibility seemed to show that the introduction of an extra two years of grants had no effect on completion, which declined over the period being monitored, though its finding of correlation between unmet need and dropping out suggested that the size of the total assistance package is a more important factor in persistence than the loan-grant balance within that package (EPI, 2008).

The second study examined student records at six post-secondary institutions and correlated the likelihood of persistence to the receipt of grants. This study came up with results that were much more positive and showed that even with the receipt of loans, students with grants were more likely to persist. However, limitations on the source data from institutions made it impossible to separate need-based grant aid from merit-based grant aid; hence some of the effects McElroy describes are likely merit effects as opposed to monetary effects (EPI, 2008, p. 13).

5 England

5.1 The higher education system

England currently has around 90 publicly recognised universities, as well as around 130 higher education colleges offering full degree awards often in partnership with universities. There are currently two private universities, Buckingham University (since 1976) and BPP University (since 2007), and first-cycle higher education provision is also offered in a number of further education colleges. From the 11th to the mid 19th century, England had two universities, Oxford and Cambridge. In the mid 19th century, this was augmented with new universities in London and Durham. From the 1890s, the government started publicly funding universities on an ad hoc basis, and new civic universities emerged in the large industrial towns, notably Manchester, Birmingham, Bristol, Nottingham and Newcastle. The creation of the University Grants Committee in 1922 placed state funding for universities on a recurrent footing. The 1950s saw the introduction of a national student support scheme, and the first two waves of expansion via the Colleges of Advanced Technology and the six liberal arts universities. In the 1995, 32 polytechnics also became universities, and since then, there has been a steady progression of former colleges of higher education into full university status, including most recently Edge Hill, Bolton, Chester and Cumbria.

A UK university has exclusive rights to its title through a warrant granted from the Privy Council, usually as a result of a Royal Charter or an Act of Parliament, which gives the powers to award teaching and/ or research degrees[32]. There were two 'big bangs', where many institutions were granted 'university title' in an attempt to reconfigure the system to reflect both its evolution along with future requirements. The first was in 1967, when a number of Colleges of Advanced Technology designated in 1962 from existing technical colleges achieved university status. The second and most famous was in 1994, as a result of the 1992 Further and Higher Education Act where all the then polytechnics were granted university status. But the reaction to that sudden conversion was that after that point, those that had not met the size and disciplinary breadth criteria, such as specialist and higher education colleges, found it much harder to be granted university status. Many of those institutions which missed the cut in 1994 have subsequently placed much effort into being granted university status.

Although there is much talk of a binary system in England, it is important not to overemphasise the differences between universities and polytechnics which were less than between similarly named institutions in other countries. Prior to 1994, polytechnics could teach

[32] The University of Manchester was created from the constituent universities the Victoria University of Manchester and University of Manchester Institute of Science and Technology by the University of Manchester Act (2004). This Act revoked the Royal Charters of those two antecedent bodies and granted a new Royal Charter to this new university.

students for both taught and research degrees, which were accredited by the Council for National Academic Awards, which was abolished in 1994 (its residual functions passing to the Open University). It makes more sense to regard what happened in 1994 as allowing an already differentiated system to operate more freely; indeed, some former colleges of advanced technology and polytechnics now receive substantial core funding for their research activities through the Research Assessment Exercise including Aston, Salford & Brunel (former CATs) and Plymouth, Manchester Met and Brighton (former Polytechnics).

There are therefore four key variables around which universities in the UK are differentiated:

- The university (or university college) title
- Award degrees (taught degree awarding powers (TDAP), research degree awarding powers (RDAP))
- Enrolling students (research, taught masters, taught bachelor, taught foundation)
- The requirement that their teaching is informed by research and scholarship.

Taking data from England, the total HEFCE recurrent grant (which covers teaching, and research overheads) is paid to 254 institutions; the 130 universities, university colleges, and colleges of universities received 97% of the £6.5bn budget, with 124 further education colleges receiving £196m between them.

5.1.1 Student numbers

There are around 2.5 million students in the UK in 2011, of which 19% (450.000) are studying for a non-bachelor first degree qualification at university, and a further 60,000 were studying for a university-level qualification at a further education college. The main kinds of short degree studied were the professional graduate teaching qualification, the Diploma of Higher Education, the Higher National Diploma and Certificate, and the Foundation Degree. The most popular of these was the Foundation degree, introduced in September 2001 to provide a bridge between directly vocational higher education (Higher National Diplomas and Certificates, which provide an exemption from the first two years of relevant bachelor degrees) and university. A Foundation degree covers two years of full time study, and is offered by both universities (directly and in partnership with vocational colleges) as well as university colleges and vocational colleges.

Although the English higher education system was highly influential in the Bologna reforms, the system remains idiosyncratic in the sense that the bachelor degree remains widely considered as a final higher qualification, and basis for further study. Just under 60% of the 2.5m students in the UK are studying for a first degree and only 13.7% for a taught masters' course (equivalent to the Bologna second-cycle degree). In 2012, English degrees were awarded on the basis of the classification system, with students getting one of six possible marks in descending order, the Honours grades of First, Upper Second, Lower Second and Third, the 'Pass' degree (equivalent to a 5.5 in the Netherlands) and an Unclassified. This classification system has come under increasing criticism for its opacity, and from 2012 graduates will receive a more detailed Higher Education Achievement Report to supplement their classification.

The English master's degree has a very different status to the bachelor degree, reflecting the fact that it is viewed as an add-on for particular vocational career trajectories rather than the intellectual completion of a higher education process. Master's degrees typically include a two-third taught element and a one-third independent study project. Without the independent study project, some courses allow candidates to nevertheless be awarded either Postgraduate Certificates or Diplomas. There has never been regular state funding for Master's degrees in England under the first stream, although research councils now allocate second stream funding as 'quota places' for research master's courses intended to provide a foundation for a Ph.D. course (M. Res). Tuition fees for Master's degrees have always been deregulated and set freely, although a differentiation is made between 'home' (and EU) and 'overseas' student fees. One reason for the rapid expansion of international Masters higher education has been that it has offered institutions income generation opportunities at prices which produce a surplus against the costs of provision. In some courses and institutions, notably business studies, there are a majority of non-EU students studying the courses.

Doctoral training in the UK as a whole has been rationalised in the last ten years as a result of decisions taken by Research Funding Councils in response to the Roberts Review of employment and career development of doctoral training students and non-tenured research staff. The Roberts review stimulated a professionalisation of research training within higher research degrees in the UK as a whole. There was a shift to a mandatory 1+3 system, of a one year research training programme, possibly leading to a Masters of Research qualification, followed by three funded years of doctoral research. Progression to the '3' element of the Ph.D. is theoretically only possible for those that have completed a relevant research training programme. The majority of UK-domiciled starting Ph.D. students have a prior Masters' qualification and are funded either by government support via the Research Councils, or through places made available with internal support mechanisms. In England there are also Research Master's Degrees: these are specifically research qualifications equivalent to half a Ph.D. (the M.Phil). A total of 0.7% of all students in 2011 were studying for M.Phil level qualifications.

England does not make a distinction between masters and post-graduate qualification. There are three levels of postgraduate qualification, Postgraduate Certificate, Postgraduate Diploma and Master's degree – the first two qualifications involve fewer ECs than a Master's degree and may be offered as part of a trajectory which leads to a Master's degree. In 2011 there were 140,000 students following non-Master's degree post-graduate courses, 40,000 of these were full time and 100,000 were part-time.

5.2 General higher education policy developments

In June 2011, the Department for Business, Innovation and Skills (BIS) of the British government published the White Paper "Students at the heart of the system".[33] The White Paper followed the independent Governmental report of the Browne committee "Securing a

[33] http://c561635.r35.cf2.rackcdn.com/11-944-WP-students-at-heart.pdf

sustainable future for higher education" from October 2010.[34] The Browne report provided a review of higher education funding and student finance systems. The report recommended a radical departure from the existing way in which higher education institutions would be funded for their teaching. Rather than the Government providing a block grant for teaching to the institutions, students contributions should pay for most of the study costs and governmental support should follow the student who has chosen and been admitted to study. This means that the choice is put in the hands of the students. Higher education institutions can charge different and higher fees than in the past, provided they can show improvements in the student experience and demonstrate progress in providing fair access. The Browne report emphasised that such a change in higher education funding and student finance should follow certain basic principles: More investments should be made available for higher education, institutions should provide high quality teaching so that students get better value for money. In addition, growing student demand should be met and no one should be put off from studying. The government would cover upfront costs for students via a loans system and students should only pay back costs of their education when they are in employment.

The 2011 White Paper from BIS has worked out the ideas from the Browne report into specific policies and instruments adding the important notion that changes have to be implemented in times when public funding has to be reduced. The White paper covers four areas; their main points can be summarised as follows:[35]

1. **Financing students**: The proportion of funding for teaching provided by a direct grant from the Higher Education Funding Council for England (HEFCE) will decline and the proportion from graduate contributions, supported by subsidised loans from the Government, will increase. HEFCE will remain responsible for allocating the remaining teaching grant to support priorities such as covering the additional costs of subjects, such as Medicine, Science and Engineering, which cannot be covered through income from graduate contributions alone. From autumn 2012, all higher education institutions will be able to charge a basic fee of £6,000 annually for undergraduate courses. The maximum fee will be £9,000 a year. Loans will be available for all first-time undergraduate full-time students and most part-time students to cover both course and living costs. Students from low-income family background will be provided with more generous loan support. These loans will only be repaid at a rate of nine per cent of earnings over £21,000. Repayment will be based on a variable rate of interest related to income.[36]
2. **Student experience**: Government expects higher education institutions to provide an expanded standard set of information about their courses, the qualification of their staff, student experiences, employability of graduates, outcomes in the National Student Satisfaction Survey (NSS) etc. and to make it easier for prospective students to find and compare this information. HEFCE and other providers of key data on higher education institutions will be asked to sophisticate and expand their data information systems for

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34 http://www.bis.gov.uk/assets/biscore/corporate/docs/s/10-1208-securing-sustainable-higher-education-browne-report.pdf

35 For further information on the state of implementation undertaken by HEFCE, see http://www.hefce.ac.uk/learning/funding/201213/

36 For further information, see http://www.slc.co.uk/about%20us/index.html

parents, students and employers. A new risk-based quality regime will be implemented. All institutions will continue to be monitored through a single framework but the need for, and frequency of, institutional reviews will depend on an objective set of criteria and triggers, including student satisfaction, and the recent track record of each institution.

3. **Increasing social mobility**: All institutions which charge more than £6,000 must have Access Agreements with the Director of Fair Access (per institution) setting out what they will do to attract students from disadvantaged backgrounds. The capacity of the Office for Fair Access (OFFA)[37] will be substantially increased providing more support to universities and colleges in the area of access and equity. A new National Scholarship Programme will begin in 2012 to help improve access to higher education amongst least well-off underrepresented groups. All higher education institutions that participate in the Programme will contribute additional funds. Further career guidance, information and service for students and graduates will be established.
4. **Regulatory framework**: The White Paper proposes the introduction of risk-based regulation to English higher education, with the Higher Education Funding Council for England (HEFCE) as a lead regulator for the sector, in association with the Quality Assurance Agency (QAA), the Office For Fair Access (OFFA), and the Office of the Independent Adjudicator (OIA). The proposals for a new regulatory regime are backed up with a Technical Consultation document of BIS published in August 2011.[38] A key feature will be that external quality assurance at the level of full institutional reviews will become less of a regular event for the great majority of higher education institutions, and may even disappear for them entirely. Further, the process and criteria for granting degree-awarding powers, university titles and university college titles will be reviewed, providing private and new providers access to the student market.

These changes envisaged have raised substantial debates about potential consequences for British higher education:

- It is not yet clear to what extent Governments in Scotland and Wales will follow the English reforms. The Welsh parliament is, for example, considering to charge lower fees and provide higher governmental funding for Welsh students, charging higher fees not only for international non-EU students but also for students from other parts of Britain.
- Calculations of the costs of the new loan system point out that overall governmental spending on higher education is unlikely to decrease, at least in the first years.
- Critique has been raised that the new funding system will not allow for more investment in higher education; the distribution of study places and the re-distribution of funding across the system will not increase funding available and thus not allow for expansion; certain demand will remain unmet.
- Interviews with institutional representatives show concern within higher education institutions about the fact that income will not rise (even for institutions charging the highest fees) while student expectations as full fee-payers will rise. The management of expectations of students and parents becomes thus a crucial issue.

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37 http://www.offa.org.uk/about/

38 http://www.bis.gov.uk/assets/biscore/higher-education/docs/n/11-1114-new-regulatory-framework-for-higher-education-consultation

- The new funding system might impact on student mobility. More than in the past, students might choose institutions within their region (avoiding further living costs for living away from home) or might consider studying abroad in lower cost countries (including British off-shore provision abroad).

5.3 Tuition fees and other private contributions

In 1963, the Robins Report recommended one of the most substantial expansions of higher education in the UK history and laid the foundation for the current HE system in the UK (HEFCE, 2012). The history of cost-sharing started in May 1979, when Margaret Thatcher, became well known for her active role in the privatization of many areas in the United Kingdom, including higher education. Tuition fees were introduced, but not paid by the individual students but by the *Local Education Authorities* (LEAs) on behalf of them.

In 1997 the National Committee of Inquiry into Higher Education investigated the future of universities, and issued a report in July 1997. This report became known as the Dearing Report, named after the committee's chair Sir Ronald Dearing. Its key recommendations included the ending of universal free higher education in combination with charging tuition fees of £1.000,- a year, in the form of a graduate tax (HEFCE, 2012).

Most of the recommendations of the Dearing Report were implemented by the New Labour government – that came into office in 1997 – through the Teaching and Higher Education Act of 1998. The aim of the government was to widen participation in higher education and facilitate access to higher education. The most important features of the Act are means-tested tuition fees for new entrants (where only about 35 per cent pay the full maximum fee); the abolition of mandatory grants for living costs, which were subsequently replaced with means-tested student loans (where students from wealthier families are only eligible for about 75 per cent); and the introduction of a fairer income contingent method for repaying loans with no time limit and a repayment threshold of £10.000,- under which one would not have to repay (Callender, 2006, p. 107). As of **1998**, students had to pay the new £1.000,- tuition fee and grants would be abolished in 1999, both to raise money for funding the widening participation agenda.

The Teaching and Higher Education Act was successful in two respects. First of all, through the abolition of grants, money became available to fund the agenda set to increase access of higher education. Secondly, students became less reliant on grants, but contributed to their own education through the loans system. The balance in cost-sharing hence shifted towards more privatization as students were forced to pay a larger share of the costs of education. A negative result of the Teaching and Higher Education Act was how it disproportionately affected students from low income families in comparison with their peer students from wealthier families because of the abolition of grants. Though the New Labour government wanted to reduce the relative disadvantage of students from low income families and aimed at expanding higher education, the Teaching and Higher Education Act of 1998 in practice was socially regressive (Callender, 2006, p. 126). In addition to this, opinions about the effect the Act has on access are divided (Vossensteyn, 2009, p. 175).

Based on a white paper called The Future of Higher Education in 2003, the New Labour government led by Tony Blair implemented the Higher Education Act in **2004**. Even though the New Labour government promised in the 2001 elections that they would "not introduce top-up fees", the new Labour education secretary Charles Clarke passed the Higher Education Act (2004) that allowed universities to charge variable top-up tuition fees (The Guardian, 2004). Most importantly, The Higher Education Act would introduce variable tuition fees of up to £3.000,- in 2006 to be paid up front (in practise to be repaid after graduation via student loans). In addition, tuition fees were no longer means-tested, ensuring that all students had to pay (the same amount of) fees. In order to compensate for this, a means-tested higher education grant was (re)introduced, which was initially set at £1.000,-, but would rise up to £2.700,- once the variable top-up tuition fees were introduced (in 2006). The loan repayment threshold was raised to £15.000,-, and student debt was to be written off after 25 years. Moreover, the universities that chose to charge the maximum tuition fee of £3.000,-, had to pay a minimum bursary of £300,- to low income students. The Office for Fair Access (OFFA) set up agreements with universities, before they would be allowed to actually charge the maximum tuition fee (Callender, 2006, p. 108).

With the implementation of differential tuition fees in 2006 this meant in practise that the majority of institutions charged the full £3.000,-. Only a few institutions were charging less, with the lowest tuition fee set at £2.000,- (British Council, 2007). The main difference in tuition fees are perceived to be visible in the availability of bursaries that universities offer. In 2009, universities called for an increase in the level of tuition fees and by 2010/11 the maximum tuition fees had increased to £3.290,- per year.

This increase very well corresponded with the claim of Business Secretary Peter Mandelson who stated in 2009 that "since [tuition fees] were introduced, student numbers have continued to rise, along with the numbers coming from lower-income backgrounds" (The Times, 2009). The government further called for a new review of the higher education sector which led to a review report by John Browne. This *Browne Review* was published in October 2010 just after the new government coalition between the Conservative and Liberal Democratic parties was formed, with David Cameron as prime minister. The Brown Review – published under the title *Securing a Sustainable Future for Higher Education* – proposed to remove the cap on tuition fees altogether. The report based its recommendations on six principles:

1. More investment should be available for Higher Education.
2. Student choice should be increased.
3. Everyone who has the potential should be able to benefit from Higher Education.
4. No one should have to pay until they start to work.
5. When payments are made they should be affordable.
6. Part-time students should be treated the same as full-time students for the costs of learning. (Browne Review, 2010, p. 6-7).

Its main recommendations were to remove the cap on tuition fees, meaning that universities could charge more than the current £3.290,- per year; raising the repayment income

threshold to £21.000,-; maximizing the monthly amount students have to pay back to make it affordable; and providing part-time students equal rights with relation to tuition fees and compensation. The recommendation of removing the cap resulted in much debate in the United Kingdom with many Liberal members of Parliament stating they would vote against similar any legislation that would increase fees so much. Even media were split on the subject, as for instance the Financial Times thought it very radical, the Spectator thought it progressive and The Guardian feared the social cost of variable tuition fees (The Telegraph, 2010). Students' voices were most notably heard through student unions, specifically through the National Union of Students (NUS). NUS organised several (violent) demonstrations against implementing a higher cap for tuition fees. The president of NUS, Liam Burns, as well as its former president Aaron Porter (June 2010-June 2011) were both against any increase in tuition fees. However, both supported a graduate tax system as an alternative model for financing higher education. They claimed that a fair and progressive system would be key for student support.

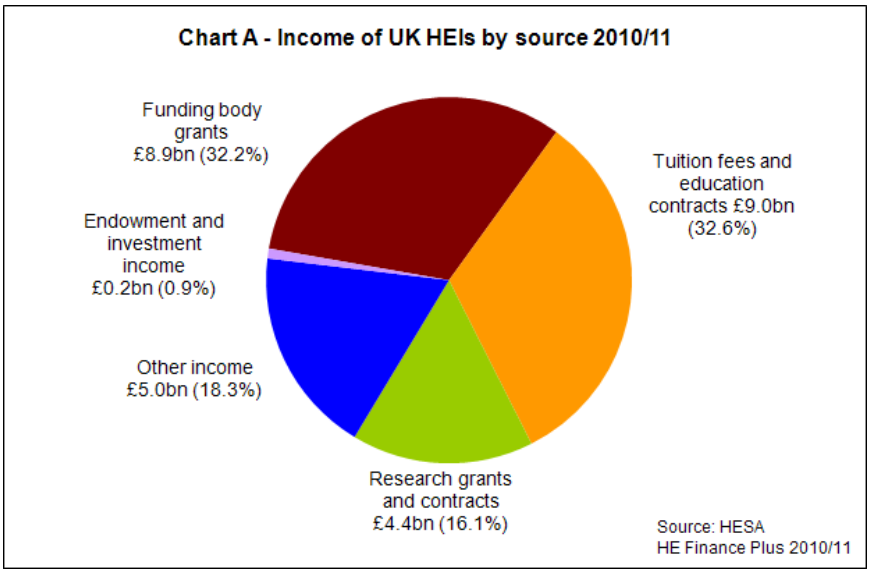
On November 3rd 2010, the government responded to the Browne Review and rejected the removal of a cap on tuition fees as. Instead, the following measures were agreed upon:

- the cap on variable tuition fees was to be raised to £9.000,-;
- a 3% interest rate would be charged on student loans;
- the repayment threshold would be set at £21.000,-; and
- student debts will be written off after 30 years, rather than after 25 years.

Business Secretary Vince Cable added that "[n]o one will contribute until they can afford to do so – when they are in well-paid jobs" (BIS, 2010). On December 9th 2010, the House of Commons approved the proposed changes, including raising the cap on tuition fees to £9.000,- and on the 14th of December 2010, the House of Lords passed the legislation. This means that from 2012 on, the government is replacing 80% of its direct first stream grants to universities with a student contribution repayable after graduation. Although universities are free to set their fees freely up to £9,000, 75% of the universities charge the full amount while the others charge little less. On average students are required to pay £8,630.

Even before the 2012 tuition hike, total revenues of universities to almost one-third of university income was based on tuition revenues as shown in Figure 5.1. Total tuition fees to the sector in the UK as a whole are £7.8bn (2010/11). This will increase with the raising of the tuition fee cap in England (applicable to English-domiciled students) from 2012. In 2010-2011 non-EU students and full-time undergraduates contribute the bulk of tuition fees (77%, HESA, 2012).

Figure 5.1: Income sources of UK universities, 2010/2011



Source: http://www.hesa.ac.uk/index.php?option=com_content&task=view&id=2404&Itemid=161

In the United Kingdom, there are difference between these rules between England, Northern Ireland, Scotland and Whales. The history above focused on legislation in England, which will also be the focus of the rest of the study. Northern Ireland, Scotland and Whales can all charge the maximum of £9,000,- to students from outside their country, but can have different regulations for domestic students. Maintenance loans and maintenance grants also differ, as does the income threshold.

5.4 Student financial support

From the 1962 Education Act, all students attending university were eligible for a maintenance grant provided by the local authority, which when the Dearing Report recommendations were implemented by David Blunkett in 1999, was up to £ 2,880. From 1991, students were eligible for subsidised loans, as the grant level was frozen, and an increasing proportion of the grant was shifted towards a loans as parental contributions were difficult to enforce. Grants were completely abolished in 1999 and replaced with full maintenance loans, whilst students were also required to pay up-front tuition fees. When fees were raised from £1,000 to £3000 in 2005, fees were also covered by a loan. The £3000 tuition fee was the maximum with universities being able to set their own tuition level. Because of this substantial tuition increase, maintenance support grants were reintroduced in 2005, called the Higher Education Grant (HEG). The HEG amounted £1000 for students whose families' household income were lower than £15,200 per annum and for students whose household incomes were up to £21,185 were given partial HEG grants (Schwarzenberger, 2008).

5.4.1 Direct support for students

Student support in England is made available to all eligible students, and includes various types of support for students who newly enter higher education in 2012-2013 and for students who entered before as depicted in the table below.

Type of help available	For 'current system' students?	For 'old system' students?
Tuition Fee Grant	No	Yes
Tuition Fee Loan	Yes	No
Fee Contribution Loan	No	Yes
Maintenance Grant (or Special Support Grant)	Yes	No
Higher Education Grant	No	Yes
Maintenance Loan	Yes	Yes
Extra help if you have a disability	Yes	Yes
Extra help if you have children or adult dependants	Yes	Yes

Source: SFE (2012), Higher Education Student Finance – How you are assessed and paid 2012/13, (www.direct.gov.uk/studentfinance).

Grants and scholarships

Before the Dearing report in 1997 there were means-tested student grants available and subsidised student loans, both with a maximum around £2.000,-. The New Labour government, led by prime minister Tony Blair, chose to replace the grants system by the loan scheme as of 1998. After a transition year, hence in 1999, grants were abolished and replaced with student loans (Callender, 2006, p. 106). The grants system was reintroduced when tuition fees were raised to £3,000 in 2005.

As indicated in the table above there are three main types of grants: tuition fee grants (Higher Education Grants), maintenance grants (or special support grants), and extra help for students in specific situations.

Tuition fee grants or Higher Education Grant
Students who started studies before 2012 may still be eligible for tuition grants if their families' household income is lower than £21,200. This Higher Education Grant amounted £1000 for students whose families' household income were lower than £15,200 per annum and for students whose household incomes were up to £21,185 were given partial HEG grants.

Maintenance grants (or special support grants)
Students in fulltime higher education can be eligible for maintenance grants if their (parents') household income does not exceed certain thresholds. The maximum grant available for 2012/13 is £3,250. The amount of grants available depends on the household income and when students started their studies:

If you started your course **on or after** 1 September 2009

Household income	
Up to £25,000	Full grant
£25,001 to £50,695	Partial grant
More than £50,695	No grant

If you started your course **between** 1 September 2008 and 31 August 2009

Household income	
Up to £25,000	Full grant
£25,001 to £60,034	Partial grant
More than £60,034	No grant

If you started your course **before** 1 September 2008

Household income	
Up to £18,360	Full grant
£18,361 to £39,570	Partial grant
More than £39,570	No grant

Source: SFE (2012), A guide to financial support for students continuing in full-time higher education 2012/13, (www.direct.gov.uk/studentfinance).

The annual amount of the maintenance grant varies depending on family income

Household Income threshold	Maintenance grant
<£25,000	£3,250
<£30,000	£2,341
<£40,000	£523
<£42,600	£50
>£55,000	£0

Source: SFE (2012), A guide to financial support for students continuing in full-time higher education 2012/13, (www.direct.gov.uk/studentfinance).

Extra help for students in specific situations

Disabled students can receive various types of support and grants depending on their circumstances. This can vary between "reasonable" travel allowances, to "general allowances" of £1,724 per year, a specialist equipment allowance of £5,161 for the whole course or a non-medical helper allowance up to £20,520 per year (SFE, 2012).

Students with dependent children or with depending adults can get a parents' learning allowance of £1,508 per year, a childcare grant which covers 85% of childcare costs up to £255 per month or an adult dependant's grant of maximum £2,642 per year.

Institutional scholarships

Next to the public grants provided through the national system, all public universities who wish to charge maximum tuition fees must negotiate an 'access plan' with the Office of Fair Access, (OFFA) in which they explain how they will ensure that they continue to expand their recruitment of non-traditional students, and ensure that higher tuition fees do not translate into lower recruitment from the poorest households. This is mandatory since 2005

when the tuition fees were substantially increased and differentiated. Since then, universities that charge maximum fees are required to make at least one-third of their fee income available to low-income students through bursaries. All universities also have an "Access to Learning Fund" which is intended to relieve temporary student hardship. As such, £304m was granted in bursaries to students in 2008/09, which represents 22.8% of fee income.

There are also a range of local scholarships available to students of particular subjects, elite sport or high academic achievements. These vary on an institution-wise basis.

Student loans

In November 1990 John Major, who was also with the Conservative party, became prime minister of the United Kingdom. He continued Thatcher's privatization in the higher education sector and also increased the students' share of the costs for higher education. The most determinative and influential piece of legislation up until then was the Education (Student Loans) Act of 1990 and will hence be the starting point of the evaluation of the history of the student financing arrangements in the United Kingdom. This Act introduced student loans and made them available to all full-time higher education students. The loans were not means-tested and had a zero real rate of interest. Once graduates would earn 85 per cent of national average earnings, the loan had to be repaid within a five-year period. The student loans were introduced with an aim to reduce dependency of students on the elaborate grants available as their major source of income. Hence student grants were frozen at the 1989-90 levels, and quickly eroded due to inflation. Student loans were introduced to compensate for this 'loss', and by 1996-97 grants and loans were worth roughly the same (Callender, 2006, p. 106-107). The system was considered a success, as many students started to borrow. Eventually, this led to a gradual replacement of the maintenance grants with loans to a full loan system in 1999 (Vossensteyn, 2009, p. 178).

Under the current system, eligibility for maintenance loans depends on three variables, parental income, whether or not the university is in London, and whether the student is living with her or his parents. As household income raises, the maintenance grant decreases and the loan eligibility increases: there is an assumption that students from richer households will supplement the (lower) loan with parental transfers and working (with low income households being non-traditional university households). Student finance England has detailed calculations for this (SFE, 2012). The maintenance loan rates are presented in the overview on the next page.

Since 2006, students can also take out loans that cover their tuition fees.[39] Full time students in public universities can borrow the full £9.000 of tuition fees. Students at private institutions can borrow up to £6.000 per annum for tuition costs. For part-time students lower rates apply. The money is directly paid to the university, but the student has to repay te loan.

[39] https://www.gov.uk/student-finance/loans-and-grants

Maintenance Grant and Maintenance Loan entitlement				
Household income	**Maintenance Grant**	**Maintenance Loan- living away from home and studying outside London (max £5,500)**	**Maintenance Loan- living away from home and studying in London (max £7,675)**	**Maintenance Loan- living parents' home (max £4,375)**
£25,000	£3,250	£3,875	£6,050	£2,750
£30,000	£2,341	£4,330	£6,505	£3,205
£40,000	£523	£5,239	£7,414	£4,114
£42,600	£50	£5,475	£7,650	£4,350
£55,000	£0	£4,288	£6,463	£3,163

If a student who applies for a Maintenance Loan also applies for a Maintenance Grant the maximum amount of the loan may be reduced by £0.50 for every £1 of Maintenance Grant one receives. So, if one receives the full Maintenance Grant of £3,250 and one qualifies for a Maintenance Loan, the Maintenance Loan entitlement will be reduced by £1,625.

Repayment conditions

Currently, students receive loans for tuition and maintenance which are repaid after graduation based on the following principles:

- repayments are based on how much one earns after finishing studying
- the earnings are based on one's salary and any other sources of income
- the employer will automatically take 9% of one's above the threshold (currently £21,000) through the UK tax system (Pay As You Earn - PAYE) or one will pay through self-assessment if one is self-employed
- if one's income stops or falls below the salary threshold, repayments automatically stop
- the threshold will be updated annually in line with earnings
- the loan is indexed by inflation and one has to pay interest (3%)
- any loan remaining after 30 years will be written off.

What repayments mean for graduates in various future income positions is shown in the following table.

Income each year before tax	Monthly earnings (before tax)	Approximate monthly repayment
£21,000	£1,750	£0
£24,000	£2,000	£22
£27,000	£2,250	£45
£30,000	£2,500	£67
£33,000	£2,750	£90
£36,000	£3,000	£112

The inflation correction and the interest to be paid are calculated as follows:

	Interest rate
While you are studying	Retail Price Index (RPI) plus 3%.
If you finish or leave your course before April 2016	RPI plus 3% until the April after you leave your course and then RPI
From April 2016	Interest will be based on your income. £21,000 or less – RPI £21,001 to £41,000 – RPI plus up to 3%, depending on income £41,001 and over – RPI plus 3%

5.4.2 Indirect support

There basically is no indirect support for students or their parents except for some small tax arrangements for part-time students in specific situations.

5.4.3 Support in kind

UK students are not entitled to support in kind.

5.5 Portability of student financial support

Rates of English students studying abroad are low, even within established education mobility programmes such as ERASMUS (12,800 students in 2010/11; compare with 31,000 in Spain, 24,000 in France and 21,000 in Italy). Although the UK has signed up to a commitment to portability of educational loans and grants, this has not yet been implemented (http://www.ukcisa.org.uk/ukstudent/funding.php).

Anyone studying abroad is reliant on local study finance arrangements; within the EU this means they cannot be disadvantaged with respect to domestic students. Outside the EU, students typically will have to bear the full costs of courses themselves without any recourse to English public funds.

5.6 Policy rationales for student financing

See sections 5.1 and 5.2.

5.6.1 Fit of student financing rationales with overall higher education policies

As can be read in sections 5.1 and 5.2, there has been a strong focus on the position of students in various strategic papers on higher education. Most of them particularly address the responsible role of students themselves concerning the costs of education. Nevertheless, an initial abolishment of grants has been reversed by the fear of access problems when tuition fees were substantially increased in 2005.

5.7 Experiences with student financing

5.7.1 Total costs of study

In general, students living with their parents have an expenditure pattern of around £8,000 per year while those living away from home have a total expenditure of close to £12,500. From this budget they have to pay all their costs, including study materials, accommodation, transportation, living expenses, but excluding tuition fees.

5.7.2 Public subsidies through student support in relation to the costs of study

Detailed calculations from 2008 show that English students get 10% to 21% of their expenditure covered by public subsidies through maintenance grants and interest subsidies on loans (Schwarzenberger, 2008). Due to the tuition increase in 2012, this picture most probably has changed to the worse except for students from the lowest income groups.

5.7.3 Impact of student financing on student behaviour

The implementation of tuition fees, its radical increases (in 2005 and 2012) accompanied by a change towards loans financing did not lead to a decrease in university student numbers or in applications. Between 1990 and 2009 the number of entering students has almost quadrupled. Greenway and Haynes (2003, p. 153-156) found that participation rates have increased steadily in the UK, despite the introduction of tuition fees. They mark this as evidence of 'success' (p. 153). Also the relative shares of students from various socio-economic backgrounds did not change between 1980 and 2001. The relative number of students from poor economic background was and remains low, and could be seen as a fault in UK legislation (p. 156). Penell and West (2005), found that students from poor economic background were (since the introduction of tuition fees) also more likely to end up with higher levels of debt than students from wealthier families.

Callender (2006) stresses this issue of higher debts and refers to the concept of debt aversion. She found that students from poor economic backgrounds were both more debt averse and more likely to end up with higher debts than students from wealthier families. Vossensteyn

(2005), however, found that even though students are debt averse, this does not influence their choice. Students, when asked, did indicate that they would be more likely not to go to a HE institution if they anticipate higher debts (through higher tuition fees or a decrease in student loans). Yet when students make an actual decision, they often make a different choice than indicated before. Hence students must be less debt averse than Callender found.

Though the issue of debt aversion has been raised and studied intensively in the UK (Callender, 2006), British students have taken up student loans quite massively. About 80% of the students takes out a loan from the Student Loans Company (SLC, 2012). In addition British students appear to appreciate loans as much as they like grants (Dearden et al., 2010, 2011). In addition to this, longitudinal studies of Dearden et al. (2010) show that students do have a slight price elasticity concerning tuition fees but as well for grants and loans. An increase of tuition fees with £1000 would decrease higher education demand with 4,4%, but an increase of loans with £1000 would lead to an increase in participation with 3,2%. An increase in grants with £1000 would only generate an increase in participation of 2,1%.

Because students from lower socio-economic groups (particularly low-income groups) have been compensated with grants when tuition increases took place and because all students were compensated with loans, there has not been identified any significant effect of the student financing developments until 2010. On the contrary, regardless of a real situation of cost-sharing that has taken place quite radically since 1990, UCAS (2012) data show that the proportion of low-income students has relatively increased since 2004.

However, the substantial increase in tuition fees in 2012 – almost a tripling – has put the number of university applications under pressure. Recent UCAS figures show a decrease in the number of applicants for the academic year 2012-2013 by 46.400 compared to 2010 and 2011. This comes down to a 10% decrease. However, the reduction has particularly taken place among older students. From the group of 18-year olds UCAS "misses" around 15.000 applications which points at a decrease of only 5% (UCAS, 2012).

Such data have to be put in their context according to de education economist Gill Wyness (2012). First of all, the pool of potential applicants is smaller in 2012 compared to recent years because many students who normally would have postponed their choice of studying, now decided to immediately go study when they noticed that tuition fees would be seriously increased. This is said to be a similar effect as what happened in 1998 when tuition fees were introduced and in 2005/06 when tuition fees were increased from £1.200 to £3.000.

UCAS (2012) shows also the following interesting data regarding the applications:

- still by far the most students apply for the most expensive programmes and universities
- like in previous years relatively more low-income students apply for cheaper programs
- there is no change in the number of students indicating to stay living with their parents
- the proportions of applicants do not change for studies that are likely to lead to better and worse paying jobs after graduation
- the number of applicants from higher income groups decreased faster than from low-income groups.

Finally, a recent preference poll among 17-18 year-olds who qualified for higher education shows that students prefer a good reputation of a programme/institution as well as a strong focus on teaching over the amount of tuition fees that they are required to pay (£6.000, £7.500 or £9.000). In this study even no difference could be found for students from various socio-economic groups and various income groups (Dunnet *et al*., 2012).

5.7.4 Impact of student financing on achievement of general policy objectives

General policy objectives aim at a more central position of students in the higher education system. Not only as those who pay a large share of the costs, but also for getting a strong higher education experience. A new regulatory framework should also better allow private providers to enter the market. It is very likely that for students the difference between public and private universities has become less because of the tuition hike in 2012.

Over the past decades, the price of attending higher education has increased substantially for students and their parents. However, also the number of student places was extended substantially, allowing more and more students to benefit from higher education. Whether the increased tuition fees have also increased the quality of teaching is still to be seen. Though the government has high ambitions with regard to higher education, the recent tuition hike was accompanied with an almost equal reduction of public funding to universities. As such, the higher demands on higher education institutions to support their students through scholarships and widening access initiatives, not only puts larger financial pressure on universities but also an administrative one. But overall, the general financing developments have indeed put students at the heart of the system.

6 Germany

6.1 The higher education the system

In Germany the 16 federal States ("*Länder*") are legally responsible for their own higher education system. Higher education policy is an aggregate of sixteen potentially different policies for higher education. German higher education is overwhelmingly publicly funded, and institutions have to follow the budgeting and accounting legislation of German public administration. These laws, although set by the individual states, are more or less similar across the country (Kaulisch and Huisman, 2007).

There are different ways to categorise the institutions, but usually the distinction is made between the Universities (including "Technische Hochschulen", "Pädagogische Hochschulen", and Theological Colleges), vocationally-oriented Universities of Applied Sciences (called "Fachhochschulen"), and Colleges of Art and Music. The Universities of Applied Sciences emphasise practical relevance and strong ties to the world of work. Those who study at a German University of Applied Sciences have a better preparation than traditional university students for positions and assignments in specific industries and work fields. The Universities of Applied Sciences above all offer degree programmes in the field of technology, business and management, social studies, media and design. On the other hand, it is not possible to study medicine, education or law at a University of Applied Sciences. The strong applied or practical focus of the Universities of Applied Sciences is also reflected in the profile of their lecturers and professors. Many of them have prior experience in industry, business or social work. This know-how qualifies and enables them to provide students with insights into the processes, working methods and expectations of companies, or social and cultural institutions. The final element of transfer of knowledge and practice to students comes through compulsory study internships: as a rule students are required to complete one or two practical semesters.

Alongside these types of institutions there are professional academies: "Berufsakademien" and "Fachschulen". In these professional academies, academic training is combined with practical professional training in companies or in training establishments (Kaulisch and Huisman, 2007, Eurydice, 2008). Since 2003 a number of "Berufsakademien" have been integrated with "Fachhochschulen" (Eurydice, 2009). Moreover, whilst the key differentiation is between Universities and Universities of Applied Sciences, the existence of institutions specialised in distance learning is also worthy of note (Kaulisch and Huisman, 2007, p.31)

In 2012 there were 421 higher education institutions in the Federal Republic. This was comprised of 179 universities (including pedagogical, theological and colleges of art) and 242

universities of applied sciences (including universities of applied sciences for public administration) (Bundesministerium für Bildung und Forschung, 2012a). Only 18% of German higher education institutions are private institutions (mainly institutions of the armed forces and the churches), but less than 2% of the total student body are enrolled in those institutions. In the past decades there has been an alignment between universities and universities of applied sciences, greatly facilitated through reforms of study programmes (Bologna) and research promotion, but there is no political will to further unify the binary system (European Commission, 2009b)

6.2 General higher education policy developments

The German higher education system looks back on a number of policy developments having a significant impact (for a detailed overview read CHEPS, 2012):

- In 2006 a constitutional amendment was ratified, newly regulating the responsibilities of Bund and Länder, known as the Förderalismus reform. This constitutional reform gives Länder full autonomy to design higher education policies and higher education funding is borne by the Länder
- The higher education pact 2020 (Hochschulpakt 2020), currently in its second phase (phase one: from 2007-2010; second phase 2011-2015) provides funding for new student enrolments; the first phase funds 91.370 new entrants, the second should fund another 275.000
- Joint initiative for research and innovation (Pakt für Forschung und Innovation); gives more financial security to the research institutions which are jointly funded by the Bund and Länder
- The excellence initiative is still running and in 2010 the third round was opened. Until 2017, about 2.7 billion Euros will be spent on the initiative.

6.3 Tuition fees and other private contributions

Since 2005 it is allowed to introduce tuition fees in Germany following a decision of the constitutional court. Based on that decision, seven countries introduced tuition fees in 2006/2007; yet in the meantime, five of them abolished them again and now only Bavaria and Lower Saxony charge a fee of 500 Euros per semester (Spiegel, 2012). There is quite some opposition in these Länder against the tuition fees. The outcomes of the election in Lower Saxony in January 2013, leading to a change of government, suggest that tuition fees might be abolished in the near future here as well. Tuition fees exist at private higher education institutions and might be charged for certain programmes for further education. Institutions in those Länder where the fees were abolished again express concerns of a financial loss. In some Länder a compensation takes place, like in North Rhine-Westphalia (Burchard & Warnecke, 2012).

Table 6.1: Overview of tuition and other fees in German Länder

Which fees do students have to pay in the different federal states of Germany?

federal state	general tuition fees from first semster onwards (up to 500 Euros)	long-term fees (up to 800 Euros)	administration fees (approx. 50 Euros)
Baden-Württemberg	yes	no	yes
Bavaria	yes	no	no
Berlin	no	no	yes
Brandenburg	no	no	yes
Bremen	no	yes	yes
Hamburg	yes	no	yes
Hesse	no	no	yes
Mecklenburg-Western Pomerania	no	no	yes
Lower Saxony	yes	yes (additional)	yes
North Rhine-Westphalia	no	no	no
Rhineland-Palatinate	no	yes (student accounts)	no
Saarland	no	yes	no
Saxony	no	no	no
Saxony-Anhalt	no	yes	no
Schleswig-Holstein	no	no	no
Thuringia	no	yes	yes

last update: December 2011

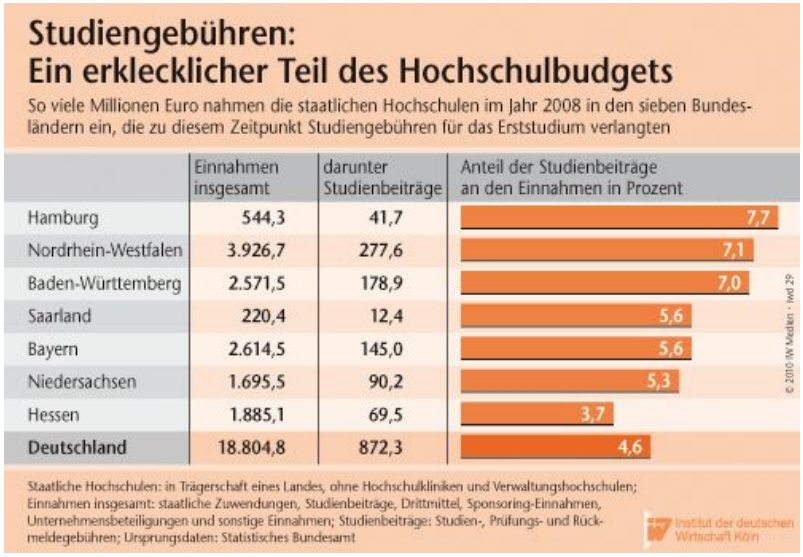
Subject to alteration.

There is a longstanding public discussion[40] about tuition fees and whether they are fair or disadvantaging students with a socio-economic–weaker background. Citizens often demonstrate against tuition fees as in their view the fairness principle is hindered. Yet, there are also other voices advocating that tuition fees are fair and instead a good repayment system needs to be implemented (Becker, 2012). A number of Länder have a long–term study fee in place. Students that are four semester above nominal study time might be subject to a fee between 500 € and 800 € per semester (see the overview below), yet in certain cases students can be exempted from these regulations. Whether long-term study fees affect the study behaviour in a way that the study time is reduced is not proven yet and disputed (Landesregierung Schleswig Holstein, 2003). Some Länder even consider abolishing the fees again, like in Rhineland-Palatinate or Lower Saxony (Fisser, 2013; Mannheimer Morgen, 2011). A study conducted at the University of Konstanz suggests that at their institution, for certain subjects the study time is reduced, for other subjects no change is registered and for a third group a change of institution/ study quitting is observed (Heineck, Kifman, & Lorenz, 2005).

It is common for students to pay a small contribution per semester, which includes the administrative enrolment fee, a fee for the student union and also provides students with a ticket for public transport. This fee is paid to the institution.

[40] For a systematic overview about how the debate on the introduction of tuition fees developed, read Norbert Krause (2008): Die Debatte Um Studiengebühren: Die systematische Rekonstruktion eines rapiden Meinungswandels.

The income from tuition fees forms only a small percentage of the total income that public higher education institutions got in 2008. In line with the subsequent figure, for the seven Länder that had introduced tuition fees, the percentage of tuition fees (that were charged for the first time study (excluding long-term fees)) in comparison to the total income of the universities ranged from 7.7% in Hamburg to 3.7% in Hesse. On average, the percentage of tuition fees as a share of the total income, accounted for the public institutions in the seven Länder for 4.6%.



Studiengebühren: Ein erklecklicher Teil des Hochschulbudgets

So viele Millionen Euro nahmen die staatlichen Hochschulen im Jahr 2008 in den sieben Bundesländern ein, die zu diesem Zeitpunkt Studiengebühren für das Erststudium verlangten

	Einnahmen insgesamt	darunter Studienbeiträge	Anteil der Studienbeiträge an den Einnahmen in Prozent
Hamburg	544,3	41,7	7,7
Nordrhein-Westfalen	3.926,7	277,6	7,1
Baden-Württemberg	2.571,5	178,9	7,0
Saarland	220,4	12,4	5,6
Bayern	2.614,5	145,0	5,6
Niedersachsen	1.695,5	90,2	5,3
Hessen	1.885,1	69,5	3,7
Deutschland	18.804,8	872,3	4,6

Staatliche Hochschulen: in Trägerschaft eines Landes, ohne Hochschulkliniken und Verwaltungshochschulen; Einnahmen insgesamt: staatliche Zuwendungen, Studienbeiträge, Drittmittel, Sponsoring-Einnahmen, Unternehmensbeteiligungen und sonstige Einnahmen; Studienbeiträge: Studien-, Prüfungs- und Rückmeldegebühren; Ursprungsdaten: Statistisches Bundesamt

Institut der deutschen Wirtschaft Köln

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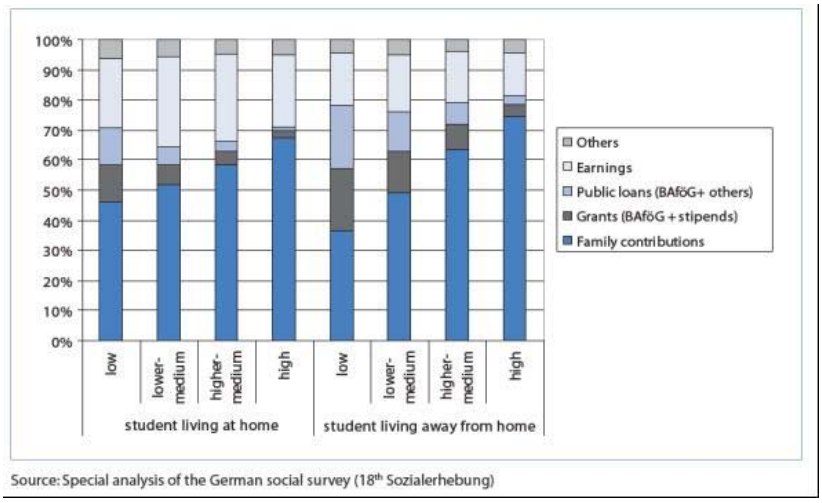
Source: (Institut der deutschen Wirtschaft Köln (IW), 2010)

6.4 Student financial support

6.4.1 Direct support for students

In Germany direct support for students is available via different social and performance grants from the national level and foundations.
Schwarzenberger (2008, p. 75), present an overview about the different type of income sources students have, divided by the socio-economic status and living situation.



Source: Special analysis of the German social survey (18th Sozialerhebung)

BaFöG (Bundesausbildungsförderungsgesetz)[41]*:*

The national student support scheme in Germany is called BaFöG. Since 1971, the scheme is in place to provide monthly support to its applicants. The core idea of BaFöG is to enable everyone an education independent of their financial/ economic situation. In 2010, the Bund and Länder funded the scheme with 2.9 million Euros being the highest amount in BaFöG history (Bund-Länder share: 65% // 35%). In 2010, around 600.000 students and 324.000 pupils could be funded (Bundesministerium für Bildung und Forschung, 2011). Approximately 17% of all students receive BaFöG, and among them 39% receive the highest funding amount. Concerns are expressed that 75% of the students being eligible to support refrain from applying for it, due to the mismatch between administrative burden and amount of support granted (Kühne & Warnecke, 2011).

The BaFöG application criteria relate to the following (Bundesministerium für Bildung und Forschung, 2012b):

- Nationality: Germans as well as foreigners can apply (depending on their nationality and residence status)
- Age: applicants must apply before having completed their 30th year, for master studies, the border line is 35; exceptions to this are applicants following a second education or having children aged below 10

The exact funding amount for applicants can vary between 422 € and 670 € and depends on the following:

- Need (*'Bedarf'*): depending on form of education, whether applicants live alone/at home; whether they have children living with them (younger than 10 years): an additional amount is granted in that case, 113 € for the first and 85 € per additional child (*'Kinderbetreuungszuschlag'*)
- And family ties: depending on the income/property of the applicants/partner or parents the support is calculated. Thereby certain amounts can be included in the calculation, reducing the income to be taken into account (*'Freibeträge'*) and in turn might increase the grant. *Freibeträge* encompass for instance the number of siblings in education; talented scholarships up to monthly 300€ do not to be included in the income-grant calculation.

BaFöG is granted for the nominal education period. In specific cases this can be prolonged for a period longer than nominal (think about pregnancy, disability, work in student organizations).

BaFöG applicants/ students need to pay back approximately half of the financial support they had received. Thereby, it is differentiated between 'normal funding' and 'exceptions to normal funding'. The first group has to pay back half of the support in form of an interest free loan. This usually starts five years after the end of the funding period and the repayment amount might vary, with 105 € minimum per quarter. If the graduate's monthly income is below 1.040 €, the repayment might be paused, yet the total repayment must take place

[41] The website http://www.das-neue-bafoeg.de/ provides more detailed information on the federal support for students.

within 20 years. A general understanding to that is, that the amount to be repaid does not exceed 10.000 €. The second group includes students with disabilities, those who got pregnant or have children. They can receive parts of the funding as non-repayable support. Another exception to the rule are for instance students, being among the 30% best graduates of a year; in case like this parts of the loan may be remitted.

A fundamental change in BaFöG took place in 2008 when students, following a whole degree abroad (EU +Switzerland) became eligible to support as well (*Auslands- BaFöG*). The funding period covers the nominal study duration. This development is seen as contributing to student mobility.

Other Grants and scholarships

The Germany Scholarship (Deutschland Stipendium [42])

The Germany Scholarship is a fairly new instrument and was implemented in 2011. It is a programme developed for talented and high-achieving students which have next to good grades a special commitment for their own educational and life paths. Different than BaFöG, the scholarship is not linked to the socio economic situation of an applicant, and the funding amount concerns 300€ monthly. Funding is provided for a minimum period of two semesters and a maximum period is the nominal study time. Thereby the Germany Scholarship is compatible with the free amount of 300€ of the BaFöG. The contribution is shared by both the Bund and private foundations, each providing 150€. In 2012, 10.977 students were funded through this scholarship doubling the number of applicants from 2011 (Infobüro Deutschlandstipendium, 2012), being not even 1% of the total number of students in Germany. In the future, this joint initiative shall fund approximately 8% of all students enrolled in German higher education institutions. Critiques to the programme address the limited number of students which are funded and suggest an increase in BaFöG instead (Spiegel Online, 2012). Due to its recent implementation there are no studies yet on the impact and success of the programme. The scholarship thereby stresses the contribution that companies, foundations and alumni can make in the development of future highly skilled. The higher education institutions have a central role in this process, as they contact potential funders and select the scholars.

Foundations (Begabtenförderwerke)

Students who are very talented and gifted can apply to support programmes of political parties, trade unions, churches or industries. Thereby next to an identification with the general ideas and values a certain social commitment is deemed important. The major foundations offering funding are:

- Hans-Böckler-Stiftung
- Friedrich-Naumann-Stiftung
- Friedrich-Ebert-Stiftung
- Konrad-Adenauer-Stiftung
- Heinrich-Böll-Stiftung
- Studienstiftung des deutschen Volkes

[42] For more information check the website: http://www.deutschland-stipendium.de/

- Stiftung der Deutschen Wirtschaft
- Rotary International

Typically these foundations fund Bachelor and Masters studies and some have funding schemes for PhD. The funding is usually provided monthly and does not need to be repaid.

Student loans

Loans of the KfW (Bildungskredit & Studienkredit)[43]

Another possibility to fund education is via the loans of the Kreditanstalt für Wiederaufbau (KfW). The so called education loan (*'Bildungskredit'*) is a scheme initiated by the federal government and has comparatively low interest rates. The *Bund* also gives completion deficit guarantee (*'Ausfallbürgschaft'*) for the applicants. The KfW has also its own student loan (*'Studienkredit'*). The two loans are not mutually exclusive.

Bildungskredit (programme number 173): The loan is intended for the final stage of an education/training or an additional/second study. Only students can apply which have accomplished successfully the first two years of their study. The loan can be used as an addition to BaFöG, is independent on the income and property of the applicants and can be applied for several times (whenever a new training/education is taken). Applicants which are older than 36, participate in non-BaFöG-recognized training institutions and engage only part time in the training are excluded from this loan. Students studying abroad at a recognized training institution (equivalent to German institution) can apply for the loan. The funding given by the KfW varies between a monthly amount of 100, 200 or 300 € for a period up to 24 months. The maximum funding equals thereby 7.200 €; if needed half of the amount can be paid in advance. The payback period of the loan starts four years after the first payment and the monthly rates account for 120 €. This loan is a programme by the federal government and has therefore a low interest rate.

To illustrate one instrument, the KfW's own loan **Studienkredit (programme number 174):** the loan is directed towards study support and grants applicants with a monthly amount between 100€ and 650€. The maximum funding amount is 54.600€ (14 semester x six months x 650€). The loan is rather flexible and the 54.6000€ can be distributed for a period up to 34 years. Repayment usually starts between 18 and 23 months after having received the last payment. The period for repayment is suggested by KfW to be 10 years, yet this planning might be amended and extended to a maximum period of 25 years (the minimum installment is 20 €). The interest rate is determined by 01 April and 01 October of a year and a maximum interest rate for the next 15 years is agreed starting from the date of the loan agreement. Applicants might also agree on a fixed interest rate with a maximum length of ten years at the beginning of the repayment period (KfW Bankengruppe, 2012). Conditions for this loan include among others not being older than 34, being a German citizen enrolled at a tertiary institution in Germany, or being an EU citizen having resided on a permanent basis/at least three years in Germany. In summer, the loan will be extended so that also

[43] Compare: http://www.kfw.de/kfw/en/index.jsp

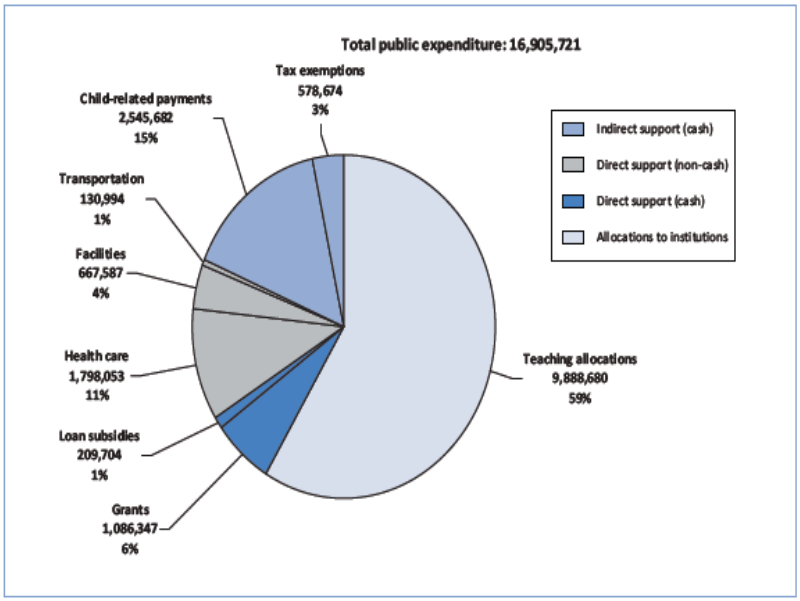
students following a second study or doing a PhD are eligible for funding; the age limit will be set to 44.

Evaluations of the student loan show, that since its introduction in 2006, approximately 95.000 loans haven been granted and in 2010 a new peak was recorded with 21.600 new applicants. An evaluation among loan holders took place in order to see whether the goals of the instrument were accomplished: shortening study time and increase access to the institution. 86% of the respondents assigned the loan an essential role in their study choice, without which they might have not been able to attend a study; students with a lower socio-economic background confirm this even more than students with a high/medium socio economic background, indicating the accomplishing of one of the goals (KfW Bankengruppe, 2011).

An overview of different funding opportunities and loans can be found in a study by Müller, comparing 40 options in terms of interest rate, maximal funding amount, conditions to apply etc. (Müller, 2012). The loans which received four out of five stars in the test were the Bundesverwaltungsamt: Bildungskredit, DKB: DKB-Studenten-Bildungsfonds, Sparkasse Herford: Studentenkredit, Studentische Darlehnskasse Berlin: Studienabschlussdarlehnen.

6.4.2 Indirect support

In Germany a major source of revenues is formed by indirect support through family allowances and tax benefits to the parents of students. The figure below provides an overview of the public expenditure on higher education, dividing between indirect support (cash –18%), direct support (non-cash 15%), direct support (cash 7%) and teaching allocations (59%).



Source: Schwarzenberger, 2008, p. 68 ; Total public expenditure on higher education in 2004

The figure suggests that indirect support in form of cash accounts for 18%. Mainly thereby child benefits and tax exemptions can be named. A more detailed overview about the 14 different forms of indirect support including various child-related add-ons and tax benefits for student's parents is presented by Schwarzenberger (2008, p. 69).

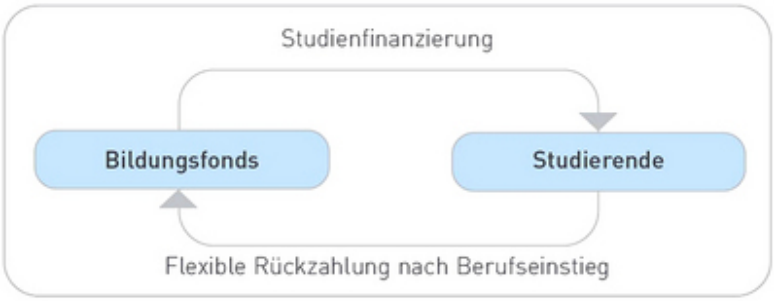
6.4.3 Support in kind

As mentioned in the previous sections indirect support is given in form of health care subsidy and child benefit. Students who become member of the main student union – Das Deutsche Studentenwerk – are entitled to several reductions on books, transportations and local shops.

6.4.4 Support from private entities

The previous section indicated already that the Deutschland Stipendium is designed in a way that it allows for a contribution from private entities. Other private foundations offer scholarships as well. Typically there are umbrella organisations/associations like the '*Bundesverband deutscher Stiftungen*' or the '*Stifterverband der Wissenschaft*' who administer the requests. The funding amount, funding time and the criteria differ among the scholarships.

In recent years the so called education fund (*'Bildungsfonds'*[44]) were introduced in German private higher education institutions. The fund is subject to certain selection criteria and the funding amount concerns normally around 1000€. Upon successful completion of the study, students pay a certain amount into the fund again (usually depending on the student's income), which can subsequently be used to fund new students. The first education fund was initiated in 2005 by the Sparkasse Leipzig under the name: *Exklusiv I*.



Source: (Bildungsfonds, 2007)

[44] For more information please visit: http://www.bildungsfonds.de/de/warum-studienfinanzierung-mit-bildungsfonds/index.html

6.5 Portability of student financial support

6.5.1 Regular financial support

Students being eligible for BaFöG, are also eligible for this support during a period abroad. The minimum period is one semester (six months) and the maximum funding time outside the EU and Switzerland is set to be one year. This can be prolonged in case of special situations to 2.5 years. The underlying condition is that the course of achievement must be recognised by the home institution, at least partially. The exact amount granted, depends to a large extent on the individual situation and can be added to the internal BaFöG. In general the following expenses might be compensated through the support:

- Potential tuition fees (up to €4.500)
- Travel costs (flight costs inside Europe €500 / outside €1.000)
- Additional health insurance fees
- An monthly abroad fee between €60-255 (for non EU countries[45])

This additional funding does not need to be repaid, and also students which are not eligible for internal BaFöG, might qualify for BaFöG abroad. There are currently discussions with the European Court in terms of the criteria for '*Auslands-BaFöG*'. A ruling is expectedin a couple of months(Die Welt, 2013).

The previous section referred already to it: students following a whole degree abroad (EU +Switzerland) are since 2008 also eligible to support (*Auslands- BaFöG*). The indirect support mentioned in the previous section is also portable.

6.5.2 Additional funds for student mobility

There are additional funding possibilities for students wishing to study abroad. The German Academic Exchange Service (DAAD) provides different kinds of grants and fellowships for students like: one-year grant (subject independent), semester-grant (subject independent), semester periods abroad in connection to a Master programme, free mover grants (as to cover gaps in the Erasmus/Socrates programme), 6-weeks intensive courses, MBA grants, LL.M grants etc. The DAAD is also in charge of administering the Erasmus mobility grant that students can apply for. The website holds an overview about additional funding possibilities[46] specified by study field, degree level and destination country. Additionally scholarships are available for certain countries (i.e. Fulbright Scholarship for the USA) and for instance for sport talents.

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[45] For an overview see here: http://www.auslandsbafoeg.de/auslandsbafoeg/gesetze.htm

[46] See: http://www.daad.de/deutschland/stipendium/datenbank/de/12359-stipendien-finden/

6.5.3 National studies on the benefits of student mobility

The German system differentiates between '*Bildungsinländer*' und '*Bildungsausländer*'. The first are students with a foreign nationality, having a higher education entrance qualification from a German school. The latter are students with a foreign nationality, having obtained their higher education entrance qualification outside of Germany. Germany has a long tradition of student mobility both incoming and outgoing for exchange or full degree studies. Regularly studies are published monitoring student mobility in Germany (Bundesministerium für Bildung und Forschung, 2010; DAAD, 2011; Maiworm, 2012). A recent study by the DAAD looked into this in more detail and selected insights are:

- the number of foreign students at German higher education institutions has been increasing over the last years, and in 2010 the number of students was 244.755
- every fourth student enrolled in a Master's programme comes from abroad; also PhD study is an attractive route for foreigners;
- the number of students (*Bildungsausländer)* from Western Europe and North America increased*;* Engineering is a popular study;
- half of the international students come from Europe, followed by Asia;
- a substantial number of German students seek a study at a higher education institution abroad: 102.800 students are registered as studying abroad;
- popular destinations include next to the neighbouring countries Austria, the Netherlands, and Switzerland, but also the United Kingdom and the USA.
- a high proportion of students aims for a doctorate in Switzerland;
- the number of students that participated in the Erasmus programme in 2009/10 are 28.854; half of them stayed in either Spain, France or Great Britain;
- Berlin Universities have the largest number of Erasmus participants;
- every second Master student at university has experience abroad; Bachelor students fear a study delay due to periods abroad;

Further studies look at the professional value of Erasmus student mobility (Bracht et al., 2006) and the effects on future employment (Bundesministerium für Bildung und Forschung, 2009).

6.6 Policy rationales for student financing

In 2002, the German government adopted a law specifying that tuition fees cannot be charged for a first study within Germany. In 2005, the federal court declared this law to be in conflict with the self-determination principle of the Länder and paved the way for the introduction of tuition fees. The tuition fees were supposed to be at the disposal of the university departments directly, in order to better equip themselves and facilitate good study conditions. Thereby better quality, faster graduation and a more efficient way of studying should be reached. The rationales for abolishing tuition fees again are linked to the idea that education should be free for everyone and not be dependent on someone's financial

situation (or that of the parents)[47]. Different articles look at the advantages and disadvantages connected to tuition fees ((Becker & Fenge, 2005; Borchardt & Osel, 2011).

6.7 Experiences with student financing

6.7.1 Total costs of study

The latest EUROSTUDENT IV (2011) report shows that German students – both living away from their parents and those living with their parents – have a medium monthly income level compared to other EU countries. Their monthly income levels are €850 and €426 respectively.

6.7.2 Public subsidies through student support in relation to the costs of study

EUROSTUDENT also provides an overview of the composition of student income, showing that students living away from their parents get about 50% of their income through their parents. A large part of that consists of indirect student support, as explained above. The study by Schwarzenberger (2008) made a further analysis of the major income and expenditure components of students. The overview suggests clearly that, on average, the income from grants and public loans is significantly higher for those not living at home and additional earnings are a bit lower for those not living at home. Family contributions and public loans form a substantial source of income, particularly for students living away from home. If the income categories are compared, than it can be concluded that student income stems for around 50% from public sources, regardless the socio-economic background of students in terms of parental income levels (4 quartiles) as shown in the table below.

Socio-economic background	Student living at home			Student living away from home		
	Income incl. hidden income	Public subsidies	Public subs. / all income	Income incl. hidden income	Public subsidies	Public subs. / all income
Low	8,301	4,669	56%	10,334	5,720	55%
Lower medium	8,720	4,527	52%	10,337	5,650	55%
Higher medium	8,338	4,330	52%	10,481	5,122	49%
High	8,309	4,523	54%	10,862	5,135	47%

Source: Special analysis of the German social survey (18th *Sozialerhebung*); own calculations

[47] Compare previous reference: for a systematic overview about how the debate on the introduction of tuition fees developed, read Norbert Krause (2008): Die Debatte Um Studiengebühren: Die systematische Rekonstruktion eines rapiden Meinungswandels

6.7.3 Impact of student financing on student behaviour

Whether the introduction of study fees has an impact on the enrolment behaviour of students in Germany is much contested (Abschlag, 2012; Burchard & Warnecke, 2012; Studis Online). The discussion is about one dataset that is used to provide insights on the enrolment of students after the introduction of tuition fees, yet leading to different outcomes. The data have been collected by HIS and a subsequent study suggests that tuition fees were indeed negatively influencing the decision of potential students to study: that is a significant number of potential students decided not to take up a study (for 2006, between 6.000 and 18.000) and especially women and students with parents that did not attend higher education, refrained from studying because of tuition fees (Heine, Quast, & Spangenberg, 2008). The study did not find proof for a substantial moving of students to another Land without tuition fees (*'Gebührenflucht'),* yet only 2% of all those being eligible to study, decide to go to an institution with fees, because of the hope for a better education. 54% of those entitled to study in 2006, nevertheless enrolled for higher education or re-enrolled in their programme at the higher education institution of choice, independent of tuition fees. The results of this study are criticised for instance because of the wording of the questions, which might have influenced respondents strongly and also because study intentions are measured, not the actual choice a student made. Another analysis of the data is conducted by the Wissenschaftszentrum Berlin (WZB) and derives a different conclusion. The negative link between tuition fees and enrolment is not confirmed, that is tuition fees do not reduce the probability to study, also not for future students with parents that did not attend higher education (Helbig & Baier, 2011; WZB, 2011). Indications are seen that students instead value the costs for a study higher for the future career. Also this study is contested, because of the indicators that are taken into consideration.

Two other studies by the University of Mannheim rely on data retrieved from the statistical federal office. The studies confirm a negative development with regard to enrolment behaviour in some states; the probability to enrol in universities where tuition fees are charged has dropped by 2.74% (Hübner, 2012). Yet again methodological concerns are formulated, one of them in terms of the sampling and the fact that a large number of students are simply excluded in the analysis (those still having to do military service).
Another study looks at the effects of tuition fees on the mobility of university students, that is moving from one Land to another in order to avoid tuition fees (Dwenger, Storck, & Wrohlich, 2012). The study looks in particular at medical schools in Germany and estimates the probability of applying for a university in the home Land. One of the findings is that this probability has dropped significantly (2 percentage points / baseline probability of 69%) if the state has tuition fees. Further, it is observed that high-school graduates with high or low grades react differently to tuition fees. Whereas students with low grades tend to move to a non-home state, students with high grades have a higher probability to stay in their home Land, even after tuition fees were introduced.

Most recent debates about the BAföG and student financing which identify four major problems to the system. There appears to be an overload of bureaucracy among the offices responsible for dealing with BAföG. In addition, the rules concerning eligibility are experienced to be rather strict, for example if one changes study programmes too late one

can easily loose eligibility. In addition, BAföG is regarded too inflexible with relation to lifelong learning. It is suggested to make BAföG also available to part-time students.[48]

6.7.4 Impact of student financing on achievement of general policy objectives

The objectives for the introduction of student financing are better study conditions, better quality and a faster graduation and a more efficient way of studying. To what extent these objectives have been met is not clear and can only be estimated in two Länder (one of them probably going back to fee less studying soon). Studies investigating this, are not available (Spiegel Online, 2012). The higher education institutions requested a funding compensation from the *Länder*, where the tuition fees were abolished again, and succeeded.

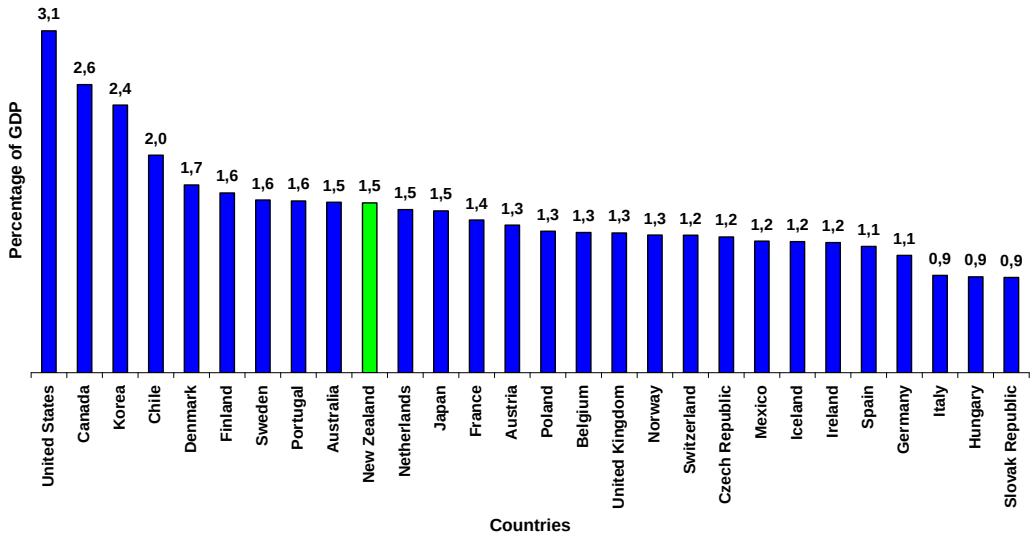
[48] http://www.zeit.de/2013/11/Armutsfallen-Studenten.

7 New Zealand

7.1 The higher education system

New Zealand is a small country that accounts for just over 4.3 million inhabitants. It is ethnically diverse. According to the 2006 Census its inhabitants are European (56.8%), Asian (8%), Māori (7.4%), Pacific Islander (4.6 %) mixed (9.7%), and other (13.5%). New Zealand has an annual population growth rate of +.901% (World Factbook 2011). The OECD's Education at a Glance 2010 shows that (as of 2007) New Zealand's public expenditure on education as a percent of its Gross Domestic Product (GDP) is 5.9%. 1.5% is spent on higher education, of which 1% are public funds (including public subsidies to households attributable for educational institutions, and direct expenditure on educational institutions from international sources) and .5% are private funds (net of public subsidies attributable for educational institutions). These data put New Zealand slightly above the Netherlands in overall educational expenditures—in 2007 the Netherlands spent 5.6% of GPD in education but equal in expenditures on higher education (see Chart 7.1); however, in 2009 the Netherlands spent 1.7% of GDP on Tertiary education, while New Zealand 1.6% (the Netherlands' expenditure on higher education grew slightly more than that of New Zealand, OECD 2012).

Figure 7.1 Expenditure on Higher Education Institutions as % of GDP



Source: OECD, 2010

New Zealand has a diverse tertiary education system. Higher education is regarded as part of a greater whole, namely "tertiary education", or "post compulsory education and training". There are a variety of ways in which providers of tertiary education and training are currently categorized (Jongbloed and Salerno, 2002, pp. 80 ff.). Tertiary education institutions include:

- Universities
- Institutes of Technology and Polytechnics (ITPs)
- Colleges of education
- Wānanga (Māori tertiary education institutions)

There are also other providers such as private training establishments (PTEs), industry training organisations (ITOs) or continuing education organisations. New Zealand has eight universities, over 20 polytechnics, four colleges of education and several hundred private tertiary education organizations.

Like in other countries, the purposes of higher education are teaching, research and serving the community in a number of ways. The structure of education includes 12 years of schooling, followed by a 3 year bachelor's degree and an honours degree taking an extra year. When continuing, students may take a post-graduate diploma, a Masters, or a Doctorate. Tertiary Education Organizations (TEOs) are public institutions that are Crown (i.e. state) entities and thus required to follow standard public sector financial accountability processes (Jongbloed and Salerno, 2002, p. 83).

Most research takes place in universities and the so-called Crown Research Institutes (CRIs), which constitute an important part of the country's knowledge infrastructure. Polytechnics provide vocational, professional, and continuing education although they also engage in applied and technical research that aids development, supports innovation and local communities (OECD, 2007, p. 119 ff.).

Public funding policies in New Zealand can be direct and indirect. Government funding for tertiary education providers is still predominantly delivered through tuition subsidies for eligible student places. The funding formula is based on Equivalent Full-Time Student (EFTS) units, the standard unit of measurement for student enrolments. EFTS-based funding is provided by the government as a contribution towards the cost of tertiary education and training, and is paid to approved tertiary education providers on behalf of domestic students enrolled in quality-assured courses leading to quality-assured qualifications. EFTS funding is applicable to both public and private tertiary education providers (although historically private providers had received less because of several restrictions, such as restrictions on the areas of training – now abolished.

EFTS funding is meant to allow TEOs to meet demand for tertiary education, thus it is renegotiated and can change at every budget cycle. For example, for year 2010 1,735 additional full time places at universities and 3,173 extra full time places at ITPs were being funded compared to what had been previously budgeted (Ministry of Education of New Zealand, 2010).

The New Zealand universities receive approximately 40% of their annual income from government grants - $1.3 billion of the combined total income of $3.1 billion recorded in 2010. The remaining income is split evenly between student fees and other sources – principally research contracts and trading income. Nearly 60% of the sector's expenditure of $3.0 billion went on staff salaries and related costs (see: http://www.universitiesnz.ac.nz/nz-university-system)

7.2 General higher education policy developments

New Zealand's tertiary education sector makes a wide range of learning available, from foundation skills to doctoral studies. Through its research activities, the sector is a major contributor to the nation's innovation. A key feature of the New Zealand system is the integration of funding and provision across vocational education and training, higher education, workplace training, adult and community education, and tertiary education that takes place within the senior secondary school.

Funding covers all levels of tertiary education, from second-chance education to doctoral studies. Funding through the student achievement component supports the costs of teaching and learning. From 2011, funding that supports tertiary education organisations' capability, to enable them to focus on their core roles in the tertiary education system, has been incorporated into the student achievement component (SAC, see later).

Industry training provides workforce skills to a significant number of people. This training is designed by, and delivered in conjunction with, industry, and leads to nationally recognised qualifications. There are also funds that provide fully subsidised education and training to disadvantaged groups such as those at risk of unemployment. The government funds such learning as foundation education, adult literacy and English for speakers of other languages. It also provides funding to providers of adult and community education.

The New Zealand Qualifications Framework provides a standard structure for naming and describing qualifications across levels and types of provision. It incorporates all tertiary qualifications, including the 10 levels of qualification from entry-level certificates to doctorates (see Chart 7.2).

Figure 7.2. Levels and Qualification Titles for the New Zealand Qualification Framework.

Source: Ministry of Education, 2012a, p. 33

In 2000, New Zealand embarked on a comprehensive reform of its tertiary education system. The Tertiary Education Strategy (TES) was established to improve the strategic directions and priorities of the system. The Tertiary Education Commission (TEC) was to negotiate the strategic directions and priorities with providers (OECD, 2007, pp. 157 ff.). In 2006, further reforms were meant to allow the government to focus its investment in New Zealand's tertiary education particularly into development priorities (OECD, 2007, pp. 157 ff.). Each tertiary education provider must develop a plan, to be agreed with the TEC, showing how it will focus on priority areas. Universities' research function is being increasingly targeted, with the Government particularly interested in developing strategies for innovation and commercialisation of research results. For the latter reason, there is funding to support consortia that include universities, CRIs, and businesses.

The Education Act 1989 (as subsequently amended) establishes a system for setting, communicating and implementing the government's objectives for tertiary education through the Tertiary Education Strategy, the Statement of Tertiary Education Priorities, and

tertiary education organisations' (TEOs) charters and profiles. This system covers both tertiary education and research.

The Ministry for Education receives its funds through the Parliamentary Education Vote ("Vote: Education"). Those funds are provided to the TEC, who is responsible for providing the government's contribution to tertiary education, including some support for research in the country's eight universities. Researchers in the higher education sector obtain support through the TEC, primarily the Performance-Based Research Fund (PBRF), the Royal Society of New Zealand (primarily through the Marsden Fund for basic research), the Health Research Council for medical research and the Foundation for Research, Science and Technology (FRST) for strategic research (see above). The CRIs (and firms) can also seek funding from the Marsden Fund, the HRC and FRST. Whilst most of the Marsden Fund and Health Research Council support is provided to university researchers, universities receive a relatively small share of FRST funding.

Today's key policy directions in New Zealand's higher education landscape are set in the Tertiary Education Strategy 2010-2015. The government's priorities are (see p.10):

- Increasing the number of young people (aged under 25) achieving qualifications at levels four and above, particularly degrees
- Increasing the number of Māori students enjoying success at higher levels
- Increasing the number of Pasifika students achieving at higher levels
- Increasing the number of young people moving successfully from school into tertiary education
- Improving literacy, language, and numeracy and skills outcomes from levels one to three study
- Improving the educational and financial performance of providers
- Strengthening research outcomes

The strategy states that the Government is unable to provide significant funding increases to meet the growing demand for tertiary education. The strategy is rather to move funding away from low quality qualifications (such as those with low completion rates or poor educational or labour market outcomes) to fund growth in high-quality qualifications that benefit New Zealanders and contribute to economic growth. As is reported below in this report (Section 1.7.4), there has indeed been a shift in enrolments to higher level education in recent years, which has been attributed to the financial support system. The Government also states that it is committed to maintaining reasonable fees for students, but will explore ways of giving providers some additional flexibility to raise revenue.[49]

[49] The change in fees described below can be seen as such an approach.

7.3 Tuition fees and other private contributions

The Government regulates the compulsory fees that tertiary education providers may charge students participating in government-funded programme[50]. The Student Achievement Component (SAC) is the Government's contribution to the direct costs of teaching, learning, and other costs driven by learner numbers. The total amount of SAC funding available is determined via the Government's Budget process.[51]

Maxima fee levels were set in 2004. Until 2010 there was a system called Fee/Course Costs Maxima (FCCM). FCCM included 5 maxima linked to 17 funding categories for tuition subsidies. Some courses were above the maxima but were not required to lower their fees though they could not increase them (after 2008).[52] This system limited the fees that Providers could charge for undergraduate programmes in two ways:

- Lower increases allowed at the maxima
- Higher increases allowed at fees not at the maxima

FCCM was replaced by AMFM, which in principle sets no top ceiling for fees, but allows for an up to 4% increase per year on the fees (both lower and maxima). This means that AMFM will allow providers near or at the maxima to have greater increases, and providers lower than the maxima to have lower increases. If the fee/course costs for a course are less than $444.44 (excl. GST) per Equivalent Full-Time Student (EFTS) unit, the TEO can increase fee/course costs to $444.44 (excl. GST) per EFTS unit, or by 4%, whichever is greater. The system is meant to reduce the distortions in the market and allow providers to make reasonable increases per year. A tertiary education organisation may apply, on the basis of exceptional circumstances, for exceptions from the 2013 AMFM of 4%.[53] Exceptions granted cannot exceed an additional 4% increase, and are evaluated by the TEC according to the following criteria:

- The organisation is unable to support the course(s) is a financially viable way
- For courses at NZQF levels 1-8, the completion rate for the course met or exceeded the median performance benchmark for that level in the previous year
- The tertiary education organisation can demonstrate that the qualification of which the course is a part is in some way unique or special, for example, that there are no local alternatives to the course available
- That not allowing an exception will prevent the tertiary education organisation from making a significant contribution to the achievement of one or more of the Government's priorities, as set out in the Tertiary Education Strategy 2010/15

The stated purpose of the AMFM policy is in fact to promote affordability of study for learners and a level of certainty about the fees payable throughout the course of study for a qualification, while allowing TEOs some flexibility in fee-setting. If SAC funding is not

50 http://www.minedu.govt.nz/NZEducation/EducationPolicies/TertiaryEducation/PolicyAndStrategy/Fees.aspx
51 http://www.tec.govt.nz/Funding/Fund-finder/Student-Achievement-Component/
52 For a list see Table at #15
53 For courses at NZQF level 3 or above, see System Chart

approved for the course, the policy does not apply.[54] AMFM policy applies to fees and course costs that tertiary education organisations (TEOs) receiving Student Achievement Component (SAC) funding charge domestic students enrolled in courses leading to a short award, certificate, diploma, undergraduate degree, or postgraduate qualification. The policy also applies to organisations funded by a grant under section 321 of the Education Act 1989.

The AMFM covers compulsory costs (inclusive of GST) when all of the following apply:[55]

- The TEO is the sole source of the relevant items, and
- All learners are required to pay, and
- The charge meets guidelines for borrowing under the compulsory fees/course costs component of the Student Loan Scheme

Moreover:[56]

- Providers must not set, for any courses not exempted from the policy, fee/course costs that exceed the maximum limits determined by applying the AMFM policy
- Providers must not charge any domestic student enrolled in any course a fee higher than the benchmark domestic fee[57] applicable to that course
- Providers must not charge course fees to Youth Guarantee students

Level of fees

In general, the level of fees varies between undergraduate and graduate studies and between fields of study. In 2012 (domestic fees per year) undergraduate programmes could have fees of between NZ$4,500 and NZ$5,000 (Veterinary sciences cost >NZ$10,000). Arts and humanities are slightly cheaper but there is not such a great difference at undergraduate level. Graduate studies usually cost between NZ$6,100 and NZ$6,800 for Arts and Humanities courses but up to NZ$7,500 for science-based courses. Specialized courses may cost significantly more (e.g. the engineering Postgraduate Certificate in Light Metals Reduction Technology is >NZ$ 25,000)[58].

Fees for international students are higher, as Tables 7.1 and 7.2 show.

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54 Unless the course is funded under section 321 of the Education Act

55 See the 2011 Funding Information available on the TEC website for more information, at http://www.tec.govt.nz/Funding/

56 http://www.tec.govt.nz/Resource-Centre/Rules-and-Conditions/Container-SAC-051---100/SAC086-FCCM-policy-scope/

57 Some TEOs charge different fees for the same course, for example when a course is delivered at different sites, when a course can be taken as part of a number of different qualifications, or where learners get a fee discount for early enrolment. The highest fee charged is called the «benchmark fee». See: http://www.tec.govt.nz/Funding/Policies-and-processes/FCCM/Benchmark-fees/

58 See http://www.universitiesnz.ac.nz/files/FEESNZ12.pdf for a comparison of fees for domestic students in both undergraduate and graduate studies

Table 7.1. Fees for International Students – Undergraduate

UNDERGRADUATE DEGREES	Auckland*	AUT	Waikato*	Massey*	Victoria*	Canterbury*	Lincoln*	Otago*
All fees are in NZ$ per annum.	NZ dollars	NZ dollars	NZ dollars	NZ dollars	NZ dollars	NZ dollars	NZ dollars	NZ dollars
Agriculture / Horticulture				24,300			24,687	
Applied Science (AUT, OU)		25,360						24,300
Architecture / Design / Computer Graphic Design	23,280-30,120	24,255	24,255	24,200	26,500			
Arts / Humanities / Social Sciences	23,280	20,950	20,145 -25,540	19,700-22,500	20,050	21,500	22,998	20,200
Aviation (including practicum fees)				21,600-89,100				
Commerce / Administration / Property Mgt	27,360	24,255	22,425	21,600	21,900	23,100	22,268-22,617	21,300
Commerce: Food, Transport & Logistics, Hotel Mgt		22,575						
Computing		24,255	24,255	24,200	24,100	25,600		24,300
Dental Surgery (from Year 2)								75,000
Education / Teaching	23,280	20,950	19,755 -23,170			22,900		20,200
Engineering	35,280	26,860	28,030		22,100	35,000		
Fine Arts	27,360			26,400	26,900	25,600		
Forestry Science				24,200		31,000		
Health Sciences	27,360	24,255						
Health Sciences Yr 1: Dent, Med, Pharm, MedLabSc, Physio				26,400				26,235
Information Technology /		24,255	24,255			25,600	22,268	24,300
Landscape Architecture				24,200			25,317	
Law	27,360	24,255	23,550		26,500	25,100		23,000
Medical Laboratory Science (from Year 2 OU)		27,010						31,000
Medicine Years 2-3 pre-clinical /Years 4-6 Clinical	63,600							
Modern Languages	As for Arts	As for Arts	As for Arts	As for Arts	As for Arts	As for Arts		As for Arts
Music	27,360		25,540	24,000†		21,500		
Nursing	27,360	26,850		24,300				
Optometry	43,680							
Pharmacy (AU, OU) / Physiotherapy (AUT, OU)	30,120	26,850						31,700/31,000
PhysEd (OU) Sport&Leis (WU) Sport&Ex (AU, MU)	27,360	24,255	19,755	24,300				26,000
Phys Ed and Sport Coaching for Education (CU)						22,900		
Planning / Environmental Management	27,360			26,400			23,967	
Recreation / Tourism		22,575	22,245		21,900		22,998 -23,586	21,300
Science	27,360	25,360	25,725	19,700 26,400	24,100	25,600-26,800	23,695	24,300-25,500
Speech and Language Pathology				26,400		31,000		
Surveying								25,500
Technology	27,360			26,400	24,100			
Theology	23,280							20,200
Veterinary Science Year 1/Years 2-5				37,500/50,600				
Viticulture & Oenology (LU)							24,141	

**The fees at these universities are calculated on a per course/paper or per point basis and may vary according to selection.*

† Music programmes are offered by the New Zealand School of Music, jointly owned by Massey University and Victoria University of Wellington.

This table is a guide only. Detailed information about any degree may be obtained from the university concerned, as may information about diplomas and other non-degree qualifications.

Source: Universities New Zealand (at: http://www.universitiesnz.ac.nz/files/OSFEES12.pdf)

Table 7.2. Fees for International Students – Postgraduate

POSTGRADUATE DEGREES	Auckland*	AUT	Waikato*	Massey*	Victoria*	Canterbury*	Lincoln*	Otago*
All fees are in NZ$ per annum. MBA fees are the full fees for the programme.	NZ dollars	NZ dollars	NZ dollars	NZ dollars	NZ dollars	NZ dollars	NZ dollars	NZ dollars
Agriculture / Horticulture				28,900			31,066	
Agribusiness				22,000			31,066	
Applied Science		26,460					27,363	26,500
Architecture / Design / Computer Graphic Design	32,160	26,500	24,600-27,845	27,400	29,100			
Arts / Humanities / Social Sciences	21,000-32,160	23,705		22,500-27,400	22,000	24,400	24,005	22,200
Aviation			23,540	22,900				
Commerce / Administration / Property Mgt	27,360	25,360	26,945	22,900	23,600	24,600	24,005	23,200
Computing		26,500		27,400	28,150	28,700		26,500
Dentistry			24,125					31,600-75,000
Education	21,000-32,160	22,690	29,740			24,400		22,200
Engineering	32,160	26,860		29,100	22,850	31,900		
Fine Arts	32,160			29,100	29,200	28,700		
Forestry Science				27,400		31,900		
Health Sciences		26,460				31,000		31,600
Information Technology / Software and IT (LU)		26,500		27,400		28,700	24,005	26,500
Landscape Architecture			25,680				31,066	
Law	27,360				29,100	28,400		23,000
Library & Information Studies					24,500			
Master of Business Administration (MBA)		(full fee) 40,865			(full fee) 47,200	(full fee) 46,920		(full fee) 43,500
Medicine	35,280		As for Arts					31,600
Modern Languages	As for Arts	As for Arts	27,845	As for Arts	As for Arts	As for Arts		As for Arts
Music	27,360		24,600-27,845	27,700†		28,700		24,500
Nursing	35,280	27,560		26,900	21,750			
Optometry	32,160							
Pharmacy	35,280							31,600
PhD degrees	Students who are accepted for enrolment pay the same fees as domestic students.							
PhysEd (OU) Sport&Leis (WU) Sport&Ex (AU, MU)		26,460	24,125	27,400			27,363	26,500
Physiotherapy		26,460						31,600
Planning / Environmental Management	27,360-32,160			27,400			31,066	
Tourism		23,730	23,540		23,600		27,363	23,200
Science / Science and Forestry Science (CU)	32,160	26,460	28,685	22,900-29,600	28,150	28,700-31,900	31,066	26,500-29,500
Speech and Language Pathology						31,000		
Surveying								27,000
Technology	32,160			29,100	28,150			
Theology	26,360							22,200
Veterinary Science				37,200				
**The fees at these universities are calculated on a per course/paper or per point basis and may vary according to selection.*								
† Music programmes are offered by the New Zealand School of Music, jointly owned by Massey University and Victoria University of Wellington.								
This table is a guide only. Detailed information about any degree may be obtained from the university concerned, as may information about diplomas and other non-degree qualifications.								

Source: Universities New Zealand (at: http://www.universitiesnz.ac.nz/files/OSFEES12.pdf)

There are funding restrictions on some types of high-cost provision (e.g. veterinary sciences, medicine and dentistry). These may be in the form of student places or EFTS units. Rule SAC081 specifies the funding caps for the current year.[59]

The question of Student Services Fees

Providers can also apply Student Services Fees**.** Such fees cover *non-academic services* and are—therefore—not subject to the AMFM, which regulates the amount of tuition-related fees and course costs. Because they are not government regulated these are heatedly debated.

The site of the Ministry of Education of New Zealand points out that[60]

> […] tertiary education institutions are able to refuse to enrol students who have not paid tuition fees, and all other fees prescribed by the institution's council. The legislation is not entirely clear, but the Ministry of Education's view (tested with the Crown Law Office) is that the Education Act 1989 does not allow for regulating fees for non-academic services. Section 159L enables the Minister for Tertiary Education to set limits on the fees that a

[59] See: http://www.tec.govt.nz/Funding/Policies-and-processes/Enrolment-caps/, http://www.tec.govt.nz/Resource-Centre/Rules-and-Conditions/Container-SAC-051---100/SAC081-Enrolment-funding-caps/ (and associated links)

[60] See a description and discussion of the issue at http://www.minedu.govt.nz/theMinistry/PublicationsAndResources/RIS/EducationAmendmentBillNo4/SettingControlsStudentServicesFees.aspx

> provider can charge domestic students. However, the limits can only be linked to provision of services tied to funding given to providers – funding conditions currently only relate to the provision of educational services on a course basis, and do not require (or fund) providers to offer other, non-academic, services. […] The Government currently has no powers to control the amounts that tertiary education providers may charge as compulsory student services fees. The regulatory framework is inconsistent, which means that providers can circumvent the regulation of tuition fees intended to reduce the costs of study for students by collecting additional money through student services fees.

7.4 Student financial support

7.4.1 Direct support for students

The government provides financial support to learners through student allowances and the Student Loan Scheme. Private scholarships are plentiful as well.

Grants and scholarships

The Student Allowance Scheme

The Student Allowance Scheme was introduced in 1989 to provide living support for New Zealand students studying full-time toward recognised tertiary qualifications, and for adults studying full-time at a secondary school. The aim of the scheme is to ensure that the need to meet day-to-day living expenses does not act as a barrier to full-time education for adult students. The Department of Work and Income took over the responsibility for administering Student Allowances in 1999 from the Ministry of Education. This delivery function is now carried out by the Ministry of Social Development (as a result of the merger of the Department of Work and Income and the Ministry of Social Policy in 2001) through its StudyLink service.[61] The Student Allowance Scheme does not have to be paid back. Eligibility criteria are as follows (see Ministry of Social Development, 2012a):

- Applicants must be
  - 18 years old or over (some 16–17 year olds can also get it)
  - Studying at a full-time course (or get special approval to study with limited full-time status) at a secondary school or on a tertiary course approved by the Tertiary Education Commission
  - A New Zealand citizen, New Zealand resident, refugee, protected person, or a person sponsored into New Zealand by a family member with a protected status
  - Not receive certain other benefits or do paid work as part of the course
  - Not be in prison
- For tertiary study, Student Allowance can only be paid for up to 200 weeks per student (All exemptions to the 200-week limit will be removed from 1 January 2013)

[61] http://www.studylink.govt.nz/about-studylink/statistics/index.html#StudentAllowances1

- Tertiary students receiving a Student Allowance you must pass more than half the work of a full-time tertiary course to receive it also the year after
- The following income requirements apply:
  - Students can earn income up to NZ$206.73 a week before tax without affecting their Student Allowance payments. For every cent over $206.732 before tax, the Student Allowance will reduce by the same amount
  - «Parental income testing» applies: parents can earn up to NZ$55,027.96 before the amount of Student Allowance is affected. This parental income threshold will be maintained at its current level without adjustment until 31 March 2016. However, to be able to receive a student allowance, parents' combined income must be less than NZ$90,554.742 before tax if the applicant is living away from a parental home or NZ$83,449.012 before tax if the applicant is living in a parental home
- For students over 24 without children, criteria include whether the applicant is single or in a relationship with someone who is also 24 years old or over, the combined income level and whether the applicant lives alone or with his partner. The details in the Chart below come from the Ministry of Social Development's Guide to Student Finance (p. 6)

As of 1 January, the student allowance scheme applies only to Bachelor and Honours levels. Postgraduate study that starts on or after 1 January 2013 (except Bachelor degrees with honours) will no longer be approved for Student Allowance purposes (http://faqs.studylink.govt.nz/app/answers/detail/a_id/123/kw/international/related/1).

Figure 7.3. Criteria for Student Allowance.

IF YOU ARE SINGLE

IF ...	WEEKLY PAYMENT AFTER TAX, AT TAX RATE 'M' IS:
you are living in a parental home[1]	$163.96[2]
you are living away from a parental home[1]	$204.96[2]

IF YOU HAVE A PARTNER[1]

IF ...	WEEKLY PAYMENT AFTER TAX, AT TAX RATE 'M' IS:
your combined income is more than $413.46[2] but less than $861.27[2] a week before tax and you live with your partner	$74.05[2]
your combined income is more than $413.46[2] but less than $861.27[2] a week and you live away from your partner	$110.31[2]
your combined income is $413.46[2] or less a week before tax	$341.60[2]
you are both students, but only one of you is eligible for the Student Allowance	$204.96[2]
you are both students, eligible for the Student Allowance	$170.80[2] each

Source: Ministry of Social Development (2012a, p.6)

Student loans

The *Student Loan Scheme* was established in 1992 to assist students to overcome financial barriers to undertaking tertiary study. Interest-free loans were introduced in 2006 (New Zealand Parliamentary Library, 2006).Three agencies have particular responsibilities under the scheme; the Ministry of Education, Inland Revenue, and since 2000, the Ministry of Social Development. StudyLink, a service of the Ministry of Social Development, is responsible for the administration and delivery of Student Loans to students during the year of study. After the end of each academic year StudyLink transfers those loans to Inland Revenue for collection[62]. Students are able to borrow for their course fees, up to NZ$1,000 to cover course related costs, and NZ$163.38 per week to contribute to their living costs. These loans are interest-free and only need to be repaid once the borrower is earning above NZ$19,084 per year. The Government remains committed to interest-free student loans.[63]

The Student Loan is made up of three parts. Applicants can choose what parts they need, but all parts need to be paid back (see also next section on repayment). Student Loan establishment fee, which is added to the loan, applies for each Student Loan taken out (this is currently NZ$60). The three parts are (Ministry of Social Development, 2012a, p.10):

- Compulsory fees: pays the compulsory fees for the programme. It doesn't include special charges such as penalty fees for late enrolment, administration charges for paying by instalments or optional service fees
- Course-related costs: helps with expenses relevant to the studies, e.g. buying books, equipment or stationery
- Living costs: helps with living expenses, especially for applicants who do not qualify for the full amount of Student Allowance

Student Loans are for New Zealand citizens, New Zealand residents, refugees or a protected persons, or persons sponsored into New Zealand by a family member who holds refugee or protected person status. Applicants sign a contract with the Government must be enrolled in a tertiary course approved by the Tertiary Education Commission. The course must be full-time or part-time, full year—32 weeks or longer—(Ministry of Social Development (2012a, pp. 12 ff.)

Limitations to eligibility (for one or more parts of the loan) may include one or more of the following, i.e. the applicant:

- Is getting a Student Allowance
- Is studying part-time
- Is in prison
- Is on a benefit
- Is receiving New Zealand Superannuation or a Veteran's Pension,
- Is getting a Training Incentive Allowance
- Is bankrupt or on a course already paid for by the Government,

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62 http://www.studylink.govt.nz/about-studylink/statistics/index.html#StudentAllowances1

63 http://www.minedu.govt.nz/theMinistry/Budget/Budget2010/Factsheets/Tertiary.aspx#jump5

Youth Guarantee recipients are not be eligible for a Student Loan, but may be eligible for a Student Allowance. In 2011, the following changes were made to the Student Loan Scheme (*Ibid.*):

- StudyLink loan establishment fee increased from NZ$50 to NZ$60.
- An annual Inland Revenue Department administration fee of $40 was introduced to student loans. The first fees were charged at the end of the 2011/2012 tax year.
- Exemption to the two-year stand-down for New Zealand permanent residents was extended to people who are sponsored into New Zealand by a family member who was granted residence on the basis of their refugee status.
- On completion of approximately 2 years of study academic performance is calculated to determine students' eligibility for continued access to the loan scheme. Students must pass at least half or more of their study load (measured in equivalent full-time student units).
- A life-time limit was imposed on access to the loan scheme of 7 equivalent full-time student units per student was introduced. 4 Possible additional entitlements allow up to an overall maximum of 10 equivalent full-time student units to support higher-level study

Other changes to be implements in 2013 include (Ministry of Social Development, 2012b):

- Overdue loan repayments: Students will not be able to borrow through the Student Loan Scheme if they have NZ$500 or more in default when they apply, and if some of that amount has been overdue for a year or more. This applies to all new Student Loan applications received on or after 7 February 2013
- Student Loan annual borrowing limits: from 1 January 2013, students will be able to borrow for up to 2 EFTS worth of study each year (a year of full-time study is usually between 0.8 EFTS and 1.2 EFTS). This change is expected to affect especially student who have a heavy workload or change courses during the year
- All students applying for a new Student Loan for study starting on or after 1 January 2013 will need to nominate a New Zealand-based contact person
- There are changes to the repayment rules (see next section)

Repayment conditions

In New Zealand, like in Australia, repayments of the loan are income-dependant. In other words, repayment only occurs after the debtor starts earning over a defined income threshold. The repayment threshold is currently $19,084.00 a year and will remain at this until 31 March 2015. However, the repayment percentage has recently increased. From 1 April 2013, the Student Loan repayment rate will increase from 10 cents (10%) to 12 cents (12%) in every dollar earned over the repayment threshold of $367 per week or $19,084 annually.[64]

The repayment will usually be deducted directly by the employer, unless one is self-employed (or has income from interest etc.) in which case s/he will declare the total income

[64] http://www.studylink.govt.nz/about-studylink/glossary/repayment-threshold.html

from all sources and, in any case, pay 12% of the earnings exceeding NZ$19,084. If one has a total income from all sources over NZ$19,084 *and* have salary or wage income of more than NZ$19,084, then the repayment obligation is 10% of the adjusted net income.[65]

Going Overseas and the «Repayment Holiday»[66]

Who is going overseas on or after 1 April 2012 for 184 days or more (about 6 months) may apply for a repayment holiday. This means they will not have an overseas-based repayment obligation to pay for up to the first year (365 days) of being overseas (however interest on the loan continues to accrue also during this period) . A repayment holiday is optional but it must be requested (it is not automatic). The following conditions apply to repayment holiday applications:

- Application must take place before leaving New Zealand or within the first 183 days (6 months) of being overseas
- There must be a contact person in New Zealand

However, if one is overseas and not on a repayment holiday repayment obligations are based on the loan balance each year as shown in Table 7.3:

Table 7.3 Repayment Obligations While Overseas not on a Repayment Holiday

If your total loan balance is ...	then the amount you need to pay is ...
under $1,000	your whole loan balance.
over $1,000 and up to $15,000	$1,000.
over $15,000 and up to $30,000	$2,000.
over $30,000	$3,000.

Source: *http://www.ird.govt.nz/studentloans/payments/compulsory/overseas/*

One can make voluntary repayments and benefit from a voluntary repayment bonus if the voluntary repayment is over NZ$ 500 in a tax year (1 April to 31 March)[67]:

- The bonus is 10% of the voluntary repayment , not 10% of the loan balance
- Bonuses are limited to 1/11th of your loan balance

[65] For an overview of rules, see: http://www.ird.govt.nz/studentloans/payments/compulsory/self-employed/other-inc/

[66] http://www.ird.govt.nz/studentloans/overseas/long-trip/sl-long-trip-six-months-plus.html#03

[67] http://www.ird.govt.nz/studentloans/payments/voluntary/bonus/sl-voluntary-repayment-bonus.html

7.4.2 Indirect support

Family allowances

There are additional criteria for 16–17 year olds studying at tertiary level, secondary school or for home schooled students. If you're 16–17 years old, don't qualify for a Student Allowance, and you live away from your parents' home while you study, your parents may qualify for an Away from Home Allowance from Work and Income (Ministry of Social Development, 2012a, p.4)

7.4.3 Support in kind

Student Allowance recipients may be able to get an Accommodation Benefit to help with their accommodation costs if they are living away from the parental home while they study, and (a) don't live with a spouse/partner, or (b) you live with a spouse/partner and have a combined income of less than NZ$413.462 per week.

7.4.4 Support from private entities

Universities New Zealand handles about 40 scholarships and fellowships. The Scholarships Committee of Universities New Zealand – Te Pōkai Tara administers a wide range of nationally available undergraduate and postgraduate awards. The scholarships offered are funded from contributions of charitable trusts, individuals, governments and industry.[68] The TEC also points out[69] that there are many (private) scholarships, grants and awards to assist learners in their tertiary education studies from fees and course costs to living expenses. A good place to start finding out about them is at the Careers New Zealand website.

The Ministry's website also provides information on scholarships that might be targeted as specific categories, such as Māori or Pacifica or for specific areas of study (see: http://www.minedu.govt.nz/NZEducation/EducationPolicies/TertiaryEducation/ForTertiaryStudentsAndParents/ScholarshipLinks.aspx#General):

- The Māori Education Trust provides financial assistance for Māori students undertaking tertiary study
- The Sir Apirana Ngata Memorial Scholarship is available to Māori students studying in any field in any tertiary education institution. Preference is given to descendents of Māori World War One veterans
- Ngārimu VC and 28th (Māori) Battalion Memorial Scholarships are available for enterprising, innovative and influential Māori, who meet the criteria and possess

[68] http://www.universitiesnz.ac.nz/scholarships

[69] http://www.tec.govt.nz/Learners-Organisations/Learners/What-does-it-cost/Grants-and-scholarships/

characteristics that are identified as being consistent with those of the 28th Māori Battalion.

- The Ministry of Pacific Island Affairs provides information on scholarships available to Pasifika students
- Pacific Islands Polynesian Education Foundation and the Norman Kirk Memorial Trust provide financial assistance to Pasifika students who are enrolled at tertiary education institutions in New Zealand
- Each year the Ministry of Education awards a limited number of NZ$10,000 TeachNZ Scholarships to encourage people to train as teachers in the areas where there is greatest need
- The Ministry of Education offers Special Education Scholarships worth NZ$3,000 per year of study for those studying for a tertiary qualification in Speech - Language Therapy and Sign Language Interpreting
- The Ministry of Education's Study Awards in Māori and Pasifika Education Research aim to assist emerging education researchers undertaking a Masters or PhD to make a quality contribution to the body of knowledge in Māori or Pasifika education research.

7.5 Portability of student financial support

7.5.1 Regular financial support

StudyLink.gov.nz reports that tertiary level students who study overseas may be eligible for study support, both allowances and the loans, if (a) the study programme is approved by the Tertiary Education Commission and (b) they are enrolled at a tertiary education provider in New Zealand. This means that, similar to Australia, students cannot use they normal support for degree mobility but they must be enrolled in an institution in New Zealand and study abroad as part of their studies.[70]

The amount of the allowance or the loan the applicant can get while studying overseas remains identical as if the applicant was studying in New Zealand. However, Changes to student loan policy have made it easier for New Zealand students with a loan to undertake study overseas. From 1 April 2007 students enrolled in full-time undergraduate courses overseas continue to pay no interest on their loans while they are studying—some conditions apply—(New Zealand Government, 2007, p.16). The Inland Revenue Department (IRD) makes provisions for New Zealanders planning to study overseas as well – even if not part of their New Zealand studies. In most cases students won't qualify for an interest-free student loan if they go overseas for 184 days (about 6 months) or more. However they may qualify for an interest-free student loan if the main reason for leaving New Zealand was to

[70] Rules are slightly different for secondary students. Secondary students must be studying through a recognised exchange organisation like American Field Service (AFS) or Rotary, and must have attended a New Zealand secondary school prior to commencing the exchange programme

study overseas and the course meets certain criteria. Table 7.4 below is taken from the IRD's website (http://www.ird.govt.nz/studentloans/overseas/interest-free/)

Table 7.4. Conditions (of the course) to get and interest-free loan if studying overseas

If you're studying overseas and ...	then you'll need to give us ...
it's with an overseas education provider at undergraduate or post graduate level	• an Overseas Study Assessment and the security number verifying that the course is equivalent to levels 7, 8, 9 or 10 • evidence from your overseas education provider confirming your full-time enrolment for the course verified by NZQA • your study start and end dates • any other relevant information such as receipts for fees.
you're studying full-time and enrolled with a New Zealand tertiary provider and completing post-graduate study (level 8 or above) that is unable to be completed in New Zealand	confirmation from your New Zealand tertiary provider that: • you're enrolled with them and, if completed successfully, your study will count towards a New Zealand tertiary qualification • your study is equivalent to level 8 or above on the New Zealand Register of Quality Assured Qualifications, and • your course is full-time and undertaken overseas because it can't be completed in New Zealand.
you're studying full-time and part of a formal exchange from a New Zealand tertiary education provider at undergraduate (level 7) or above	confirmation from your New Zealand tertiary provider that: • you're enrolled with them and, if completed successfully, your study will count towards a New Zealand tertiary qualification • your study is equivalent to level 7 or above on the New Zealand Register of Quality Assured Qualifications • your study is full-time and is undertaken overseas as part of either- o a formal exchange programme approved by the New Zealand Government; or o a formal agreement between a New Zealand tertiary education provider and an overseas tertiary education provider.

Source: http://www.ird.govt.nz/studentloans/overseas/interest-free/

7.5.2 Additional funds for student mobility

A range of scholarships are available to assist people wishing to study in New Zealand's tertiary education sector, as well as for New Zealanders to study abroad. There are two key databases that provide tailored information on the available scholarships, depending on the users' answers to a set of questions, which include need, field of study, sex (e.g. scholarships specifically for men or for women), ethnic background. Of course these databases include also scholarships options for domestic students. These two databases are (see: http://www.minedu.govt.nz/NZEducation/EducationPolicies/TertiaryEducation/ForTertiaryStudentsAndParents/ScholarshipLinks.aspx#General):

- Break Out: a searchable database of over 2,200 awards, scholarships and grants for individuals in New Zealand. Break Out is New Zealand's most comprehensive source of scholarship information (access to the website is not free, though one can perform a free trial to note the sort of questions posed, see http://www.fis.org.nz/databases/BreakOut.php)
- Careers New Zealand: provides information and advice to help you make good decisions about work, study and training. It also provides a list of scholarships, grants and awards (see http://www.careers.govt.nz/education-and-training/scholarships-grants-and-awards/)

Specific for overseas students and foreigners who wish to study in New Zealand are the following:

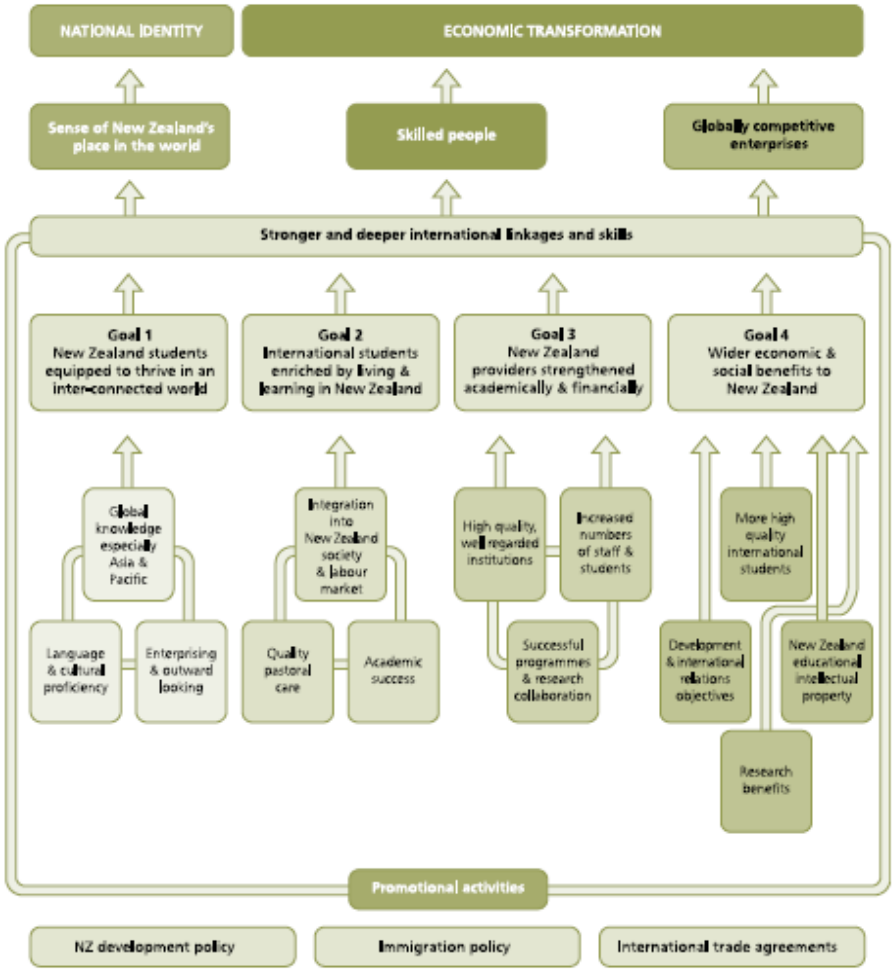
- New Zealand Educated: provides scholarship information for both international and New Zealand students
- Chevening Scholarships: funded by the Foreign and Commonwealth Office and administered by the British Council, are prestigious awards which enable overseas students to study in the United Kingdom. It offers young New Zealanders annual scholarships in three categories: journalism, politics and post-graduate study
- Fulbright Graduate Student Awards: are provided to New Zealanders and Americans who demonstrate academic excellence and leadership potential to undertake postgraduate study in the other country
- The New Zealand Aid Programme: provides support for citizens of some developing countries to undertake vocational training or tertiary level study in their home country, in New Zealand or in the Pacific region

7.5.3 National studies on the benefits of student mobility

The Government's International Education Agenda (New Zealand Government, 2007) sets out the four key goals it wishes to achieve by "internationalizing" New Zealand's higher education sector (both through incoming and outgoing mobility), including:

1. New Zealand students are equipped to thrive in an inter-connected world
2. New Zealand enriches international students' education and life experiences
3. Domestic education providers are strengthened, academically and financially, through international linkages
4. New Zealand receives wider economic and social benefits

The Chart below, taken from Ibid, (p.11), shows the key expected economic impacts, which include development of a more skilled workforce and greater competitiveness for New Zealand's enterprises.



7.6 Policy rationales for student financing

The key document for this is the Tertiary Education Strategy 2010-2015 mentioned above.

7.7 Experiences with student financing

7.7.1 Total costs of study

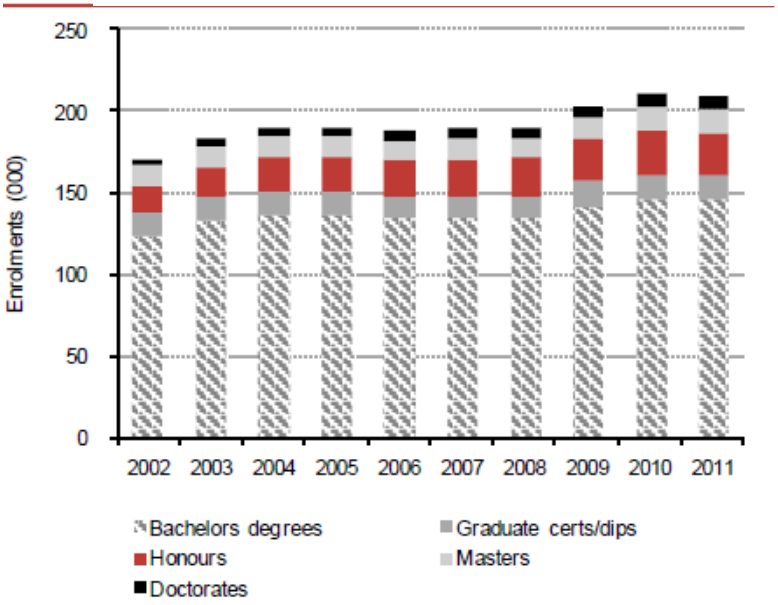
See Section 7.3 and Tables 7.1 and 7.2

7.7.2 Impact of student financing on student behaviour

As mentioned above, the key reforms to student financing were the 2004 introduction of the FCCM (Fee/Course Cost Maxima) and the AMFM in 2011. Data from the Ministry of Education's Statistics site (http://www.educationcounts.govt.nz) show trends in enrolments over the years, including by ethnic background. This information can give hints about the effects of these reforms on access.

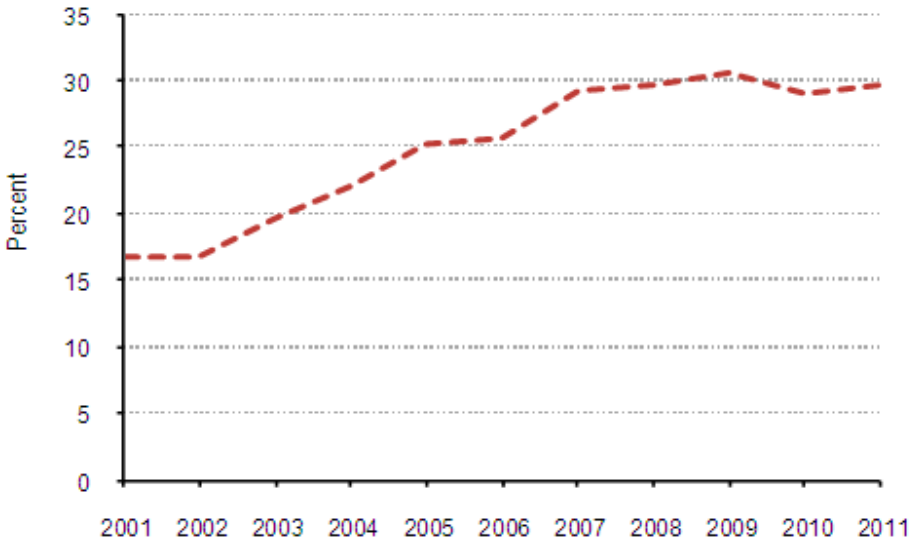
It suggest that there is no significant impact of funding reforms on overall student enrolment. This holds true for all the different levels of study. Indeed, there has been an increase in enrolments between 2003 and 2011. The number of graduates has also increased over the years (see Charts below, taken from Ministry of Education of New Zealand, 2012a).

Figure 7.4 Participation in Bachelors and higher qualifications by level of study.



Source: Ministry of Education of New Zealand, 2012a, p. 75

Figure 7.5 New Zealanders aged 25 to 34 years with a bachelors or higher qualification

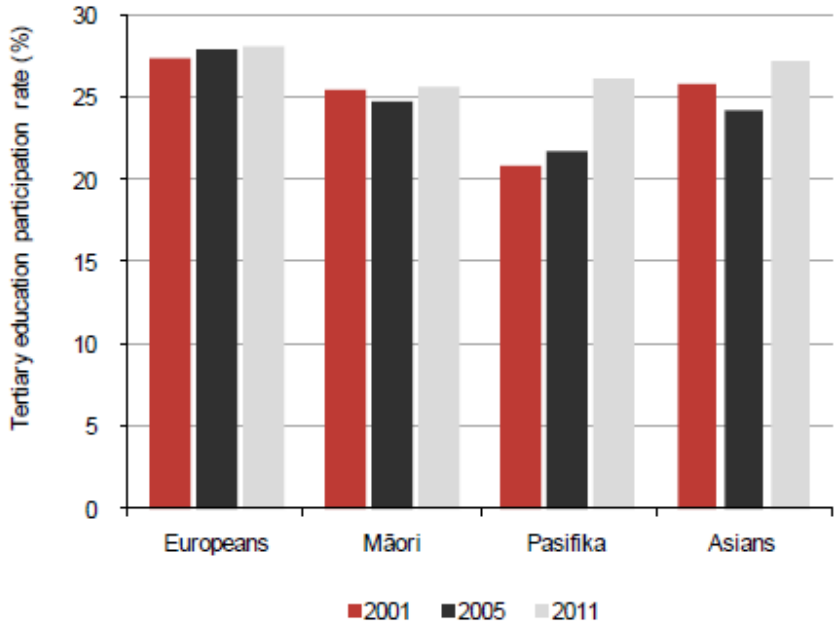


Source: Ministry of Education of New Zealand, 2012a, p. 5

The report further points out (p. 26) that since 2005, two shifts in domestic tertiary education provision have taken place. The first is a move away from lower-level to higher-level qualifications and the second is a move away from students aged 25 years and over towards those aged 24 years and under.[71] New Zealanders aged 24 years and under from all ethnic groups participated at a higher rate in tertiary education in 2011 than in 2005. Young Pasifika people had the biggest increase in tertiary education participation over this period – up by 4.5 percentage points (see chart 7.6). New Zealanders aged 25 years and over participated at a lower rate in tertiary education in 2011 than in 2005. This drop in the participation rate is graphed below for the main ethnic groups. The Māori and Asian ethnic groups had the most substantial decreases and the smallest decrease was for Pasifika people (see chart 7.7)

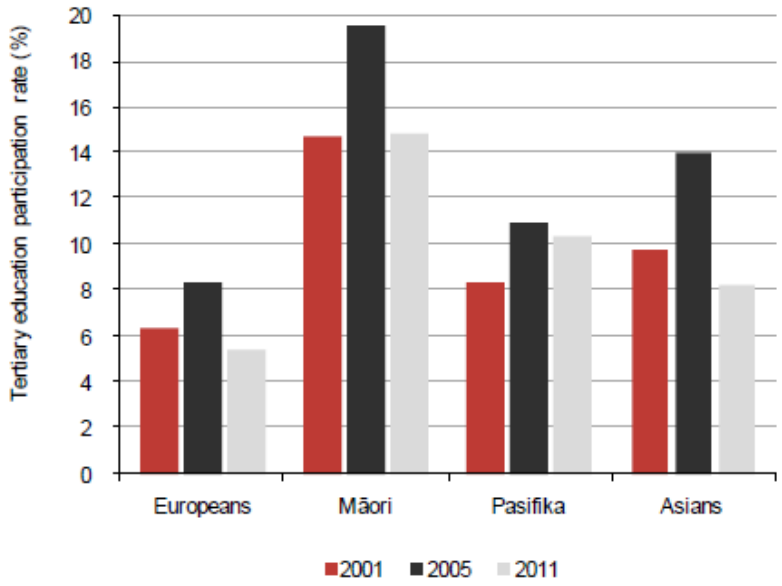
[71] It is hard to ascertain to what extent this is related to changes in funding arrangements as the report does not address this question explicitly.

Figure 7.6 Participation rates in provider-based formal tertiary education by New Zealanders aged 24 years and under and by ethnic group



Source: Ministry of Education of New Zealand, 2012a, p.26

Figure 7.7 Participation rates in provider-based formal tertiary education by New Zealanders aged 25 years and over and by ethnic group

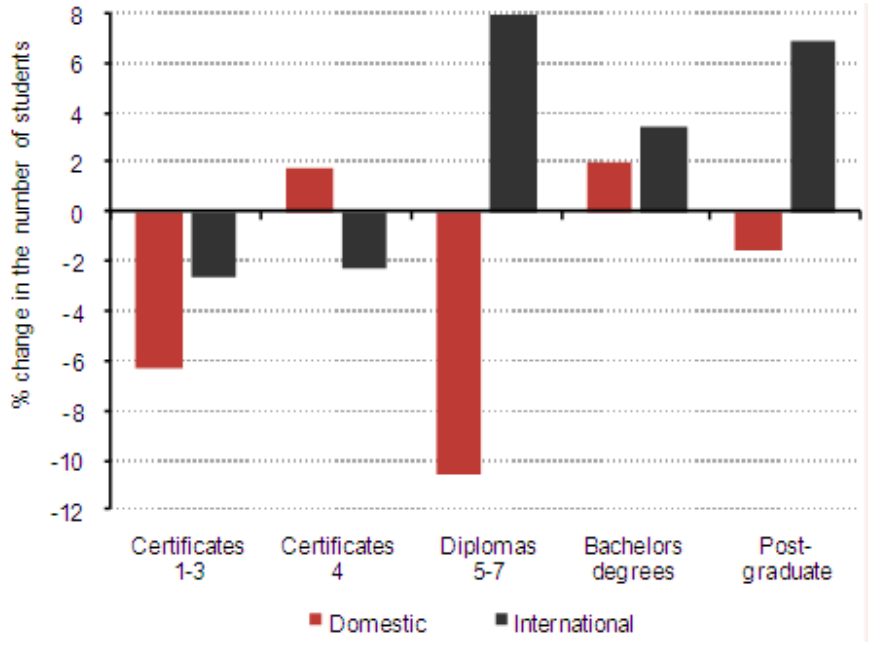


Source: Ministry of Education of New Zealand, 2012a, p.26

The same report (p. 9) states that early indications are that the number of students enrolled in formal study at tertiary education providers in 2012 decreased by about 1%, compared with the same period in 2011. In terms of equivalent full-time student units the number remained stable. This means that the average study load of students has continued to rise. The latest decline in the number of students comprised a decrease in domestic enrolments of about 2%, partly offset by an increase in international enrolments of 5%.

The decrease in the number of provider-based students in 2012 was mainly at private training establishments and polytechnics. Student numbers at private training establishments fell by nearly 6%. At polytechnics, the decrease was less substantial, at 1.5%. The student numbers remained stable from 2011 to 2012 at universities, while they increased by almost 3% at wānanga.

Figure 7.8 Percentage change in the number of domestic and international students by qualification level (April 2012 compared with April 2011).

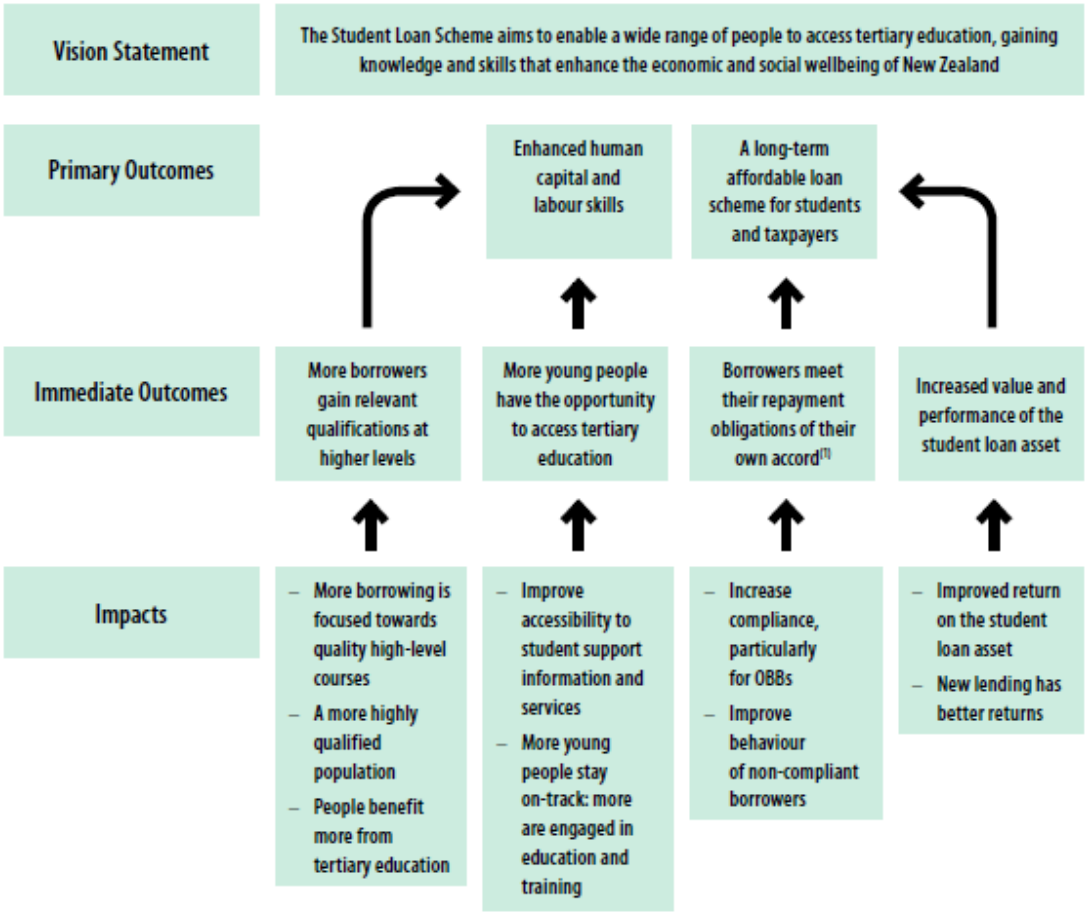


Source: Ministry of Education of New Zealand, 2012a, p.9

7.7.3 Impact of student financing on achievement of general policy objectives

The ministry's annual report on the loan scheme (Ministry of Education of New Zealand, 2012b) discusses at some length the impacts of the country's loan scheme in terms of enhanced human capital and labour skills and a long-term, affordable loan scheme for borrowers and taxpayers (see pp. 14 ff.). Chart 9 below, taken from Ibid. (p. 14) shows the rationale and expected outcomes of the loan schemes.

Figure 7.9 Outcomes of the Student Loan Scheme



Source: Ministry of Education of New Zealand, 2012b, p. 14

Apart from increased earnings for highly educated people (which is a general benefit of higher education), what is worth noting is that there has been a shift towards higher levels of qualifications after 2006, which goes in tandem with increased levels of student borrowing (see *Ibid*. pp. 15-16):

> Enrolments of domestic students in 2011 were around 246,500 in equivalent full-time student units. This is around 36 percent higher than in 1999, but 3 percent below the peak in domestic enrolments in 2010. There was a decline in the number of people enrolling in tertiary education between 2006 and 2011. This reduction reflects a deliberate shift in government's priorities for the system – towards a higher proportion of enrolments by= younger people in higher-level qualifications. The emphasis on enrolments in higher-level qualifications is designed to ensure the government's investment in tertiary education is more effective in raising the levels of skills available in the economy. […]An increasing proportion of students have used the loan scheme as a means of financing their tertiary education, with more than 80 percent of eligible fulltime students taking a loan. As enrolments in tertiary education have risen, so has the number of people completing

tertiary qualifications. Data from Statistics New Zealand's Household Labour Force Survey shows a steady rise in the number of people in New Zealand holding tertiary qualifications, especially at degree level. In 2011, 51 percent of New Zealanders held a tertiary qualification, up from 44 percent in 1999, while the proportion with a bachelors degree or higher qualification rose from 10 percent to 17 percent. The shift to enrolments in higher-level qualifications is reflected also in the data on student loan uptake. In 2006, 56 percent of borrowers were enrolled in qualifications at bachelors level or higher. By 2011, the proportion had risen to 62 percent. Over the same period, the proportion of borrowers enrolled in certificates had fallen from 30 percent to 25 percent.

The report also looks into «unintended consequences» of student loans on New Zealanders particularly after graduation, on child bearing, overseas travel, and home ownership (pp. 19 ff.)[72]. An Australian study on the same object is used as an indication also for New Zealand. The effects of loans on trends in child bearing, overseas travel and home ownership are difficult to trace. However, there is no statistical evidence that the presence of loans causes adverse effects in these areas. An Australian study, published in the Journal of Population Research, looked at whether Australia's Higher Education Contribution Scheme or HECS – which has many similarities with student loans in New Zealand – has affected the birth rate in that country. The research compared university-educated women with and without HECS debts yet similar in other significant ways. It found that falling fertility rates are not related to HECS. Further, evidence from countries that have no loans and very low tertiary tuition fees – such as France – show that birth rates among women with tertiary qualifications have fallen. These two findings suggest that the factors that drive birth rates and the age of child bearing among women with tertiary qualifications are complex but that the presence of student loans is not a key factor. Two Ministry of Education studies have examined the relationship between the size of a student loan and the likelihood of being overseas. The first was a statistical analysis of the relationship between student loans and going overseas. This study concluded that those who have larger loans are more likely to go overseas. But while the effect is statistically significant, it is very slight. A more recent study by the Ministry of Education on the relationship between the size of a student loan and the likelihood of going overseas concluded that borrowers who were overseas left study with larger loans than borrowers who remained in New Zealand.

Effects of Student Loans in New Zealand

No effect on overall enrolment

There is a shift towards higher qualification level

There is a shift towards younger student population

There is no evidence that loans have an effect on fertility rates

The higher the loan, the higher the probability of moving overseas after graduation, but the correlation is very slight (in fact in long term not significant)

No effect on mental health

However, the extent of the difference is reduced when the level of study is controlled for. The study also examined the characteristics of those who returned from overseas compared with those who remained overseas. They found little difference in the demographic and study related characteristics of these two groups. A forthcoming statistical study by the

[72] The next paragraphs are also taken from Ministry of Education of New Zealand, 2012b.

Ministry of Business, Innovation and Employment finds a similar relationship between loans and going overseas. A recent statistical study by researchers from the Universities of Canterbury and Otago, using a longitudinal dataset, found that the presence of a student loan 'had little observable effect' on the subjects' mental health or residence in New Zealand.

8 Norway

8.1 The higher education system

Norway has a diversified higher education system. It consists of a variety of public and private institutions with different tasks, different mixes of functional emphasis (some-research driven, others more teaching-driven) offering different degree types and having different degrees of intensity in basic and applied research, innovation and continuing education, and catering for different regional and national, more rarely global student groups. In 2011, Norway had the following institutions:

Number of institutions receiving public support	**59**
Public institutions total	**36**
o Public university colleges	20
o Public Universities	8
o Public Specialized university institutions	6
o Art colleges	2
Private institutions total	**23**
o Private Specialized university institutions	3
o Private university colleges	20

In the public sector, Norway differentiates between universities, university colleges, speicalised university institutions (e.g. arts academies, business schools) and institutions that have accredited higher education programmes. Furthermore there are a number of private higher education institutions. Three specialised university institutions focus on religious studies and business studies). Private Institutions are usually small, with the exception of the Norwegian Business School which had in 2010 20,000 registered students (Opheim 2011). 14% of all students in Norway attend private higher education institutions and 86% of the students study in *public* institutions (OECD 2012, p.334). Around half of those in public institutions study at public universities.

The specialised university institutions offer professional programmes at masters and postgraduate level and grant doctoral degrees. These institutions specialise in economics and business, music, sport sciences, veterinary science and architecture and design. Apart from teaching, the universities and specialised institutions have a "national responsibility" in research and doctoral training. Universities are broad institutions covering most branches of study; they have both professional programmes and general disciplinary programmes. More

than one fourth of all R&D takes place in the HE sector, mainly within the universities and specialised university institutions.

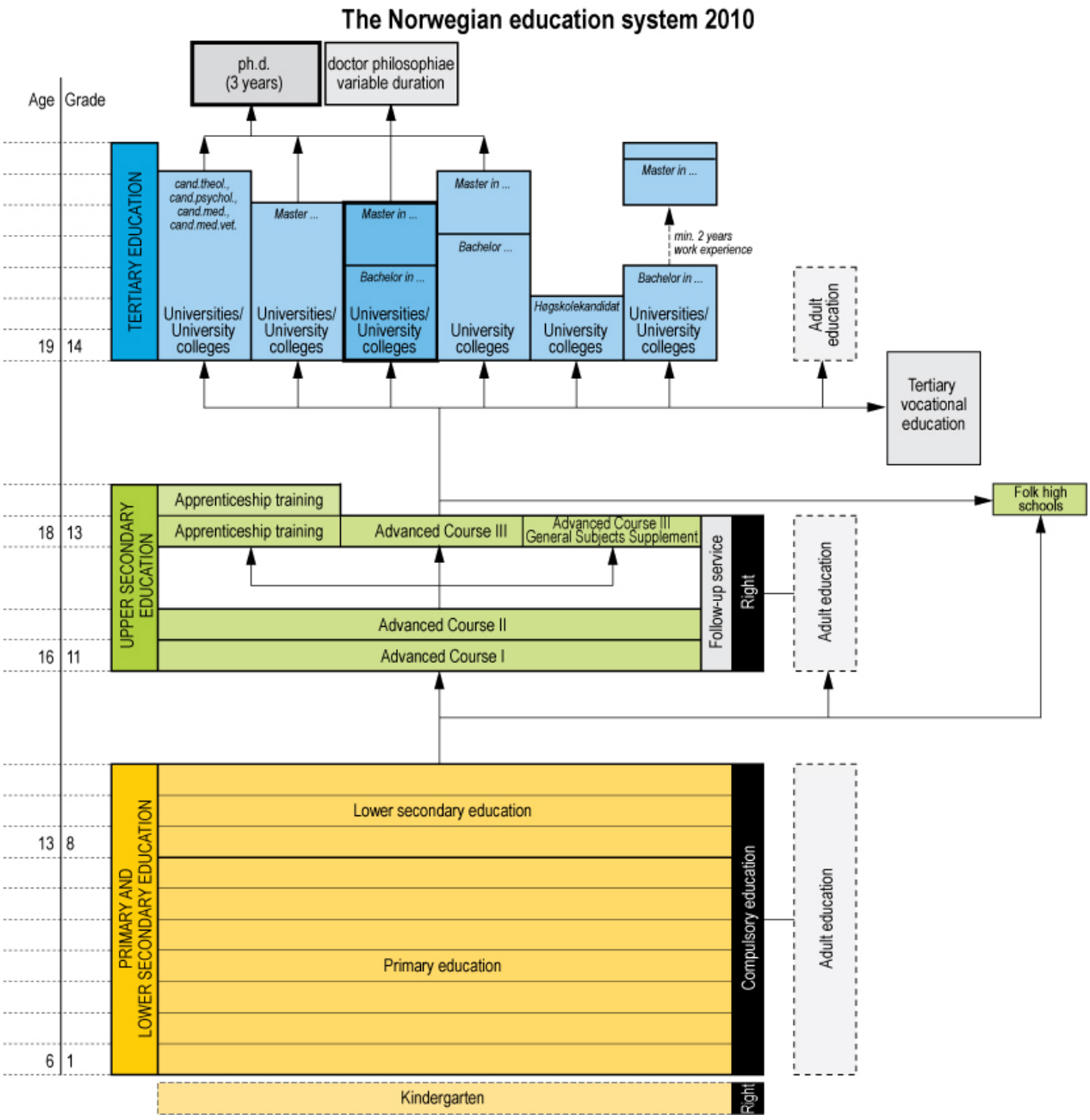
University colleges have an important role in decentralising access to higher education. They predominantly offer three-year professional bachelor programmes (in engineering, nursing, social work, etc.). This sector also offers professional programmes of varying length, from one to five years (e.g. in teacher training and business administration). Several university colleges offer masters programmes and three of them have the right to award doctorates in one or more subjects. The university colleges increasingly engage in research and development (regional) work. This research is preferably connected to practice within specific fields or to problems particularly relevant to their regions. Highly competent research environments with adequate depth could also play a role in research training in collaboration with a university or a specialised university. An alternative to higher education is short-cycle tertiary vocational education.[73]

In addition to private specialised institutions at the university level and the two private university colleges, there are twenty private higher education institutions receiving public funding for some or all of their programmes. These publicly funded programmes must be accredited by the national quality assurance agency – NOKUT. Two private university colleges have institutional accreditation (Diakonhjemmet University College and the Norwegian Teacher Academy Bachelor & Master Studies). The number of students that attend private education is around 13% of all higher education students.

In 2011, there were about 218.000 students below the PhD level, and about 9.000 PhD students. 6,3% of all students were taking a flexible learning path. About 49.000 students were enrolled in short cycle programmes. Between 2010 and 2011, there was a clear increase in student enrolments, a total of 5,3%, following an increase of 2,6% the year before (KD 2012). In comparison to both EU-27 and OECD average of tertiary education attainment (28-30%), Norway lies above the average (37% for the whole population of 25-64); 47% in the age group 25-35) (OECD 2012).

[73] Tertiary vocational education consists of vocational training courses lasting from half a year to two years. Most of the schools offering this kind of programme are private; their courses, however, must by accredited by the Norwegian Agency for Quality Assurance in Education (NOKUT). Established after 2003, this sector is still quite small, and is omitted from this chapter.

Figure 8.1: The Norwegian Education System, 2010



The overall responsibilities for all higher education institutions are the same: to provide higher education at a high international level, to conduct research, academic and artistic

development work at a high international level and to disseminate knowledge. However, underneath these commonalities lie degrees of difference, mainly related to the research task and to their self-accreditation rights. Universities, including specialised universities, have a national responsibility for basic research and for PhD training; university colleges are oriented towards professional practice and development work (associated with regional responsibilities). Moreover, universities may offer study programmes at all levels without external accreditation, while university colleges must apply for external accreditation by NOKUT for study programmes at masters and PhD level. In 2003, a system for institutional accreditation was introduced. As a consequence some university colleges made efforts to become universities.

NOKUT is the controlling authority for educational activity at all Norwegian universities, specialised universities, university colleges and institutions with single accredited higher education programmes. Through its evaluation procedure NOKUT decides on the recognition of the institutions' internal quality assurance systems and carries out checks to see whether their educational provision meets national quality standards. Institutions are responsible for the quality of education with NOKUT evaluating the internal quality assurance system of all institutions in cycles of no more than six years ('meta evaluation'), accrediting new programmes of those institutions without self-accrediting powers in relation to national standards (as self-accreditation depends on institutional type).

Traditionally, university degree types were inspired by the continental university model, with a four-year first degree, and a two-year second degree on top. Some professional degrees have traditionally differed from this structure (e.g. teacher training or medicine). In the university college sector, the first degree traditionally varied between two and four years. Normally, a second degree was not offered in the college sector. During the last decade, however, a few colleges have been granted the right to offer second degree programmes and even doctoral studies in given subjects, and became universities.

8.2 General higher education policy developments

In 2003, the 'Quality Reform' was implemented that changed *inter alia* the degree structure, grading system and quality assurance system in line with the basic principles of the Bologna process. Since then the basic degree structure in Norwegian higher education consists of a three-year bachelor degree, a two-year master degree and a three-year doctorate. There are a number of exceptions to the basic degree structure: the old university two-year degree, five-year consecutive masters degrees, six-year professional programmes, masters degrees within one or one and a half year, four-year bachelor degrees (music and arts) and four-year teacher education. Higher Education institutions are about to implement the European Quality Framework, by creating a national qualifications framework 2012 (*Nasjonalt Kvalifikasjonsrammeverk*).

From 2012 on, universities are ought to set their own priorities and goals, in order to create stronger institutional profiling. This includes internal targets and aims and a clearer role division. The six areas of further improvement are:

- graduation rates: around 40% of the Bachelor or Master students finish their studies in the designated period; the drop-out rate of Bachelor students is high. In terms of doctoral education it is aimed that 80 percent complete within six years after admission. In 2011 the implementation less than 70 percent achieved this in the major universities.
- research quality (as measured by citations and European grants) and availability of research results (for the time being, Norway lags behind Nordic neighbours in citations)
- societal relevance and more flexible education opportunities
- long term economic planning (indications that universities are using their financial autonomy to create long term strategic thinking)
- increased gender equality and less temporary positions (number of female professors at 23% and still a small increase in number of temporary employees)
- financial security for university museums and other collections (KD 2012: 20)

Internationalisation of Education is an important policy goal. The number of students abroad is now around 6%. Norway is with Denmark, the UK and Australia the most popular destination for students who want to take a full degree (NIFU 2012).

Since Norway's neighbours Sweden and Denmark have by now introduced tuition fees for non-EU students, the inflow of foreign students and the costs for them may increase. So far no policy change is planned in Norway (Grove 2011). Equity remains a central principle in the Norwegian system.

8.3 Tuition fees and other private contributions

There are no tuition fees in Norway in public higher education institutions, neither for Norwegian citizens or international students. Only a relatively minor enrolment charge and compulsory social security contribution is made on students (about 70 euros per semester). The semester fee helps to finance the welfare services offered by the Student Welfare Organisation (SiO).

Private higher education institutions charge tuition fees depending on the amount of state funding they receive (Opheim 2004). The most important private higher education institution is the Norwegian School of Management BI; it charges tuition fees between €3500 and €6500. However, this tuition fee can be almost entirely be covered by governmental loans.

8.4 Student financial support

Norway operates a performance-related loan-to-grant system. Student financial support in Norway is distributed through the Norwegian State Educational Loan Fund (NSELF), administered by the governmental body *Lånekassen*. This fund was established in 1947 in order to promote equal opportunities. In the early 1970s, means testing the parent's income was disbanded. Now, student support is only dependent on the student's own income and living situation (living with their parents or not).

The student support system consists of both loans and grants that are aimed at cover living costs. The money is paid out as a loan, but is converted to a grant later on if certain conditions are met (see repayment). All students are entitled to a financial aid for a maximum of eight years (Lånekassen 2012). Norwegian citizens are eligible for financial support as well as foreigners which fulfil certain criteria (Lånekassen 2012).

8.4.1 Direct support for students

Grants and scholarships

All full-time students are entitled to grants, except those who live with their parents. Grants from NSELF are means-tested, and may be reduced if the student receives social benefits, is in possession of substantial assets or earnings.
Since 2004 the grant part of the student support has been made dependent on academic progress – see below.
Additional grants are available to students with children.

Student loans

All students, including those living with their parents are eligible for loans. Financial support for the academic year 2012-2013 (ten months) is around € 11,000 per student (Lånekassen 2012). Also those who pay tuition fees (at private institutions) are eligible for a loan up to NOK 53,730. The size of the loan depends on the size of the tuition fee and the loan cannot exceed the annual tuition fee (BIS 2010: 148). About 90% of Norwegian students take up a student loan from NSELF during their studies (Opheim 2011: 41).

Students in Norway are offered mortgage style interest bearing loans that are in part convertible into grants depending on personal circumstances and academic achievement.
Student loans are interest free. They are not means-tested but are subject to a ceiling. (Opheim 2011).

A similar support system is in place for students studying part-time, if they study at least 50%. Students who study 50% to 67% are eligible for 50% of the full loan, students studying 67% to 75% of the time are eligible for 67% of the full loan, and students studying 75%-100%

are eligible for 75% of the full loan (BIS 2010). Those who are studying at private institutions may apply for additional student loans to cover the costs of tuition fees. (Opheim 2011)

Part of the financial aid can be converted to a grant, depending on the student's success in completing his or her studies. A maximum of 40% of the student support funds can be converted into a grant. In order to receive the maximum amount as grant students have to:

- pass all exams[74]
- earn less than a specified sum (NOK 145,400 in 2012)
- have assets not exceeding NOK 330,789 (2012)

Students who receive the maximum annual student support of NOK 80,000 and have no delays in their studies will have NOK 32,000 in student grants and NOK 48,000 in student loan (BIS 2010, p.48).

Repayment conditions

Repayment of student loans only starts after the period of enrolment. The first payment is normally made about seven months after graduation (with four instalments per year). No interest is paid until graduation. A central feature of the Norwegian support system is that there are no interest rates on loans during studies.

Loans are mortgage style loans which are interest free during education and may have either fixed or floating interest rates. The student loan interest is payable at the interest rate on governments certificates which have redemption periods from zero to three months. An additional one percent per year is charged to partially cover administrative costs (NSELF 2004). Thus, during the repayment period (normally 20 years) there are no interest subsidies to the student loan (Schwarzenberger 2008). The interest rate charged stands at 2.5% (nominal) (BIS 2010: 48). The repayments are not contingent upon individual's earnings. The minimum repayment is NOK 3,140 (BIS 2010: 149). Repayments may be deferred up to three years and interest may be waived in cases of low income, unemployment, illness, childbirth or care of small children. All or parts of the loan may also be cancelled under certain circumstances (living and working in certain parts of Northern Norway, illness, death).

8.4.2 Indirect support

Non-cash support does not play a role in Norway. All student support from the government is direct support (Schwarzenberger 2008). There are no family allowances and no specific tax exemptions for students and their parents.

[74] Students in Norway are submitted to a rather strict control of academic progress, since the Norwegian educational institutions report their academic results directly to Lånekassen. Students abroad and their academic progress is also monitored.

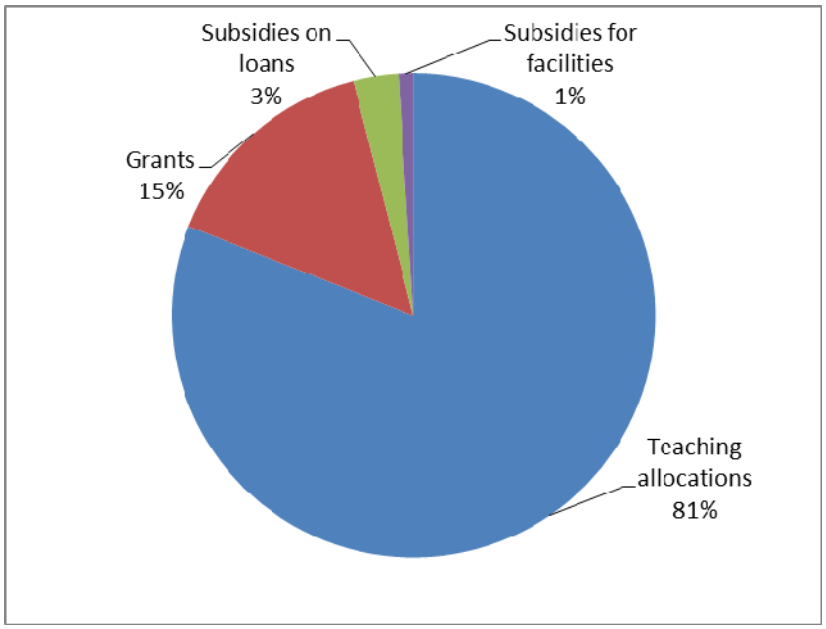
8.4.3 Support in kind

Students can get discounts on public transport. Subsidies for accommodation exist in form of funds that are distributed to the student welfare organisations. They use them for student housing construction (Schwarzenberger 2008: 101).

8.4.4 Support from private entities

This kind of support does not play a role in the Norwegian higher education system. Figure 8.2 gives an overview of the public expenditures on higher education. Teaching allocations include teaching-related financing and a subsidy to the student welfare organisations. Subsidies for facilities include contributions such as subsidies to student kindergartens. 95% of the higher education provisions are provided by the State.

Figure 8.2 Distribution of public expenditure on higher education in Norway in 2005



Source: Schwarzenberger 2008: 103

8.5 Portability of student financial support

8.5.1 Regular financial support

Students can take the loan provided by NSELF and study abroad if the following conditions are fulfilled (Lånekassen 2012):

- The student must have a Diploma of Upper Secondary Education in Norway and must satisfy the general entrance requirements for university studies in Norway

- The student must have an unconditional offer
- The educational programme must be approved by the Norwegian Agency for Quality Assurance in Education, NOKUT
- The educational programme has to be at bachelor level or higher
- Only full-time studies are eligible
- The student has to attend the actual educational institution, i.e. there is no funding for online or distance learning programmes
- Support is given for no more than eight years
- Study abroad programmes of one or two terms which are recognized by a Norwegian university or college may qualify for support

8.5.2 Additional funds for student mobility

Studies abroad are considered equal to studies in the home country. This means that students are also eligible for support if they are studying abroad, based on the same conditions as apply to domestic students (Saarikallio-Torp and Jannecke Wiers-Jenssen 2010, p.24). Norwegian students who want to study abroad (at least one term, see above) are additionally eligible for:

- Travel expenses (depending on host country, support may be granted for two return trips per year between the student's home town in Norway and the educational institution abroad.)
- Language grants for enrolments at non-English speaking institutions (up to €2.000)
- Tuition support (Up to ca €7.000 per year for the majority of students. Students at certain prestigious universities are eligible to up to €20.000 travel expenses (depending on host country)

Foreign citizen with legal residence in Norway and are entitled to financial support if they meet certain conditions. Furthermore , every year the universities and university colleges in Norway accept students from developing countries, countries in the Western Balkans, and countries in Eastern Europe and Central Asia to a special educational program (quota program). They can receive grants and loans from the Norwegian State if they meet certain conditions.

8.5.3 National studies on the benefits of student mobility

Norway has a long tradition of full degree mobility. The enrolment capacity of Norwegian higher education institutions has traditionally been not sufficient to meet the demands in certain subject areas. Therefore student export have been used as a means of compensating for the lack of labour in certain segments (Wiers-Jenssen 2011: 81).
While other countries encounter a decrease of student mobility, student mobility in Norway is high and increasing. The mobility analysis of the Norwegian Centre for International Cooperation in Education found for the bachelor and master level:

- In 2009/2010, 7209 Norwegian students followed part of their studies abroad, the highest ever figure to date

- USA is still on top as the most important destination country for Norwegian exchange students who take part of their degree abroad, with 1080 students in 2009/2010
- The four countries which together with the United States occupy the top five list are Australia, Great Britain, Tanzania and South Africa
- In 2009/2010 Norway had the largest amount of foreign students in Norway; 14980 students. This number include students who take part of their degree or their whole degree in Norway
- The five largest groups of students with foreign citizenship in Norway are from Russia, Sweden, Germany, China and France
- In 2006/2007 Norway reached the highest number of Norwegians studying abroad through LLP's Erasmus programme. In the academic years 2007-2008 and 2007/2008 there was a noticeably decrease of this number. However, statistics from 2007/2008 shows that the amount of Norwegian exchange students is increasing again.

1.9 percent of all Norwegian students are "international" students, a figure equivalent to 4.114 individual students (OECD 2009).

The risk of a brain drain of Norwegians studying abroad is rather low. 80% of students came back three and a half to five years after completing their studies (Wiers-Jenssen, cited in Witte and Brandenburg 2007: 22). A recent study showed that graduates with a diploma from abroad face more challenges entering the labour market, but obtain higher economic rewards compared with other graduations. Exchange students as well as mobile degree students obtain more international jobs than non-mobile students. The relative success of exchange students is partly explained by selectivity (Wiers-Jennssen 2011).

8.6 Policy rationales for student financing

The rationale behind Norway's non-tuition and student support policy is a general equality principle. The overall objective of Norwegian educational policy is to provide equal opportunities for all individuals irrespective of gender, geographic location or economic, social and cultural background. To be able to study is in Norway not seen as the financial responsibility of the parents (BIS 2010, Grove 2011, Opheim 2011). Therefore, in 2002 the amount of student support (loans and grants) was substantially increased (from NOK 69,500 to NOK 80,000) and had been increased again in the meantime. Furthermore, the student grant increased from roughly 30% to 40% (Opheim 2005, 2011).

However, as in other Scandinavian countries the effectiveness of the higher education system has been debated. One of the aims of the 2003 Quality Reform was to ensure that students pass more quickly through the higher education system and to strengthen efficiency. Thus, since August 2004 the grant part of the student support has been made dependent on academic progress, i.e. passing all exams (Opheim 2011). The reform introduced a 'conversion system' in student support. Before the reform students received grants regardless of their academic performance. After the reform students are provided with loans which may be partly converted to grants. (BIS 2010: 149)

8.6.1 Fit of student financing rationales with overall higher education policies

Norway's student financing is accordance with the general principle of equality. It is based on the idea that students should be independent from their parents.
The 2003 Quality reform included a performance measure into the grant and loan system.
Other considerations (stimulating certain disciplines or societal/ economic relevance) don't seem to play any role.

8.7 Experiences with student financing

8.7.1 Total costs of study

Table 8.1 below gives an overview of the estimated costs of study (in NOK) per student per year.

Table 8.1 Estimated costs of study (in NOK) per student per year

Cost of study	NOK
Tuition fees	none
study related costs	ca. 6000
Cost of living	
Accommodation	ca. 42,000
maintenance costs	ca. 60,000
Others	ca. 35,000
Total	(ca. €17,000) ca. 143,000
Public subsidies (of the above)	
Grant	ca. 26,000
estimated loan subsidies	ca. 3800
Sum public subsidies	ca. 29,800
% of total expenditure	ca. 20%

Own calculations, based on Schwarzenberger 2008: 106

8.7.2 Public subsidies through student support in relation to the costs of study

In the 2008 study "Public/ private funding of higher education" the total annual amount of costs spent on higher education is compared with the public and private expenditures on higher education.

Table 8.2 Total expenditure on higher education (in NOK 1000)

Public		Private	
Teaching allocations	18,256,486	Student income	134,823
Direct support (grants, loans, facilities)	4,245,520	minus direct support	25,168
Total	22,502,006	Proxy value per student	109,655
% Total expenditure	52%	% Total expenditure	48%

Source: Schwarzenberger 2008, pp. 102-103 and own calculations. The reference year for the analysis is 2005. Calculations of total expenditures for higher education teaching are based on the Norwegian National Budget for 2005. To calculate the private expenditures on higher education, student's income is used as proxy for expenditures. Student income includes grants, loans, family contributions, paid work, transfers in kind, any other income (after tax deductions).

After summarising all expenditures on higher education, the proportion of the total expenditure covered by the public and private is quite similar (Schwarzenberger 2008: 103).

8.7.3 Impact of student financing on student behaviour

- The majority of Norwegian students state that the public student finance is their main source of income.
- Differences between the socioeconomic background of students are relatively small. Still it was found that after the changes in the student finance system, students from lower socio-economic had more concerns about student loan repayment than students from higher socio-economic backgrounds after the changes (Opheim 2008: 76).
- Despite the increase in the student financing students spent more time on paid employment system (Opheim 2008: 78, Opheim 2011) This is rather unlikely to be an effect of an increased economic need. What is more likely is that the increased threshold of earnings before the student grant is reduced made it possible for students to earn more than under the old scheme.

In 2007 the 2003 Quality Reform was evaluated. This evaluation concluded that students obtained more study points after the reform. This seems to indicate that students pass through the higher education system more quickly after the reform because they take more credits. The evaluation also concludes that economic factors are unimportant in relation to completion rates (BIS 2010: 149).

8.7.4 Impact of student financing on achievement of general policy objectives

There has been an increase in numbers of student loan receivers and an increasing amount of public resources spent on student support (Opheim 2006). The relative increase in the share of students has been particularly strong among part-time and mature-age students. The

increasing number of student loan recipients seems to have been mainly a result of the increasing access to student finance after the changes (Opheim 2008: 75).
One of the policy aims is that students are independent from their parents. But a substantial proportion of students get at least some support from their parents. (Løwe and Sæther 2007, Opheim 2008: 79). Students who receive parental support spend less time in paid employment than students without parental support.

Study delays were analysed and no decline of the study delays could be found after th 2004 reforms (Opheim 2011: 54). It seems that the new policy reforms had failed in this respect. However, one must take into account that the performance-based system was only fully introduced in August 2004 and that the analysis was undertaken for the time between 1998 and 2005. This is a rather small time window for measuring effects.
Student support does not seem to have any significant impact on study efficiency. Opheim argues that one should be cautious with this kind of conclusion since it is important to take the overall characteristics of the system into account. The student support increase occurred within a system where the support was already quite high.

There is some suggestion that students from poorer families may be more reluctant to taking up loans in order to study, indicating that the reform may have made higher education less accessible to students form poorer backgrounds (BIS 2010: 149). But no hard facts could be found for this suggestion.

9 Sweden

9.1 The higher education system

The system of higher education consists mainly of universities and more specialized colleges. Sweden's education system has historically been dominated by public providers. There are 13 state universities and 20 state university colleges (högskolor) in Sweden, as well as 3 private universities (Chalmers University of Technology, Stockholm School of Economics and Jönköping University) and 11 other private tertiary education institutions entitled to award first-cycle, and in some cases second-cycle, qualifications as well as five course providers entitled to award qualifications in psychotherapy (Högskoleverket, 2011).

In the autumn semester of 2010 there were just over 369,000 first and second-cycle students at HEIs in Sweden. This is the largest number ever and an increase of two per cent compared to the autumn semester of 2009. Women accounted for 59 per cent of the total student population and men for 41 per cent. About one-tenth were incoming students. Half of all the students in the autumn semester of 2010 were 24 years old or younger while those between 25 and 30 and those who were 31 or older accounted for one quarter each. The oldest age group contained a considerably larger proportion of women than men (Högskoleverket 2011). During the academic year 2009/10 the number of students graduating rose after three successive years of decline. The total number graduating amounted to 51,700, which means an increase of just over 1,300 graduates compared to academic year 2008/09. The number of degree certificates issued also rose compared to the preceding year. Women accounted for 65 per cent of the qualifications awarded and men 35 per cent. The major reason why women account for almost two thirds of the qualifications awarded is that they constitute 60 per cent of the student population and because women dominate in programmes in the health and caring sciences, which have high graduation rates, and also because the graduation rate for women in most subjects is higher than for men (Högskoleverket 2011).

The clear majority of the public funding is disbursed directly from the government through the Ministry of Education and Research. Additional R&D funding is secured in open calls from research councils, sector agencies, research foundation (semi-public and private) and the EU as well as from industry.

The 1993 reform reduced the detailed influence of central government but called for more planning, accountability and control at the institutional level and therefore a stronger and more pronounced institutional governance. The internal devolution of authority, awaited by many academics, did not occur. Instead, the responsibility for those in leadership positions in universities and colleges increased. Collegiality and management in combination became the primary model of institutional governance, supported by a new network of interest

groups consisting of the academic elite, scholarly organizations, and the business establishment (De Boer *et al*., 2010). With the return of the social democratic government in 1994, the political balance of power gradually began to change. The political representation was enlarged in the governing boards of the institutions. Rectors were replaced by people from outside (often industrial leaders or politicians) as chairman of the board. The "unholy" alliance between state and industry was strengthened at the expense of the academic elite. Oddly enough, this did not meet with any big resistance until recently (De Boer *et al*., 2010).

Swedish universities and university colleges have three main missions: to educate, to perform research, and to interact with society. The latter, the so-called "third mission", was added in 1997, and includes technology transfer (among other things), and was subject to much debate but is today generally an integrated part in education and research. Higher education institutions are expected to also serve the local community, contribute to overall social development and ensure that benefit is derived from their research findings.

The main criteria for operational grants for education are the number of full time equivalents and student performance. The amount of funding varies depending on the disciplinary domain. There is also a funding cap that limits the size of funding a HEI may receive. Direct governmental allocations for research and third level programmes are mainly based on historical/incremental funding, but from 2009 a small performance-related component has been introduced for allocation of public research funding.

Parliament (*Riksdag*) and the government (through the Ministry of Education and Research) have the overall responsibility for higher education and research, and thus determine the higher education regulations, including objectives, guidelines and resource allocation. The key regulations that determine the way in which higher education institutions operate are embodied in the *Higher Education Act* which is laid down by parliament and the *Higher Education Ordinance* which is laid down by the government (Högskoleverket, 2010). Several government agencies are involved in the implementation of government policies. The Swedish National Agency for Higher Education (*Högskoleverket*) is responsible for higher education, while the Swedish Research Council is responsible for research.

9.2 General higher education policy developments

A new national quality assurance system was decided by the parliament in June 2010 (Government bill 2009/10:139). The system started in 2011 and has two components: evaluating courses and programmes and reviews of degree-awarding powers. The Swedish National Agency for Higher Education is responsible of these evaluations and reviews. The evaluations primarily cover assessments of whether the different study programmes meet the learning outcome requirements stipulated in the Higher Education Ordinance. In addition, higher education institutions can receive extra funds if their first and/or second cycle programmes have received the highest quality score in the quality evaluation process. If a study programme has serious shortcomings, the higher education institution can have its degree-awarding powers withdrawn (Ministry of Education and Research, 2010a).

In 2004, the Swedish Government formulated a strategy to promote the internationalisation of higher education, including the strengthening of the international dimension in education and the promotion of international mobility of students and teachers. In 2008, over 500 programmes were offered in English language. In the same year, an opinion poll was conducted asking university rectors whether Sweden's language of instruction at universities should be English. Many rectors were in favour of English at the Master's level but a large majority was against English at the Bachelor's level. As a result, a large number of Masters programmes in English language have been created (around 600) but only a very limited number of Bachelor Programmes in English language exist. During the last decade the number of incoming international students has risen from just under 3% of the student population to just over 10% (Högskoleverket 2011b). In the academic year 2009/10 26,500 Swedish students were studying in higher education abroad, which means an increase of 9% compared to the preceding year.

Since 2007, Swedish higher education institutions have been invited by the University Chancellor to nominate departments, study programmes or other units for the award of The Centre of Excellence in Higher Education. This annual award was an incentive for educational units that had already reached a high standard to improve even further. It was also a way of highlighting good practice and stimulating the raising of standards elsewhere. The nominations were processed by Högskoleverket (Swedish National Agency for Higher Education). An assessment panel was appointed that included subject experts from other countries. The assessment panel presented a report of its findings and the Swedish National Agency for Higher Education made the final decision (Högskoleverket 2011).

With regard to access, the Swedish HE system applies a unique combination of restricted admission and mass higher education. There are restrictions on intake to most programmes and a large number of applicants are rejected at each round of admission. In legal terms the whole HE sector is subject to *numerus clausus* by intake or economic restrictions set by the government. General eligibility for higher education does not, like in many other European countries, give access to university training, just the right to participate in the competition for entry. Students who want to enter highly competitive programmes stay on in school (or adult education institutions) in order to maximise their grades, which lead to lottery and delayed entry for some students. The policy debate on admission is therefore more on selection among high achievers than on admission of students with non-formal qualifications (Cremonini *et al*., 2011).

9.3 Tuition fees and other private contributions

Tuition at higher education institutions in Sweden is free of charge for Swedish students and students from the European Union (EU) and the European Economic Area (EEA). The rationale behind free higher education is the belief that introducing tuitin fees would decrease the demand for higher education among non-traditional students (Strömqvist, 2006). But, students who are citizens of countries outside the EU, EEA and Switzerland are required to pay application and tuition fees for higher education starting from the autumn

semester of 2011. The HEIs are required to charge tuition fees that cover their costs in full for these students (Högskoleverket 2011). The fees can amount to SEK 280.000 for a full degree programme, around €34.000 (The Local, 2012). The policy rationale was that only in this way Sweden can compete for the best international students instead of attracting mostly students who would come to Sweden for free education. In addition, fo years it was discussed why Swedish tax payers should bear the costs of higher education for foreign students. Arguments against were that the diversity of foreign students would suffer as Swedish higher education would no longer be affordable for students from poor countries.

9.4 Student financial support

The Swedish study support system has a long tradition and is an important part of the Government's education policy. In recent years, several reforms of financial aid for studies have been carried out in order to create a well-functioning system that matches the country's expansion of its number of places in higher education. The current financial aid system was introduced on 1 July 2001.

All adult students can apply for study support regardless of the educational level of their studies. Study support can be granted for full- or part-time studies. Students can also work alongside their studies without their support being reduced. Study support consists partly of a loan and partly of a grant that is given for the period of study, normally 40 weeks per academic year with a maximum of 240 weeks. There are some limitations in the study support that are linked to the period of study and to the student's age. The upper age limit for students to receive support is 54 years (Government Offices of Sweden, 2013).

9.4.1 Direct support for students

Swedish financial aid is very generously designed, creating the financial conditions for many people to obtain an education. It also means that the State's annual investments in this area are enormous. There are about 900.000 recipients in secondary (aged 16 and older) and higher education. The total costs are around SEK 22 billion (EUR 2.6 billion). The basic principles of the student financing system are that support:

- is universal,
- includes virtually all citizens,
- is given directly to the students,
- is principally granted independently of parents' or family's financial situation.

Altogether, these principles provide for a transparent and equitable system of student financial support. The time limits guarantee that public resources are not misused. Everyone below the age of fifty-four has the right to apply for student finance for a maximum of 240 weeks. Student finance comprises a grant and a loan. The student loan must be repaid on a monthly basis before the loan recipient reaches the age of sixty. The size of the monthly

payment is determined by the size of the debt and the interest rate. The amount is also adjusted to the recipient's income and ability to pay.

The Swedish National Board for Student Aid (Centrala studiestödsnämnden, CSN) is responsible for administering student finance. Financial support is primarily regulated in the Student Aid Act (1999:1395) and the Student Aid Ordinance (2000:655). CSN has also issued a number of regulations.

Grants and scholarships

The sum paid as a study grant is equal for all and is adjusted annually according to the general development of prices in society. The study grant is around one-third of the total amount of study support and is tax-free and pensionable (CSN, 2013). Students with children receive an additional grant, called a special child allowance.

Student support for full-time studies is calculated on a weekly basis and disbursed in four-week instalments. In 2013, the total amount of support per 4-week period is SEK 9.024 (€1.088). This amount is tied to the so-called "price base amount" which is used to determine the level of social security support in the country. About one-third of the support is given as a grant, which is SEK 2.828 (€341) per month for 10 months per year. Students aged 25 and over may receive higher allowances, up to a maximum of SEK 6584 (€794) for fulltime students.

Students with dependent children can receive additional grants which amount per month SEK 584 (€70) for 1 child and SEK 1340 (€162) when the student raises 4 children. There are different types of financial aid for studies that target special groups of students, such as students with disabilities.

Student loans

The loan is around two-thirds of the total amount of study support. The total student aid for full-time studies in 2013 amounts to SEK 9.024 (€1.088) per month (4 week period). The student loans per month (4 week period) is SEK 6.196 (€747) for a period of 10 months per year. Students aged 25 or over can take out higher loans, up to SEK 8.636 (€1041) per month.

The loan part of student financing is voluntary, so the student can decide to take out a study loan or not. Between 80% and 90% of all students choose to take out a study loan. It is also possible for some students to receive further supplementary loans and loans for additional costs in connection with their studies.

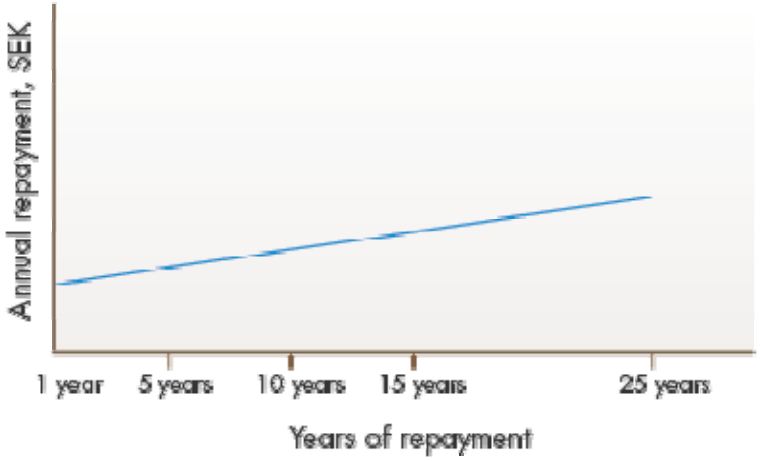
Repayment conditions

The study support system is based on repayment of study loans. Repayment starts at the beginning of the year following the completion of studies and normally continues for 25

years. Interest is immediately added to the debt. The interest rate is advantageous compared with other interest on loans and takes account of deduction rules in the tax system. Safety clauses are also built into the repayment system, which make it possible to take account of an individual's ability to pay. How much a graduate has to repay every year depends on:

- the amount of the debt
- how long one will be repaying the loan
- the interest rate on the loan. The Government sets the interest rate every year based on its average borrowing costs over the past three years.

CSN calculates the annual repayment amount using a special instalment formula. In general, the annual amount increases each year in order to make repayment grow with normal income expectancies, like shown in the graph.



Graduates with a low income or those who continue studying for a substantial part of their time may request a reduced repayment scale.

Students with loans they took up between 1989 and 2001 have an income related loan. They repay every year 4% of their income (of two years before). This automatic repayment mechanism was cancelled because students' debt was relatively high, wages not that high, the interest rate relatively high and the proportion of income for repayment of student loans was fixed at 4 %. Altogether this made students hardly repay their debt. But the repayment system of the loans given out after 2001 is better in the sense that it makes graduates repaying their debt to a larger extent. The public losses in the new system are lower. But for graduates it will be more difficult to repay because in the new system they will have to repay at a higher rate than before. Even graduates who are on a reduced repayment scheme at minimum pay 5 percent of their salary, and 7 percent if they are 50 years or older.

9.4.2 Indirect support

There is no indirect support for students. Because students are considered to be financially independent, their parents will not receive any child allowances or tax benefits.

9.4.3 Support in kind

Students are eligible for various discounts and offers, like an insurance coverage while one studies. For studying abroad, students can take out a special insurance policy. To get a discount, students must generally show a card that proves they are studying and are entitled to it. All students that are member of a student union will receive two different cards (Studentkortet and Mecenatkortet) that each provide discounts for different activities, like travel by trains and buses and the purchase of study materials. The Mecenatkortet also provides discounts for students in student restaurants and many regular shops.

9.5 Portability of student financial support

Great emphasis is given in Sweden to opportunities to study abroad at post-upper secondary school level. Generous conditions therefore exist for obtaining student aid for studies abroad.

9.5.1 Regular financial support

Swedish students have the right to apply for student finance if they wish to complete part or the whole of their studies in another country. Many factors determine whether studies abroad qualify you for financial aid for studies. In order to receive student aid, your studies must:

- be at a certain rate. For studies outside EEA and Switzerland your study rate must be full-time. For studies within EEA and Switzerland your study rate may also be part-time.
- be for a certain amount of weeks. For studies outside EEA and Switzerland you must study at least thirteen weeks. For studies within EEA and Switzerland you must study at least three weeks.
- end with an exam or lead to a degree
- be approved (if outside the Nordic countries) by the Swedish National Agency for Higher Education (the *Högskoleverket*)
- be approved by CSN (if at the upper secondary level outside the Nordic countries)
- be supervised by the government - and (if in the Nordic countries), equivalent studies in Sweden must qualify you for student aid.

9.5.2 Additional funds for student mobility

Students who study abroad may apply for additional support, which is provided in the form of loans. The amount of the loans varies per country of destination. Only students aged 16-20, mostly in secondary education may receive additional grants to cover the extra costs of living, accommodation and travel expenses (CSN, 2013).

9.6 Policy rationales for student financing

The system is designed to promote high participation in education and therefore to be accessible to all those who can benefit from it regardless of socio-economic background and where in Sweden a student lives. It is also intended to help realize the objectives of education policy by reducing the impact of social, financial and geographical background and by making it easier for disabled and older people to study. Even though student support is aimed to stimulate access, the Swedish higher education system is nevertheless selective with its limited capacity of student places. Because adult students compete with direct transferring students from secondary education, up to 50% of the applicants are rejected a study place (Cremonini *et al.*, 2011). As tuition at higher education institutions in Sweden is free-of-charge for Swedish students and for students from the European Union (EU), the European Economic Area (EEA) and Switzerland, student finance is intended to cover living expenses and the cost of study material. The study support system is also an important part of the Swedish welfare system (Government Offices of Sweden, 2013).

9.6.1 Fit of student financing rationales with overall higher education policies

In general, universal and substantial support which is limited to 6 years of study (for a nominal duration of 5 years, including a bachelor and a master) appears to very well fit with the general objectives of stimulating equal access to higher education. This however conflicts with the rather selective admission policies due to a limited number of study places and large numbers of adult learners that apply for higher education. But students once in the system, get generous opportunities to study abroad as student aid can be fully used to this end. Even more so, students can take up additional loans to cover extra costs for travel, accommodation, tuition fees, etc. The limited period for which support is available, the nominal duration plus one year implies students are stimulated to show study progress and finish their degree efficiently. This does relate also to the general funding system that is based on capacity funding in which universities have to accurately estimate their number of students and graduates in order to not be financially punished.

9.7 Experiences with student financing

9.7.1 Total costs of study

According to EUROSTUDENT IV data, the total income of Swedish students that live independent from their parents is €1055 per month. This is relatively high if one acknowledges that Swedish students do not pay tuition fees.

9.7.2 Public subsidies through student support in relation to the costs of study

As Swedish students are considered to be financially independent, they are supported to a substantial extent by the government (tax payer). From the previous sections it can be read that during term time, financial support more or less covers students' income level, though some students may offset part of their loans with income from works or voluntary parental support. However, student support consists for only one third of a grant, thus two-thirds has to be paid by the student him/herself after graduation. Nevertheless, Shen and Ziderman (2008) argue that in Sweden indirect subsidies on student loans (interest subsidies and non-repayment / default) account for about 35% of the outstanding loans. This means that on average, students get about 50% of their living expenses subsidised whereas they don't have to pay tuition fees either.

9.7.3 Impact of student financing on student behaviour

A major aim of the Swedish student support system was to obtain a more diversified student body (Strömqvist, 2006). It was envisaged to reduce the dominance of students from high socio-economic status families, to increase participation from blue-collar worker families, from families with no academic background and from immigrant backgrounds. After some improvements in this area in the 1970's, no further progress was made during the 1980's and 1990's. Soon after 2000, an increase in students from working class families was noticed, but the main reasons were said to relate to more higher education institutions that better cover the whole of Sweden as well as high unemployment rates that made people continue in education instead of getting unemployed (Strömqvist, 2006). Even though students form working class families make up about 20% of the student population, they only form a very small minority in "upper class studies" like medicine, law and business studies. They represent 12% in engineering programmes. Another interesting development in Sweden is the strong representation of women in higher education, nowadays around 65%.

Since 2007, CSN every second year conduct a student monitor through a voluminous survey among close to 10.000 students.[75] Based on these studies it is known that approximately 50 percent of the students indicate that they definitely or most likely would not study if there were no grants from the government. In addition, also student loans are said to have a clear positive effect on participation. Of those who study or studied with student loans 52 percent indicate that they definitely or most likely would not study if there were no student loans from the government. It is also clear that the governmental grants and student loans are more important for people from lower socio-economic backgrounds than for students from higher SES backgrounds. It is also known that students from lower income groups are more aversive from student debt, but the surveys also indicate that their participation in education would be much lower if no student loans would be available. They generally estimate they will be able to repay their debt. In the last survey of 2011, 19 percent of the students without loans said that they worked part time during the studies because they did not want to take out student loans. Students who work prolong their studies for 14% on average.

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[75] http://www.csn.se/om-csn/rapporter; http://www.csn.se/polopoly_fs/1.1268!/RapportUS20110912.pdf

Students in Sweden are financially independent from their parents and student support covers their "basic" needs. But this is only for 10 months per year and the other two months they have to survive with paid work or family contributions.

Because student support is available to students up to the age of 54, the number of mature students in Sweden is rather high. In recent years the government had to guarantee that through the selection system at least 50% of the student places would go to students who directly transfer from upper secondary education, otherwise the regular higher education sector would turn too much into adult education. Flexible financing arrangements for lifelong learning are regarded the main challenge for the future (Strömqvist, 2006).

9.7.4 Impact of student financing on achievement of general policy objectives

Access and affordability are high priorities in Swedish higher educations and the student support system is required to substantially contribute towards those objectives. The very generous age limits and financial independency philosophy have stimulated lifelong learning and adult participation in higher education. Even in such a way that young upcoming students have difficulties to get through the selection processes. This directly hits the key problem for access in Sweden, the limited number of student places and heavy selection for that.

Because higher education is free of tuition fees, except for students from outside the EEA and Switzerland, it appears competition among institutions is not a big issue. This also follows from the direct funding model for public higher education institutions, which is a negotiated budget based on capacity.

The strong selection processes make that students may not be fully free in the programme they want to study. They have to also reckon with the chances to get in a certain programme. Once students are in the system, the limited duration of student financial support provides an incentive to make sufficient study progress.

Internationalisation is strongly embedded in Swedish student financing approaches. Swedish students can take full student support for study abroad and even get additional assistance for additional costs. Recently, tuition fees have been introduced for non-EEA students in order to make internationalisation more quality driven.

10 United States of America

10.1 The higher education system

Higher education in the U.S. is the responsibility of the states, rather than of the federal government. In the recent years due to the economic downturn, quite some policy initiatives were taken in the areas of funding, financial aid, research and access (Leisyte and Dee 2012). The highlight of the recent period was the Federal initiative to provide short-term funding via the American Recovery and Reinvestment Act of 2009 and to ensure access to higher education despite the lack of resources at the state levels as well as the increases in tuition fees of higher education institutions. In the following an overview is provided of the key policy initiatives at the federal level with some examples of concrete states in terms of funding of teaching and research, access and quality assurance.

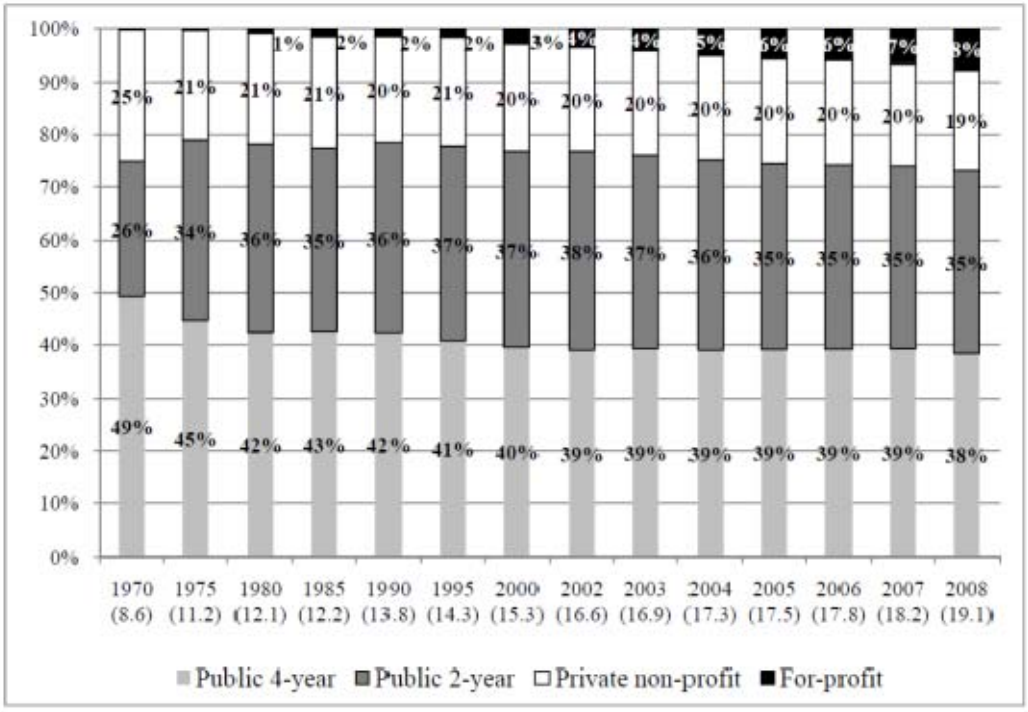
The country has 4 350 accredited degree granting colleges and universities, more than 1600 are private non-profit institutions, while 1000 are for profit. In 2008-2009 the U.S. had 165 and 105 private doctorate-granting research universities (Leisyte 2011).

The U.S. system of higher education has gradually expanded since 1970s. The expansion was particularly high in the private higher education sector in the period of 1996-2007 as their market share of enrolments increased from 22.7% to 26.1% (Zumeta and LaSota 2010, p.99). The rate of growth of enrolments between 2000 and 2008 was 25%. As noted by Geiger and Heller (2011), the major trend in the 2000s was the expansion of the for-profit sector.

The dynamics of institutional change were rather drastic, with quite a few institutions closing and opening between the period of 1996-2007 as noted by Zumeta and LaSota (2010, p. 97) Most dynamics can be observed among private four year institutions. While 142 non-for profit private institutions were created, 162 of such institutes had to close with a net change of -20. In the case of for-profit private four year institutions, 239 new ones were created and 12 closed with the net change of +227. The public four year institutions saw least dynamics- 16 were created and 2 closed in the named period (Ibid.)

The size of the sector in 2010 was 21 million students and has been constantly growing (See graph 10.1 below). According to Zumeta and LaSota (2010, p 98), the enrolment is expected to increase by 15% between 2010 and 2020. In the period of 2000 and 2010, the number of full-time students increased by 45%. Graduate enrolments grew by 32.6% from 1996 to 2007 (see for details http://nces.ed.gov/programs/digest/d11/).

Figure 10.1 Change in enrolments by type of higher education institution, 1970 - 2008



Note: Total enrollment in millions shown in parentheses each year
Source: National Center for Education Statistics (2010a), table 196

Source: Geiger and Heller, 2011, p. 3.

The total enrolment is shown in millions in the parentheses each year. Overall, we see the increase from 8.6 million students in 1970 to 19.1 million students in 2008.

10.2 General higher education policy developments

Colleges and universities are among the most cherished institutions in American society. They are world known and compete on global markets for students and research staff. However, the system of higher education is very diverse - ranking from the top research institutions in the world –both public and private, to the two year community colleges or for profit two or four year undergraduate degree granting colleges.

Higher education institutions in the U.S. have undergone a gradual transformation since the early 1980s. This transformation has been spurred by significant changes in the institutional environments of higher education. As in the European context, the boundary between the university and the external environment in the U.S. has become less defined due to government policies and institutional strategies that encourage more extensive interactions

with the environment such as partnerships with industry or engagement with the community (Bok, 2003; Geiger, 2004; Leisyte and Dee, 2012; Slaughter & Rhoades, 2004).

In the U.S. the States are responsible for higher education policy and for educating the population through colleges and universities. The federal government is largely responsible for the student financial aid programmes as well as for the research funding through its agencies. Thus, the picture of the dynamics of higher education is varied depending on particular regions and states (Zumeta and LaSota 2010).

Funding of higher education and research in the U.S. is one of the highest in the world. As noted by OECD (2007)spending of educational institutions as a percentage of GDP was at 7.4% in 2004, the second highest level among OECD countries. The expenditure for education has increased over the years from 6.6% in 1995 to 7.4% of GDP in 2004. For higher education the U.S. devotes a significant part of expenditure (36.4% of total educational spending) (OECD 2007). In 2009, it spent 2.6% of GDP on higher education institutions – down from 2.8% in 2005 (OECD 2012 Education at a Glance).

State funds to higher education institutions and students are contingent on accredited status. In 2006-2007 the federal government awarded 86 billion USD in student grants and loans. Looking at the 2012 budget, student aid constituted nearly 44.5 billion USD. In the proposed 2013 Budget President Obama noted that certain programmes will be reduced while others increased and the proposed budget for student assistance constitutes 39.34 billion USD although this is currently subject to debate in the Congress (Field, 2012).

Universities are funded for their teaching and research. Teaching at state higher education institutions is funded by the respective states, while research is supported by the federal funding agencies on a competitive basis. State support for research is also available through a variety of funding schemes. The U.S. federal research funding historically has developed into a very competitive and prestige maximizing source for academics. In the early 1980s, the federal government shifted from providing basic support for research to pursuing specific policy objects related to the economic development (Geiger & Sa, 2005).These changes in national science policy have increased national research programming towards partnerships with industry as well as the promotion of specific types of collaborations. The National Science Foundation, for instance, emphasizes collaboration with industry in many of its larger grant programs (Geiger, 2006). Further, it is notable that the U.S. HE system highly depends on the private income from tuition fees, private foundations, gifts (such as alumni donations), industry and their endowments. The extent of private funding of education in the United States is higher than in any other OECD country, and it has increased since 1995 as noted by the OECD tertiary review report. While spending on education overall has increased since 1995, the proportion of funding from private sources has also increased, from 29% in 1995 to 31.6% in 2005. Most of this private spending comes from families and companies (2007). Corporate sponsorship of American higher education institutions mainly comes in terms of research contract funding. In 2006, the private sector accounted for 20% of university R&D funding. Generally, it has increased over the years (Leisyte, 2011, Geiger and Sa, 2008).

The decreasing state appropriations for the public higher education institutions has been a clear trend since the recession started in 2009. It has encouraged institutions to increase their tuition fees and to try to find alternative sources of funding as well as be more aggressive in their recruitment and staff policies. However, it is the federal budget for HE, which is determined yearly, is the main source of need based financial aid for students and for the appropriations of the community colleges.

As a result of recession, performance based funding is becoming commonplace in different states. As reported by AASCU (2010) and Kelderman (2012), approximately 17 states are developing performance-based funding systems as a way to deal with decreasing state funding and increasing pressure to improve performance. Under these systems, institutions are funded based on performance measures such as credit-hour completion and graduation rates. This effort is supported by the Lumina Foundation, the National Governors Association, and the U.S. Department of Education.

As noted earlier, accreditation of programmes is very important to universities to be eligible for the governmental funding. Quality assurance of teaching in the U.S. is mainly done through the accreditation procedures by independent accrediting organizations. The U.S. law and regulation on accreditation addresses accrediting organizations. The Higher Education Opportunity Act of 2008 (HEOA), Title IV, Part H contains the laws governing recognition of accrediting organization. The U.S. Department of Education implements the HEOA and stipulates the criteria for recognition and the basic eligibility requirements and the recognition process. The recognition here refers to the recognition of accreditation agencies (see http://www.chea.org/Government/accred_fl_regulation.asp)

At present there are four types of such organizations in the country (Eaton, 2009): regional accreditors, national faith-related accreditors, national career-related accreditors and programmatic accreditors. The first category accredits public and private, mainly non-profit and degree-granting institutions. The second one accredits religiously affiliated institutions, mainly non-profit and degree granting. The third type accredits mainly for profit, single purpose career based institutions, both non degree granting and degree granting. The final type accredits programmes, professions and free standing schools (such as law or health professions).Quality assurance is not much of a policy issue in the U.S. but it is a big concern of the universities who compete for students and care about programme rankings.

Another important policy issue is access – both at the federal and at the state levels. As already noted earlier, the enrolments to higher education have been increasing. Interestingly, although the national government usually does not involve in higher education policy and enrolments, there has been a growing concern about the low numbers of students especially from the minority groups in STEM fields. Thus, Congress authorized several governmental agencies to create additional STEM programmes through the America Competes Act (2007) as described by Hagedorm and Purnamasari (2012). In 2010, the act was reauthorized through the America Competes Reauthorization Act (2010) with further requirements to increase the number of underrepresented minorities in STEM fields. President Obama announced the Education to Innovate campaign with the aim of move the country to the top

performance in science and math education over the next decade (Office of the Press Secretary 2009, para. 11). Following suit, National Science Foundation created new programmes such as the Transforming STEM learning initiatives (Hagedorn and Purnamasari, 2012).

At the state level, the increasing participation of the minority groups has been increasingly a policy priority for higher education legislators. Texas is an interesting example ofthe State where Hispanic population has been rapidly growing and which has been one of the worst performers in higher education attainment in 2000. The state launched a "Closing the Gaps" initiative 2000-2015 with goals in four different areas: Participation, Success, Excellence and Research. As noted by the Commissioner of Higher Education Dr. R.A. Paredes "This was because Hispanics are simultaneously the least well-educated and the fastest-growing segment of the Texas population. Unless Hispanic educational attainment were to rise dramatically, state-wide attainment would drop toward Hispanic levels"(Paredes, 2012, p.1).

10.3 Tuition fees and other private contributions

The tuition fees have a long tradition in the U.S. The clear trend since they started for public institutions was an upward increase in fees. Although the fees for public higher education institutions remained much lower than the fees charged by private higher education institutions, the overall increase has been common for both sectors. It has been a general agreement that the in-state tuition is always lower for the students coming from the same state.

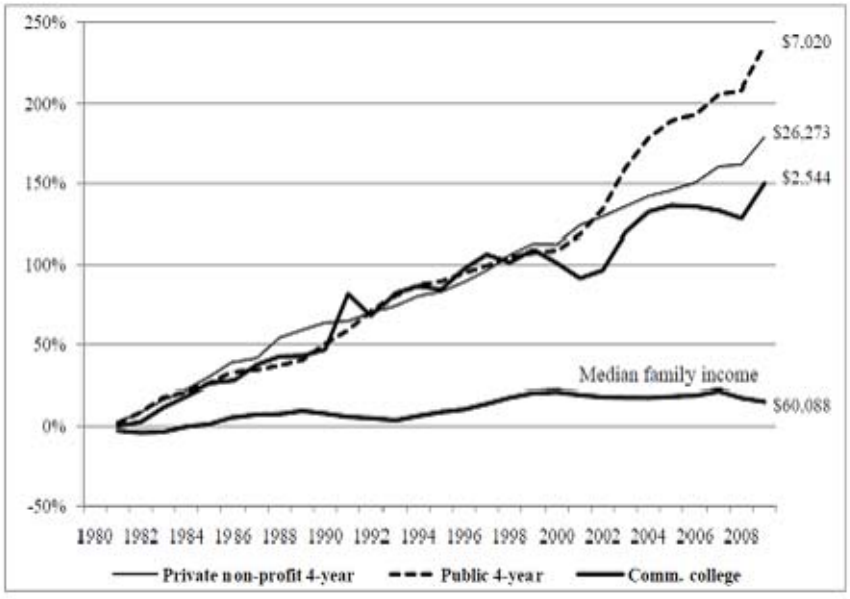
As NCES (2011) tuition fee analysis suggests, among fulltime, first time degree undergraduate students receiving any grant aid, differences in average price of attendance before aid and net price of attendance for the 2010/11 varied by institutional sector. Similarly, the College Board (2013) analysis points to the differences in net prices across the different types of institutions. In 2012/13, full-time undergraduates at public four-year institutions receive an estimated average of $5,750 in grant aid from all sources and federal tax benefits to help them pay the average of $8,665 published tuition and fees. The students pay an average net price of around $2,900. In the private nonprofit four year institutions, students receive an estimated average of $15,680 in grant aid from all sources and federal tax benefits to help them pay the average $29,056 published tuition and fees. The average net price is about $13,380 (College Board, 2012, p. 4).

Variability can also be seen between states. For example, the increase in tuition was the highest in California (21%) and lowest in Connecticut and South Carolina (2.5%) in 2011 (Marcucci and Usher, 2012). The increase in tuition fees has been significant in the past decade, especially at public institutions (although the increase in average published tuition and fees at public college and universities for the 2012-13 is smaller than it has been in recent years (College Board, 2012, p. 3). However, the average net price paid by full-time students enrolled in public four-year colleges increased measurably in 2012-13 for the third consecutive year. Average net price also increased for public two-year and private non-profit

four-year students in 2011-12 and 2012-13, after three years of decline. According to NCES (2011), between 2000/01 and 2010/11, prices for undergraduate tuition, room, and board at public institutions rose 42%, and prices at private not-for-profit institutions rose 31% after the adjustment for inflation (see http://nces.ed.gov/programs/digest/d11/). From 2008-09 to 2010-11, grant aid and tax benefits increased rapidly enough to cause the average net prices to decline, even in the face of tuition increases. Through unusually large increases in Pell Grants, grants for veterans, and federal tax credits, the federal government increased its role in financing higher education, relieving the burden on students (College Board, 2012, p. 3).

As noted in the graph 10.2 below, the increase in tuition fees in different sectors has been much sharper than the increase in family income, which precludes that students besides need based or merit based aid had to tap into federal loans.

Figure 10.2 The proportional change in family income and tuition fees



Source: Geiger and Heller, (2011, p. 4)

The change in tuition fees as a percentage of family median income has drastically increased over the years. For example, in 1980, a family with the median income would spend 18% of their income for tuition cost at an average private non-profit 4-year university. If it was a 4-year public institution –the cost would make up 4% of its income. In 2009, the proportions would be 44% for the private non-profit 4-year institution and 12% of the median family income for the public 4-year institution (Ibid., p. 4-5).

For universities, especially for private ones and more prestigious institutions, the privatization brought prosperity and confidence. For the public sector, privatization means decrease in state funding and substituting it with revenues from the student fees (Ibid.).

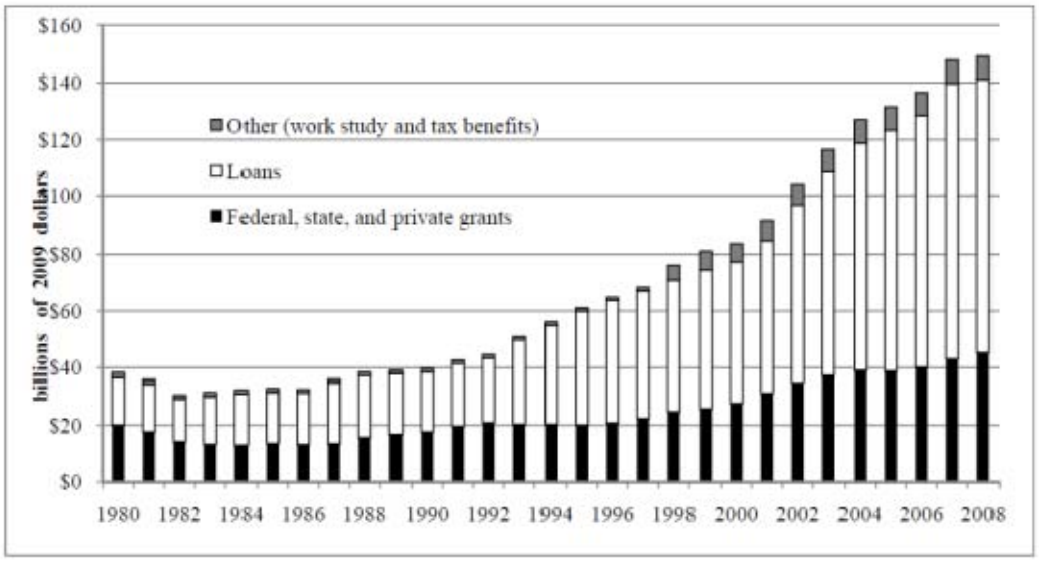
10.4 Student financial support

In the view of Geiger and Heller (2011), the above described trends of increasing tuition fees, recession and privatization of higher education in the U.S. meant the 'mushrooming of student financial aid in all its forms".

10.4.1 Direct support for students

Historically student financial aid in the U.S. mainly consisted of federal, state and private grants (Geiger and Heller, 2011). Loans started to outpace the grants in 1982 and they did not stop increasing their share ever since (See Graph 10.3 below). Today student support comes in the form of federal grants like Pell need based grants as well as substantial federal loans as well as state grants and loans. The indirect support comes from work study and tax benefits.

Figure 10.3 Change in the sources of student support 1980-2008



Source: Geiger and Heller (2011), p. 6, based on their calculations from the College Board data 2009

State financial student aid has increased by three percent in 2011 with the largest growth (12%) in state sponsored loans (Marcucci and Usher, 2012). As reported in 2008 National Postsecondary Student Aid Study, 70% of students at four-year public institutions were receiving financial aid of $8,000-10,000, two-thirds as loans. More than 80% of private college students received financial aid of $16,000-19,000, toughly split between loans and tuition

discounts (Chronicle of Higher Education, 2009, p. 13, 33; Wei et al. 2009 as quoted in Geiger and Heller, 2011, p.9).

Grants and scholarships

According to Marcucci and Usher (2012), federal government grants and loans provide about three-quarters of total student financial aid. In the past years especially due to recession, a number of regulatory acts were passed and changes were made in the federal budgets (by adjusting the eligibility rules and reducing some of amounts) regarding grant and scholarship programs for students. The Student Aid and Fiscal Responsibility Act of 2009 increased the limit of the Pell Grant to $5,500 in 2010 which should increase up to $6,900 by 2019 (AASCU, 2010; Lederman, 2010; Nelson, 2011).

However, in 2011 the question of retaining the same level of Pell Grants came under scrutiny in the U.S. Congress. Due to recession, lots of negotiations about cuts in funding for the Pell Grant and other grants took place in 2011 budget negotiations. With the passing of 2011 Continuing Resolution on April 2011, the maximum Pell Grants were set at 5,550 USD for the 2011-12 academic year with funding of 34.3 billion USD (3% lower than the previous year). This has provided the Pell Grant program with additional spending for 2012 and 2013. However, the maximum period for which students are eligible for the grants has been reduced from 18 to 12 semesters starting in the 2012-13 academic year. Further, the program may be subject to automatic cuts in subsequent years (Marcucci and Usher, 2012).

Further cuts took place in the 2011 Budget for the Federal Supplemental Educational Opportunity Grant program by 20 million USD, eliminated the Byrd Scholarships and called for 0.2% cut to all study programs, which will impact all student aid programs. Thus, the Pell Grant was the only one that survived severe federal cuts.

According to the Institute for Higher Education Policy (Hillman, 2012, Inside Higher Ed, 2012), there is an increase in the percentage of Pell-grant-eligible students at institutions that have adopted a no-loan policy, in which low-income students are given financial aid packages with very low or no loans. Critics are concerned that even though this program has enabled low-income students to attend selective universities, it has the potential for institutions to misuse it as a way to recruit only high-achieving low-income students, thus limiting access to only a select group of low-income students (Perna, 2012; Supiano, 2012).

A number of specific grants and scholarships are made available to students at the state and some – at the federal level. Almost every state has at least one grant or scholarship available to residents, and many have a long list of student aid programs. Eligibility is usually restricted to state residents attending a college in-state, but that's not always the case. For example, the Post-9/11 Veterans Educational Assistance Act of 2008 expanded the educational benefits provided to military personnel who serve on active duty for more than 3 years since September 11, 2001. The additional benefits would cover up to 100% of the costs for attending a public institution for up to 36 months. Full-time students are eligible for housing allowance (AASCU, 2009, 2010)

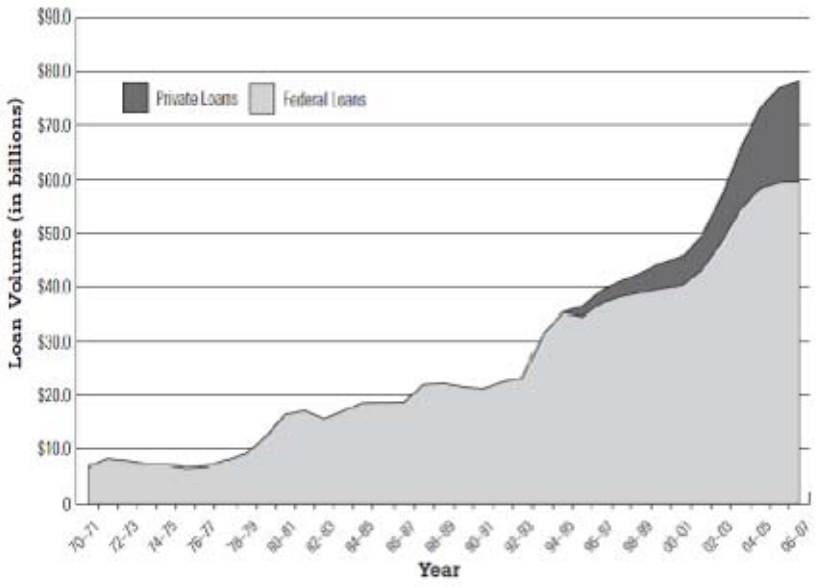
Looking at the State of Massachusetts[76], we find in 2012 nine grant schemes, seven scholarship schemes and 17 types of tuition waivers that are either merit-based, need-based or are oriented towards certain groups of people (like military), or oriented towards preparing graduates in certain disciplines or professions needed to the State.

The Texas student financial aid system[77] looks less elaborate and generous in terms of grants and scholarships featuring four grant schemes, three scholarship schemes, 2 types of tuition waivers/fee exemptions, 1 study work program. Some of them are need based or for students from neighboring states. There are no special grants to promote the study for specific professions or disciplines.

Student loans

The system of financial aid is fundamental to the financing of higher education in the U.S. (Geiger and Heller (2011). The amounts of student loans has increased as the tuition fees have been steadily increasing. As can be seen in Graph 10.4, the total amount of federal and increasingly private loans has been steadily increased until 1992 and then saw an even sharper increase with the appearance of private loans.

Figure 10.4 The change in the volume of student loans



SOURCE: Donald E. Heller, "The Impact of Student Loans on College Access" in College Board, *The Effectiveness of Student Aid Policies: What the Research Tells Us* (New York: College Board, 2008), p. 41.

[76] http://www.osfa.mass.edu/default.asp?page=aidPrograms

[77] http://www.everychanceeverytexan.org/funding/aid/aidtx.php

The Student Aid and Fiscal Responsibility Act of 2009 consolidated bank-based loan programs to a direct loan program and streamlined the payment process for students (AASCU, 2010; Lederman 2010; Nelson 2011).

This has been a major concern for some universities and the policymakers. High loans may cause repayment problems for students, especially for those from lower socio-economic backgrounds. Some of institutions decided to adopt a no-loan policy in order to enable talented low-income students to attend more expensive higher education institutions. The first university to establish a no-loan policy was Princeton in 1998. It guaranteed to replace student loans with non-repayable grants and scholarships for all incoming undergraduates whose family income was less than the national median (Hillman, 2012). Later, in 2001, the university expanded the eligibility for all students who were eligible for financial aid, regardless if they came from low-income backgrounds. As a result, the average student debt declined from more than 15,000 USD in 1999 to less than 4,000 USD in 2006. A number of other highly selective universities followed the suit (Harvard, Yale, Stanford). According to Hillman (2012), out of 69 programmes in 2011, 18 were in six New England states. 44 of the programmes were implemented at private liberal arts colleges.

Loans are available at the federal and state levels. The federal Direct Loan and Perkins Loan programs are funded by indefinite budget authority and do not require annual congressional appropriations. They are thus unaffected by the Budget Control Act 2011. The Act however eliminated in-school interest subsidies for graduate and professional students starting in July 2012 and eliminated direct loan repayment incentives that had provided interest rate reductions and up-front interest rebates for using automatic debit repayment (Marcucci and Usher, 2012).

Looking at different States, they offer a range of state loans with different interest rates and repayment conditions. For example, in Massachusetts, students may obtain an interest free loan through its "Massachusetts No Interest Loan" This loan is offered to needy and eligible residents of the state attending tertiary education institutions in this state. It is a zero interest loan and students have ten years to repay it.[78]

Today, there is roughly between $902 billion and $1 trillion in total outstanding student loan debt in the United States today (American Student Assistance, 2013). In October 2012, the average amount of student loan debt for the Class of 2011 was $26,600, a 5% increase from approximately $25,350 in 2010 (Reed and Cochrane, 2011). Among all bachelor's degree recipients, median debt was about $7,960 at public four-year institutions, $17,040 at private not-for-profit four-year institutions, and $31,190 at for-profit institutions. (College Board, Trends in Student Aid 2012).

[78] http://www.osfa.mass.edu/default.asp?page=aidPrograms

Repayment conditions

In the U.S. four main types of federal student loan repayment plans are available: Standard Repayment (10 years), Extended Repayment (10-30 years), Income-Based Repayment (based on income) and Graduated Repayment (low payments are increasing every two years). Income-based repayment or extended repayment will yield the lowest monthly payment.[79] These repayments are applicable to the federal loans.

Currently, the Obama administration has informed that relief will be provided for some student loan borrowers. The U.S. Department of Education will use negotiated rulemaking to develop implementation details for the plan to offer more generous Income Based Repayment (IBR) terms in 2012.[80]

The Income-Based Repayment (IBR) is designed to reduce monthly payments to assist with making student loan debt manageable. To qualify for IBR a graduate must have a partial financial hardship. This happens if the monthly amount a person would be required to pay on their IBR-eligible federal student loans under a 10-year Standard Repayment Plan is higher than the monthly amount the person would be required to repay under IBR. The payment amount may increase or decrease each year based on your income and family size. Once a person initially qualified for IBR, he/she may continue to make payments under the plan even if they no longer have financial hardship.[81]

Currently the payments under IBR terms are:

- based on your income and family size;
- adjusted each year, based on changes to your annual income and family size;
- usually lower than they are under other plans;
- never more than the 10-year standard repayment amount; and
- made over a period of 25 years.

The payment is always forgiven after 25 years if it is not repaid by that time. Also for public officials, the loans can be forgiven after 10 years full-time employment in public service. The monthly payments cannot exceed 15% of discretionary income.

10.4.2 Indirect support

In the U.S. the States also offer a variety of indirect study support via savings plans and tax benefits either to institutions or to families. An example of an indirect support is the Texas College Savings Plan that offers:

- 20 different investment portfolios;

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79 http://www.fastweb.com/financial-aid

80 http://www.nasfaa.org/advocacy/student-loan-relief/Obama_Administration_Provides_Additional_Student_Loan_Plan_Details.aspx

81 http://studentaid.ed.gov/repay-loans/understand/plans/income-based

- a choice of savings options;
- tax-free growth for your investment; and
- tax-free withdrawals on earnings used for qualified higher education expenses, including books, room and board, transportation and more.

Texas promotes more indirect support overall and it is in line with it state higher education policy of increasing participation (Paredes, 2012).

Tax benefits

The exemption from federal income tax for withdrawals from Internal Revenue Code Section 529 plans that are used for qualified tuition expenses was scheduled to expire on December 31, 2010. The Pension Protection Act (H. R. 4), which was recently passed by Congress and signed by President Bush on August 17, 2006, made the exemption permanent. This exemption applies to all Qualified Tuition Plans, such as the Texas Guaranteed Tuition Plan (TGTP).

The American Taxpayer Relief Act, enacted Jan. 2, 2013, extended the American opportunity tax credit for another five years until the end of 2017. The new law also retroactively extended the tuition and fees deduction, which had expired at the end of 2011, through 2013. The lifetime learning credit did not need to be extended because it was already a permanent part of the tax code. (IRS, 2013, http://www.irs.gov/uac/Parents-and-Students:-Check-Out-College-Tax-Benefits-for-2012-and-Years-Ahead).

In general, the American opportunity tax credit, lifetime learning credit and tuition and fees deduction are available to taxpayers who pay qualifying expenses for an eligible student. Eligible students include the primary taxpayer, the taxpayer's spouse or a dependent of the taxpayer. For those eligible, including most undergraduate students, the American opportunity tax credit will yield the greatest tax savings. Alternatively, the lifetime learning credit should be considered by part-time students and those attending graduate school. For others, especially those who don't qualify for either credit, the tuition and fees deduction may be the right choice. All three benefits are available for students enrolled in an eligible college, university or vocational school, including both nonprofit and for-profit institutions (IRS, 2013). Many of those eligible for the American opportunity tax credit qualify for the maximum annual credit of $2,500 per student. The lifetime learning credit of up to $2,000 per tax return is available for both graduate and undergraduate students.

In addition the following options of tax related deductions can be used by parents and students:

- Student loan interest deduction of up to $2,500 per year.
- Savings bonds used to pay for college — though income limits apply, interest is usually tax-free if bonds were purchased after 1989 by a taxpayer who, at time of purchase, was at least 24 years old.
- Qualified tuition programs, used by many families to prepay or save for a child's college education (IRS, 2013).

Tax incentives are for example widely used in Texas. The public purpose of the Plan as defined in statute is to assist young Texans in obtaining a higher education. Contributions to a prepaid tuition plan may qualify for the annual $13,000 per person exclusion from gift tax (http://www.everychanceeverytexan.org/funding/aid/aidtx.php).

10.4.3 Support in kind

The federal government, the states and colleges may provide tuition waivers, or work-study programmes. For example, the Federal Work Study programme provides funds for student part-time employment to finance their education. This program is geared to the needy students. In most cases, 50% share of student's wages is paid by the school or employer itself, while the rest comes from the U.S. Department of Education. Under this program student may work at the institution, for the federal, state or local public agency, a private non-profit organization or for a private for-profit organization.[82]

10.4.4 Support from private entities

A variety of scholarship funds are made available by private benefactors with a specific purpose – either need-based or merit-based, or for preparing graduates in specific professions. For example, in June 2011, Washington state Governor Gregoire signed into law a public-private Washington Opportunity Scholarship program that is intended to raise corporate funds to provide scholarships to eligible students from low- and middle- income families who attend the state's public institutions. Microsoft and Boeing have pledged $25 million each (Fain, 2011).

Another example can be a lottery based financial aid (AASCU, 2011). This type of aid is vulnerable to frequent fluctuations. For example, in 2011, Georgia state Governor Deal increased the GPA requirement and eliminated funding for books and mandatory fees for the state's HOPE Scholarship program. The program is funded primarily by the state's lottery revenue. The decline in revenue necessitated the change (AASCU, 2011; Kelderman, 2011).

Finally, private loans are increasingly used to pay for education. These loans are made to students by private banks. Their interest rates are highest. These loans lack the basic consumer protections and flexible repayment options of federal loans, such as unemployment determent, income-based repayment or loan forgiveness. 33% of Bachelor degree recipients graduated with private loans, with an average private loan amount of $12,550. It should be noted that these types of loans are more prevalent at for-profit colleges, where 64% of graduating students have private loan debt. For the Class 2011, it is estimated that about one-fifth of all student debt at public and private non-profit four-year colleges was composed of private loans (Reed and Cochrane, 2012, p. 14)

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[82] http://www2.ed.gov/programs/fws/index.html.

10.5 Portability of student financial support

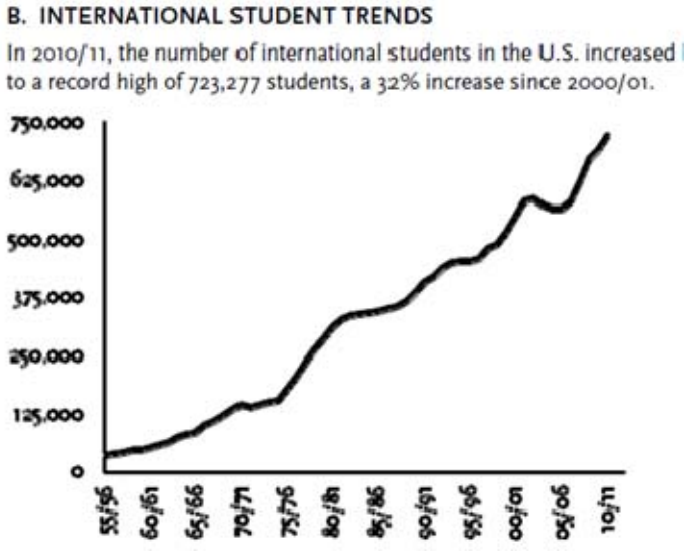
10.5.1 Regular financial support

Traditionally U.S. students could use their federal student aid for study abroad. Recently there has been a change in using student federal aid for study abroad. The U.S. Department of Education is restricting the use of federal student loans for study abroad and has implemented tougher reporting requirements for foreign institutions that enrol federal aid recipients. Students can no longer use their federal aid on non-degree programs overseas (e.g., certificate or diploma programs). According to Fischer (2012), many foreign institutions are considering not accepting American students who receive federal aid due to the complicated reporting requirements (Fischer, 2012).

10.5.2 Additional funds for student mobility

According to NAFSA, the number of international students at colleges and universities in the United States increased by five percent to 723,277 during the 2010/11 academic year, according to the Open Doors report (Institute of International Education (IIE) in partnership with the U.S. Department of State's Bureau of Educational and Cultural Affairs, available at http://www.iie.org/Who-We-Are/News-and-Events/Press-Center/Press-Releases/2011/2011-11-14-Open-Doors-International-Students) (See graph 10.5).

Figure 10.5 International Student Trends



Source: Open Doors "Fast Facts" (IIE), 2011.

According to this report, it has been the fifth consecutive year of growth in the total number of international students. The main source of growth in the past year is accounted for by the

students from China, especially at the undergraduate level (23% increase in total, and 43% increase at the undergraduate level). Although the spread of students is across the U.S., 10 top hosting states and 20 top hosting institutions are identified with California being the top one state of hosting international students (See Table 10.1).

Table 10.1 Host states for international students

F. TOP U.S. STATES Hosting International Students

Rank	State	2009/10	2010/11	% Change
1	California	94,279	96,535	2.4
2	New York	76,146	78,888	3.6
3	Texas	58,934	61,636	4.6
4	Massachusetts	35,313	38,698	9.6
5	Illinois	31,093	33,766	8.6
6	Pennsylvania	28,097	30,507	8.6
7	Florida	29,708	29,719	0.0
8	Ohio	22,370	24,709	10.5
9	Michigan	24,214	24,668	1.9
10	Indiana	18,569	20,112	8.3

The Institute of International Education (IIE) has conducted an annual census of international students in the U.S. since its founding in 1919. Known as the *Open Doors Report* since 1954, the project has received support from the Bureau of Educational and Cultural Affairs of the U.S. Department of State since 1972. For more data and information, please visit us online at: *http://www.iie.org/opendoors.*

In terms of American students going abroad, there is also an increase in overall numbers. In 2009/10 270604 U.S. students studied abroad for academic credit, an increase of 3.9% over the previous year. Overall, the student participation in study abroad has more than tripled over the past two decades (Open Doors 'Quick Facts", 2011).The study abroad semester has become a popular part of the undergraduate education in the U.S.

10.5.3 National studies on the benefits of student mobility

NAFSA reports that the international students contribute over $21 billion to the U.S. economy through their expenditures on tuition and living expenses. Higher education is among the United States' top service sector exports, as international students provide revenue to the U.S. economy and individual host states for living expenses.

Open Doors reports that more than 60% of all international students receive the majority of their funds from personal and family sources. When other sources of foreign funding are included, such as assistance from their home country governments or universities, over 70% of all international students' primary funding comes from sources outside of the United States (See http://www.nafsa.org/_/File/_/eis2011/USA.pdf).

10.6 Policy rationales for student financing

The main policy rationale has been to leave it to the institutions to set tuition fees. Higher education is not a federal policy domain – it is the matter of the states. This has led to isomorphic behaviour of public institutions copying private institutions in terms of increasing tuition fees. In recent years this process has been further fuelled by the financial recession as the state budgets for higher education dwindled. At the same time, the logic of the state has been to support the students via merit-based or need-based scholarships and grants (their prevalence mainly depends on the political orientation of the state and its traditions). Loans and tax breaks have been seen as another very popular student financing alternative. Over years private loans have been introduced to complement state backed up loans. In the states where equity matters are prominent, states provide interest free loans besides the scholarship schemes (e.g. Massachusetts). The broad availability of loans has further inflated the tuition fees and led to a practice of high tuition and high aid.

10.6.1 Fit of student financing rationales with overall higher education policies

The general trend of increase in higher education costs can be observed in the U.S. higher education. This has been offset by the higher education policies to promote higher education access. So far it has been a balancing act between the high tuition and high aid on the one hand for research universities. Overall, federal aid available to student has increased over the last decade as shown in Table 10.2.

Table 10.2 Total Federal Student Aid 2001-2011

	Academic Year											
	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	*Preliminary* 11-12	10-Year % Change
Federal Programs												
Grants												
Pell Grants	$12,696	$14,603	$15,612	$15,686	$14,676	$14,230	$15,918	$18,786	$31,465	$36,972	$34,532	172%
SEOG	$879	$909	$933	$919	$900	$856	$836	$778	$772	$785	$736	-16%
LEAP	$70	$83	$81	$78	$75	$72	$70	$66	$66	$63	—	
Academic Competitiveness Grants	—	—	—	—	—	$269	$335	$349	$503	$573	—	
SMART Grants	—	—	—	—	—	$228	$222	$205	$377	$448	—	
Veterans	$2,397	$2,901	$3,264	$3,593	$3,673	$3,658	$3,771	$4,297	$8,934	$10,986	$12,177	408%
Military and Other Grants	$1,265	$1,317	$1,572	$1,746	$1,735	$1,791	$1,855	$1,839	$1,855	$1,869	$1,876	48%
Total Federal Grants	**$17,307**	**$19,814**	**$21,461**	**$22,022**	**$21,059**	**$21,103**	**$23,007**	**$26,320**	**$43,971**	**$51,696**	**$49,321**	**185%**
Loans												
Perkins Loans	$1,577	$1,832	$2,013	$1,970	$1,842	$1,796	$1,500	$987	$858	$888	$970	-38%
Subsidized Stafford	$22,136	$24,499	$27,075	$28,420	$28,258	$27,770	$31,560	$33,923	$39,913	$42,133	$39,992	81%
(FDLP)	*($6,522)*	*($6,881)*	*($6,970)*	*($6,791)*	*($6,326)*	*($5,771)*	*($6,358)*	*($8,506)*	*($15,696)*	*($42,133)*	*($39,992)*	513%
(FFELP)	*($15,614)*	*($17,618)*	*($20,106)*	*($21,628)*	*($21,931)*	*($21,999)*	*($25,202)*	*($25,417)*	*($24,217)*	*($0)*	*($0)*	
Unsubsidized Stafford	$18,686	$21,320	$24,078	$26,057	$27,297	$27,032	$29,707	$41,519	$48,795	$49,018	$45,861	145%
(FDLP)	*($5,011)*	*($5,404)*	*($5,448)*	*($5,445)*	*($5,369)*	*($4,940)*	*($5,343)*	*($9,576)*	*($18,676)*	*($49,018)*	*($45,861)*	815%
(FFELP)	*($13,675)*	*($15,916)*	*($18,630)*	*($20,613)*	*($21,927)*	*($22,091)*	*($24,364)*	*($31,944)*	*($30,119)*	*($0)*	*($0)*	
PLUS	$5,247	$6,102	$7,657	$8,783	$9,462	$11,348	$11,685	$12,340	$15,292	$18,166	$18,234	248%
(FDLP)	*($1,610)*	*($1,914)*	*($2,226)*	*($2,386)*	*($2,452)*	*($2,487)*	*($2,502)*	*($3,570)*	*($6,569)*	*($18,166)*	*($18,234)*	1,033%
(FFELP)	*($3,637)*	*($4,187)*	*($5,431)*	*($6,397)*	*($7,009)*	*($8,861)*	*($9,183)*	*($8,770)*	*($8,723)*	*($0)*	*($0)*	
Other Loans	$150	$157	$154	$168	$182	$178	$135	$122	$186	$205	$226	51%
Total Federal Loans	**$47,795**	**$53,910**	**$60,977**	**$65,398**	**$67,040**	**$68,124**	**$74,587**	**$88,892**	**$105,043**	**$110,409**	**$105,283**	**120%**
Federal Work-Study	$1,277	$1,262	$1,229	$1,186	$1,138	$1,081	$1,056	$1,000	$1,020	$1,010	$972	-24%
Education Tax Benefits	$5,890	$6,600	$7,110	$7,310	$7,400	$7,310	$7,240	$11,000	$17,220	$18,840	$18,179	209%
Total Federal Aid	**$72,269**	**$81,586**	**$90,777**	**$95,916**	**$96,636**	**$97,618**	**$105,891**	**$127,213**	**$167,254**	**$181,955**	**$173,755**	**140%**

Given the complexity and variety of the higher education institutions, the variety of tuition and fees has been significant across the types of institutions and different states. The same holds regarding available financial aid. Overall, the financial aid used is both merit and need

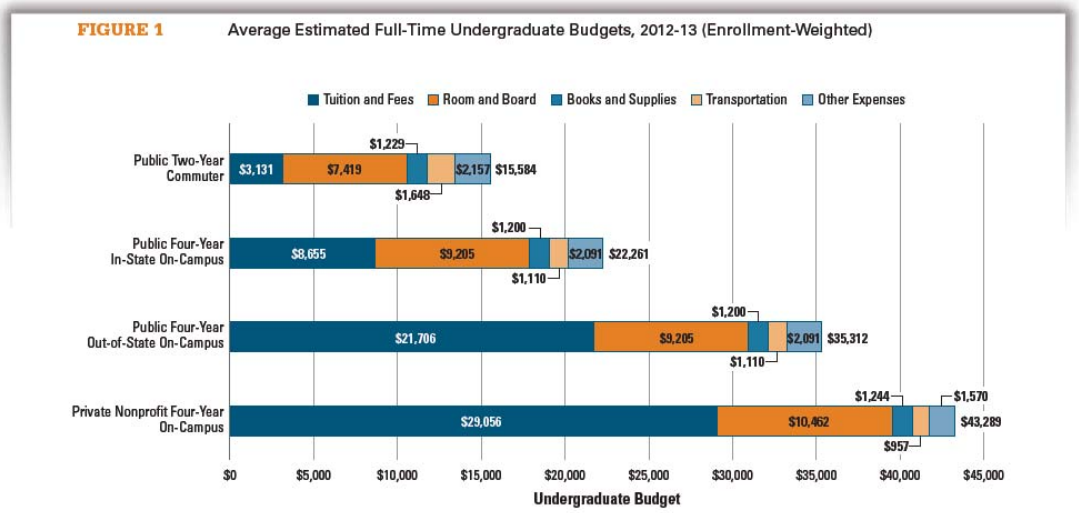
based. The main federal and state programmes, however, provide need-based student financial assistance. Some states started to provide targeted programmes to help minority and other under-represented groups to access higher education (E.g. Massachusetts). Such programs are very much in line with the policy imperatives of increasing access.

10.7 Experiences with student financing

10.7.1 Total costs of study

As already mentioned earlier, the tuition fees have substantially increased in all types of higher education institution in the U.S. Just in one year- from 2010 to 2011 – the fees at public four year institutions increased by 8.3 percent for in-state students. Marcucci and Usher (2012) note a considerable variation between states and types of institution. The percentage increase in tuition was the highest in Californian (21%) and lowest in Connecticut and South Caroline (about 2.5%). This is not very surprising, as California has been hit hardest by the recession, especially its public sector and the Californian university system.

The actual increases in net tuition and fees (which take into consideration grant aid and federal tax credits and deductions) were lower. Between 2006-07 and 2011-12, average net tuition and fees grew by 1.4 percent per year beyond inflation, compared to 5.1 percent per year for published prices (Marcucci and Usher, 2012.) It is important to note the differences in the student budgets are notable mainly in terms of tuition and fees and not that much in terms of room and board, books and supplies or transportation (see Figure below).



NOTE: Expense categories are based on institutional budgets for students as reported by colleges and universities in the *Annual Survey of Colleges*. They do not necessarily reflect actual student expenditures.

SOURCE: The College Board, *Annual Survey of Colleges*.

Source: College Board, 2012, p. 11

This Figure shows that the total cost of study in private non-profit four-year on campus is double of the public four-year in-state on-campus costs. Another important difference in total costs is between lower in-state and higher out-of-state tuition and fees.

10.7.2 Public subsidies through student support in relation to the costs of study

In 2011-12 undergraduate student received average of $13, 218 in aid per FTE student, including $6,932 in grants from all sources, $5,056 in federal loans, and $1,230 in a combination of tax credits and deductions, and Federal Work-Study (College Board, 2012). In 2012/13, full-time undergraduates at public four-year institutions receive an estimated average of $5,750 in grant aid from all sources and federal tax benefits to help them pay the average of $8,665 published tuition and fees. The students pay an average net price of around $2,900. In the private nonprofit four-year institutions, students receive an estimated average of $15,680 in grant aid from all sources and federal tax benefits to help them pay the average $29,056 published tuition and fees. The average net price is about $13,380 (College Board, 2012, p. 4).

10.7.3 Impact of student financing on student behaviour

The admission is highly competitive and is based on a number of criteria. SAT scores are very important especially if applying to more competitive institutions and programmes. For international students admissions additional requirements such as TOEFL scores and financial support are required. For American students, in-state tuition is usually lower if they decide to apply to the public higher education institution in their state. The fees vary substantially between the types of institutions and the types of programmes. The income of parents is one of the key criterion in judging the financial aid package for a particular student. Highly prestigious universities use high-tuition and high-aid policies, especially private higher education institutions. However, the requirements for admissions are determined mainly by institutions themselves and also may vary per state if it comes to public higher education systems.

Since the higher education system is so diverse the access issue has been addressed by the States via the open access policy to the community colleges. It is argued that students can enter community colleges with low fees and lower entry requirements and later they can transfer to the bachelor's degrees granting institutions if they want to continue in higher education. However , the current pressures due to the decreasing public funding of higher education (for example in the Californian higher education system), there is a pressure put on institutions to graduate students faster. This may have implications for students who are supporting themselves by working. Thus, it is argued that the pressure to graduate students is likely to constrain the current open-access policy at community colleges. In addition, declining state funding has forced many community colleges to focus their resources on their leading to the degree programs instead of remedial education (Gonzalez 2012). In addition, although community colleges play a crucial role in transferring minority students to four

year institutions, it is reported that in California the transferring students record is poor (Chronicle, 2012, Feb 24, A3).

As noted in a OECD study (2007), entry to higher education programs in the U.S. has increased over the last decade. By entry they estimate the probability that a high school graduate will enter higher education at some point in their lives, based on current patterns of first entry. In 2005, the higher education entry rate was 64% in 2005 compared to 57% in 2000. There is a difference between men and women here, as the entry rate is 71% among women and 56% among men (OECD 2007).

Another recent policy issue has been the undocumented students (mostly children of illegal immigrants). It is argued that the lack of federal policy regarding undocumented students has prompted states to enact their own policies (AASU 2010, available at www.congressweb.com/aascu). There are three key issues: (1) eligibility for in-state tuition, (2) eligibility to enrol in public institutions, and (3) eligibility for financial aid. Although there are currently only a handful of states that restrict access and tuition benefits to undocumented students, many other states are planning to follow suit.

10.7.4 Impact of student financing on achievement of general policy objectives

In response to declining funding for higher education, 11 states placed a limit on enrolment at their flagship campuses in 2010-2011. For instance, the enrolment in California's public institutions dropped by 165,000 despite an increase in applications (AASCU 2011, Keller 2011).

Texas, Washington, and Indiana established public online institutions in partnership with Western Governors University, a non-profit online institution. The goal for creating these institutions is to expand access to higher education via less expensive, online learning environments. Washington and Texas do not allow students to use state financial aid for the programs (students can use federal aid). Indiana, on the other hand, allows students to use both state and federal aid (Kelderman 2011, Parry 2011, Young 2011).

Studies on access to higher education in the U.S. (Anderson and Cook, 2008; Scott, Swail, and Heller, 2004) point to the influence of public policies on college enrolments in the US. The key policy challenge in access has been how to promote access to the minority groups which have been on quickly growing in the US. Most importantly, the Hispanic population which grew from 1980 to 2004 by 183% to surpass 41 million. The Asian American population grew by 269% and reached 13.2 million (Anderson and Cook, 2008, p. 176). In terms of enrolments into higher education, the minority group enrolment increased by 175% during the period of 1980-2006 (Ibid. p. 177) As a result, the student population has changed from having 16% in 1980 of students of colour to 26% in 2004. Among the 15.6 million undergraduate in 2006, 51% were enrolled in the four-year institutions. However, the majority Hispanic students attend two year colleges (52%) (Ibid.) At the same time, the white student are least likely to attend community colleges they are twice more likely to attend top research institutions0(151 doctoral degree granting institutions out of 2600 total number of institutions in the U.S).

Enrolments also differ by income. The low-income families are the only ones that have less than half of students in the four-year institutions (Ibid. 278). Overall, college participation has increased across all ethnic groups. However, significant gaps remain: 5.6 college participation rate between whites and African Americans. As noted by Adelman and Cook (2008), this gap in college participation is due to difference in income.

The increase in enrolments is argued to be strongly correlated with the ability and desire of students to pursue higher education which is influenced by the range of higher education policies mentioned in this chapter, such as cost of attendance, financial aid made available, economic conditions and rate of return on a college education (Ibid. 181) Many studies have indicated that for the lower income students, no parental higher education, lack of information and encouragement, as well as no income or perceived cost of higher education may be factors to prevent students from attending college (Adelman and Cook, 2008, p. 184). Thus, although the access policies have contributed to increasing the participation rates, this mainly happens across racial groups but among middle-and high-income groups. The low-income groups still need further policy attention. The following adequately summarises the relationship between cost of higher education, financial aid and enrolment:

- Enrolment consistently responds to the price of tuition. Tuition increases relate to small enrolment decreases, and tuition decreases relate to slightly stronger enrolment increases. Thus it seems that decision-makers can increase and decrease tuition to influence enrolment in the direction deemed necessary. However, these decisions must be made with an awareness of how tuition changes may affect access according to socio-economic status (SES) and ethnicity.

- Increased student aid corresponds to increased enrolment and persistence; however, the response is not as strong as that to tuition changes of equal value. The role that aid plays differs for high- and low-income students; aid is not always effectively targeted to achieve the goal of increased access for disadvantaged groups.

- High unemployment rates appear to correspond to increased community college enrolment and general PSE enrolment of males and higher-income students, but they may not affect, and may even discourage, the enrolment of females and low-SES students. Thus unemployment rates may affect the future supply and demand of skilled workers.

- PSE enrolment appears to respond to fluctuations in wages: if wages for high-school graduates are higher, enrolment is lower, and if the premium paid to PSE graduates is higher, enrolment is higher.

- Low-SES students are consistently less likely to enrol in PSE than high-SES students. Parental education level seems to be a key social determinant of enrolment; students whose parents have PSE are more likely to pursue PSE themselves. This suggests that increasing the general education level of society, as well as creating incentives for older students to attend PSE, may have a long-term positive effect on PSE participation rates.

- Decisions regarding PSE begin long before the end of high school. If it is a goal to increase access for disadvantaged students and students in general, it may be necessary to consider introducing social, educational, and financial intervention earlier in their education (Canadian Council of Learning, 2006, p. 3).

Summary and analysis

The summary and analysis are structured based on the highlights of the country cases followed by a section with the comparative analysis and system performance. The reports concludes with a number of lessons to be learned from the international practices.

Country cases

Australia

- Policy focus is on profiling, selection and fees structures (especially how to share the costs between students and the government).
- Cost sharing issues:
    - The government pays towards the costs of tertiary education, but students must pay the student contribution. This applies to the so-called «Commonwealth supported places».
    - The level of the student contribution depends on the field of study, with areas defined as «national priority areas» having the lowest student contribution
    - Students can take out loans to fund their student contribution.
    - These loans will be paid back when graduates start paid work, if the income is above a certain threshold (currently AU$ 49,096, or about €38,850 as of December 2012). Payments due for who earns above the threshold are progressive (4% to 8% of the income).
    - The government wants borrowers to pay off their debt as fast as possible and therefore there are incentives to make «voluntary payments», which lead to discounts on the debt.
    - There are tuition fee places for all those who are not supported through the Commonwealth supported places.
    - All allowances and loans are portable abroad only if students are enrolled in a HEI in Australia and study abroad is part of their Australian studies.
- Commonwealth supported places have been uncapped as of 2012 and this is leading to more enrolments:
    - The government stresses that this is a true «demand-driven system» that will address issues of access etc. However, it also means that the budget on higher education has increased substantially.
    - Student debt has increased exponentially since the turn of the millennium.
- Impact of liability on higher education access and performance:
    - Slightly less applications (- 5-7%).
    - No big drop in enrolments.

  - Less unmet demand.
  - No change in socioeconomic make-up of student population.
  - No effects on fields of study.
  - No effects on propensity to apply.
  - More motivation for lower SES students but year-1 high performers (i.e. who exited secondary school with very high grades, as calculated via the ATAR/TER) still have lower grades than their peers (high performers) who have no debt.
  - No effects on performance over time (measured by grades after year-1).
  - Marginally lower retention rates.
- The Australian government states that the current balance between loans and allowances is OK. The increase in student numbers stemming from the uncapping of Commonwealth supported places is financed through a higher budget, without changing the existing balance of loans/allowances. Some in Australia argue that the «uncapped system» is not sustainable in the long term.

Canada

- Provinces and territories are responsible for all levels of education, including higher education – there is no federal ministry of education.
- There has been a strong expansion since 2000 (+44%).
  - Among OECD countries Canada has the highest level of educational attainment: 46% of the population between 25 and 64 have completed tertiary education.
- Policy focus is on enhancing quality and innovation in undergraduate education and internationalization.
  - Financial considerations are considered the main barrier to Canadians' international study experiences.
- Financial issues and cost-sharing:
  - Tuition fees increased in the 1990s mainly as a result of the reduction of university funding by provincial governments.
  - Tuition fees differ per discipline (see table in closing analysis section).
  - There is direct (grants and loans) and indirect (saving schemes and tax incentives for parents) financial support for students.
  - The student financial support system is regulated by one national legislative framework.
  - Grants are for low/middle income families and for students with disabilities or with dependants.
  - Student loans are provided to students who reside in a territory/province that provides Canada Student Loans. Interest subsidies are provided:
    - Interest starts accruing after completion of the studies.
    - There are several repayment options.
    - There is a repayment assistance programme (RAP) for those who have difficulty paying back.
    - In 2011 the government introduced a limited work-contingent remission programme for doctors and nurses: their loan is partly forgiven if they work in rural/remote areas.

        - Recent reforms have given greater access to financial assistance to part-time students.
        - There are concerns about the amount of debt accrued in the context of increasing tuition fees: 59% of undergraduates graduated with debt in 2006.
    - Indirect support can be through tax incentives and a Registered Savings Scheme to enable parent so save up for their children's studies:
        - Tax benefits make up almost 40% of student financial assistance.
        - The saving scheme does not seem to work as low-income families are also less prone to save money for their children's future studies. However, low low-income families did see the largest proportional increase in saving rates over time.

England

- There are four key variables around which universities in the UK are differentiated:
    - The university (or university college) title.
    - Award degrees (taught degree awarding powers (TDAP), research degree awarding powers (RDAP) .
    - Enrolling students (research, taught bachelors/masters, taught foundation).
    - The requirement that their teaching is informed by research and scholarship.
- There are around 2.5 million students in the UK in 2011, of which 19% (450,000) are studying for a non-bachelor first degree qualification at university, and a further 60,000 were studying for a university-level qualification at a further education college.
- Bachelor/Master: the English master's degree has a very different status to the bachelor degree, reflecting the fact that it is viewed as an add-on for particular vocational career trajectories rather than the intellectual completion of a higher education process.
- The Browne report (2010) recommended a radical departure from the existing way in which higher education institutions would be funded for their teaching. Rather than the Government providing a block grant for teaching to the institutions, students contributions should pay for most of the study costs and governmental support should follow the student who has chosen and been admitted to study. Choice is thus expected to be in the hands of the students.
- The proportion of funding for teaching provided by a direct grant from the Higher Education Funding Council for England (HEFCE) will decline and the proportion from graduate contributions, supported by subsidised loans from Government, will increase.
- All institutions which charge more than £6,000 must have Access Agreements with the Director of Fair Access setting out what they will do to attract students from disadvantaged backgrounds.
- The White Paper (following the Browne report) proposes the introduction of risk-based regulation to English higher education, with the HEFCE as a lead regulator for the sector in association with QAA, OFFA and OIA:
    - External quality assurance at the level of full institutional reviews will be reduced.

  - The process and criteria for granting degree-awarding powers, university title and university college title will be reviewed, providing private and new providers access to the student market.
    - These changes raised substantial debates about potential consequences for British higher education.
- Re cost-sharing the Browne Review recommends:
  - More investment should be available for Higher Education.
  - Student choice should be increased.
  - Everyone who has the potential should be able to benefit from Higher Education.
  - No one should have to pay until they start to work.
  - When payments are made they should be affordable.
  - Part-time students should be treated the same as full-time students for the costs of learning .

Germany

- The States (Länder) are legally responsible for their own higher education system.
- There are 421 higher education institutions in Germany, including Universities, Universities of Applied Sciences («Fachhochschulen») and colleges of Arts and Music.
- Policy focus is on the possibility to impose tuition fees (abolished in 2002 and re-introduced via a constitutional court ruling), funding for new student enrolments (the «higher education pact» is key to this debate), research and innovation and excellence (the «excellence initiative»).
- The BaFöG scheme in place since 1971 provides monthly support to its applicants.
  - In 2010, the Bund and Länder funded the scheme with €2.9 m.
  - Around 600,000 students and 324,000 pupils could be funded.
  - 17% of all students receive BaFöG.
  - Eligibility criteria depend on nationality and age and the amount depends on need and family ties.
  - BaFöG applicants must pay back about 50% of the financial aid they received.
  - In 2008 student following a full degree in the EU/Switzerland also became eligible for the BaFöG.
- Other scholarships include: The Germany Scholarship and several scholarships provided by foundations.
- There are also loans such as:
  - Bildungskredit (programme number 173): this loan is intended for the final stage of an education/training or an additional/second study. Only students who have accomplished successfully the first two years of their study may apply.
  - Studienkredit :the loan is directed towards study support and grants applicants with a monthly amount between 100€ and 650€.
    - These two loans are not mutually exclusive.
- Indirect support is a major source of income including family allowances and tax benefits.
- Support in kind is given in the form of health care and child benefits.

- A key policy debate concerns the reintroduction of fees in 2005 (though few States have actually re-introduced them). However, any negative link between fees and enrolments has not been confirmed by studies (which come to different conclusions).

New Zealand

- A key feature of the New Zealander system is the integration of funding and provision of different levels of education (vocational, higher education, workplace training etc.).
    - Funding covers all levels of tertiary education, from second-chance education to doctoral studies.
- Key reforms began in 2000. The government focuses on priority areas of study and providers must develop a plan to be agreed with the Tertiary Education Commission. These agreements have an impact on the provider's funding.
- The Tertiary Education Strategy 2010-2015 sets out the priorities for New Zealand's tertiary sector, including issue of minority access and success (Māori and Pasifika) and strengthening research outcomes.
- The Government cannot provide more money to meet increased demand. The strategy is rather to move funding away from low quality programs (e.g. those with low completion rates or poor educational or labour market outcomes) to fund growth in high-quality qualifications that benefit New Zealanders and contribute to economic growth.
- The Government regulates the compulsory fees that tertiary education providers may charge students participating in government-funded programme.
- The current system as 2010 (called AMFM) sets the maximum increase in fees that providers may set year-on-year (4% of the prior year's fee level). This means that in principle there is no top ceiling but institutions are in fact tied to their historic fee levels:
    - This system should address distortions in the higher education market enabled by the earlier system which led to lower increases at the maxima but higher increases allowed at fees not at the maxima.
    - «Student service fees», which cover non-academic services do not fall under the AMFM. This issue is seen as a loophole in the legislation and heatedly debated.
- Student can get grants and loans. Interest-free loans were introduced in 2006:
    - The Student Loan is made up of three parts (compulsory fees, course-related costs, and living costs). Students can decide what they need; all must be repaid.
    - Students can borrow NZ$1,000 (€623) to cover course-related costs, and NZ$163.38 (€101) per week for living costs.
    - There are limitations to eligibility for loans, e.g. is the student is receiving certain benefits such as a «youth allowance» or is part-time etc.
    - Rules will change slightly in 2013, usually becoming more stringent (e.g. students will not be able to borrow through the Student Loan Scheme if they have NZ$500 or more in default when they apply).
- Repayment is proportional to income, but is compulsory when income is over NZ$ 19,084 (€11900 as of December 2012) per year. As of 2013 repayment will be 12% of the amount earned above the threshold (up from 10% until now).

  - The government wants borrowers to pay off their debt as fast as possible and therefore there are incentives to make «voluntary payments», which lead to discounts on the debt.
  - Graduates who decide to be abroad for a period can apply for a «repayment holiday» under certain conditions (supporting New Zealanders' tradition of spending a prolonged period abroad after graduating).
- Effects of loans on students and citizens after graduation:
  - No effect on overall enrolment.
  - Shift towards higher qualification level.
  - Shift towards younger student population.
  - No evidence that loans have an effect on fertility rates.
  - The higher the loan, the higher the probability of moving overseas after graduation, but the correlation is very slight (not significant in long term)
  - No effect on mental health.

Norway

- In 2003, the 'Quality Reform' was implemented that changed inter alia the degree structure, grading system and quality assurance system in line with the basic principles of the Bologna process.
- From 2012 on, universities are ought to set their own priorities and goals, in order to create stronger institutional profiling.
- There are no tuition fees in Norway in public higher education institutions, neither for Norwegian citizens or international students.
  - The rationale behind Norway's non-tuition and student support policy is a general equality principle.
- Norway uses a performance-related loan-to-grant system which is dependent only on the student's own income and his/her living situation (living with their parents or not):
  - There has been an increase in numbers of student loan receivers and an increasing amount of public resources spent on student support.
  - The money is paid out as a loan, but is converted to a grant later on if certain conditions are met.
  - Loans are mortgage style loans which are interest free during education and may have either fixed or floating interest rates.
  - A maximum of 40% of the student support funds can be converted into a grant. In order to receive the maximum amount as grant students have to:
    - Pass all exams.
    - Earn less than a specified sum (NOK 145,400 in 2012).
    - Have assets not exceeding NOK 330,789 (2012).
  - Student support is portable abroad under certain conditions, including that the educational programme must be approved by the Norwegian Agency for Quality Assurance in Education (NOKUT).
- The majority of Norwegian students state that the public student finance is their main source of income.

  - Differences between the socio-economic background of students are relatively small. Still it was found that after the changes in the student finance system, students from lower socio-economic had more concerns about student loan repayment than students from higher socio-economic backgrounds after the changes (Opheim 2008: 76).
  - Despite the increase in the student financing students spent more time on paid employment system (Opheim 2008: 78, Opheim 2011).
- In 2007 the 2003 Quality Reform was evaluated. This evaluation concluded that students obtained more study points after the reform.

Sweden

- Sweden's education system has historically been dominated by public providers. It consists mainly of universities and more specialized colleges.
- Most public funding is disbursed directly from the government through the Ministry of Education and Research.
- Key policy developments include the new QA system (2010), and a strong focus on internationalization.
- With regard to access, the Swedish HE system applies a unique combination of restricted admission and mass higher education.
  - General eligibility for higher education does not give access to university but only the right to participate in the competition for entry.
  - Higher education in Sweden is free of charge for Swedish students and students from the EU and the EEA.
- Student support mechanisms are intended to ensure access and equality: there are grants and loans but no indirect support as students are considered financially independent. Students can get «support in kind» through discounts, insurance coverage, etc.
  - Support is limited in time (max 240 weeks), which is an incentive to progress in the studies.
  - All adult students can apply for study support regardless of the educational level of their studies (which leads to a high number of mature students).
  - Grants are equal for all and adjusted annually.
  - The loan is around two-thirds of the total amount of study support:
    - Until 2001, loan repayments were income-related.
    - Students can take out a loan voluntarily (>80% of student do so), and need to repay starting at the beginning of the year following the completion of studies and normally within 25 years.
    - The repayment depends on the amount of the debt, the duration of repayment and the interest rate on the loan (set by government).
    - Graduates with a low income or those who continue studying for a substantial part of their time may request a reduced repayment scale.
  - There are generous conditions for obtaining student aid for studies abroad:
    - Many factors determine whether studies abroad qualify for financial aid, e.g. the % of course followed (part-time vs. full-time), length, etc.

- A major aim of the Swedish student support system was to obtain a more diversified student body:
    - After some improvements in this area in the 1970's, no further progress was made during the 1980's and 1990's. Soon after 2000, an increase in students from working class families was noticed but this is likely to result from a better spread of institutions across the country and unemployment (which incentivised people to continue in education).
    - Students from working class families make up about 20% of the student population but form a very small minority in «upper class studies» such as medicine, law and business studies.
    - Student grants and loans have definitely helped students to attend higher education, particularly students from lower SES backgrounds.

United States

- The U.S. system of higher education has expanded since 1970s, particularly the private sector. The size of the sector in 2010 is 21 million.
- The system of higher education is very diverse (from the top research institutions to two year community colleges, etc.).
- Funding on higher education and research in the U.S. is one of the highest in the world. In 2009, it was 2.6% of GDP:
    - State funds to institutions and students depend on accredited status.
    - As a result of recession, performance based funding (e.g. credit-hour completion and graduation rates) is becoming a commonplace in different states.
    - While spending on education overall has increased since 1995, the proportion of funding from private sources has also increased, from 29% in 1995 to 31.6% in 2005. Most of this private spending comes from families and companies (2007).
- The tuition fees have a long tradition in the U.S. The clear trend since they started for public institutions was an upward increase in fees.
    - Increase in tuition fees in different sectors has been much sharper than increase in the family income.
    - In the public four year institutions the net price was US$11,000, for the private non-profit institutions it was US$19,800 and for the private for profit institutions the net price was US$22,500 USD per academic year.
- Student financial aid has «mushroomed in all its forms» because of increasing tuition fees, recession and privatization of higher education.
- Student support comes in the form of federal grants like Pell need based grants as well as substantial federal loans as well as state grants.
    - Student Aid and Fiscal Responsibility Act of 2009 increased the limit of the Pell Grant to $5,500 in 2010 and up to $6,900 by 2019. It also consolidated bank-based loan programs to a direct loan program and streamlined the payment process for students. However the crisis caused limitations.
    - The Budget Control Act of August 2011 provided the Pell Grant program with additional spending for 2012 and 2013. In this way, the maximum award of $5,550 is preserved. However, the maximum period for which students are

eligible for the grants has been reduced from 18 to 12 semesters starting in the 2012-13 academic year.

- A variety of scholarship funds are made available by private benefactors with a specific purpose – either need-based or merit-based, or for preparing graduates in specific professions.
- Loans are available at the federal and state levels. The federal Direct Loan and Perkins Loan programs are funded by indefinite budget authority and do not require annual congressional appropriations (they are thus unaffected by the Budget Control Act 2011).
- In the U.S. four main types of federal student loan repayment plans are available:
    - Standard Repayment (10 years).
    - Extended Repayment (10-30 years).
    - Income-Based Repayment (based on income).
    - Graduated Repayment (low payments are increasing every two years).
        - Income-based repayment (IBR) will yield the lowest monthly payment (but one qualifies if one proves financial hardship).
- In the U.S. the States also offer a variety of indirect study support via savings plans and tax benefits either to institutions or to families.
    - An example of an indirect support is the Texas College Savings Plan that offers:
        - 20 different investment portfolios;
        - A choice of savings options;
        - Tax-free growth for your investment;
        - Tax-free withdrawals on earnings used for qualified higher education expenses (e.g. books, room and board, transportation).
- Traditionally U.S. students could use their federal student aid for study abroad.
    - However, recently the U.S. Department of Education has been restricting the use of federal student loans for study abroad and has implemented tougher reporting requirements for foreign institutions that enrol federal aid recipients. Students can no longer use their federal aid on non-degree programs overseas (e.g., certificate or diploma programs).
- The main policy rationale has been to leave it to the institutions to set tuition fees – which they have done over year. Higher education is not under federal policy domain –it is the matter of the states. This has led to isomorphic behaviour of public institutions copying private institutions in terms of increasing tuition fees.
    - Admission is highly competitive and based on various criteria (e.g. SAT scores).
    - The access issue has been addressed by the States via the open access policy to the community colleges.
    - In response to declining funding for higher education, 11 states placed a limit on enrolment at their flagship campuses in 2010-2011. For instance, the enrolment in California's public institutions dropped by 165,000 despite an increase in applications.

Comparative analysis and system performance

In order to assess whether student financing arrangements appears to be anyhow related to system performance, this section provides a tentative impression of the selected countries in terms of some indicators on system performance. That may provide us an idea if student financing is effective and serves some wider objectives. Of course we have to take into account that system performance is also heavily influenced by many other factors, like national policy frameworks, regulations, traditions, cultures, economic circumstances, etc.

A first table will try to summarise the composition and relative attractiveness of the student financing systems in the countries analysed. Indicators look at the income level of students, the proportion of public subsidies in that, the availability of basic grants and supplementary means-tested grants and the proportion of recipients, level and take up ratios for student loans and availability and relative level of support in kind. The various country scores are derived from some comparative sources like Eurostudent and Eurostat data as well as own interpretations of the information presented in the previous chapters.

Table A.1: Student financing and cost-sharing indicators

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

Notes: The table indicates the support available to regular fulltime undergraduate students living away from their parents studying at public institutions in their country. Because in many countries grants, loans and tuition can differ per group of students, some average interpretations are presented.

The table shows a diversity of student financing practices and levels. It is clear that most selected countries charge substantial tuition fees, except for Norway, Sweden and most German *Länder*. The Netherlands takes a middle position, though in Europe the Netherlands is at the high end, after England. The cost of living differ substantially between the countries with unexpectedly high score for Australia and low score for Canada. Living expenses in the Netherlands prove not to be that high.

There are only few countries with universal basic grants for almost all undergraduate students, the Netherlands, Norway and Sweden. In Germany, Canada and also the USA

there is substantive indirect support for the parents of students. In Canada and the USA this preliminary is in the form of tax-credits. All countries offer grants and scholarships for students from lower income groups, serving between 20% in the UK and 50% in the USA. However, in the UK, Canada en the USA other scholarships may be available through the individual higher education institutions.

Many countries offer substantive student loans which have to be repaid and are offered to most of the interested students. In most countries students also really use and appreciate this facility. Only in Germany and Canada the loan take-up rates are limited. German students traditionally are averse towards tuition fees and loans and the "universal loans" are being offered by the private sector. About 50% of the Dutch students take up loans, which again means a middle position

In general, the subsidies being available through grants and indirect support cover up to 60% of students' expenses (excluding tuition fees). It has to be acknowledged that this particularly yields to lower income students, thus not to the majority. In countries with substantial tuition fees, students from lower income groups may also have part of their tuition fees waved, either through national or institutional arrangements. The rest of their income has to be filled with parental contributions, loans or income from paid work. Regardless of the differences in the student financing mechanisms, there are many similarities. States predominantly help students from weaker socio-economic backgrounds and the rest of the students have to pay most of their costs themselves. This is less the case in Germany, the Netherlands, Norway and Sweden. In the latter two countries students anyhow may also have to rely heavily on student loans.

All in all, one can state that the most generous student financing arrangements are available in Sweden, Norway, the Netherlands and Germany. Except for the Netherlands, students in these countries do not pay tuition fees and almost all receive basic financial support. This nevertheless may lead to substantial student debt. Overall, the Netherlands still provides a generous student financing system in which most students can cover their costs with student financial support and some help of their parents. In quite some countries, student financial support is even not sufficient to cover all the costs.

In policy debates it is often assumed that favourable student financing arrangements will lead to better performance and thus higher outcomes of higher education systems. In Table A.2 a few system performance indicators are shown for the selected countries in order to see whether one could detect any performance patterns.

Table A.2: System performance indicators

	AU	CAN	ENG	GER	NZ	NO	SWE	USA	NL
Attainment / student composition									
First time entry rate	85,7%	n.a.	55,4%	34,4%		65,9%	73,1%	64,5%	60,1%
% master level students	n.a.	n.a.	11,7%	4,7%	n.a.	29,3%	14,1%	n.a.	13,2%
% part time students	29,2%	17,9%	24,5%	5,2%	40,1%	28,7%	51,8%	33,7%	14,1%
% students in short programs	n.a.	n.a.	7,4%	7,5%	n.a.	2,7%	23,9%	n.a.	0,5%
% of student in engineering	8,7%	n.a.	8,2%	15,7%	6,4%	8,0%	19,3%	n.a.	8,8%
Outcomes									
Total public expenditure per student (€)	9267	14014	8368	8885	8939	11198	9464	23079	11479
Completion rate	49,8%	30,6%	39,0%	21,2%	51,9%	42,6%	40,6%	35,5%	43%
% of HE graduates 25-34 yrs	n.a.	n.a.	43,8%	27,7%	n.a.	46,1%	43,0%	n.a.	39,9%
Employment rate (index)	n.a.	n.a.	115	111	n.a.	n.a.	112	n.a.	106
Relative earnings (index, males)	136	140	183	163	120	140	135	183	n.a.
Relative earnings (index, females)	146	144	170	153	123	142	127	170	n.a.

Sources: OECD, Education at a Glance; EUROSTAT; Eurydice; National graduate surveys.

The information in Table A.2 based on international comparative statistical databases is very tentative. Though definitions used are as uniform as possible, they do not reckon with specific national situations, traditions and cultures.

This overview shows that Sweden on many indicators has a relatively high score which indicates that the Swedish higher education system addresses multiple target groups, educates relatively many engineers and has relative positive outcomes. Also Norwegian scores are rather high, except for students in short programs and in engineering. The countries with the highest individual costs of following tertiary education, Australia, Canada, New Zealand and the USA provide relatively few data. The scores they show are generally middle to high scores compared to the other countries. The Netherlands takes on most of these indicators a middle position, except for the public expenditure per student. Particularly within Europe the Dutch government spends relatively much per student, not resulting in higher performance scores. All in all, it appears that Norway and Sweden provide a relative positive picture in terms of system performance. Whether this relates to the fact that these countries do not charge tuition fees can be questioned, because then Germany should show similar system performance scores. In addition, students anyhow accumulate substantial debt, which could hamper access.

Lessons learned

This report looked into how a number of countries organize tertiary education funding and student support. It is especially the role of loans vis-à-vis grants that is particularly salient for today's Dutch policy debate as the government is embarking on one of the most far-

reaching (and controversial) reforms in years – i.e. the introduction of loans as a replacement for grants. This closing section identifies a number of common themes from the country descriptions, which policymakers in the Netherlands may consider as they enact the reforms. It is, thus, a «lessons learnt» section.

In each of the countries described heretofore significant higher education reforms have been implemented over the years. These reforms touched upon several aspects related to the particular system problems being addressed and, by and large, had an impact on the costs of higher education for students and their families. For example, Australia uncapped its Commonwealth-supported places to encourage a more demand-driven higher education system, in Germany a Constitutional Court ruling enabled the introduction of fees in 2005, in New Zealand maxima level fees were set by the government but recently there has been a shift towards a system that in principle has no longer a fee top ceiling.

The key themes and lessons can be categorized in three main areas, i.e. (a) support for socio-economically disadvantaged groups (b) effects on participation and participation patterns, (c) effects on student performance.

Continued support for socio-economically disadvantaged groups

While there is little evidence that, on the aggregate, a loan system will affect participation in higher education (see next point), the cases suggest that **flexibility both in allocation and repayment options** is necessary to ensure no one is excluded from higher education on economic grounds.

- In most cases one can see a consensus that a loan system should be **linked to other forms of financial support for the most needy**. For example, the Australian Bradley report emphasises the issue of fairness in the allocation of student support. In Sweden grants are equal for all, but students may also opt for loans (over 80% of student do so), which covers up to 66% of the total amount study support.
- Changes should be phased in gradually and should carefully consider the **contextual variables** such as the fee levels. The U.K., for example opted for a transition period of one year and grants were abolished in 1999 only to be re-introduced in 2005 as the fees increased substantially.
- Flexible **repayment options** may encourage traditionally debt-averse groups (which to a large extent coincide with low SES groups who are less represented in higher education) to take up student loans. There are many «flexible» repayment options:
    - In some systems (e.g. Australia, New Zealand or the U.K.), loan repayment is **income-related**—graduates start repaying when they earn above a certain threshold.
    - However, an **income-related repayment mechanism should itself be flexible**. If it corresponds simply to deducting a fixed percentage of income it might actually make it harder for debtors to repay. For example, until 2001 graduates in Sweden had to repay every year 4% of their income (of two years earlier) but this automatic repayment mechanism actually made it harder for debtors to

repay their debt because debts were relatively high, wages not that high, and the interest rate relatively high (hence Sweden abolished this system). Perhaps a fairer system could be progressive repayment rates depending on the income like in Australia (higher incomes repay a higher rate, from 4% to 8%).

- Student loans are often **interest free** during the period of study (interest accrues after completion of the studies).
- Norway allows part of the loan to be **converted into a grant** under certain merit conditions. This might be useful for the Netherlands to build consensus for the reforms being discussed.
- The U.S. has an **array of repayment options** («standard», «extended» or «income-based») which can be agreed between the creditor and the debtor;
- New Zealand allows a «**repayment holiday**» for those who wish to remain abroad for a period. They might gain meaningful experience and, thence, have a (even) higher income upon return, thus also repaying the debt in less time than initially planned.
- Some countries have specific **repayment assistance** programmes (e.g. Canada) to help those who struggle to pay off their debt, while often the unpaid debt (or parts thereof) will be forgiven after a number of years.
- The U.K. case suggests that the issue of loans and grants should be carefully **calibrated to the fee level**. If the fees become too high, a loan scheme alone might be risky in terms of very high future indebtedness. Hence, in the U.K., after being abolished in 1999, grants were re-introduced after the fees significantly increased in 2005.

Effects on participation and participation patterns

The evidence from the countries surveyed in this report suggests that, although there are short term effects on participation, **in the medium/long run introducing loans has a limited bearing** (a) on participation generally (b) on the «social make-up» of the student body and (c) on the fields of study However, it is important not to dismiss the context in which reforms are introduced:

- A system like Australia's has always had a significant **unmet demand for higher education** (i.e. the number of applications significantly exceeds the number of enrolments). This suggests that the effects of a student financial reform are not immediately seen on student enrolments but on the unmet demand. Because in the Netherlands the unmet demand is lower, the visible effect on enrolments of a reform might be greater.
- There is a correlation between **debt propensity** and antecedent (better) SES conditions. The Canadian case shows that the highest loans are taken up by students who attend private institutions, and that after the 1990's increase in tuition the main increase in participation, in fact, came from high SES students.
- The German case suggests that the **loans have a significant role in students' choice of study** (86% stated that without a loan they would not have attended higher education at all).

- While a clearly-targeted loan system might have positive impacts on participation (and success – see next section –) for minority groups, the Australian case also suggests that graduate indebtedness can have negative **repercussions on a societal level**, e.g. reducing the propensity to own real estate, which in turn reinforces existing inequalities in society.
- It is known that debt propensity is correlated to SES, which means that lower SES groups will be less likely to take out a loan to participate in higher education. Some countries (e.g. Canada) use strategies such as a «Registered Education Savings Plan» to encourage parents to save for their children's higher education later on, but this, too, is not as successful as hoped for—highly educated parents are generally more likely to save for their children's education. In fact, the Canadian case suggests that a **mix between grants and loans** (as opposed to a loan-only or grant-only system) remains the best option for increasing participation for under-represented groups. At the same, the case also reiterates that financial constraints are in fact not the key impediment to access—bad secondary performance, and thus fundamental impossibility to enter and/or succeed in higher education, remains the prime issue.
- In the U.K. and Sweden loans are largely used, but participation of lower SES students remains unsatisfactory despite having increased over the years. In the UK this is hard to relate this to loan schemes because lower SES students have been compensated with grants when the fees increased substantially). In the Netherlands, this issue is salient at a very early age, given the early tracking system.
- Data from New Zealand shows that increased levels of student borrowing correlate to (a) higher qualifications and (b) lower age of the student population. This information suggests that funding reforms such as fee increases or the introduction of loan schemes, would have a **greater effect on the traditional cohort age**.
- The U.S. is a good example of **pathways between different types of postsecondary education**. One can transfer relatively easily from a Community College (which is far cheaper and would cause less debt) to a university. Such a transfer system can reduce the risk of failure and thus debts that cannot be offset by better income upon graduation. In the current Dutch system transferring from one level to another of post-secondary education is very difficult. Student financial reforms might be more effective if associated with a comprehensive reform agenda that covers, for instance, the key issues (already by OECD in its 2008 review) of Dutch education such as horizontal transfer pathways, early tracking etc.
- **Age eligibility limits for grants and loans** has clear effects on the proportion of mature students in the system. In Sweden, for example, student finance comprises a grant and loan component and everybody in entitled to access this support until the age of 54 (although repayments obligations must be fulfilled before 60 years of age, suggesting that older borrowers will also have to repay higher instalments). As a result the number of mature students is high.

Effects on student performance

Loans can have **different effects on student performance**, ranging from more motivation to worsening performance as indebtedness adds on to antecedent disadvantage. A good mix of loans and grants and a flexible approach to different groups of students might help.

- The Australian case suggests that lower achievers (measured by secondary school exit results) who defer the repayment of their loan to after graduation (i.e. do not finance their studies by, for example, working) perform better than average. This situation suggests that loans can potentially motivate students from lower socioeconomic groups who would typically be lower achievers also as family support is limited.
- Loans can be **merit-based**. For example in New Zealand the rules for loan eligibility changed in 2011, introducing an element of merit that was previously absent—after two years academic performance is assessed to determine a student's eligibility for continued access to the loan scheme. This might be useful to ensure student success and, subsequently, better paid jobs and thus lower probability that loans might have to be forgiven.
- Loans can be **linked to specific stages of the study**, such as in Germany where there are loans to support the final part of the student journey. This, too, may maximize the return, as beneficiaries of these loans are the most likely to complete their studies and thus gain better jobs which will enable them to repay the loan in full in shorter time.
- **Limiting the period** in which students can avail themselves of financial assistance to the length of the purported degree can be an incentive to progress and complete on time. This is the case, for instance, in Sweden, where grants are given for the period of study (40 weeks per academic year for a max of 240 weeks).

Ultimately, as any reform, the question is about **sense and simplicity of the scheme.** A key («common sense») finding from all the cases is that, to be effective, any loan scheme must be sensible, simple to understand, and with clear rules re interest rates, repayment options, etc.:

- Any reform of funding schemes (e.g. the introduction of loans) should provide for enough flexibility in terms of student entitlement and particular attention should be paid to minority groups and their specific issues (which differ by country).
- A balance should be struck between income-contingent loans and grants.
- Repayment rules must be clear but also individualized as much as possible.
- Changes should be gradual and allow for individual needs of «at-risk» groups.

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