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Fostering Equitable Access to Higher Education in Hong Kong: A Study of the Tertiary Financial Assistance Scheme

by

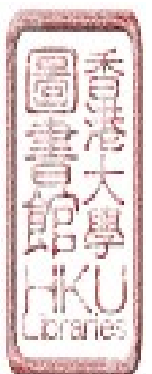
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Department of Politics and Public Administration
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Declaration

We hereby declare that this capstone project, entitled “Fostering Equitable Access to Higher Education in Hong Kong: A Study of the Tertiary Financial Assistance Scheme”, represents our own work, except where due acknowledgement is made, and this it has not been previously included in a capstone project, thesis, dissertation or report submitted to this University or to any other institution for a degree, diploma or other qualifications.

(Signed)

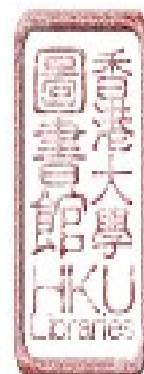
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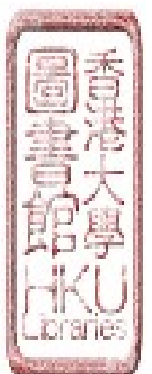
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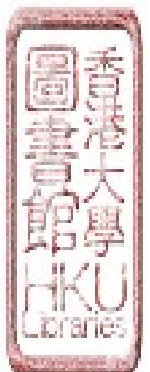
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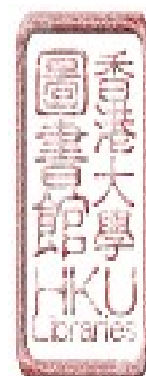


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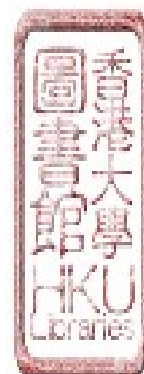


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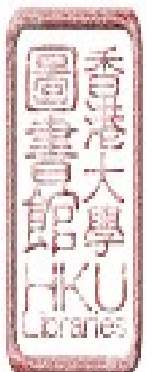
Abstract

While Hong Kong has been continuously transforming its education system to match with the development of knowledge-based society, higher education sector plays a vital role in nurturing students' innovation, entrepreneurship and dynamism of the reform. Equitable access to tertiary education is not only important in upholding of basic human right, but also crucial to social development and cohesion among different socio-economic populations. As such, this capstone project examines and evaluates the policy tools used by the HKSAR Government, with particular reference to financial assistance that facilitates students to achieve equitable access to tertiary education. Guided by the analytical framework, Elmore's classification of policy tools is adopted for analyzing the policies and administrative strategies of local financial assistance schemes. Tools are categorized as mandates; inducements; capacity-building and system-changing, while principles upheld by Student Financial Assistance Agency are discussed, which include "open-ended" nature, means-tested system, self-sustainability of student loan schemes and mechanism of loan recovery. The policy tools are further evaluated based on five selected criteria and they are effectiveness; efficiency; adequacy;



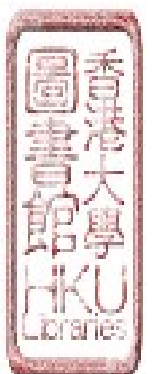
manageability and legitimacy.

The policy tools appear to have succeeded in fulfilling the objective of equitable access of tertiary education. Their effectiveness, efficiency and legitimacy are generally supported by the successful implementation of the means-tested system as well as the continued funding commitment and credibility of the HKSAR Government. While adequate coverage to targeted population is provided, yet the insufficiency for “first-year-first degree” is the limiting factor for the potential students. The manageability of loan recovery is also questionable and there is room for improvement to achieve the self-sustainability principle. While most of the policy tools adopted by the HKSAR Government are considered to be effective in general, the Government can do more so as to strike the balance between adequate coverage and prudent use of education expenditure. It is believed that by adopting different yet interlocking measures, true equitable access of tertiary education and its social impact can be achieved in Hong Kong.



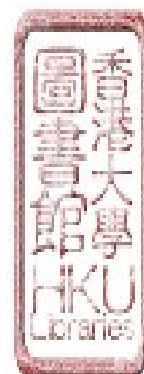
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Abbreviations

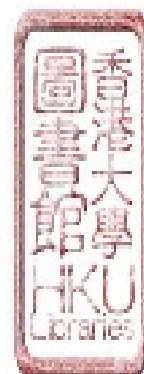
AFI	Adjusted Family Income
CE	Chief Executive
EDB	Education Bureau
ENLS	Extended Non-Means-Tested Loan Scheme
HKSAR	Hong Kong Special Administrative Region
NLSFT	Non-means-tested Loan Scheme for Full-time Tertiary Students
NLSPS	Non-Means-Tested Loan Scheme for Post-Secondary Students
OECD	Organization for Economic Co-operation and Development
Sliding Scale	Sliding Scale of Asset Value for Discounting Grant and Loan Assistance
SES	Student Expenditure Survey
SFAA	Student Financial Assistance Agency
TSFS	Tertiary Student Financial Scheme – Publicly-funded Programmes
UGC	University Grants Committee



Chapter 1 Introduction

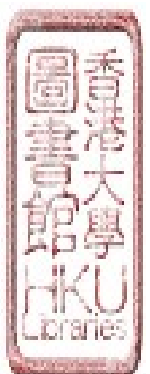
Focus, Objectives & Background of the Project

This project addresses the design and implementation of financial assistance schemes under the higher education programmes funded by the University Grants Committee (UGC). UGC has been a long-established advisory body appointed by the Chief Executive (CE) to provide advice on the development and funding of higher education. Members of the UGC are also appointed by CE in respect of their personal backgrounds and prestigious professions in academics, community or higher education administrators. UGC conducts statistical research assessment exercises and comprises assessment reports so as to advise the CE and inform the public on the planning and policy development on steering the higher education sector. It is believed that the data available under UGC are quality reassured, easily accessed and public accountable given its proven track records of their published papers. The study only focuses on the HKSAR Government's official financial assistance schemes instead of other private loan schemes as there are no comprehensive studies on the private schemes and some of them are not

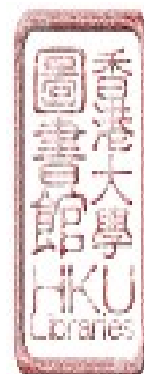


legalized, thus cannot offer a fair and good platform for analysis and discussion.

Based on the information above, the objective of the study is to examine and evaluate the policy tools used by the HKSAR Government with particular reference to financial means that facilitate students to achieve equitable access to tertiary education. The project first looks at the general uses, types and classification of policy tools and attempts to adopt Elmore's classification of tools for setting out the characteristics of these tools that are relevant to education. Then, the study goes through different sets of criteria so as to set out the analytical basis for the evaluation of these policy tools. Attempts is also made to comment on the current situation of equity in education as a critical policy issue so that it can set the scene to introduce the tools adopted for facilitating equitable access to education with reference to financial assistance schemes. After understanding the merits and limitations of the choice of policy tools adopted by the current HKSAR Government to achieve equitable access of financial assistance to tertiary education, the study will then focus on looking at the alternatives of policy tools that may be explored and recommended to the Government.

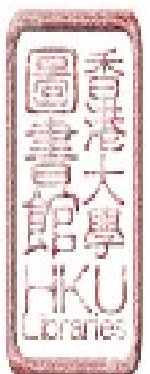


Hong Kong has been continuously reformed its education system to embrace as a knowledge-based society since its reunification with China in 1997. Human capital is an important asset of Hong Kong and also equally important contributes to the development of a knowledge-based society. The HKSAR Government acknowledges and values the importance of education which can be reflected in its fiscal distribution in the area. As the most important long-term social investment in Hong Kong, education is being allocated as one of the largest percentage of social resources among all sectors. In 2012/13, the approved public spending on education amounts to \$79.1 billion, representing 18.9% of the total public expenditure. While education reform relies heavily on the knowledge of citizens to drive the innovation, entrepreneurship and dynamism of Hong Kong society's economy, higher education plays a vital role to achieve the above said purpose. In order to enhance the values of human capital, higher education system has the important mission of nurturing globally competitive students (Salmi, 2001). It is also observed that global governments have become increasingly aware of the values of higher education. There is a widespread of recognition by different countries that higher education becomes a major drive of economic



competitiveness in a knowledge-driven society. Through engaging these advanced education courses, students are equipped with the capacity to cope with the challenges of a more dynamic future. The benefits of higher education investment include local specialization, productivity advancement, students' employment prospects enhancement and most importantly, creativity and new ways of thinking development (UGC, 2010). It is generally believed that higher education gives rise to benefits and opportunities for citizens to maintain competitiveness in the society to face the ever-changing environment and economic globalization.

In order to engage citizens in higher education for a knowledge-based environment, a number of policy directions across tertiary education policy are often founded. One of the most important policy objectives is that the government has the responsibility to ensure public resources spent on education are efficient for societal purposes and to ensure that students have adequate financial assistance to sustain the costs of the programmes. As such, an effective financial assistance system assists students for both reasons of equality of opportunity and for the future of society. With adequate financial assistance, students would not need to take up private

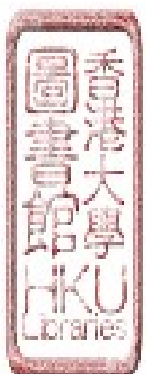


loans, resulting in part-time employment that leads to insufficient time and energy to their studies; or in the worst case scenario, to drop out from programmes because of rising debt loans. Therefore, an effective financial assistance scheme allows governments not just to pour money into the system, but ensure that the amount of money spent on education is used in the right way and in the hands of the students who are in need of them.

Research Questions & Associated Propositions: Theory and Practice

The project addresses the following research questions:

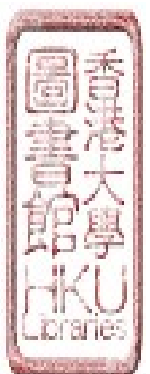
- What policy tools are available to a government for facilitating equitable access to education?
- What policy tools has the HKSAR government adopted to address the equitable accessibility of tertiary education – with particular reference to financial means of facilitating access?



- What other policy tools could the HKSAR government adopt in future to foster equitable access to tertiary education?

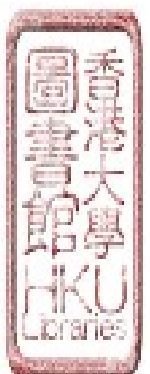
There is always heated debate when policy makers attempt to search ways to solve social problems. The process may include goal settings, improving operational arrangement or choosing the most effective means of policy tools to achieve the intended goals. In order to facilitate students in achieving equitable access to education, we believe that the HKSAR Government has adopted a series of different tools with a view to achieve the intended goals. It is believed that the government will not adopt one particular policy tool to address and balance the competing concerns between different parties. It is also expected that there are a lot of discussions available on the selected policy tools, their key strengths and limitations that facilitate equitable access to education; the criteria to evaluate the effectiveness of the tools to achieve the intended values or goals and the reasons behind in choosing the tools to specific problems.

Equitable access to education concerns about the equal right for students to education in regardless of their backgrounds so that their potentials and



aspirations can be realized (Wilson, 2003). As such, it is believed that the HKSAR Government adopts relevant and appropriate policy tools to reduce barriers for student in participating and learning in education. While different efforts can be made to reduce such barriers, sufficient resources in particular financial assistance is one of the critical barriers to be removed. Therefore, it is observed that the HKSAR Government established the Student Financial Assistance Agency (SFAA) with a view to monitoring the financial assistance schemes and addressing the educational needs of the public in terms of financial assistance. SFAA serves as a direct intervention by the Government in providing financial assistance to students who are in need. It is expected that the agency should adopt different types of policy tools so as to facilitate equitable access of education for different kinds of students and to ensure that the mechanism can effectively govern public resources.

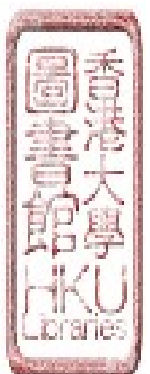
Having reviewed on the policy tools used by the HKSAR Government, it is anticipated the study may spot some limitations on the implementation of the tools that may require fine-tuning or improvement. Governments in other countries are increasingly putting great emphasis in exerting strong impact on education policy so as to better integrate equity across the higher education



system. The Organization for Economic Co-operation and Development (OECD) also publishes analysis reports reviewing the key policy dimensions that may facilitate Government to facilitate equity in education. As such, attempts are made to make reference to the suggestions concluded by OECD on the range of policy measures to be adopted and to recommend tailor-made policy tools to provide better alternatives to further enhance the equitable access of tertiary education in Hong Kong.

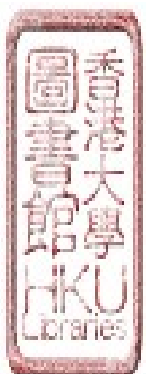
Overview of the Analytical Framework

Consistent with the focus and objective of the project, an analytical framework is devised to structure, guide and inform the analysis in subsequent chapters. Financial assistance is the major subject for discussion, especially to find out whether different schemes provide equitable access for students to participate in tertiary education. After identifying the focus, goals and objective of the study, the scope and focus for the project can be confined to discuss the policy tools available for a government to facilitate equitable access to education with particular reference to financial means. In order to better understand the characteristics of policy tools and how they are relevant to education, the study



first presents the definition of how policy tools are defined, followed by an analysis of how the tools contributed to the importance of maintaining equitable access. In providing a more concrete analytical framework for tools evaluation in the following chapters, the study adopts Elmore's classification of policy tools as the skeleton for analysis. They are mandates, which are used to govern the behavior of individuals; inducements, which are used as conditional transfer of items; capacity-building, which is defined as the transfer of money to individuals for future investment and system-changing, which involves the transfer of authority among individuals and agencies (Elmore, 1987).

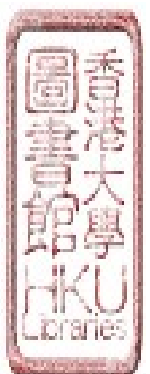
With the types of policy tools introduced, a set of evaluative measures of the policy instruments is also put forward at the later part of the analytical framework. After all, there are close relationship between the policies used and the way how they achieve equitable access to education for students. Therefore, in order to evaluate on the effectiveness on the policy tools used, the below five assessment criteria are adopted. They are effectiveness, which evaluates the level of which the particular tool achieved its intended objectives; efficiency, which evaluates how the policy tool's efficiency balanced



results against costs; adequacy, which measures the sufficient level of education funding provided; manageability, which highlights the design of the implementation of policy tool; and legitimacy, which defines the relationship between the choice of a policy tool and government's credibility. The research questions, associated propositions together with the theoretical concepts in the literature review are used as yardsticks to examine the equitable accessibility of the area under study.

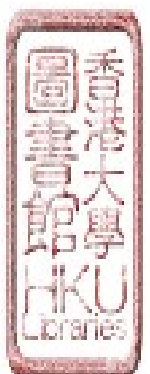
Research Methodology

Followed by the design of the focus, goals and objectives as well as the area of the study contributing to the design of analytical framework, it is important to collect data for analysis. This empirical analysis is mainly based on desktop research, an intensive literature search and review on relevant documents in relation to policy tools available to fostering equitable accessibility of tertiary education, especially in the area of tertiary financial assistance scheme in Hong Kong. To gather information, data and information from various sources such as books, journals, government and other official documents, statistics and surveys are collected and analyzed. The above information



collected can be served as a basic reference for interpretation. Data and information released by the HKSAR Government and relevant bureaux and departments, especially reports by Education Bureau (EDB), SFAA and UGC are referred to. Reports by OECD, United Nations, the National Academy of Public Administration of the United States and some professionals and academics in the subject area are also reviewed, with sources from newspapers. It is also expected that the majority of the research documents being reviewed are available via the Internet. Given that many documents that are already in existence are available in the aspect of equitable accessibility and tertiary education, desktop research is considered appropriate as it is considered that resources and data available are adequate and up-to-date for the scale of analysis of this study.

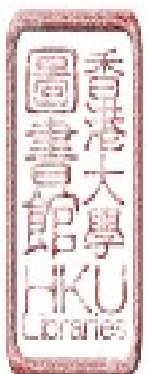
With information collected from various sources, attempts are made to answer the research questions and to test the associated propositions in evaluating equitable accessibility of financial assistance in tertiary education. Under the analysis of policy tools framework as illustrated above, a clear picture of the overall measures as adopted by the government can be easily understood and seen. Thus, the above is used as a basis to assist in evaluating their



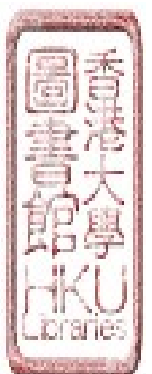
effectiveness in contributing to the equitable access of financial assistance for students in tertiary education. In addition, alternatives are also examined to find out possible measures to be adopted in the Hong Kong context to foster equitable access to tertiary education.

Structure of the project

This project consists of five chapters, including this introductory chapter which provides a general focus, objective and background of the project, followed by research questions and their associated propositions, an overview of the analytical framework and the research methodology for the study. **Chapter 2** provides an analytical framework for the study. It consists of the definition, types and use of policy tools, a discussion on the importance of policy tools in relation to social equity, the classification of policy tools with their way of being used and the five evaluation criteria on policy tools. **Chapter 3** examines equity in education as a critical policy issue with a focus on the policy tools adopted by the HKSAR Government. **Chapter 4** evaluates the tools adopted by the HKSAR Government in addressing equitable accessibility of tertiary education under the five evaluation criteria. **Chapter 5**, the final chapter,



provides recommendations to improve the financial scheme and general measures to foster equitable access in Hong Kong, especially for students coming from low socio-economic class. A conclusion is followed to conclude and summarize the findings and discussion to the research questions. Findings of the study also recommend others to further research in the relevant areas.

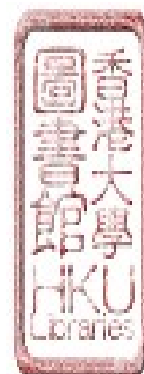


Chapter 2 Analytical Framework

Introduction

In addressing social issues, governments can draw upon a range of policy tools (Hood & Margetts, 2007, Salamon & Lund, 1989, Salamon, 2002).

Various tools are applicable to fostering access to tertiary education, just as they are to other areas of social and economic significance. For instance, policy tools like social/economic regulations, taxing, contracts, vouchers, etc. are used by governments to influence citizen behavior and achieve policy purpose. To better understand the characteristics of policy tools and how they are relevant to education, this chapter first defines what policy tool is, then discusses the general types of policy tools and their ways of being used, followed by a discussion on the importance of policy tools in relation to the achievement of social equity. The chapter then moves to discuss Elmore's (1987) classification of tools and their way of being used with examples in relation to the facilitation of equitable access to education, and discuss how policy tools can be evaluated. Accordingly, the analytical framework comprises the types of policy tools together with the evaluative methods. To

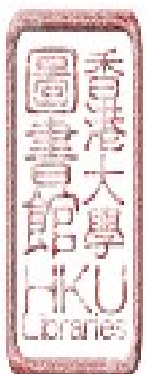


better understand how policy tools can be adopted to achieve equity, components of policy tools and their evaluative methods are discussed below in detailed as the analytical framework to structure and guide the discussion in the subsequent chapters.

Importance of Government Policy Tools in Fostering Access to Social Services

Definitions, Use & Types of Tools

According to Anderson (2003), Government often uses policies in reflecting their intentions, decisions and conveying actions addressing problems and community needs. Howlett and Ramesh (2003) also confirm that execution of policy often come with a variety of underlying beliefs. The reasons can be the demonstration of influence by elected government officials over government agencies, the conversion of political problems into different parties, the intention to change the behaviours in certain departments or individuals or the production of socially desirable outcomes (Howlett and Ramesh, 2003). In order to address different problems and to achieve the intended policy

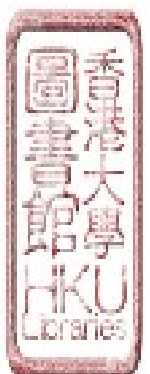


objectives, policymakers often responded by using different policy instruments.

Salamon (2002) also reassures the casual relationship between the uses of policy instruments in addressing public problems.

Different scholars have put forward their definitions of policy instruments in the context of political science. Salamon and Lund (1989) define policy tools as method for government to seek for policy objectives while Anderson (1990) describes policy tools as the “techniques of controls” which are designed to cause people to perform an action, refrain from doing that particular action, or continue doing the action that they would otherwise not to do. In more recent findings, Howlett (1991) puts forward that policy tools are “subject of deliberation and activity” at all policies making stages which may affect both the setting of agenda and policy formulation process.

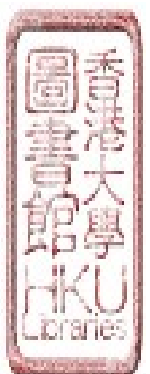
Among different scholars, Elmore’s (1987) classification on governmental policy tool theory is widely known and adopted by different policy analysts in the research history. Elmore (1987) defines a policy tool as ‘an authoritative choice of means to accomplish a purpose’. In other words, the tools can be categorized as a system that reflect and put public programmes into work and



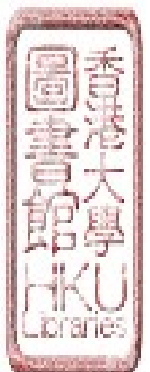
reality (Elmore, 1987). Different policy tools often comprise with distinctive operating characteristics, design and come along with some implementation problems. Therefore, policy makers often use particular instruments to fit into some problems which are found to be better than other instruments do.

According to Levin (2001), government is a highly complex enterprise the actions of which are rarely simple and straightforward responses to particular problems or issues, therefore the use of single policy tool may not be adequate to resolve or address the problems as public problems are complex in nature.

Although social policy is the mean of resolving or addressing social problem, most of the time the policy process is full of tensions and contradictions (Dror, 1986). Often, government uses a mix of policy instruments in resolving or addressing social problems, depending on factors like the complexity of the problem, capacity and policy goal of the government. Using the right policy tool to tackle social problem is an essential capacity of every government. In fact, the ability to solve social problems, and to ensure individual needs of citizens addressed, is an important performance indicator in good governance.



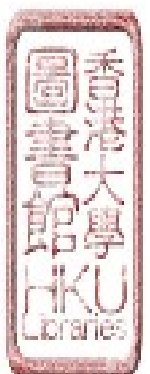
In this regard, policy tools are important to governments in a sense that the invention and utilization of a variety of tools enable governments to solve social and economic problems (Schneider & Ingram, 1990). As suggested by Salamon (2000), there are many characteristics for policy tools. First, each of the policy tools is assumed to have certain common features that make it “identifiable” and the features of the tools can vary from one embodiment of the tool to another. Besides, tools “structure” action, and are regularized patterns of interaction among individuals or organizations as Salamon (2002) argues that it is through policy tools and instruments of governance that public action is structured. Also, the action that is structured by tools is “collective action” aiming to address “public problems”. Tools are considered generally more general than programmes, but are typically less general than policies. In other words, one policy tool can be used in various programmes in different fields. Despite the above characteristics, policy tool is more complex in reality which a tool is considered a “package” that contains many different elements; therefore there is no single classification of tools since sometimes it is difficult to differentiate them from each other. Because of the multi-dimensionality of policy tools, policy tools unlikely appear in pure form but



often interlock with each other in a bundle. This allows government to use a single or multiple policy tools to address social problems.

Salamon (2000) classifies policy tools into two types, namely internal and external tools. Internal tools are considered as the procedures that government use to handle their own internal operations, including personnel recruitment, human resourcing management, budgeting, procurement and supplies; whereas external tools refer to those used to affect society at large but not limiting to the government. For the purpose of this project, the selected tools for discussion are external tools and their types and uses will be discussed in the below paragraphs.

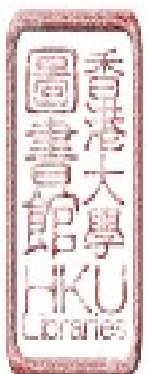
Scholars seem fail to reach a clear consensus about the types of policy tools that exist. There are several different classifications, including Hood & Margetts' (2007) classification of tools in terms of two major dimensions: (i) the role of government for which they are used (i.e., detecting vs. effecting); and (ii) the governmental resource they enlist (i.e., nodality, treasure, authority, or organization); Elmore (1987)'s classification of tools into: (i) mandates, (ii) inducements, (iii) capacity-building, and (iv) system-changing which focuses



on the strategies of intervention that governments use,; and Schneider and Ingram's (1990) five-fold division of: (i) authority tools, (ii) incentive tools, (iii) capacity tools, (iv) symbolic or hortatory tools, and (v) learning tools which elaborates on Elmore's classification and focuses on the behaviors that programs seek to modify.

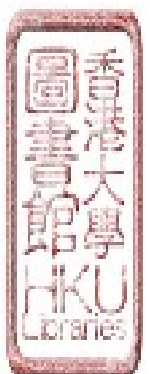
Tools and the Importance of Equity

One of the importance features of government policy tools is the achievement of equitable accessibility of social services. As suggested by Salamon (2002), a policy tool that either facilitates the distribution of programme benefits evenly (in terms of 'fairness') or facilitates in the channeling benefits disproportionately to those who lack them ('redistribution') can be considered equitable, and some tools might be more likely to serve such redistributive goals. As the use of policy tools affects society at large and structures public action, the selection of a policy tool that promotes 'fairness' or 'redistribution' allows governments to remedy past inequalities and ensure equal opportunity and access to all when addressing social problems. For instance, the selection of an inducement tool in the form of financial subsidy for low-income

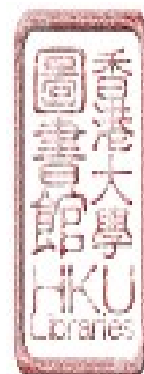


families allows those who lack financial capacity to access the required social service through a redistributive effect on resources allocation to those who need them.

In fact, equity is considered one of the four pillars of public administration according to the National Academy of Public Administration (the others are economy, efficiency, effectiveness). Its importance can be seen in the Universal Declaration of Human Rights that stipulates that “all human beings are born free and equal in dignity and rights”. The United Nations sees equity as all men and women have opportunities to improve or maintain their well-being. Therefore, the provision of accessible social services such as education, housing and medical facilities is central to the upholding of human rights. Although there is no single definition of the term ‘equity’ in social policy, scholars in general agree that ‘equity’ in social service implies that people have the opportunity to access to social service regardless of their personal attributes such as gender, ethnicity, age, family background and social status, etc. OECD (2011) also considers equity is a common social policy objective which equitable outcomes are measured in terms of access by people to resources.

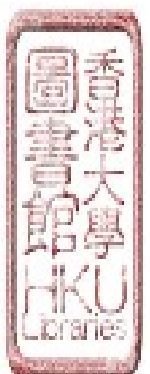


The National Academy of Public Administration defines social equity as “the fair, just and equitable management of all institutions serving the public directly or by contract; the fair, just and equitable distribution of public services and implementation of public policy; and the commitment to promote fairness, justice, and equity in the formation of public policy.” It further suggests that criteria in assessing social equity include (i) procedural fairness, (ii) distributional equity, (iii) process equity and (iv) outcome disparities. In the design and selection of the right policy tool to achieve a certain policy goal, policy tools that meet the criteria of fairness, justice and equity should be chosen. Norman-Major (2011) considers social equity in public administration has three major aspects which have a common goal of either maintaining or creating a “level playing field” or equality of opportunity, i.e. (i) simple fairness and equal treatment; (ii) distribution of resources to reduce inequalities in universal programs and services; and (iii) redistribution of resources to level the playing field through targeted programs. In other words, policy tools should ensure that equality of opportunity to access social services is achieved.



Scholars (Demeuse, 2004; Oscar, 2007) also points out that 'equity' and 'equality' is not the same. 'Equality' in social policy implies that everyone has a equal share on social service; given the scarce natural of social services provision, equal distribution of social resources results in "inequality" in a sense that some cannot obtain adequate share of what they needed most whereas some are given the share that they do not lack. Besides, equal distribution of social resources is considered impossible and impracticable. Norman-Major (2011) also adds that social equity is achieved when each person is being guaranteed the same basic rights and provided with the same opportunity to access to public resources for their basic needs. It is possible that even the outcome of social services distribution is unequal, social equity can still be achieved when everyone is provided with the opportunity to fulfill their basic rights and needs.

The ability of government to use policy tools to achieve equitable accessibility of social services is essential to uphold basic human rights and to resolve and address social problems. Equality in opportunity in access to social services is also an important component in good governance.

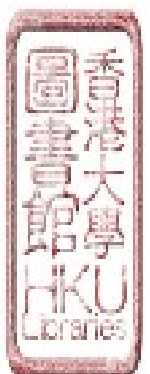


Elmore's Classification of Tools

Elmore's (1987) classification on governmental policy tool theory is widely known and adopted by different policy analysts in the research history among different scholars. It is used here to align with the focus of this project on government intervention strategy in relation to equity, with examples relevant to the use of tools in fostering equitable access to education

Mandates

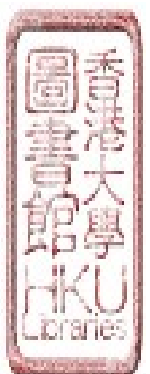
Mandates are sets of rules which govern the behaviour of individuals and are intended to produce compliance (Elmore, 1987). Mandates have set an assumption that all individuals or agencies should act according to the rules in regardless of their capacities or whether their desire or wish to perform such action. The objects of mandates would know exactly what to do as all the necessary information are complied in the mandates. This type of tool very often creates tension between the enforcer and receiver. In one hand, mandates can be useless in the absence of enforcement. In the other hand, given that enforcement may be costly, there are tendency for the receiver to



avoid compiling with mandates. Therefore, Elmore (1987) also characterized mandates as incomplete compliance and enforcement.

Each of the policy tools may come along with some limitations. The major problem for mandates is that it is different to set an appropriate package of standards and penalties that yield to an optimal level of compliance. When the standards are set higher relatively to the general level of performance, it would very often contribute to high expectations among enforcer. There are also possibilities that mandates may contribute to potentially large number of tendency in not compiling with the mandates, especially if the compliance costs are higher than the costs to avoid such mandates.

In many countries, compulsory education is enforced by the government through legislation. Compulsory education is defined as "the span of years during which every normal child must be receiving formal education" and it is the period during which it is hoped that basic education will have been achieved (OECD, 1983). In Hong Kong, the government implemented 6-year compulsory primary education in 1971 and 9-year compulsory education in 1978. Every child in Hong Kong is required by law to attend a school if he or

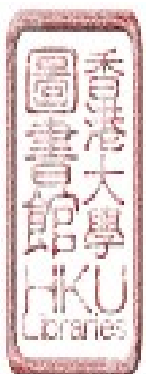


she is aged 6 or above for nine years. Students may attend three years of kindergarten before they enter the nine compulsory years of education, and further education is optional afterwards.

Inducements

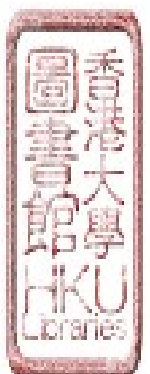
Elmore (1987) defines inducements as conditional transfers of items, mostly in monetary value to individuals in the exchange of short-term performance in certain actions. Elmore puts forward this policy tool as he assumes that people would not contribute valued or desired outcomes in the absence of additional resources. Inducements are a form of conditional exchange of money and production of goods and services. Although inducements compiled with exchange condition, recipients very often produce their own desired outcomes in accordance to their capacity, preferences or objectives. Therefore, it may often contribute to a variation in terms of the production of valued outcome and the amount of investment.

The major problem for inducements is that there may be a mismatch between the choice of package of money and the production of desired quality goods



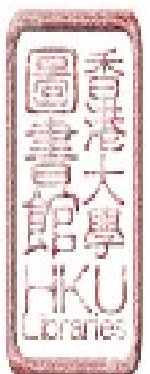
and services. It is considered a skillful technique for a policy maker to determine the appropriate basket of money. If the policy maker sets the money and conditions targeting relatively less quality producers, it may create unexpected variation and may contribute chances for the higher quality producers to earn from the gap. In opposite, if we set the money and conditions based on the higher quality producers, it may create penalties for those who produce lower quality goods and services (Elmore, 1987).

According to Murakami and Blom (2008), the main factors which trigger a relatively low enrollment rate of tertiary education in some countries include (i) affordability and lack of financing of tertiary education, (ii) insufficient and unequal access to secondary education, (iii) the lack of information, and (iv) low expectations of attending tertiary education among the youth from low-income families. Murakami and Blom (2008) also find that affordability of tertiary education in Latin America and the Caribbean is low compared to high-income countries as living cost of tertiary education in Latin America and the Caribbean represents a significant proportion of family income which is estimated to 29 per cent of gross domestic product per capita. In response, to enhance equitable accessibility to academically brilliant adolescents from



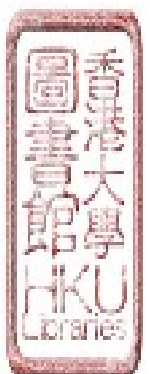
low-income families, the government could offer financial assistance so as to allow them to cover necessary expenses on tuition fees and living costs.

In many countries, the tertiary education is publicly-funded. Financial assistance from the government, serves as inducements, may come in different forms, like low or no tuition fees, grants, student loans, school textbook allowance, student travel subsidy, scholarships and/or subsidized lodging and food. Grants are simply known as all those non-repayable financial assistance to students while loans refer to all repayable assistance disbursed to students for their studies. Some scholars argue that as the purpose of financial assistance is to subsidize students from low-income families to enjoy education and bring tertiary education to those who are qualified, regardless of his or her family's income, either grants (non-repayable financial assistance) or loans (repayable financial assistance) do work. Either way, the government helps students who are in need to finance the high costs of tertiary education and hence increase enrollment rate and equity. By employing a fair and accurate means-tested mechanism, the government can ensure educational financial assistance to be allocated to students who come from low-income families and avoid or at least minimize distribution to students



who are in middle class or above.

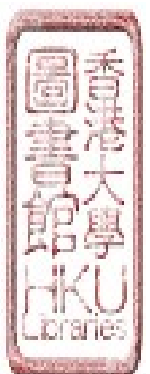
As suggested by Murakami and Blom (2008), affordability and accessibility of tertiary education could be enhanced by expanding availability of grants to students from low-income families to cover necessary expenses on tuition fees and living costs and expanding availability of student loans. For many low-income families, free or low tuition fee is not enough of a grant to finance their children to access to tertiary education. Living costs have to be compensated as well. On the other hand, student loans allow students to borrow money for studies and postpone the costs of tertiary education. Student loans allow students to have sufficient cash flow to finance their tertiary education and other academic related expenses. In addition, repayment schemes such as graduate tax, 'income contingent' loans employed in Sweden and available in the US, the 'income surtax' repayment employed in Australia through the Higher Education Contribution Scheme assist in promoting equity by allowing the costs of higher education to be shared between the student and parents and relieving the government from footing the bill of tertiary education solely.



Capacity-building

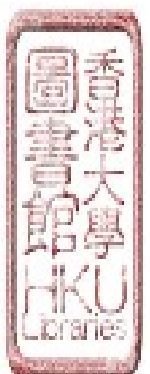
Capacity-building is defined as the transfer of money to individuals for investment in future benefits, including materials, intellectual and human resources. It expects future returns in exchange of current investment and those returns are often regarded as “uncertain, intangible and immeasurable” (Elmore, 1987). Unlike the above two policy tools, capacity-building values capacity rather than compliance or short term production. Very often the effect of mandates cannot be clearly counted as it only sets a condition for future policies. It puts forwards the question on how to reconcile the calculation of present investment values versus future values.

As similar as other policy tools, capacity-building also inherits with its limitations. Policy makers have to be very skillful to set out a discount rate to reconcile the present and future values for calculation. In some occasions, if the policy maker sets up a high discount rate, it may discount into a low present value but without such high return in the future. In another extreme occasion, if the policy maker sets in a low discount rate, it may yield a high present value which people may not willing to forgo short-term investments for



unknown and intangible future outcome. Other than the discount rate, capacity-building also involves in the calculation of the time distance between the values of present and expected returns. Policy maker's preference on whether they prefer short-time or long-time results may also affect the investment in capacity-building (Elmore, 1987).

The education system is in fact a capacity building regime fostering human resource development through the process of equipping individuals with the understanding, skills, knowledge and training that enables them to perform effectively. At early stage of schooling, students acquire essential learning tools (such as literacy, oral expression, numeracy and problem solving) and basic learning content (such as knowledge, skills, values and attitudes) required by human beings to survive; gaining necessary knowledge and skills allow individuals to develop their full potential, to live and work in dignity, to make reasoned and informed decisions, and to continue learning (OECD, 1983). Education is also a form of human capital investment in building capacity of individuals in relation to social and economic advancement to a society. The tertiary education system is especially important in preparing competitive students with the capacity to cope with challenges arising from



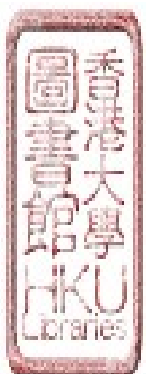
globalization.

System-changing

System-changing involves the transfer of authority among individuals and agencies (Elmore, 1987). This policy tool involves the change of either broadening or narrowing the institutional arrangement of an existing system so that it brings changes to the nature and effects of goods and services delivery. It also involves changing of the authority in terms of the distribution of money or authority. There are concerns about system-changing coping with the problem on how to create improved institutional arrangements. Policymakers may face problematic decisions in matching the new system so as to meet with the expectations of them. They may also face concerns about keeping the interests of the existing system before the new ones to be explored.

Some studies consider access to tertiary education has another connotation.

It refers to the aggregate number of the university-age youth population who has been accommodated in the public and the private university systems. In this sense, accessibility could be measured by indicators such as a gross

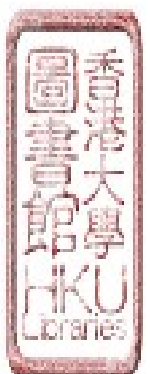


tertiary education enrollment rate. Policies as: (i) increasing tertiary education capacity; (ii) relaxing university admission standards; (iii) enhancing secondary school retention and graduation rates, and relaxing or eliminating tracking at the secondary level; and (iv) promoting the growth of private tertiary education institutions to increase competitiveness, capacity and encouraging aggressive marketing of college or institutions are available tools to enhance accessibility of tertiary education.

Increased equitable accessibility to tertiary education for more students would enhance the productivity, effectiveness, creativity, innovative and technological capacity of the labour force, and subsequently boost economic growth, societal development, and reduce poverty.

Evaluation of Policy Tools

While policy instruments are often defined as the understanding of public policy, it is important to examine the effectiveness of such policy instruments on how they play their parts in public policy design and implementation. Salamon (2002) provides a clear and authoritative description on the

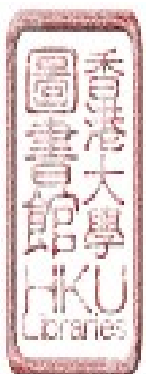


evaluation of policy instruments. In contemporary approach, there are three major criteria to be assessed in public policy interventions and they are effectiveness, efficiency and adequacy. While in modern political studies, he further adds in two other major criteria namely manageability and political legitimacy as a measurement of the effectiveness of a particular policy tool.

Effectiveness

Salamon (2003) defines effectiveness as a concept measuring the extent in which a particular tool achieved its' intended objectives. However, such effectiveness judgment would not take cost measurement as a consideration.

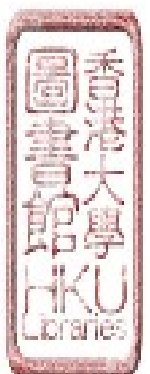
The most effective policy tool should be able to address public problem in parallel to its' original set up purposes. It is not easy for a policy tool to become effective as normally the policy purpose can be ambiguous and there are a lot of hidden factors that would turn the policy technically difficult to implement or there would be conflicts in between the principle and its' reality. The implementation difficulties may hinder to influence the intended policy objectives and may create in opposite, negative impact to the problem itself. It echoes to Salamon's (2003) findings that the effectiveness of policy tool may



vary greatly under different circumstances and therefore, government should consider all dilemmas or risks before adopting appropriate policy tool to minimize social problems, instead of leading to bigger disappointment. This dimension can be regarded as the measurement for outcome of the policy tool.

Efficiency

The second dimension in evaluating policy tool is the “efficiency-balanced results against costs” (Salamon, 2003). While it is commonly understood that the most effective tool may not be the most efficient tool in parallel, it is important to adopt an appropriate policy tool that can achieve the optimum balance between costs and benefits. Take for an example, when we adopt a mandate policy tool, the cost to monitor the compliance behavior is too high to cover up the overall benefits of individuals to comply with such behavior. As such, the incentive to implement such policy tool may be considered low. This dimension may provide a good reminder to policy maker to adopt a double measurement in ensuring not only the costs of the government itself, but also the costs to other affected parties within the society.

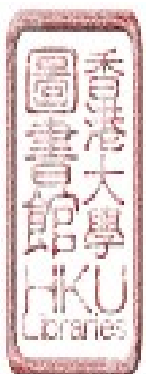


Adequacy

As a related concept of equity, adequacy can be used as the third dimension in evaluating policy tools. It is a fairly reliable criterion to assess the policy tools used in education context. According to Wise (1983), adequacy can also be named as the concept of “foundation amount” or “satisfactory minimum”. The evaluation concerns about the sufficient level of funding in delivering adequate level of education to every student within the territory. It is believed the criterion is closely related to financial assistance as it puts emphasis on the equal outcome of the students rather than the equal access. It also evaluates how education is calculated as adequate or how educational standards can be converted in financial terms.

Manageability

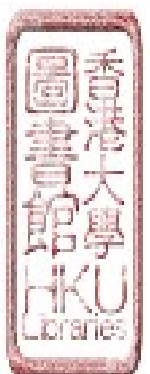
Salamon (2003) puts forward two dimensions in addition to the classic criteria of effectiveness in economic studies. Manageability refers to the criterion to eliminate the difficulties involved in implementing the policy tool. Salamon (2003) considers that the level of difficulty to manage a tool depends greatly on



the complexity of the tool and the number of actors involved. He puts forward that some tools may appear to be very effective and efficient in nature, but they are usually difficult to deliver in practice as there are a lot of managerial problems. This dimension suggests that a policy tool should be designed in simpler and more direct way so as address its intended purpose.

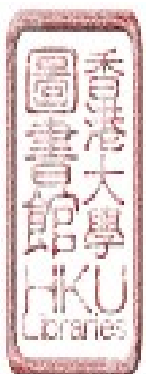
Legitimacy

In modern public governance, legitimacy plays a significant role in public action. The choice of an appropriate policy tool may greatly affect government's legitimacy. No matter how a policy is viewed as effective, efficient and equitable, it is important to get public support for the passage of the program, as ultimately, one of the intended purposes of policy implementation is to shape or facilitate public action. In a long run, by choosing an appropriate tool may affect public perceptions towards the government in a broader sense, which may facilitate accountability in a democratic society. All in all, the choice of tool may thus affect the overall perception of legitimacy that the government should have in the heart of citizens.



Concluding Comments

This chapter has addressed a number of aspects of policy tools, including definitions, use, types, their importance to social equity, Elmore's classification of tools, and the selected evaluative criteria. The discussion of these matters constitutes an analytical framework for a description and assessment of the tertiary education financial scheme in Hong Kong. The framework structures and guides the following analysis of the system contexts and significant features of the scheme.



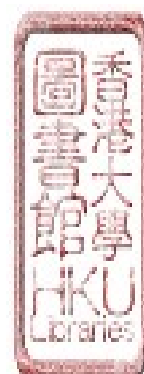
Chapter 3 Policy and Organization Context

Introduction

This Chapter examines the equity issue in the higher education with a focus on the policy tools adopted by the HKSAR Government in accordance with the analytical framework in Chapter 2. The chapter discusses equity in education as a critical policy issue. It further examines the current situation of higher education in Hong Kong. In addition, the set-up of SFAA as a government agency responsible for implementing various student financial assistance schemes in Hong Kong is studied. The characteristics and key features of the financial assistance schemes administered by SFAA are highlighted in accordance with the framework in Chapter 2.

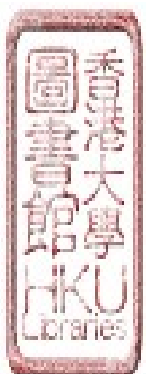
Equity in Education as a Critical Policy Issue

While social service are categorized as a range of public services provided by government organization, education is regarded as one of the vital social service provision, not just to the society's economic development, but more



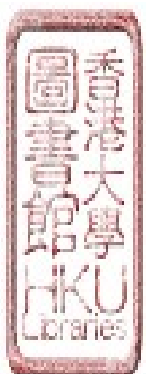
importantly, that can contribute social cohesion and achieve a person's quality of life. It is also commonly said that education brings positive effect on human life and a determined element of social security and order. Given OCED's analysis also puts great emphasis on the benefits of education, it is equally important to examine the average amount of education distributed across the population, which is to find out the reasons why people should have equitable access to education.

According to OECD (2001), equity of education can be divided into two major dimensions. The first dimension is on inclusion which defines as all children should receive basic minimum standard of education that is to read, write and to do simple arithmetic (OECD, 2007). The United Nations Declaration on the Rights of the Child recognizes the basic human rights for children that are to have reasonable opportunities to develop their capacities (Levin, 2003). In order to prepare children in having a successful adult life and participating fully into the adult society, it is important to ensure children from different social backgrounds to have a reasonable equal start before their adult lives. In other words, it is a matter of justice that children should receive minimum education which will lead their own ways as adults and to ultimately contribute to the society. Society has a moral obligation and is in its' interest to ensure



that children receive adequate education. If children do not receive adequate education, social waste may be incurred in a way that human talents could not contribute to the society. It is believed that through education and formal learning, children's talents can be realized, developed and enriched. By failing to recognize children's talents, society may incur greater long term social and financial wastage. Take for example, the social costs of inadequate education is high as those who cannot participate socially and economically in society would generate higher costs for social services, for example, health care, income support or security, etc. or public services costs such as public assistance (Statistics Canada and OECD, 2001).

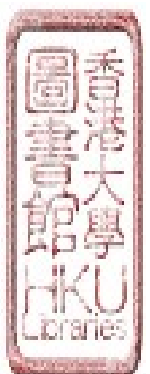
Another important reason for fostering equitable access to education is that, children from different social groups should have a similar range of education outcomes to maintain fairness. This statement does not mean that children should achieve the same education outcome, but the focus of this social equity is to assist students from different social background to achieve comparative performance. In common understanding, students from more privileged background would have greater access to higher social status in terms of income, occupations and positions of wealth than those who are from disadvantaged backgrounds. In other words, the life opportunities of a child



can be strongly affected by their social background and may create inequality and discrimination when they start their lives in the adult world. As opportunities are not distributed evenly, it is impossible to count or imagine the number of outstanding people who are suffering from underutilization of talents as their abilities are not being developed through obtaining necessary learning through education. Consequently, it may contribute to the loss of not only the child himself, but also the society as a whole.

In order to eliminate the disparities of students in terms of family background, education can assist to entrench such disparities and reduce the gap whether a child is born in either a rich or poor family. In addition, different ethnic backgrounds, races or socio-economic background should not be used as a standard to consider children's access to education. There should not be any social or racial group whom is in borne with greater intelligence or being more talented than others.

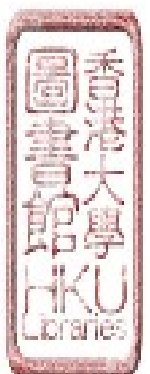
Education is central to the future of all citizens in the world. It is fundamental for children to obtain necessary education so as to prepare in full gear and ready to participate fully into the adult life. It is fundamental to ensure that



education is accessible to all children so that the principle of fairness and justice can be achieved before they start with their adult lives.

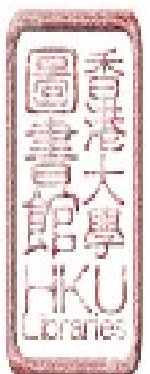
There are numerous researches on educational equity with a view to increasing educational opportunities and advising considerable suggestions to improve the percentage of accessibility to education. It is important to firstly illustrate some ideas about the reasons of why there may be inequity as illustrated in people's life event. One of the explanations as put forward by Levin (2003) is that policy approaches to improve equity depend greatly on how people's think, implicitly or explicitly about the cases of inequities. For example, their beliefs on why certain groups of people are significantly more successful than others; whether their success were built on their individual learning or the social arrangements provided around their learning environment. Some may have doubts in their inner differences in capacity which hinders their efforts in achieving outcomes as they may consider themselves inferior or very difficult to achieve similar level of achievements.

Some researchers put forward that in parallel to personal beliefs, the role of the education system also assists to promote equity. Numbers of literature in



education reveal that educational outcomes depend greatly on what happened in educational institutions. However, more recent literatures prove that a considerable part of the educational outcome variations link with variables outside the education systems, like socio-economic status, language ability and ethnic status (Duru-Bellat, 2000; Thrupp, 1999). Such findings may require more efforts to promote equity not only in education, but also to include a chunk of policy options that may fall outside the educational system. Although this may not be the focus of the study of this research, it is worthwhile to further investigate on such scope of studies for future research focus.

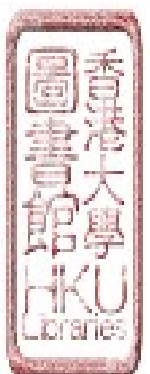
With such varying ideas about the reasons caused inequality, researchers are of different opinions on how the society responded to address equity. So far, there have been two main dimensions to address the equity in education (Levin, 2003). The first focuses on the “equity of opportunity” which is the responsibility of the society to provide adequate opportunities for children to participate in education, for example, whether financially they are supported for education. The first dimension should not focus on whether people take advantage of the access; it is all about the entrance, the first access to the system. The second dimension focuses on the “equity of results of



education”, which they are more concerned on the linkage of such access with the future, such as graduation or employment. Such dimension is not defining the equity of same output, but putting forward that different people may require different kinds of opportunities. Some people may need more support during their education stage in order to be successful. As such, the society is concerned whether the official opportunities are equitable.

It is undeniable that the two dimensions may imply different implications for the design of policy. It is considered that the general education policy is turning its original purpose for students to participate, but more on the degree of success which will require different kinds of programme to meet up with their different needs. This also explained the phenomenon of the increased demands for higher levels of education as policy objective so as to focus on the equality of results dimension. There is no doubt that equality of both dimensions would bring its own consequences, issues and dilemmas. However, the elements of equity in both support and outcome still remain controversial among researchers as in the modern educational studies.

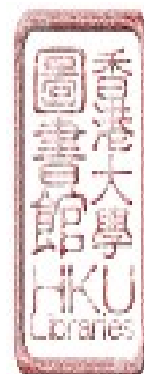
Current Situation of Higher Education in Hong Kong



Nowadays, there are seventeen local degree awarding higher education institutions in Hong Kong, eight of which are funded through the University Grants Committee (UGC). The UGC is a non-statutory advisory body appointed by the CE to advise on the development and funding of higher education and to administer public grants to the eight higher education institutions. Seven of the eight are universities and the remaining one is a teacher training institution, these UGC funded institutions provide 15,000 first-year first-degree places, including:

- City University of Hong Kong (CityU)
- Hong Kong Baptist University (HKBU)
- Lingnan University (LU)
- The Chinese University of Hong Kong (CUHK)
- The Hong Kong Institute of Education (HKIEd)
- The Hong Kong Polytechnic University (PolyU)
- The Hong Kong University of Science and Technology (HKUST)
- The University of Hong Kong (HKU)

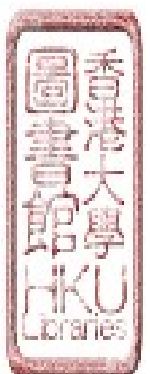
The other nine degree-awarding tertiary institutions are not funded by the UGC.



They include the publicly-funded Hong Kong Academy for Performing Arts (HKAPA), the self-financing OUHK, Hong Kong Shue Yan University (HKSJU), Chu Hai College of Higher Education, Hang Seng Management College, Tung Wah College, Caritas Institute of Higher Education and Centennial College and the Technical and Higher Education Institute of Hong Kong (THEi) of the VTC.

To provide more opportunities to young people access to post-secondary education, there are also various institutions providing full-time locally-accredited self-financing sub-degree and degree (including top-up degree) programmes (more than 25 institutions in academic year 2013/14). In the 2012/13 academic year, a total of 82,700 full-time students and 4,200 part-time students enrolled for publicly funded undergraduate and postgraduate courses. Around 18% of post-secondary students are enrolled in UGC funded higher education institutions.

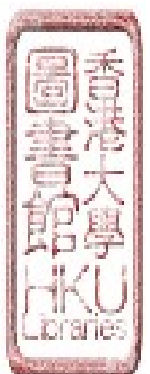
To recognize human rights, to provide basic education for young people to develop their capacity and to ensure students from different family background and income groups could achieve similar education outcome so that they could enjoy no discrimination and obtain equal opportunity upon university



graduation, an elaborate education system on how to allocate limited financial resources of grants and loans is required to maintain equitable access to higher education. In Hong Kong, the Government adopts the two-tier means test mechanism to assess students' financial situation and subsequently allocate an appropriate amount of financial assistance to them according to their adjusted family income and average family asset. The purpose of the means testing is to address the disparities among students, eliminate the constraints to educational equity, and hence, foster equity in higher education. How the HKSAR Government carries out the financial assistance scheme for tertiary students and promotes equitable access to higher education is examined below.

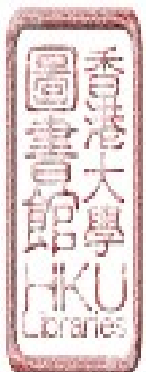
Policy Tools Adopted by the HKSAR Government for Facilitating Equitable Access to Tertiary Education

As part of the HKSAR Government, the EDB is responsible for formulating, developing and reviewing policies, programmes and legislation in respect of education from pre-primary to post-secondary and tertiary level with a view to ensuring quality education is provided for young people in Hong Kong. The



objective of education for Hong Kong is to promote students' whole-person development and life-long learning capabilities. The EDB, headed by the Secretary for Education, oversees the services provided by the UGC Secretariat, SFAA, the Hong Kong Council for Accreditation of Academic and Vocational Qualifications, the Hong Kong Examinations and Assessment Authority and the Vocational Training Council.

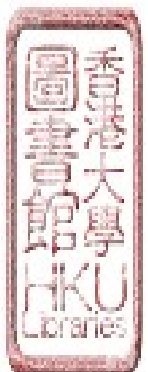
In 2013-14 financial year, the estimated recurrent expenditure on education is \$63 billion. Education, one of the biggest expenditure items, accounts for more than one-fifth of recurrent government expenditure. In the 1990s, the establishment of SFAA could be considered as an important step forward for the HKSAR Government in addressing the need for equitable access to tertiary education in the territory. Financially well-supported by public coffer, SFAA as a centralized regime has been quite effectively in ensuring the eligibility of student applicants seeking financial assistance to further their studies and disbursing grants and loans to the most needy students while maintaining a comparatively transparent operation model as well as a level playing field for students who are financially in need for pursuing their studies.



The key features of the financial assistance schemes administered by the SFAA are appropriately addressed according to the framework in Chapter 2.

Mandates

Notwithstanding the fact that compulsory free education at primary and secondary level in public sector schools has been put in place since 1970s and extended from 9 years to 12 years since 2008/09 academic year, the financial assistance schemes for students in Hong Kong are not mandatorily and indiscriminately offered by the Government. Students are required to submit applications for financial assistance through SFAA and would be subject to means tests to confirm their eligibility for receiving certain grants and loans. While the government has been offering student financial assistance in a way different from the provision of free education territory, the “open-ended” and “all come all served” principles of the student financial assistance schemes administered by SFAA underline that it is incumbent for the Government to provide financial assistance to student applicants who meet the eligibility criteria.



In addition, student loan borrowers also undertake to repay the loan in accordance with stipulated terms. A 1% annual interest rate is charged to the means-tested loan under the Tertiary Student Financial Scheme – Publicly-funded Programmes (TSFS). Same as the TSFS, SFAA operates the Non-means-tested Loan Scheme for Full-time Tertiary Students (NLSFT) on a no-gain-no-loss and full cost recovery bases. At present, a 1.395% annual interest rate is charged to the non-means-tested loan under the NLSFT. The interest rate is now set at 3.688% lower than the average best leading rate of 5.083% of the note-issuing banks, plus a zero risk-adjusted factor. Students are required to commence the loan repayment after completion/withdrawal of study (whichever is the earlier).

To ease the financial burden of loan borrowers, starting from 2012/13 academic year, student may extend the standard loan repayment period from 5 years to a maximum of 15 years. Student may also apply for deferment of loan repayment if they have financial difficulty due to full-time study, financial hardship and serious illness. In the past 5 academic years, the number of deferment applications received from student loan borrowers under the TSFS and the NLSFT and the approved applications are as follows:-

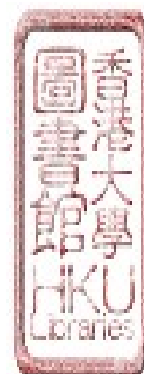


Table 3.1 Number of deferment applications received from student loan borrowers and the approved applications under TSFS from 2008/09 to 2012/13 academic year

For TSFS	Academic year				
	2008/09	2009/10	2010/11	2011/12	2012/13
No. of deferment applications received	2,662	2,698	1,767	1,744	1,165 [^]
No. of deferment cases approved	2,122	2,506	1,556	1,390	885 [^]

[^]Position as at 30 June 2013

Source: Website of SFAA. Accessed on 31 July 2013

Table 3.2 Number of deferment applications received from student loan borrowers and the approved applications under NLSFT from 2008/09 to 2012/13 academic year

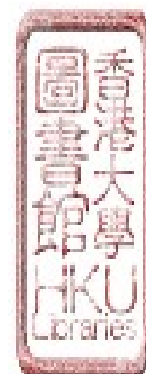
For NLSFT	Academic year				
	2008/09	2009/10	2010/11	2011/12	2012/13
No. of deferment applications received	877	1,047	676	712	581 [^]
No. of deferment cases approved	613	898	601	595	540 [^]

[^]Position as at 30 June 2013

Source: Website of SFAA. Accessed on 31 July 2013

The arrangements should have demonstrated a sort of mandatory nature of student financial assistance schemes in Hong Kong in terms of loan repayment by students and the Government's objective to provide financial assistance at appropriate to eligible students so that no qualified students are deprived of access to post-secondary education due to financial difficulties.

Inducements

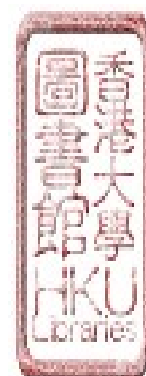


The characteristics of different policy tools aiming to achieve particular policy goals desired by the government could be varied yet interlocked with the existence of both common and distinct features among a variety of public policies. The policy objectives set by the Government indeed help shape the policy tools to be adopted in addressing the social issues or problems in question. As far as the provision of financial assistance for tertiary students is concerned, the HKSAR Government's underlying objective is to make sure of no academically qualified students would be deprived of access to higher education simply due to lack of means. To this end, it is not surprising to realize that the major policy tools adopted by the HKSAR Government have been characterized as inducement in nature given that it transfers monetary value to students in the exchange of desired outcome – tertiary education.

According to the UGC, the average student unit costs of UGC-funded programmes for an undergraduate in the past 7 years are as follows:

Table 3.3 Average student unit costs of UGC-funded programmes for an undergraduate from 2005/06 to 2011/12 academic year (HK\$'000)

	Academic year						
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Average	204	209	227	240	225	222	233

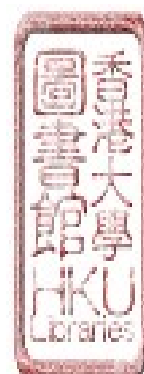


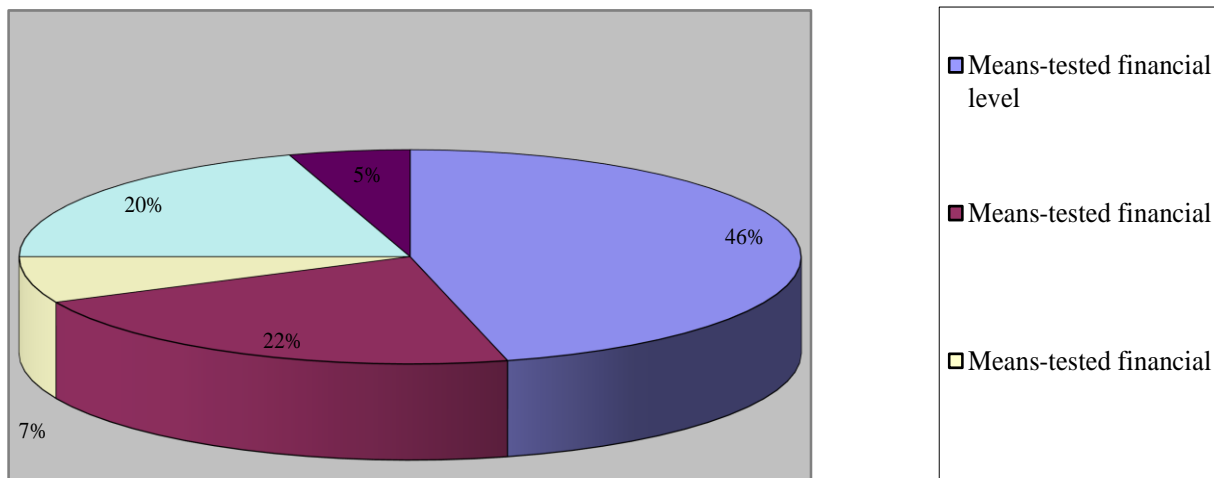
student unit cost Increase /decrease	--	+2.5%	+8.6%	+5.7%	-6.3%	-1.3%	+5.0%
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Source: Website of UGC. Accessed on 18 May 2013

Higher education is expensive and it would be financially difficult for a student to self-finance his university study. In the absence of additional resources, students may not further pursue tertiary education. To this end, SFAA serves as an agency which administers various student financial assistance schemes and implements the Government's policy to finance eligible students for their study and ensure that no student is denied access to education due to lack of means. At present, SFAA administers 14 student financial assistance schemes and 21 scholarship and reward schemes with a view to assisting all qualified students who need financial assistance to achieve certain education level they aspire to, and to rewarding and encouraging those who have excelled in their study. In 2011/12 academic year, SFAA received over 980,000 financial assistance applications. In addition, SFAA disbursed 55 hundred million grant, loan and scholarship to qualified students. Distribution is as follows:

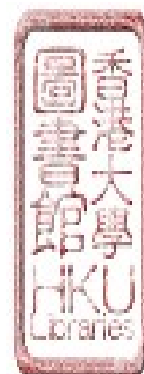
Table 3.4 Distribution of SFAA to major financial assistance schemes





As far as higher education is concerned, SFAA administers a means-tested financial assistance schemes, TSFS, and a non-means tested loan scheme, NLSFT, for tertiary students who pursue exclusively UGC-funded or publicly-funded full-time programmes. Eligible students may apply for financial assistance in the form of grant and/or loan to cover tuition fees, academic expenses, compulsory union fees and living expenses. The two schemes demonstrate characteristics of an inducement policy tool in providing direct monetary value to tertiary students in allowing them to pursue tertiary education. Both schemes are considered comprehensive mechanisms for determining the appropriate basket of money to students according to their financial needs, as illustrated below.

The objective of the TSFS is to ensure no eligible student who has been

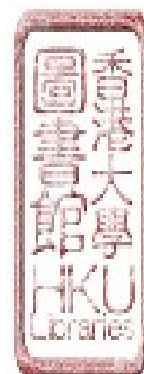


offered a place of a recognized course would be unable to accept it because of a lack of means. TSFS provides mean-tested grant and/or loan to full-time students who are in financial need. The financial assistance calculation is based on the local institution fee. Two tiers of the means tests, income test and asset test, are required under the TSFS to assess students' financial circumstances and determine their level of financial assistance entitlement. The maximum grant is equal to tuition fee payable to the concerned local institution, academic expenses for the course of study and compulsory union fees. As for the maximum loan, the same amount will be offered to students regardless of the institutions/courses they enrolled. For 2012/13 academic year, the maximum loan offered was \$39,650.

In the first tier of the means test under the TSFS, the "Adjusted Family Income (AFI) Formula" will be used. The following Ready Reckoner under the AFI Formula illustrates the percentage of the maximum grant and maximum loan in relation to respective adjusted family income groups in 2013/14 academic year.

Table 3.5 Ready Reckoner under the AFI Formula adopted in 2013/14 academic year

AFI groups between (\$)



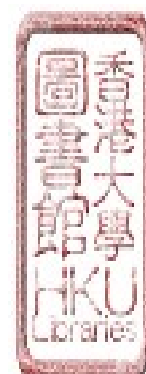
	0 – 32,534	32,535 – 39,852	39,853 – 47,040	47,041 – 54,244	54,245 – 62,908	Over 62,908
% of maximum grant	100%	75%	50%	25%	15%	0%
% of maximum loan	100%	75%	50%	25%	15%	0%

Source: Website of SFAA. Accessed on 18 May 2013

After assessment has been made in accordance with the AFI Formula, student may be eligible for grant and/or loan, depending on their family financial situation. The grant and/or loan offer will then be subject to the second tier of means test, an asset test.

The asset test in which the “Sliding Scale of Asset Value for Discounting Grant and Loan Assistance (Sliding Scale)” will be used is the second tier of the means test under the TSFS. The Sliding Scale stipulates the discount factor to be applied to the financial assistance amount resulted from the first tier income test, taking into consideration of the net asset value per family member. The following Sliding Scale illustrates the discount factor in relation to respective net asset value per family member groups in 2013/14 academic year.

Table 3.6 Sliding Scale adopted in 2013/14 academic year



	Net Asset Value per Family Member (\$)					
	218,000 or below	218,001 - 329,000	329,001 - 416,000	416,001 - 515,000	515,001 - 613,000	Over 613,000
Discount factor of financial assistance	-0%	-20%	-40%	-60%	-80%	-100%

Source: Website of SFAA. Accessed on 18 May 2013

Starting from 2011/12 academic year, SFAA relaxed the ceiling of family income for full financial assistance under the means-test of the TSFS which resulted in a considerable increase in the number of students receiving full level of grant. By adopting the two tiers of means-test under the TSFS, the more family income and asset a student has, the less financial assistance he entitle.

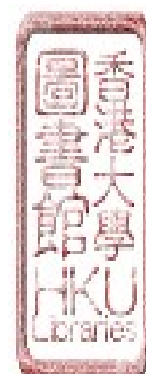
A summary of statistics under the TSFS from 2010/11 to 2012/13 academic year is as follows:-

Table 3.7 Summary of statistics under TSFS from 2010/11 to 2012/13 academic year

	Academic year		
	2010/11	2011/12	2012/13*
No. of applications	31,185	29,210	28,715
Number of students who receive grant - [a]	27,901	26,241	25,927
Among [a], number of students who receive full grant - [b]	10,147	16,149	16,185
% of students who receive full grant - [b]/[a]	36.4%	61.5%	62.4%

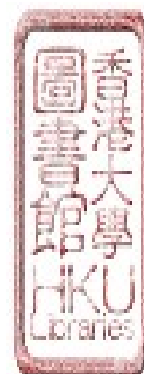
*Position as at 31 January 2013

Source: Website of SFAA. Accessed on 18 May 2013



In addition to TSFS, SFAA provides NLSFT, a non-means-tested loan, to full-time students who have not applied for financial assistance under the TSFS or receive no financial assistance under the TSFS. The objective of the NLSFT is to complement the TSFS to provide non-means-tested loan to qualified students to pay tuition fee of recognized course. Students may apply for an NLSFT loan to settle the payable tuition fee. If students receive some financial assistance under the TSFS, they may apply for an NLSFT loan up to the amount which is equal to the difference between their maximum financial assistance under the TSFS and the amount of financial assistance they received after undergoing the two tiers of means test under the TSFS. Student can request SFAA to apply the entitled NLSFT loan to settle either the first instalment of the tuition fee or the last instalment of the tuition fee in the first instance. According to the loan payment options indicated by the student applicant, SFAA will disburse the NLSFT loan by instalments to the local institution direct before the due dates of tuition fee instalments accordingly.

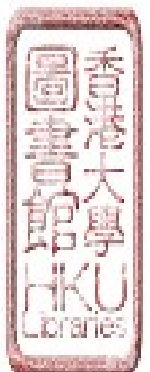
To demonstrate commitment in fostering equitable access of higher education in Hong Kong, the Government establishes two mature and organized



institutional systems which provide means-tested and non-means-tested financial aids under the TSFS and the NLSFT to students. By providing students with adequate funding and financial support, financial barrier could be eliminated and successful enrollment in higher education could be secured.

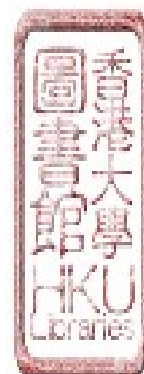
The student financial assistance offered by the HKSAR Government explicitly serves as a direct inducement for academically qualified students from less affluent families to pursue their study. The government has a role to play in ensuring that no student should be denied of education owing to a lack of means. The means-tested and non-means-tested financial schemes for tertiary students administered by SFAA are solid evidence that the HKSAR Government has adopted an inducement tool to encourage students to pursue tertiary study with the provision of financial incentives. To a certain extent, the grant and loans disbursed to eligible students under the assistance schemes administered by SFAA can alleviate the financial burden of students who are from less well-off families as the financial assistance could cover part, if not all, of the tuition fees as well as living costs.

Capacity-building



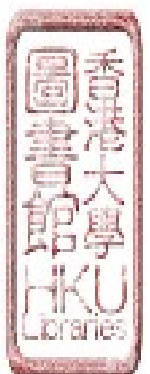
It is of the view that the financial assistance schemes for students in Hong Kong have fulfilled an important function in offering direct financial incentives for students who are financially in need to consider taking up the chance to further their study with immediate financial implications being addressed. The financial assistance schemes, especially for those catered for the education aspiration of tertiary students, also play an important role in nurturing human capital equipped with tertiary and higher education. The Government's financial commitment in providing grants and loans to students from poor families should be regarded as a long-term investment on human capital.

With a comparatively comprehensive system of student financial assistance put in place, talented students from less well-off families can apply for grants and loans from the government and need not forgo the chance to pursue higher education simply due to financial difficulties. In other words, the set-up of student financial assistance regime not only helps promote equitable access to tertiary education for academically qualified students regardless of their families' financial situation in Hong Kong, but also helps create a pool of talents



with solid education background at tertiary level. The latter is of great importance for a society to move towards sustainable development in social and economic senses amid nurturing of well-educated youth and enhanced social mobility.

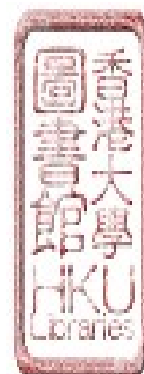
The choice of the right policy tool to facilitate equitable access to tertiary education is important to the development of the Hong Kong society. Hong Kong is a knowledge-based society which economic development relies heavily on its human capital. Human capital is an important asset of Hong Kong and the higher education sector is considered a key source of impetus for social development. As knowledge is the foundation of capacity, greater investments should be made in establishing strong education systems and opportunities to grow the youths. According to the 2011 Population Census Thematic Report: Household Income Distribution in HK, working population with higher educational achievement generally earns higher income than the less educated ones. In 2011, the median monthly income from main employment of the working population with degree education was \$25,000, which was 150% higher than those who had attended upper secondary education only.



While there is no guarantee match between the financial resources committed by the Government in providing financial assistance to students and the most desired outcomes by the Government in terms of talent pool to be created for the sustainable development of the society, the capacity building effect generated by the student financial assistance schemes at post-secondary education should not be neglected.

System-changing

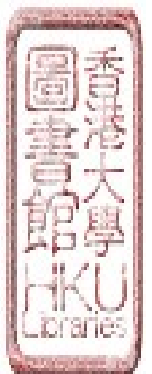
To keep up with the need of the society and the expansion of university education in the previous decades, the system and operation of student financial assistance schemes in Hong Kong have gone through changes and fine-tuning from time to time. The system changes involved in the student financial assistance regime always aim to ensure the HKSAR Government's policy objective could be met - eligible students could be provided with appropriate and adequate support. The development of financial assistance schemes is regarded as a bold and fundamental move in terms of system-changing. The major changes of financial assistance schemes since



1960s are illustrated below.

In the 1960s, there were only two local universities which offered university education in Hong Kong. Competition among youths from the relevant age group to enter the university was keen and less than 5 % of them were able to get a university place. Many capable students had to pursue the university study overseas. At that time, majority of financial assistance was offered to local tertiary students in the forms of scholarships, bursaries and grants.

In 1969, the Local Student Finance Scheme (LSFS), administrated by a Joint Universities' Committee, were introduced to supersede those government scholarships and bursaries for students from the Hong Kong University and the Chinese University of Hong Kong. Separately, the Student Financial Assistance Scheme (SFAS) was available to provide grants and loans for students from the then Hong Kong Polytechnic, the then Lingnan College and the then College of Education. The Government provided an envelope funding for student grants and interest-free loan and adopted means testing as a tool to allocate funding resources. In other words, the share of grants and loan that a student could receive depended on the total amount of funding

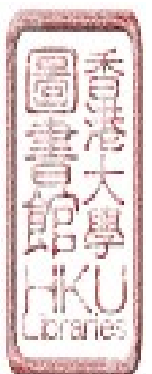


available in a year and his financial need as compared with other students.

As the means testing was rather simple at the early stage, operation of the financial assistance schemes and vetting job were performed by the student office of respective local tertiary institutions.

In 1980s, Hong Kong had undergone a drastic change in its economic structure. There had been social demand to shift Hong Kong economy from manufacture-led to service-led. In connection with this, an expert panel was invited by the HKSAR Government through OECD to conduct a review of the local educational system. For higher education in particular, OECD recommended the HKSAR Government to expand the provision of higher education. The HKSAR Government, therefore, continuously increased the public expenditure on higher education and the first-year-first-degree places starting from the late 1980s.

To cope with the development of higher education, the Government relaxed the limit of student grants and loans and made the financial assistance funding open-ended. With reference to the data of student spending pattern collected from the student expenditure survey, it provided a maximum amount of

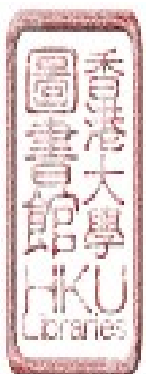


financial assistance to students of each academic programme. In addition, to compensate the cost of operation of the financial assistance schemes, a low-interest of 2.5 per cent per annum was imposed on the student loans.

In 1982, Public Account Committee reported that students may have omitted/underestimated his family income/asset in his financial assistance application and received an amount of financial assistance more than he did.

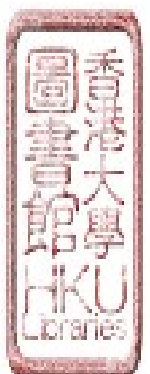
The Director of Audit also estimated that it involved an overpaid amount of grants and loans of 18 million. In response to the above, the SFAA was established in 1990 and be responsible for overseeing the operation of the financial assistance schemes, including application and authentication procedures and disbursement of financial assistance. Since then, more stringent vetting procedures were introduced; comprehensive supporting documents were required; a fixed percentage of successful application was selected for authentication; and suspected fraud cases were referred for police investigation. A clear financial assistance application and systematic allocation system started to form.

Recently, a number of comprehensive reviews on different financial assistance



schemes as well as the means-test mechanism have been conducted. The trial scheme of reducing the risk-adjusted-factor rate of NLS from 1.5% to zero with effect from 2012/13 academic year is a vivid example that the HKSAR Government is committed to adjust the system as appropriate so as to better meet the needs of students who are financially needy and ease the repayment burden of student loan borrowers.

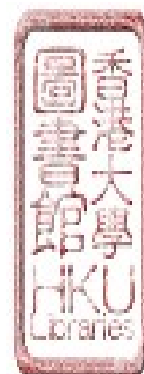
The above changes of student financial assistances offered by the HKSAR Government throughout the years demonstrate characteristics of system-changing tool by expanding the institutional arrangement of the existing student financial assistance schemes. It also involves changes of authority in terms of processing of applications and disbursement of financial assistance from tertiary institutions to a government agency – SFAA. HKSAR Government also conducts periodic reviews on student financial assistance schemes so as to meet the expectations of financial assistance recipients and improve institutional arrangements of SFAA. These all contribute to meeting financial needs of students, an increasing demand for higher education and the change of Hong Kong's economic structure into a knowledge-based economy.



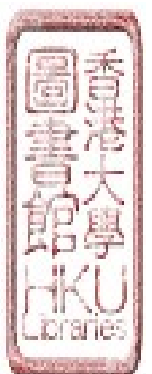
Concluding Comments

The principal objective of student financial assistance schemes administered by SFAA is to ensure that no qualified students will be deprived of access to education due to lack of means. Despite an organized and comprehensive system, students may still consider that they do not receive sufficient financial resources for their study which lead to an adequacy issue. They may also think that the two-tier means test mechanism which requires them to provide assorted documentary proofs to substantiate their claims is complicated and strenuous. To examine whether the policy tools adopted by the HKSAR Government could foster equitable access to higher education, we will critically evaluate the effectiveness of the system by using the following five assessment criteria, including effectiveness, efficiency, adequacy, manageability and legitimacy.

In the following chapter, the effectiveness and efficiency of the selected student financial assistance schemes in Hong Kong are examined with the support of relevant figures and observations as evidences. The adequacy of



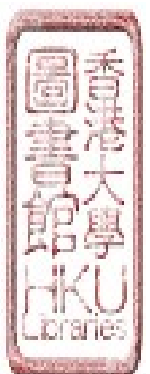
those financial assistance schemes is looked into as sufficient level of loans offered under the government-funded schemes is of great importance for less well-off students in deciding whether to pursue tertiary education given the financial burden that may be incurred. The manageability and legitimacy of the territory's established schemes in offering financial support to students will also be assessed, having regarded to the government's role and responsibility in providing fair chances of access to tertiary education for qualified students whilst maintaining the prudent use of public fund.



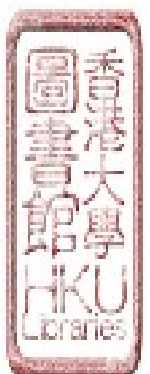
Chapter 4 Evaluation of the Student Financial Assistance Schemes

Introduction

As illustrated in the previous chapter, SFAA serves as a dominant agency in Hong Kong in administering various financial assistance schemes for students in the territory. The principal objective of student financial assistance schemes is to ensure that no qualified students will be deprived of access to education due to a lack of means. Over the years, the schemes pitched at post-secondary and tertiary level seem to be effective in enabling students of different backgrounds to have more equal opportunities to access to tertiary education, as supported by the fact that tertiary education in Hong Kong has expanded continuously from 1980s to 2000s and the significant growth of Hong Kong students' enrollment rate of post-secondary education from 5% in 1980s to 60% in recent years. To a certain extent, it could be attributed to the compact and comprehensive student financial assistance schemes implemented in the territory.

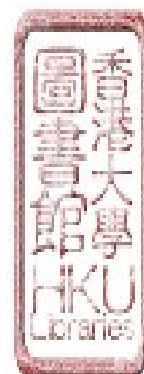


In this chapter, the policy tools used by the Government are evaluated under the five selected criteria: effectiveness, efficiency, adequacy, manageability and legitimacy. The analysis is based on their nature, measured outcomes and impacts to the Hong Kong society. To summarize, the following principles upheld by SFAA are examined: various financial assistance schemes provided, means-tested system, “open-ended” scheme supported by the funding from HKSAR Government, self-sustainable loan scheme based on the “no gain no loss” principle, mechanism of loan recovery and management of default cases. As appreciated in Chapter 2, different policy tools may be adopted for achieving policy goals and the nature of tools can be interlocked and overlapped, therefore, some policies may have dual or even multiple functions. For instance, the “all come all served” policy under TSFS serves both mandate and inducement purposes, as supported by its obligated full assistance for eligible applicants as well as the provision of monetary incentive for high achieving students. In the following paragraphs, the strengths and limitations of each policy tool adopted by SFAA are evaluated and then followed by the overall discussion on their fulfillment of fostering equitable access to education.

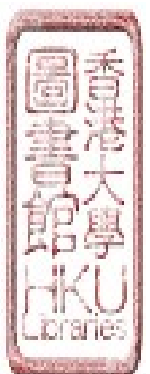


Effectiveness

The “open-ended” nature of financial scheme for UGC-funded programmes effectively provides assistance to students in need. Every applicant shares equal chance of receiving financial assistance based on the means-tested assessment. The continuous funding commitment from the HKSAR Government is considered the most crucial step which shows its commitment for expansion of tertiary education and vision for nurturing human capital by providing financial assistance schemes. In 2010/11 academic year, SFAA disbursed financial assistance totaling over \$2.8 billion and benefited about 61,000 students, accounted for 40% of students pursuing post-secondary programmes. Around \$2.1 billion were means-tested grants and loans and around \$700 million were non-means-tested loans. In 2012/13 academic year, a total of 82,700 full-time students enrolled for publicly funded undergraduate programmes and among those eligible students under TSFS, 62.4% of students received full grant to cover the tuition fees. The huge financial input signifies the effectiveness and its important role in assisting less affluent students to pursue higher education over the years.

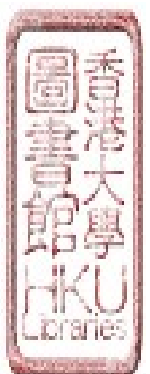


By providing monetary incentive for pursuing tertiary education, SFAA has been able to reach the targeted population who would like to get access to university but is concerned about the financial implications. It provides various schemes to meet the need of students pursuing different programmes according to their interest and capacity. Currently, SFAA administers 14 student financial assistance schemes and 21 scholarship and reward schemes. They include financial schemes for UGC-funded programmes, consisting of TSFS and NLSFT; and other Non-UGC funded programmes. Since early 1980s, the Government financial assistance scheme supplemented by a means test, provided monetary assistance to full-time students who are from less well-off families and financially in need. With the introduction of the non-means tested loan scheme in the 1998/99 academic year, students could still apply and obtain financial support under this alternative scheme even if they failed or simply did not want to be vetted by the means test. Besides, the relatively simple and easy application procedures also facilitate the students' incentives in applying the schemes. Its effectiveness for inducement is supported by the fact that around 33,900 and 37,600 applications have been received by SFAA during 2012/13 academic year for TSFS and NLSFT respectively, and in 2011/12 academic year, 49,000 students received



means-tested financial assistance, which accounted for 32.8% of students attending post-secondary education.

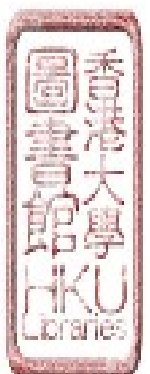
The evidence of significant growth of Hong Kong students' enrollment rate in tertiary education from 5% in 1980s to 60% in recent years, together with the rapid expansion of total loan dispensed from 930 million in 2000/01 to 2.8 billion in 2010/11 signify the effectiveness of the financial scheme in providing assistance to less affluent students. The objective of ensuring no qualified students will be deprived of access to education due to a lack of means has been fulfilled effectively by SFAA so that students with talent and academic capacity can pursue higher education they aspired to. Moreover, human capital gained from the improved undergraduate population in Hong Kong, which currently constitutes 20% of local population aged 15 or above, could constitute and consolidate the essential component of development of knowledge-based society. The creation of human capital plays a role to solve the constant shortage of manpower in medical, information technology and financial professions by having more graduates in those professions. Therefore, the financial assistance scheme provided by SFAA is considered as a highly effective tool to foster equitable access in the capacity building



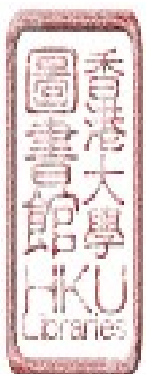
perspective.

The restructuring of the institution and development of various financial schemes under SFAA over the years have achieved the objective of assisting students to pursue higher education in the continuous changing global or local situation. The timely launching of different policies and adjustment of administrative strategies effectively provides immediate monetary assistance to needy students. In 2011/12 academic year, SFAA relaxed the ceiling of family income for full financial assistance under the means-test of the TSFS, which resulted in a considerable increase in the number of students receiving full level of grant. In July 2012, the risk-adjustment factor has been reduced to zero in response to the global economic downturn in recent years also facilitates students to repay loan after graduation. In short, SFAA has been effectively fostering access through the tool of system-changing by making reasonable and responsive strategies over the years to meet changing circumstances.

Efficiency

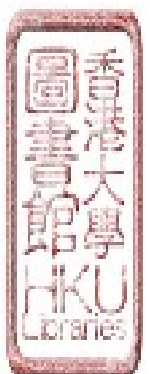


SFAA has been operating towards the principle of “all come all served” which accommodates all eligible applicants. With funding for grants and loans coming from the Government, SFAA indeed puts up much effort in ensuring the efficient and prudent use of public money by applying the means testing mechanism. The two-tier means-tested mechanism serves a “gate-keeping” function to distinguish students who are more in need based on the family income and asset value. The means-tested system is considered as an efficient mechanism to differentiate financially disadvantaged students among the population and is adopted worldwide. Hong Kong is no exception - students apply for grants and loans with a low interest rate must satisfy the means-tested requirement to ensure proper and efficient allocation of public expenditure for tertiary education. The application process has been stringent in vetting in which monthly, year-end and internal audit counter-checks are conducted on selected applications to ensure applications are assessed fairly and correctly by the vetting staffs. Cases are selected from time to time for authentication by Investigation Officers, who make home visits to assess directly the family conditions of the applicants and to verify the information they have provided. In addition, reasonable and efficient calculating methods such as AFI Formula and Sliding Scale are adopted under



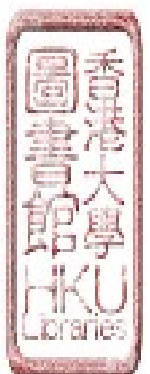
the income test and asset test respectively in order to disburse grants and loans properly. Besides, students can decide the amount of loan according to their true need and capacity for repayment. For instance, they can choose to accept half of the offer provided by SFAA to fit in individual demand. By adopting the above strategies: stringent vetting, comprehensive calculation of loan release and flexible loan amount decided by end users, SFAA is considered as an efficient service provider in achieving a balanced financial assistance scheme.

Currently, over a hundred of UGC-funded and Non-UGC funded courses are supported by SFAA, and this provides enormous incentives for students from less affluent families, who face money constraint as the major barrier for higher education. In fact, recent findings of the Programme for International Student Assessment (PISA Centre, CUHK) show that students of high academic ability coming from less affluent families in Hong Kong face financial, psychological and social barriers which limit their future pursue of university education or professional careers. Findings of the PISA show a very strong impact of familial socio-economic status on Hong Kong students' educational and career expectations. In 2012, 81% of students from upper class (highest 10% of



socio-economic status) expected to pursue university education, doubling the figure than that from grass-roots level (lowest 10% of socio-economic status) of only 35%. It would be a waste of human capital for the society if our high achieving youths from poor families do not expect to pursue university education or professional careers because they are not able to pay for their studies. Therefore by expanding the pool for students from UGC-funded or Non-UGC funded programmes, students with differentiate academic capacity can still pursue higher education and obtaining professional qualification. Obviously, to balance the benefit and cost between infinite need against limited resources, schemes with differential loan amount and interest rate are adopted for prudent use of education expenditure. Supported by the low unemployment rate in Hong Kong, students with higher education background are benefited from higher salary and better chance of up-flow in society. This intangible impact to our society is difficult to quantify but yet, valuable and essential for further investment.

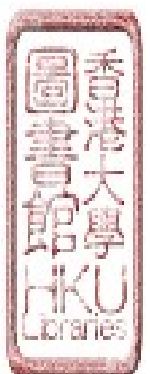
Similar to the evaluation of its effectiveness, the continuous improvement of the administrative structure and adjustment of financial scheme of SFAA in response to the ever changing financial and social environment, are



considered as efficient tools to balance the cost and benefit between the ever expanding service and limited resource. Apart from the improvement initiated by SFAA itself, Audit Commission and Efficiency Unit examine SFAA on a regular basis and provide valuable advices to ensure proper use of government expenditure and resources. Those limitations and recommendations are usually evaluated and followed for better efficiency and effectiveness of the administration.

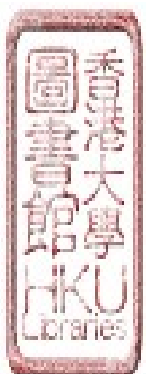
Adequacy

The adequacy level of financial assistance for students is of great importance in determining the success and impact of the student loans schemes. In Hong Kong, the student financial assistance schemes have been operating on “open-ended” and “all come all served” basis. Without fixing the upper limit or restrictions on the number of applications, the HKSAR Government’s financial commitment has been crucial to the effectiveness and sustainability of the student financial assistance schemes administered by SFAA. While students who have completed secondary study would no longer receive assistance under the Comprehensive Social Security Assistance (CSSA)



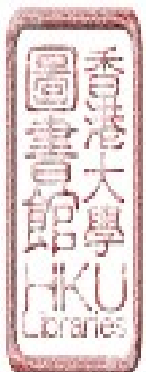
administered by the Social Welfare Department, SFAA generally gives priority to applications from CSSA families' students so as to help them to overcome financial hardship as far as possible. Those students are usually granted full level of assistance under the means-tested assistance schemes, and in 2011/12 academic year, over 11,000 post-secondary students from CSSA families were fully granted. In addition, the eligibility criteria of grants and loans are subjected for regular review and the median Household Income in Hong Kong is a proper benchmark in vetting students' eligibility. In short, the "open-ended" basis of financial scheme supported by government is considered to be an adequate and mandate tool for coverage of target population.

Apart from the perspective of adequate coverage to target population, adequate amount of grants and loans which can cover the tuition fee and the high living expenses are crucial component for removing the monetary barrier of needy students. In Hong Kong, the total amount of financial assistance available for distribution to students is sufficiently large. The ceilings of assistance under various schemes administered by SFAA are subject to review at regular intervals or the results of relevant survey conducted



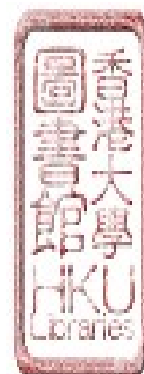
periodically, such as Student Expenditure Survey, taking into account the up-to-date information on expenditure needs of students. According to the official figures, each eligible post-secondary student under means test scheme received an average low-interest loan of about \$29,000 in 2011/12 academic year in addition to a grant of about \$38,000. As regards the amount of loans to cover tuition fees, the median value of loans disbursed to student applicant in 2012/13 academic years (as of end-January 2013) under non-means-tested NLSFT and NLSPS amounted to \$42,100 (which is the same amount as the tuition fees of the undergraduate programme funded by the government) and \$48,750 respectively. In addition, students can decide how much they borrow from the maximum loan offered by SFAA, as cited in the statistics of 2012/13 academic year, only 7,927 students out of 27,376 accepted the TSFS loans offered by SFAA, while the total loan amount dispensed was 237 million, which only accounted for 27% total loans offered. The figures support the fact that TSFS provides sufficient and flexible loans to match with individual demand and consideration accordingly.

It is considered that SFAA is effective and efficient in the provision of financial assistance to students enrolled to UGC-funded programmes, which are heavily



subsidized and constitute the greatest part of public expenditure in tertiary education. But due to limited government resources, less about half of the students who satisfy the minimal academic requirement for university admission can finally enroll to UGC-funded undergraduate programmes. The inadequacy of “First-year-first-degree” in the eight UGC-funded universities may hinder education achievement of capable students with financial difficulty and results in wastage of human capital of Hong Kong society.

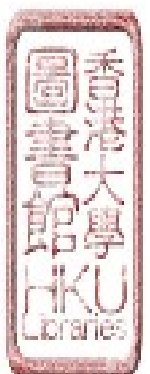
Since the launching of financial schemes of Non-UGC funded programmes in recent years, e.g. Extended Non-Means-Tested Loan Scheme (ENLS) and Non-Means-Tested Loan Scheme for Post-Secondary Students (NLSPS), enormous amount of loans has been dispensed for those full-time or part-time programmes, which currently up to hundred courses are eligible. In contrast to the UGC-funded programmes, those self-financing programmes under ENLS or NLSPS composed of wide range of post-secondary continuing and professional courses which could contribute both the increase of population attaining advance education and loan release by government. However, the loan amount offered under both schemes may not be sufficient even for high tuition fee, not to mention the living expenses as compared to grants and loans



under TSFS. It was not uncommon to see students paying much higher tuition fees for those Non-UGC funded programmes, and eventually turned to heavy burden to their families and a large amount of personal debt after graduation. Therefore, it is considered that the financial scheme has just partially fulfilled the adequacy evaluation in the perspective of Non-UGC funded programmes due to the limited funding from the Government.

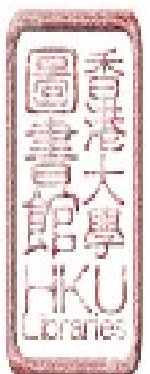
Manageability

The student financial assistance schemes administered by SFAA have brought positive and territory-wide impact to students to pursue their university or tertiary studies. SFAA has well established policies and practices in vetting applications and disbursing grants and loans to the eligible students. With clear instruction and simple guideline available on website of SFAA, students can easily get access to the schemes with eligibility examined by standard assessment. There are also online tools (e.g. Guidance Notes and On-line Calculator) to help student applicants familiarizing themselves to various financial schemes. Moreover, an appeal mechanism is in place for students who are not satisfied with the first offer, and their applications will be



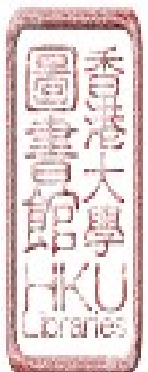
re-examined. All these measures contribute the fulfillment of SFAA's objective, i.e. no qualified student deprived of education due to lack of mean. Moreover, the arrangement in loan repayment and application for deferment are quite flexible and humanized so as to minimize burden to students. They can apply for deferment if they have financial difficulty due to full-time studies, financial hardship and serious illness, in which around 80% deferment cases are approved in recent years.

The loan repayment system set up by SFAA is also simple and easy to implement. Students can repay their loan in a flexible manner in which they can repay by lump sum repayment after graduation or subdivided to the longest limit of 15 years. There is also mechanism to manage default loans with stratified measures such as reminders, warning letters, raised overdue interest and finally referral to Department of Justice for legal action. As of January 2013, there were around 16,600 default cases recorded by SFAA, with the amount in default loan stood at around \$283 million. However, only about 3,000 serious default cases were referred to Department of Justice annually and some \$62 million from 1,611 default cases have been recovered in the past four academic years. In fact, the overall default rate of the student



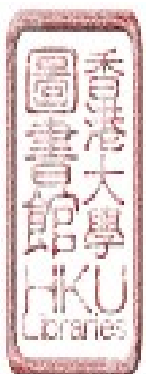
loan schemes has been over 10% in the past five academic years since 2008/09, which is relatively higher when compared to other developed countries such as United State with its national default rate around 5-9% in recent 5 years. In view of the high default rate and large amount of existing unrecovered loan, it is considered there is still room for improvement of current loan recovery system and implementation.

The relatively high default rate potentially destroyed the principle of self-sustainability of student loans scheme offered by SFAA. The schemes are operated under “No gain no loss” principle in which there is an interest rate plus a risk-adjustment factor to compensate the potential loss of default cases. However, because of the global financial downturn in recent years, the risk-adjusted factor was reduced to zero in July 2012 so as to alleviate burden of students, at the same time, it further potentiated the unrecovered loan amount and negative balance of student loans scheme. Therefore, it is considered that the way SFAA in managing its own financial balance for various loan schemes and loan recovery procedures is insufficient with room for improvement.



Legitimacy

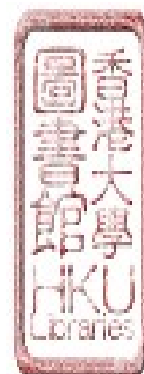
It is incumbent and legitimate for a responsible government to ensure equitable access of tertiary education for capable students regardless of their financial background. Measures promoting equitable access to tertiary education could help uphold social justice and generate more social benefits in the long-run which are of great importance to the sustainable development of a society. The lack of equal opportunities for access in tertiary education could lead to underdeveloped pool of human capital and thus social immobility which might adversely affect the social and economic development of the society. As regards the situation in Hong Kong, the student financial assistance schemes administered by SFAA have been well funded and subsidized by the HKSAR Government. Adequate and effective financial assistance have been provided to one-third of the students enrolled in post-secondary education in the territory, which may reflect that less well-off students are not denied access to tertiary education because of the lack of means. To a certain extent, the provision of student loan schemes serves both an incentive for qualified student to pursue their studies and a tool to increase the legitimacy of government's responsibility in provision of social service to citizens.



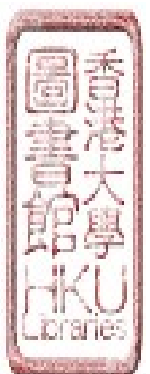
As a centralized agency in handling students' applications, disbursing grants and loan, as well as loan recovery, it has effectively operated so that student applicants can receive equitable treatment with their applications being vetted in accordance with the eligibility criteria. With the clear objective and efficient implementation, SFAA gains credibility and trust of students, and currently over 40% of students attaining post-secondary education receive some form of financial assistance from SFAA. The relatively low occurrence of private student loans in Hong Kong signifies how SFAA adequately responds to the need of society. As compared to the public student loan scheme, private loan from commercial bank or loan agency may have a higher interest rate and recovery procedures might be illegal. This should also further enhance the legitimacy of the government given its efforts in ensuring a secure safety net to less affluent students.

Concluding comments

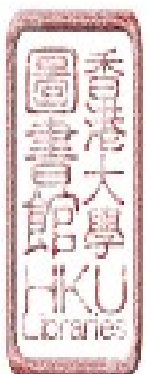
Based on the different policy tools adopted for its policy goal, SFAA is quite successful in fulfilling the objective of fostering equitable access of tertiary



education. Its effectiveness is supported by the “open-ended” mechanism induced by strong government commitment and effective provision of financial assistance for target population. It is crucial when assessing its efficiency, in which the means-tested system has played an important role in differentiating the less affluent students in the population. Considering the issue of adequacy, financial schemes provided by SFAA has covered the ever growing demand for monetary assistance of university students, and at the same time, sufficient amount of grants or loans are dispensed in order to address the adequacy concern. Yet the inadequacy for “first-year-first-degree” due to limited government resource could hinder further development of tertiary education and wastage of human capital. As for the perspective of manageability, SFAA manages well in many implementation procedures including stringent vetting of applications and flexible loan disbursement, but strategies for loan recovery are questionable and obviously there is room for improvement for the uphold of the self-sustainability principle of student loan schemes. Last but not least, financial schemes operated by SFAA are considered as legitimate as supported by the strong Government commitment and credibility in the Hong Kong society. In the next chapter, recommendations based on the above evaluation to further improve equitable



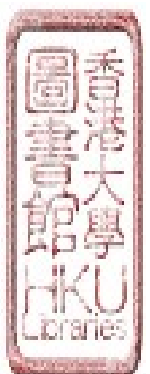
access of tertiary education with a summary of the project will be provided.



Chapter 5 Recommendations and Conclusion

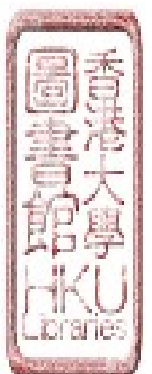
Introduction

As revealed in the previous chapter, the student financial assistance schemes administered by SFAA in Hong Kong are considered to be generally able to meet the objective of ensuring academically qualified students not being left out and deprived of access to tertiary education due to the lack of means. The effectiveness of the regime in the provision of student financial assistance has been maintained over the years with financially needy students being rightly targeted at. The proper benchmark and means-tested mechanism adopted by SFAA in vetting applications and disbursement of financial assistances to students have contributed to the efficiency of the student financial assistance schemes in the territory. The HKSAR Government has all along financially committed in administering the student financial assistance schemes with grants and loans at comparatively adequate level being provided to students from less affluent background to further their studies, while keeping an eye in reining in the default problem to a manageable situation. Given the “open-ended” and “all come all served” nature of the student financial



assistance schemes, the HKSAR Government has indeed been acting responsibly in ensuring that qualified students from less well-off families would not be deprived access to tertiary education and thus enhanced its legitimacy of its governance.

Having said that, while there is no doubt that there are certain strengths and edges of the current student financial assistance schemes in Hong Kong for paving the way of more equitable and fairer access to tertiary education in the territory over the decades, there is always room for improvement in the existing policy tools so as to achieve certain goals and objectives in better ways amid possible implications on social and financial costs. The following paragraphs give an insight on alternatives available or suggestions deemed feasible in further enhancing the equitable access to tertiary education in Hong Kong, having regard to the overseas experience and the limitations in the local prevailing systems.

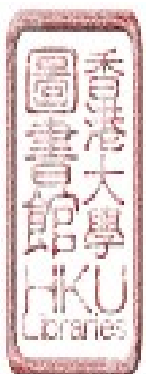


Recommendations

Policies Adopted Worldwide to Foster Equitable Access of Education

As suggested by OECD (2003), government can adopt a range of policy measures to improve equity, the three main goals include encouraging individual participation, changing the way of how institutions provide education, and changing socio-economic conditions that affect participation and success.

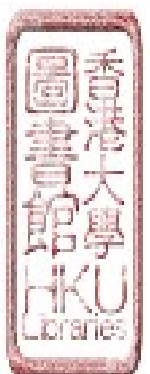
(a) Individual participation and success. Specific measures for encouraging individual participation and success include (i) financial incentives, (ii) non-financial incentives, (iii) advertising and recruitment, and (iv) support services (OECD, 2003). The provision of financial supports (e.g. direct subsidies, grants and loans, tuition reductions or rebates, living allowances, etc) is the policy tool mostly adopted by governments. Apart from financial incentives, non-financial incentives provide direct linkage of participation in education and other benefits, e.g. if students are not enrolled in school, they could not receive benefits. The use of advertising and recruitment targeting students from under-represented groups also promote participation. Lastly,



the provision of support services (e.g. guidance and counseling) to learners having special educational needs also encourage individual participation and success.

(b) Institutional arrangements. In addition to measures for encouraging individual participation and success, measures for changing institutional delivery systems and methods also support equity. Examples include the creation of new delivery agents (e.g. new kinds of institutions), or provision of new programmes and flexible modes of programme (e.g. part-time, modular), new modes of financing programs (e.g. from potential employers or through partnerships), the change of admission policy such as preferential admissions for under-represented target groups, and provision of support services for students to increase completion rates of programmes (e.g. academic support groups) (OECD, 2003).

(c) Social change. Social support is also essential to improve equity in the context of education. The concept of lifelong learning should be promoted in the society as a widely accepted social norm. Specific measures include the provision of related services for students in need such as child care services

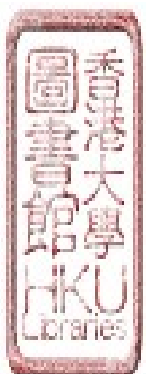


for mothers. To remove financial barriers to lifelong learning, financial assistance offered to employers is important to support learning opportunities for adult learners in the workforce. Relevant anti-discrimination legislations should also be introduced to protect the rights of minorities, so that the under-represented groups could pursue education at their will (OECD, 2003).

With regards to the constraints and limitations of the student financial assistance regime in Hong Kong, recommendations will be divided into two main categories, the first part mainly focus on the student financial assistance programmes administered by SFAA, while the second part touches on the general measures to improve equitable access of higher education in Hong Kong with an aim to minimize the discrepancy among different socio-economic class.

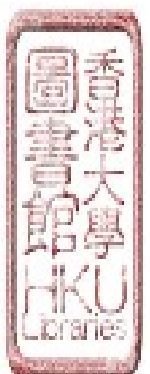
Financial Assistance Schemes

While the student financial assistance regime administered by SFAA has been quite successful over the years in directing loans to student who are from less well-off background in Hong Kong, there is always room for the government to



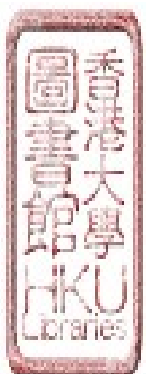
further refine the eligibility criteria for students receiving grants and loans in a regular and systematic manner. The median household income is considered to be a proper benchmark in vetting student applicants' eligibility for receiving financial assistance to pursue their studies. Nevertheless, the government should review the relevant family income ceiling as vetting criteria from time to time so as to ensure that the students who are most financially in need would receive the financial assistance whilst "less deserving" students in terms of their families' financial background would not "crowd out" those most in need of loans to further their studies. By doing so, it is believed that effectiveness and efficacy of the student financial assistance schemes could be maintained and even enhanced the group of students who are most financially in need are properly looked after.

(a) Striking a fine balance between prudent use of fund and provision of adequate level of financial assistance to students. With the proliferation of self-financed degree and sub-degree courses in the territory over the past decade, the government has been facing an uphill battle in making more funds available to support the increasing demand for student loans, especially with the fact that those self-financed courses are charging much higher tuition fees



than those funded by UGC. The government should consider reviewing the amount of loans available for students pursuing higher education through academic programmes not funded by UGC whilst striking a balance in prudent use of public coffer.

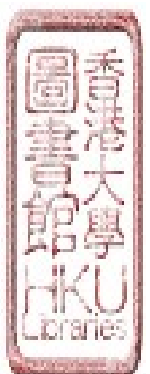
It is incumbent for the HKSAR Government to offer safety net of social service in various aspects of living in addressing the citizens' needs of housing, health care as well as education. The HKSAR Government indeed contributes a significant part of its expenditures on education, in the sense that the provision of education is not only a basic human right entitled by citizens, but also contributes to the creation of human capital that would in turn be beneficial to the development of knowledge-based economy in Hong Kong. It is important to maintain the balance between supply of and demand for tertiary education, yet fulfilling the purpose of equitable access under limited resources. Therefore, suggestions are made to improve the efficiency and effectiveness of the financial assistance scheme so as to cover more talented yet financially needy students, without excessively expanding government expenditure. As the scale of student loan expands rapidly as well as the loan default rate, its outcomes and quality control have to be reviewed for subsequent



improvement.

(b) More transparent and regular evaluation system for adequate coverage of target population.

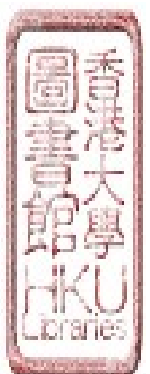
The prevailing two-tier means-tested system is based on the assessment of the applicants' family income and asset value. Applicants are eligible for full level of grant or loan if their family incomes are below 50-60% of the Median Household Income in Hong Kong. On one hand, the system works as a gate keeper to identify eligible students who need financial assistance to ensure appropriate allocation of government resources; on the other hand, it is a barrier for certain students and hinders them in pursuit of tertiary education. The criteria for eligibility have been reviewed by SFAA but the exact mechanism is unknown to public and the lack of transparency of such evaluation system is being criticized. For instance, SFAA relaxed the ceiling of family income for full financial assistance under the means test in 2011/2012 academic year in response to the long-lasting financial downturn since 2008, resulted in a doubled number of students receiving full grants. In fact, economic condition in Hong Kong is affected continuously by global economic climate and the impact of financial crisis can be far-reaching. If the evaluation of mean test coverage does not align with



economic fluctuation, it may exclude the academically qualified candidates with financial difficulties and violate the aim of equitable access. An effective mechanism on applicants' eligibility should be reviewed from time to time and subject to consultation with the general public or advisory committee to improve the transparency and adequate coverage.

(c) Flexible grants/ loans based on an updated Student Expenditure Survey (SES) to cover the high academic and living cost in Hong Kong.

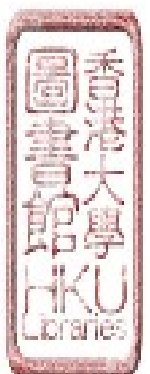
SES is a reflective method to assess the academic and living expenses of tertiary students in Hong Kong and it is accounted for calculating the ultimate loans in the financial scheme. However, according to Director of Audit's Report No. 53 in 2009, the findings of SES in 1988 are still being used as reference which was conducted more than 20 years ago. Although there was another SES conducted in 1999, it was not adopted due to reservation about the findings and methodology of the survey. However, there have been huge changes in the financial situation in Hong Kong over the past 20 year and an outdated reference could lead to a heavy burden of students due to the inflation of living expenses such as housing, transport and food price. One option is to conduct such survey on a year-to-year basis for more accurate



reflection or at least once in two to three years. Another option would be to add a calculated factor taking in account the inflation rate in that the current year so as to match with the economic climate. The latter method may be more practical as it can make reference to the Composite Consumer Price Index provided by government with a lower administrative cost and closely related the living expenses in Hong Kong.

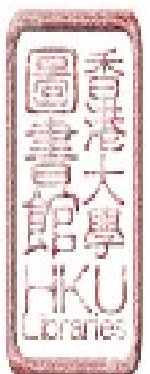
(d) Effective mechanism for releasing loans to prevent system abuse.

There is still room for improvement in monitoring and controlling the use of loans in the hands of students especially for those granted under the NLSFT. There have long been allegations that students have used the loans, which are on a lower-than-the-market interest rate, to invest in the stock market or to make other investments. The lack of tight control over the use of approved loans may have contributed to a higher default rate for the student financial assistance schemes administered by SFAA. To prevent the abuse of loans, it is recommended that instead of giving a lump sum of money to students in which usage cannot be monitored, monthly payment can be adopted to reduce chance of misuse. Alternatives are the direct reimbursement of living expenses such as transport or housing fees at the end of each academic year.



Although these measures will definitely increase the administrative cost, but in view of the expanding tertiary education, a tighter control of loan disbursement can ensure proper resource allocation to students who are really in need.

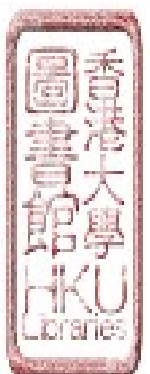
(e) Efficient loan recovery system. There is a need for SFAA to further sustain its efforts in recovering default or long-overdue loans. According to SFAA's report, average loan received by students under NLSFT, NLSPS and ENLS in 2010/2011 were \$58,000, \$80,000 and \$30,000 respectively and the highest loan amount under the three schemes were \$210,000, \$420,000 and \$910,000 respectively. While deferred repayment is allowed for continuation of education, financial hardship and unemployment because of illness, default loan was more than 10% over the years. In 2011, the amount of default loans was \$213 million and the total number of defaulters reached 13,081. For the defaulters who have defaulted for four years or more, about 86% of them had been referred to the Department of Justice for legal action in recovering the default loans. However, the Director of Audit's Report No. 53 in 2009 criticized that the recovery process of defaulted loan was still ineffective because of the delayed and insufficient deterring action by SFAA, in which there were even hundred cases of exceeding the time-bar limit of 6 years and



SFAA is debarred from taking legal action to borrowers. From the analysis of defaulting cases, numbers of defaulter under NLSFT, NLSPS and ENLS were 1,641, 2,000 and 9,440 respectively, which showed the ENLS has the highest default rate among the others. For the purpose of loan recovery in a more effective manner, the following measures are recommended:

The first option would be the sharing of information on negative credit data of defaulters with credit reference agency. A platform or database of such information can act as deterrence on potential defaulters. Due to the privacy concern, the platform or database on defaulters should only apply to default cases of serious nature. For instance, with a default loan amount of more than \$100,000 and the default period has been over one year without positive response from the loan borrowers as well as other debt recovery actions. Comprehensive consultation with stakeholders as well as Privacy Commissioner for Personal Data would certainly be required in order to assess the feasibility of the details of this proposal and its implementation procedures.

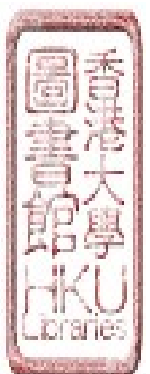
The second option proposed would be an income-based repayment system. The arrangement is also called graduate tax in which loan repayment is a fixed



proportion of graduate income, which is more equitable and satisfy more fully the ability-to-pay principle. It is adopted by many countries, e.g. Australia, New Zealand and Singapore to reduce the financial burden of graduates and at the same time reduce the loan default loan rate. Administrative cost could be reduced as loan recovery is handled through existing loan collection mechanisms, such as the income tax administration or the social security system. In the United States (US), maximum amount of repayment is capped at 10% of the borrowers' income. Besides, the US government forgives any remaining debt after 20 years, or after 10 years for those serving in public service, e.g. teacher, medical staff or military, provided that they have been taking responsibility for their loans and make their monthly payments. This measure can also help government to keep adequate manpower resources in selected public service entities in Hong Kong which may include medical staffs, teachers or professionals which are always under manpower shortage.

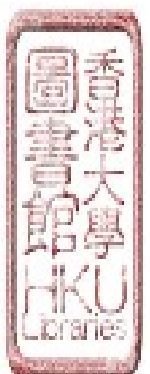
(f) Partnership with non-profit or for-profit organizations for student loan

to reduce cost and risk sharing. The problem of increasing default loan damages the principle of sustainable full recovery loan system of SFAA. The default loan deficit was further increased by the cancellation of risk-adjusted

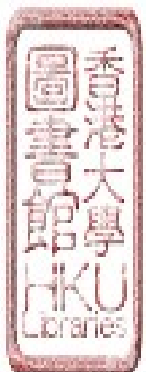


factor (1.5%) in July 2012 with response to the global financial downturn in recent years. To maintain its sustainability yet fulfilling the target of “all come all served” principle, reference was made to overseas experience in provision of student loan scheme by non-government organizations. In the US, many for-profit institutions such as commercial banks and loan agencies offer loans to students of their own initiative. Some non-profit organizations in developing countries, such as EDUCREDITO in Venezuela, FUNDAPEC in the Dominican Republic, were established in common situation. They collaborated with government and local banks to launch the student loan scheme for target population. Partnership with these organizations can reduce the government administrative cost and potential deficit due to default loans. As suggested by oversea experience, the practicability of the partnership depends on the incentives provided to corporations which commonly seek chance to attract future potential clients. Details for implementation is subject to further study and consultation of stakeholders including students, non-profit organizations, commercial banks or loan agencies.

(g) Review of criteria of eligible courses for non-means-tested loans.



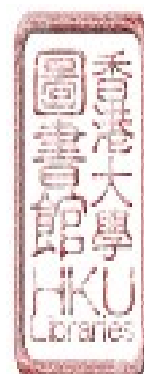
The principle of “all come all served” of the student financial assistance schemes in Hong Kong fulfills the mission of SFAA and the Government’s goal for expansion of higher education in Hong Kong. The rapid rise of student loans from 930 million in 2000 to 2.8 billion in 2010 demonstrated its achievement. At the same time, there is also a sharp increase in the number of eligible courses of which the enrolled students are eligible for non-means-tested loans. These courses, which are proliferating and offered by a number of institutions, ranging from full-time degree course, associate degree, top-up degree, part-time high diploma to certificate course, and the eligibility and quality of these courses have not been reviewed and academic level of their graduates is questionable, especially among the eligible courses under ENLS covering a wide and diverse range of post-secondary and continuing and professional courses. A consultation paper by SFAA in 2011 suggested to tighten control over the quality of the courses applicable to the student financial schemes and to categorize various institutions based on their teaching performance. However, the selection criteria have remained unknown to the general public and there has been no further progress on this matter. It is recommended that cost benefit analysis of each course should be evaluated and subsequent approval is subjected for assessment on regular



basis. Eligible courses should be accredited by certified institutions namely Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) or professional bodies under the Non-local Higher and Professional Education (Regulation) Ordinance (Chapter 493).

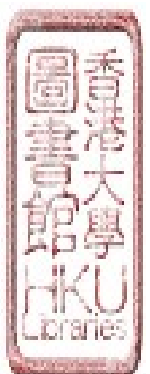
General Measures to Foster Equitable Access to Tertiary Education

The existing student financial assistance schemes may have well addressed the needs of students from less affluent background to further their university or tertiary studies, the needs of youngster from lower socio-economic class (such as ethnic minorities) may not be catered properly as there may be inequitable access to primary and secondary education for them due to language barrier and deficiency in the mainstream curriculum. The following paragraphs describe about the general measures to improve equitable access of higher education in Hong Kong, especially targeting at ethnic minorities in Hong Kong. According to the 2011 census, 6.4% of general populations are ethnic minorities. Nonetheless, the ethnic minorities only account for 2.9% among lower secondary students, and while these students advance in education level, the figure further drops to 1.3% in tertiary education. In the

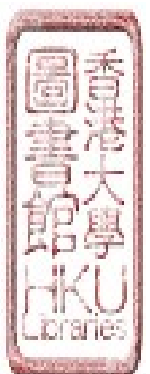


report by the Equal Opportunity Commission in April 2011, low Chinese proficiency is the major obstacle to the students' advancement in education. Educators, non-government organizations, parents and students reflect that the HKSAR Government provides inadequate support and resources to support ethnic minority students studying Chinese. Only by removing these obstacles and allocating more resources to improve their competitiveness by overcoming the language barrier, the ultimate goal of equitable access to post-secondary or tertiary education can be achieved. Some overseas experience and the impact of other possible measures suggest that there are alternatives in addition to the mere provision of financial assistance to students in a bid to enhance the equitability in access to tertiary or post-secondary education.

(a) Increasing resources in early education of ethnic minorities. The concept of tertiary education or higher education attainment being the road to succeed is well known to general public of Hong Kong especially for the Chinese ethnic. Younger generation generally accepts student loan in pursuit of tertiary education as an investment to themselves for a brighter future. They are confident to repay the debt once they are engaged in full-time

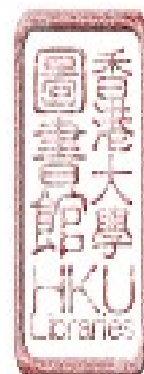


employment. Besides, there is a safety net in the social welfare system of Hong Kong, and nowadays it is rare that young students have to cease their education and engage in full employment so as to support their families financially. On the contrast, some ethnic minorities or new immigrants may face the financial difficulties and bear the high opportunity cost which hinder them from pursuing higher education. Comparing to local residents or Chinese ethnics, Southeast Asia ethnics or new Chinese immigrants are in disadvantage comparatively for prospective future because of the low socio-economic status and discrimination in employment. Hence, it could be a very risky investment for them to have student loan without a promising future. Moreover, they commonly fall outside the safety net of social security due to the non-permanent citizen status in the territory. As a result, they have to quit schooling at early age and join the labour force. Poor competitiveness is another reason for lower admission rate of ethnic minorities in tertiary education. In consistent with the findings of the report conducted by Equal Opportunity Commission in April 2011, poor Chinese proficiency is the main obstacle for those ethnic minorities to attain higher education and insufficient government resource is the culprit leading to inequity in the society of Hong Kong.



The HKSAR Government should strengthen early childhood education and demonstrate more care towards the ethnic minorities, rather than divert them into special education so as to improve their proficiency in Chinese. Teachers' professional development should also be supported to deal with multi-culturism in class and offer at-risk student good career guidance and counseling, as well as making the curriculum more flexible and diverse. In addition, it is important to visualize future prospect so that capable students are willing to take loan for pursuing higher education. In other words, there should be measures to reduce discrimination in the labour market for greater incentive for ethnic minority to obtain good education.

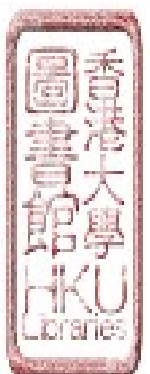
(b) Free tertiary education. The vision of SFAA is to assist all qualified students in need of financial assistance to achieve the education level they aspire to, yet only about 18% of the relevant age cohort has the opportunity to receive publicly-funded tertiary education in Hong Kong due to inadequate provision of first-year first-degree places in local universities. According to the latest figures, among 28,400 students satisfied minimal entry requirement of university, less than 50% of them can be granted access to UGC-funded



programmes. Given the high tuition fee of sub-degree programmes (associate degree, top-up degree, diploma and certificate), students have heavy financial burden and loaded with debts even though loans could be provided under SFAA's various student financial assistance schemes.

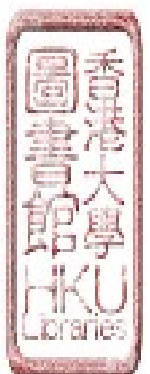
The HKSAR Government has extended free education in public sector schools from nine years to 12 years starting from the 2008/09 academic year. Further extension of free education in the tertiary level allows all eligible students to have access to tertiary education without financial barriers. Government intervention in higher education may be justified on both efficiency and equity grounds (Chapman, 2005). Worldwide, several countries such as Norway, Finland, Denmark, Sweden, Argentina and Greece offer free tertiary education to their citizens. While some of these countries have been charging tuition fees on foreign students when they enter universities, local students can enjoy free tertiary education and some even provided with a monthly study allowance and loan.

The Norwegian Government provides free tertiary education to local and non-local students, and this reflects the value of the Government to support



equality and the promotion of the welfare state. In Norway, student aid consists of a mix of grants and loans to cover the costs of living as tuition fees are not charged in public institutions. Grants and loans are not means-tested to parental income, but are means-tested to student's or spouse's income, and are subject to a ceiling. OECD (2009) considers that tertiary education in Norway has much strength, especially a strong commitment to access and to meeting social demand. Norway's heavy reliance upon the public expenditure to fund its tertiary education system brings in benefits, such as the highest tertiary education participation rates among OECD countries, and few financial constraints to participation. The provision of free tertiary education with provision of grants and loans reduces the influence of parents' financial circumstances on individuals' tertiary participation and therefore improves equity of access to tertiary education.

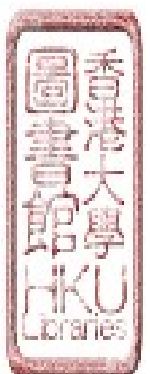
While it is true that people pay heavy taxes to support the provision of free tertiary education, university graduates usually generate a higher income than those without tertiary education, and those who received free tertiary education will re-pay through a higher level of taxes generated from higher income. As suggested by Blondal, Field & Girouard (2002), human capital is



an important determinant of individuals' earning capacity and employment prospects, and therefore plays an important role in determining the level and distribution of income in society. OECD studies also confirmed the importance of investment in education as a determinant of economic growth. Education is also found to be associated with various non-economic benefits, including better health, enjoyment derived from the process of learning and the exercise of learnt skills independently of monetary rewards.

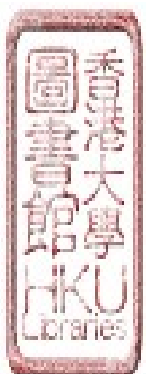
(c) Education reform for the development of knowledge-based economy

in Hong Kong. Government should develop a long-term planning for the direction of knowledge-based economy and prioritize different professions based on the population characteristics and infrastructure development in Hong Kong. Various strategies to expand tertiary education should be adopted for adequate human capital and social development. Options include increasing tertiary institutions such as the UGC-funded programmes, community colleges, private universities, or provision of literacy training, work-based programmes and arrangements to recognize informal learning etc. With expanded capacity of higher education, students with different talents can pursue their education more equally and Hong Kong can develop a more



prosperous and balanced economy with various industries instead of heavily relied on property and financial market. Moreover, more public or private scholarship and research funds should be established to help students not covered by government financial assistance schemes. All these measures increase the chance of higher education among Hong Kong population and therefore, minimize the chance of discrepancy among different socio-economic class.

(d) New evaluation indicator: Educational Gini Coefficient. While the above confirmed that equity access to education is basic human rights, various indicators are being used by scholars to measure different aspects of education including, enrollment ratios, education attainment, quality by input of resources of test scores (Thomas, Wang and Fan, 2001) in order to develop a win-win policy so as to gain support from the public. Other than the common evaluation dimensions as mentioned above, a lot of scholars adopt Educational Gini Coefficient index as a new measurement for educational inequality. Mass and Criel (1982) make use of the educational enrollment rate as the data for calculation of educational Gini Coefficient index, and as a result to form a platform to test on the relationship between the average



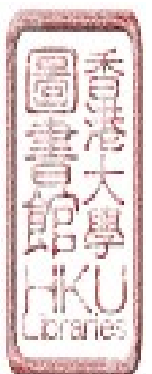
education attainment and education inequality.

In Hong Kong, there is only data on Gini Coefficient, a general measure of income inequality rather than direct measurement of educational inequality. It is suggested that more research of this new evaluation tool in Hong Kong education system should be introduced for future comparative study.

Conclusion

The establishment of SFAA as a centralized and specialized agency in administering various financial schemes for students in Hong Kong was a remarkable milestone for the HKSAR Government in stepping up efforts in facilitating, if not ensuring, equitable access of tertiary or post-secondary education for academically qualified students in the territory. The expertise and transparency of the operation of SFAA has in turn contributed to the high level of effectiveness and efficiency of various student financial assistance schemes administered by the dedicated government department.

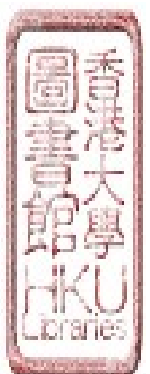
In addition, with the steady funding support from the government, the financial



support offered to students under the schemes implemented by SFAA is considered to be at a relatively adequate level for less affluent students to meet their aspiration to pursue tertiary study. The provision of government-funded student grant and loan schemes have indeed indicated that the HKSAR Government has been sustaining its effort in enhancing equitable access to tertiary and post-secondary education for qualified students in Hong Kong regardless of their financial background.

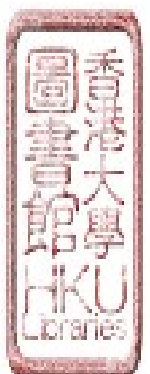
Nevertheless, there is still room for further improvement in the existing mechanism in terms of provision of financial assistance for students to pursue tertiary or higher education. For instance, the Government should have done even better in monitoring and controlling the use of loans in the hands of students as well as to step up efforts in reining in the loan default problem.

Recommendations for improving the student financial schemes in Hong Kong have been demonstrated in this chapter and suggestions for general measures to foster equitable access of higher education are also introduced. Their practicability with reference to overseas experience and leverage points for success in local context have also been elaborated.

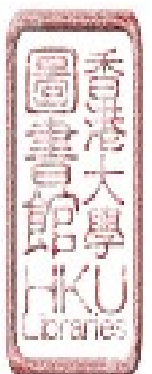


As suggested in the preceding paragraphs in this chapter, it is considered that more could be done in addition to the refinement of the prevailing student financial assistance schemes so as to promote and achieve even more equitable access for qualified students to tertiary education. It is also crystal clear that, having regard to the overseas experience and relevant research, there are other measures beyond the provision of student financial assistance in enhancing the equitable access to tertiary education. By adopting different policy tools in addition to monetary incentives to talented yet financially in need students, tertiary education could be more accessible and serve as an achievable goal to academically qualified students regardless of their financial background. Nonetheless, implementing a mix of or a wide range of policy tools could bring financial implications to the administration, and a responsible government should have to deliberate carefully in applying different yet interlocking measures in promoting equitable access to tertiary education.

Promoting equitable access to tertiary education could in turn enhance social cohesion with the build up of a pool of human capital and higher level of social mobility, which are beneficial to the sustainable development of a society. All in all, the provision of student financial assistance schemes has in fact



contributed to the equitable access to tertiary education for qualified students in Hong Kong. It is incumbent on the Government to continue its efforts to this end, while remaining open to other alternatives. This is essential as means of further enhancing equitable access to tertiary or post-secondary education in the territory and further lowering the barriers for students from less affluent backgrounds to pursue higher study.



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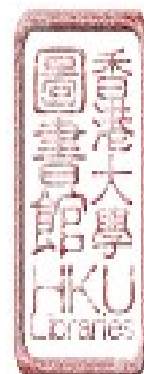
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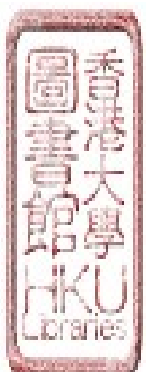
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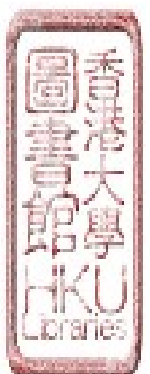
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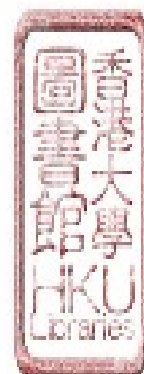
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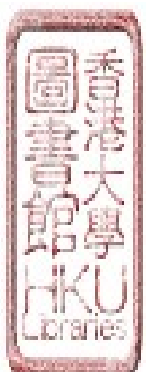
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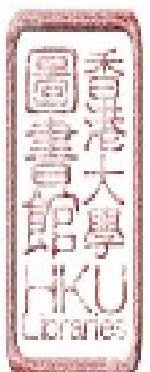
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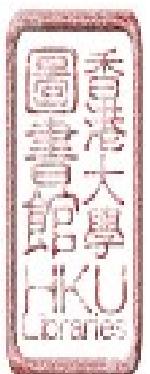
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