



# Tuition fees and student support

principles, trends & impact

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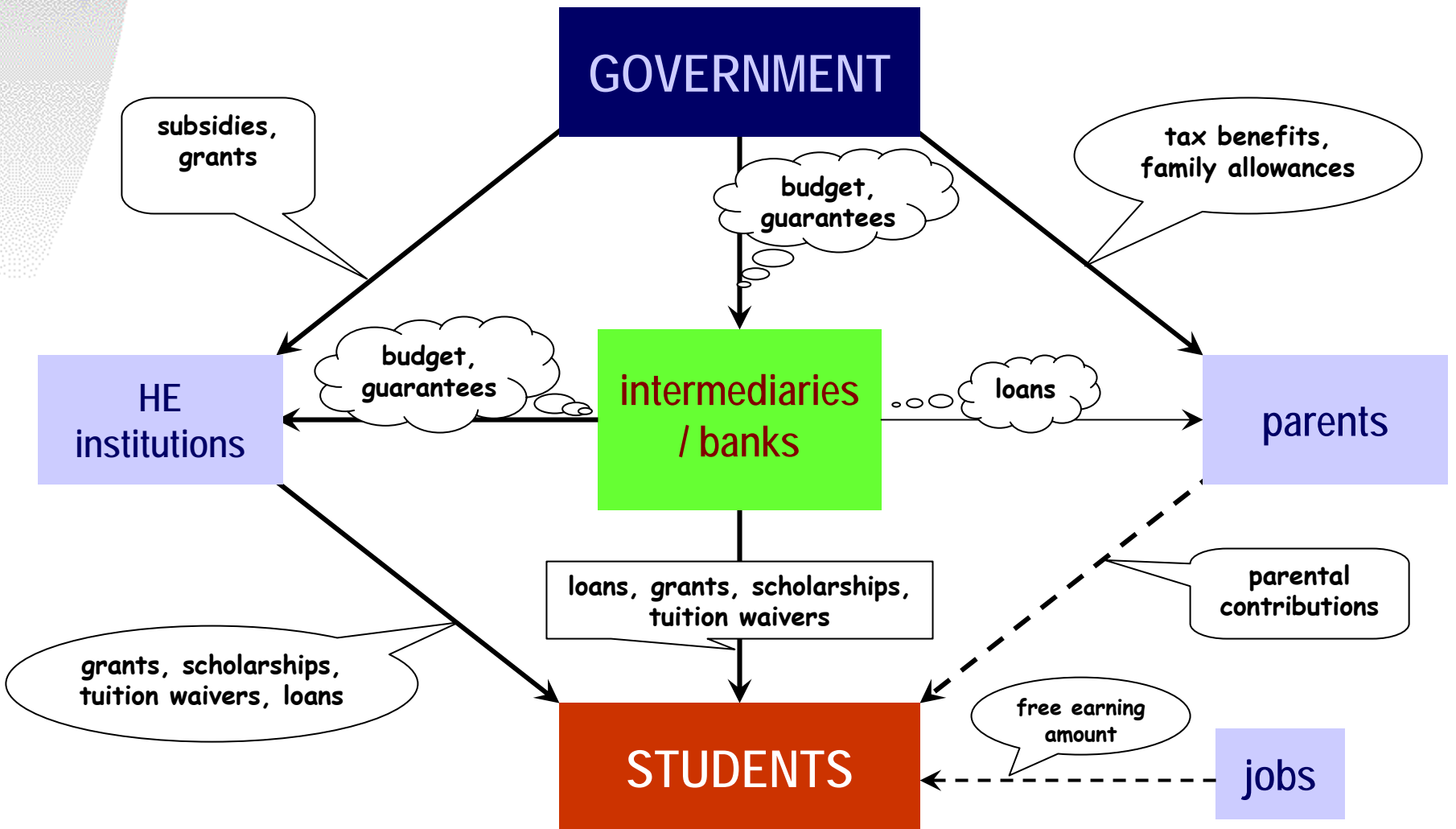
EUA Conference

Hamburg

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# Student financing is complex





## Challenges

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**I**ncreasing demand for higher education services

**L**imited public budgets

**N**eed for new income

**P**roblem of access to higher education

## Benefits and costs of HE

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



## Shared benefits → cost sharing

**C**onclusion from the table: **shared benefits**

**R**esearch shows high rates of return to HE:

private rates of return: 5% to 30%

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

**B**enefits used to argue increased private contributions:

various forms



## Worldwide trends: cost sharing

**T**uition: introduce or increase tuition fees

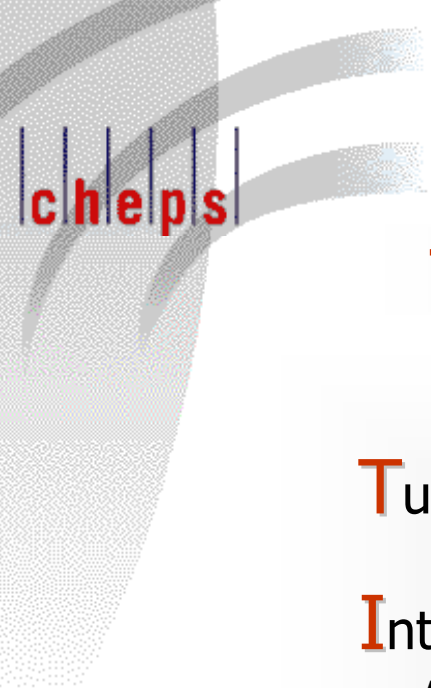
**G**rants/scholarships: abolish or reduce real value

**L**oans: introduce, increase, replace grants, ...

**P**arents and students: stronger emphasis  
allow / stimulate part-time jobs

**P**rivate HE: allow / stimulate private HE

**N**evertheless: student aid on a large scale



## Tuition fees: growing importance

Tuition fees an issue of **ongoing debate** . . . .

**I**ntroduction of tuition fees in a number of countries

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

**A**llowing **full-fee** paying students

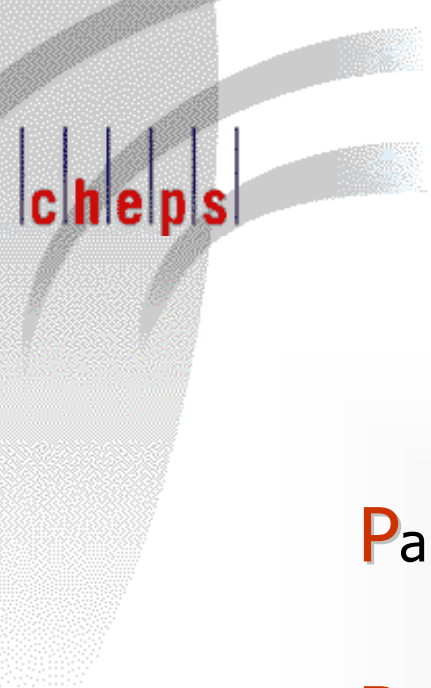
- Australia, Russia, Hungary, Poland, . . . .

**R**ising tuition levels

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

**O**ther fees (user charges)

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



## Tuition fees: differentiation

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Particularly an issue in countries with tuition fees

Rationale: diversification, quality and competition

Tuition differentiation (introduction / increase / discussion)

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

Accessibility the major concern





## No tuition fees

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### No tuition fees

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

### Tuition fees an issue of debate

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

### Tuition fees abolished

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

## Level of tuition & other fees

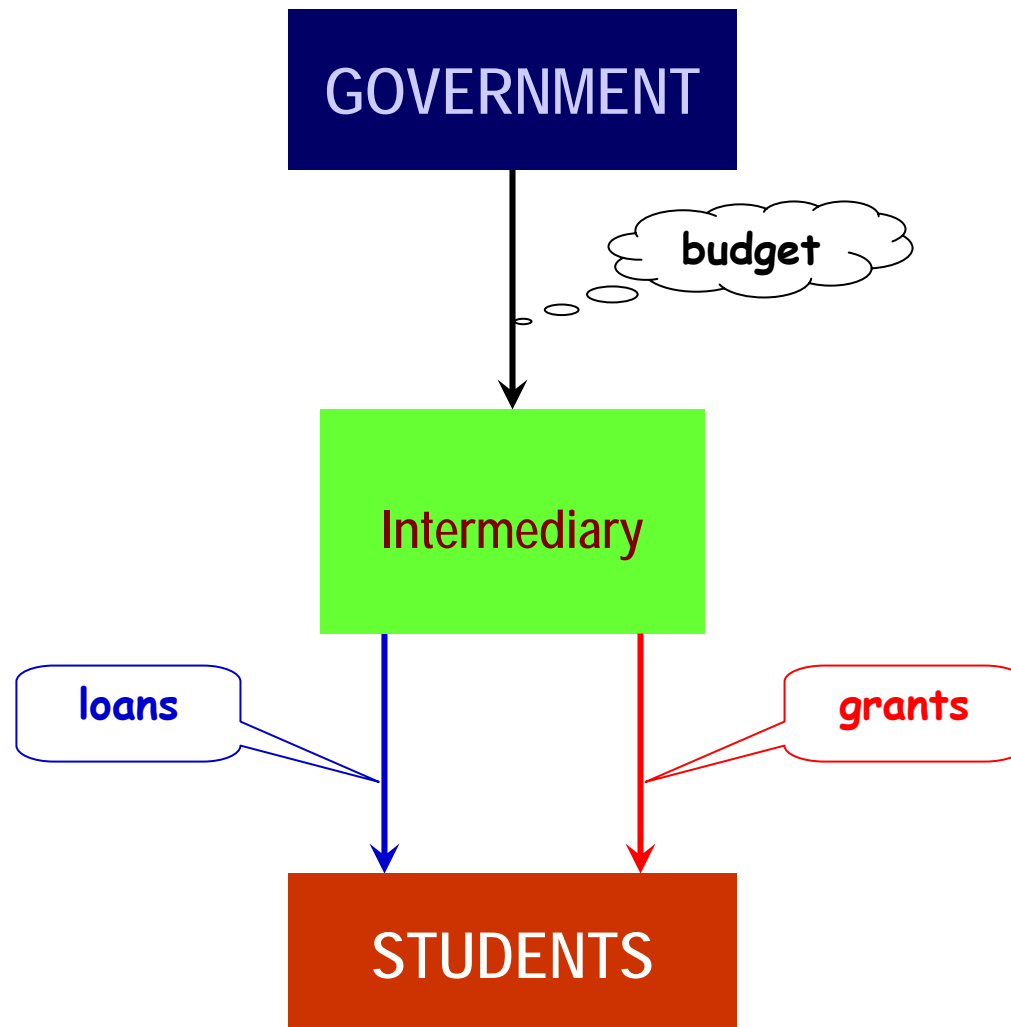
No	Low	Moderate	High
€0	€25 - €250	€400 - €850	€1.500 - €4.500

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



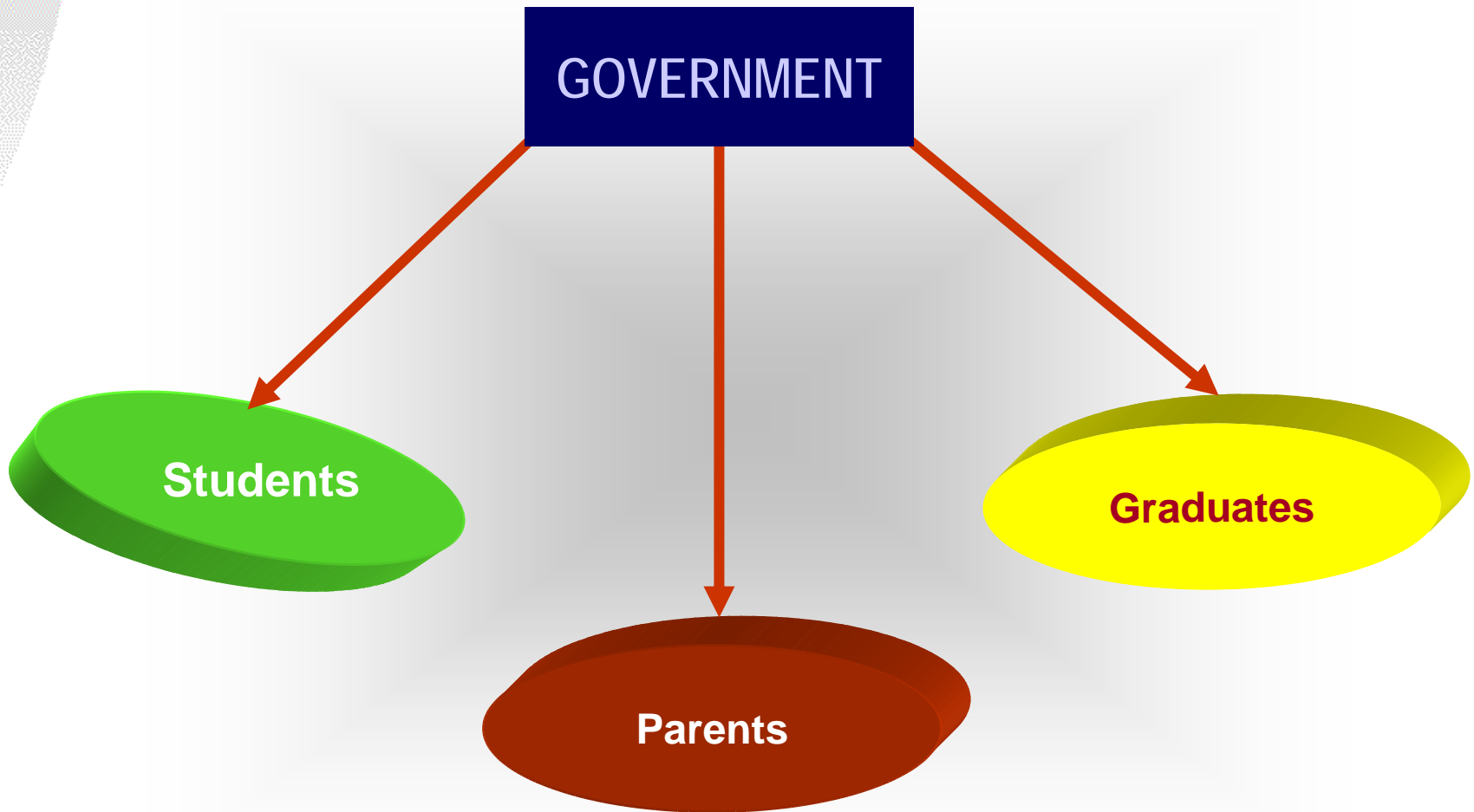
## Ways to accommodate fees

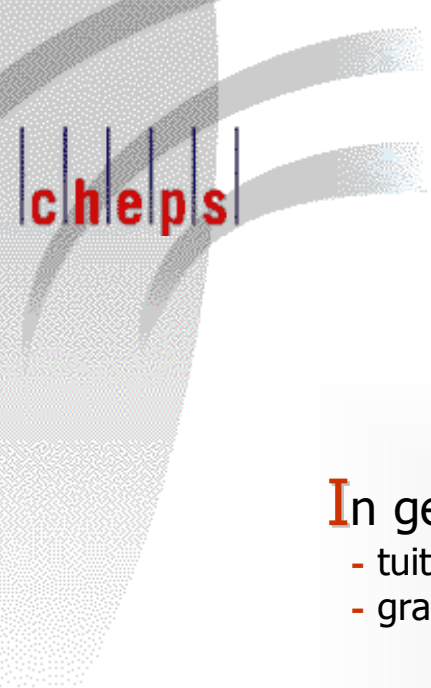




# Whom to subsidize ?

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## Impact of tuition & support

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**I**n general students are not very responsive to price changes, both

- tuition fees
- grants and loans

**N**on-financial factors are more important

- parental education & income, gender, academic preparation

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



## Impact of tuition & support

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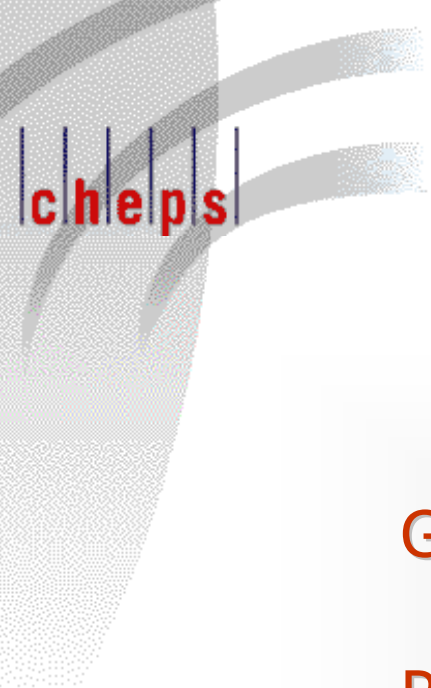
### Low-SES students:

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

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

### Student loans have an ambiguous position

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



## Reflection

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**G**rowing importance of tuition fees (and student loans)

**P**erceptions of financial incentives do matter !

**A**version of tuition and debt is real,  
but... not necessarily leads to reduced access

**F**amily background is most dominant factor in student choice

**P**rospective students have poor information: **COMMUNICATE !**