

# **Student Finance and Accessibility in an International Comparative Perspective**

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**International Comparative Higher  
Education Finance and Accessibility  
Project**

# The International Comparative Higher Education Finance and Accessibility Project

1. Documenting the worldwide shift in the higher educational cost burden from governments (tax-payers) to students and parents: the consequences for institutional financial health, higher educational capacity, and for accessibility.
2. Analyzing policies to maintain higher educational accessibility in the face of this shift in cost burden.

# Global Phenomena

1. The rising costs of higher education.
2. The limitations on governmental revenues.

# 1. Rising higher educational costs

Unit (per-student) costs tending to rise at inflation plus

Cost drivers that accelerate this rate of increase include technology, competition, consumer demand, and new programs.

Rising costs magnified by enrollment pressures:

- Demographics (rising birth rates)
- Massification (rising participation)

## 2. Limitations on Government / Taxpayer Revenues

1. Slow Growth of Economies
2. Limitations on Taxing Capacity
3. Limitations of Deficit Financing
4. Competing Public Sector Needs

# Solutions

- **Cost side:** increased productivity and efficiency
- **Revenue side**
  - Faculty/institutional entrepreneurship
  - Philanthropy
  - Cost sharing

# Cost Sharing Policies

1. Tuition fees
2. Small non-instructional fees
3. User charges for institutionally-provided room & board
4. Reductions or “freezes” in grants & other subsidies
5. Encouragement of private sector.
6. More nearly market rates of interest on student loans: enhanced loan recovery

| No or nominal tuition fees            | Tuition Fees                          |                                      |                                      |
|---------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|
|                                       | Up front tuition fees                 | Deferred tuition fees                | Dual track tuition fees              |
| 48 countries<br><br>12 OECD countries | 43 countries<br><br>14 OECD countries | 10 countries<br><br>3 OECD countries | 27 countries<br><br>3 OECD countries |



# Non-instructional fees and user charges for formerly free food and lodging

## **Registration and activity fees**

- ✓ Ireland, where students pay student service fees of Euro 1,050/year.
- ✓ France, where students pay registration fees of €230 per year [US\$256] to cover certain administrative and health costs.

## **Fees for formerly free food and lodging**

- ✓ Russia, post Socialist countries of Africa and Asia.

Reductions or freezes in grants and other subsidies

**Elimination or decreases in student living allowances and subsidies for travel**

- ✓ Europe (UK), Russia and many of the former Soviet republics and countries of Eastern and Central Europe and much of Africa.

Channeling of more students into a tuition-dependent private sector.

**Limiting of public sector and shifting of costs of expanded participation to parents and students through encouragement of private higher education institutions.**

- ✓ Japan, Korea, the Philippines, Indonesia, Brazil and other countries in Latin America and East Asia.

**More nearly market rates of interest on student loans: enhanced loan recovery**

**Reductions on subsidies on student loans via an increase in interest rates, reduction in grace periods during which interest not charged, reduction in loan forgiveness**

✓ Many African countries

**Tightening of collections, reduction in defaults**

✓ Many African countries

# Financial Assistance Policies

- Direct grants or discounts based on family income and/or assets or student's income and/or assets (10 OECD countries)
- Direct grants based on other attributes associated with underrepresentation (3 OECD countries)
- Direct grants based on academic merit (7 OECD countries)
- Grants to parents in form of extended child allowances (Canada and Western Europe)

# Financial Assistance Policies (continued)

- Subsidized food and/or lodging (means-tested or based on academic merit).
- Student loans including deferred tuition fees (18 OECD countries)
- Debt-forgiveness.

# Cost Sharing and Access

Limited research on the impact of these policies on equity in general and student enrollment behavior in particular.

# Policy conclusions from international comparative research

1. Attention to goal of equitable access to higher educational opportunities has to begin in middle and secondary school.
2. The possible financial barriers to higher education participation include both the expenses of student living and the cost of tuition and other fees (expenses of student maintenance usually far greater than tuition fees).



## Policy Conclusions (continued)

3. Higher education quite price inelastic.
4. May be **less** inelastic for low income students.
5. The matriculation and persistence of low-income students may be more likely to be responsive to grants and to loans.
6. Certain cultures may be more debt averse.

# Final Conclusion

Cost sharing policies are not incompatible with wide participation and access, even for low income students as long as there are sufficient means tested grants and generally available student loans.

# OECD countries with means tested direct grants

- ✓ Australia
- ✓ Czech Republic
- ✓ Germany
- ✓ Greece
- ✓ Japan
- ✓ Mexico
- ✓ Netherlands
- ✓ New Zealand
- ✓ Spain
- ✓ Switzerland
- ✓ UK (England)

# OECD countries with direct grants based on other attributes

- ✓ Australia
- ✓ Canada
- ✓ United States

# OECD countries with merit-based grants

- ✓ Korea
- ✓ Greece
- ✓ Mexico
- ✓ New Zealand
- ✓ Poland
- ✓ Portugal
- ✓ Switzerland

# OECD countries with student loans

- ✓ Australia
- ✓ Canada
- ✓ England
- ✓ Finland
- ✓ France
- ✓ Germany
- ✓ Hungary
- ✓ Iceland
- ✓ Japan
- ✓ Korea
- ✓ New Zealand
- ✓ Norway
- ✓ Poland
- ✓ Portugal
- ✓ Netherlands
- ✓ New Zealand
- ✓ Sweden
- ✓ United States

# OECD countries with deferred tuition fees

- ✓ Australia
- ✓ New Zealand
- ✓ UK (England, Wales)