The public student support system in Germany

Features, achievements, challenges

Warsaw, June 18th 2019
Dr. Christoph Gwosć
I. Features and functions of the German public student support system

II. BAföG as main instrument of public student support

III. Results of the German system in international comparison

IV. Achievements of and challenges for the system
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The social principle and public student support in Germany
Public student support according to the welfare principle

- Public support is tied to special indigence
- Recipients have to demonstrate their neediness
- Support is (mainly) geared towards rather small low-income groups
Institutions/organisations involved in public student support in Germany

- **Statutory social insurance system**
  - Health
  - Long term care
  - Unemployment
  - Pension
  - Accident

- **Civil service social security funds**

- **Tax system**
  - Income tax
  - Solidarity surcharge
  - Church tax

- **Local social welfare offices**
- **Student support foundations**
- **Federal Ministry of Education and Research**
- **Local student service organisations**
- **Public transport companies**

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Students

Students’ parents
Perspective for empirical macro level analysis of the student support system

Private funding

Public funding

Support to households

Allocations to HEIs

Direct cash support

Direct non-cash support

Indirect support
### Public expenditure on higher education, 2004

<table>
<thead>
<tr>
<th>Category</th>
<th>Total in 1,000 Euro</th>
<th>Share of total in %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Teaching allocations</strong></td>
<td>9,888,680</td>
<td>58.493</td>
</tr>
<tr>
<td><strong>Direct support (cash)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants from student support system (<em>BAföG</em>)</td>
<td>760,115</td>
<td>4.496</td>
</tr>
<tr>
<td>Scholarships from various foundations</td>
<td>92,043</td>
<td>0.544</td>
</tr>
<tr>
<td>Orphans’ pensions from statutory pension insurance, statutory accident insurance, and civil service social security funds</td>
<td>165,999</td>
<td>0.982</td>
</tr>
<tr>
<td>General housing benefits</td>
<td>66,484</td>
<td>0.393</td>
</tr>
<tr>
<td>Unemployment benefits (<em>Arbeitslosengeld</em>)</td>
<td>1,706</td>
<td>0.010</td>
</tr>
<tr>
<td>Subsidies on interest for public loans (<em>BAföG</em>)</td>
<td>89,103</td>
<td>0.527</td>
</tr>
<tr>
<td>Intended cancellation of public debt (<em>BAföG</em>)</td>
<td>99,670</td>
<td>0.590</td>
</tr>
<tr>
<td>Unintended default of public debt (<em>BAföG</em>)</td>
<td>20,931</td>
<td>0.124</td>
</tr>
<tr>
<td><strong>Total of direct support (cash)</strong></td>
<td>1,296,051</td>
<td>7.666</td>
</tr>
</tbody>
</table>
Public expenditure on higher education, 2004

<table>
<thead>
<tr>
<th>Category</th>
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<th>Share of total in %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct support (non-cash)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits from non-contributory statutory health insurance</td>
<td>1,225,788</td>
<td>7.251</td>
</tr>
<tr>
<td>Benefits from reduced contribution to statutory health insurance</td>
<td>384,857</td>
<td>2.276</td>
</tr>
<tr>
<td>Benefits from non-contributory statutory long term care insurance</td>
<td>152,443</td>
<td>0.902</td>
</tr>
<tr>
<td>Benefits from reduced contribution to statutory long term care insurance</td>
<td>34,965</td>
<td>0.207</td>
</tr>
<tr>
<td>Subsidies for facilities</td>
<td>667,587</td>
<td>3.949</td>
</tr>
<tr>
<td>Subsidies for transportation</td>
<td>130,994</td>
<td>0.775</td>
</tr>
<tr>
<td><strong>Total of direct support (non-cash)</strong></td>
<td>2,596,634</td>
<td>15.359</td>
</tr>
</tbody>
</table>
## Public expenditure on higher education, 2004

<table>
<thead>
<tr>
<th>Category</th>
<th>Total in 1,000 Euro</th>
<th>Share of total in %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indirect support (cash)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child benefits (parents working outside the civil service)</td>
<td>1,442,083</td>
<td>8.530</td>
</tr>
<tr>
<td>Child benefits (parents working for the civil service)</td>
<td>477,913</td>
<td>2.827</td>
</tr>
<tr>
<td>Family allowances, local allowances, and social allowances (parents working for the civil service)</td>
<td>276,421</td>
<td>1.635</td>
</tr>
<tr>
<td>Financial aid to civil servants and judges</td>
<td>196,525</td>
<td>1.162</td>
</tr>
<tr>
<td>Child-related add-on to unemployment benefits (<em>Arbeitslosengeld</em>)</td>
<td>27,230</td>
<td>0.161</td>
</tr>
<tr>
<td>Child-related add-on to unemployment benefits (<em>Arbeitslosenhilfe</em>)</td>
<td>14,594</td>
<td>0.086</td>
</tr>
<tr>
<td>Child-related add-on to short-time working benefits</td>
<td>570</td>
<td>0.003</td>
</tr>
<tr>
<td>Child-related add-on to allowance for retirement provisions</td>
<td>11,282</td>
<td>0.067</td>
</tr>
</tbody>
</table>
### Public expenditure on higher education, 2004

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<th>Share of total in %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indirect support (cash)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child-related add-on to home owners’ allowance</td>
<td>99,064</td>
<td>0.586</td>
</tr>
<tr>
<td>Tax exemption for dependant children according to § 32 Income Tax Act</td>
<td>100,620</td>
<td>0.595</td>
</tr>
<tr>
<td><em>(Kinderfreibeträge)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax reduction for single parents according to § 24b Income Tax Act</td>
<td>28,144</td>
<td>0.166</td>
</tr>
<tr>
<td>Tax exemption for children in education according to § 33a (1) Income</td>
<td>168,859</td>
<td>0.999</td>
</tr>
<tr>
<td>Tax exemption for non-resident children in education according to §</td>
<td>170,648</td>
<td>1.009</td>
</tr>
<tr>
<td>33a (2) Income Tax Act <em>(Unterhaltsfreibetrag)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax exemption for add-on taxes (church tax and solidarity surcharge)</td>
<td>110,403</td>
<td>0.653</td>
</tr>
<tr>
<td><strong>Total of indirect support (cash)</strong></td>
<td><strong>3,124,356</strong></td>
<td><strong>18.481</strong></td>
</tr>
<tr>
<td><strong>Indirect support (non-cash)</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16,905,721</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Composition of public expenditure on higher education in Germany, 2004 in 1,000 Euro and per cent

Source: Schwarzenberger & Gwosć, 2008, 70.
Results of empirical micro level analysis – Public support by students’ form of housing and socio-economic status, 2006 in Euro per year

<table>
<thead>
<tr>
<th>Type of support</th>
<th>Students living with parents</th>
<th></th>
<th>Students not living with parents</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low ses</td>
<td>Lower medium ses</td>
<td>Higher medium ses</td>
<td>Low ses</td>
</tr>
<tr>
<td>Grants</td>
<td>793</td>
<td>427</td>
<td>265</td>
<td>1,735</td>
</tr>
<tr>
<td>Loan subsidy</td>
<td>94</td>
<td>55</td>
<td>33</td>
<td>203</td>
</tr>
<tr>
<td>Indirect support (excl. child benefit)</td>
<td>0</td>
<td>264</td>
<td>251</td>
<td>0</td>
</tr>
<tr>
<td>Child benefit</td>
<td>1,848</td>
<td>1,848</td>
<td>1,848</td>
<td>1,848</td>
</tr>
<tr>
<td>Health care subsidy</td>
<td>1,512</td>
<td>1,512</td>
<td>1,512</td>
<td>1,512</td>
</tr>
<tr>
<td>Subsidies for facilities and transportation</td>
<td>422</td>
<td>422</td>
<td>422</td>
<td>422</td>
</tr>
<tr>
<td>Total</td>
<td>4,669</td>
<td>4,527</td>
<td>4,330</td>
<td>5,720</td>
</tr>
</tbody>
</table>

Source: Schwarzenberger & Gwosć, 2008, 78.
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Eligibility criteria for *BAföG* support

**Institution-related criteria**

- Type of HEI: Public and publicly recognised higher education institutions
- Type of education: Full-time first degree courses in general; Master’s degree, if it is consecutive

**Individual-related criteria**

- Citizenship: German citizens, EU-citizens with permanent permit of residence, refugees with permit of residence for humanitarian reasons, tolerated foreigners with at least 15 months duration of stay in Germany
- Age: Upon enrolment, applicants must be younger than 30 years; for Master’s degree younger than 35 years
- Skill-related suitability: After the intermediate examination or the fourth semester, students need to submit proof of performance
- Income: Income of students, their partner and parents is taken into account in most cases
Two basic types of BAföG support

Parent-dependent support

- Takes income of students, their partner, and the students’ parents into account (e.g. income from gainful employment, from self-employment, from capital assets, pensions)
- Takes students’ assets into account (e.g. movable and immovable objects, legal claims)

78 % of BAföG recipients receive this type of support

Parent-independent support

Applicability:

- Beginning of studies at the age of 30 or beyond (seldom eligible)
- Orphans
- At least 5 years employment after the age of 18 and before enrolment in HE
- 3 years apprenticeship and subsequent 3 years of employment before enrolment in HE

22 % of BAföG recipients receive this type of support
The public student support system in Germany

**BAföG support items and current maximum amounts, in Euro per month**

- **130** support for every child < 10 years
- **15** long term care insurance
- **71** health insurance
- **52 / 250** accommodation (living with parents / not with parents)
- **399** basic needs

40% of BAföG recipients receive maximum support

Total: **537 / 735**
The public student support system in Germany

Grant and loan (interest-free)
Grant beyond maximum support time
Loan subject to interest


BAföG support forms – BAföG recipients by type of support, 2016 in per cent of all recipients
### Sources of student funding – Utilisation and amounts, reference group ‘Focus type’, 2016 in per cent and Euro

<table>
<thead>
<tr>
<th>Source</th>
<th>Share of students (%)</th>
<th>Monthly amount, mean (Euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parental support</td>
<td>86</td>
<td>541</td>
</tr>
<tr>
<td>- in cash</td>
<td>82</td>
<td>407</td>
</tr>
<tr>
<td>- in kind</td>
<td>43</td>
<td>309</td>
</tr>
<tr>
<td>Self-earned income</td>
<td>61</td>
<td>385</td>
</tr>
<tr>
<td><strong>BAföG</strong></td>
<td><strong>25</strong></td>
<td><strong>435</strong></td>
</tr>
<tr>
<td>Use of savings</td>
<td>18</td>
<td>171</td>
</tr>
<tr>
<td>Support from other relatives, friends</td>
<td>19</td>
<td>92</td>
</tr>
<tr>
<td>Orphans’ pensions</td>
<td>3</td>
<td>222</td>
</tr>
<tr>
<td>Support from partner</td>
<td>1</td>
<td>143</td>
</tr>
<tr>
<td>Scholarships</td>
<td>5</td>
<td>423</td>
</tr>
<tr>
<td>Education loan (KfW)</td>
<td>1</td>
<td>264</td>
</tr>
<tr>
<td>Study loan (KfW)</td>
<td>5</td>
<td>463</td>
</tr>
<tr>
<td>Loans from private banks</td>
<td>&lt; 1</td>
<td>450</td>
</tr>
<tr>
<td>Other sources</td>
<td>2</td>
<td>455</td>
</tr>
</tbody>
</table>

Source: Middendorff et al. 2017, 42.
Composition of students’ monthly income, reference group ‘Focus type’, 2016 in per cent

Source: Middendorff et al. 2017, 43.
*BAföG* quota – Share of recipients among all students, 1991-2016 (summer semester) in per cent

**BAföG quota – Share of recipients by students’ educational background, 2016 in per cent of origin group**

BAföG quota – Share of recipients by students’ educational background, 2012 and 2016 in per cent of origin group

Importance of *BAföG* –
Agreeing to the statement: ‘Without *BAföG* I could not participate in HE.’
Share of *BAföG* receivers, 2016 in per cent

![Pie chart showing the share of *BAföG* receivers. 80% applies (fully), 20% applies partially/does not apply (at all).]
Importance of *BAföG* –
Agreeing to the statement: *‘BAföG support provides me with a secure planning perspective.’* Share of *BAföG* receivers, 2016 in per cent

- Applies (fully): 66%
- Applies partially/does not apply (at all): 34%

Source: Middendorff et al. 2017, 93.
Some major BAföG reforms

• 1974: A loan part (interest-free) of 70-150 DM per month is introduced to BAföG, which was given out as a full grant until then

• 1982: From now on, BAföG is only available as a full loan

• 1990: BAföG is converted into a grant (50%) and a loan (50%), which is free of interest

• 1991: After reunification, the BAföG system is applied to the Eastern German Länder
Some major BAFÖG reforms

• 2001: The repayment of the loan part is limited to 10,000 Euro; for the calculation of the BAFÖG claim, child benefit is no longer considered as part of students’ income anymore.

• 2015: The funding of BAFÖG is now provided only by the federal level (prior to 2015, the burden was shared by the federal level [65%] and the Länder [35%])

• 2019: accommodation supplements for students not living with parents will increase by 30%, BAFÖG ceiling will increase by 17%, tax exemption for students’ parents will increase by 16%
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Public support to higher education institutions and private households as part of public teaching-related expenditure, 2004 in per cent

Composition of public support to private households by type of support, 2004 in per cent

Recipients of national public student support and importance of income source – based on total monthly income (incl. transfers in kind), 2016-2018

Source: EUROSTUDENT, 2018, subtopic G.44 & G.47.
Concentration of students’ income – Gini coefficient based on total monthly income (incl. transfers in kind), 2016-2018

Concentration of income of students not living with parents – Gini coefficient based on total monthly income (incl. transfers in kind), 2012-2015

Source: Hauschildt et al., 2015, 124.
Concentration of income of students not living with parents – Gini coefficient based on total monthly income (incl. transfers in kind), 2008-2011

Source: Orr et al., 2011, 118.
The public student support system in Germany

Income of students by dependency on income source, total monthly income (incl. transfers in kind), median in PPS, 2016-2018

Students’ assessment of their financial situation – Extent of current financial difficulties of all students, 2016-2018, share of students in per cent

**Figure B7.1**  

**Students’ assessment of their financial situation**  
Extent of current financial difficulties of all students. Share of students (in %)

Data source: EUROSTUDENT VI, F.168. No data: IT.
EUROSTUDENT question(s): 3.5 To what extent are you currently experiencing financial difficulties?
Deviations from EUROSTUDENT standard target group: AL, DE, IE, IT, LV, RS.

Source: EUROSTUDENT VI

Source: Hauschildt et al., 2018, 151.
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Achievements of the public student support system

- Since its introduction in 1971, more than 4.8 million students have received BAföG support
- Since 1974, more than 252,000 students have had study-related experiences abroad with BAföG support
- Due to its design, BAföG reduces socio-economic disparities among students
Achievements of the public student support system

- In international comparison, the German public student support system shows a rather low degree of income concentration among the student population.

- In international comparison, the share of national public student support in the recipients’ total monthly income is rather large in Germany (50%).
Challenges for the public student support system

• (Assumed) bureaucratic inefficiency due to the large number of subsystems and support items used

• Risk of user inefficiency due to the large part of support geared towards students’ parents

• Lack of transparency for applicants and policy-makers

• Low steering capacity due to complexity of the system and partially counteracting support items
Challenges for the public student support system

• Diminishing number of *BAföG* recipients in recent years

• Loss of purchasing power of recipients due to insufficient increase of *BAföG* rate in the past?

• Possible deterrent effect of *BAföG* loan on potential students from low social backgrounds
Development of consumer price index and BAföG-rate, based on year-on-year change in %, 2000-2018

Source: Destatis, 2019; Deutsches Studentenwerk, 2019, own calculation.

Adequate inflation index for comparison?
Holders of HE entrance qualification in Germany 2008 6 months after leaving school, selected arguments speaking (very) strongly against HE

- Taking out loans to finance studies: 71%
- Lack of financial prerequisites for studying: 76%
- Desire to earn money soon: 79%
- HE fees exceed financing opportunities: 69%
- Career goal requires no HE: 60%
- Low acceptance of BA in the labour market: 29%
- No suitable range of courses close to home town: 31%
- Separation from familiar environment, family, friends: 37%
- Long wait due to admission restrictions: 39%
- Uncertain career prospects in the field of study: 43%
- Lack of skills required for HE: 45%
- Unpredictable requirements of HE: 47%
- Duration of HE: 52%
- Low practical relevance of studies: 56%

Source: Heine et al., 2010, 37.
References

References


• Van der Beek, & Gwosć, C. 2014. Monetäre und reale Transfers als Instrumente der Fiskalpolitik. Das Wirtschaftsstudium, 43(1), 105-111.
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