Funding of higher education in Germany: Raising the issue of efficiency and equity

22/11/2007, Portorož
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Agenda

• The German Higher Education System
• Funding of higher education institutions
• Introduction of tuition fees
• State support to students
• Cost-sharing: consequences for participation and equity
• Outlook
The German HE system

16 federal states (Länder)

Each responsible for higher education within its realm

→ also responsible for funding of higher education institutions

Funding of HEIs

Income sources of HEIs

Universities (without medicine)

- 20% Third-party funding
- 76% State subsidy
- 4% Operating income

Fachhochschulen

- 5% Third-party funding
- 4% Operating income
- 91% State subsidy

Tuition fees (as of 2006) not taken into consideration yet!
Funding of HEIs

Funding allocation in the Länder

- Traditionally: discretionary-incrementalist funding: previous year’s budget rolled over
- Indicator-based funding (formula funding): between 1 and 95% of budget allocated
  - indicators for teaching & learning: number of students; number of graduates
  - research indicators: third-party funding; number of doctorates and Habilitationen
- Target agreements

Introduction of tuition fees

- Introduction on Länder level as of 2006
- Relatively small amount of fees (max. 500 € per semester)
- Measures to ensure social equity
  - Fee waivers
  - “Postponement” of payment via fee loans
- No clear evidence of long-term effect on enrolment numbers
State support to students

- Main means of support:
  - Child allowance (paid out to parents)
  - So-called BAföG: ½ grant, ½ loan
    maximum debt limit 10,000 €;
    reduction of debt under certain circumstances
- Further loans exist, but are very uncommon in Germany
- Great variety of direct and indirect forms of support to
  students and their parents: free health insurance, subsidised
  meals and accommodation, subsidised public transport,
  abundance of tax reductions and add-ons to benefits

Cost-sharing:
consequences for participation and equity

Development in the composition of the student body by social
background groups in %
Cost-sharing: consequences for participation and equity

Composition of students’ income sources by social background in 2006 in % (*“normal students” incl. Bildungsinländer*)

Outlook

- Tuition fees likely to aggravate differences between social groups
- Introduction of Bachelor/Master structure → more time required by students for self-studies, less time for jobs during term-time
- Indicators used for funding allocation (number of graduates) pose incentive for HEIs to get students through the system quickly → increased pressure on students
- Disadvantage especially for students required to work alongside studies – i.e. those from low social background
- Part-time studies a solution?
- Increase of BAföG not likely to suffice to ensure social equity
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