

A comparative study on cost-sharing in higher education – Using the case study approach to contribute to evidence-based policy

“Tuition fees between sacred cow and cash cow”

Conference of Vlaams Verbond van Katholieke Hogescholen

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Dr. Dominic Orr (orr@dzhw.eu and d.orr@fibs.eu)

DZHW Hannover

The mission – helping the EU advise on country policies related to HE funding



- Open call for tender (2012) by European Commission, Directorate-General for Education and Culture.
- Overall objective of the tendered study:
"...to provide a consolidated, accessible and up-to-date overview of the effects of different models of cost-sharing in higher education on participation patterns, the diversity, quality and relevance of educational provision and system efficiency."
- Time frame: 15 months (Dec. 2012 – Mar. 2014).

Main findings – reactions

- “What impact do tuition fees have? Not much. That is the sobering conclusion of a new international study. Because: both the expected positive and the worried about negative effects are minimal” (26.06.2014, Spiegel Online)
- "Student fees are a reality for a large proportion of students in Europe – and a controversial issue. This study questions some common assumptions and provides valuable evidence for the on-going debate in the EU on how best to fund higher education to ensure institutions provide the highest quality of education to increasing numbers of students, while guaranteeing fair access." (23.06.2014, EU Press release)



Contents of talk

- **A: About the study and its methodological approach**
- **B: Our main findings**

A: About the study

- Research team and country associates
- Selection of case study countries
- Focus of study
- Approach and 4 hypotheses for analysis
- Approach to international comparison

Research team

Project team:

- Dominic Orr, Johannes Wespel (DZHW)
- Alex Usher (HESA - Higher Education Strategy Associates, Toronto, Canada)

Expert advisors:

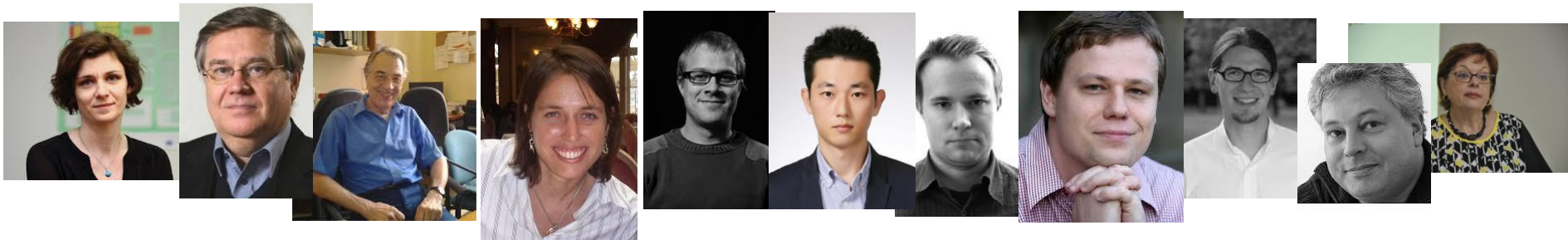
- Jamil Salmi (HE policy consultant, *World Bank* Higher Education coordinator '06-'12)
- Bruce Johnstone (Professor of Higher and Comparative Education Emeritus at the *State University of New York at Buffalo*)
- Jan Sadlak (Professor and Vice-Rector for International Cooperation at the *Warsaw School of Social Sciences and Humanities*, Poland; Chief of *Section for Higher Education Policy* at UNESCO, '92-'99)



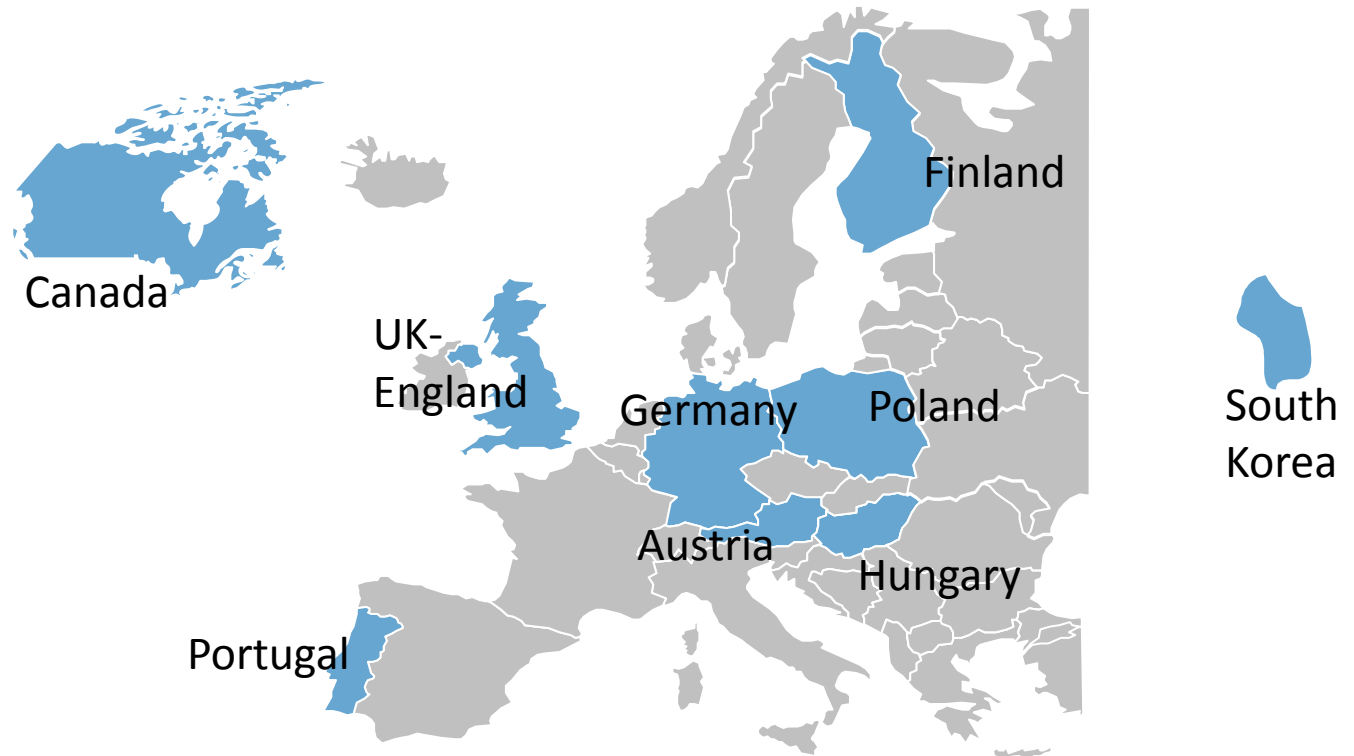
Country associates

Tasks of country associates:

- Deliver qualitative and quantitative data on all aspects of cost-sharing required by the project plan (in data templates prepared by RT).
- Conduct eight expert interviews per country (based on interview guidelines prepared by RT).
- Help with interpretation of data and review country reports written by RT.



Selection of cases & timeframe



- 1995-2010
- focus on years after 2000
- 2011-2012 included where possible and relevant



Focus of study

- ***Sustainability***: Whilst higher education is seen as a major driver of a nations' economic and social well-being, the growth in higher education participation puts enormous strains on the public purse. This has led to higher education institutions (HEIs) diversifying their income sources.
- ***Effectiveness***: High-quality provision of higher education ensures that HEIs can provide students with the best possible training. There is an argument that the introduction of market virtues into the higher education system will increase HEIs' responsiveness to the needs of students and the labour market into which they should transition following graduation.
- ***Equity***: the equity notion (i) argues that those who benefit directly from higher education should also contribute to its costs... (ii) focusses on current barriers to higher education participation and asks whether additional costs at entry to higher education will increase these barriers, making higher education participation even more unfair than before fees. These two perspectives do not have to be contradictions, since the additional money raised through private revenues can be used to support under-represented groups.

Methodological approach

- Central political intervention analysed in this study: **increases in cost-sharing** (i.e. rises in the private share of higher education financing).
- Scope: **institutional *and* student side** of cost-sharing.
- Analysis of all cases based on **four hypotheses** capturing common lines of argument in cost-sharing debate.

Hypotheses

- *Hypothesis A*: As private funding increases, **total revenue of HEIs increase**, if public funding (at least) remains constant.
- *Hypothesis B*: As the incentives to earn private funding increase, **HEIs become more responsive** to student demand, if they have an increased motivation to maximize revenue.
- *Hypothesis C*: Increasing private funding has a **negative effect on student demand**, if some students have liquidity or rate of return issues.
- *Hypothesis D*: Increasing private funding **affects student choice of how and what** to study, if some students have liquidity or rate of return issues.

Approach in comparative report

- Clear policy changes in cost-sharing in country sample were restricted to changes in **tuition fee policy**.
- Distinction between “**continuity countries**” (CA, FI, HU, KR, PL) and “**discontinuity countries**” (AT, DE, ENG, PT).
- Tuition fee introduction / reforms in 4 discontinuity countries:
 - Austria: winter semester 2001/2002 fee introduction (by 2009 practical removal)
 - England: 1998 fee introduction / 2006 (&2012) fee step-up
 - Germany (five *Länder*): 2006 / 2007 fee introduction (by 2014 no more tuition fees)
 - Portugal: 2003 fee step-up (further increases following financial crisis)
- “Continuity countries” had stable policies over the period

B: Main findings

- Findings – 1: In general, public funds to institutions do not decrease as private funds increase - not even on a per-student basis.
- Findings – 2: In general, responsiveness as a result of cost-sharing is less marked in traditional universities and more clearly visible in new institutions.
- Findings – 3: Demand for higher education has been increasing everywhere throughout the last two decades to such a degree that adverse effects of increased cost-sharing on participation are difficult to establish.
- Findings – 4: Study aid matters (but so do other support measures).
- Recommended main consideration: Cost-sharing strategies call for integrative approaches to institutional funding and student aid.

Please note:

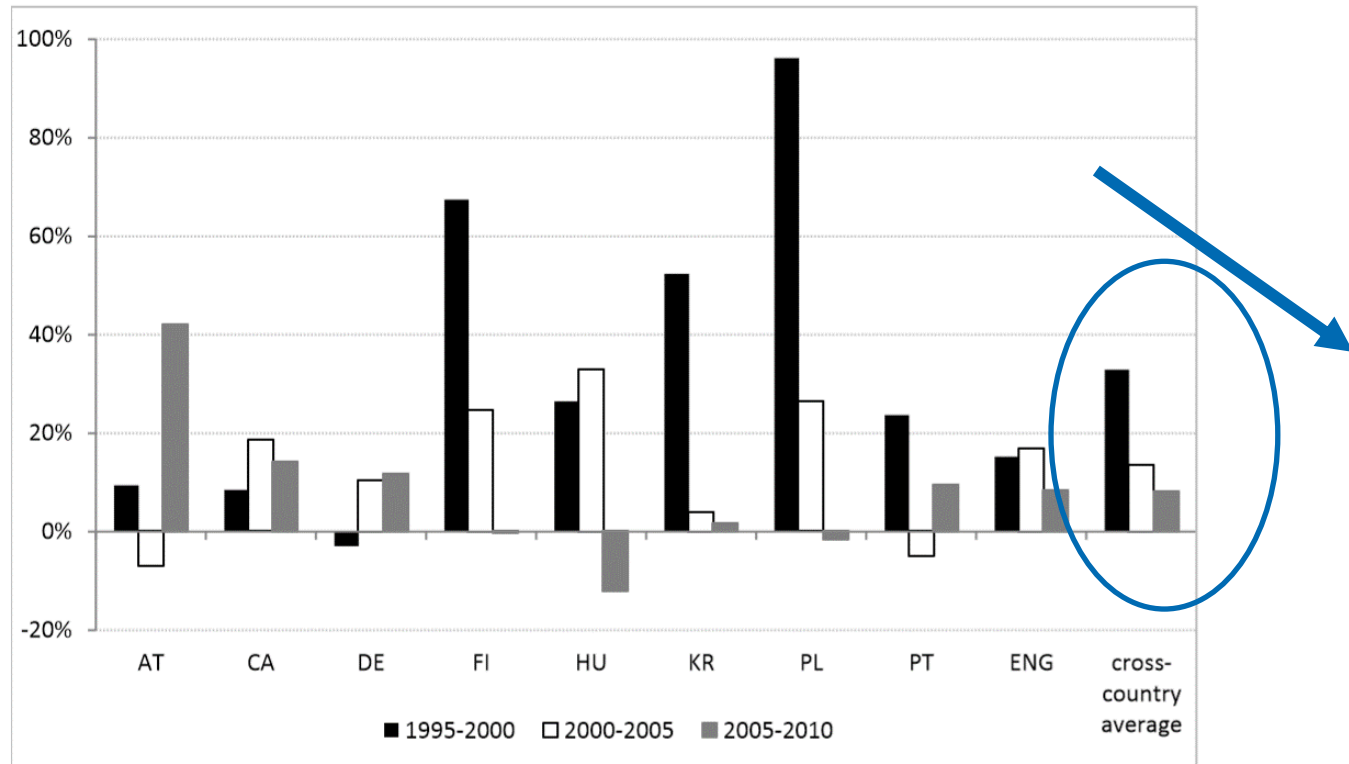
Higher education data systems remain incomplete.



(Photo from Jason Devaun CC BY-ND 2.0)

Setting the scene

Figure 2.1: Change in total number of students at all levels of higher education in all HEI types (1995-2000, 2000-2005, 2005-2010)



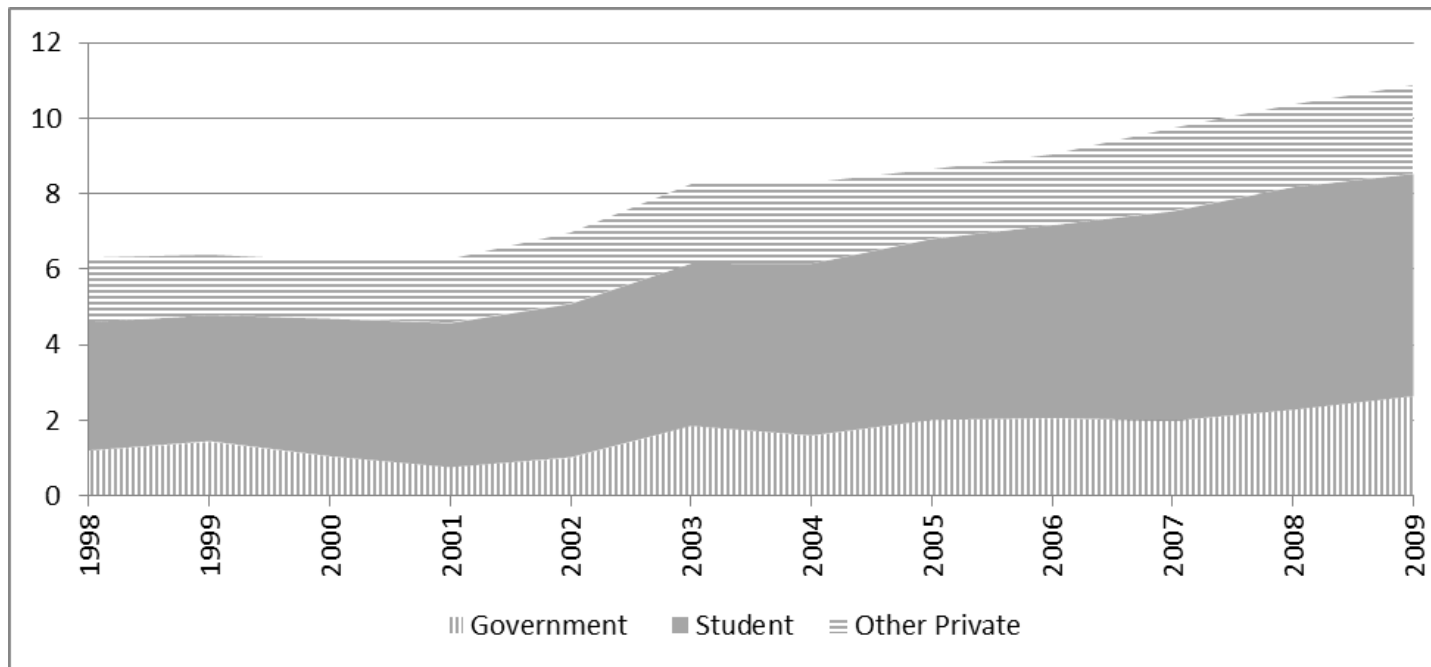
Findings – 1: In general, public funds to institutions do not decrease as private funds increase - not even on a per-student basis.

The introduction / increase of tuition fees usually makes the system better-off overall, by increasing the total amount of resources available.

- Public spending on higher education institutions has risen almost everywhere almost all of the time, even in the face of rising enrolment.
- ***“Public-first” principle especially in Europe?***
- Exception: England post-2006; now: Portugal as well

....even in continuity country, growing public funding

South Korea: Per-student income of HEIs, by source, in million won (1998-2009)

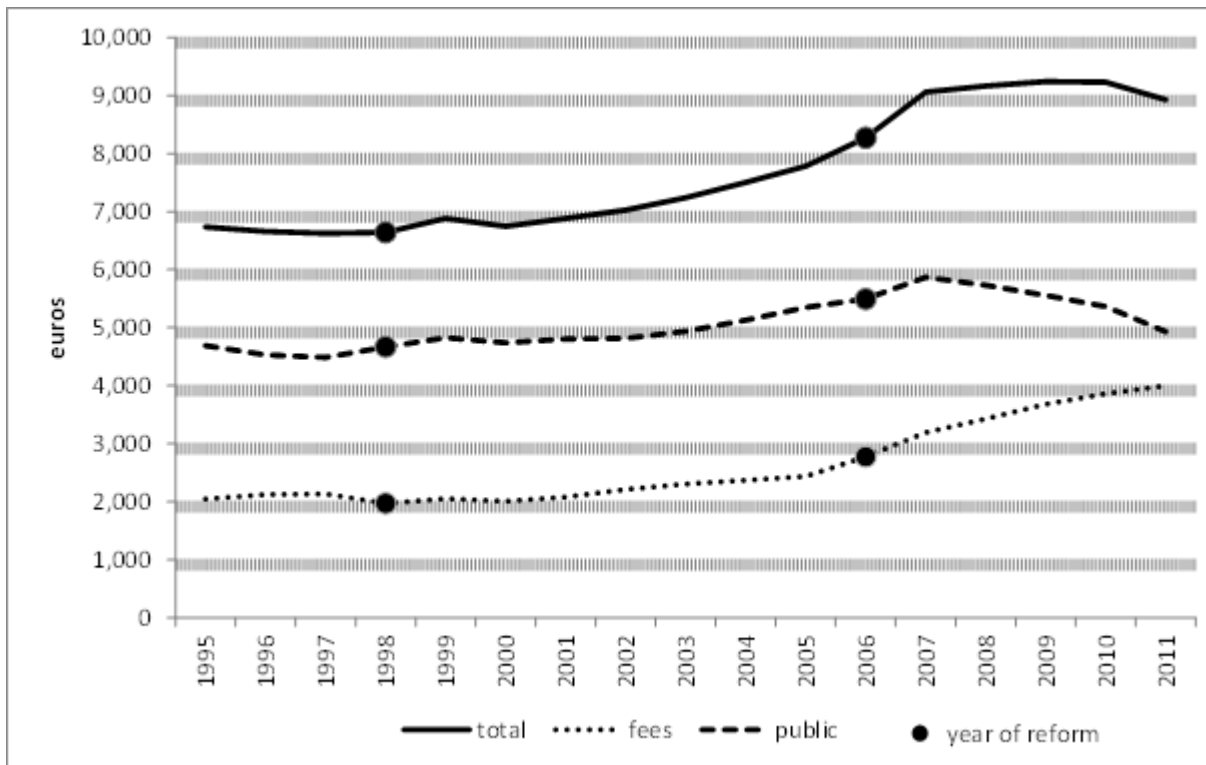


Note: Constant prices (2011).

Source: : Ministry of Education; Korean Education Statistics Service; Higher Education in Korea.

....exception England – swap between public and private funding
(if you ignore publically funded loans)

England: Per-student income of HEIs, by source (1995-2011)

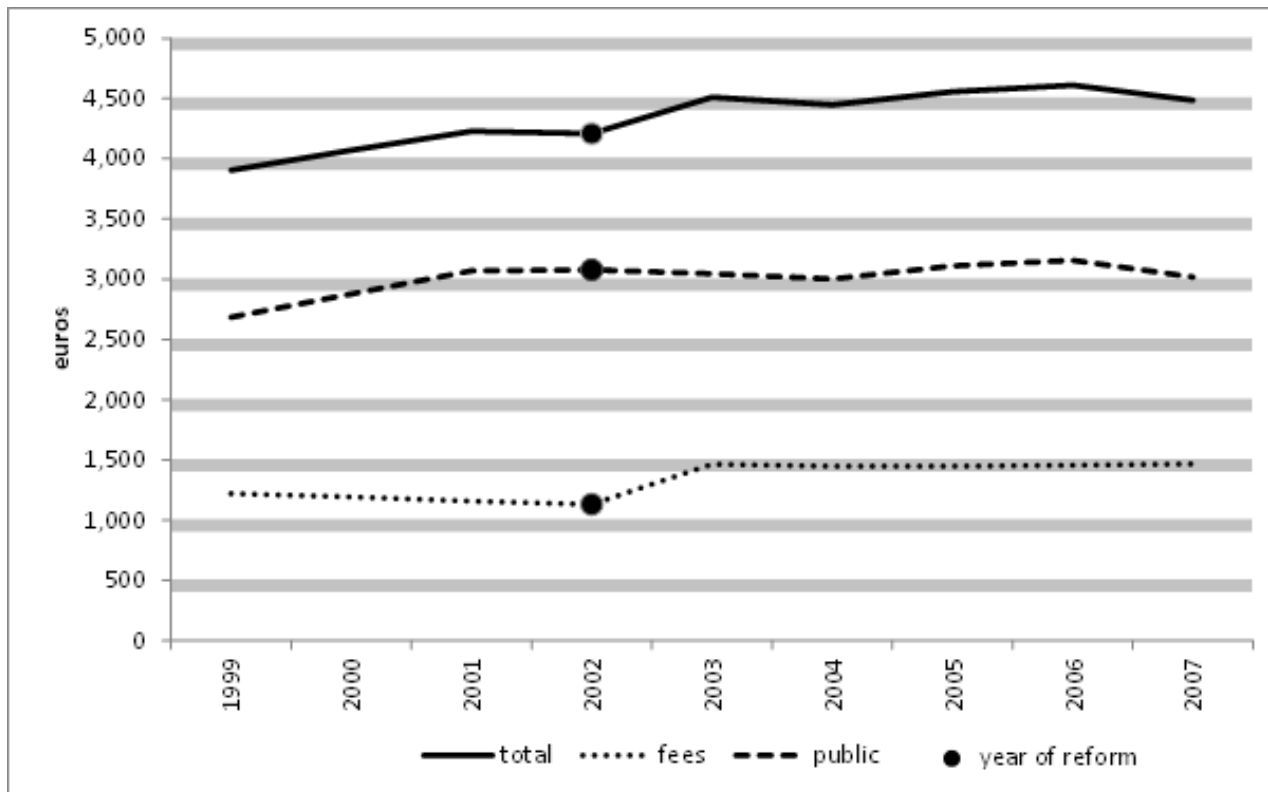


Note: Constant prices (2011).

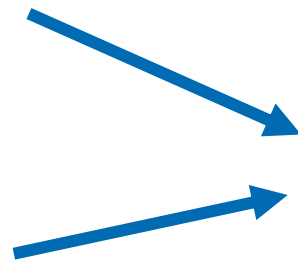
Source: Case study research.

....(exception) Portugal – following rise in private funding, stability until end 2000s (now swap between public and private due to financial crisis [n.d.]

Portugal: Per-student income of HEIs, by source (1999-2007)



Since 2010



Note: Constant prices (2011).
Source: Case study research.

Findings – 2: In general, responsiveness as a result of cost-sharing is less marked in traditional universities and more clearly visible in new institutions

Possible reasons:

- The shape of competing financial incentives.
- The shape of competing prestige incentives.
- The (lack of) continuity of government policy-making.

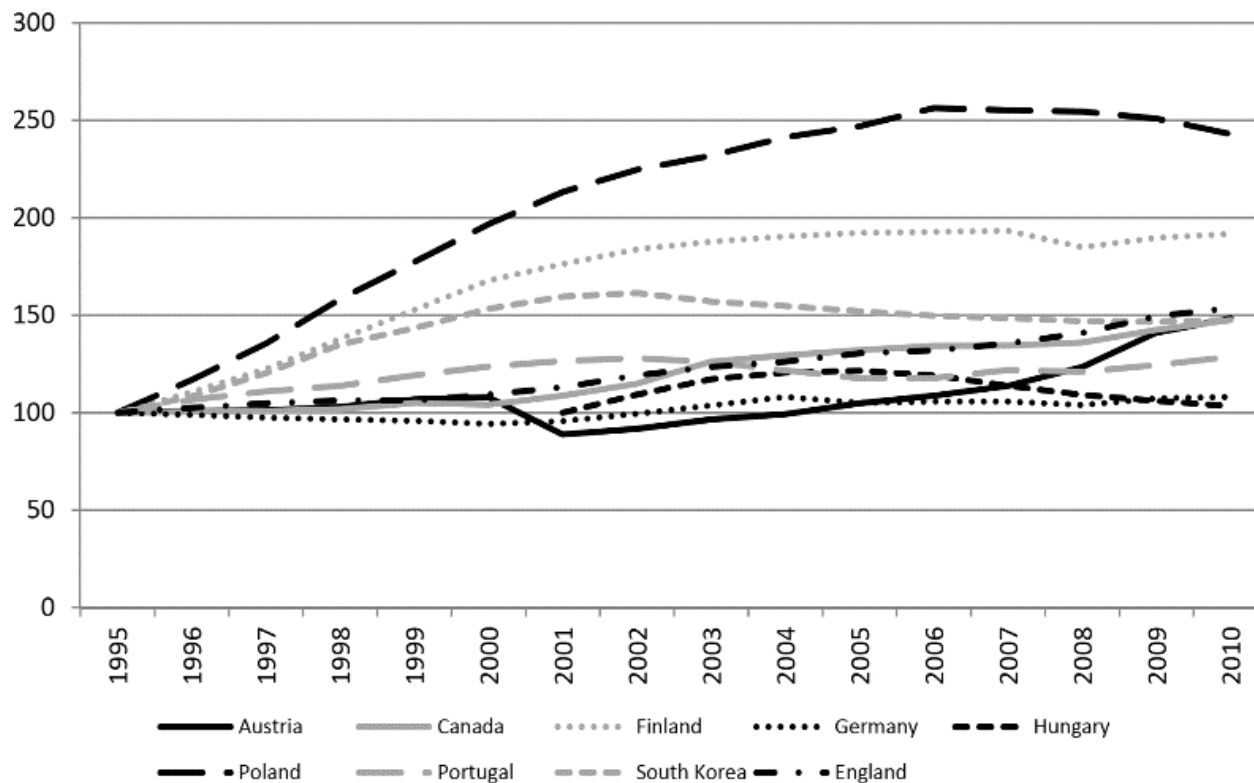
Real responsiveness does not result from putting private funding into public university systems; it comes from permitting new institutions to evolve.

- Austria: 66% of enrolment growth '95-'10 absorbed by *Fachhochschulen*.
- Finland: 80% of growth absorbed by polytechnics (*ammattikorkeakoulu*).

Important contextual factor: State regulations concerning HEIs' profiles, closure of study programmes / student admittance.

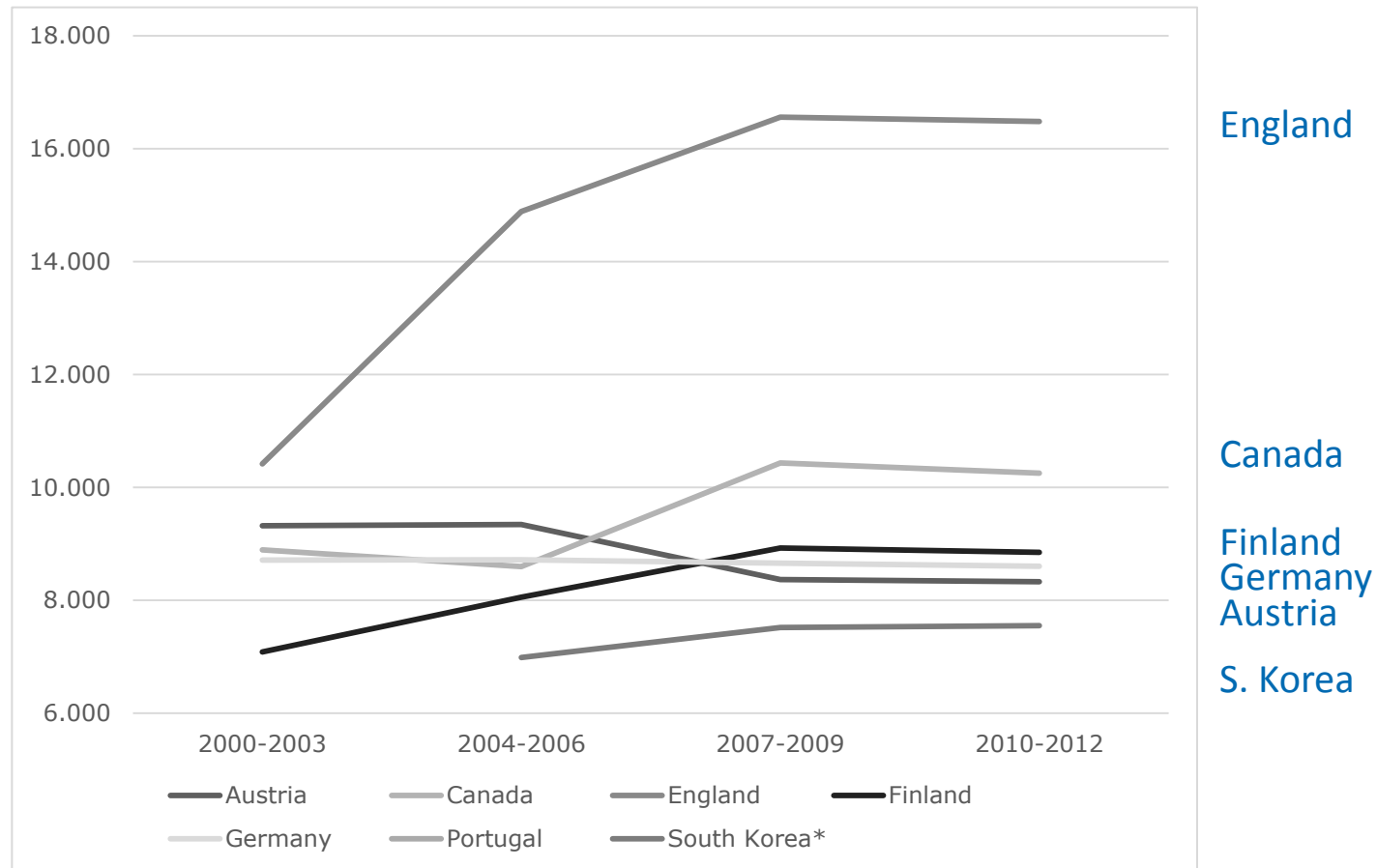
Findings – 3: Demand for higher education has been increasing everywhere throughout the last two decades to such a degree that adverse effects of increased cost-sharing on participation are difficult to establish

Total enrolments in higher education (1995 = 100)



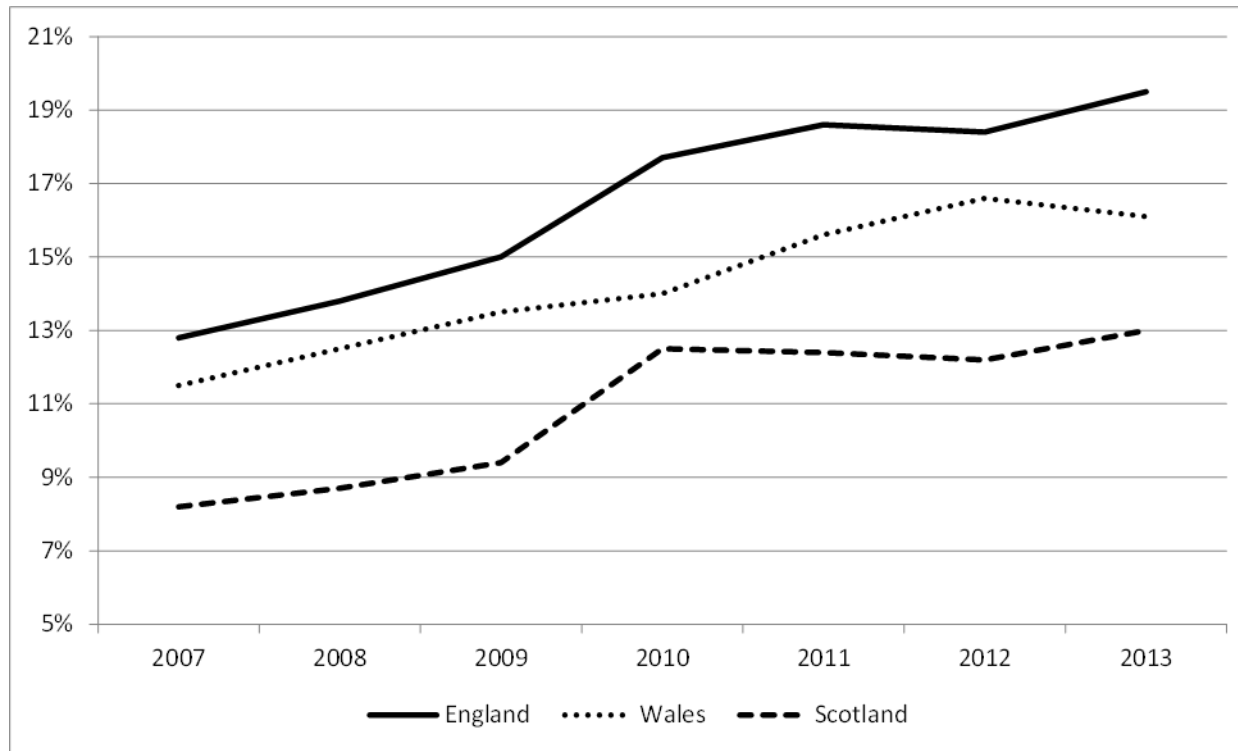
....please note: look at total costs instead of just fees

Total annual costs to students in Euros including fees (constant prices 2011)



....case England vs. Scotland & Wales (with no fees):
applications rates rising similarly

**England: Application rates from the lowest income quintile,
England, Wales and Scotland (2007-2013)**



Source: Universities and Colleges Application Service.

Findings – 4: Study aid matters (but so do other support measures).

Different types of cost were distinguished in the study:

- Fees = gross instructional costs
- Net fees (= gross instructional costs *minus* non-repayable study aid)
- Out-of-pocket fees (=net fees *minus* repayable aid)
- Costs of living (student costs *including* non-instructional costs)

....is studying really more expensive during studies?
out-of-pocket costs

'Out-of-pocket' fees, public institutions only (1995-2010)



Note: 'Out-of-pocket' fees = tuition fees minus repayable and non-repayable study aid (grants and loans). Data for England include English and Welsh full-time undergraduate students up until 2004, from 2005 onwards only English full time undergraduate students are included. Constant prices (2011).

Source: Case studies.

....is studying really more expensive during studies?
KR = increasing loans

South Korea: Tuition fees, net fees & 'out-of-pocket' fees in public HEIS (1991-2011)

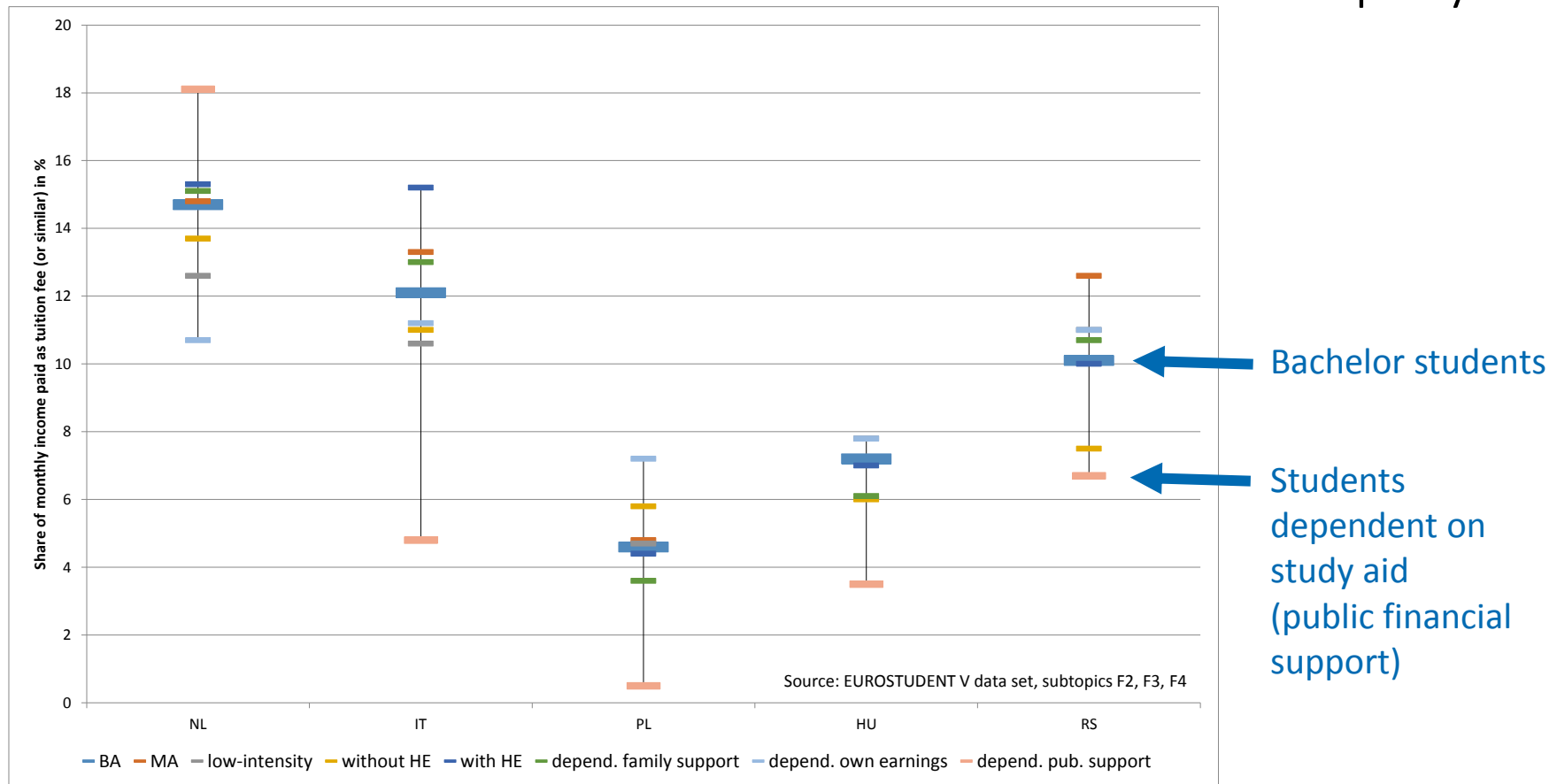


Note: Out-of-pocket costs are student fees minus grants. Constant prices (2011).

Source: Country Index; Ministry of Education.

...NB: our study only looked at aggregates. Financial impact of tuition fees are different for different student groups:

Depends on students' 1) cost structure, 2) income structure and 3) national fee policy.

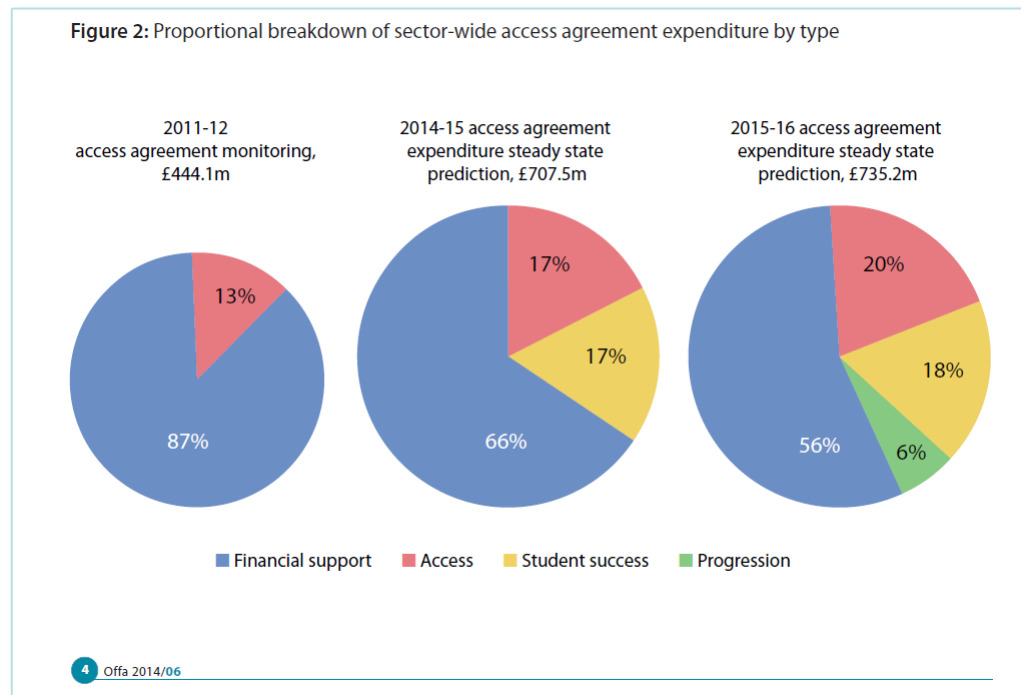


....indirect support

Eng = 25% of fee income used to support students

England: HEI spending of fee income (projected) 2015-16

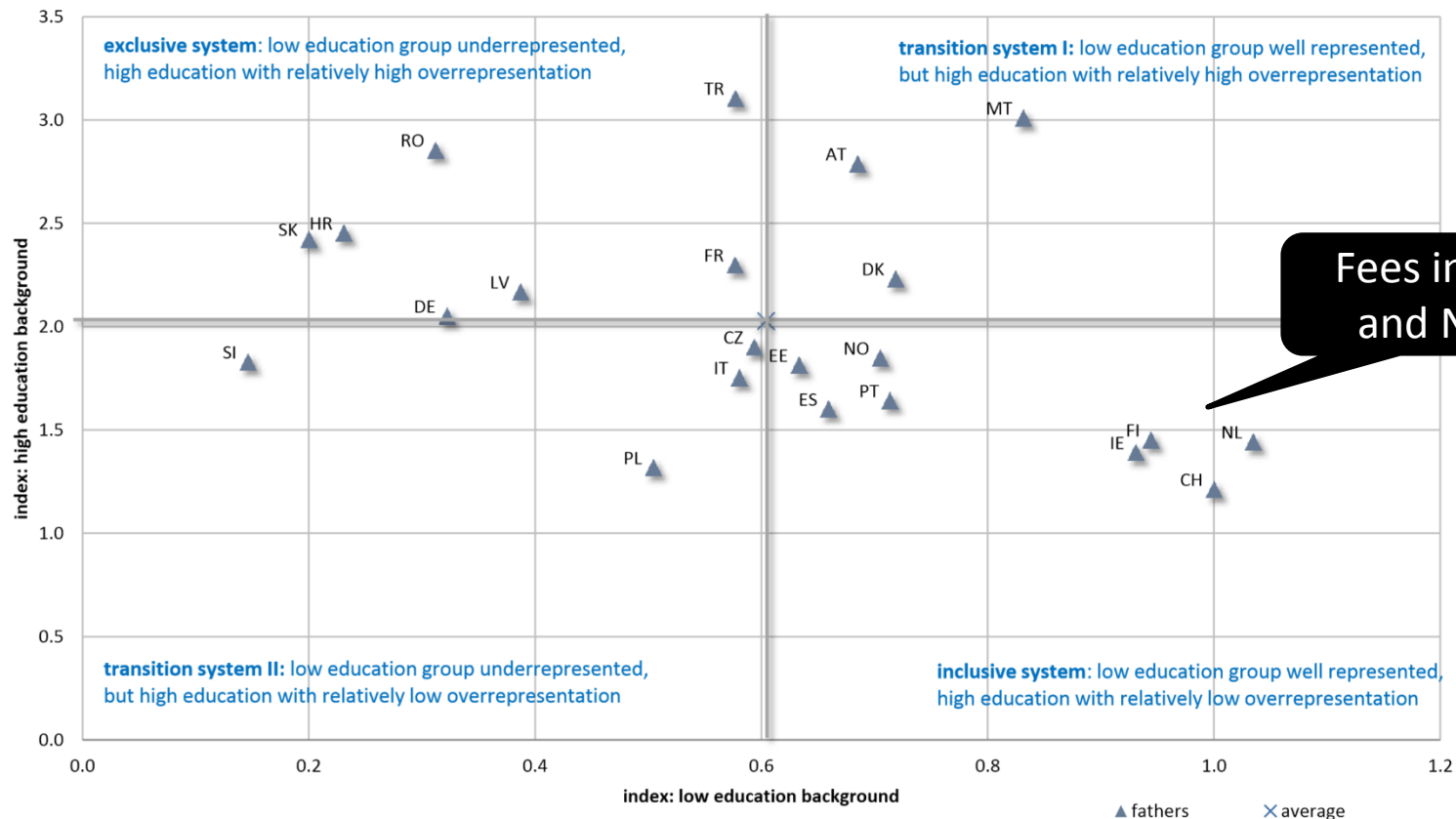
- Fee income HEIs in England: 2,896 m.
- HEI spending via access agreements: 735 m.
- Share of fee income spent: c. 25 %



See also <http://www.offa.org.uk/wp-content/uploads/2014/07/Access-agreements-for-2015-16-key-statistics-and-analysis.pdf>

....other issues affect the inclusiveness of a higher education system (fees just one element)

Figure 1: Typology of social inclusiveness of higher education systems - highest educational attainment of students' fathers as a share of corresponding age group in general population (index: 1 = perfect balance) in %



Source: EUROSTUDENT IV, Subtopic C.3 and national statistics/LFS. No data: LT, SE, E/W. No part-time students in sample: DK, LV. High education background oversampled: DK. Low education includes ISCED 3C: CZ. Males of corresponding age are defined as males between the ages of 40 and 60 years old. Update 12.1.12

Recommended main consideration: Cost-sharing strategies call for integrative approaches to institutional funding and student aid.

