

Enterprise, Transport and Lifelong Learning Research Programme

Funding for Learners Review: Funding Available to Learners in Tertiary Education – An International Comparison

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This report considers the participation rate (defined as the net entry rate) in higher education and provides an overview of how financial support systems for tertiary education students operate in different countries. It presents a comparative study of funding systems for tertiary education in Scotland with other selected countries and considers how different funding systems might impact upon participation rates.

Main Findings

- The average OECD participation rate in higher education was 47%. The UK participation rate was below the OECD average (45%). However, the Scottish participation rate was higher than the average (51%).
- Higher numbers of students are supported in countries, where the costs of tertiary education are not borne solely through the tax system.
- The overall contribution required by students in the UK is comparatively less than that required in other countries considered in this report, with students in Scotland making a smaller contribution than students elsewhere in the UK.
- Student contributions towards tuition fees and maintenance are a concern for potential applicants and might affect the participation of individuals from different socio-economic backgrounds.
- Most countries support students through a combined system of loans and grants.
- Most countries pay loans/grants on a monthly or weekly basis, whereas Scotland and England pay these once per term.
- Since the introduction of loan-based support in New Zealand, participation in tertiary education has increased and in 2002 New Zealand had a higher participation rate than all the other countries considered in this research.
- Countries that have tried to widen access through introducing or increasing grants to cover student living costs have had little success.

Participation Rates

For the purpose of this research, participation rates are considered as the net entry for 'Type A' tertiary education (i.e. first degrees). The UK's participation rate in higher education is less than the OECD average as defined in the OECD publication, 'Education at a glance 2002'. The participation rate for Scotland was higher than the OECD average.

Country	Participation rate
New Zealand	76%
Sweden	69%
Australia	65%
The Netherlands	54%
Scotland	51%
OECD average	47%
UK	45%
Denmark	44%
Italy	44%
USA	42%
Germany	32%

Funding for Tertiary Education

This research considered funding systems for higher education and further education. Not all countries have a distinct system for higher education and further education. New Zealand, Canada and the USA have a joint system of funding for higher education and further education.

In both higher education and further education, cost sharing is becoming the rule rather than an exception. Most countries seek to include a contribution from all those who benefit from education and do not fund tertiary education solely from taxes. The total level of spending on tertiary education is higher in countries that do not fund tertiary education solely through taxes. Consequently, these countries can support higher numbers of students and the potential for higher participation in tertiary education.

Student Contributions to Tuition Fees

Student contributions to tertiary education tend to be in terms of maintenance costs and/or tuition. The contributions differ between further education and higher education in many countries.

Further Education

Most countries do not charge fees for further education courses. However, Australia and England do charge tuition fees for further education courses. Where fees are charged for further education these tend to be less than those charged in higher education and are subject to more concessions than in higher education.

Higher Education

Tuition fees are charged in most countries for higher education, with only Germany, Sweden and Denmark not charging tuition fees for courses studied in higher education institutions. In most countries, where tuition fees are charged, these fees are variable. The variations to the amount of fee payable might relate to means-testing, course undertaken or institution attended. In most cases the tuition fees are payable at the start of the course. Australia and New Zealand allow for tuition fees to be deferred until after the course is completed.

Student Contributions and Participation of Students from Low Income Backgrounds

The contribution towards tuition fees and living costs whilst undertaking tertiary education (and the possible associated accumulation of debt) is a concern for potential applicants. Whilst this has not adversely affected the social-class mix of entrants to university, there is a difference in the participation in higher education from different socio-economic groups. In the UK, three quarters of students from low income backgrounds report a lack of money and fear of debt for not engaging in higher education. Furthermore, students from low income backgrounds generally leave university with more debt than their contemporaries.

Student Support

Support for students in tertiary education is most commonly in terms of grants and loans. In most countries these are paid weekly or monthly but in Scotland and England these are paid once per term.

In addition most countries also offer further support to students that meet certain criteria or are in certain circumstances.

Grants

Most countries offer grants to eligible students for both higher education and further education. Grants are usually provided to support students with maintenance costs and are normally means-tested.

Loans

Most countries do not offer loans for support of further education. However, all countries considered in this research do offer loans for students in higher education. The system of funding through loans and their repayments is comparatively more generous in the UK and Scotland than in other countries. Many countries offer low rates of interest and repayments based on earnings but some have pre-fixed repayment dates and interest charged from when the funds are disbursed.

Graduate Endowment Scheme

The Graduate Endowment Scheme (GES) in Scotland involves some Scottish and EU students paying a fixed amount (£2,000¹) at the end of their degree in recognition of the HE benefits received. The amount can be paid as a lump sum or added to the student loan account, which is to be repaid on an income contingent basis once the borrower's income has reached £10,000 (£15,000 from April 2005). Students are not liable to pay the endowment if any of the following conditions applies: the student was assessed as independent at the start of the course; the student was in receipt of a lone parent's grant or disabled students' allowance during the course; the student undertook an exempt course; or the student failed to meet the requirements to be accredited with a degree.

¹ This amount applies to courses started in 2001-02 and will be updated by inflation for courses starting in subsequent years.

Student Support and Participation in Tertiary Education

Loans might be considered to discourage students from low-income backgrounds. However, the introduction of student loans in New Zealand has had a positive impact on participation in tertiary education. In New Zealand, participation in tertiary education has almost doubled since the introduction of student loans. A key reason for this growth in participation has been that the loans were available for any approved tertiary education institution and that public funding for tertiary education institutions was reformed towards an equal per-student funding for public and private institutions. That led to an explosion of small, innovative, vocational education providers who better reached students from non-traditional ethnic and socio-economic backgrounds. In comparison, countries trying to widen access by introducing grants to cover student living costs have had little success.

Conclusion

The challenge of funding for tertiary education is to design efficient and effective student aid programmes that can offset any discouraging impact that tuition fees have on the participation of students from low income backgrounds. Scotland currently has policies that address this challenge. Scottish domiciled students undertaking a full-time sub degree or first degree in HE are generally entitled to have their fees paid.

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The report, "Funding for Learners Review: Funding Available to Learners in Tertiary Education – An International Comparison", which is summarised in this research findings is available on the Social Research website at www.scotland.gov.uk/socialresearch

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ISBN 0-7559-3968-9

