Tuition Fees and Student Support Systems: Ten Years of Change in Europe

The Package Matters More Than the Price

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The debate about tuition fees is usually conducted as a debate about a number. This article argues that the number is meaningless without the support system that accompanies it, and examines the packages that European systems have assembled over the last decade. It distinguishes four models, assesses their distributional effects and concludes that the decisive variable is not the level of the fee but the adequacy and the repayment terms of the support that offsets it.

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1. A Number Without a Context

The fee is one element of a package

A tuition fee of a thousand euros per year means something different in a system that provides a maintenance grant of eight hundred, a system that provides a loan repaid from income and a system that provides nothing. The number is the same and the economics are different.

This article examines the packages. It draws on the comparative data that systems publish on fees, grants, loans and repayment terms, and on the evidence about the effect of each element on participation.

2. Four Models

2.1 The Typology

Model	Structure	Distributional effect
No fees, universal grant	Public funding of both cost and maintenance	Strong for participation, expensive
No fees, targeted grant	Public funding, support concentrated	Good, with gaps
Moderate fees, income-contingent loan	Cost shared with graduate	Progressive if repayment is income-based
High fees, mixed support	Cost shifted to student and family	Regressive unless support is generous

Table 1 Four fee and support models

The third model is the one that has attracted most policy attention, because it appears to reconcile access with fiscal constraint. Its properties depend entirely on the repayment terms: an income-contingent loan with a high repayment threshold behaves like a graduate tax, and a loan with a low threshold behaves like a debt.

2.2 The Fourth Model

Generous relative to what

The fourth model produces the most stratified outcomes, and it is frequently accompanied by a support system that is presented as generous and is inadequate in relation to the fee.

3. The Support System

3.1 Four Parameters

Parameter	Effect on participation	Typical failure
Level of support	Adequacy for living costs	Covers fees only
Targeting	Concentration on need	Universal and inadequate
Predictability	Enables planning	Annual change
Repayment terms	Risk borne by whom	Low threshold, fixed schedule
Portability	Mobility	Restrictions

Table 2 Parameters of a support system

The first parameter is the one that matters most and the one that is most frequently set by reference to the fee rather than to the cost of living. A support package that covers the fee and not the rent requires a student to work, and the work determines completion.

3.2 The Evidence

The evidence about fees and participation is large and its conclusion is consistent: participation is affected less by the fee than by the support that accompanies it, and less by both than by the school system that precedes them.



Figure 1 What determines participation

The figure indicates the order of magnitude. A system that raises fees and raises support proportionally changes little; a system that raises fees and holds support constant changes a great deal.

4. Ten Years of Change

4.1 The Direction

Over the last decade the predominant direction has been towards cost sharing: fees introduced or increased, support shifted from grants to loans, and repayment made contingent on income.

4.2 The Students Who Are Affected

The deterred are in the middle

The distributional effect of a package depends on who is deterred. The evidence suggests that the deterred are not the poorest applicants, who are frequently supported, but the middle: students whose families are above the threshold for a grant and below the level at which a fee is comfortable.

5. Design

5.1 Principles

Announce the package, not the price

Four principles follow from the evidence. Support should be adequate for living costs, not merely for fees. Repayment should be contingent on income, with a threshold above subsistence. Support should be predictable, so that a decision can be made in advance. And the package should be presented as a package, because a fee announced without its support is a deterrent in itself.

5.2 The Communication Problem

The communication problem is real and it is measurable: applicants and their families systematically overestimate the cost of study and underestimate the support available, and the misperception affects decisions.

6. Implications

Three implications follow.

The first is that the fee should never be discussed without the support package, because the package determines the effect.

The second is that repayment terms should be income-contingent with a threshold above subsistence, because that is the element that converts a loan into an instrument of access.

The third is that the net cost should be published per student type, because misperception is a barrier that costs nothing to remove.

7. Four Packages and Their Distributional Logic

The four models that European systems have assembled differ less in the price they charge than in the way they allocate risk, and the allocation is the variable that determines who studies.

The first model charges no fee and provides a grant. The state bears the cost and the student bears the risk of time; the model is generous at

the point of entry and it rations by admission, because a system that pays for everyone must limit the number of places.

The second charges a high fee and provides an income-contingent loan. The graduate bears the cost over a working life and the state bears the risk of low earnings, because the repayment is a share of income and the balance is forgiven after a period. The model is efficient and it depends entirely on the repayment terms: a loan without insurance is a price, and a loan with insurance is a tax that the graduate pays if she can.

The third model is the European compromise and it is the hardest to describe, because the effect depends on the mix. A moderate fee with a grant that covers maintenance for the poorest and a loan for the rest behaves like the first model for the poorest and like the second for the middle, and it is frequently reported as a single system.

The fee is a price, the loan is an insurance contract

The fourth defers the contribution entirely: nothing is charged at entry and the graduate contributes through a levy on earnings. The model has the strongest access properties and the weakest revenue properties, because the contribution arrives late and depends on the earnings of a cohort that may emigrate.

The distributional logic is not the one that public debate assumes. A high fee with an insured loan is regressive in its effect on the decision to apply, because a debt-averse applicant from a family without experience of debt responds to the headline figure rather than to the repayment terms, and progressive in its effect on the budget, because the graduate with high earnings repays and the graduate with low earnings does not. A system that evaluates its package on the budget alone will therefore choose the model that deters the applicants it intended to include.

8. Reform and Its Sequence

Reforms fail when they change one element of the package in isolation, and the failure is frequent enough to be a pattern. A fee is introduced to fund an expansion and the support is raised in a later year; the cohort in between applies under the new price and the old support, and the enrolment of the poorest falls in the year of the reform and recovers slowly.

The sequence that avoids the failure is short and it is political rather than technical. Support is raised before the fee, the loan terms are published with the fee, and the net cost is stated for a defined student in a

defined situation. Each element is a sentence in a bill, and each is abandoned when the bill is negotiated.

The order of the steps is the policy

The political economy of the sequence explains why it is rarely followed. A subsidy to higher education is received disproportionately by the families whose children attend, and the median voter in that group is not the poorest applicant. A reform that raises support for the poorest before raising the fee is a reform whose benefits are concentrated on a group with little political weight and whose costs are borne by a group with more, and a government that understands the arithmetic will reverse the order.

The transitional cohort is the group that pays for the reversal, and it is the group that no impact assessment counts. A student who applies in the year between the fee and the support makes a decision under the worst combination that the system will ever offer, and the loss is invisible in the statistics because the student does not enrol and therefore does not appear.

9. What the Graduate Repays

An income-contingent loan is an insurance contract and its terms determine its character. Four parameters define it, and the public debate usually discusses only the first.

The first is the balance. A loan that covers the fee is a fee deferral; a loan that covers maintenance as well is a living income, and the second is the instrument that affects participation, because the student who does not apply is more often deterred by the cost of living than by the cost of teaching.

The second is the repayment rate. A rate that is low relative to earnings extends the repayment over a working life and reduces the monthly burden; a rate that is high clears the balance quickly and reproduces the pressure of a commercial loan.

The third is the threshold. A repayment that begins at an income below the level of subsistence is a repayment that a graduate makes instead of paying rent, and the threshold is the parameter that determines whether the loan is an instrument of access or a deferred fee.

Forgiveness is the insurance premium

The fourth is the forgiveness period. A balance written off after a defined number of years converts the loan into a contribution from those who can pay, and the length of the period determines the size of the subsidy to the graduates who earn least. A short period is generous

and expensive; a long period is cheap and it leaves a debt that follows a graduate into middle age.

The four parameters interact and the interaction is what a reform must respect. A high balance with a generous threshold and a long forgiveness period is affordable and progressive in its effect; the same balance with a low threshold is a commercial loan with a public label. A government that changes one parameter without the others produces a system whose name is unchanged and whose effect is reversed.

The publication of the parameters in a single table is the cheapest reform available. A student who can see the balance, the rate, the threshold and the period can calculate what she will repay at the income she expects, and the calculation is the information that the debate about the headline number never supplies.

The argument has a distributional implication that is frequently missed. A loan with a low repayment rate and a long forgiveness period is cheap for the graduate who never earns much and expensive for the graduate who earns well, and the second group is the one that the Treasury counts. A system that evaluates its loan on the revenue it recovers will shorten the forgiveness period, and the shortening transfers the cost from the fisc to the graduate whose earnings remain low, which is the graduate the support system was designed to protect. The publication of the four parameters together, rather than the balance alone, is what allows that transfer to be seen.

10. The Mature Student and the Loan

The design of a student support system is usually assessed on the school leaver, and its treatment of the mature applicant is where the design shows its assumptions. A loan repaid over twenty-five years from earnings is a reasonable instrument for a person of twenty and a different instrument for a person of forty-five, who will be repaying into retirement.

The same package is not the same offer to every student

The arithmetic is not the only issue. A mature applicant frequently has a mortgage, a family and a career, and a system that offers her the same package as a school leaver has offered her a debt that she will carry into a period of lower earnings. The instrument that fits her is a grant, or a loan with a shorter forgiveness period, or a contribution from an employer, and the design decision is whether the system recognises that its population is not homogeneous.

11. The Publication of What a Graduate Repays

The information that would change the fee debate is not the headline figure and it is the distribution of what graduates actually repay. A system that published, for each programme and each income decile, the median repayment over the life of the loan would allow an applicant to see the instrument rather than the price.

The publication is resisted for two reasons. The first is that the figures show that some programmes produce graduates who never repay, and the finding is politically awkward for the institutions that teach them and for the system that funds them. The second is that the figures require a data link between the student record and the tax record, which is technically simple and institutionally difficult.

The two objections are real and neither is a reason to withhold the information. A system that cannot publish what its graduates repay does not know whether its support system works, and a debate conducted without that knowledge is a debate about a number that means nothing on its own.

11. Conclusions

Tuition fees are a price and the price is one element of a package. The evidence is consistent: participation is determined by the adequacy of support and by the terms on which risk is shared, and not by the level of the fee alone.

Three conclusions follow. The reform that improves access is the one that raises support with the fee, not the one that changes the fee alone. Income-contingent repayment is the instrument that makes cost sharing compatible with access. And the publication of net cost is the cheapest measure available, because the barrier that misperception creates can be removed by information.

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