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Review of Student Support Arrangements in Other Countries

SEPTEMBER 2010

The Review of Student Support Arrangements in Other Countries was conducted by London Economics on behalf of the Department for Business, Innovation and Skills

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Contents

Glossary

Tertiary-type A

Tertiary-type A programmes (ISCED 5A) are largely theory-based programmes and are designed to provide sufficient qualifications for entry to advanced research programmes and professions with high skill requirements (such as medicine, dentistry or architecture). Tertiary-type A programmes have a minimum cumulative theoretical duration (at tertiary level) of three years full-time equivalent. These programmes are not exclusively offered at universities and not all programmes nationally recognised as university programmes fulfil the criteria to be classified as tertiary-type A. Tertiary-type A programmes may also include second degree programmes (such as masters level qualifications).

Tertiary-type B

Tertiary-type B programmes (ISCED 5B) are typically shorter than those of tertiary-type A and focus on practical, technical or occupational skills for direct entry into the labour market, although some theoretical foundations may be covered in the respective programmes. They have a minimum duration of two years full-time equivalent at the tertiary level.

Up front/deferred (Tuition fees)

Tuition fees may be up-front or deferred. An up-front fee implies that the entire fee needs to be paid to the higher education institution in advance of enrolment. Deferred fees are paid to the institution or state upon graduation. There are relatively few examples of deferred fee regimes, although the Scottish Graduate Contribution Scheme (prior to 2007) was a good example. Systems that impose fees on students that are paid initially by means of a loan, which are in turn repaid post graduation are considered to be examples of up-front fee regimes.

Regulation

Regulation generally refers to the involvement of the state in order to produce an outcome in a market setting that might not otherwise occur. In relation to the levying of tuition fees in higher education, regulation is not simply the fact that tuition fees may be capped in some way, but more generally refers to the process by which those institutions charging a particular fee must ensure that access to university amongst individuals less able to afford the tuition is maintained.

Loans

Loans can in general be mortgage style or income contingent. A mortgage style loan generally involves the repayment of an agreed amount on a monthly basis (depending on whether the interest rate is fixed or variable) until the entire principal and accumulated interest is repaid. Income contingent loans are loans that incorporate the earnings of the individual repaying the loan. In general, income contingent loans are repaid at a given percentage of total or marginal income above a certain threshold (although in some cases the repayment percentage applies to total earnings upon reaching a threshold (Australia)).

Interest rates Interest rates on loans can be denoted in either real terms or nominal terms. The nominal interest rate equals the real interest rate plus an adjustment for inflation. For instance, if inflation stands at 2%, a real interest rate of 3% corresponds to a nominal interest rate of 5%.

Present value The present value is the value of a future payment or series of future payments in today's money terms. The present value of a stream of payments in the future is calculated by discounting the future payments by an interest rate (or discount rate). HM Treasury Green Book guidance suggests that a discount rate of 3.5% per annum should be used for periods of less than 30 years into the future.

RAB Charge The Resource Accounting and Budgeting charge (RAB) calculates the proportion of the nominal loan value that would not be expected to be repaid (in present value terms) – due to the interest subsidy and debt forgiveness arrangements.

Rate of return The rate of return is the interest rate (or discount rate) for which the present value of the benefits associated with qualification attainment exactly equals the present value of the costs associated with qualification attainment. For an individual, the benefits considered might include the after tax enhanced earnings associated with qualification attainment or the interest rate subsidies that might be available as a student, while the costs might include the tuition fee for the course and the opportunity cost associated with giving up 3-4 years of earnings in the labour market.

Note: All currencies have been converted into British Pounds (£stg) using Bank of England spot exchange rates as at 20th of November 2009 (Available from: http://www.bankofengland.co.uk/statistics/index.htm)

Executive Summary

Literature review: Tuition fees, student support and participation

- University tuition fees have a negative impact on participation, and enrolment tends to be lower in the presence of tuition fees. An increase in tuition fees tends to cause a decline in participation, particularly among students from lower socioeconomic backgrounds, unless accompanied by an equivalent increase in student support.
- Recent evidence relating to reforms of tuition fees and student support in the UK found that an increase in tuition fees by £1,000 per annum – holding all other factors constant – would be expected to lead to a 4.4 percentage point decline in participation. In addition, it was found that a £1,000 per annum increase in grants increases participation by 2.1 percentage points while a £1,000 per annum increase in loans is associated with a 3.2 percentage point increase in participation.
- Tuition fees and other education related costs also influence the selection of higher education institution, behaviour whilst at university and reduce the probability of completion, especially for students from BME and lower socioeconomic backgrounds.
- Provision of student aid (grants and bursaries), and increases in the level of student support, have been found to enhance both participation and persistence (the probability of completion) in higher education.
- Studies of the impact of student loans on participation generally indicate no adverse impact on participation of lower-income groups when an increase in tuition fees occurs alongside enhanced loan and grant provision.

Summary description of differences in student support arrangements

Group 1: Countries with a high level of tuition fees and well developed student support systems (England, Wales, Northern Ireland, Australia, Canada, New Zealand and the United States)

- The potential financial barrier to higher education participation of a high level of tuition fees is mitigated by significant public subsidies provided to students by way of grants and subsidised loans.
- In the Group 1 countries, the average entry rate to Tertiary-type A programmes (71%) is significantly above the OECD average (56%) and higher than most countries with relatively low tuition fees.
- There are significant variations in the full-time tuition fee levied across Group 1 countries (between £1,722 and £19,592 per annum), which depend substantially on whether they are set by the government or higher education institution.
- All countries have means-tested non-repayable grants for full- and part-time study, but to varying degrees of generosity in terms of availability and volume.
- All countries offer student loans to full-time students for at least fees, but most offer

maintenance loans too (both on a means-tested and non-means-tested basis). Unlike the United Kingdom, other Group 1 countries also offer loans to part-time students.

- Following a recent review of higher education funding, Australia appears to have the most generous system of student support, followed by Wales, England, Northern Ireland and New Zealand. Canada and the United States (both at the Federal level) have the least generous systems with a high reliance on loans.

Group 2: Countries with no or low tuition fees but developed student support systems (Scotland, Denmark, Sweden, Norway, Germany, France and the Netherlands)

- In Group 2 countries, there are relatively low financial barriers to higher education participation due to the low levels of tuition fees that are levied (less than £1,438 per annum full-time) alongside relatively generous public subsidies.
- A high proportion of the costs of higher education provision are resourced by the state (up to 97%, compared to 65% in the United Kingdom as a whole and 34% in the United States).
- The average entry rate to tertiary-type A education (58%) is marginally above the OECD average (56%), but lower than most high-fee countries in Group 1; however, a relatively high proportion of secondary graduates enter high-quality vocational training (tertiary-type B).
- All countries offer grants, but whilst substantial grants are reserved for the poorest students in France, all Danish and Swedish students receive statutory grants. Norway and the Netherlands both operate performance-related loan-to-grant systems.
- All countries also offer mortgage style student support loans to full-time students (except Scotland) and some to part-time students, but credit is sometimes limited where grants are high (Denmark).

Group 3: Countries with a low level of tuition fees and less developed student support systems (Spain, Hungary and the Republic of Ireland)

- There are relatively low financial barriers for higher education participation due to either no or low levels of tuition fees. However, this is combined with limited student support.
- There is a relatively high state contribution (80% on average) to the cost of higher education compared to the OECD average (73%) and Group 1 countries (53%). In Ireland, the contribution of the state has increased over the last decade following the abolition university tuition fees.
- The average entry rate to Tertiary-type A education (50%) is significantly below the OECD average (56%) and that of Group 1 and Group 2 countries.
- Spain (full-time and part-time) and Ireland (full-time only) provide relatively generous grants, but eligibility is tight, whereas Hungary provides modest grants to full-time students.
- Ireland offers no student loans whereas Spain offers short-term bridging finance to full-time students. Hungary offers non-means-tested state-guaranteed full cost recovery loans

to full-time and part-time students.

Group 4: Countries with high level of tuition fees but less developed student support systems (None)

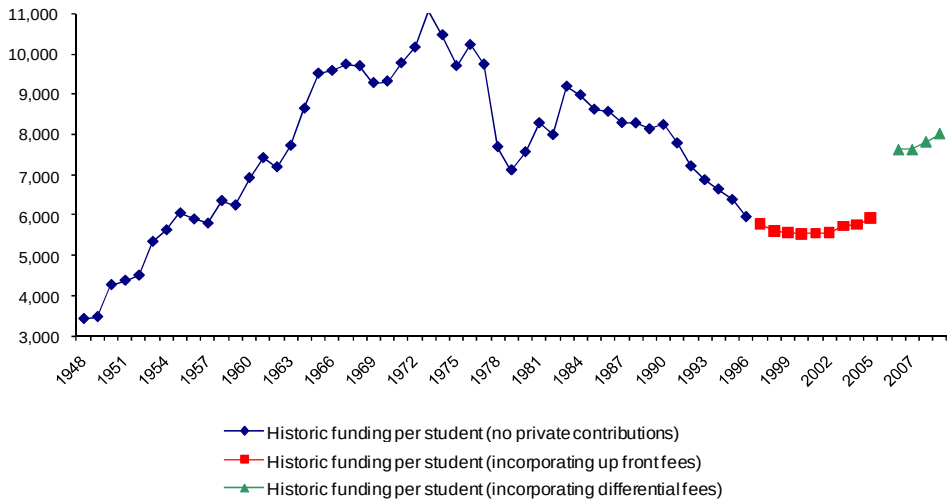
- No countries in our sample of countries are in this group, which may otherwise contain countries such as Japan and Korea.

1 Introduction and Terms of Reference

1.1 Introduction and background

With the mass expansion of higher education, the resources available to higher education institutions and students dropped dramatically resulting in significant issues relating to the global competitiveness of UK universities. In Figure 1, we present information on the resource available per student as the number of students entering higher education increased. There was a general increase in per capita resource until the early 1970s followed by a decline throughout the remainder of the 1970s and 1980s. Following the mass expansion of higher education in 1992, per capita funding continued to fall. Even after the introduction of relatively modest up-front fees in 1998, it was still the case that given the increasing proportion of students in each cohort entering higher education, the per capita resource declined.

Figure 1: University funding per full-time student in the UK: 1948-2009 (2006/07 constant prices)



Source: Institute for Fiscal Studies 2005

There was an increasing belief that to guarantee the appropriate funding to maintain the leading position of UK higher education institutions in a global context, additional resources were required. Given the evidence of the substantial and continued economic returns to higher education (for instance, Blundell *et al.* (2003)[1], McIntosh (2004)[2], Dearden *et al.* (2005)[3]), it was accepted that the primary beneficiaries of higher education qualifications (graduates) should contribute to HE funding. In addition, the evidence suggesting that the

[1] Blundell, R., L. Dearden and B. Sianesi (2003) *Estimating the Returns to Education: Models, Methods and Results*, IFS Working Paper No. WP03/20

[2] McIntosh, S. (2004) "Further analysis of the Returns to Academic and Vocational Qualifications", Centre for the Economics of Education Discussion Paper 35

[3] Dearden, L., L. McGranahan and B. Sianesi (2005) "Returns to education to the marginal learner: Evidence from the British Cohort Study 1970", Centre for the Economics of Education Discussion Paper 45

economic returns to qualifications differed by subject of study (Walker and Zhu, 2001[4]) and institution attended (Chevalier and Conlon, 2003[5]) encouraged the development of a market for fees within higher education.

As such, it was accepted that differential fees would be introduced whereby higher education institutions would have the ability to charge any fee up to a maximum of £3,000 provided a bursary was provided to those students receiving the maximum maintenance grant (making up for the shortfall between the fee and grant). In addition to the introduction of fees, the Exchequer introduced a substantial package of means-tested grants and subsidised loans, adopting an income contingent repayment mechanism.

The impact of the introduction of differential fees and student support arrangements *(compared to the previous arrangements)* was to increase the flow of resources to higher education institutions by approximately £1 billion per annum. The other primary beneficiaries of the changing support arrangements were students. It was estimated that students were better off (by approximately £1.4 billion per annum) as a result of not having to pay any fee up-front and being eligible for maintenance grants.

On the other hand, the cost of higher education to the Exchequer increased by almost £1.3 billion per annum as a result of the changes. In addition, although students were in receipt of larger subsidised loans for fees and maintenance than was previously the case, tuition fee payments to higher education institutions also increased. The net effect was that the contribution of graduates increased by £1.25 billion compared to the previous system of student support.

The net effect in funding per capita at higher education since the introduction of differential fees and the associated student support arrangements - a significant increase and reversal of longer term trend - is presented in Figure 1.

Despite the economic evidence underpinning the policy, there was significant disagreement amongst parliamentarians about the merits of the policy, especially in relation to the impact of fees on participation and access (the Higher Education Bill was passed by just 5 votes in January 2004 on the *second reading* (first vote) and received Royal Assent in July 2004). As part of the Bill, it was agreed that higher education fees would be capped in real terms for the lifetime of that parliament (and the subsequent parliament) and a full-scale review would take place before any amendment to current tuition fee and student support arrangements.

[4] Walker I. and Y. Zhu, (2001) “The returns to education: Evidence from the Labour Force Surveys”, Department for Education and Skills Research Report No 313

[5] Chevalier, A. and Conlon, G. (2003), “Does it pay to attend a prestigious university”, Centre for the Economics of Education Discussion Paper 33, May 2003.

1.2 Objectives of the research

The Government is committed to reviewing the impact of changes to the student support arrangements introduced by The Higher Education Act 2004. These reformed arrangements subsequently operated alongside the introduction of variable tuition fees in Higher Education Institutions (HEIs) in England from September 2006. To meet this commitment, the previous Government established an Independent Commission that will report to the House of Commons on all aspects of the current student support arrangements and review the impact of variable fees after the first three years of operation.

To provide evidence for this review, the Department for Business, Innovation and Skills intend to provide information on the student support arrangements operating in comparable countries and descriptions of any effect these have on the HE sector. The purpose of this research project is to create the evidence necessary for the Commission to compare the English system to those of other countries.

1.2.1 Aims of the research

The **first** aim of this study is to provide descriptive information on the student support systems that are currently used in key comparator countries, including identifying countries that are considering changes to their student support system and providing further details of this. The list of countries included in this analysis include the four home nations of the United Kingdom, Australia, Canada, Denmark, France, Germany, Hungary, Ireland, the Netherlands, New Zealand, Norway, Spain, Sweden and the United States.

The **second** aim is to identify and summarise research or other studies that have considered the impact of the different systems used or which have been used to inform changes to financial support systems.

2 Approach and methodology

2.1 Factual review of national student support arrangements

In order to provide the appropriate evidence to the Commission, London Economics have undertaken a detailed assessment of the higher education funding system in relation to undergraduate students undertaking their studies in the following countries using English domiciled students studying in **England** as a benchmark.

Countries included in the review

	England (benchmark)
	Scotland
	Wales
	Northern Ireland
	Australia (Federal Level)
	Canada (Federal level)
	Denmark
	France
	Germany (Federal level)
	Hungary
	Netherlands
	New Zealand
	Norway
	Spain
	Sweden
	United States (Federal Level)

The analysis has considered the funding arrangements that are available to those *home* students that are normally resident in the country/state in question and has focused primarily on the main forms of student support. In particular, we have considered the following aspects of student support arrangements.

Aspects to be reviewed

In each instance, we have collected and compared information on the following for both full-time and part-time students:

- Fee levels
  - Fixed/Differential
  - Up-front/ Deferred
  - Capped
  - Regulated
  - Tax relief
- Maintenance (and fee) grants
  - Eligibility criteria
  - Duration (availability) of grants
  - Minimum/Maximum grants
  - Income tapers
- Maintenance and fee loan
  - Eligibility criteria
  - Duration (availability) of loans
  - Minimum/Maximum
  - Regional factors
  - Year of study
  - Living arrangements
  - Income tapers (both taper in and taper out)
- Loan Repayment mechanism
  - Repayment thresholds and repayment rates above threshold
  - Options to defer
  - Mandatory repayment period/ early repayment bonus
  - Minimum repayments
  - Write off criteria
  - Interest rate subsidy
  - Conversion to grant (success based)
- Bursaries
  - Eligibility
  - Minimum/ Maximum

2.1.1 Identification of evaluation material

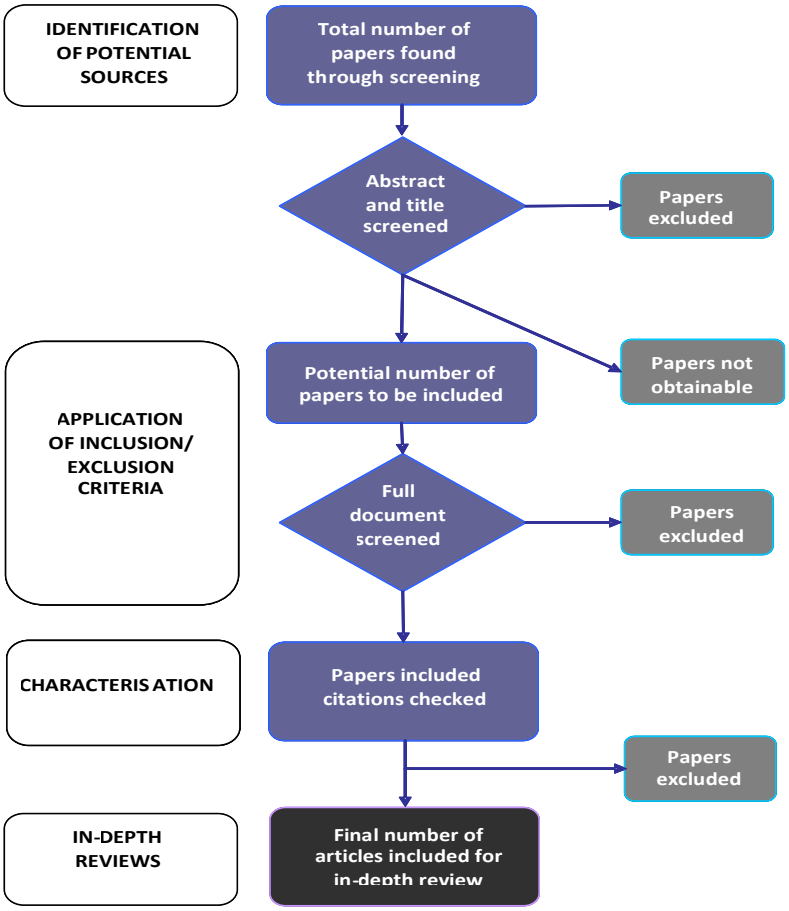
This element of the analysis involved the systematic collection and analysis of information relating to the impact of the changes in student support arrangements on a number of outcome measures (where available) - including measures of participation, widening participation or access, the nature of the institutions attended or the likelihood of studying in a local institution, the subject of study, completion rates and transfer to other forms of study (e.g. from full-time to part-time).

The four stages are summarised below and presented in Figure 2 overleaf:

- Stage 1: Development of parameters and identification of potential sources (To ensure that an appropriate search strategy is undertaken)
- Stage 2: Development and application of exclusion criteria and initial filter of articles (To ensure that the literature has been sifted for quality and validity
- Stage 3: Application of review specific exclusion criteria and second filter of articles (To ensure that the literature is entirely relevant to the topic under discussion)
- Stage 4: Full scale review of articles selected for inclusion (Synthesis of information collected into concise and informative review of the literature)

The initial literature trawl identified more than 300 papers, among which 260 were collected for abstract and title screening. Based on this initial screening, we selected 221 relevant papers, grouping them using following criteria: relevance, country and topic of study. All of the identified papers were obtained. Following a more in-depth review, 156 papers were identified as being robust and of general relevance to the research. Focusing on the impact of tuition fees and student support arrangements on participation in higher education, 29 papers were distilled from this pool for in-depth review of the full article and synthesised into the literature review that follows.

Figure 2: Schematic diagram of literature review methodology



3 Literature review: Tuition fees, student support arrangements and participation

The role that student support arrangements have in increasing (and widening) participation in higher education has been analysed to some extent in the economic literature. In this section we provide a synthesised review of this literature, summarising the main findings of the more recent research undertaken into the impact of tuition fees, grants, bursaries and student loans on participation.

3.1 Elements of student support systems

In considering the role of tuition fees and student support in determining participation, there are a number of factors that are necessary for consideration. We follow the approach of Johnstone and Marcucci (2007) in their assessment of the various factors affecting the impact of student support arrangements on participation.

Terminology

In general terms, an increase in the tuition fee will reduce the economic benefits associated with higher education qualification attainment and will result in fewer people attending university assuming that all other factors are held constant. Conversely, any increase in student support will reduce the cost of higher education to students and increase the attractiveness of higher education relative to the next best option. Much of the argument surrounding tuition fees and student support involves the structure of the tuition fees imposed and the availability of student support.

Fees, grants and loans

There are a number of factors that should be remembered when considering the optimal structure of higher education support. For the purposes of the next sections, *tuition fees* and *grants* should simply be thought as negative and positive forms of student support or *net grants*.

Loans also offer a form of support to students. Depending on the structure of the loans, they have an intrinsic value for students. Currently, the loan arrangements in England offer students a zero real rate of interest, repayment at incomes in excess of £15,000 per annum, write-offs after 25 years or in the case of death or permanent disability, and the option to defer repayments for up to 24 months. All of these loan characteristics are subsidies from the Exchequer to students/graduates.

The extent of the Exchequer loan subsidy is measured by the Resource Accounting and Budgeting charge (RAB), which calculates the proportion of the nominal face value of the loan that would not be expected to be repaid (in present value terms) – due to the interest subsidy and debt forgiveness. Most recent estimates of the RAB charge (by the Department for Business Innovation and Skills) stand at 21% for maintenance loans and 33% for fee loans[6]. This implies that for every £1,000 in maintenance and fee loans provided, the Exchequer expects to recoup £790 and £670 respectively in present value terms. In other words, a maintenance or fee loan with a nominal face value of £3,000 (for instance) might be considered to have an actual value to the average student of approximately £630 or £990 respectively.

Need-based

In relation to the student support made available to students, there are two fundamental decisions that need to be made by policy makers in relation to the *spread* of student support across the cohort (how wide is the support), as well as the *depth* of the student support made available (how much is the support). Whatever student support is available should be to some extent targeted on those individuals that have the least resources available to them to pay independently.

In England, although tuition fees are imposed on all students irrespective of their background, the current grant system in England is heavily targeted towards those students coming from households with the least income[7]. Loans are less well targeted to the poorest students; however, this must be set in context against the requirement that student support should be generally available.

General availability

Loans, in particular, need to be generally available to potential students. Given the scarcity of economic resources, there is the possibility that the volume of grants necessary to fund the poorest students may not be available from the Exchequer. As such, the general availability of loans – both for full time and part time students - is key in overcoming credit constraints[8].

Sufficiency

[6] It is assumed that maintenance loans and fee loans are paid off sequentially.

[7] In particular, full grants are available to students with a household income of less than £25,000, while students with a household income up to £50,020 continue to receive some grant aid. In 2008/09, 40% of students entering higher education received the full grant, while 29% received the partial grant (Office for National Statistics Statistical First Release (SFR 05/2008)).

[8] All fee loans and approximately 75% of maintenance loans are available to all students irrespective of household income. The remaining 25% is means-tested with students receiving an *increasing* volume of maintenance loan in households up to £50,778 (where the loan amount reaches a maximum), at which point maintenance loans drop to the non-means-tested amount at household incomes of (approximately) £58,000.

Any well developed system must ensure that the maximum means-tested student support available allows a student (after reasonable personal and family contributions) *to participate in an appropriate form of higher education without unacceptable personal deprivation, unacceptable parental sacrifice (e.g. spending pension assets on children's postsecondary education), or spending an unacceptable amount of time (e.g. more than 20 hours a week) in term-time employment (Johnstone, 2003).*

In reality, this means that sufficient loans must be provided in some way to allow student to enter and complete their third level qualifications and participate fully in university activity.

Minimally subsidised

In general terms, student support should aim for full cost recovery. The optimal system should ensure that the most student support is provided to those students requiring the greatest assistance compared to those students who require less assistance. To ensure that there is sufficient resource to provide both the depth (need and sufficiency) and breath (availability) of need, the subsidy provided by the government needs to be minimised when and where possible.

In addition to the grant available to students, there are also partial subsidies available to students receiving maintenance and fee loans. The factors that contribute to a lower than full cost recovery need to be considered in detail (zero real rate of interest; repayment threshold; repayment rate above threshold; write off criteria; and option to defer) in order to assess the extent to which the implicit subsidies provided are necessary to ensure the primary aims of the system and to what extent some of the subsidies might be flexed to meet other aims of the system.

Collectable

Clearly, any student support system that provides repayable loans requires a system that ensures reasonable collection of monies due. It will always be the case that some students cannot afford to make all the repayments that are due – either through choice (for instance taking time off to care for children or choice of career) or circumstances (as a result of unemployment or long term sickness or disability). However, for the remainder of students/graduates in repayment and not in default, the collection system should be such that an acceptable proportion of the initial loan should be recouped[9].

Ability to tap the private capital markets

[9] Note also that the issue of who bears to the cost of the RAB charge and who collects loan repayments are essentially independent. There is no particular reason why the government may not issue and collect student loans and repayments, while other organisations bear the costs associated with interest rate subsidies and expected non-repayment.

Student loans should not necessarily be dependent on the current budgetary position of the government. In other words, although student grants may be payable out of the current budget or subsidised through targeted fee increases, the state should consider all options available to it in relation to the loan component of the student support package that might encourage private sector institutions to purchase the debt.

3.2 Returns to qualifications

There have been a significant number of studies undertaken assessing the economic returns to qualification attainment at undergraduate level. In general terms, the studies have concentrated on estimating a number of different economic measures such as the percentage earnings premium or lifetime financial benefit associated with particular qualifications or the rate of return associated with different levels and types of qualification attainment[10]. There are a number of biases that may influence the results of any study but one of the main issues relates to removing selection bias and ensuring that the appropriate counterfactual is observed. In simple terms, high ability individuals are more likely to gain higher levels of qualification compared to lower ability individuals. Any simple comparison of earnings between the two groups will fail to address this fact and as such it is impossible to determine whether the earnings gap is as a result of ability or qualification attainment. Therefore, any econometric analysis should attempt to control for this selection bias and ensure that the estimates presented reflect the economic return to the qualification is assessed rather than the economic return associated with the individual in possession of the qualification.

Returns in general

There is a substantial body of evidence relating to the economic returns of undergraduate qualifications. There are comprehensive reviews available[11] of earlier work in the United Kingdom and internationally, so we focus on some of the more recent contributions. In general, there is robust and unambiguous evidence that there are significant economic benefits (both the probability of being employed and enhanced earnings) associated with possession of undergraduate degrees. In addition, the evidence consistently illustrates that the economic return to women is greater than for men. Using information from the labour Force Surveys, O'Leary and Sloane (2009) have found that relative to men with 2 or more GCE 'A' Levels, men with an undergraduate degree receive an hourly earnings premium of approximately 20%, while the equivalent premium for women is 35.5%. This corresponds with a number of earlier studies in the area. A PricewaterhouseCoopers (2005) report (again using Labour Force Surveys) illustrates that the earnings premium associated with an

[10] In simple terms, an *earnings premium* reflects the additional earnings (normally hourly) associated with one level of qualification compared to another and is presented in percentage terms. The lifetime earning benefit in general uses estimates of the earnings premium at different points across the entire working age population to generate a monetary value associated with the various earnings premiums. This is generally presented as a present value (i.e. discounted). Finally, a rate of return is the only measure that incorporates the costs associated with qualification attainment. In particular, the private rate of return analysis incorporates the direct and indirect costs to the individual associated with qualification attainment and compares these to the discounted stream of post tax augmented income derived from the qualification

[11] See Chevalier, A., Conlon, G. Galindo-Rueda, F., and McNally, S. (2001) "The returns to higher education teaching", *Centre for the Economics of Education*.

undergraduate degree is 23%, compared to those in possession of two or more GCE 'A' Levels as their highest qualification.

However, as previously discussed, there will always be a suggestion that ability bias is not appropriately controlled for when using information from the Labour Force Surveys. As such, some alternative estimates have been provided using information for the cohort studies – either the National Child Development Study (NCDS) or the British Cohort Study 1970 (BCS70). Using information from these surveys, it is possible to (at least partially) control for ability through the inclusion of test score performance at ages as young as 7. Using this approach with the NCDS, Blundell *et al.* (2001) illustrated that the average earnings premium to a first degree was around 12% compared to 34% for women. Bratti *et al.* (2005) have replicated the analysis using the NCDS and illustrated that the undergraduate earnings premium for men stands at between 15% and 17% while the earnings premium for women stands at between 23% and 37%.

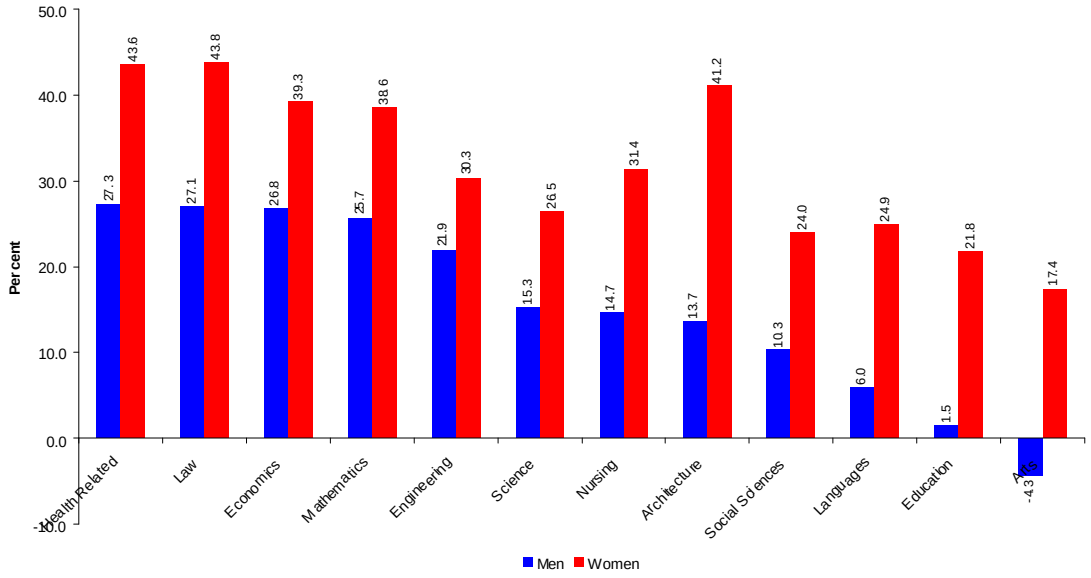
Returns by subject of study

There are numerous studies that have considered the economic returns associated with different degree level subjects. It is important to note that in general the studies only consider the subject of degree and do not consider the occupation of the individual in question. One of the main issues associated with this area of research is the inability of many studies to control for the institution attended and as such some of the economic return associated with the subject of study may actually be a return to the institution attended.

In one of the earlier studies, Blundell *et al.* (2000) illustrated that the earnings returns for men tend be relatively low in the natural and environmental sciences, and geography while for women, returns tend to be relatively high in education, economics, accountancy and law. However, given the fact that this information is derived from the NCDS (individuals born in one week in March 1958), these findings refer to a cohort of individuals graduating from university in the late 1970s.

Walker and Zhu (2001) use information from the Labour Force Survey between 1993 and 2000 to illustrate that there is significant variation in the returns to different degree level subjects for both men and women – although there a number of factors that they cannot control for and the subject groupings are relatively coarse. As before, they illustrate that the returns to women are significantly greater than those achieved by men. In addition, they illustrate that both men and women achieve the greatest returns from subjects like law, economics, architecture and mathematics. Returns are relatively low – or even negative – in subjects such as education and arts and humanities. This is presented in Figure 3.

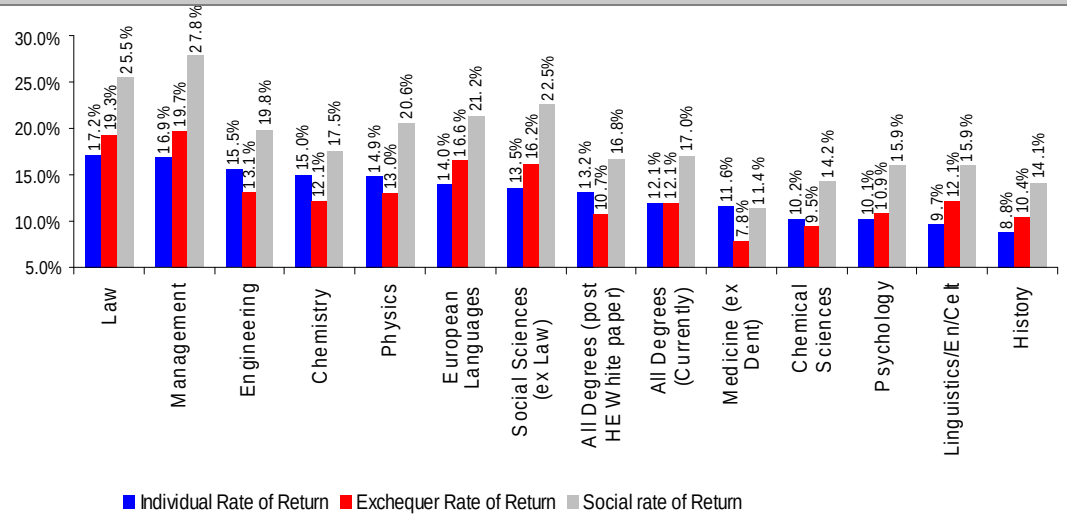
Figure 3: Earnings premia by subject of study (relative to 2 or more A levels)



Source: Walker and Zhu (2001)
Note: Percentage earnings premium relative to 2 or more GCE A levels

In an analysis specifically focused on assessing the economic returns to science degrees, PricewaterhouseCoopers (2005) assessed the earnings premia by subject of study using the Labour Force Survey and estimated both the lifetime earnings premia associated with different undergraduate degree level subjects but also the private, Exchequer and social rate of return associated with different undergraduate subjects.

Figure 4: Private, Exchequer and social rates of return by degree subject



Source: PricewaterhouseCoopers LLP (2005)

The key point about the analysis presented in Figure 4 is that the rate of return combines the present value of the expected benefits and costs associated with different degree level

subjects[12]. Subjects that provide the individual with the highest post-tax earnings and the greatest probability of employment – combined with the shortest time required to complete the qualification - will result in the highest private returns. For the Exchequer, those subjects providing the greatest augmented taxation revenue and the lowest cost of provision (i.e. non laboratory based subjects) will be likely to provide the greatest returns.

Trading off the costs and benefits, the results indicate the individual rate of return to a degree level qualification approximates 12.1%. There is considerable variation around this average estimate. In this analysis, law degrees offer the highest rate of return (17.2%) while history offers the lowest rate of return (8.8%). Despite the fact that they may be slightly longer in duration than the average degree, the individual rates of return to chemistry and physics degrees stand at 15.0% and 14.9%, respectively. At the Exchequer level, the study finds that the combination of relatively high benefits and low costs results in law and management degrees offering a very high return to the Exchequer (19.3% and 19.7% respectively) and the lowest *financial* returns associated with medicine degrees (7.8%). The average rate of return to the Exchequer (coincidentally) stands at 12.1%. The rates of return associated with chemistry and physics degrees are 12.1% and 13.0% respectively, while the rates of return to psychology and the biological sciences are 10.9% and 9.5% respectively.

O' Leary and Sloane (2009) look at the earnings premium (using Arts degrees as the omitted category) associated with different undergraduate degree level subjects. They find that for males the subject with the largest earnings premium was Mathematics and Computing (32%), followed by Medicine and Health related subjects (29%), followed by Engineering (27.0%). On the other hand, Education (14.8%) and Architecture & Related (13.8%) achieved a relatively small premium over Arts related subjects. For women, unsurprisingly, the highest earnings premium was associated with Medicine and Subjects Allied to Medicine (21.1%) and Mathematics and Computing (19.3%). Surprisingly, the earnings premium associated with science subjects was just 5.5%, with Languages posting a 5.3% premium over Arts subjects.

Returns by institution

There have been relatively few studies in the United Kingdom that have considered the economic return associated with the type of university attended; however the few that do (as well as the many that exist from the United States) strongly suggest that there is an economic earnings and employment premium associated with attending a higher quality or more prestigious university and in particular for those attending the very top institutions. Recent work undertaken by Hussain *et al.* (2009) and Chevalier (2009) suggest that there is a positive (and non-linear) relationship between university quality and graduate earnings. The results indicates that the earnings gap between a graduate of a more highly ranked university (top or second quartile on Research Assessment Exercise (RAE)) versus a bottom-ranked

[12] Note that the costs associated with gaining an undergraduate degree incorporated the student support system prior to the 2006 reforms (i.e. up-front fees and more limited support)

university (bottom quartile on RAE) stands at between 10 and 16% (1st versus 4th) and 5-7% (2nd versus 4th).

Chevalier and Conlon (2003) assess the economic returns associated with attending a Russell Group university in the United Kingdom compared to a post-1992 institution. The analysis illustrated that even after controlling for personal characteristics (including prior attainment a GCE 'A' Level), graduating from a Russell Group institution adds up to 6% to a male graduate's earnings compared to graduating from a post-1992 institution with the corresponding estimate for women standing at 2.5%. Using information from the time on the present value of lifetime earnings associated with undergraduate degrees, the authors estimate that a tuition fee *differential* between Russell Group universities and post-1992 institutions of between £3,000 and £7,000 per annum would be expected if institutions were left with full freedom to set their tuition fees.

3.3 Tuition fees and participation

Increasing student tuition fees with no equivalent increase in student support arrangements increases the cost of attending university and would be expected to reduce participation in higher education, especially among those students from lower socioeconomic backgrounds. In this section, we illustrate some of the evidence relating to the impact of the different elements of student support and tuition fees on participation. We also present the evidence relating to the differential impact of fees and support on student outcomes depending on the income profile of the student.

The impact of tuition fees on participation in higher education in the UK is currently being researched by the Institute for Fiscal Studies for the Higher Education Fees and Funding Review (Dearden, Fitzsimons and Wyness (2010))[13]. Using cross sectional information from the Labour Force Surveys between 1992 and 2008 the authors are assessing the impact of various HE student reforms that took place over the last 16 years including the introduction of upfront fees in 1998/99; deferred fees and loans in 2006/07; the reduction and abolition of student grants in 1999 and the re-introduction of student grants in 2004 (and extension in 2006).

The authors found that an increase in tuition fees by £1,000 per annum – holding all other factors constant – would be expected to lead to a 4.4 percentage point decline in participation. The authors also find that a £1,000 per annum increase in grants increases participation by 2.1 percentage points. Interestingly, a £1,000 per annum increase in loans appears to be worth more in terms of participation than an equivalent increase in grants (3.2 percentage points). All results were statistically significant. Thus, increasing fees without increasing loans by the same value or more will result in a negative impact on participation.

[13] Dearden, L., Fitzsimons, E., Wyness, G., (2010), "Estimating the impact of the 2006/07 package of reforms to HE funding," presented to the Department for Business Innovation and Skills, 19th January 2010.

The authors also consider the impact of the 2006/07 student finance reforms compared to the 2003/04 system depending on the socioeconomic characteristics of students relative to the counterfactual. The results indicate *overall* impact of the reforms were **neutral** for all income groups.

Table 1: Predicted effect of 2006/07 higher education reforms compared to 2003/04 HE student support regime by socioeconomic group	
	Overall impact
Low-income	-0.009
Medium Income	-0.003
High-income	0.021

International evidence

A detailed econometric analysis of the impact of tuition fees on university education in the United States was undertaken by Card and Lemieux (2000) who illustrate that increasing tuition fees have a negative impact on enrolment rates, but that this impact was modest. Specifically, they estimate that even a 25% increase in in-state tuition fees would only lower the enrolment rate amongst 18 year-olds (male and female) by 0.90 percentage points.[14] Interestingly, the authors found evidence of a differential gender effect of tuition fees in the 19-21 age-group. Whilst the impact is still modest for each, the effect of tuition fee increases was found to be substantially larger for female students than male students. A 25% increase in tuition fees was estimated to decrease the proportion of 19-21 males in higher education by just 0.28 percentage points, whereas the same change lead would lead to a fall in the proportion of females enrolled by 0.95 percentage points. For both men and women, the modest magnitude of these impacts may be explained by the fact that in-state fees tend to be low relative to out-of-state and private fees, and that tuition fees represent only part of the total cost of participating in higher education. The reason for the difference between men and women is not entirely clear, however, may be due the fact that women earn less over their lifetime, and higher tuition fees may be expected to have a greater deterrent effect than for higher earning men.

In another earlier study, Kane (1994) finds that a $1,000 increase in the net cost of college (tuition fees less the Pell Grant (only available for students from the poorest households in the US)) decreased the likelihood of higher education enrolment for black high school graduates by 5 percentage points (from .45 to .40), evaluated at the mean characteristics).

Similar results were found by Winter-Ebmer and Wirz (*2*002) who use data from 14 European countries to investigate the impact of public funding on enrolment into higher education over the period 1980-1996 (*controlling for country fixed effects*). The authors find that a 1%

[14] The research considered tuition fees for in-state students at 'lower-level' state colleges and universities only.

increase in public funding of *education in general* increases male enrolment by almost 1%, although no additional impact of funding for higher education specifically can be detected in the model. In addition, the authors illustrate that the presence of tuition fees reduce enrolment by up to 40% – although there is no evidence presented in relation to the *marginal* impact associated with increasing the tuition fee.

Widening participation and other measures of attendance

In addition to the work that has been undertaken in relation to the impact of tuition fees on enrolment rates at the point of college entry, some further studies have been concerned with different measures of participation. With a slightly different focus, research was also carried out by Paulsen and St. John (2002) who revealed that college costs were an important factor in determining whether to attend university, but also in relation to choosing which higher education institution for low-income students in the US. Moreover, they argue that low-income student behaviours whilst at college are also fundamentally different from those behaviours exhibited by middle class students. The authors found that for a $1,000 increase in tuition fees the probability of *persistence*[15] for low-income students fell by approximately 16%. In addition to the fact that low-income students usually attended public universities and have higher drop-out rates, the analysis also found that low-income students were more likely to live off-campus, which was not a case for students from high-income backgrounds. This indicates that any increase in cost of higher education may have an adverse effect on low-income participation as it limits the choice of poorer students.

Supporting results were found by Davies *et al.* (2003) who showed that financial problems were the second most important reason for not completing university education. An increase in college costs was also found to be a significant factor determining the participation of youth black population in higher education in the US (Kane, 1994). Kane (1994) found that an increase in education costs reduced participation in higher education by one third among youth black population in 1980's. Similar results were found to apply to white youths from low socioeconomic backgrounds, where an increase in tuition fees also had an adverse impact on enrolment into higher education institutions.

In the United Kingdom, the study by Galindo-Rueda *et al.* (2004) showed that the introduction of up-front tuition fees accompanied by the provision of sizeable interest-free loans in the UK in 1997 did not widen the gap between students from relatively well off and less well off backgrounds. Although the original intention of the reforms was to ensure that students from better off backgrounds contributed more for their university education, higher education participation among students from better-off neighbourhoods increased more than students from low-income neighbourhoods after the changes. However, this is not to suggest that the student reforms introduced in 1998 were responsible for the widening gap in participation between the less well off and middle-income households. The authors conclude that the widening of the gap seemed to be part of a long run trend following the reclassification of the former polytechnics in 1992 rather than determined by the introduction of tuition fees.

[15] Persistence is defined as the probability of remaining in university on yearly basis or completing the qualification in their final year

Callender (2003) found that introduction of tuition fees in the UK in 1998 caused a decline in subsidies to high-income students by only 2.5% compared to a reduction in subsidy to low-income students by as much as 35%, thus affecting disadvantaged students significantly more than those that were not in need of external subsidies. The research argues that the primary reason for this removal of support amongst low-income students was that under the 1998 higher education reforms, they were obliged to take loans in order to finance their education, which was not the case before the change in the system when grants were available. This in turn substantially increased their cost of education and thus *asserts* that this might have had a negative impact on their enrolment decisions.

3.4 Student support and participation

Grants, bursaries and participation

The impact of student aid (grants and bursaries) systems on participation in higher education has also been extensively studied. As illustrated in the previous section, in most cases, the impact of grants and bursaries on enrolment and completion have been found to be positive, thus enhancing participation in higher education. In this section, we present a summary of some of the results of these international analyses.

In the United States, Dynarski has estimated the impact of two important policy changes on university enrolment. The first study focused on the impact of the *cessation* of tuition benefits associated with the Social Security Student Benefit Programme while the other evaluated the effect of the Hope Scholarship program in Georgia.

In the first case, Dynarski (2001) examined the removal of the Social Security Student Benefit Programme[16] and found that the additional payments increased college entry dramatically amongst eligible students (by approximately 24 percentage points). Dynarski calculated that the value of the benefit program had been roughly $6,700 (in 2001 prices, (£4,058)), which equates to an impact of 3.6 percentage points per $1,000 (£606) change in financial resource available. In addition to entry rates, the paper also illustrated that the removal of this program resulted in a reduction in the probability of higher education completion by 15 percentage points and in a reduction in the average amount of schooling of previous recipients by around 8 months.

The second study by Dynarski (2000), evaluating Georgia's HOPE Scholarship and university enrolment in Georgia relative to other southern states in the US, illustrated that the introduction of the student support program had a large impact on higher education attendance rates (enrolment) amongst young people from middle and high-income

[16] Under this program, children with a deceased, retired or disabled father received financial aid up to the age of 18 – or 22 if studying in higher education.

households but little effect on students from lower income households[17]. Having estimated the approximate benefits associated with the programme to be in the region of $1,500-$2,000 (£908 - £1212), it was estimated that the introduction of the program increased the likelihood of the attendance in higher education by between 7 and 8 percentage points. The results of her study suggested that an increase in aid available to students by $1,000 (in 1998 prices (£606)) would result in an increase in the college attendance rate by approximately 3-4 percentage points.

In a later paper, Dynarski (2005) showed that scholarship programs (broad-based merit aid programs that are open to students with solid but not exemplary academic records) increase the number of young people with university degrees by between 3 and 4 percentage points. In addition, the share of non-white and Hispanic women attempting or completing any years of college increased by between 6 and 7 percentage points, respectively. The merit based scholarships programs were also found to improve the *persistency* or annual completion rates for undertaking higher education among students. In particular, it was found that student aid programs increase the probability of higher education completion by five to eleven percentage points. Similar results were found by Bettinger (2004).

Similar results were found by Van der Klaauw (2002) who analysed East Coast College's aid program and its impact on students' enrolment decisions. He found that elasticity of college enrolment with respect to program aid was equal to 0.86 for those that were eligible to apply for federal student aid programs. In other words, if the level of grant aid increased by 10%, the enrolment rate amongst those students that were eligible for the financial assistance would be expected to increase by 8.6%. In addition, for those students that were *not* eligible for financial aid, the elasticity was found to be equal to 0.13, implying that a 10% increase in the level of financial aid made available also increased their probability of enrolling. Clearly, this result is driven by the fact that the enrolment rate of those students eligible for the financial aid is significantly more sensitive that for those students not eligible for assistance.

Similarly, Linsenmeier (2006) analysed the change in student support system at the Northeastern University (NEU) in 1998. The change in the university's financial aid program involved replacement of loans by grants for students from low-income backgrounds[18]. They found that program reform increased the likelihood of participation in higher education among students from disadvantaged backgrounds by 3 percentage points, however the effect was found to be statistically insignificant. The effect among low-income minority students was found to be statistically significant and amounted to an 8 to 10 percentage point increase in the likelihood of participation. Assuming the mid-point of these estimates in relation to the actual value of the loan, the analysis implies that for students from disadvantaged

[17] Although the result appears counter-intuitive, part the reason for the impact of the programme had such a significant impact middle income and high income households was that the programme was specifically targeted on middle income households thought he provision of tax-breaks.

[18] To put these estimates in perspective, in 2000, the average financial assistance provided to those enrolled students in receipt of aid was approximately $17,800 (£10,781). The conversion of loans to grants policy resulted in students receiving the same volume of financial aid though $4,000 (£2,423) in loans was converted to grants. In the same paper, the authors assess the impact on the returns to qualifications associated with the conversion of loans to grants under alternative assumption in relation to the relative value placed on loans and grant. The authors assume that students value the loan at between 0.25 and 0.50 the face value of the loan – equivalent to between $1,000 and $2,000 (£606 and £1,212).

backgrounds, the impact of an increase in financial assistance of $1,000 (£606) was approximately 2 percentage points, while for low-income minority students, additional financial assistance of $1,000 (£606) increased enrolment by approximately 6 percentage points (where the average cost of attendance was approximately $32,000 in 2000 (£19,381))[19].

Similarly, Kane *et al.* (2003) found that students who applied and obtained CalGrant were approximately 4.2 percentage points more likely to enter higher education (where the average size of the support was $3,609 (£2,186). Translating this into a format that allows for comparison with other studies, this analysis indicates that recipients were 1.2 percentage points more likely to attend higher education institution per $1,000 (£606) additional student support. The analysis also suggests that recipients of a Cal Grant (version A) were 3 - 4 percentage points more likely to enrol in college.

The positive impact of student subsidies on enrolment was also found for the District of Columbia Tuition Assistance Grant Program (DCTAG) introduced in 1999. DCTAG aid program allows students from the District of Columbia to attend public universities in other (neighbouring) states with lower tuition rates. Abraham and Clark (2006) found that enrolment of recent secondary graduates rose by 1.14 percentage points for every $1,000 (£606) of tuition fee grant aid, between 1998 and 2000.

Given the direct positive and large impact of student aid programs on participation in the US, the results of similar studies provided alternative conclusions in other countries. For example, the student aid system reform in Germany in 2001 is said to have improved the eligibility criteria for students as well as increased average aid available by approximately 10%. Those changes were expected to increase participation among students from lower socioeconomic backgrounds. However, the study by Baumgartner (2006) showed that improvements of BAföG system in 2001 were found to have relatively small positive impact on participation. The improvements introduced new eligibility rules in 2001 that increased the level of support for the basic allowance on parent's income and the defined maintenance need by roughly 20% and 6%, respectively (amounting to approximately 10% per student in real terms). This change increased both the amount of student aid for those already eligible to BAföG before the reform and the number of eligible students. The impact of the reforms resulted in only a 1.5 percentage point increase in participation (the average transition rate into tertiary education of those eligible for BAföG increased from about 64% to about 65.5%).

Alternative results were found by Steiner (2008) who also focused on the impact of BAföG funding on participation. He found that monthly amount of student support has a positive impact on participation. Namely, increase in BAföG by €1,000 (£899) per year (half grant and half loan with zero real rate of interest) resulted in a 2 percentage point increase in probability of entering higher education. Similarly, the growth in parental earnings by the same amount affects participation likelihood by just 0.5 percentage points. This is a significant result, as it

[19] Reyes (1995) examined what impact subsidized loans had on the enrolment rates of middle- and upper-income students, finding that a $1,000 (£606) increase in the value of loan subsidy increases college attendance by just 1.5 percentage points.

implies that a more generous student aid system (i.e. the depth of the student support available) has more of an impact on participation than widening the eligibility of financial assistance (i.e. the breadth of the financial assistance available). Also, the impact of BAföG student aid system has positive impact on participation, but its magnitude seems to vary depending on the study.

A final study of European student aid system illustrates a smaller impact of student aid programs on participation in tertiary education. The study by Nielsen *et al.* (2008) analysed the student subsidies program reform in Denmark in 1988[20]. The analysis concludes that the availability of student aid increases enrolment to higher education institutions, but this increase is smaller than the ones found for US programs. They found that for every $1,000 (£606) increase in subsidy (equivalent), enrolment increases by 1.35 percentage points. This is a lower effect than the one found by Dynarski (2000); however, it is argued that the underlying lower elasticity of enrolment with respect to student aid program results from the fact that other large student subsidies were already in place in Denmark. Loans and participation

The impact of student loans on participation in higher education has been analysed in the literature. In addition to the work of Dearden *et al.* (2010) in relation to the UK and Linsenmeier (2006) relating to the US, the most analysed system of student loans is the Australian Higher Education Contribution Scheme (HECS), which was established in 1989 and reformed in 1996/97.

The fundamental change in the funding of higher education brought about by these reforms involved the introduction of tuition fees in Australian higher education institutions combined with the provision of loans to cover these additional costs. In 1989, a fee of AUS$1,800 (£996) was introduced and levied on all students (with the Commonwealth of Australia paying the remaining cost) and repaid as an income contingent loan through the tax system. The 1996 reforms involved the introduction of a three tier banding of subjects (resulting in an average increase in fees of 40%) and allowing universities to charge fees to those students missing out on Commonwealth supported places.

The impact of these two policy interventions on participation have been the focus for many researchers and some of these findings are reviewed in the subsequent paragraphs. The decision to participate in higher education may be seen as an investment decision based on the expected rate of return. One piece of research by Chapman and Ryan (2003) analysed the internal rates of return (IRR) to higher education[21] over a time period including the initial introduction of HECS and the review of the system in 1996/97. They found that the

[20] The reform of the Danish student aid scheme was implemented for the college cohort starting September 1988 and consisted of two major changes: it eliminated the means-testing and most importantly, it raised the level of grants by more than 25% for all students above 19 years of age. The change in subsidy varied across parental background. After the reform, educational subsidies universally covered almost all students throughout their college education at a generous level.

[21] The internal rate of return is the interest rate (or discount rate) for which the present value of the benefits associated with qualification attainment exactly equals the present value of the costs associated with qualification attainment. In this example, the benefits considered might include the after tax enhance earnings associated with qualification attainment or the interest rate subsidies that might be available as a student, while the costs might include the tuition fee for the course and the opportunity cost associated with giving up 3-4 years of earnings in the labour market.

introduction of HECS *reduced* the internal rates of return for both women and men; however, the declines were not large - ranging from -0.8 to -1.5 percentage points for men (from a pre-HECS IRR of 14.6%) and -0.5 to -1.3 percentage points for women (from a pre-HECS IRR of 13.9%).

However, there were some important effects depending on the personal characteristics of the students in question. Specifically, the socioeconomic composition of the student body changed considerably with the main change being the increase in the proportion of students from middle class backgrounds (especially women) and the stagnation of enrolment rates for students from poorer backgrounds. Extending this finding to the decision to participate in higher education, the fact that internal rates of return did not vary substantially with the introduction of the HECS system meant that the introduction of a new loan scheme alongside the introduction of differential tuition fees need not have a significant impact on the overall demand for higher education – if structured appropriately. Similar results were found by Borland (2001) and further evidence is provided by Chapman (1997) who found that the introduction of HECS did not affect participation of students from disadvantaged backgrounds.

Many studies have focused on overall application and entry rates of the Australian system. In another early paper, Andrews (1997) found that the introduction of HECS in 1989 decreased application rates to tertiary education, but that the 1997 changes did not affect application rates (although this might be expected given the relative familiarity of the system by 1997).[22]

In conclusion, Australian research findings indicate that although participation was increased among middle-income groups, HECS did not adversely affect participation among students from lower socioeconomic backgrounds.

In the United Kingdom, there is a paper that modelled the entire reform of student support proposed for introduction in 2006. PricewaterhouseCoopers (2005) investigated the economic returns to higher education qualifications in science related subjects on behalf of the Royal Society of Chemistry. Using data from the Quarterly Labour Force Surveys, the economic costs and benefits associated with education to undergraduate degrees were calculated. The benefits were assessed by considering the enhanced earnings and employment outcomes associated with obtaining a degree, taking into account a variety of other contributory factors (such as age, gender, region of residence etc). The analysis also considered the alternative costs associated with undertaking higher education including the direct and opportunity costs associated with attendance.

The analysis estimated the individual rate of return associated with attaining undergraduate degree level qualifications under the up-front fee system existing in England prior to 2006 and the differential top-up fee mechanism introduced in 2006. The analysis found that under the

[22] However, these findings were later contradicted by Aungles *et al.* (2002) who argued that the introduction of the HECS system in 1989 did not influence the number of school leaver's applications to higher education institutions, and that the 1997 system change negatively influenced the amount of applications. The primary reason behind the difference in results of the two papers is that former study examined the change in the application rate whereas the latter focused on the level of applications.

up-front fee system, the individual rate of return to the *average* degree holder was 11.0% per annum. This compared to an individual rate of return of 12.1% per annum under the reformed system (as proposed at the time). The findings implied that despite the increase in fees, the individual rate of return *increased* following the imposition of differential tuition fees. This apparent anomaly is as a result of the fact that alongside the introduction of fees, there were even more significant changes in the system of student support (i.e. reintroduction of maintenance grants, an increase the size of the subsidised loans, and an increase in repayment thresholds etc).

Only a limited number of studies have been undertaken in other countries. One recent study by Konečný and Matějůs (2009) showed that although the participation of Dutch students from lower socioeconomic background in higher education was increasing before the introduction of tertiary education financial reform in 1986, the subsequent increase in participation of disadvantaged students might have been caused by the introduction of substantial levels of direct student support, as other factors determining participation remained constant[23]. In addition, the authors have suggested that the substantial financial support has led students to select their preferred institutions rather than the one that might financially reflect their circumstances.

3.5 Summary of evidence

A summary of this information is in Table 2 overleaf.

[23] Until the mid 1980s, student support in the Netherlands remained limited to small bursary and loan programmes and financial support consisted mainly of tax benefits and family allowances for students' parents. In 1986, a new and relatively generous system of student aid was implemented by the Student Finance Act (WSF). This system transformed all indirect support, such as tax benefits and family allowances, into direct financial support to students themselves. As described later in this report, the system is still largely in place and its main features include a basic grant for all full-time students, a means-tested supplementary grant for a limited number (about 30%) of students, voluntary loans with a below-market interest rate, parental contributions and students' own income. The parental contributions are strongly interrelated with the (parental) means-tested supplementary grants and loans. Students' income can reach in excess of €10,000 per annum (in 2006) before a student starts being disqualified from receiving any of their grant entitlements

Table 2: Summary of evidence of the impact of tuition fees and student support arrangements on participation				
Author	**Object/subject**	**Variable**	**Change**	**Impact***
Public funding				
Winter-Ebmer and Wirz (2002)	Male enrolment	Public funding of HE	1% ↑	↑ c. 1% enrolment
Tuition fees				
Dearden, Fitzsimons and Wyness (2010)	Participation	Tuition fees	£1,000 p.a.↑	↓ 4.4 pp enrolment
Paulsen and St. John (2002)	Low income students	Tuition fee	$1,000 p.a.↑	↓16% persistence
Kane (1994)	Black students	Tuition fee less grant	$1,000 p.a.↑	↓5 p.p. enrolment
Grants and bursaries				
Dearden, Fitzsimons and Wyness (2010)	Participation	Grants	£1,000 p.a. ↑	↑ 2.1 pp enrolment
Dynarski (2001)	Social Security Student Benefit recipients	Student benefits	$1,000 ↓	↓3.6 p.p. enrolment
Dynarski (2001)	Social Security Student Benefit recipients	Student benefits	$1,000 ↓	↓15 p.p. completion
Dynarski (2001)	Social Security Student Benefit recipients	Student benefits	$1,000 ↓	↓schooling (8 months)
Dynarski (2000)	Georgia's HOPE Scholarship	Student support	$1,000 ↑	↑3-4 p.p. enrolment
Dynarski (2005)	University students	Scholarships	Availability	↑3-4 p.p. attainment
Dynarski (2005)	Non-white and Hispanic women	Scholarships	Availability	↑6-7 p.p. enrolment
Abraham and Clark (2006)	DCTAG	Tuition fee grant aid	$1,000 ↑ p.a.	↑1.1 p.p. enrolment
Kane (2003)	CalGrant	Student support	$1,000 ↑	↑1.2 p.p. enrolment
Nielsen *et al.* (2008)	Denmark Student Aid	Student support	$1,000 ↑	↑1.4 p.p. enrolment
Linsenmeier (2006)	Northeastern University – low income students	Conversion of loan to grant	$1,000 conversion	↑2 p.p. enrolment
Linsenmeier (2006)	Northeastern University – low income BME students	Conversion of loan to grant	$1,000 conversion	↑6 p.p. enrolment
Reyes (1995)	Middle- and upper-income students	Loan subsidy	$1,000 ↑	↑1.5 p.p. enrolment
Van der Klaauw (2002)	East Coast College Aid	Grant	10% increase in value	↑8.6% enrolment
Student loans				
Dearden, Fitzsimons and Wyness (2010)	Participation	Loans	£1,000 increase	↑ 3.2 pp enrolment
Baumgartner (2006)	Germany BAföG support	Student support	10% increase in value	2.3% ↑ in enrolment (64% to 65.5%).
Steiner (2008)	Germany BAföG support	Student support	€1,000 ↑	↑2.0 p.p. enrolment
Steiner (2008)	BAföG (Germany)	Parental earnings	€1,000 ↑	↑0.5 p.p. enrolment
System reform				
PricewaterhouseCoopers (2005)	Return to higher education	Support reform	↑ tuition fees, ↑grants, loans, thresholds	↑1.1 p.p. individual rate of return (11.0% to 12.1% per annum)

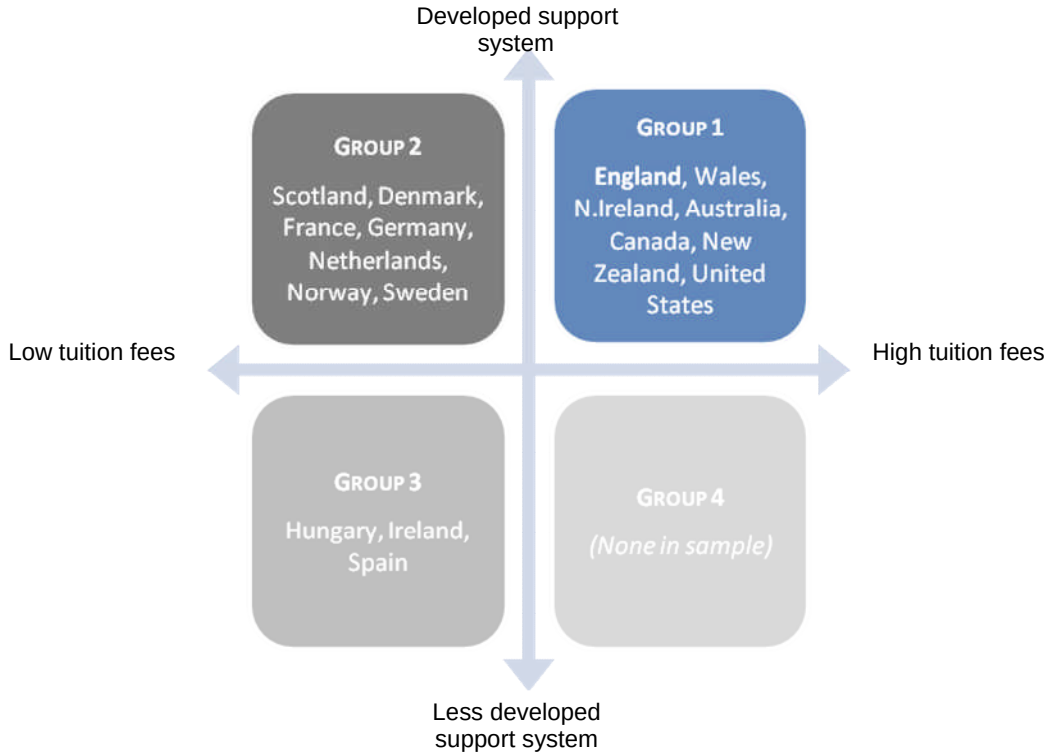
Table 2: Summary of evidence of the impact of tuition fees and student support arrangements on participation				
Author	**Object/subject**	**Variable**	**Change**	**Impact***
Konečný and Matějůs (2009)	Low income students	Support reform	Introduction of direct support	↑ participation
Konečný and Matějůs (2009)	Students from lower socioeconomic backgrounds	Support reform	Introduction of direct support	Course choice not determined by finance
Dearden, Fitzsimons and Wyness (2010)	Participation overall compared to the counterfactual	Support reform	Introduction of up-front tuition fee; replaced grants with mortgage loan	↔ participation overall
Chapman and Ryan (2003)	Women and men	HECS introduction	Introduction of tuition fees and loans	↓ IRR: Men ↓ 0.8 p.p.; Women: ↓ 0.5 p.p.
Chapman and Ryan (2003)	Women and men	HECS reform	Fee increase, differential fees	↓ IRR: Men ↓1.5 p.p.; Women: ↓ 1.3 p.p.

4 Summary description of differences in student support arrangements

4.1 Introduction

In this section, we consider three different groupings of countries based on our assessment of the relative size of the tuition fee imposed on students and the degree of development or sophistication associated with the student support arrangements. Although the primary focus of the analysis is the consideration of the development of the student support arrangements, we also consider the relative generosity of the student support arrangements as it is not necessarily the case that the two concepts are perfectly aligned. In Figure 5, we provide our assessment of the characteristics of the fees and student support arrangements in the various jurisdictions under consideration.[24]

Figure 5: Matrix of characteristic-based groupings: Tuition fees Vs. Development of support system



Source: London Economics

[24] For the purposes of this analysis, we have assumed a binary divide in relation to the level of fees. Countries where tuition fees are in excess of £1,500 are assumed to have *high* fees while countries with annual tuition fees of less than £1500 are assumed to have low fees.

4.2 Group-wise comparative analysis of student support arrangements

4.2.1 Group 1: Countries with a high level of tuition fees and well developed student support systems

Group 1 consists predominantly of Anglo-Saxon countries including Australia, Canada, New Zealand, the United Kingdom (excluding Scotland) and the US.

In general, the relatively high level of tuition fees may represent a barrier for entry to undergraduate degree level qualifications; however, significant public subsidies are generally provided to students (though often means-tested and highly targeted on the least well off students). It is noteworthy that the average entry rate to tertiary-type A[25] education for this group of countries[26] is approximately 71%, which is above the OECD average and higher than most countries with low levels of tuition fees (see Table 3 overleaf for some additional information on the educational attainment and public and private expenditure on higher education).

[25] Tertiary Type A programmes (ISCED 5A) are largely theory-based and are designed to provide sufficient qualifications for entry to advanced research programmes and professions with high skill requirements. Tertiary-type A programmes have a minimum cumulative theoretical duration (at tertiary level) of three years full-time equivalent. Tertiary-type B programmes (ISCED 5B) are typically shorter than those of tertiary-type A and focus on practical, technical or occupational skills for direct entry into the labour market, although some theoretical foundations may be covered in the respective programmes. They have a minimum duration of two years full-time equivalent at the tertiary level.

[26] Excluding Canada for which no information is available and including the entire United Kingdom

Table 3: Group 1: Summary of educational outcomes across jurisdiction								
	Key	OECD Average	Group 1 average	United Kingdom (England, Wales, Northern Ireland)	Australia	New Zealand	United States	Canada
Proportion population 25-64 with tertiary education (B,A)	%	9, 20	14, 26	9, 23	10, 24	16, 25	9, 31	24, 25
Tertiary-type A net entry rates (2000)	%	47	61	47	59	95	43	-
Tertiary-type A net entry rates (2007)	%	56	71	55	86	76	65	-
Tertiary-type A completion rate	%	69	68	79	72	58	56	75
Expenditure (primary level) – per capita PPP	£	3,899	4,346	4,683	3,822	2,999	5,880	
Expenditure (secondary level) – per capita PPP	£	4,849	5,100	5,307	5,269	3,660	6,554	4,708
Expenditure (tertiary level excluding R&D) – per capita PPP	£	5,121	7,585	5,883	6,046	4,851	13,557	
Expenditure (tertiary education as a proportion of GDP, 2006)	%	1.4	2.0	1.3	1.6	1.5	2.9	2.7
Expenditure (all education as a proportion of GDP, 2006)	%	5.5	6.3	5.9	5.7	6.3	7.4	6.5
Proportion of public expenditure in tertiary education, 2006	%	72.6	52.6	64.8	47.6	63.0	34.0	53.4
Household expenditure in tertiary education, 2006	%	-	-	26.6	35.8	37.0	36.3	22.2
Index of public expenditure in tertiary education, 2000-2006	*	125	126	138	122	131	133	108
Index of private expenditure in tertiary education, 2000-2006	*	187	140	157	139	-	117	148

Tuition fees

There is significant variation in the level of fees charged and the manner in which fees are set across jurisdiction. In England, Wales and Northern Ireland, the maximum fee is both capped and regulated. In other words, the fee is capped by the government at £3,225 with higher education institutions allowed to set the fee at any level at or below the maximum. The fee setting is subject to an agreement in relation to access made with the university access regulator if the fee set is in excess of the maximum fee that would have existed in the absence of the introduction of top-up fees[27]. Fees are adjusted by the nominal inflation rate annually.

Although higher education institutions in Australia and New Zealand are allowed to charge any fee subject to a cap, undergraduate subject areas are classified into different bands – determined by the government. These bands are based on the perceived costs associated with provision (to ensure a consistent contribution from students); the likely economic rewards associated with different degree level subjects; and the national priority subject areas. The maximum fees that can be levied off students stand at AUS$8,859/NZ$10,067

[27] The responsibility for the regulation of university access across England and the Devolved Administrations are outlined in the 2004 Higher Education Bill,

(£4,900/£4,416) for medicine/dentistry type degrees in Australia and New Zealand respectively compared to AUS$5,310/NZ$3,925 (£2,937/£1,722) for typical degrees in social sciences, arts and the humanities. Students in Australia receive an automatic discount of 20% off their tuition fee if paid up-front. If the decision is taken to defer the fee, the loan amount is equivalent to the full *sticker price* of the course.

In Canada and the United States, tuition fees are levied by individual institutions in all cases (with the exception of Quebec, where residents do not have to pay any tuition fee if attending a higher education institution in that Province). There is no maximum fee and higher education institutions are free to set any fee considered appropriate. For the 2009/10 academic year, average tuition and fees in the United States ranged from US$5,930 (£3,592) at public universities to US$32,349 (£19,592) at private doctorate-granting universities. The average *published* price of an undergraduate degree at a private higher education institution was US$24,040 per annum (£14,560) compared to US$14,174 (£8,585) at a public institution. The average tuition fee in Canada – across all states and all courses - stood at CAN$4,917 (£2,781).

Grants and bursaries

Students in England, Wales and Northern Ireland are eligible for non-repayable grants from the government. In England and Wales, the maximum maintenance grant stood at £2,906 per annum in 2009/10 compared to £3,406 per annum in Northern Ireland. Compared to England, students in Wales also receive an additional fee-grant of £1,940 per annum (which is not means-tested – thereby reducing the effective tuition fee to the level that existed prior to the 2006 reforms).

The basic maintenance grants in England, Wales and Northern Ireland are all means-tested, though the thresholds and tapers vary considerably across jurisdiction. In England, students from households with an annual income of less than £25,000 are eligible for the full maintenance grant, with a partial grant available to students with a household income of approximately £50,000. Based on information from an ONS Statistical First Release, 40% of students in England were in receipt of the full maintenance grant with an additional 29% of students receiving a partial grant.

In Wales (Northern Ireland respectively), students from households with an income of less than £18,370 (£18,820) are eligible for the full maintenance grant; however, students with household incomes exceeding £39,329 (£40,238) receive no grant support. In addition to these maintenance grants, students from England receiving the maximum maintenance grant who attend universities in England charging the maximum fee, can also expect a mandatory bursary form the higher education institution equal to the difference between the fee charged and maximum grant, thereby covering the entire tuition fee.

Following the recent changes to the Australian system of student support, students in Australia (from January 2010) are now eligible for Student Start up Scholarships (replacing the Commonwealth Education Costs Scholarship). These scholarships are available for four

years of full-time study (or part-time study at more than 74% FTE) and are worth AUS$2,254 per annum (£1,247). In addition, students are now eligible for the Student Relocation Scholarship (replacing the Commonwealth Accommodation Scholarship) and is worth AUS$4,000 (£2,213) in the first year of study and AUS$1,000 thereafter (£553). Both of these grants are means-tested and are available to students in circumstances where their household income is less than AUS$42,559 (£23,542). Students in Australia under the age of 25 are also eligible to receive income support (Youth Allowance). The maximum Youth Allowance payment is currently AUS$234 (£129 per fortnight), however, this is increasing to AUS$400 (£221) per fortnight in 2012. As with the grants available to students, these allowances are means-tested. The maximum allowance is available to those students with a household income of less than AUS$42,559 (£23,542). Allowances increase depending on the personal circumstances of the individual (e.g. dependent children etc) and tapers out as household income increases in a ratio of 1:4 (for dependent students) and approximately 1:2 (for independent students).

In a system similar to that in Australia, New Zealand also offers a relatively similar system of student support (though slightly less generous). The Student Allowance is available for up to 200 weeks at a minimum rate of NZ$127 per week (£56). Students from households with an income of NZ$50,318 (£22,073) are eligible for the entire amount of student support with no allowance available to students living away from home from households with an income in excess of NZ$85,017 (£37,295). In addition, students receive an accommodation bursary of up to NZ$40 per week for a 32 week period (£18). This accommodation bursary is means-tested and is removed on a 1-for-1 basis if a student's personal income exceeds NZ$192 per week (£84).

The Government of Canada offers a number of non-repayable grants to students from low-income households. The *Canada Student Grant for Persons from Low-Income Families* provides up to CAN$3,000 per annum (£1,697) for three years undergraduate study. The income threshold depends on the Province in which the individual is resident, as well as the number of dependent children. The average household income necessary to receive the entire grant (across all provinces) for a student within a 2 dependent child household stands at CAN$26,252 (£14,848). Some Provinces offer additional student financial assistance (Quebec, the Northwest Territories and Nunavut). There are also smaller grants available to students from middle-income households. Up to CAN$1,200 (£679) per annum is available to middle-income students (CAN$51,533 (£29,148)) on average from households with 2 dependent children (across all Provinces). Additional annual grants are available to students with dependents and those with disabilities.

Finally, in the United States, students are eligible to receive Federal Pell Grants for the duration of their undergraduate studies. These Pell Grants are up to US$5,350 per annum (£3,240). It is estimated that Pell Grants cover approximately 30% of the cost of attendance at university. In 2005/06, students with family incomes of less than US$20,000 (£12,133) accounted for 57% of Pell grant resources.

Comparing the various jurisdictions in terms of grants alone, Australia appears to have the most generous system, followed by Wales, England and Northern Ireland and New Zealand. Canada and the United States (both at the Federal level) have the least generous systems, both in terms of the amounts available and the household income levels for which those grants are available. However, there may be some significant variation in the nature of student support at individual State-wide or Province-wide level in the US and Canada respectively.

Loans for fees and maintenance

In England and Northern Ireland, loans are available to cover the full amount of the fee imposed by the higher education institution (up to £3,225). In Wales, the loan available is reduced by £1,940 as a result of the additional grant provided to Welsh students studying in Wales. These fee loans are not means-tested.

Students in England, Wales and Northern Ireland are also offered means-tested loans to cover maintenance expenses. These maintenance loans depend on whether the student is living at home or away from home, and in London or outside London. In all three jurisdictions, approximately 75% of the loan is **not** means-tested (the minimum loan). In England, at household income levels below £25,000, the minimum loan is available. In England and Wales, as household income increases (and grant eligibility falls), loan availability increases. The availability of loans reaches a maximum when household income reaches £50,778 (£39,793 in Wales). Beyond this point, for every £5 increase in household income (£9 in Wales), loan availability drops until the minimum loan is reached. According to Student Finance NI, in Northern Ireland, the maximum loan is available to students with household incomes of £40,239 and tapers out gradually until income levels reach approximately £50,000.

Both the loan for fees and maintenance attract a zero real rate of interest; are income-contingent; have a repayment rate of 9% over and above the threshold for repayment (£15,000); are written off in the case of death, serious disability or 25 years after the completion of study; and have an option to defer repayments for 2 years.

In Australia, HECS-HELP is available to domestic students in a Commonwealth supported place. For Commonwealth supported places, the national government subsidises tuition fees and provides a loan (at no interest) to the student for the remainder. The system applies to both full-time and part-time studies. For Commonwealth supported places the student can elect to repay their loan (their contribution) in full up-front, and in this case will receive a 20% discount on the total loan. Part-payments of $500 (£277 minimum) are also possible and in this case the student will receive 20% of the amount repaid. For students that elect to keep the loan, they will receive no discount, but do not start re-paying the loan until their taxable income is $41,595 per annum (£23,009). They then begin re-paying an increasing proportion of their total income (ranging from 4% to 8% in 0.5% increments). The re-payment is automatically deducted from taxable income by their employer.

Students in New Zealand are entitled to fee loans to cover the entire tuition fee (up to NZ$10,067 (£4,416). Students are also offered a course-related loan provided by the government. The maximum amount of this loan is equal to NZ$1,000 per annum (£439). The government also provides living expenses loans that amount to $5,130 (£2,250) annually (per 32 week course) *less* any Student Allowance. The living expenses loan is means-tested. Loans attract a zero real rate of interest if the individual is resident in New Zealand for more than 183 days per annum and a nominal rate of 6.8% per annum otherwise[28]. The fee, course and living expenses loan are income contingent and repayment commences at very low-income levels (NZ$19,084 (£8,372)). Repayment rates are 10% of income in excess of the repayment threshold. There are repayment bonuses associated with early repayment (10%), as well as penalties associated with late repayment (1.5% on amounts in excess of NZ$333 (£146)). Loans are written off in the circumstances of death and bankruptcy. Student Loans are available to part-time students studying more than 32 weeks per annum, in which case they are able to access the tuition fee and course-related costs elements of the Student Loan Scheme (not living expenses). Part-time student enrolled for fewer than 32 weeks in a programme of study are able to access the tuition fee component of the Student Loan Scheme only.

Canada Student Loans are provided by the Government of Canada in most provinces and territories to help students pay for university though there is a significant degree of variation in the delivery of student support depending on the Province[29]. The maximum loan available stands at CAN$71,400 (£40,385), equivalent to CAN$210 (£119) per week for a maximum of 340 weeks (or 60% of the *assessed need*[30]). Loans are mortgage style loans. Repayment commences 6 months after graduation and loans are expected to be repaid within 15 years. Students can select a fixed rate repayment schedule (Central Bank lending rate +5.00%) or floating rate repayment (Central Bank lending rate +2.50%). Loans are written off in the case of death, permanent disability and bankruptcy (not within 7 years of graduation). Interest relief is available under certain circumstances (such as the agreed repayments exceeding 20% of the repayer's income). A student can also receive up to three reductions (totalling up to CAN$26,000 (£14,706)) on their Canada Student Loan principal during their lifetime, depending on financial circumstances.

In the United States, there are a number of Federal Loans available to support students that are targeted on those with the greatest financial need. Some of those available directly from the government include the Federal Perkins loan (10 year mortgage style loan up to $5,500 per annum (£3,331) at a 5.0% nominal interest rate); the Subsidised Federal Direct Stafford Loan (10-25 year mortgage style loan up to $5,500 per annum (£3,331) at a 5.6% nominal

[28] Prior to 1 April 2007, if you earned less than the repayment threshold for the tax year, you were entitled to a base interest write-off. Also if the base interest charged on your loan was more than 50% of your repayment obligation, the difference in interest was written off. Source: http://www.ird.govt.nz/studentloans/guide/write-offs/.

[29] In British Columbia, Alberta, Manitoba, Nova Scotia, Prince Edward Island and Yukon, Canada Student Loans are available alongside provincial or territorial student financial assistance. In Saskatchewan, Ontario, New Brunswick, and Newfoundland and Labrador, the Government of Canada and the provincial government have partnered to provide financial assistance jointly through Integrated Student Loans. In Quebec, the Northwest Territories and Nunavut, Canada Student Loans are not available. These jurisdictions operate their own student loan programs.

[30] Loans issued through provincial programs will normally provide students with enough funding to cover the balance of their assessed need

interest rate); and the Unsubsidised Federal Direct Stafford Loan (10-25 year mortgage style loan up to $5,500 per annum (£3,331) at a 6.8% nominal interest rate).

In addition, some loans are available from private sector providers: the Subsidised FFEL (Federal Family Education Loan) Stafford Loan (10-25 year mortgage style loan up to $5,500 per annum (£3,331) at 6.0% (nominal) with 25 year write off); the Unsubsidised FFEL (Federal Family Education Loan) Stafford Loan (10-25 year mortgage style loan up to $7,500 per annum (£4,542) at 6.8% (nominal) with 25 year write off).

In most cases, there are loan origination or administration fees equal to 2% of the loan amount. In general terms, the interest on unsubsidised loans accrues from the moment the loans are drawn down, while there are grace periods associated with subsidised loans. In addition, for those students seeking to avail of subsidised loans, there is a need to demonstrate financial hardship. For unsubsidised loans, there is no requirement to demonstrate financial need. There are a number of repayment options associated with the loans. In general loans are written off in the case of death and permanent disability.

Even though the various countries selected as part of Group 1 are all considered to have well developed student support systems alongside relative high tuition fees, the approach adopted by the various countries and outcomes of the various systems are fundamentally different. Australia now has the most generous system of student support – though this is in part as a result of the recent review of higher education and the accession to power of a centre left government (and is not entirely reflected in Table 4). England, Wales, Northern Ireland and New Zealand offer a combination of grants and loans to a greater of lesser extent with differences in relation to the extent of eligibility for the different components of student support. For these countries, the contribution of the state to tertiary education stands at between 63% and 65% of the total costs associated with higher education provision (as presented in Table 4).

Finally, although the United States and Canada offer relatively small grants to students (and only to the most disadvantaged backgrounds), these countries both offer significant loan volumes to students – albeit attracting a relatively high nominal interest rates on the loan (relative to the United Kingdom). Despite this, the total level of resource per capita in tertiary education in the United States eclipses those other countries – standing at US$22,384 (£13,557) per capita compared to $9,714 (£5,883) in the United Kingdom, with the total state contribution being 34% of the total compared to approximately 65% in the UK. It is also interesting to note that (especially In the United States) there is greater private sector involvement in the provision of loans and the availability of loans runs all the way through undergraduate qualifications right through to doctoral qualifications. A summary of the student support arrangements is presented in Table 4 and Table 5 overleaf.

Table 4: Group 1: Summary of full-time student support arrangements

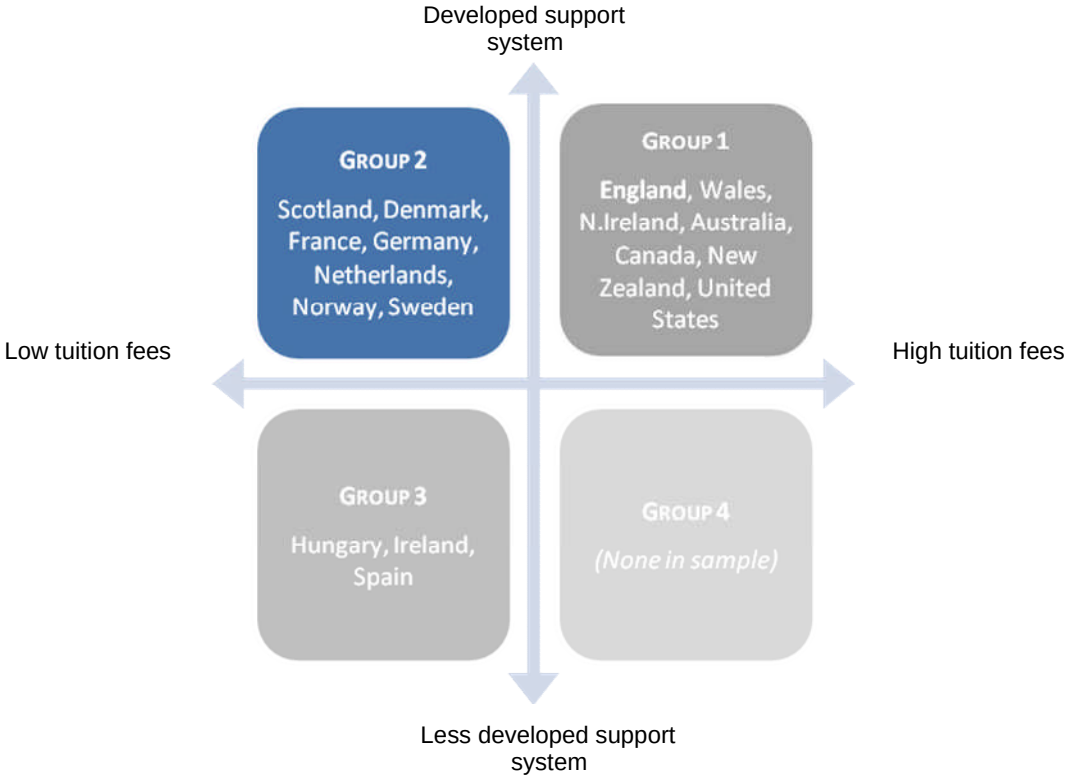
Support	Key	England	Wales	Northern Ireland	Australia	New Zealand	United States	Canada
Tuition fees	**(Y/N)**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**
Fixed/ Variable/Banded	(F/V/B)	V	V	V	B	B	V	V
Capped	(Y/N)	Y	Y	Y	Y	Y	N	N
Regulated	(Y/N)	Y	Y	Y	N	N	N	N
Up-front/ Deferred	(U/D)	U	U	U	U	U	U	U
Early Payment discount	(Y/N)	N	N	N	Y	N	N	N
Grants available (Fees/ Maintenance/Both/ None)	**(F/M/B/N)**	**M**	**B**	**M**	**M**	**M**	**B**	**B**
Means-tested	(Y/Part/N)	Y	N (F) Y (M)	Y	Y	Y	Y	Y
Mandatory HEI Bursaries	**(Y/N)**	**Y**	**Y**	**Y**	**N**	**N**	**N**	**N**
Means-tested	(Y/Part/N)	Y	Y	Y	-	-	-	-
Loans available (Fees/ Maintenance/Both/ None)	**(F/M/B/N)**	**B**	**B**	**B**	**F**	**B**	**B**	**B**
Means-tested	(Y/Partial/ N)	P (M) N (F)	P (M) N (F)	P (M) N (F)	N	P (M) N (F)	Sub (Y) Unsub(N)	Y
Geographic	(Y/Partial/ N)	Y	Y	Y	N	N	N	Y
Year of study	(Y/N)	Y	Y	Y	N	N	N	N
Subject of study	(Y/N)	N	N	N	Y	Y	N	N
Living Arrangements	(Y/N)	N (F) Y (M)	N (F) Y (M)	N (F) Y (M)	N	N	N	N
Converted to grants based on academic achievement	(Y/N)	N	N	N	N	N	N	N
Other sources of student support	(Y/N)	Y	Y	Y	Y	Y	Y	Y
Repayment characteristics	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan Characteristics	(IC/M/Opt)	IC	IC	IC	IC	IC	Opt	M
Repayment threshold	(£'000)	£15k	£15 k	£15k	£23k	£8.4	£12k^	0
Repayment rate above threshold	(%)	9%	9%	9%	4-8%**	10%	15%***	-
Options to defer (Number of years)	(Y/N/**V**aries)	Y (2)	Y (2)	Y (2)	Y	Y (3)	Y	Y
<u>Write off criteria:</u> Death	(Y/N)	Y	Y	Y	Y	Y	Y	Y
Work limiting disability	(Y/N)	Y	Y	Y	N	Y	Y	Y
Number of years post leaving	(years)	25	25	25	-	-	§	15
Age	(years)	-	-	-	-	-	-	-
Minimum monthly repayments	(Y/N)	N	N	N	-	-	-	N
Mandatory Repayment period	(years)	-	-	-	-	-	10/25	15
Real Interest rate	(%)	0%	0%	0%	0%	0%	5-8%*	2.5-5%~
Interest rate subsidy	(F/P/N)	F	F	F	F	F	P	P
Early repayment bonus	(Y/N)	N	N	N	Y	Y	N	N

Table 5: Group 1: Summary of part-time student support arrangements								
Support	**Key**	**England**	**Wales**	**Northern Ireland**	**Australia**	**New Zealand**	**United States**	**Canada**
Tuition fees	**(Y/N)**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**
Fixed/ Variable/Banded	(F/V/B)	V	V	V	B	B	V	V
Capped	(Y/N)	N	N	N	N	N	N	N
Regulated	(Y/N)	N	N	N	N	N	N	N
Up-front/ Deferred	(U/D)	U	U	U	U	U	U	U
Early Payment discount	(Y/N)	N	N	N	Y	N	N	N
Grants available (Fees/ Maintenance/Both/ None)	**(F/M/B/N)**	**B**	**B**	**B**	**M**	**M**	**B**	**B**
Means-tested	(Y/Part/N)	Y	Y	Y	Y	Y	Y	Y
Mandatory HEI Bursaries	**(Y/N)**	**N**	**N**	**N**	**N**	**N**	**N**	**N**
Means-tested	(Y/Part/N)	N	N	N	-	-	-	-
Loans available (Fees/ Maintenance/Both/ None)	**(F/M/B/N)**	**N**	**N**	**N**	**F**	B	**B**	**B**
Means-tested	(Y/Part/N)	-	-	-	N	P (M) N (F)	Sub (Y) Unsub(N)	Y
Geographic	(Y/Part/N)	-	-	-	N	N	N	Y
Year of study	(Y/N)	-	-	-	N	N	N	N
Subject of study	(Y/N)	-	-	-	Y	Y	N	N
Living Arrangements	(Y/N)	-	-	-	N	N	N	Y
Converted to grants based on academic achievement	(Y/N)	-	-	-	N	N	N	N
Other sources of student support	(Y/N)	Y	Y	Y	Y	Y	Y	Y
Repayment characteristics	-	-	-	-	-	-	-	-
Loan Characteristics	(IC/M/Opt)	-	-	-	IC	IC	Opt	M
Repayment threshold	(£'000)	-	-	-	£23k	£8.4	£12k^	0
Repayment rate above threshold	(%)	-	-	-	4-8%**	10 %	15%***	-
Options to defer	(Y/N/Varies)	-	-	-	Y	Y (3)	Y	Y
<u>Write off criteria:</u> Death	(Y/N)	-	-	-	Y	Y	Y	Y
Work limiting disability	(Y/N)	-	-	-	N	Y	Y	Y
Number of years post leaving	(years)	-	-	-	-	-	§	15
Age	(years)	-	-	-	-	-	-	-
Minimum monthly repayments	(Y/N)	-	-	-	-	-	-	N
Mandatory Repayment period	(years)	-	-	-	-	-	10/25	15
Real Interest rate	(%)	-	-	-	0%	0%	5-8%*	2.5-5%~
Interest rate subsidy	(F/P/N)	-	-	-	F	F	P	P
Early repayment bonus	(Y/N)	-	-	-	Y	Y	N	N

4.2.2 Group 2: Countries with no or low tuition fees but developed student support systems

In Figure 6, we provide our assessment of the characteristics of the fees and student support arrangements in the various jurisdictions under consideration. **Group 2** consists predominantly of European countries including Denmark, Sweden, Norway, Germany, France and the Netherlands. Our assessment indicates that following the removal of the Graduate Contribution Scheme in 2007 and the retention of student bursaries, Scotland also is also classified in this group.

Figure 6: Matrix of characteristic-based groupings: Tuition fees Vs. Development of support system



Source: London Economics

In general, these countries have relatively low financial barriers for entry to undergraduate degree level qualifications. Countries either do not levy any tuition fee whatsoever (Denmark, Sweden, Norway, Scotland and France (universities)) or impose a relatively modest fee (the Netherlands and some specific Länder in Germany). In general terms, there are also relatively generous public subsidies provided to students often in the form of non-repayable non-means-tested grants and loans.

It is interesting to note that the average entry rate to tertiary-type A education for this group of countries is approximately 58%, which is marginally above the OECD average but lower than most countries with high levels of tuition fees in Group 1 (see Table 3 for some additional information on the educational attainment and public and private expenditure on higher

education)[31]. Note that although entry rates are on average below those countries in Group 1, this is in part due to the fact that university education has traditionally been in the region of 5 years (compared to 3 or 4 years) but also the relatively large proportion of young people entering high quality vocational training, which is considered a plausible alternative to university.

The extent to which the public sector subsidises the costs associated with higher education in each of the countries is also presented in Table 6. In particular, in Denmark and Norway, more than 95% of the costs of higher education provision are provided by the state compared to 89% in Sweden, 85% in Germany and 84% in France. This compares to 65% in the United Kingdom as a whole and 34% in the United States. In addition, although there has been a trend towards greater private sector expenditure on higher education, this is by no means uniform, with the proportion of private sector expenditure on higher education actually falling in Norway between 2000 and 2006 and increasing relatively slowly in France relative to public sector expenditure. Even though private sector expenditure has increased significantly in Denmark, this has been from a relatively low starting point.

Table 6: Group 2: Summary of educational outcomes across jurisdiction

	Key	OECD Average	Group 2 average	Denmark	Sweden	Norway	United Kingdom (Scotland)	France	Germany	The Netherlands
Proportion population 25-64 with tertiary education (B)	%	9	7	7	9	2	9	11	9	2
Proportion population 25-64 with tertiary education (A)	%	20	23	25	23	32	23	16	16	29
Tertiary-type A net entry rates (2000)	%	47	53	52	67	67	47	-	30	53
Tertiary-type A net entry rates (2007)	%	56	58	57	73	66	55	-	34	60
Tertiary-type A completion rate	%	69	73	81	69	67	79	64	77	71
Expenditure (primary level) – per capita PPP	£	3,899	4,411	5,329	4,663	5,745	4,683	3,320	3,248	3,891
Expenditure (secondary level) – per capita PPP	£	4,849	5,600	5,852	5,146	6,926	5,307	5,634	4,571	5,763
Expenditure (tertiary ed. excluding R&D) – per cap. PPP	£	5,121	5,555	-	5,363	6,499	5,883	4,855	4,843	5,885
Expenditure (tertiary as a proportion of GDP, '06)	%	1.4	1.4	1.7	1.6	1.2	1.3	1.3	1.1	1.5
Expenditure (all education as a proportion of GDP, '06)	%	5.7	5.9	7.3	6.3	5.4	5.9	5.9	4.8	5.6
Proportion of public expenditure in tertiary education, '06	%	72.6	84.2	96.4	89.1	97.0	64.8	83.7	85.0	73.4
Household expenditure in tertiary education, '06	%	-	-	3.6	-	3.0	26.6	10.1	-	15.5
Index of public expenditure in tertiary education, '00-06	*	125	114	116	114	111	138	109	102	111
Index of private expenditure in tertiary education, '00-06	*	187	135	174	146	88	157	114	135	131

*Source: OECD (2009) Education at a Glance, 2009. * Indexed to 100 in 2000.*

[31] Excluding France for which no information is available and including the entire United Kingdom

Tuition fees

Each of the jurisdictions in Group 2 are characterised as having a combination of low tuition fees and relatively well developed (and generous) student support arrangements. In particular, in Danish, Swedish and Scottish public higher education institutions, there are no tuition fees levied on students undertaking full-time undergraduate degree level qualifications. There is no distinction made between full-time and part-time students in Sweden, however, part-time students in Denmark and Scotland do pay a tuition fee (although in Denmark this fee is in general paid for by employers).

In France and Norway, there are no tuition fees *per se*; however, a relatively minor enrolment charge and compulsory social security contribution is made on students (€369 per annum in France (£331) and between £43 and £64 per semester in Norway). In the Netherlands and in some of the German Länder, tuition fees are imposed. In the Netherlands, tuition fees stand at approximately €1,600 (£1,438) per annum while in Germany, seven states charge tuition fees in the region of €1,000 per annum (£899) alongside an institution specific registration fee of approximately €200 per annum (£180).

Grants and bursaries

In terms of the breadth of student support available, the most generous systems are those provided in the Scandinavian countries where the vast majority of students are eligible for non repayable grants. Meanwhile, the French government offers large grants to students though are only available to students from the poorest of households, In Denmark and Sweden, all students are eligible to receive statutory grants, while in Norway and the Netherlands, students receive a performance related loan that is (in part) converted to a grant depending on academic performance.

Students who are living away from home in Denmark receive 70 grant vouchers each equivalent to a *maximum* 1 month grant of DKK 5,177 (£626) before tax[32]. For students living with their parents, the maximum size of the grant is DKK 2,754 (£333) per month. The size of grants may be reduced dependent on the personal income of the individual[33]. In Sweden, the maximum grant is significantly less generous than in Denmark, standing at SEK 2,684 (£233) per 4 week period. The grant is available for a maximum of 240 weeks, corresponding to approximately 6 years of study. A student is eligible for the full grant if their personal income is less than SEK 53,500 (£4,652) during that semester. Over this personal income amount, the semester grant is reduced on a taper of 0.25 (i.e. for every SEK 4 increase in income, the grant is reduced by SEK 1).

[32] Equivalent to about DKK 4,600 (£556) after tax

[33] If personal income from work is below DKK 97,595 (£11,792) before tax per year, the full grant is awarded. If income is above the limit, students are asked to pay back part of the grant at the end of the year.

Rather than providing universal grants to students, in Norway, loans are provided to students that can be converted to grants depending on the student's academic performance, living arrangements and personal circumstances. In particular, the Norwegian government provides maintenance loans to **all** students where the maximum size of the loan is NOK 8,760 (£935) per month; however, the size depends on both the income (less than NOK 128,360 per annum (£13,705)) and the wealth of the student (less than NOK 253,932 (£27,112)). 40% of the loan may be converted to a grant upon successful completion of the qualification. This implies that a maximum of NOK 3,504 (£374) per month is converted into grants. For students who receive the full loan and get full conversion upon completion, the *true* loan component then amounts to NOK 5,256 (£561) per month. Students living with their parents cannot get the loan converted to grants even if exams are passed successfully. Students with children get 40% of the loan converted to a grant regardless of how they do at their exams and students who give birth or adopt are eligible for the loan for an additional 44 weeks. Furthermore, additional grants are available to students with children.

In the Netherlands, a similar performance related loan-to-grant system operates. All students eligible for student finance receive a fixed basic grant of €1,138 per annum (£1,023) though students living away from home receive more. A supplement to the basic grant is also available for students with dependent children (€435-€543 per month (£391-£488)). An additional supplementary grant of up to €1,138 (£1,023) per annum in 2009/10 is also available depending on parental income. In addition, students entitled to student finance also receive a student public transport pass. The basic grant, supplementary grant and student transport pass all start out initially as interest-bearing loans (at a nominal rate of 3.58% in 2009), which are converted into a grant if the student obtains the qualification within 10 years[34].

In Germany, the most commonly used maintenance support is a mix of a half grant and half interest free loan (BAföG). The maximum yearly support is €7,776 (split equally as a grant and real interest free loan), with the exact amount depending on residency and family circumstances. The interest free loan has to be repaid within 25 years. However, graduates can apply for an additional partial write off in several cases (i.e. so that more than half of the support provided is in the form of a grant) including academic performance, early completion or early repayment. Students are also entitled to substantial interest bearing loans of various descriptions for both fees and maintenance.

Students in university in France are entitled to financial support. Financial support is variable and subject to parental income not exceeding €46,860 (£42,133). The full grant is obtained in case of a family income amounting to less than €16,910 (£15,204) and is also dependent on students' living arrangements and the location of the higher education institution. The typical student grant support available stands at €6,102 (£5,486) per annum though could be higher depending on personal circumstances.

[34] The number of years of the performance-related grant written off is limited to the *standard* study period of the course (e.g. four years worth for a 240 credit course)

Finally, in Scotland receive a Young Students Bursary of £2,640 per annum which is means-tested and available in full to students with a household income of less than £19,310. Students with a household income at or below £34,195 receive a partial grant. Part-time students receive a course grant to of £500 (if annual income less than £22,000 per annum), as well as a fee grant depending on the intensity of study (e.g. £1,210 for a part-time course at >75% FTE) that is available in full at income less than £16,509.

Loans for fees and maintenance

With the exception of Scotland who offer income contingent loans as with the rest of the United Kingdom (though different in the proportion that is means-tested), all the countries in Group 2 offer mortgage style loans.

Unsurprisingly, given the relatively generous grants available in the Scandinavian countries the availability of loans is more limited. In Denmark and Sweden, students who receive a student grant are also entitled to loans amounting to DKK 2,469 per month (£298) and SEK 5,136 (£447) per 4 week period respectively with the Swedish loans being means-tested. Loans in both countries are mortgage style loans that attract a nominal interest rate of 4% while studying and 2%[35] after leaving education in Denmark and a 2.5% nominal rate in Sweden. Repayment starts approximately 18 months after leaving education in both countries and instalments are calculated such that the loan is fully repaid within 7-15 years in Denmark and 25 years in Sweden.

As described in the previous section, students in Norway and the Netherlands are offered mortgage style interest bearing loans that are in part convertible into grants depending on personal circumstances and academic achievement. The loans are marginally more generous in Norway where the true loan component stands at approximately £5,610 per annum (only maintenance) compared to approximately €5,000 (£4,496) in the Netherlands (covering both tuition fee and maintenance). In Norway, the interest rate charged stands at 2.5% (nominal) compared to 3.58% (nominal) in the Netherlands and loans are expected to be repaid in 20 and 15 years respectively.

In Scotland, the Devolved Administration operates income contingent loans with essentially the same repayment characteristics as for England, Wales and Northern Ireland (apart from a longer repayment period of 35 years compared to 25 years and a 1 year option to defer rather than a two year option), Unlike the reset of the United Kingdom where 75% of the loan is non means-tested – and in part as result of having no tuition fees but retaining a Young Persons Bursary – students living at home receive an annual loan of £605 per annum that can increase to £3,665 per annum (less Young Student Bursary) depending on household income. For students living away from home, this annual loan is at least £915 and can rise to £4,625 per annum (less Young Student Bursary). Minimum loans are available to students

[35] Danish Central Bank discount rate + 1%.

with household incomes exceeding approximately £55,500. There are additional loans (of £605 per annum) available to students form households with an annual income of less than £21,760.

Finally in this section, we consider the loans available to students in France and Germany. It is notable that the loans provided in these countries are provided through private sector contractors with a partial or total government guarantee or offered through state development banks. In Germany, there is an array of loans available to cover tuition fees and maintenance. In addition to the BAföG (€3,888 per annum mortgage style loan 0% real rate of interest), there is also *Bildungskredit* to cover emergency financial hardship (€7,200 in total mortgage style loan with an nominal interest rate of EURIBOR+1%), *KfW-Studienkredit* (€7,800 in total mortgage style loan with a nominal interest rate of 3.62%) and *Studienbeitragsdarlehen*, which is a mortgage style loan to cover tuition fees and is repaid at a nominal rate of 2.77%. Thus excluding the loans associated with financial hardship, students could gain access to in excess of €12,000 (£10,789) per annum to fund their studies.

In France, students can benefit from a special student loan program (PR€TUDIANT). The current loan program was implemented in 2008 and is a revamp and expansion of a previous program that had relatively limited take up. The non means-tested loans are provided by commercial banks and 70% of the principal of such a loan is guaranteed by the State. The maximum annual loan is equal to €15,000 (£13,487) and the mortgage style repayment can be deferred partially (payment of interest only) or in full to a period when the student starts working. The student loan is expected to be fully repaid within this 10-year period.

Summary information in relation to the tuition fees and student support is presented in Table 7 and Table 8 overleaf.

Table 7: Group 2: Summary of full-time student support arrangements

Support	Key	Denmark	Sweden	Norway	Scotland	France	Germany	The Netherlands
Tuition fees	**(Y/N)**	**N**	**N**	**N***	**N**	**N***	**Y**	**Y**
Fixed/ Variable/Banded	(F/V/B)	-	-	-	-	-	F[X]	F
Capped	(Y/N)	-	-	-	-	-	N	Y
Regulated	(Y/N)	-	-	-	-	-	N	N
Up-front/ Deferred	(U/D)	-	-	-	-	-	U	U
Early Payment discount	(Y/N)	-	-	-	-	-	N	N
Grants available (Fees/ Maintenance/ Both/ None)	**(F/M/B/N)**	**M**	**M**	**M****	**M**	**M**	**B**	**B****
Means-tested	(Y/Part/N)	P	P	P	Y	Y	Y	P
Mandatory HEI Bursaries	**(Y/N)**	**N**	**N**	**N**	**N**	**N**	**N**	**N**
Means-tested	(Y/Part/N)	-	-	-	-	-	-	-
Loans available (Fees/ Maintenance/ Both/ None)	**(F/M/B/N)**	**M**	**M**	**M**	**M**	**M**	**B**	**B**
Means-tested	(Y/Partial/N)	P	P	P	P	N	N	P
Geographic	(Y/Partial/N)	N	N	N	N	N	N	N
Year of study	(Y/N)	N	N	N	N	N	N	N
Subject of study	(Y/N)	N	N	N	N	N	N	N
Living Arrangements	(Y/N)	Y	Y	Y	Y	N	N	N
Converted to grants based on academic achievement	(Y/N)	N	N	Y	N	N	P	Y
Other sources of student support	(Y/N)	Y	Y	Y	Y	Y	Y	Y
Repayment characteristics	**-**							
Loan Characteristics	(IC/M/Opt)	M	M	M	IC	M	M	M
Repayment threshold	(£'000)	0	0	0	£15k	0	0	0
Repayment rate above threshold	(%)	-	-	-	9%	-	-	-
Options to defer	(Y/N/**V**aries)	Y	Y	Y(3)	Y(1)	N	Y	Y (2)
Write off criteria:								
Death	(Y/N)	N	Y	Y	Y	N	§	Y
Work limiting disability	(Y/N)	N	Y	Y	Y	N	§	Y
Number of years post leaving	(years)	N	N	N	35	N	§	15
Age	(years)	N	N	N	N	N	§ (67)	N
Minimum monthly repayments	(Y/N)	Y	Y	Y	N	Y	Y	Y
Mandatory Repayment period	(years)	7-15	25	20	35	10	N	15
Real Interest rate	(%)	2.0%[z]	2.5%[z]	2.5%[z]	0%	§	§	3.58%[z]
Interest rate subsidy	(F/P/N)	P	P	P	F	N	P	P
Early repayment bonus	(Y/N)	N	N	N	N	N	N	N

Source: London Economics

Notes: *Tuition fees are not levied; however, nominal enrolment or registration fees are levied. **In the Netherlands and Norway, a portion of the loans received are converted to grants depending on academic success. § Dependent on loan. X Fees are fixed by Länder though can vary across Lander. z Nominal interest rate.

Table 8: Group 2: Summary of part-time student support arrangements								
Support	**Key**	**Denmark**	**Sweden**	**Norway**	**Scotland**	**France**	**Germany**	**The Netherlands**
Tuition fees	**(Y/N)**	**Y**	**N**	**N***	**Y**	**-**	**Y**	**Y**
Fixed/ Variable/Banded	(F/V/B)	V	-	-	V	-	F[X]	F
Capped	(Y/N)	N	-	-	N	-	N	Y
Regulated	(Y/N)	N	-	-	N	-	N	N
Up-front/ Deferred	(U/D)	U	-	-	U	-	U	U
Early Payment discount	(Y/N)	N	-	-	N	-	N	N
Grants available (Fees/ Maintenance/Both/ None)	**(F/M/B/N)**	**N**	**M**	**N****	**Y**	**-**	**N**	**N**
Means-tested	(Y/Part/N)	-	P	-	Y	-	-	-
Mandatory HEI Bursaries	**(Y/N)**	**N**	**N**	**N**	**N**	**-**	**N**	**N**
Means-tested	(Y/Part/N)	-	-	-	-	-	-	-
Loans available (Fees/ Maintenance/Both/ None)	**(F/M/B/N)**	**N**	**M**	M	**N**	**-**	B	N
Means-tested	(Y/Part/N)	-	P	P	-	-	N	-
Geographic	(Y/Part/N)	-	N	N	-	-	N	-
Year of study	(Y/N)	-	N	N	-	-	N	-
Subject of study	(Y/N)	-	N	N	-	-	N	-
Living Arrangements	(Y/N)	-	N	N	-	-	N	-
Converted to grants based on academic achievement	(Y/N)	-	N	Y	-	-	N	-
Other sources of student support	(Y/N)	-	Y	Y	-	-	Y	-
Repayment characteristics	**-**							
Loan Characteristics	(IC/M/Opt)	-	M	M	-	-	M	-
Repayment threshold	(£'000)	-	0	0	-	-	0	-
Repayment rate above threshold	(%)	-	-	-	-	-	-	-
Options to defer	(Y/N/Varies)	-	Y	Y(3)	-	-	Y	-
Write off criteria Death	(Y/N)	-	Y	Y	-	-	§	-
Work limiting disability	(Y/N)	-	Y	Y	-	-	§	-
Number of years post leaving	(years)	-	N	N	-	-	§	-
Age	(years)	-	N	N	-	-	§	-
Minimum monthly repayments	(Y/N)	-	Y	Y	-	-	Y	-
Mandatory Repayment period	(years)	-	25	20	-	-	N	-
Interest rate	(%)	-	2.5%[z]	2.5%[z]	-	-	§	-
Interest rate subsidy	(F/P/N)	-	P	P	-	-	P	-
Early repayment bonus	(Y/N)	-	N	N	-	-	N	-

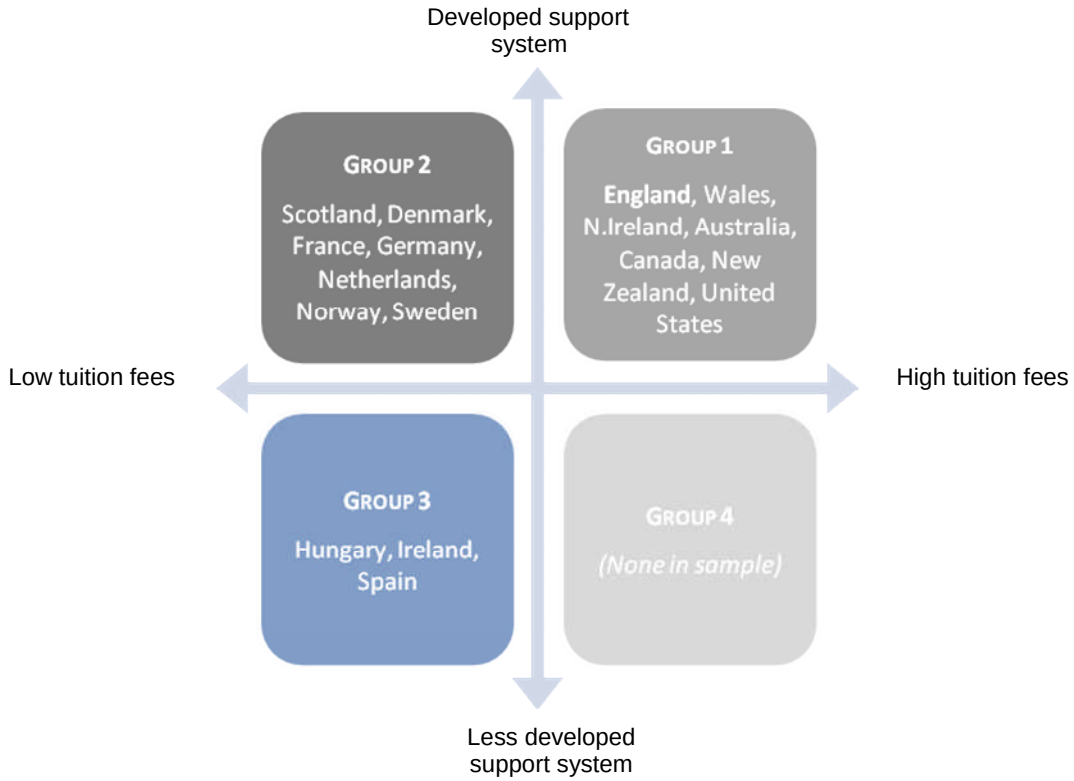
Source: London Economics

Notes: *Tuition fees are not levied; however, nominal enrolment or registration fees are levied. **In the Netherlands and Norway, a portion of the loans received are converted to grants depending on academic success. § Dependent on loan. X Fees are fixed by Länder though can vary across Lander z Nominal interest rate

4.2.3 Group 3: Countries with a low level of tuition fees and less developed student support system

In Figure 7, we provide our assessment of the characteristics of the fees and student support arrangements in the various jurisdictions under consideration. **Group 3** consists of the European countries of Spain, Hungary and the Republic of Ireland.

Figure 7: Matrix of characteristic-based groupings: Tuition fees Vs. Development of support system



Source: London Economics

In general, these countries have relatively low financial barriers for entry to undergraduate degree level qualifications. The three countries impose a relatively modest fee for attendance at higher education institutions and there are no defining characteristics in relation to the form of student support available in each of the countries. For instance, in some countries (Ireland), only grants are available to less well off students, while the recent reforms of higher education support system in Hungary have resulted in the provision of modest grants and income contingent loans with commercial rates of interest. In Spain, there are more generous grants available, as well as recently introduced loan schemes – though these loans are more akin to bridging loans to overcome short term financial constraints rather than longer term funding opportunities.

The average net entry rate to Tertiary-type A qualifications in 2007 stood at 50% which is

significantly below the average across all OECD countries and below the net entry rates in Group 1 or Group 2 countries. However, there is some significant degree of variation across the three countries, with Hungary posting a relatively high net entry rate of 63% and Ireland and Spain posting net entry rates between 40% and 45%. Unsurprisingly, the average level of qualification attainment is also low relative to OECD averages – with approximately 18% of Hungarians aged between 25 and 64 being in possession of Tertiary-type A qualifications compared to 21% in Ireland, 20% in Spain and 26% across the OECD as a whole. This information is presented in Table 9.

Table 9: Group 3: Summary of educational outcomes across jurisdiction

	Key	OECD Average	Group 3 average	Hungary	Ireland	Spain
Proportion population 25-64 with tertiary education (B)	%	9	10	-	11	9
Proportion population 25-64 with tertiary education (A)	%	20	21	18	21	20
Tertiary-type A net entry rates (2000)	%	47	47	64	32	47
Tertiary-type A net entry rates (2007)	%	56	50	63	44	41
Tertiary-type A completion rate	%	69	57	57	-	-
Expenditure (primary level) – per capita PPP	£	3,899	3,413	2,785	3,838	3,616
Expenditure (secondary level) – per capita PPP	£	4,849	4,224	2,409	5,445	4,818
Expenditure (tertiary level excluding R&D) – per capita PPP	£	5,121	4,259	2,933	5,092	4,751
Expenditure (tertiary education as a proportion of GDP, '06)	%	1.4	1.1	1.1	1.2	1.1
Expenditure (all education as a proportion of GDP, '06)	%	5.7	5.0	5.6	4.7	4.7
Proportion of public expenditure in tertiary education, '06	%	72.6	80.4	77.9	85.1	78.2
Household expenditure in tertiary education, '06	%	-	-	-	13.2	17.6
Index of public expenditure in tertiary education, '00-06		125	126	135	119	125
Index of private expenditure in tertiary education, '00-06		187	102	127	79	102

Source: OECD (2009) Education at a Glance, 2009.

In terms of expenditure on education – both in absolute and relative terms – a relatively low proportion of national income is allocated towards education. In Spain and Hungary, approximately 1.1% of GDP is spent on higher education (although Hungary spends a relatively high proportion of national income on education more generally). In Ireland, just 1.2% of national income is spent on higher education and 4.7% on education as a whole, though given the relatively strong performance of the Irish economy between 1995 and 2007; the absolute amounts are favourable compared OECD averages. There is a relatively high contribution of the state to higher education compared to the OECD as a whole – with just over 80% of the costs of higher education being funded by the state (compared to 72%

across the OECD as a whole and 52% in Group 1 countries).

However, there is a relatively strong household contribution in the three countries in Group 3, which is driven by the fact that there are a number of private universities in Spain charging tuition fees; the simultaneous availability of funded and unfunded student places in Hungary; and the substantial enrolment and registration fees in Ireland (and limited student support). Interestingly, between 2000 and 2006, there has been either a relatively slow increase the index of private expenditure (in Spain) and a significant decrease in the case of Ireland (following the abolition of student tuition fees).

Tuition fees

In public universities in Spain, fees depend to the subject of study and the Autonomous Community[36]. For a standard undergraduate degree consisting of 240 credits, a student can pay between €8.62 (£8) (Humanities in Canary Islands) and €17 (£16) (Technical or Health related studies in Navarra) average tuition fee for each credit. Given the different study fields, a median tuition fee of €700 (£629) per annum is a reasonable approximation of the tuition fee associated with a five-year course.

In Hungary, higher education institutions can offer both state funded and fee-paying places for their students[37]. Clearly, applicants target state funded places in the first instance and these places are allocated among successful applicants based on entry examination scores[38]. The size of tuition in the fee-paying segment is between €500 and €2,000 per semester (£450 and £1,800) and is generally a function of the field of study and not dependent on student or household income or student residency.

Traditionally, students attending universities in Ireland paid tuition fees. These fees were up-front fees and varied (to a relatively limited extent) depending on the subject of study and the institution attended. Average tuition fees were in the region of €1,000 (£900) per annum at the time of abolition (1995). In addition, individual institutions charged registration and administration fees (in the region of €400 per annum (£360)). In 1995, university fees were abolished for all full-time undergraduates, although institutions started to increase the registration and administration fees (and are currently in the region of €1,500 per annum (£1,348)). Part-time students pay up-front fees for their tuition (which are tax deductible) and are determined by the higher education institution.

Grants and bursaries

The systems of student support in Spain and Ireland are relatively straightforward.

[36] As published in the Official Journal.

[37] About half of student places are state funded and about half of them are fee-paying – see http://www.highereducationreview.com/samplearticles.html.

[38] Note also that state funded places are not available for those going for a second degree.

Students in Ireland are eligible for grants to cover the university registration fee and maintenance (in whole or in part). In Ireland, these grants are dependent on parental income, number of siblings and the level of grant also depends on the distance between the student's permanent residence and university. Students are eligible for a full fee (€1,500 (£1,348)) and maintenance grant (€3,420 (£3,075)) if their parents have fewer than 4 dependent children and household income is less than €41,110 (£36,962). Note that this level of entitlement is relatively generous compared to that in England, where in addition to the size of the support being greater in absolute terms, the full grant is available only to students with a household income of less than £25,000.

In Spain, the Ministry of Education provides several grants for higher education students. In general, these grants are relatively generous in terms of volume. The grants cover annual tuition fees and include some funding for books, study materials and urban transport. There are also grants to cover for regional mobility of students and housing that are directed to low-income families. The grants are different for full- and part-time students. For full-time students five types of grants are available: compensation for low-income families (up to €2,800 (£2,518) for undergraduate degree level studies), inter-urban and urban commuting (up to €1,000 per annum (£900) for studies on the mainland); accommodation (up to €2,879 (£2,589) in large cities); studying materials (€242 (£218)); and tuition fee grant (dependent on fee charged). These grants can total in excess of €7,500 per annum (£6,743). For part-time students, tuition fee grants are available while study materials and commuting grants are only available for degree level qualifications. To have access to the grants, there are economic and academic eligibility requirements. For instance, if the total number of family members is 4, to receive the full tuition fee and accommodation grants only, household income must be less than €36,421 per annum (£32,747). Academic requirements stipulate a minimum pass rate of enrolled credits. For example, for an undergraduate degree, grant eligibility is related to 80% pass rate on enrolled credits (60% for engineering/architecture studies).

In Hungary, there are relatively modest grants available to students. The main grant for higher education students is the Maintenance Grant (financed by the central Exchequer) that can be received (and renewed) by application for a duration of one semester. The amount of the grant depends on the applicant's economic and social needs – with the amount received by the most disadvantaged students being in the range of 21,000-23,000HUF (£70-£77) a month (depending of the institution)

Loans for fees and maintenance

Despite recent attempts to reduce the Exchequer expense of the student grants system through the introduction of means-tested loans, there continue to be no loans for fees and maintenance in Ireland.

In Spain, repayable loans were introduced in 2007; however, these loans are relatively short term (and must be repaid within three years following graduation). As such, these loans are more akin to bridging loans to overcome short term financial difficulties or credit constraints.

Total loans over a three year period for which they are available stand at between €3,000 and €9,000 (£2,700 and £8,092). Loans are mortgage style loans and attract a nominal interest rate of 1% and interest accumulates at the point upon which funds are drawn down.
However, the loans also attract an additional interest rate subsidy paid by the government. Specifically, the Ministry of Education provides a subsidy to the financial institution providing the loan, which is used to reduce the interest of the loan. As a result, students only pay 35 % of total interest.

In Hungary, student loans are state-guaranteed loans providing support for higher education students through the whole length of their course (in general to a maximum of 10 semesters). The loans are part financed by the European Investment Bank. These loans are managed by the non-profit Student Loan Centre (Diákhitel Központ), which is a state-owned company, which is also responsible for raising the necessary funds for loan disbursement. The loans are designed to be full cost recovery with the interest rate charged on the loans stands at 10.5%. Student loans can be used to cover tuition fees and maintenance costs. Loans are not means-tested and are independent of living arrangements and subject of study. The upper limit of the monthly amount of the student loan is about 40,000HUF (£134) in case of state-funded courses and about 50,000HUF (£167) in case of fee-paying courses. Loans are repaid through income-contingent repayments only after finishing studies (at a rate of 8%), starting 4 months after graduation, but no later than the 40th birthday of the individual. Payments can be deferred in case of maternity leave or extra studies or other special circumstances and loans are written of upon reaching the state retirement age.

There are no loans available for part-time students in Spain or Ireland. In Hungary, part-time students may apply for the same loans as full-time students.

Summary information on the nature of tuition fee and student support is presented in Table 10 and Table 11.

Table 10: Group 3: Summary of full-time student support arrangements				
Support	**Key**	**Hungary**	**Ireland**	**Spain**
Tuition fees	**(Y/N)**	**Y***	**Y****	**Y**
Fixed/ Variable/Banded	(F/V/B)	V	F	V
Capped	(Y/N)	N	Y	N
Regulated	(Y/N)	N	Y	N
Up-front/ Deferred	(U/D)	U	U	U
Early Payment discount	(Y/N)	N	N	N
Grants available (Fees/ Maintenance/Both/ None)	**(F/M/B/N)**	**B**	**B**	**B**
Means-tested	(Y/Part/N)	Y	Y	Y
Mandatory HEI Bursaries	**(Y/N)**	**N**	**N**	**N**
Means-tested	(Y/Part/N)	-	-	-
Loans available (Fees/ Maintenance/Both/ None)	**(F/M/B/N)**	**B**	N	B
Means-tested	(Y/Partial/ N)	N	-	N
Geographic	(Y/Partial/ N)	N	-	N
Year of study	(Y/N)	N	-	N
Subject of study	(Y/N)	N	-	N
Living Arrangements	(Y/N)	N	-	N
Converted to grants based on academic achievement	(Y/N)	N	-	N
Other sources of student support	(Y/N)	Y	-	Y
Repayment characteristics	**-**			
Loan Characteristics	(IC/M/Opt)	IC	-	M
Repayment threshold	(£'000)	£3K^	-	0
Repayment rate above threshold	(%)	6-8%	-	-
Options to defer	(Y/N/**V**aries)	Y	-	N
<u>Write-off criteria:</u>				
Death	(Y/N)	Y	-	Y
Work limiting disability	(Y/N)	Y	-	Y
Number of years post leaving	(years)	N	-	N
Age	(years)	65	-	N
Minimum monthly repayments	(Y/N)	N	-	Y
Mandatory Repayment period	(years)	N	-	3
Real Interest rate	(%)	10.5%[z]	-	1%[z]
Interest rate subsidy	(F/P/N)	N	-	P
Early repayment bonus	(Y/N)	N	-	N

Source: London Economics

Notes: * Approximately 50% of places offered at university do not attract a tuition fee, with the remaining places being unsubsidized and attracting a fee of between €500 and €2000 per semester (£450 and £1,800). **Although tuition fees are not levied; significant enrolment or registration fees are levied by higher education institutions.

[z] Nominal interest rate. ^ Corresponds to the minimum wage.

Table 11: Group 3: Summary of part-time student support arrangements				
Support	**Key**	**Hungary**	**Ireland**	**Spain**
Tuition fees	**(Y/N)**	**Y***	**Y****	**Y**
Fixed/ Variable/Banded	(F/V/B)	V	V	V
Capped	(Y/N)	N	N	N
Regulated	(Y/N)	N	N	N
Up-front/ Deferred	(U/D)	U	U	U
Early Payment discount	(Y/N)	N	N	N
Grants available (Fees/ Maintenance/Both/ None)	**(F/M/B/N)**	**B**	**N**	**Y**
Means-tested	(Y/Part/N)	Y	-	Y
Mandatory HEI Bursaries	**(Y/N)**	**N**	**N**	**N**
Means-tested	(Y/Part/N)	-	-	-
Loans available (Fees/ Maintenance/Both/ None)	**(F/M/B/N)**	**B**	**N**	**N**
Means-tested	(Y/Partial/ N)	N	-	-
Geographic	(Y/Partial/ N)	N	-	-
Year of study	(Y/N)	N	-	-
Subject of study	(Y/N)	N	-	-
Living Arrangements	(Y/N)	N	-	-
Converted to grants based on academic achievement	(Y/N)	N	-	-
Other sources of student support	(Y/N)	-	-	-
Repayment characteristics	**-**			
Loan Characteristics	(IC/M/Opt)	IC	-	-
Repayment threshold	(£'000)	£3K^	-	-
Repayment rate above threshold	(%)	6-8%	-	-
Options to defer	(Y/N/**V**aries)	Y	-	-
<u>Write off criteria:</u> Death	(Y/N)	Y	-	-
Work limiting disability	(Y/N)	Y	-	-
Number of years post leaving	(years)	N	-	-
Age	(years)	65	-	-
Minimum monthly repayments	(Y/N)	N	-	-
Mandatory Repayment period	(years)	N	-	-
Interest rate	(%)	10.5%[z]	-	-
Interest rate subsidy	(F/P/N)	N	-	-
Early repayment bonus	(Y/N)	N	-	-

Source: London Economics

Notes: * Approximately 50% of places offered at university do not attract a tuition fee, with the remaining places being unsubsidized and attracting a fee of between €500 and €2000 per semester (£450 and £1,800). **Although tuition fees are not levied; significant enrolment or registration fees are levied by higher education institutions.

[z] Nominal interest rate. ^ Corresponds to the minimum wage.

4.2.2 Group 4: Countries with high level of tuition fees but less developed student support systems

Although there are no countries in our sample of countries in this group, countries such as Japan and Korea are generally considered as having less well developed student support arrangements and significant fees. As such, there is cost sharing between the public and private sector; however, the approach places a considerable financial burden on students and their families. In these countries, higher education institutions charge high tuition fees (more than US$4,200 (£3,776)) but a relatively small proportion of students benefit from public subsidies (one-quarter of students receive public subsidies in Japan, and 13% of total public expenditure on tertiary education is allocated to public subsidies in Korea (OECD, 2009)).

5 Detailed description of student support arrangements in each country

This section presents a detailed description of the student support arrangements in each of the 17 countries under analysis. Tuition and other fees, grants, bursaries and student loans are described for both full-time and part-time study. To enrich understanding of the motivations and objectives of the student support arrangements, each detailed system description is preceded by a discussion of the national policy context:[39] the structure of the educational system, the level of educational attainment in the general adult population, public and private expenditure on higher education, and the background and remaining challenges for student support in the country.

5.1 Baseline: England

5.1.1 Full-time student tuition fees

Full-time students studying in England are charged a maximum fee of £3,225 per annum (2009/10), which can be paid up front directly by the student or by taking out a fee loan for which the student becomes liable. The fees charged are set by the university and can vary between zero and the maximum amount; however institutions charging more than the maximum maintenance grant (currently £2,906) must provide a minimum student bursary to any students receiving the full maintenance grant. Currently, institutions are obliged to provide a bursary to make up the difference between the maintenance grant and the tuition fee charged (so if the full fee of £3,225 is charged, the minimum bursary is £319). From 2010/11 the requirements for the minimum bursary will change with the new requirements as follows[40]:

- institutions charging the maximum fee (£3,290 from 2010/11) will be required to provide a bursary of 10% of the maximum fee (i.e. £329);
- institutions charging a fee of over £2,961 but less than £3,290 must provide a minimum bursary which makes up the difference between £2,961 and the fee charged; and
- institutions charging a tuition fee of £2,961 or less, will not need to provide a minimum bursary.

Any university charging a fee greater than the previous up-front fee (£1,225) must ensure that certain access targets are met (determined in conjunction with the Office for Fair Access - OFFA).

[39] With the exception of England, Scotland, Wales and Northern Ireland.

[40] For further details of the changes to the bursary system, see the OFFA guidance note "Changes to the minimum bursary, inflationary increases and updating access agreements for 2010-11 (HEIs and FECs)", Thursday, July 23rd, 2009. Available at http://www.offa.org.uk/guidance-notes/changes-to-the-minimum-bursary-inflationary-increases-and-updating-access-agreements-for-2010-11-heis-and-fecs/.

5.1.2 Summary of full-time student support arrangements

Full-time student maintenance grants

The maximum maintenance grant available to students stands at £2,906 (2009/10). It is means-tested and is unavailable to students with a household income in excess of £50,020. Students from households with an income of less than £25,000 receive the full grant, while households with an income between these amounts receive a partial grant. For every £1,000 increase in household incomes between £25,000 and £34,000, the maintenance grant reduces by £200, while for every increase of £1,000 in household income between £34,000 and £50,020, the grant falls by £70. The structure of the grant is such that, although technically for maintenance purposes, if combined with the statutory university funded bursary, it is equal to the maximum tuition fee that may be levied by the higher education institution.

Full-time student fee loans

A fee loan is available to students to cover university tuition fees. The amount available to each student is equal to the amount of the tuition fee charged for the academic year (a maximum of £3,225 per annum). The loans are in essence 'interest free', though the amount repayable does increase in line with inflation (a zero real rate of interest). The repayment terms are identical to the maintenance loans also available to students.

Full-time student maintenance loans

Loans are also available to help students to cover living costs. The amount varies on a student's circumstances (living alone, with parents, in London/ elsewhere), but can be up to £6,928 per annum. The amount is reduced in the final year, as no support is provided during the summer vacation period. As with loans for fees, these loans attract a zero real rate of interest.

Approximately 75% of the maximum loan is available to all students irrespective of their household income, while 25% is means-tested. Students with a household income of less than £25,000 are eligible for the minimum maintenance loan. As household income increases and the level of grant falls, the volume of loan available to students increase. Specifically, as income increases beyond £25,000 in increments of £1,000, loan availability increases by £100. All students with residual household income[41] of £50,778 are eligible for the full maintenance loan. Loan eligibility is withdrawn by £200 per £1,000 increase in household income beyond £50,778 to the minimum non-means-tested level. This occurs at £57,708 per

[41] For dependent students, residual income is comprised of the student's parents' gross income and allowances for: Pension scheme payments that qualify for certain specified tax relief, £1,130 for any other child that is mainly financially dependent on them and £1,130 if the parent is also a student. For independent students, residual income takes into account the income of the student's husband, wife or civil partner.

annum for students living away from home outside London, £60,478 for students living away from home in London, and £56,153 for students living at home.

Loan repayment terms

Repayment of either the fee or maintenance loans discussed above commences at the start of the tax year following completing or leaving the course. Repayment is income-contingent, and only occurs where graduate's income is more than £15,000 per annum. Repayments are paid at the level of 9% of the graduate's earnings in excess of £15,000 and are automatically deducted at source from gross salary. Any part of a student loan left unpaid 25 years after the repayment start date (i.e. the April after course completion) will be written off, as it will if the graduate becomes disabled and unable to work, or in the event of death.

Students also have the option to defer the repayment of their student loan for a period of up to 2 years (which can be exercised in one two year period or a combination of two single year periods). The loan repayable will increase during the deferment period by inflation. The period for which the loan will be 'live' will increase by the number of years for which the loan deferment has been exercised. For instance, if loan repayments have been deferred for 1 year, then the period of time until debt forgiveness is triggered increases from the standard 25 years to 26 years.

5.1.3 Part-time student tuition fees

For part-time students studying in England, tuition fees for part-time courses must be paid Up-front and are set by the university/college. There is no minimum or maximum amount - though some institutions may allow payment by instalments. Little information is available regarding the current level of part-time fees. Based on information collected during a survey of 2005/2006 students, the average fee charged to part-time students is £816 in current prices.[42]

5.1.4 Summary of part-time student tuition fees

Part-time student fee grants

A fee grant is available to help part-time students with tuition fees. The maximum value of the grant depends on the intensity of the course as follows:

- Less than 50% of a full-time course: £0
- Between 50% and 59% of a full-time course: £805
- Between 60% and 74% of a full-time course: £970
- More than 75% of a full-time course: £1,210

[42] See Callender, C., Wilkinson, D., and Mackinon, K., (2006) "Part-time students and part-time study in higher education in the UK: Strand 3: a survey of students' attitudes and experiences of part-time study and its costs 2005/06", A report for Universities UK and Guild HE. The average fee was estimated using the average fee reported for varying course intensities, weighted for the proportion of students studying at each level of intensity.

This grant is means-tested. The basic household income cap for a full fee grant stands at £16,509 if the student is single and £18,509 if they are in a couple. The household income caps increase depending on the number of children in the household: by £2,000 for the first child and by £1,000 for each child thereafter (for both single and couple students). As household income increases by £1,000 beyond the income cap, grants are withdrawn at the rate of £80 per £1,000, £100 per £1,000 and £130 per £1,000 for students engaged on part-time courses between 50-59%, 60-74% and above 75% of a full-time course respectively. There is no age limit for eligibility for part-time tuition fee grants

Part-time student maintenance grants

A course grant is also available designed to help with study costs such as books, materials and travel. For 2009/2010, the maximum course grant is £260 and is not dependent on the intensity of the course. The basic household income cap for a full course grant stands at £25,510 if the student is single and £27,510 if they are part of a couple. The household income caps increase depending on the number of children in the household: by £2,000 for the first child and by £1,000 for each child thereafter (for both single and couple students). As household income increases by £1,000 beyond the income cap, grants are withdrawn at the rate of £110 per £1,000. As with the tuition fee grant, there is no age limit for eligibility.

Part-time student maintenance loans

There are no maintenance or fee loans available to part-time students.

5.1.5 Detailed description of student support arrangements in England

We present a detailed description of student support arrangements in England for full-time students in Table 12 and for part-time students in Table 13.

Table 12: Details of full-time student support arrangements in England

FEES		GRANTS/BURSARIES		LOANS	
Tuition fees	**Yes**	**Maintenance**	**Maintenance Grant**	**Tuition Fees**	**Fee Loan**
Up-front/Deferred	Up-front	Provider	HM Treasury	Provider	HM Treasury
Maximum (cap)	£3,225	Type of provider	Government	Type of provider	Government
Fixed/Variable by:	Variable	Grant duration	Course length	Loan duration	Course length
Income (means-tested)	No	Maximum grant	£2,906	Administration fee	No
Subject of study	No	Fixed/Variable by:	Variable	Maximum loan	£3,225
Student residency	No	Subject of study	No	Fixed/Variable by:	Variable
Study intensity	No	Student residency	No	Living arrangements	No
Eligible for tax relief	No	Study intensity	No	Location of study	No
Regulated/Unregulated	Regulated	Family arrangements	No	Family arrangements	No
Determined by	HEI	Income (means-tested)	Yes	Income (means-tested)	No
		Income tapers:	Household income	Loan type	
Other fees	**No**	£0 - £25,000	Maximum £2,906	Income threshold	Income Contingent
Up-front/Deferred	-	£25,001 - £34,000	Reduction per £ of income: 0.20	Minimum repayment	£15,000 per annum
Maximum (cap)	-	£34,001 - £50,020	Reduction per £ of income: 0.07	Repayment calculation	No
Fixed/Variable by:	-	Income limit (no grant)	£50,020	Interest rate	9.0% of income above threshold
Income (means-tested)	-			Repayment commences	0.0% real rate
Subject of study	-	**Bursary**	**Higher Education Bursary**	Write off:	6 months after leaving education
Student residency	-	Provider	HEI	Early repayment bonus	25 years / death / limiting disability
Study intensity	-	Type of provider	HEI	Deferrable?	No
Eligible for tax relief	-	Grant duration	Course length		Yes (24 months)
Regulated/Unregulated	-	Minimum bursary	£319		
Determined by	-	Fixed/Variable by:	Variable	**Maintenance**	**Maintenance Loan**
		Subject of study	No	Provider	HM Treasury
		Student residency	No	Type of provider	Government
		Study intensity	No	Loan duration	Course length
		Family arrangements	No	Administration fee	No
		Income (means-tested)	Yes, household income	Maximum loan	LAH:* £2,385/£3,838(means-test)
		Income tapers:			LAFHOL:* £3,497/£4,950(M-test)
		£0 - £25,000	Minimum £319		LAFHIL:*£5,475 /£6,928(means-test)
		Income limit (no grant)	£25,000	Fixed/Variable by:	Variable
				Living arrangements	Yes
				Location of study	Yes
				Family arrangements	No
				Income	Partial Household income
				Income tapers:	
				£0 - £25,000	Maximum £1,453 (non means-tested)
				£25,000 - £50,778	Increase per £ fall in grant: £0.50
				£50,778 - £56,153 LAH	Reduction per £ of income: £0.20
				£50,778 - £57,708 LAFHOL	Reduction per £ of income: £0.20
				£50,778 - £60,478 LAFHIL	Reduction per £ of income: £0.20
				Income limit (75% loan)	LAH:* £56,153
					LAFHOL:* £57,708
					LAFHIL:*£60,478
				Loan type	Income Contingent
				Income threshold	£15,000 per annum
				Minimum repayment	No

Table 12: Details of full-time student support arrangements in England					
				Repayment calculation Interest rate Repayment commences Write off: Early repayment bonus Deferrable?	9.0% of income above threshold 0.0% real rate 6 months after leaving education 25 years / death / limiting disability No Yes (24 months, income-contingent)

Source: London Economics review of official national sources.
Note: LAFHOL: Living away from home outside London; LAFHIL: Living away from home inside London; LAH: Living at home.

Table 13: Details of part-time student support arrangements in England

FEES		GRANTS/BURSARIES		LOANS	
Tuition fees	**Yes**	**Tuition Fees**	**Fee Grant**	**Loan**	**No**
Up-front/Deferred	Up-front	Provider	HM Treasury	Provider	-
Maximum (cap)	No maximum	Type of provider	Government	Type of provider	-
Fixed/Variable by:	Variable	Grant duration	Course length	Loan duration	-
Income (means-tested)	-	Maximum grant	£1,210	Administration fee	-
Subject of study	-	Fixed/Variable by:	Variable	Maximum loan	-
Student residency	-	Subject of study	No	Fixed/Variable by:	-
Study intensity	-	Student residency	No	Living arrangements	-
Eligible for tax relief	-	Study intensity	Yes (£805/£970/£1,210)	Location of study	-
Regulated/Unregulated	Unregulated	Family arrangements	Partial	Family arrangements	-
Determined by	HEI	Income (means-tested)	Yes	Income (means-tested)	-
		Income tapers:	Household income	Loan type	-
Other fees	**No**	£0 - £16,509	Maximum £1,210	Income threshold	-
Up-front/Deferred	-	£16,509 - £25,669	Reduction per £ of income: 0.13	Minimum repayment	-
Maximum (cap)	-	Income limit (no grant)	£25,669	Repayment calculation	-
Fixed/Variable by:	-			Interest rate	-
Income (means-tested)	-	**Maintenance**	**Course Grant**	Repayment	-
Subject of study	-	Provider	HM Treasury	commences	-
Student residency	-	Type of provider	Government	Write off:	-
Study intensity	-	Grant duration	Course length	Early repayment bonus	-
Eligible for tax relief	-	Maximum grant	£260	Deferrable?	
Regulated/Unregulated	-	Fixed/Variable by:	Variable		
Determined by	-	Subject of study	No		
		Student residency	No		
		Study intensity	No		
		Family arrangements	Yes		
		Income (means-tested)	Yes		
		Income tapers:	Household income		
		£0 - £25,105	Maximum £260		
		£25,105 - £27,575	Reduction per £ of income: 0.11		
		Income limit (no grant)	£27,575		

Source: London Economics review of official national sources.

5.2 Scotland

5.2.1 Full-time student tuition fees

Scottish domiciled and EU students (excluding the UK), studying at an institution in Scotland, are entitled to free tuition. The Student Awards Agency for Scotland will pay the tuition fees in full, up to £1,820 (£2,895 for medicine), depending on individual circumstances. Students must not already hold a qualification at HNC or HND level (or above), for which he/she received support from UK public funds.

5.2.2 Summary of full-time student support arrangements

Full-time student grants

The **Young Students Bursary** is only available to 'young' Scottish students studying in Scotland. The amount available depends on family income subject to the following eligibility criteria

- Eligible for help with tuition fees.
- Scottish domiciled and studying in Scotland.
- Under 25 before the first day of the first academic year of course.
- Not married, or entered a civil partnership agreement on the first day of the first academic year of course.
- Have not supported oneself from earnings or benefits for any three years before the first day of the first academic year of course.
- Taking a full-time course of higher education (HNC, HND, degree or an equivalent course) or taking a PGDE or PGDipCE course.

The bursary is paid instead or as part of the maintenance loan. The maximum value of the bursary is £2,640 a year if family income is £19,310 or less a year. The bursary tapers away to zero for a family income over £34,195 a year.

Full-time student maintenance loans

For Scottish students domiciled in Scotland, loans are available to help students to cover living costs. The amount varies on a student's circumstances (living alone or living with parents) but can be up to £4,625 per annum. These loans attract a zero real rate of interest and have the same repayment terms as the rest of UK with the exception of the minimum repayment period being 35 years (rather than 25 years) and the fact that loans can be deferred for a maximum of 12 months (rather than 24 months). If the person is in receipt of the Young Persons Bursary, then the loan is reduced by this amount.

Unlike the rest of the United Kingdom where 75% of the loan is non means-tested, only 25% of the maintenance loan is non-means-tested. Students living at home receive an annual loan of £605 per annum that can increase to £3,665 per annum (less the Young Student's Bursary) depending on household income. For students living away from home, this annual loan is at

least £915 and can rise to £4,625 per annum (less the Young Student Bursary). The maximum loan is available to families with a household income of approximately £34,195. Minimum loans are available to students with household incomes exceeding approximately £55,500.

There are additional loans (of £605 per annum) available to students from households with an annual income of less than £21,760.

Loan repayment terms

The repayment terms of loans in Scotland are the same as those for the rest of the United Kingdom with the exception of the period of repayment, which stands at 35 years (compared to 25 years elsewhere) and the option to defer, which lasts for 12 months compared to 24 months elsewhere in the United Kingdom.

5.2.3 Part-time student tuition fees

For most part-time students studying in Scotland, tuition fees must be paid up-front and are set by the university/college - and there is no minimum or maximum amount. Under Part-time Fee Waiver Schemes, certain institutions exempt some part-time students studying at the institution who are on a low-income, are on Social Security benefits or are unemployed, from all or part of their course fees. This fee waiver is means-tested and applies to unemployed/low-income part-time degree students studying at a Higher Education Institution (HEI) or HNCs and HNDs courses at universities or colleges in Scotland.

5.2.4 Summary of part-time student support arrangements

Part-time student fee grants

A fee grant is available which is designed to help with study costs such as books, materials and travel. For 2009/2010, the maximum course grant is £500 and is not dependent on the intensity of the course (those undertaking at least 40 SQF credits are eligible). The basic household income cap for a full course grant stands at £22,000.

Part-time student maintenance grants

There are no maintenance grants available to part-time students.

Part-time student maintenance loans

There are no maintenance or fee loans available to part-time students.

5.2.5 Detailed description of student support arrangements in Scotland

We present a detailed description of student support arrangements in Scotland for full-time students in Table 14 overleaf.

Table 14: Details of full-time student support arrangements in Scotland

FEES		GRANTS/BURSARIES		LOANS	
Tuition fees	**No**	**Bursary**	**Young Students' Bursary (YSB)**	**Maintenance**	**Maintenance Loan**
Up-front/Deferred	-	Provider	Students Awards Agency for Scotland (SAAS)	Provider	Students Awards Agency for Scotland (SAAS)
Maximum (cap)	-	Type of provider	Government	Type of provider	Government
Fixed/Variable by:	-	Grant duration	Course length	Loan duration	Course length
Income (means-tested)	-	Maximum grant	£2,640	Administration fee	No
Subject of study	-	Fixed/Variable by:	Variable	Maximum loan	LAH:* £605/£3,665(means-test)
Student residency	Yes, must be resident in Scotland otherwise fees are: £1,820 for a degree; £2,895 for medicine degree)	Subject of study	No		LAFH:* £915/£4,625(means-test) *less* the amount of Parental/Partner Contribution and YSB (if received)
		Student residency	No		Variable
		Study intensity	No		Yes
Study intensity	-	Family arrangements	No	Fixed/Variable by:	No
Eligible for tax relief	-	Income (means-tested)	Yes	Living arrangements	No
Regulated/Unregulated	-	Income tapers:	Yes	Location of study	Partial
Determined by	-	£0 - £19,310	Household income	Family arrangements	Both student and Household income
		£19,310 - £34,195	Maximum £2,640	Income (means-tested)	
		Income limit (no grant)	Reduction per £ of income: 0.18	Income tapers:	
			£34,196		
				£0 - £24,275	LAH:* £3,665 less YSB
					LAFH:* £4,625 less YSB
				£24,275 - £34,195	LAH:* £3,665 less YSB and Parental/Partner contribution
					LAFH:* £4,625 less YSB and Parental/Partner contribution
				£34,195 +	LAH:* £3,665 less Parental/Partner contribution; £605 min.
					LAFH:* £4,625 less Parental/Partner contribution; £915 min.
				Income limit (no loan)	N/A, £915 min.
				Loan type	Income Contingent
				Income threshold	£15,000 per annum
				Minimum repayment	No
				Repayment calculation	9.0% of income above threshold
				Interest rate	0.0% real rate
				Repayment commences	April after graduation (c.6 months)
				Write off:	35 years / death / limiting disability
				Early repayment bonus	No
				Deferrable?	Yes (12 months, income-contingent)
Other fees	**No**				
Up-front/Deferred	-				
Maximum (cap)	-				
Fixed/Variable by:	-				
Income (means-tested)	-				
Subject of study	-				
Student residency	-				
Study intensity	-				
Eligible for tax relief	-				
Regulated/Unregulated	-				
Determined by	-				

Table 14: Details of full-time student support arrangements in Scotland					
				Additional	**Additional Loan**
				Provider	Students Awards Agency for Scotland (SAAS)
					Government
				Type of provider	Course length
				Loan duration	No
				Administration fee	£605
				Maximum loan	Variable
				Fixed/Variable by:	No
				Living arrangements	No
				Location of study	No
				Family arrangements	Yes
				Income (means-tested)	
				Income limit (no loan)	£21,760
				Loan type	Income Contingent
				Income threshold	£15,000 per annum
				Minimum repayment	No
				Repayment calculation	9.0% of income above threshold
				Interest rate	0.0% real rate
				Repayment commences	6 months after leaving education
				Write off:	35 years / death / limiting disability
				Early repayment bonus	No
				Deferrable?	Yes (12 months, income-contingent)

Source: London Economics review of official national sources.
Note: * LAH: Living at home; LAFH: Living away from home.

Details of part-time student support arrangements in Scotland

For most part-time students studying in Scotland, tuition fees must be paid Up-front and are set by the university/college - and there is no minimum or maximum amount. Students aged 16 or over, studying a part-time higher education course (40 Scottish Qualifications Framework (SCQF) credits in a year) and earning £22,000 or less a year, are eligible for a fee grant of up to £500. This part-time grant is paid direct to the HEI towards the cost of tuition fees. There are no maintenance grants or loans available to part-time students in Scotland.

5.3 Wales

5.3.1 Full-time student tuition fees

As with students in England, full-time students studying in Wales are charged a maximum fee of £3,225 per annum (2009/10), which can be paid up front directly by the student or by taking out a fee loan for which the student becomes liable. The fees charged are set by the university and can vary between zero and the maximum amount; however institutions must provide a minimum student bursary to any students receiving the full maintenance grant.

5.3.2 Summary of full-time student support arrangements

Full-time student grants

A student grant of up to £1,940 per annum is available to Welsh students electing to study at a higher education institution in Wales. The grant amount is dependent upon what the individual institution charges for the course attended. **The grant is not means-tested**. Eligible new students who normally live in Wales and choose to study in Wales are eligible. Students normally resident in Wales but studying elsewhere in the UK are not eligible for this grant.

The Assembly Learning Grant is a grant available to eligible undergraduate students dependent on household income, up to a maximum of £2,906 a year. However, up to £1,288 of the Assembly Learning Grant will substitute the student maintenance loan (and thus reduce the amount of available loan). This grant is means-tested. It is not available to students from households with an income above £39,329, and households with an income below £18,370 receive the maximum amount. If eligible to receive a Special Support Grant, the student will not be eligible to receive an Assembly Learning Grant.

Full-time student fee loans

The loans available for fees cover the entire tuition fee levied by the institution minus any grant that has been received. The characteristics of the loan in terms of the interest rate charged, the repayment thresholds and rate at which the loan is repaid is the same as that for England.

Full-time student maintenance loans

Loans are also available to help students to cover living costs. The amount varies on a student's circumstances (living alone or with parents), but can be up to £4,745 per annum for student living away from home. As with loans for fees, these loans attract a zero real rate of interest. As with England, approximately 75% of the maximum loan is available to all students irrespective of their household income, while 25% is means-tested. Students that receive a maintenance grant receive a reduced maintenance loan. For every £1,000 of grant received, the maximum loan eligibility is reduced by £500. Loan repayment terms are as those for England.

5.3.3 Part-time student tuition fees

For part-time students studying in Wales, tuition fees for part-time courses must be paid Up-front and are set by the university/college. There is no minimum or maximum amount - though some institutions may allow payment by instalments. Little information is available regarding the current level of part-time fees.

5.3.4 Summary of part-time student support arrangements

Part-time student fee grants

A fee grant ranging between £635 (or the tuition fee, whichever is the lower) is available for students undertaking courses between 50 and 59% FTE up to £955 for courses with an intensity of greater than 75% FTE. The fee grant is available for up to 8 years and is available irrespective of household income.

Part-time student maintenance grants

A maintenance grant is available which is designed to help with study costs such as books, materials and travel. For 2009/2010, the maximum course grant of £1,075 is available. The course grant is independent of the intensity of the course and the basic household income cap for a full course grant stands at £25,575. There is no grant available for households with incomes in excess £27,616. In addition, there are a range of grants available to part-time students with financially dependent children or adults.

Part-time student maintenance loans

There are no loans available to part-time students studying in Wales.

5.3.5 Detailed description of student support arrangements in Wales

We present a detailed description of student support arrangements in Wales for full-time students in Table 15 and for part-time students in Table 16.

Table 15: Details of full-time student support arrangements in Wales

FEES		GRANTS/BURSARIES		LOANS	
Tuition fees	**Yes**	**Tuition Fees**	**Tuition Fee Grant**	**Tuition Fees**	**Fee Loan**
Up-front/Deferred	Up-front	Provider	Welsh Assembly Government	Provider	Welsh Assembly Government
Maximum (cap)	£3,225	Type of provider	Government	Type of provider	Government
Fixed/Variable by:	Variable	Grant duration	Course length	Loan duration	Course length
Income (means-tested)	No	Maximum grant	£1,940	Administration fee	No
Subject of study	No	Fixed/Variable by:	Variable	Maximum loan	£3,225, less any Tuition Fee Grant awarded
Student residency	No	Subject of study	No		Fixed
Study intensity	No	Student residency	Yes (Wales residents only)	Fixed/Variable by:	No
Eligible for tax relief	No	Study intensity	No	Living arrangements	No
Regulated/Unregulated	Regulated	Family arrangements	No	Location of study	No
Determined by	HEI	Income (means-tested)	No	Family arrangements	No
		General	**Assembly Learning Grant**	Income (means-tested)	Income Contingent
Other fees	**No**	Provider	Welsh Assembly Government	Loan type	£15,000 per annum
Up-front/Deferred	-	Type of provider	Government	Income threshold	No
Maximum (cap)	-	Grant duration	Course length	Minimum repayment	9.0% of income above threshold
Fixed/Variable by:	-	Maximum grant	£2,906	Repayment calculation	0.0% real rate
Income (means-tested)	-	Fixed/Variable by:	Variable	Interest rate	6 months after leaving education
Subject of study	-	Subject of study	No	Repayment commences	25 years / death / limiting disability
Student residency	-	Student residency	No	Write off:	No
Study intensity	-	Study intensity	No	Early repayment bonus	Yes (2 years)
Eligible for tax relief	-	Family arrangements	No	Deferrable?	**Maintenance Loan**
Regulated/Unregulated	-	Income (means-tested)	Yes	**Maintenance**	Welsh Assembly Government
Determined by	-	Income tapers:	Household income	Provider	Government
		£0 - £18,370	Maximum £2,906	Type of provider	Course length
		£18,370 - £27,852	Reduction per £ of income: 0.17	Loan duration	No
		£27,852 - £39,329	Reduction per £ of income: 0.11	Administration fee	LAH:* £3,673 (less £1,288 ALG)
		Income limit (no grant)	£39,329	Maximum loan	LAFH:* £4,745 (less £1,288 ALG)
					Variable
		Bursary	**The Welsh Bursary Scheme**	Fixed/Variable by:	Yes
		Provider	HEI	Living arrangements	Yes
		Type of provider	HEI	Location of study	No
		Grant duration	Course length	Family arrangements	No (Partially due to offset of grants)
		Minimum grant	£319	Income (means-tested)	Income Contingent
		Fixed/Variable by:	Variable	Loan type	£15,000 per annum
		Subject of study	No	Income threshold	No
		Student residency	No	Minimum repayment	9.0% of income above threshold
		Study intensity	Yes (not available for part-time)	Repayment calculation	0.0% real rate
		Family arrangements	No	Interest rate	6 months after leaving education
		Income (means-tested)	Yes	Repayment commences	25 years / death / limiting disability
		Income tapers:	Household income	Write off:	No
		£0 - £18,370	Minimum £319	Early repayment bonus	Yes (2 years)
		Income limit (no grant)	£18,371	Deferrable?	

*Source: London Economics review of official national sources. Note: * LAH: Living at home; LAFH: Living away from home*

Table 16: Details of part-time student support arrangements in Wales

FEES		GRANTS/BURSARIES		LOANS	
Tuition fees	**Yes**	**Tuition Fees**	**Fee Grant**	**Loan**	**No**
Up-front/Deferred	Up-front	Provider	Welsh Assembly Government	Provider	-
Maximum (cap)	No maximum	Type of provider	Government	Type of provider	-
Fixed/Variable by:	Variable	Grant duration	Course length	Loan duration	-
Income (means-tested)	-	Maximum grant	£955 or cost of fees (whichever is the lower)	Administration fee	-
Subject of study	-			Maximum loan	-
Student residency	-	Fixed/Variable by:	Variable	Fixed/Variable by:	-
Study intensity	-	Subject of study	No	Living arrangements	-
Eligible for tax relief	-	Student residency	No	Location of study	-
Regulated/Unregulated	Unregulated	Study intensity	Yes (>75% FTE figures used)	Family arrangements	-
Determined by	HEI	Family arrangements	Yes	Income (means-tested)	-
		Income (means-tested)	Yes	Loan type	-
Other fees	**No**	£0 – £16,530	Maximum £955	Income threshold	-
Up-front/Deferred	-	£16,530 – £24,925	Reduction per £ of income: 0.1	Minimum repayment	-
Maximum (cap)	-	Income limit (no grant)	£24,925	Repayment calculation	-
Fixed/Variable by:	-			Interest rate	-
Income (means-tested)	-	**Maintenance**	**Course Grant**	Repayment commences	-
Subject of study	-	Provider	Welsh Assembly Government	Write off:	-
Student residency	-	Type of provider	Government	Early repayment bonus	-
Study intensity	-	Grant duration	Course length	Deferrable?	-
Eligible for tax relief	-	Maximum grant	£1,075		
Regulated/Unregulated	-	Fixed/Variable by:	Variable		
Determined by	-	Subject of study	No		
		Student residency	No		
		Study intensity	No		
		Family arrangements	No		
		Income (means-tested)	Yes		
		Income tapers:	Household income:		
		£0 - £25,575	Maximum £1,075		
		£25,575 - £27,615	Reduction per £ of income: 0.50		
		Income limit (no grant)	£27,616		

Source: London Economics review of official national sources.

5.4 Northern Ireland

5.4.1 Full-time student tuition fees

As with students in England, full-time students studying in Northern Ireland are charged a maximum fee of £3,225 per annum (2009/10), which can be paid up front directly by the student or by taking out a fee loan for which the student becomes liable. The fees charged are set by the university and can vary between zero and the maximum amount; however institutions must provide a minimum student bursary to any students receiving the full maintenance grant.

5.4.2 Summary of full-time student support arrangements

Full-time student maintenance grants

The maximum maintenance grant available to students stands at £3,406 (2009/10). It is means-tested and is unavailable to students with a household income in excess of £40,238. Students from households with an income of less than £18,820 receive the full grant, while households with an income between these amounts receive a partial grant. On average, for every £7.37 increase in household incomes between £18,820 and £40,238, the maintenance grant is reduced by £1. In addition, for students in receipt of the maximum grant, the difference in the tuition fee and the maintenance grant is provided by the higher education institution.

Full-time student fee loans

As with students from England, a fee loan is available to students in Northern Ireland to cover university tuition fees, ensuring that students do not have to pay any tuition fees during the course of their study. The amount available to each student is equal to the amount of the tuition fee charged for the academic year (a maximum of £3,225 per annum). The loans are in essence ‘interest free’, though the amount repayable does increase in line with inflation (a zero real rate of interest). The repayment terms are identical to the maintenance loans also available to students.

Full-time student maintenance loans

Loans are also available to help students to cover living costs. The amount varies on a student's circumstances (living alone or with parents) but can be up to £4,745 per annum (or £3,673 if living at home). As with loans for fees, these loans attract a zero real rate of interest.

As with England, approximately 75% of the maximum loan is available to all students irrespective of their household income, while 25% is means-tested. According to Student Finance Northern Ireland, all students with residual household income of less than £40,239 are eligible for the full maintenance loan. Loan eligibility withdrawn as household income

increases beyond £40,239 to the minimum non-means-tested level. This occurs at a household income of approximately £50,000 per annum for a student living at home.

Loan repayment terms

Loan repayment terms are the same as those for England.

5.4.3 Part-time student tuition fees

For part-time students studying in Northern Ireland, tuition fees for part-time courses must be paid Up-front and are set by the university/college. There is no minimum or maximum amount - though some institutions may allow payment by instalments. Little information is available regarding the current level of part-time fees.

5.4.4 Summary of part-time student support arrangements

Part-time student fee grants

A fee grant ranging between £805 (or the tuition fee, whichever is the lower) is available for students undertaking courses between 50 and 59% FTE and £1,210 for courses with an intensity of greater than 75% FTE. The fee grant is available for up to 8 years and is available in full to those students with a household income of less than £24,915 (if single with no dependent children).

Part-time student maintenance grants

A maintenance grant is available which is designed to help with study costs such as books, materials and travel. For 2009/2010, the maximum course grant is £260 is available (provided study takes place at more than 50% FTE). The course grant is independent of the intensity of the course and the basic household income cap for a full course grant stands at £25,510 (if single). There is no grant available for households with incomes in excess £27,506 (if single).

Part-time student maintenance loans

There are no loans available to part-time students studying in Northern Ireland.

5.4.5 Detailed description of student support arrangements in Northern Ireland

We present a detailed description of student support arrangements in Northern Ireland for full-time students in Table 17 and for part-time students in Table 18.

Table 17: Details of full-time student support arrangements in Northern Ireland

FEES		GRANTS/BURSARIES		LOANS	
Tuition fees	**Yes**	**Maintenance**	**Maintenance Grant**	**Tuition Fees**	**Fee Loan**
Up-front/Deferred	Up-front	Provider	Department for Education and Learning Northern Ireland	Provider	Department for Education and Learning Northern Ireland (DELNI)
Maximum (cap)	£3,225	Type of provider	Government	Type of provider	Government
Fixed/Variable by:	Variable	Grant duration	Course length	Loan duration	Course length
Income (means-tested)	No	Maximum grant	£3,406	Administration fee	No
Subject of study	No	Fixed/Variable by:	Variable	Maximum loan	£3,225
Student residency	No	Subject of study	No	Fixed/Variable by:	Fixed
Study intensity	No	Student residency	No	Living arrangements	No
Eligible for tax relief	No	Study intensity	No	Location of study	No
Regulated/Unregulated	Regulated	Family arrangements	Yes	Family arrangements	No
Determined by	HEI	Income (means-tested)	Yes	Income (means-tested)	No
		Income tapers:	Household income	Loan type	Income Contingent
Other fees	**No**	£0 - £18,820	Maximum £3,406	Income threshold	£15,000 per annum
Up-front/Deferred	-	£18,820 - £40,238	Reduction per £ of income: 0.14	Minimum repayment	No
Maximum (cap)	-	Income limit (no grant)	£40,238	Repayment calculation	9.0% of income above threshold
Fixed/Variable by:	-			Interest rate	0.0% real rate
Income (means-tested)	-	**Bursary**	**Higher Education Bursary**	Repayment commences	6 months after leaving education
Subject of study	-	Provider	HEI	Write off:	25 years / death / limiting disability
Student residency	-	Type of provider	HEI	Early repayment bonus	No
Study intensity	-	Grant duration	Course length	Deferrable?	Yes (2 years)
Eligible for tax relief	-	Minimum grant	£319		
Regulated/Unregulated	-	Fixed/Variable by:	Variable	**Maintenance**	**Maintenance Loan**
Determined by	-	Subject of study	No	Provider	DELNI
		Student residency	No	Type of provider	Government
		Study intensity	No	Loan duration	Course length
		Family arrangements	Yes	Administration fee	No
		Income (means-tested)	Yes	Maximum loan	LAH:* £3,673
		Income tapers:	Household income		LAFH:* £4,745
		£0 - £18,820	Minimum £319	Fixed/Variable by:	Variable
		Income limit (no grant)	£18,821	Living arrangements	Yes
				Location of study	Yes
				Family arrangements	No
				Income (means-tested)	Partial
				Loan type	Income Contingent
				Income threshold	£15,000 per annum
				Minimum repayment	No
				Repayment calculation	9.0% of income above threshold
				Interest rate	0.0% real rate
				Repayment commences	6 months after leaving education
				Write off:	25 years / death / limiting disability
				Early repayment bonus	No
				Deferrable?	Yes (2 years)

*Source: London Economics review of official national sources. Note: * LAH: Living at home; LAFH: Living away from home.*

Table 18: Details of part-time* student support arrangements in Northern Ireland

FEES		GRANTS/BURSARIES		LOANS	
Tuition fees	**Yes**	**Tuition Fees**	**Fee Grant**	**Loan**	**No**
Up-front/Deferred	Up-front	Provider	Department for Education and Learning Northern Ireland	Provider	-
Maximum (cap)	No maximum	Type of provider	Government	Type of provider	-
Fixed/Variable by:	Variable	Grant duration	Course length	Loan duration	-
Income (means-tested)	-	Maximum grant	£1,210	Administration fee	-
Subject of study	-	Fixed/Variable by:	Variable	Maximum loan	-
Student residency	-	Subject of study	No	Fixed/Variable by:	-
Study intensity	-	Student residency	No	Living arrangements	-
Eligible for tax relief	-	Study intensity	Yes (>75% FTE figures used below)	Location of study	-
Regulated/Unregulated	Unregulated	Family arrangements	Yes	Family arrangements	-
Determined by	HEI	Income (means-tested)	Yes	Income (means-tested)	-
		Income tapers:	Student income:	Loan type	-
Other fees	**No**	£0 - £16,509	Maximum £1,210	Income threshold	-
Up-front/Deferred	-	£16,510 - £25,669	Reduction per £ of income: 0.13	Minimum repayment	-
Maximum (cap)	-	Income limit (no grant)	£27,506	Repayment calculation	-
Fixed/Variable by:	-			Interest rate	-
Income (means-tested)	-	**Maintenance**	**Course Grant**	Repayment commences	-
Subject of study	-	Provider	Department for Education and Learning Northern Ireland	Write off:	-
Student residency	-	Type of provider	Government	Early repayment bonus	-
Study intensity	-	Grant duration	Course length	Deferrable?	-
Eligible for tax relief	-	Maximum grant	£260		
Regulated/Unregulated	-	Fixed/Variable by:	Variable		
Determined by	-	Subject of study	No		
		Student residency	No		
		Study intensity	Yes (>75% FTE figures used below)		
		Family arrangements	Yes		
		Income (means-tested)	Yes		
		Income tapers:	Student income:		
		£0 - £25,510	Maximum £260		
		£25,510 - £27,505	Reduction per £ of income: 0.11		
		Income limit (no grant)	£27,505		

Source: London Economics review of official national sources.

Notes: * Part-time students taking a higher education course and studying a course that is at least 50% of the equivalent full-time course. Students who already have a degree cannot usually apply for this help. There is no age limit.

5.5 Australia (Federal level)

5.5.1 National context for student support

Structure of the educational system

The Australian school education system is run at the State and Territory level, not at the national level, and therefore the school education systems differ slightly across states and territories[43]. The Australian Higher Education system is operated at the federal level.[44]

In Australia school education is compulsory between the ages of 6 and 16 (school years 1 to 10) and comprises 13 years in total. These 13 years include a preparatory year before year 1 which is not compulsory but almost universally undertaken; primary schooling covers a period of 6 or 7 years (school years 1-6 or 1-7 depending on which state or territory the student is in); and, secondary schooling covers a period of 5 or 6 years (school years 7-12 or 8-12 again depending on the state or territory). Secondary school is broken down into lower secondary (up to year 10) and upper secondary (years 11-12).

In primary school, there are no examination procedures, and progress and ability is assessed by the teachers in consultation with parents. All students who complete the compulsory years of primary school progress to secondary school. Qualifications and assessment in lower secondary school differs across the states and territories. The Northern Territory, Queensland, South Australia, Victoria and Western Australia award no formal qualifications at the completion of year 10. All students who complete year 10 to the satisfaction of their individual school can move to upper secondary. The Australian Capital Territory and New South Wales award a Year 10 School Certificate that must be achieved by students before moving to upper secondary school. This certificate is assessed using state wide exams in NSW, and individual school assessments in the Australian Capital Territory.

School awards for entrance to higher education differ across states and territories, but all systems require formal examinations over a two year period. These are state or territory based examinations and not nationally based. The qualifications awarded in each state are different, but all provide a form of ranking (relative to peers in the state or territory), which determines what courses and universities the student can attend. The state based awards are recognised nationally for higher education entrance.[45]

There are two main school types in Australia: Government Schools (called public schools) and Non-Government Schools that are classified as either Catholic or Independent. Independent schools usually have some form of religious affiliation (for example, Church of

[43] The Commonwealth of Australia has 6 states and 2 territories. These are New South Wales, Victoria, South Australia, Western Australia, Queensland, Tasmania, the Northern Territory and the Australian Capital Territory.

[44] There are three levels of government in Australia. The Commonwealth (or national) Government of Australia, State and Territory Governments and local government.

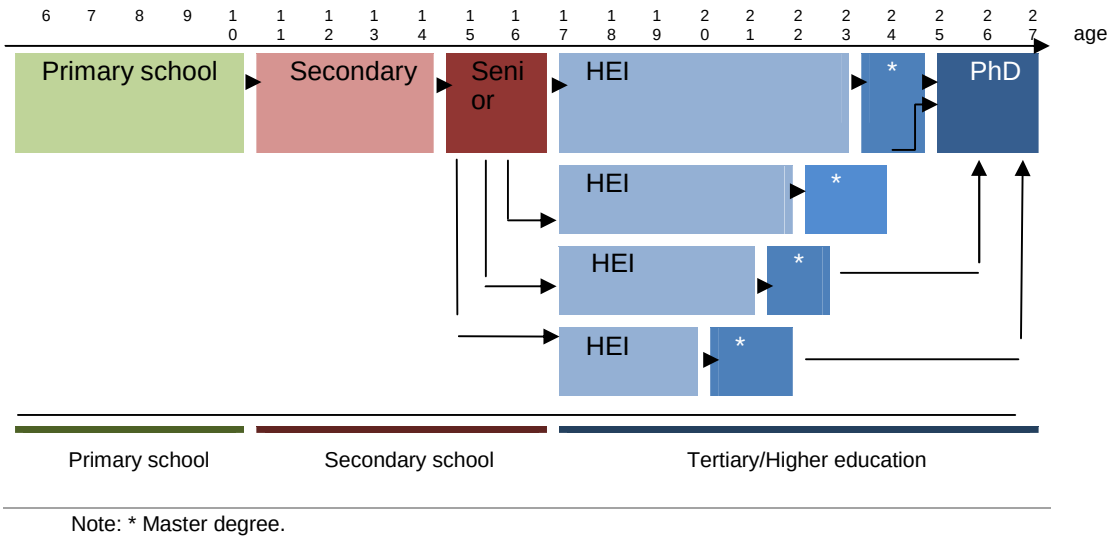
[45] Details of the state and territory qualifications for entrance to Higher Education can be found at http://www.aei.gov.au/AEI/CEP/Australia/EducationSystem/Default.htm

England). There are some Selective Government Schools which have entrance exams for lower and upper secondary places. These schools are aimed at the academically gifted students.

In all Government Schools, school fees are fully funded by the state governments and National Government. Catholic schools receive approximately 70% of their income from state and National Government, with the remaining 30% derived from the Catholic Church and school fees. Independent Schools receive approximately 40% of their income from the state and National Government and 60% from fees and other private sources.

Higher education qualifications take the following main forms in Australia.[46]

Figure 8: Organisation of the education system in Australia



Note: * Master degree.

The actual form of higher education qualifications attained depends on the field of study and the higher education institution. However, generally a Bachelor Degree will take between 3 and 5 years full-time to complete, a Masters Degree between 1 and 2.5 years, and a PhD between 3 and 5 years. Double degrees are quite popular in Australia (for example, Commerce and Law, Medicine and Law, Engineering and Law) and these degrees normally take between 5 and 7 years to complete full-time.

Number of Higher Education Institutes (HEIs)

There are two broad categories of HEIs these are:

- Commonwealth supported place providers (public institutions); and,

[46] This information is taken from the following Australian Government website http://www.goingtouni.gov.au/Main/CoursesAndProviders/ProvidersAndCourses/QualificationsAndFieldsOfEducation/GettingQualifications.htm

- Private providers (private institutions).

However, many Commonwealth support providers also have some student places which are private (i.e. full-fee paying). Many of these full-fee paying places are allocated to overseas students; however, they are also available to domestic students.[47] There are 37 public universities, two private universities and 150 or so other approved providers of higher education[48].

Educational attainment

Information from the OECD (2009) reports that 34% of the Australian population aged between 25 and 64 years of age had third level qualifications in 2007. Of these, 10% had a Tertiary-type B qualification and 24% had a Tertiary-type A qualification. The average annual growth rates for educational attainment for the period 1997-2007 stands at 3.4% per annum for the population aged between 25 and 64; 1.2% in terms of upper secondary and postsecondary non-tertiary attainment; and 3.3% per annum at third-level.

Participation at tertiary level

Net entry rates into third level type A courses stood at 86% in 2007 compared to 59% in 2000, though this in part reflects the level of selection that takes place at upper secondary level. There is limited information available in relation to completion rates, however, data in relation to tertiary-type A education completion rates indicates that was 72% of entrants for the period 2003-2005 completed successfully.

Expenditure on higher education

Average expenditure on higher education stands at 1.7% of GDP (which is significantly higher than the OECD as a whole). In Australia, 47.6% of total expenditure on tertiary education comes from public sources. 52.4% comes from private sources of which 35.8% is household expenditure and 16.6% is from other private entities. Private sources of which are subsidized is 0.6%.

5.5.2 Summary of current student support arrangements

The Australian higher education student support system is currently undergoing significant change. These changes have been motivated by the findings and recommendations of the independent “Bradley Review” of higher education in Australia completed in 2008.[49]

[47] A domestic student is an Australian or New Zealand citizen, or a person with a Permanent Residency Visa.

[48] Review of Australian Higher Education (2008), Australian Government, Canberra.

[49] http://www.deewr.gov.au/HigherEducation/Review/Pages/default.aspx

In the 2009/10 Budget, the Government announced a package of reforms to the higher education support system.[50] The main driver for these changes is to increase higher education enrolments of students from low socio-economic backgrounds by 20% by 2020[51].

The backbone of the Australian system known as the Higher Education Contribution Scheme for tuition fees remains in place (the HECS scheme is described below); however statutory grants available to domestic students have been modified and are now linked to social welfare income support schemes. In turn, the social welfare payments or income support for students is being modified such that more students will be eligible for income support, and more students will receive larger income support payments under the schemes.

The Australian system for tuition fees, student income support and government scholarships is outlined below. It is important to note that there is no difference in the funding schemes between full-time and part-time study.

Tuition fees

HECS-HELP is the Higher Education Contribution Scheme – Higher Education Loan Payment. HECS-HELP is available to domestic students in a Commonwealth supported place. For Commonwealth supported places, the national government subsidises tuition fees and provides a loan (at no interest) to the student for the remainder. The system applies to both full-time and part-time studies. The proportion of tuition fees that the national government pays varies by field of study. The fields (referred to as a Band) and the corresponding costs to students (called a student contribution) are the following in 2010:

- Band 3: law, dentistry, medicine, veterinary science, accounting, administration, economics, commerce for which the student contribution is between $0 and $8,859 per annum (£0-£4,900);
- Band 2: computing, built environment, health, engineering, surveying and agriculture for which the student contribution is between $0 and $7,567 per annum (£0-£4,186);
- Band 1: humanities, behavioural science, social studies, foreign languages, and visual and performing arts for which the student contribution is between $0 and $5,310 per annum (£0-£2,937); and,
- National Priorities, education, nursing, mathematics, statistics and science for which the student contribution is between $0 and $4,249 per annum (£2,350).

The education provider determines the student contribution to be paid above the government subsidy. The government subsidy (called the Commonwealth Contribution) is the following for each “funding cluster” per unit of full-time study which is an EFTSL and is explained below.

- Law, accounting, administration, economics, commerce $1,765 per annum (£976);

[50] http://www.deewr.gov.au/Ministers/Gillard/Media/Releases/Pages/Article_090512_182711.aspx
[51] http://www.deewr.gov.au/HigherEducation/Documents/PDF/Pages%20from%20A09-303%20Budget%20Fact%20Sheets-1_webaw.pdf

- Humanities $4,901 per annum (£2,711);
- Mathematics, statistics, behavioural science, social studies, computing, built environment and other health $8,670 per annum (£4,796);
- Education $9,020 per annum (£4,989);
- Clinical psychology, allied health, foreign languages, visual and performing arts $10,662 per annum (£5,898);
- Nursing $11,903 per annum (£6,584);
- Engineering, science, surveying $15,156 per annum (£8,384); and,
- Medicine, dentistry, veterinary science, agriculture $19,235 per annum (£10,640).

Each student with a Commonwealth supported place receives a lifetime "Equivalent Full-time Study Load" (EFTSL). EFTSLs are essentially points which students can then use to "purchase" course units. 1 EFTSL is 1 unit of full-time study. Each student that is awarded a Commonwealth supported place receives EFSTLs for 7 years full-time study. Therefore, if a student undertakes part-time study at a 50% full-time load their EFTSL is 14 years. The supplying institutions determine how many EFSTLs a course requires. Once a student has used all their EFSTLs they can no longer receive a Commonwealth supported place (except in exceptional circumstances).

For Commonwealth supported places the student can elect to repay their loan (their contribution) in full up-front, and in this case will receive a 20% discount on the total loan. Part-payments of $500 minimum (£277) are also possible and in this case the student will receive 20% of the amount repaid. For students that elect to keep the loan, they will receive no discount, but do not start re-paying the loan until their taxable income is $41,595 per annum (£23,009). They then begin re-paying at an increasing rate in respect of their total income. The re-payment is automatically deducted from their taxable income by their employer. The HECS-HELP is a no interest loan.

FEE-HELP is a government provided interest free loan for full-fee paying (private) student places (i.e. those not awarded a Commonwealth provided place). The maximum loan amount is $85,062 (£47,053). For medicine, dentistry and veterinary science the maximum loan amount increases to $106,328 (£58,816). This is a lifetime maximum for each student. For undergraduate study there is also a 20% loan establishment fee to be paid (this is not paid for postgraduate study). Re-payment by the student does not start until the student's yearly taxable income is at least $41,595 (£23,009), and then increases in income (in the same way as for HECS-HELP).

Income support

As part of the measures announced in 2009-10 Budget, the income support arrangements for students is to be overhauled. The initial changes will be in place from January 1st 2010 and will be fully implemented by January 1st 2012.

There are two main income support schemes for students in Australia. These are the

following:

- **Youth Allowance:** The Youth Allowance is available to all eligible young people under the age of 25 (i.e. not just higher education students). The young person is classified as either "dependent" or "independent". For those classified as dependent the maximum fortnightly payment is determined by their "parental income". The threshold for full Youth Allowance payments is $42,559 (£23,542) taxable income per year but this threshold increases as the number of dependent children in the household increases. The maximum threshold, above which no payment can be received, is $517,000 in "taxable family assets" (£286,000). If the person is classified as "independent", then the maximum fortnightly payment is determined by their (and their partner's) taxable income. The threshold for full Youth Allowance payment is currently $234 per fortnight (£129), but this is increasing to $400 per fortnight in 2012 (£221). Under the dependent classification the amount paid reduces by $1 for every $4 over the family income threshold. For the independent classification, for taxable incomes between $235 and $316 (£130 and £175) the fortnightly payment reduces by $0.50 in every dollar. For incomes of $317 (£176) and above payments are reduced by $0.60 in every dollar. Youth Allowance is a taxable income.

- **Austudy:** Austudy is specifically targeted to students 25 years and over. It is only available to full-time students (which is classified as at least a 75% EFTSL course, unless the student is disabled and then full-time is 25% EFTSL or above). The threshold for full Austudy payments is currently a taxable income of $234 per fortnight (£130) but will increase to $400 by 2012 (£221). All recipients of Austudy are classified as independent and therefore payments are not means-tested against parental income. Fortnightly payments are determined based upon the student's status i.e. single, partnered, any dependent children. Payments are tapered in the same was as for Youth Allowance under independent status. Austsudy is a taxable income.

Statutory Grants

The other main overhaul announced in the 2009-10 Budget is a change in government scholarships available to higher education students. From January 2010 there will be two new scholarships/grants. The scholarships will be managed by the statutory agency "CentreLink"[52], instead of by the individual HEIs. Further, a student will only be eligible for a grant if they are receiving one of the (two) income support schemes listed above.
The two scholarship schemes are the following:

- **Student Start-up Scholarship** which replaces the Commonwealth Education Costs Scholarships from January 2010. It is a payment of $2,254 per year (£1,247) for a maximum of 4 years. The student must be studying full-time.

[52] http://www.centrelink.gov.au/

- **Student Relocation Scholarship** which replaces the Commonwealth Accommodation Scholarship is available to full-time students who must live at least 90 minutes from home in order to undertake their studies. It is a payment of $4,000 in year 1 (£2,213) and then $1,000 (£553) for subsequent years up to a maximum of 4 years.

5.5.3 Background and remaining challenges for student support

Australia's higher education funding system has recently undergone significant change in response to the recommendations of the independent Bradley Review (2008).[53] The motivation for this change was the need to position Australia to compete effectively in a globalised economy. In the group of OECD countries Australia has slipped from 7th to 9th place in terms of the proportion of 25-34 year olds with a degree-level qualification over the last decade. Further, there are predictions that from 2010 the demand for people with undergraduate qualifications will outstrip the supply in Australia.[54] In light of this, Australia has sought to increase the supply of future graduates by encouraging groups in the population that have historically been under-represented. This includes the indigenous population, low-socio-economic groups and people from regional and remote areas. The main new feature of the Australian system is the linking of the income support payments for students to the main social welfare system such that the income support can be targeted more effectively at those with low incomes or those that must travel significant distances/re-locate for their studies. Further, statutory grants are now only available to those who also qualify for income support.

In the 2009 National Budget, the Government announced that it will provide an additional $5.4 billion (£2.98 billion) over 4 years to the higher education system. The additional funding is aimed at increasing the quality of teaching and learning, improving access and outcomes for students from low socio-economic backgrounds, building new links between universities and disadvantaged schools, rewarding institutions for meeting agreed quality and equity outcomes, improving resourcing for research and invest in world class tertiary education infrastructure.

5.5.4 Detailed description of student support arrangements in Australia

We present a detailed description of student support arrangements in Australia for full-time (and part-time) students in Table 19.

[53] http://www.deewr.gov.au/HigherEducation/Pages/TransformingAustraliasHESystem.aspx
[54] Bradley Report Review of Higher Education in Australia, 2008.

Table 19: Details of full-time student support arrangements in Australia

FEES		GRANTS / BURSARIES		LOANS	
Tuition fees	**Yes**	**Maintenance**	**Student Start-up scholarship**	**Tuition Fees**	**HECS-HELP(Commonwealth places)**
Up-front/Deferred	Up-front, 20% discount if paid up-front and not HECS-HELP financed	Provider	Federal Government	Provider	Government
Maximum (cap)	$8,859 (£4,900)	Type of provider	Government	Type of provider	Government
Fixed/Variable by:	National Priorities: $4,249 (£2,350)	Grant duration	Course length (4 years)	Loan duration	7 years (full-time students)
	Band 1: $5,310 (£2,937)	Maximum grant	$2,254 (£1,247)	Administration fee	N/A
Fixed/Variable by:	Band 2: $7,567 (£4,186)	Fixed/Variable by:	Fixed	Maximum loan	N/A
Income (means-tested)	Band 3: $8,859 (£4,900)	Subject of study	No	Fixed/Variable by:	Variable
Subject of study	Variable	Student residency	No	Living arrangements	No
Student residency	No	Study intensity	Yes (full-time only, 75% of EFTSL)	Location of study	No
Study intensity	Yes		Yes (Parental family income threshold $42,559 (£23,542)	Study Intensity	Yes
Eligible for tax relief	No	Family arrangements		Subject of Study	Yes
Regulated/Unregulated	No	Income (means-tested)	Yes (If "Independent" must meet youth allowance or Austudy threshold)	Income (means-tested)	No
Determined by	Yes		N/A	Income threshold	Income Contingent
	Unregulated	Income tapers:	N/A		$41,595 (£23,009) total yearly taxable income payments
Other fees	HEI	Income limit (no grant)		Income tapers:	
Up-front/Deferred			**Student relocation scholarship**	£0- £23,009 ($41,595)	No repayment
Maximum (cap)	**No**	**Maintenance**	Federal Government	£23,009-£25,629 ($46,333)	4.0% of total earnings
Fixed/Variable by:	-		Government	£25,629-£28,250 ($51,070)	4.5% of total earnings
Income (means-tested)	-	Provider	Course length (4 years)	£28,250-£29,734 ($53,754)	5.0% of total earnings
Subject of study	-	Type of provider	$4,000 (£2,213) in 1st year, $1,000 (£553) in subsequent years	£29,734-£31,963 ($57,782)	5.5% of total earnings
Student residency	-	Grant duration	Fixed	£31,963-£34,616 ($62,579)	6.0% of total earnings
Study intensity	-	Maximum grant	No	£34,616-£36,438 ($65,873)	6.5% of total earnings
Eligible for tax relief	-		Yes (90 minutes from HEI)	£36,438-£40,100 ($72,492)	7.0% of total earnings
Regulated/Unregulated	-	Fixed/Variable by:	Yes (75% of EFTSL(full-time))	£40,100-£42,730 ($77,247)	7.5% of total earnings
Determined by	-	Subject of study	No	£42,730 and above	8.0% of total earnings
	-	Student residency	Yes (If "Independent" must meet youth allowance or Austudy threshold)	Interest payments	0% real rate of interest
	-	Study intensity	N/A	Minimum repayment	No
	-	Family arrangements	Dependent, family assets greater than $517,000 (£285,983).	Write off:	Yes: Death
	-	Income (means-tested)	Independent: No limits.	Early repayment bonus	Yes, 10%
				Deferrable?	Yes (under certain circumstances, e.g. financial hardship)
		Income tapers:			
		Income limit (no grant)			

Table 19: Details of full-time student support arrangements in Australia					
FEES		GRANTS / BURSARIES		LOANS	
		Income Payments Provider Type of provider Grant duration Maximum grant Max. amount available: $6,354.40 (£3,500)* $9,656.4 (£5,330)* Fixed/Variable by: Subject of study Student residency Study intensity Family arrangements Income (means-tested) Income tapers: - Independent: $0-$6,110(£3,380)** $6,110- $8,216 (£4,550)** $8,216-no limit** Income limit (no grant) - Dependent: $0-$42,559 (£23,542) $42,559-$517,000 (£285,983) Income limit (no grant)	**Youth Allowance** Federal Government Government N/A $234 per fortnight (£130) Sing, no child,>18, living at home Sing, no child,>18, not live at home Variable No Yes (min. 75% of full-time load) No Yes (If "dependant" Parental income threshold £23,542 ($42,559), but increases depending on number of kids in family) Yes Maximum grant payment Reduction per £ of income:£0.50 Reduction per £ of income:£0.60 Independent: No limit Maximum grant payment Reduction per £ of income:£0.25 Dependent: family assets > $517,000 (£285,983)	**Tuition FEE** Provider Type of provider Loan duration Maximum Administration fee Fixed/Variable by: Living arrangements Location of study Study Intensity Subject of Study Income (means-tested) Loan type Income threshold Income tapers: £0- £23,009 ($41,595) £23,009-£25,629 ($46,333) £25,629-£28,250 ($51,070) £28,250-£29,734 ($53,754) £29,734-£31,963 ($57,782) £31,963-£34,616 ($62,579) £34,616-£36,438 ($65,873) £36,438-£40,100 ($72,492) £40,100-£42,730 ($77,247) £42,730 and above Interest payments Minimum repayment Write off: Early repayment bonus Deferrable?	**FEE-HELP (non-Commonwealth places)** Government Government Course length $85,062 (£47,053) $106,328 (£58,816) for medicine, dentistry and veterinary 20% Variable No No Yes Yes No Income Contingent $41,595 (£23,009) total yearly taxable income payments begin an increase proportion in salary No repayment 4.0% of total earnings 4.5% of total earnings 5.0% of total earnings 5.5% of total earnings 6.0% of total earnings 6.5% of total earnings 7.0% of total earnings 7.5% of total earnings 8.0% of total earnings 0% real rate of interest N/A Yes: Death Yes, 10% Yes (under certain circumstances)

Table 19: Details of full-time student support arrangements in Australia					
FEES		GRANTS / BURSARIES		LOANS	
		Income Payments	**Austudy (students over 25)**		
		Provider	Commonwealth Government		
		Type of provider	Government		
		Grant duration	N/A		
		Maximum grant	Yes $6,136 (£3,406) per annum increasing to $10,400 (£5,746) in 2012, no independence test which is the difference to Youth Allowance)		
		Max. amount available:	Single/ partnered: $9,646 (£5,330) partnered, children: $10,582 (£5,850) single, children: $12,651.6 (£6,994)		
		Fixed/Variable by:	Variable		
		Subject of study	No		
		Student residency	No		
		Study intensity	Yes		
		Family arrangements	No		
		Income (means-tested)	Yes		
		Income tapers:			
		£0- £3,380($6,110)	Maximum grant available		
		£3,380-£4,550($8,216)	Reduction per £ of income:£0.50		
		£4,550- no limit	Reduction per £ of income:£0.60		
		Income limit (no grant)	N/a		

Source: London Economics review of official national sources.
Note: * per annum based on fortnightly payments, ** per annum based on fortnightly earnings

Part-time students in Australia pay uncapped, variable tuition fees and may apply for HECS grants and loans on a pro-rata basis.

5.6 Canada (Federal level)

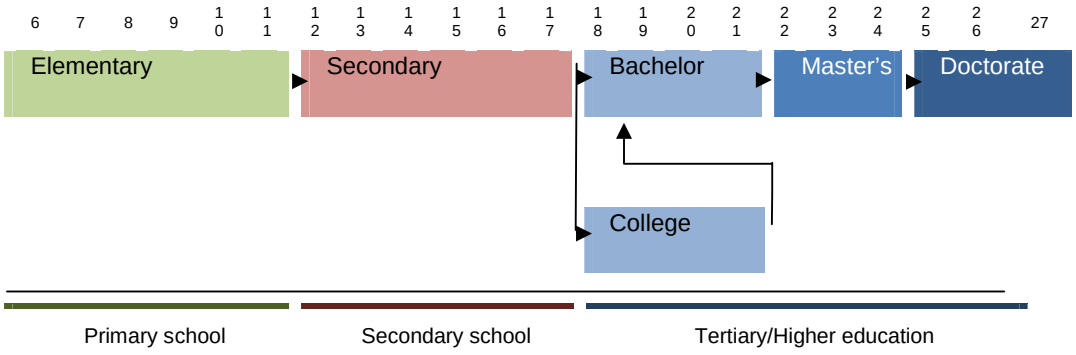
5.6.1 National context for student support

Structure of the educational system

In Canada, there is no federal government department of education, with the responsibility for education resting with the provincial governments. Accordingly, there is no integrated national education system and there are some important differences between the provinces. Nevertheless, the provincial education systems are broadly similar in structure (with Quebec being somewhat of a general exception), so Figure 9 illustrates the organisation of the education system in Canada. Across all provinces education is compulsory until the age of at least 16 years old (18 years old in Ontario and New Brunswick).

In general, the pre-tertiary education system begins with kindergarten at age 5 to 6, moving on through elementary (primary) school by age 12 and secondary school usually by the age of 18. Upon completion of secondary school, successful pupils have an opportunity to participate in higher education. For undergraduate studies, there are two options: a baccalaureate (Bachelors) degree at university, or a college degree, both of which take up to four years depending on the subject. Students who successfully graduate from college courses are entitled to participate in university Bachelor programmes at university.

Figure 9: Organisation of the education system in Canada



Note: Education system in Canada varies across regions. The above presented represents all regions apart from Quebec. Bachelor degree lasts for three or four years. Master degree takes between 1 to 3 years. Doctorate lasts for three or more years. College education takes one to four years.

Educational attainment

Canada has a very high level of educational attainment. In 2007, 48% of the Canadian adult population (25-64 years old) held a tertiary education qualification, higher than any other OECD nation and double the EU19 average (24%). This proportion is up from 38% in 1998, corresponding to an average of 2.6% growth per annum. This is largely driven by a high relatively high proportion (24%) of the population that had attained a tertiary-type B education, though the 24% with a tertiary-type A degree is still above OECD and EU19 averages.

Participation at tertiary level

In terms of participation rates, 79% of the total population successfully graduated at upper secondary level in 2007 (up from 77% in 2001), of which 76% graduated from courses designed to prepare for direct entry to tertiary-type A education. Statistics relating to tertiary education entry rates are unavailable.

Data on tertiary education completion rates is only available for Québec, which shows that 72% of tertiary education students (75% of type A) successfully graduated in 2005, approximately equal to EU19 and OECD averages.

Expenditure on higher education

In 2006, public expenditure on tertiary education institutions amounted to 2.7% of Canadian GDP, but annual expenditure on education institutions per student statistics is unavailable. In 2006, the balance of funding for higher education in Canada was: 53.4% from public sources, 22.2% from households, and 24.4% from other private entities. Furthermore, public expenditure also subsidised 0.6% of private expenditure on higher education in 2006.

5.6.2 Summary of current student support arrangements

Despite the lack of an integrated national education system and a central ministry of education, the federal system of student support arrangements is quite well developed.

Full-time students

Generally, Canadian higher education students must pay tuition fees, with the exception of Quebec, where residents do not pay college tuition fees nor are any registration fees payable. In the remaining provinces, the average tuition fee amounts to $4,917 (£2,781) and varies by subject and study intensity. There are various tax relief programs available for students, which are offered by the Government of Canada.

Full-time higher education students in Canada may be entitled to various maintenance grants, depending on eligibility. Maintenance grants for students from families with low-income (means-tested based on family size) amount to $3,000 (£1,697) per academic year, whereas students from middle-income families (means-tested based on family size) are entitled to $1,200 (£679) maintenance grant. The Canadian student support system offers also maintenance grants to students with dependent children $2,400 (£1,357) and those with disabilities (up to $8,000 (£4,525)), subject to means-testing. There are no bursaries available to students in Canada.

For those students do not receive a maintenance grant, and also those whose costs of higher education are not met by a grant, and are in financial need, the federal government also offers a student loan facility (Canada Student Loans). Based on an assessment of financial need, including the expected parental contribution, these loans are designed to cover tuition

fees and maintenance costs of attending a higher education course. The lifetime lending limit is $71,400 (£40,385) or $210 (£119) per week of study, with some variation by province, with a lifetime limit for all students of 340 weeks of support. Repayment is income-contingent, and may not exceed 20% of income above the base income threshold. In terms of the interest rate, the student has two options to choose from: a floating interest rate of Prime + 2.5%; or a fixed interest rate of Prime + 5%. At October 2009, the floating interest rate was 4.75% and the fixed interest rate was 7.25%. If the student chooses the fixed rate, this is locked-in for the duration of repayment schedule, whereas a student on the variable rate may switch to the fixed rate at any time. For the duration of the full-time study, interest is levied on the federal student loan but is paid by the Government of Canada. Full-time students start repaying their loans after six months from graduation, though interest starts to accumulate immediately. Debt liability is written off after 15 years (10 years in the case of limiting disability) or bankruptcy.

Part-time students

As with full-time study, part-time students also pay tuition fees, which are not capped and are variable by subject and by study intensity. Fees paid may also be eligible for tax relief.

To assist student from lower-income backgrounds, there is a range of grants specifically for part-time students in Canada. The *Grant for Part-time Studies* provides up to $1,200 (£679) per annum to students in financial need, supplemented by the Grant for Part-time Students with Dependents of up to $1,920 (£1,086) in the case of the student having two dependent children. Other grants provide support to part-time students with a disability and in financial need of up to $2,000 (£1,131) per annum for maintenance and up to $8,000 (£4,525) for equipment.

Part-time students may also avail of Canada Student Loans, based on a means-test, though with a reduced maximum loan amount of $10,000 (£5,656). The other notable difference of the part-time loans to the full-time equivalent is that interest accrues on the federal student loan during the course of study.

5.6.3 Background and remaining challenges to student support

The federal government has just implemented a range of changes to student financial assistance programmes (effective from 2009/10) on the basis of a review of the Canada Student Loans Program following consultation with provinces, territories and stakeholders. The objectives of the review and the resultant changes were to improve access to university, college and trade school and to help students and families manage the cost of post-secondary education.

The main changes that were made as a result of this review were to: introduce the new up-front Canada Student Grant for students from low- and middle-income families; introduce a new Repayment Assistance Plan for students having difficulty repaying their student loans;

enhance the support for students with permanent disabilities; provide more support for part-time students and students with dependent children; and, importantly, to simplify the whole loan process. The effects of these changes have yet to be seen.

5.6.4 Detailed description of student support arrangements in Canada

We present a detailed description of student support arrangements in Canada for full-time students in Table 20 and Table 21.

Table 20: Details of full-time student support arrangements in Canada (Federal level)

FEES		GRANTS/BURSARIES*		LOANS*	
Tuition fees	**Yes, except Quebec**	**Low-income grant**	**Canada Student Grant for Persons from Low-Income Families**	**Student loan**	**Canada Student Loans**
Up-front/Deferred	Up-front			Provider	National Student Loans Service Centre
Maximum (cap)	No maximum. Average 2009/10: $4,917 (£2,781)	Provider	The Government of Canada		Government
Fixed/Variable by:	Variable	Type of provider	Government	Type of provider	Course length, or a lifetime limit of 340 weeks
Income (means-tested)	No	Grant duration	Course length	Loan duration	No
Subject of study	Yes. Average by subject 2009/10: Education $3,783 (£2,140) to Dentistry $13,988 (£7,912)	Maximum grant	$3,000 (£1,697) per annum	Administration fee	$71,400 (£40,385), $210 (£113) per week of study
		Fixed/Variable by:	Variable	Maximum loan	Variable
		Subject of study	No		No
Student residency	No	Student residency	Yes, vary by province	Fixed/Variable by:	Yes (variation by province)
Study intensity	Yes	Study intensity	Yes, at least 60% FTE, min 2 year	Living arrangements	No
Eligible for tax relief	Yes**			Location of study	Yes, based on assessed financial need
Regulated/Unregulated	Unregulated	Family arrangements	Yes, dependent children	Family arrangements	Mortgage
Determined by	HEI	Income (means-tested)	Yes, household income	Income (means-tested)	No
		Income limit (no grant)	Range: $23,729 (£13,421) to $27,932 (£15,799)	Loan type	Repayment must not exceed 20% of family income
				Minimum repayment	Option 1 Fixed rate: Prime + 5%^
Other fees	**No**	**Middle-income grant**	**Canada Student Grant for Persons from Middle-Income Families**	Repayment calculation	Option 2 Floating rate: Prime + 2.5%^
Up-front/Deferred	-			Interest rate	6 months after leaving education
Maximum (cap)	-	Provider	The Government of Canada		15 years / death / limiting disability (10 years) / bankrupt
Fixed/Variable by:	-	Type of provider	Government	Repayment commences	No
Income (means-tested)	-	Grant duration	Course length	Write off:	Yes, temporarily via the Repayment Assistance Plan if unable to afford repayments
Subject of study	-	Maximum grant	$1,200 (£679) per annum		
Student residency	-	Fixed/Variable by:	Variable	Early repayment bonus	
Study intensity	-	Subject of study	No	Deferrable?	
Eligible for tax relief	-	Student residency	Yes, income thresholds vary by province		
Regulated/Unregulated	-	Study intensity	Yes, must be taking at least 60% of a full course load, min 2 year duration		
Determined by	-	Family arrangements	Yes, income thresholds vary by number of dependent children		
		Income (means-tested)	Yes, household income		
		Income limit (no grant)	Range: $43,087 (£24,370) to $59,923 (£33,893)		

Table 20: Details of full-time student support arrangements in Canada (Federal level)					
FEES		**GRANTS/BURSARIES***		**LOANS***	
		Dependents grant	**Canada Student Grant for Persons with Dependents**		
		Provider	The Government of Canada		
		Type of provider	Government		
		Grant duration	Course length		
		Maximum grant	$2,400 (£1,357) per annum per dependent child		
		Fixed/Variable by:	Variable		
		Subject of study	No		
		Student residency	Yes, income thresholds vary by province		
		Study intensity	Yes, must be taking at least 60% of a full course load, min 2 year duration		
		Family arrangements	Yes, number of dependent children		
		Income (means-tested)			
		Income limit (no grant)	Yes, household income Range: $23,729 (£13,421) to $27,932 (£15,799)		

Source: London Economics review of official national sources.

Note:

* Quebec, the Northwest Territories and Nunavut offer their own student financial aid programs and do not participate in the Canada Student Loans Program.

** The Government of Canada offers various forms of tax relief to students:

- A 17% tax credit on the interest portion of the amount paid on student loan payments each year;
- Tax-free Registered Retirement Savings Plan (RRSP) withdrawals for the purposes of lifelong learning;
- Full-time students may claim an education amount of £ ($400) per month;
- A non-refundable textbook credit amount of £ ($65) for each month enrolled in a course that entitles the student to a full-time education tax credit; and
- A full tax exemption from all post-secondary scholarship and bursary income.

^ The prime interest rate is currently 2.25% (http://www.bankofcanada.ca/en/rates/digest.html, Accessed: 17.12.09).

Table 21: Details of part-time student support arrangements in Canada (Federal level)

FEES		GRANTS/BURSARIES*		LOANS*	
Tuition fees	**Yes**	**Part-time grant**	**Grant for Part-Time Studies**	**Student loan**	**Canada Student Loans**
Up-front/Deferred	Up-front	Provider	The Government of Canada	Provider	National Student Loans Service Centre
Maximum (cap)	No maximum	Type of provider	Government		Government
Fixed/Variable by:	Variable	Grant duration	Course length	Type of provider	Course length, or a lifetime limit of 340 weeks
Income (means-tested)	No	Maximum grant	$1,200 (£679) per annum	Loan duration	
Subject of study	Yes.	Fixed/Variable by:	Variable		No
Student residency	No	Subject of study	No	Administration fee	$10,000 (£5,656)
Study intensity	Yes	Student residency	Yes, income thresholds vary by province	Maximum loan	Variable
Eligible for tax relief	Yes**		Yes, must be enrolled in a part-time	Fixed/Variable by:	No
Regulated/Unregulated	Unregulated	Study intensity	program of at least 12 weeks duration	Living arrangements	Yes (variation by province)
Determined by	HEI		within a period of 15 consecutive weeks, or lasting at least 2 years (minimum 32 weeks)	Location of study	No
				Family arrangements	Yes, based on assessed financial need
Other fees	**No**		Yes, income thresholds vary by number of dependent children	Income (means-tested)	Mortgage
Up-front/Deferred	-			Loan type	No
Maximum (cap)	-			Minimum repayment	Repayment must not exceed 20% of family income
Fixed/Variable by:	-	Family arrangements	Yes, household income	Repayment calculation	
Income (means-tested)	-		Range: $23,729 (£13,421) to $27,932 (£15,799)		Option 1 Fixed rate: Prime + 5%^
Subject of study	-	Income (means-tested)		Interest rate	Option 2 Floating rate: Prime + 2.5%^
Student residency	-	Income limit (no grant)			Interest for part-time student accumulates from drawdown
Study intensity	-				6 months after leaving education
Eligible for tax relief	-	**Part-time Dependents grant**	**Grant for Part-Time Students with Dependents**		15 years / death / limiting disability(10 years) / bankrupt
Regulated/Unregulated	-	Provider	The Government of Canada	Repayment commences	No
Determined by	-	Type of provider	Government	Write off:	Yes, temporarily via the Repayment Assistance Plan if unable to afford repayments
		Grant duration	Course length		
		Maximum grant	$1,920 (£1,086) per annum if one or two dependants	Early repayment bonus	
		Fixed/Variable by:	Variable	Deferrable?	
		Subject of study	No		
		Student residency	Yes, income thresholds vary by province		
		Study intensity	Yes, must be enrolled in a part-time program of at least 12 weeks duration within a period of 15 consecutive weeks, or lasting at least 2 years (minimum 32 weeks)		
		Family arrangements	Yes, grant and income thresholds vary by number of dependent children (<12 years)		
		Income (means-tested)	Yes, must demonstrate financial need, have an assessed need that exceeds the Grant for Part-Time Studies and borrowed at least $4,000 (£2,262) in Canada Student Loans.		

*Source: London Economics review of official national sources. Note: * Quebec, the Northwest Territories and Nunavut offer their own student financial aid programs and do not participate in the Canada Student Loans Program. ** For tax reliefs, please see full-time table notes (Table).*

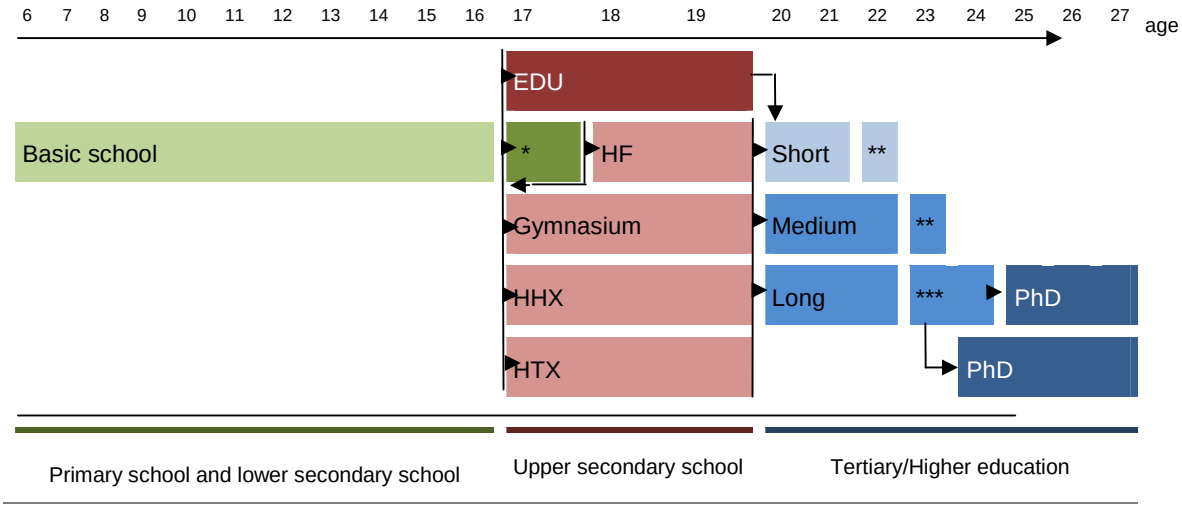
^ The prime interest rate is currently 2.25% (http://www.bankofcanada.ca/en/rates/digest.html, Accessed: 17.12.09).

5.7 Denmark

5.7.1 National context for student support

Figure 10 illustrates the organisation of the education system in Denmark. There is no institutional distinction between primary school and lower secondary school in Denmark where the two are integrated into a single structure 'basic school'. After completing basic school students can choose an additional year of optional basic school or move straight to general (gymnasium, HF[55]), technical (HTX), commercial (HHX) or vocational (EDU) upper secondary school. With the exception of vocational upper secondary school, all types of upper secondary school provide general access to higher education[56].

Figure 10: Organisation of the education system in Denmark



Source: London Economics based on Eurydice (2009b).
Note: * Optional year of basic school; ** Some education courses include an additional year. *** Long higher education courses are usually split into a 3 year Bachelor's degree and a 2 year Master's degree.

Higher education degrees are normally split into short, medium-long and long courses:

- **Short education courses** are usually 2 year programmes that build on *relevant* vocational upper secondary school or general, technical or commercial upper secondary school programmes. The fields of study include agriculture, textile and design, food industry, construction, travel and tourism, computer science, industrial production, laboratory technician, IT and communication, and international marketing. In an international context short education courses are classified as Tertiary-type B qualifications.
- **Medium-long education** courses are 3-4 year specialised programmes at 'University Colleges' leading to a Professional Bachelor's degree at a level corresponding to an

[55] Students can only enter HF if they have some education beyond compulsory basic school e.g. optional basic school or EDU.

[56] Access to higher education is administered through a coordinated enrolment system (KOT) administered by the Ministry of Education. Access generally depends on grades and subjects taken in upper secondary education.

undergraduate degree in the United Kingdom. The programmes include compulsory practical training and are intended to prepare students for a specific profession. Examples include teacher training, social work, journalism, engineering, and nursing. After obtaining a Professional Bachelor's degree, students in most cases continue their studies in the same field in a university Masters programme.

- **Long education** programmes are obtained at universities or institutions for education in the arts. The programmes are usually split into a 3 year Bachelor degree and a 2 year Masters degree. A long programme also gives access to a 3 year PhD program (the so-called 5+3 PhD program). However, in more and more cases it is also possible to begin a 4 year PhD program after completing the first year of the Masters degree (the so-called 4+4 program)[57]. Medium-long and long education programmes are internationally classified as Tertiary-type A qualifications.

Long education programmes were split into Bachelor and Masters programmes in 1993 and the structure was thus in place before the Bologna Process in 1999. Nevertheless, 85-90% of university students progress onto a Masters programme after obtaining an undergraduate degree. The Professional Bachelor degree for medium-long educational programmes was introduced in 2001 to ensure compatibility with the Bologna Process.[58]

There are 152 Higher Education Institutions in Denmark, all of which are public. Seven of these are classified as University Colleges, 8 as Universities and 20 as institutions for education in the arts (architecture, art, music, theatre etc.). The remainder are institutions offering short course tertiary education. This structure resulted after a number of mergers among higher education institutions in 2007. These mergers were brought about by the Ministry of Science and aimed at increasing effectiveness and generating professional synergies.[59]

Educational attainment

Eighty-five percent of the typical population of upper secondary school age students successfully completed some type of upper secondary school in 2007.[60] This figure has been relatively stable between 80-90% since 1995. The government aims to increase the figure to 95%.

In 2007, 32% of the population aged 25-64 held some form of third-level educational qualification, of which 25% held a Tertiary-type A or advanced research degree (i.e. medium-long, long or PhD education) with the remaining 7% of the population aged 25-64 years holding a type B third-level qualification (short education).[61]

[57] Students in the 4+4 PhD program are awarded a Master degree halfway through the PhD program.
[58] Det Økonomiske Råd (2003).
[59] Oddershede (2009).
[60] OECD (2009).
[61] OECD (2009).

Since 1998 there has been a 4% increase in the share of the population that holds a third-level qualification and at the same time there has been a 1.5% decrease in the share of population that holds an upper secondary or non-tertiary post-secondary degree as their highest completed level of educational attainment[62].

Participation at tertiary level

Fifty-seven percent of upper secondary school graduates in 2007 entered medium-long or long educational programmes and 22% entered short educational programmes. The share entering long and medium long educational programmes has been increasing in recent years, whereas the share entering short educational programmes has been decreasing. Average completion rates in 2005 were 81% for short and medium long educational programmes and 88% for short educational programmes. Overall the completion rate for tertiary education was 85%[63]. According to Eurydice (2008), 45% of an age cohort attains a Type A third level qualifications. The government aims to increase this figure to 50%.

Expenditure on higher education

The level of public expenditure on tertiary education including R&D was $15,391 per student in 2006 and total expenditure on educational institutions amounted to 1.7% of GDP.[64] Almost all (96.4%) higher education funding in 2006 was public. Private households contribute approximately 3.6% to the financing of higher education. Other private expenditure is negligible.

5.7.2 Summary of current student support arrangements

In general, Danish students (with the exception of part-time students) do not pay tuition fees or any other fees for higher education in Denmark.

Maintenance grants and loans are provided by SU-styrelsen (SU), which is part of the Ministry of Education. **These maintenance grants and loans are available to all students.** Students receive 70 grant vouchers each equivalent to a *maximum* 1 month grant of DKK 5,177 (£626[65]) before tax and typically about DKK 4,600 (£556) after tax. The vouchers are only payable to 'active' students (students who are enrolled in a course and are taking exams). If studies are delayed by more than one year (60 ECTS[66]), the student is no longer eligible for grants.

The 70 vouchers correspond to the officially stipulated duration of a Masters degree plus one additional year. Students who do not complete their programme and later enrol in another

[62] OECD (2009).
[63] OECD (2009).
[64] OECD (2009).
[65] Bank of England spot exchange rate 20th of November 2009: 8.2763DKK/£.
[66] European Credit Transfer and Accumulation System (ECTS).

qualification course can use the remaining vouchers during the new programme but will not be awarded more than a total of 70 vouchers for all programmes. However, for programmes requiring more than 58 months to complete (e.g. medicine and veterinarian programmes), additional vouchers are awarded.

The size of grants may be reduced dependent on the personal income of the individual. If a student's annual personal income from work is below DKK 97,595 (£11,792) before tax, the full grant is awarded. If income is above the limit, students are asked to pay back part of the grant at the end of the year.

For students living with their parents, the maximum size of the grant is DKK 2,754 (£333) per month and may be reduced further depending on the personal income of the student. Additional grants are available from SU-styrelsen for students with children and disabilities but no grants are available for part-time students.

Students who receive the SU grant are also entitled to SU-loans amounting to DKK 2,469 per month (£298). Additional loans are available from SU-styrelsen for parents and students who have run out of SU vouchers.

Loans are mortgage style loans with an interest rate of 4% while studying and 2%[67] after leaving education. Repayment starts 12-24 months after leaving education and instalments are calculated such that at least DKK 200 (£24) is repaid every month such that the loan is fully repaid within 7-15 years. Debt may **only** be written off if the individual is expected to be permanently unable to repay and if their economic circumstances are expected to be permanently improved if the debt is written off.

5.7.3 Background and remaining challenges for student support

A key objective of the Danish welfare state is to ensure equal opportunities despite differences in social and economic background. Furthermore, low dispersion of educational attainment may facilitate low-income inequality, which is generally considered desirable in Denmark. Free education along with generous maintenance grants and/or loans is considered necessary in order to ensure that these objectives are reached.[68]

In addition, public expenditure on education is generally considered an investment into future welfare because high levels of education are expected to translate into high future income and thus high future tax revenues. [69]

In Denmark, education is also viewed as a way of addressing global competitive pressures. In April 2006 the government, for instance, launched a 'Strategy for Denmark in the Global

[67] Danish Central Bank discount rate + 1%.
[68] Det Økonomiske Råd (2003).
[69] Det Økonomiske Råd (2003).

Economy' that emphasised the role of education, research and innovation in ensuring continued growth in Denmark in a global economy where Danish companies increasingly outsource unskilled work to low wage countries.[70]

The system builds on an implicit contract where individuals pay for their education through high taxes on personal income. Individuals are thus insured against uncertain outcomes (income and unemployment) and individuals who achieve significant earnings are expected to share a large portion of their economic payoff with the state.[71]

Most of the major challenges facing the system arise from unintended incentives at the individual level:

- Students have incentives to move to countries with a low tax rate after completing their education. This implies that Denmark pays for the education without receiving subsequent tax receipts.
- Students from the EU are entitled to free education along the same lines as Danish students, creating an incentive for foreign students to come to Denmark for an education. A significant proportion of students return home after completing their studies.
- Students have few incentives to begin higher education at an early age or to complete their studies quickly. Consequently, Danish students are relatively old when they begin studying and when they graduate. This implies that they are net contributors to society for a shorter period of time than in many other countries.
- Students may have incentives to continue studying for too long and some students may thus be 'overeducated'. For instance, most university students take a Masters programme although an undergraduate degree may be the optimal level of qualification to undertake the job they subsequently get. This effect may be reinforced by the fact that there is currently very little demand for undergraduate degrees among employers.

These challenges, the fiscal implications, and possible solutions have been discussed and analysed extensively in recent years (for example as part of the Independent Economic Council in 2003[72] and by the Welfare Commission in 2006[73]). However, this has only resulted in minor changes to the higher education system. For instance, students who begin higher education within 2 years of finishing upper secondary school are given priority when applying to higher education. The Welfare Commission also suggested introducing rewards to students who finish higher education early or on time; giving economic rewards to students who begin higher education studies at a young age; reducing the grant component of student support; and introducing tuition fees at master level. However, these suggestions have faced strong

[70] Eurydice (2009a,b).
[71] Det Økonomiske Råd (2003).
[72] Det Økonomiske Råd (2003).
[73] Velfærdskommissionen (2006).

political and public opposition and so far no major changes to the student support system have resulted.

5.7.4 Detailed description of student support arrangements in Denmark

We present a detailed description of student support arrangements in Denmark for full-time students in Table 22 overleaf.

Table 22: Details of full-time student support arrangements in Denmark

FEES		GRANTS/BURSARIES		LOANS	
Tuition fees **	**No**	**Maintenance Grant*****	**Statens Uddannelsesstøtte (SU)**	**Maintenance Loan*****	**SU-lån**
Up-front/Deferred	-			Provider	SU-styrelsen
Maximum (cap)	-	Provider	SU-styrelsen	Type of provider	Government
Fixed/Variable by:	-	Type of provider	Government	Loan duration	Officially stipulated length of education + 1 year.*
Income (means-tested)	-	Grant duration	Officially stipulated length of education + 1 year.*	Administration fee	No
Subject of study	-			Maximum loan	DKK 2,469 (£298) per month
Student residency	-	Maximum grant	DKK 5,177 (£626) per month before tax (grants in Denmark are taxable). Grants are available for 12 months per year.	Fixed/Variable by:	Variable
Study intensity	-			Living arrangements	No
Eligible for tax relief	-			Location of study	No
Regulated/Unregulated	-			Family arrangements	Yes, additional loans for students with children
Determined by	-	Fixed/Variable by:	Variable		
		Subject of study	No	Income (means-tested)	No
Other fees	**No**	Student residency	Yes, if living at home the maximum grant is DKK 2,754 (£333) per month.	Loan type	Mortgage style
Up-front/Deferred	-			Minimum repayment	DKK 200 (£24) every other month
Maximum (cap)	-			Repayment calculation	Depending on the size of the loan payments are calculated. Loans must be repaid in 7-15 years, depending on the size.
Fixed/Variable by:	-	Study intensity	Yes, if student falls more than 60 ECTS (equivalent to 1 year of full-time studies) behind, the student is no longer eligible for SU.		
Income (means-tested)	-			Interest rate	4.00% p.a. while studying
Subject of study	-				2.00% (central bank discount rate + 1%) p.a. after finishing
Student residency	-	Family arrangements	Yes, additional grants for students with children.		
Study intensity	-			Repayment commences	12-24 months after leaving education
Eligible for tax relief	-	Income (means-tested)	Income tapers:		If inability to pay is expected to be permanent and if write-off is expected to improve the economic situation of individual permanently
Regulated/Unregulated	-		Yes	Write off:	
Determined by	-	£0 - £11,788	Student annual income		
		£11,788 - £23,850	Maximum £626 per month; Reduction per £ of income: 0.62****		
				Early repayment bonus	No
		Income limit (no grant)	£23,850 per year****	Deferrable?	Yes but implies larger payments later because the loan must be repaid within the initially specified time limit

Source: London Economics review of official national sources.

Notes: Bank of England spot exchange rate 20th of November 2009: 8.2763DKK/£.

* If a student is no longer eligible for SU (grant and loan), an additional loan (Slutlån) is available from SU-styrelsen at a fixed amount of DKK 6,832 per month for up to 12 months.** Part-time students pay tuition fees but they are typically paid for by employers. ***Grants and loans are only available to full-time students.****Students with income above £11,788 in a given year may either voluntarily (in advance) choose to receive the grant for less than 12 months that year in which the income allowance is increased, corresponding to a reduction in the grant of £0.62 per £ earned and the income limit (with no grant) is £23,850 per year. Months saved can be used later, so if a student chooses to receive the grant for only 10 months in a given year then the remaining 2 months of grants can be used later. Alternatively the individual will be forced to pay back part of the grant at the end of the year. For earnings between £11,788 and £12,792 the grant is reduced by £0.53 per £ earned and for earnings above £12,792 the grant is reduced by £1.07 per £ earned. This gives students an incentive to voluntarily give up the grant for some months if they know their annual income will be above the limit.

5.8 France

5.8.1 National context for student support

Structure of the educational system

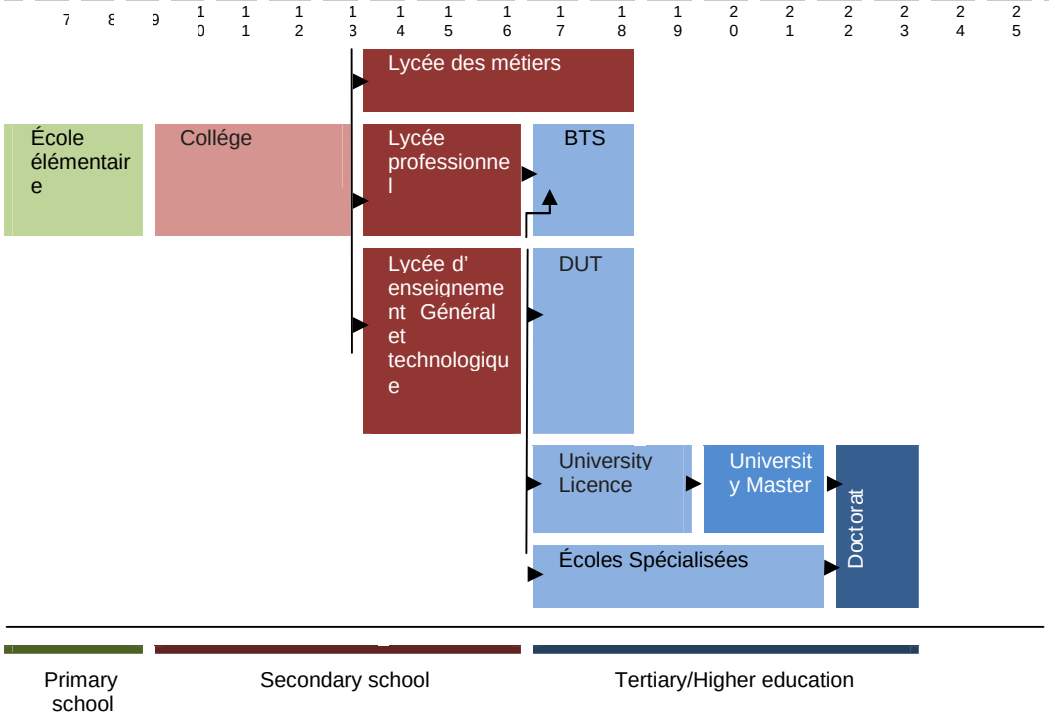
Primary and secondary education

Figure 11 illustrates the education system in France. Education is compulsory between the ages of 6 and 16. The pre-tertiary education consists of three levels: primary school (école élémentaire), lower secondary (collège) and upper secondary.

Within upper secondary education, there are three distinct schooling streams:

- the general secondary stream that is itself divided into 2 steams (lycée d'enseignement général et technologique):
  - the general stream which prepares students for longer higher education studies; and
  - the technological stream which prepares students for a shorter duration higher education in various technologies;
- the professional stream (lycée professional) which prepares students for both entry into the labour market and further higher education studies; and,
- a third stream (lycée des métiers) provides education in various applied areas extending to up to 3 years beyond the *baccalauréat*.

Figure 11: Organisation of the education system in France



Source: London Economics based on Eurydice (2008).

Higher education

In order to gain admission to a higher education institution in France, it is necessary to obtain the *baccalauréat,* a diploma that recognises the successful completion of secondary education.

The technological *baccalauréat* gives access to the D.U.T. studies (see below), while the general *baccalauréat* gives access to the longer higher education studies and the *professional baccalauréat* provides access to the B.T.S. studies.

Higher education in France is organised in 3 streams:

- Short-duration studies (2 years)
  - The D.U.T. (*diplome universitaire de technologie*) that is currently offered in 25 subject areas and can be undertaken in 115 technology institutes which are part of the universities; The *brevet de technician supérieur* which is offered in 106 subject areas within the agriculture, applied arts, hotel, industry, management and health sectors.
- Long-duration studies (typically 5 years)
  - Universities that offer a 3-year *licence* and 2–year *Masters*. The doctorate is typically undertaken in 3 years after the Masters degree. All universities are public institutions. Access to universities is open to all holders of the baccalauréat or equivalent foreign diploma.

- Higher schools, including the *Grandes Ecoles*. These higher schools are a mix of public and private schools with selective admission processes. It typically takes 5 years (including a typical 2-year preparatory cycle) to complete the education cycle at a *Grande Ecole*

The concept of undertaking an undergraduate degree on a part-time basis does not really exist in France.

Educational attainment

In 2008, 32% of the population aged 25-49 and 18% of the population aged 50 to 64 held a higher education degree. In both age tranches, the share of those holding a long higher education qualification (Tertiary-type A qualifications) marginally exceeded the share of those holding a short higher education qualification (Tertiary-type B qualifications).[74] Over the last 5 years the share of the population holding a higher education degree increased by 4.6 percentage points among those aged 25-49 and by 3.8 percentage points among those aged between 50 and 64.

Participation at tertiary level

In 2008, 88% of the 280,000 students who sat the general *baccalauréat* and 80% of the 113,000 students who took the technological *baccalauréat* passed, and 77% of the 24,000 students sitting the professional *baccalauréat* were successful.[75] Of all the students who passed the *baccalauréat* in 2008, 34% started university studies the same year, 8.6% began a D.U.T. degree, 19.6% a B.T.S degree, 7.8% took courses preparing for one of the higher schools and 8.2% pursued different forms of education.

Expenditure on higher education

The level of public expenditure on tertiary education excluding R&D was $8,016 (£7,207) per student in 2006 and expenditure on tertiary education including R&D was $11,568 (£10,401). Total expenditure on higher educational institutions amounted to 1.3% of GDP.[76] In 2006, public sources accounted for 83.7% of higher education funding. Private households contributed approximately 10.1% to the financing of higher education and other private expenditure amounted to 6.2%. Total public funding of higher education increased by 9% since 2000. At the same time, private total contribution to tertiary education increased by 14% compared with 2000.

5.8.2 Summary of current student support arrangements

[74] Insee (2009).
[75] Ministère de l'Education nationale et ministère de l'Enseignement supérieur et de la Recherche supérieure (2009).
[76] OECD (2009).

The public higher education system (universities and public *Grandes Ecoles*) in France is funded by the state (Art. 41 of the Law of 26 January 1984). However, universities also collect small registration fees from students. The regime for *Grandes Ecoles* (public and private) varies from school to school. In addition to the registration fee, students have to pay a compulsory social security contribution which is levied with the enrolment fee.[77]

In 2009, the registration fee was €171 (£154) for a *licence* programme and the compulsory social security contribution is €198 (£178). However, students eligible for bursaries are exempt from the registration fee and the social security contribution.

Students in higher education in France are entitled to obtain financial support provided by the State and administrated by the *Centre National des Œuvres Universitaires et Scolaires* (CNOUS) and the network of the *Centre Régional des Œuvres Universitaires et Scolaires* (CROUS).[78]

Higher education bursaries based on social criteria are the main form of financial support to higher education students (*Bourses d'enseignement supérieur sur critères sociaux*). The level of these bursaries depends on the level of the parental income, the number of siblings in education and the distance between the institution attended by the student and his parents' residence. The support tapers off at a parental income of €46,860 (£42,133) and the maximum amount is available for parental income of less than €16,910 (£15,204). To provide an example, based on this income level, a student from a family with 2 children in higher education and studying at an institution close to her/his parents home would be eligible for a maximum annual bursary of €6,102 per annum (£5,486). The minimum bursary also includes an exemption from the registration fee and compulsory social security contribution.

Recipients of bursaries based on social criteria may also benefit from complementary bursaries based on merit (*Aide au mérite*). The maximum amount of such bursaries is €1,800 for 9 months (£1,618).

In addition, students have access to social housing and one-off emergency aid of a maximum amount of €1,445 per occurrence (£1,299) and a cumulative annual of €2,890 (£2,598). In addition, in cases of recurring financial difficulty, recurring special emergency aid is available and its level is a function of the level of the bursary for social reasons.

Higher education students aged less than 28 years old can also benefit from a special student loan program (PR€TUDIANT). The current loan program was implemented in 2008 and is a revamping and expansion of a program. The loans are provided by commercial banks and 70% of the principal of such a loan is guaranteed by the State. The maximum loan is equal to

[77] The social contribution applies from the age of 20 years.

[78] Information on the financial aid available to higher education students was sourced from the websites of the Ministère de l'Enseignement supérieur et de la Recherche supérieure (http://www.enseignementsup-recherche.gouv.fr/pid20129/aides-financieres.html), the CNOUS (http://www.cnous.fr/_vie_15.htm), the student portal of the French government (http://www.etudiant.gouv.fr/pid20437/aides-financieres.html) and OSEO the institution running he student loan guarantee scheme (http://www.oseo.fr/notre_mission/etudiants/obtenir_un_pret_garanti_par_l_etat)

€15,000 (£13,487) per annum and the mortgage style repayment can be deferred partially (payment of interest only) or in full to a period when the student starts working. As the guarantee is provided for 10 years that implies that the student loan is expected to be fully repaid within this 10-year period. The loan is not subject to any income conditions and does not require any parental or third party guarantee.

5.8.3 Background and remaining challenges for student support

In 2008, 31.1% of university students (long higher education studies and D.U.T.), 21.9% of students attending preparatory courses for *Grandes Ecoles* and 42% of B.T.S. student benefited from some form of financial assistance.[79]

In total, 551,132 students received some aid, of which 524,618 received a bursary based on social criteria. The average bursary based on social criteria was €2,665 in 2007-08 (£2,396), up from €2,585 (£2,324) the previous school year.[80] The share of students receiving aid grew almost steadily over the last few years, from 24.7% in 1998-99[81] to 32.7% in 2008. Twenty thousand student loans averaging €7,500 (£6,743) were issued between September and December 2008 and 60,000 were issued in 2009.

The main issue for the student support system is the inflation adjustment of the bursaries. While in 2007, the adjustment was smaller than the expected increase in the CPI, more recently, the adjustments have exceeded inflation. As a result the current level of bursaries based on social criteria have grown cumulatively since 2007 by 6.5% for the 5 lowest levels of such bursaries and by 13% for the highest bursary based on social criteria.

Another issue of key interest to students is the non-linearity (or non-proportionality) of the schedule of the bursaries based on social criteria. Because the current system provides for only six different levels of assistance, a very marginal change in parental income can imply a very substantial change in the level of assistance. Student organisations would prefer a more linear assistance schedule.

5.8.4 Detailed description of student support arrangements in France

We present a detailed description of student support arrangements in France for full-time students in Table 23 overleaf. The classification of part-time study does not exist in France.

[79] Ministère de l'Education nationale et ministère de l'Enseignement supérieur et de la Recherche supérieure (2009).
[80] Ministère de l'Enseignement supérieur et de la Recherche supérieure (2008).
[81] In1990-91, only 19.7% of the higher education student population received any aid.

Table 23: Details of full-time student support arrangements in France

FEES		GRANTS/BURSARIES		LOANS	
Tuition fees	**No**	**HE Bursary for social reasons**	**Bourses d'enseignement supérieur sur critères sociaux**	**Student Loan**	**Pr€tudiant**
Up-front/Deferred	-	Provider	Ministère de l'enseignement supérieur et de la recherche	Provider	One of 5 partner banks
Maximum (cap)	-	Type of provider	Government	Type of provider	Private sector banks, but guaranteed by the government
Fixed/Variable by:	-	Grant duration	Course length	Loan duration	up to 9 years
Income (means-tested)	-	Maximum grant	€6,102 (£5,486)	Administration fee	€30 (£27) and special guarantee (0.9% - 3.3% of principal, added to the interest rate)
Subject of study	-	Fixed/Variable by:	Variable	Maximum loan	€15,000 per annum (£13,487), min €1,000 (£899)
Student residency	-	Subject of study	No	Fixed/Variable by:	Variable
Study intensity	-	Student residency	Yes, residence within <30km, 30km-249km and >250km of the HEI (figures below relate to <30km)	Living arrangements	No
Eligible for tax relief	-	Study intensity	No	Location of study	No
Regulated/Unregulated	-	Family arrangements	Yes, number of dependent children undertaking HE (figures below are for 2 such children)	Family arrangements	No
Determined by	-	Income (means-tested)	Yes	Income (means-tested)	No
Other fees	**Yes, Registration Fee**	Income tapers:*	Household income	Loan type	Mortgage
Up-front/Deferred	Up-front	€0 - €10,670 (£9,594)	Maximum €4,140 (£3,722)	Minimum repayment	No
Maximum (cap)	€171 (£154) for licence (BA) degree + compulsory social security contribution of €198 (£178)	€10,670 - €16,910 (£15,204)	€3,905 (£3,511)	Repayment calculation	As per loan agreement
Fixed/Variable by:	Fixed	€16,910 - €19,800 (£17,803)	€3,401 (£3,057)	Interest rate	As per loan agreement
Income (means-tested)	No, but students may be exempt if in receipt of HE social bursary	€19,800 - €22,750 (£20,455)	€2,790 (£2,508)	Repayment commences	1 month after leaving education
Subject of study	No	€22,750 - €25,750 (£23,152)	€2,177 (£1,957)	Write off:	No
Student residency	No	€25,750- €31,880 (£28,664)	€1,445 (£1,299)	Early repayment bonus	No
Study intensity	No	€31,880- €46,860 (£42,133)	€0 (£0) but exempt from Registration Fee	Deferrable?	No
Eligible for tax relief	No	Income limit (no grant)	€46,860 (£42,133)		
Regulated/Unregulated	No				
Determined by	Regulated Government	**Merit Bursary**	**L'aide au mérite**		
		Provider	Ministère de l'enseignement supérieur et de la recherche		
		Type of provider	Government		
		Grant duration	3 years		
		Maximum grant	Complement (to Bursary for social reasons): €200 (£180) per month (9 months)		
		Fixed/Variable by:	Fixed		
		Subject of study	No		
		Student residency	No		

Table 23: Details of full-time student support arrangements in France

FEES		GRANTS/BURSARIES		LOANS	
		Study intensity	No		
		Family arrangements	No		
		Income (means-tested)	No, but full bursary only available to students under the SESAME system; complement only available to recipients of bursaries for social reasons.		
		Temporary financial hardship	**L'aide d'urgence**		
		Provider	Ministère de l'enseignement supérieur et de la recherche		
		Type of provider	Government		
		Grant duration	One-off or recurring		
		Maximum grant	€1,445 (£1,299) per occurrence, max €2,890 (£2,598) in one year.		
		Fixed/Variable by:	Variable		
		Subject of study	No		
		Student residency	No		
		Study intensity	No		
		Family arrangements	Yes		
		Income (means-tested)	Yes, temporary financial hardship.		
		Housing aid	**Aide personnalisée au logement (A.P.L.) / Allocation de logement à charactère social (A.L.S.)**		
		Provider	Caisse des allocations familiales		
		Type of provider	Government		
		Grant duration	Annual		
		Maximum grant	N/a		
		Fixed/Variable by:	Fixed		
		Subject of study	No		
		Student residency	No		
		Study intensity	No		
		Family arrangements	Yes		
		Income (means-tested)	Yes		

Source: London Economics review of official national sources.

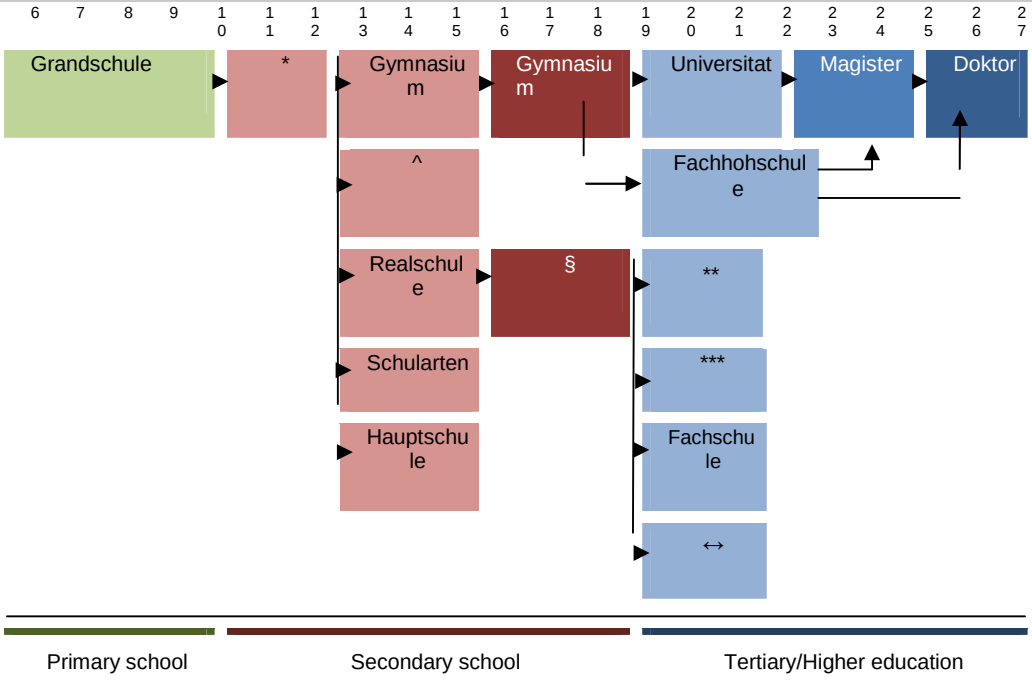
5.9 Germany

5.9.1 National context for student support

Structure of the educational system

In Germany, children are separated after four years of primary school and sent on different secondary educational tracks. The secondary school route is chosen by the parents and the primary school teacher based on the academic achievement of the child. Access to tertiary education depends on the secondary school qualification attained. The secondary general school route provides 5 years of general education, which should give pupils the necessary skills for subsequent vocational training. The intermediate secondary school traditionally provides access to apprenticeship training in white-collar occupations. Only upper secondary school qualifications (*Abitur*) provide access to German universities, colleges and universities of applied sciences. The educational system is illustrated in Figure 12.[82] Germany's educational system has been criticised for promoting intergenerational immobility due to the early separation of children.

Figure 12: Organisation of the education system in Germany



Note: * Orientierungsstufe, **Berufsakademie, *** Verwaltungsfachhochschule, ↔ Schulen des Gesundheit, ^ Gesamtschule, § Fachoberschule.

[82] Note that this is a simplified version of the education system for illustrative purposes. Germany also has comprehensive schools in a few states as well as schools for children with special needs due to e.g. physical or mental disabilities. There are also so-called Waldorf schools that follow a special pedagogy. Around 17 percent of pupils attend schools outside of the standard tracking system. Around ten percent of German pupils go to comprehensive schools, six percent to special schools and one percent are enrolled in Waldorf schools.

Transitions between the different secondary school tracks are theoretically possible and people from general and intermediate secondary schools can continue on upper secondary schools after graduation; however, mobility across schools is low.

In recent years the percentage of the typical population at upper secondary school age that follows and successfully completes upper secondary programmes has reached 100 percent according to OECD statistics. This figure is explained by the fact that access to upper secondary school (*Gymnasium*) is highly selective.

There are in total 394 universities, colleges and universities of applied sciences in Germany. 83 are private institutions of which most are business schools. Qualifications in higher education vary depending on the length and type of course followed. Studies at a university or college used to take on average 5 years and lead to an academic degree, which for most subjects is called “Diplom” or “Magister”. In order to adapt the higher education system to the degree structure determined as part of the Bologna Process, a new graduation system of Bachelor’s and Master’s degrees has been introduced in higher education institutions since 1998.

Apprenticeships are a popular form of training that involves professional and academic training. Apprentices usually attend vocational school two days per week while they spend the rest of the week in a company that acts as their training supervisor. They receive a monthly wage and therefore generally do not receive money through the student support system. Apprenticeships lead to a certificate that is a combination of grades attained at vocational school as well as a report from their employer.

Educational attainment

In 2007, only 24% of the population aged 25 to 64 had a Tertiary-type A or Tertiary-type B qualification which is relatively low in comparison to other OECD countries. Nine percent of the population has a Tertiary-type B higher education qualification compared to sixteen percent with a Tertiary-type A higher education qualification. There are two major reasons for these figures. First, apprenticeships are recognised as high quality forms of education due to the dual training approach of in-company training and vocational school education. A German apprenticeship involves three years of training; however, due to the mix of professional and school training it does not count as a Tertiary-type A qualification that requires 2 years of full-time class based training.

Second, the fact that only 24% of people access higher education also reflects a lack of equal opportunities in the education system due to the early separation of children along different routes of qualification attainment. Results from the PISA 2006 study illustrate that a child’s educational path depends to a very great extent on parental background in Germany, and to a greater extent than in other OECD countries.

The share of people who only attain upper secondary and postsecondary non-tertiary education has been stable at around 59% over the past 10 years. The number of people with tertiary education has also remained quite stable over the past 10 years.

Participation at tertiary level

Net entry rates to tertiary education are approximately 13 percent for type B third-level qualifications in 2007. Tertiary-type A net entry rate stands at 34% compared to 26%in 1995. Completion rates stand at 77% for Tertiary-type A and Tertiary-type B combined, which is above the OECD average.

Expenditure on higher education

In 2006, Germany spent 4.8% of its GDP on educational institutions, which is far below the OECD average of 5.7% and significantly lower than the investment in education by its EU neighbours. However, as the number of students in tertiary education is comparatively low, expenditure on educational institutions per student is above the OECD average. Specifically, per capita expenditure in higher education amounted to €13,016 in 2006 (£11,703) but remains low compared to a number of other EU Member States. The proportion of public expenditure on educational institutions for tertiary education is approximately 85% and is relatively high compared to the OECD average of 72.6%.

Summary of current student support arrangements

Education policy is the responsibility of the German states. State policies are coordinated through meetings of the secretaries of education ("Kultusministerkonferenz"). Only a few issues are regulated on federal level through federal law and prior to 2005, federal law specified that no tuition fees could be charged by public higher education institutions. The law was successfully challenged by several state governments and consequently a number of states started to introduce tuition fees in 2005. Seven states are currently charging up to €1,000 (£900) per year in addition to an administrative fee of around €200 (£180) per annum.
The most commonly used maintenance support is a mix of a partial grant and interest free loan (BAföG) issued by the government owned development bank (Kreditanstalt fuer Wiederaufbau (KfW)). Students are eligible for BAföG if their parents earn less than €18,660 per annum (£16,788). This limit applies if parents live together, no other child is supported and the student owns no assets. The maximum yearly support is €7,776 (£6,992), with the exact amount depending on residency and family circumstances. Half of this support is an interest free loan that has to be repaid within 25 years. However, students repay a maximum of €10,000 (£8,991) of the loan in monthly instalments of €105 (£94). Repayment starts 5 years after the last payment was received.

Graduates have an option to defer redemption if they earn less than €1,040 (£935) per month and in case of death the loan is written off. Graduates can apply for a partial write off in several cases:

- If they belong to the 30% top graduates in their class and took their final exams within 12 months after the end of their course.

- €2,560 (£2,302) is deducted from the loan if students finish their degree four months before the end of the maximal support period, with €1,025 (£922) waived if they finish two months earlier.
- Between 8 and 51% of the outstanding amount are waived if the loan is redeemed entirely of partly before the maturity date.
- Political victims of the former GDR receive a 100% grant.

Besides maintenance support provided through BAföG, 1% of German students are currently supported through scholarships by private foundations. The foundations select the best applicants based on assessment in interviews. The financial support provided is based on the same means-testing criteria as used for BAföG.

The government owned development bank (KFW) provides two maintenance loans to students: *KfW-Studienkredit* and *Bildungskredit*. Both loans are not means-tested and offer relatively low interest rates. *KfW-Studienkredit* is a mortgage style loan that was recently introduced to support students with up to €7,800 (£7,013) per annum made available for 5 or 7 years (currently charging a 3.62% nominal rate of interest). An administrative fee accrues only if the loan is extended from 5 to 7 years. This loan has to be repaid starting 18-23 months after the last payment was received with a monthly repayment rate of €240 (£216).

Bildungskredit was introduced in 2001 to provide financial support students in an advanced stage of their degrees struggling to finish due to financial difficulties. It only supports students for 2 years with a maximum amount of €3,600 (£3,237) available per year. Interest rates are set at 1 percent above the EURIBOR rate. Repayment starts 4 years after the last payment with an annual repayment amount of €1,440 (£1,295).

Besides these maintenance loans, the government owned development bank (KFW) has also offered a fee loan (*Studienbeitragsdarlehen*) since the introduction of fees in 2005. The terms of this loan are very similar to the longer term maintenance loan (*KfW-Studienkredit*). It is not means-tested and can be utilised for the duration of the course plus four semesters. Monthly instalments are €240 (£216) and have to be paid starting 18-23 months after the last received payments. The nominal interest rate charged on the loan is currently 2.77%.

All these three loans include an option to defer payments; however, there is no possibility for writing off the loan.

Detailed description of student support arrangements in Germany

We present a detailed description of student support arrangements in Germany for full-time students in Table 24 and part-time students in Table 25.

Table 24: Details of full-time student support arrangements in Germany

FEES		GRANTS/BURSARIES		LOANS	
Tuition fees	**Yes***	**Maintenance**	**BAföG**** (a partial grant and interest free loan)	**Tuition Fees**	**Studienbeitragsdarlehen**
Up-front/Deferred	Up-front	Provider	Kreditanstalt für Wiederaufbau	Provider	Kreditanstalt für Wiederaufbau
Maximum (cap)	No maximum at the Federal level	Type of provider	Government's development bank	Type of provider	Government's development bank
Fixed/Variable by:	Fixed: First degree: €1,000(£899), Second degree and perpetual students:	Grant duration	Course length	Loan duration	Course length (+4 semesters)
		Maximum grant	€3,888 (£3,496)	Administration fee	No
		Fixed/Variable by:	Variable	Maximum loan	N/A
Income (means-tested)	€1,800(£1,618)	Subject of study	No	Fixed/Variable by:	N/A
Family arrangements	No (only in few states)	Student residency	Yes	Living arrangements	No
Student residency	Yes	Study intensity	N/A	Location of study	No
Study intensity	No	Family arrangements	Yes	Family arrangements	No
Study achievements	Yes	Income (means-tested)	Yes	Income (means-tested)	No
Eligible for tax relief	Yes	Age limit	30	Nationality dependent	Yes
Regulated/Unregulated	No	Nationality Dependent	Yes	Age limit	35
Determined by	Unregulated HEI	Income tapers:	Parents' income , living together, no other child, student has no assets	Loan type	Mortgage Style
				Income threshold	N/A
Other fees	**Nominal fee**	€0	Maximum €7,776(£6,992)	Minimum repayment	N/A
Up-front/Deferred	Up-front	€18,660(£16,778)		Repayment calculation	€ 240(£216)
Maximum (cap)	€500(£450)	Income limit (no grant)	€18,660(£16,778)	Interest rate	2.77% (nominal rate)
Fixed/Variable by:	Variable	**Interest-free loan segment**		Repayment commences	18-23 months after leaving education
Income (means-tested)	No	Maximum loan	€3,888 (£3,496)	Write off:	N/A
Subject of study	No	Loan type	Mortgage style	Early repayment bonus	No
Student residency	No	Income threshold	More than €12,489(£11,229) per annum	Deferrable?	Yes
Study intensity	No	Minimum repayment	No		
Eligible for tax relief	No	Repayment calculation	€1,225(£1,101)	**Maintenance**	**Bildungskredit, KfW-Studienkredit**
Regulated/Unregulated	No	Interest rate	0% real interest rate	Provider	Both: Kreditanstalt für Wiederaufbau
Determined by	HEI	Repayment commences	5 years after last payment		Both: Government's development bank
		Write off:	Full: Age (67), death, disability. Partial: academic success, family arrangement	Type of provider	Bildungskredit: 2 years; KfW-Studienfredit: 5/7 years
		Early repayment bonus	Yes	Loan duration	Only KfW-Studienfredit: € 238(£214) for the credit extension from 5 to 7 years
		Deferrable?	Yes	Administration fee	Bildungskredit: €7,200(£6,474) KfW-Studienfredit: €7,799.9(£7,013)
				Maximum loan	Variable only KfW-Studienfredit
					No
					No
					No
					31
					Yes
					No

Table 24: Details of full-time student support arrangements in Germany

FEES		GRANTS/BURSARIES		LOANS	
		Bursary	**Higher Education Bursary**	Fixed/Variable by:	
		Provider	Foundations	Living arrangements	
		Type of provider	Private Sector	Location of study	
		Grant duration	Course length	Family arrangements	
		Maximum grant	€7,872(£7,078)	Age limit	
		Fixed/Variable by:	Variable	Nationality dependent	
		Subject of study	No	Income (means-tested)	
		Student residency	Yes	Income tapers:	N/A
		Study intensity	N/A	Income limit (no loan)	N/A
		Family arrangements	Yes	Loan type	Both: Mortgage Style
			Yes	Income threshold	Both: N/A
		Income (means-tested)	Parents' income , living together, no other child, student has no assets	Minimum repayment	Both: N/A
		Income tapers:		Repayment calculation	Bildungskredit: € 1,440 (£1,295) KfW-Studienkredit: € 240 (£216)
			Maximum €7,872(£7,078)	Interest rate	Bildungskredit: EUIBOR + 1% (nominal rate) Kfw-Studienkredit: 3.62% nominal (10/09)
		€0 - €18,660 (£16,778)	€18,660 (£16,778)	Repayment commences	Bildungskredit: 4 years after last payment KfW-Studienkredit: 18-23 months after last payment
		Income limit (no grant)		Write off:	Both: No
				Early repayment bonus	Both: No
				Deferrable?	Both: Yes

Source: London Economics review of official national sources.
Note: * Individual universities have an ability to charge fees, ** A partial grant and interest free loan

Table 25: Details of part-time student support arrangements in Germany

FEES		GRANTS / BURSARIES		LOANS	
Tuition fees	**Yes***	**Maintenance**	**None**	**Tuition Fees**	**Studienbeitragsdarlehen**
Up-front/Deferred	Up-front	Provider	-	Provider	Kreditanstalt für
Maximum (cap)	No maximum at the Federal level	Type of provider	-	Type of provider	Wiederaufbau Government's development bank
Fixed/Variable by:	Fixed: First degree: £450, Second degree and perpetual students: £539	Grant duration	-	Loan duration	Course length (+4 semesters)
		Maximum grant	-	Administration fee	No
Income (means-tested)		Fixed/Variable by:	-	Maximum loan	N/A
Family arrangements	No (only in few states)	Subject of study	-	Fixed/Variable by:	N/A
Student residency	Yes	Student residency	-	Living arrangements	No
Study intensity	No	Study intensity	-	Location of study	No
Study achievements	Yes	Family arrangements	-	Family arrangements	No
Eligible for tax relief	Yes	Income (means-tested)	-	Income (means-tested)	No
Regulated/Unregulated	No	Age limit	-	Nationality dependent	Yes
Determined by	Unregulated	Nationality Dependent	-	Age limit	35
	HEI	Income tapers:	-	Loan type	Mortgage Style
		Income limit (no grant)	-	Income threshold	N/A
Other fees	**Nominal fee**	**Bursary**	**None**	Minimum repayment	N/A
Up-front/Deferred	Up-front	Provider	-	Repayment calculation	£216
Maximum (cap)	£450	Type of provider	-	Interest rate	2.77% (nominal rate)
Fixed/Variable by:	Variable	Grant duration	-	Repayment commences	18-23 months after leaving education
Income (means-tested)	No	Maximum grant	-		
Subject of study	No	Fixed/Variable by:	-		
Student residency	No	Subject of study	-	Write off:	N/A
Study intensity	No	Student residency	-	Early repayment bonus	No
Eligible for tax relief	No	Study intensity	-	Deferrable?	Yes
Regulated/Unregulated	No	Family arrangements	-		
Determined by	HEI	Income (means-tested)	-		
		Income tapers:	-		
		Income limit (no grant)	-		

Table 25: Details of part-time student support arrangements in Germany					
FEES		GRANTS / BURSARIES		LOANS	
				Maintenance	**KfW-Studienkredit**
				Provider	Kreditanstalt für Wiederaufbau
				Type of provider	Government's development bank
				Loan duration	5/7 years
				Administration fee	£214 for the credit extension from 5 to 7 years
				Maximum loan	£584 per month
				Fixed/Variable by:	Variable
				Living arrangements	No
				Location of study	No
				Family arrangements	No
				Age limit	31
				Nationality dependent	Yes
				Income (means-tested)	No
				Income tapers:	No
				Income limit (no loan)	N/A
				Loan type	Mortgage Style
				Income threshold	N/A
				Minimum repayment	N/A
				Repayment calculation	£216
				Interest rate	3.62% (nominal rate)
				Repayment commences	18-23 months after last payment
				Write off	No
				Early repayment bonus	No
				Deferrable?	Yes

Source: London Economics review of official national sources.
Note: * Individual universities have an ability to charge fees. ** A partial grant and interest free loan

5.10 Hungary

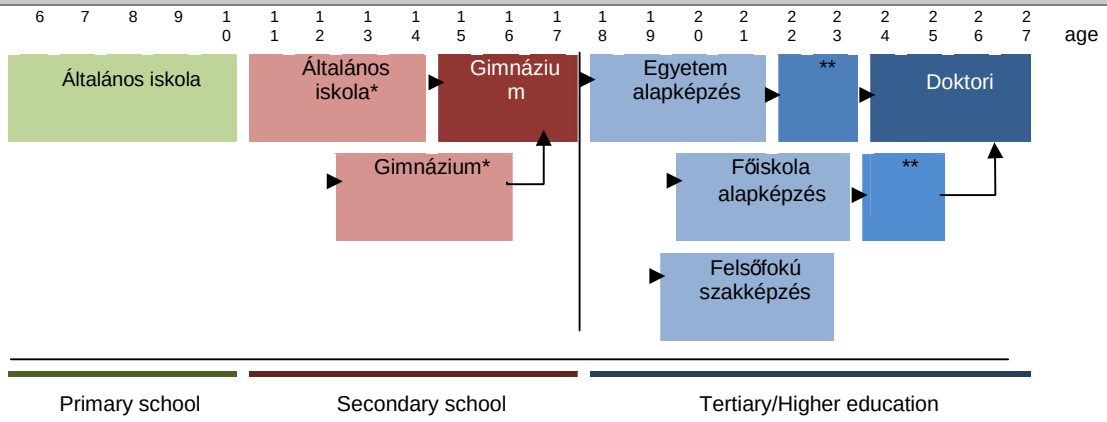
5.10.1 National context for student support

Structure of the educational system

Traditionally, third level education has been provided by two types of institutions in Hungary: non-university institutions (*főiskola*) and university institutions (*egyetem*). These two institutions differed along the lines of the degrees they were entitled to grant. In particular, non-university institutions granted a tertiary level degree equivalent to a Bachelor's degree in the Anglo-Saxon system, whereas universities granted a tertiary level degree equivalent to a Master's degree and they could also grant doctorate degrees (the equivalent of a PhD degree).[83]

This system has recently changed as the country joined the Bologna process. As a result, the higher education system has adopted the now-standard three-level system, corresponding to the BA, MA and PhD degrees.[84] The distinction between non-university and university institutions has become more blurred too as now both of institution can grant each type of degree.[85] The number of student currently enrolled in the 70 higher education institutions in Hungary is about 380,000.[86]

Figure 13: Organisation of the education system in Hungary



Note: * Secondary education followed by upper secondary general. ** Mesterképzés (Master degree). Higher education in Hungary can last for 3 or 4 years followed by 1 or 2 years Master Program.

[83] Note that the course leading to an MA degree at a university could not be split into two parts along the lines of a BA and MA qualifications, instead the degree is awarded at the end of a course of the combined length of a BA and an MA course.

[84] There are some fields, like legal studies and medicine that have not adapted to the new system but maintained their traditional one-step long cycle format of 10-12 semesters.

[85] Previously, non-university institutions were not entitled to grand degrees equivalent to those granted by universities. Now, as both of them can grant the same degrees, an institution qualifies as a if it offers Masters courses in at least two fields of training and PhD courses in at least one field of training.

[86] Data refer to the academic year 2008/09, see http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat_eves/tabl2_06_09ia.html.

Educational attainment

Overall, about 18% the population has attained tertiary type education (almost all tertiary-type A qualifications) by 2007, representing a substantial increase from 12% in 1997.[87]

Participation at tertiary level

Rolling one further step back, national statistics illustrate that quite a large proportion of secondary school graduates continue their studies in third-level education.[88] In particular, 11% of the total population enrols in tertiary-type B qualification, while 63% enrol in tertiary-type-A programmes.[89] While the enrolment rate in tertiary-type-A education has remained stable over the past decade, enrolment in tertiary-type B education has increased tenfold over the past decade albeit form a low starting point (from 1% in 1995 to 11% in 2007).

Expenditure on higher education

As with other countries, higher education is jointly funded by both public and private sources in Hungary. Total expenditure on higher education excluding R&D activities in Hungary barely exceeded half of the OECD average at US$ 4,843 in 2006 (£2,933), which is equivalent to approximately 1.1% of GDP (the same proportion as in 1995). In relation to the share between public and private funding of higher education, approximately 90.2% of the funding is from public sources, which is a marginal decrease from the proportion of 91.8% in 2000.

The public funds supporting higher education in Hungary consist of three elements: normative financing, supplementary normative grants and earmarked grants. The first of these finance streams amounts to about 95% of total state funds. It is the most general form of financing and is proportional to the standard research and teaching activities carried out by the universities.

Summary of current student support arrangements

The seemingly unbalanced share of costs of higher education between the public and private sector mentioned above is derived from the fact that historically, Hungarian third-level education was free at the point of entry.

[87] One the opposite end of the scale, the fraction of population not reaching upper-secondary education fell from 37% in 1997 to 21% in 2007. In the middle segment of the education scale, the fraction of population attaining or having attained upper secondary and postsecondary non-tertiary education has increased from 51% in 1997 to 61% in 2007.

[88] Regarding secondary level education, about 84% of entrants (just about the OECD average) completed secondary school by 2007. This number is about the average of the past decade, when this rate fluctuated between 82% (2002) and 93% (2000).

[89] While the enrolment in tertiary-type A education has stayed stable over the past decade, enrolment in tertiary-type B education increased tenfold (from 1% in 1995 to 11% in 2007).

In fact, the situation is a bit more complicated as higher education institutions can offer both state funded and fee-paying places for their students.[90] Clearly, applicants target state funded places in the first place and these places are allocated among successful applicants based on entry examination scores.[91] Tuition in the fee-paying segment is between €500 and €2,000 (£450 and £1,800) per semester and is generally a function of the field of study, but not of student or household income or student residency.[92]

In order to support their studies, students can apply for grants or take student loans. The main grant for higher education students is the Maintenance Grant (financed by the government) that can be received (and renewed) by application for a duration of one semester. The amount of the grant depends on the applicant's social needs – the amount received by the most disadvantages students is in the range of 21,000-23,000HUF (£70-77) per month (depending on the school) and corresponds to 20% of the normative financing per student received from the state.[93]

Besides the Maintenance Grant, students can also apply for some complementary grants, like the Student Support Grant in the United Kingdom (Bursa Grant, which are co-financed by the local, county and national government and are more modest in magnitude).[94]

The other means by which students can finance their studies are through loans. Student loans are state-guaranteed partially subsidised loans, providing support for higher education students for the duration of their course (a maximum of 10 semesters or 14 semesters if the course is longer).[95] These loans are managed by the non-profit Student Loan Centre (Diákhitel Központ), which is a state-owned company and is responsible for raising the necessary funds for loan disbursement, and were introduced at the beginning of the millennium as part of a comprehensive higher education financing reform.

Student loans can be used to cover tuition fees and living costs. The upper limit of the monthly amount of the student loan is about 40,000HUF (£134) in case of state-funded courses and about 50,000HUF (£167) in case of fee-paying courses.[96]

Eligibility for these loans does not require individual loan assessment or risk appraisal. These loans need to be repaid through income-contingent repayments only after the completion of

[90] About half of student places are state funded and about half of them are fee-paying – see http://www.highereducationreview.com/samplearticles.html. This split of places has occurred after the tuition fees introduced in 1995 were abolished several years later and the higher education institutions needed additional funding.

[91] Note also that state funded places are not available for those going for a second degree.

[92] Some MBA courses may charge more than this - see http://www.felvi.hu/felveteli/egyetemek_foiskolak/!IntezmenyiOldalak/szervezet.php?szer_id=316.

[93] See e.g. http://www.gdf.hu/html/documentums/Szoc_Oszt_Szab.pdf or http://www.sc.bme.hu/index.php?pText=4_10_2 or http://www.szeportal.hu/.

[94] The components funded by the county and central government have an upper threshold of around 5,000HUF (or £5) a month. The local government element is modest too in general.

[95] The interest rate on student loans is determined by the central government and was 10.5% in 2009. This is a low rate considering the involved risks as the State provides a guarantee for all the Student Loan Centre's payment obligations undertaken to finance the student loan scheme.

[96] These amounts can be increased by 10,000HUF (or £33) under certain circumstances.

studies. There is currently a nominal interest rate of 10.5% on these loans and loan repayments start on the first day of the 4th month after graduation, but no later than the 40th birthday of the individual. Payments can be deferred in case of maternity leave or extra studies or other special circumstances. Repayment rates are approximately 6-8% of earned income, where the threshold for repayment is equivalent to the minimum wage.

Detailed description of student support arrangements in Hungary

We present a detailed description of student support arrangements in Hungary for full-time and part-time students in Table 26 overleaf.

Table 26: Details of full-time and part-time* student support arrangements in Hungary

FEES		GRANTS/BURSARIES		LOANS	
Tuition fees	Yes, but students can be exempted on the basis of admission exam results at public universities. 55.6% of students did not pay tuition fees in 2008/2009.	**Maintenance**	**Maintenance Grant**	**Student Loan**	**Diakhitel**
Up-front/Deferred	Up-front	Provider	Department for Education	Provider	Banks, Saving Cooperatives, Hungarian Post
Maximum (cap)	No maximum, but in general tuition fees do not exceed HUF 400,000 (£1,339) per semester	Type of provider	Government	Type of provider	Financial institutions
		Grant duration	Course length	Loan duration	Course length (max 14 semesters)
Fixed/Variable by:	Variable	Maximum grant	HUF23,000 (£77) per month		No
Income (means-tested)	No	Fixed/Variable by:	Variable	Administration fee	No tuition fees: HUF40k (£134) p.m.
Subject of study	Yes	Subject of study	Yes, small variation	Maximum loan	Paid tuition fees: HUF50k (£167) p.m.
Student residency	No	Student residency	Yes, small variation		Variable
Study intensity	No	Study intensity	Yes, small variation		No
Eligible for tax relief	No	Family arrangements	Yes, significant variation		No
Regulated/Unregulated	Unregulated	Income (means-tested)	Yes	Fixed/Variable by:	Yes, additional HUF10k (£33)p .m. under certain family circumstances (not included in above maxima)
Determined by	HEI	**Student Support Grant**	**Bursa Grant**	Living arrangements	
		Provider/Type of provider	Local government + County level government + Department for Education	Location of study	
Other fees	**No**	Grant duration	2 semesters	Family arrangements	No
Up-front/Deferred	-	Maximum grant	HUF31,500 (£105)		Income Contingent
Maximum (cap)	-	Fixed/Variable by:	Variable	Income (means-tested)	Minimum wage, HUF71,500 (£239) per month
Fixed/Variable by:	-	Subject of study	No	Loan type	No
Income (means-tested)	-	Student residency	Yes	Income threshold	No tuition fees: First 2 years: 6% of the minimum wage; Third and later years: 6% of the average monthly salary in the calendar year two years earlier.
Subject of study	-	Study intensity	No	Minimum repayment	
Student residency	-	Family arrangements	No	Repayment calculation	
Study intensity	-	Income (means-tested)	Yes		No tuition fees: First 2 years: 8% of the minimum wage; Third and later years: 8% of the average monthly salary in the calendar year two years earlier.
Eligible for tax relief	-				
Regulated/Unregulated	-			Interest rate	10.5%
Determined by	-			Repayment commences	4 months after leaving education (no later than 40th birthday)
				Write off:	Death / limiting disability
				Early repayment bonus	No
				Deferrable?	Yes - Maternity leave with statutory maternity payment (SMP), when interest is paid by the state, or if extra studies are undertaken

Source: London Economics review of official national sources.
Note: * The student support system is the same for part-time students as for full-time students.

5.11 Ireland

5.11.1 National context for student support

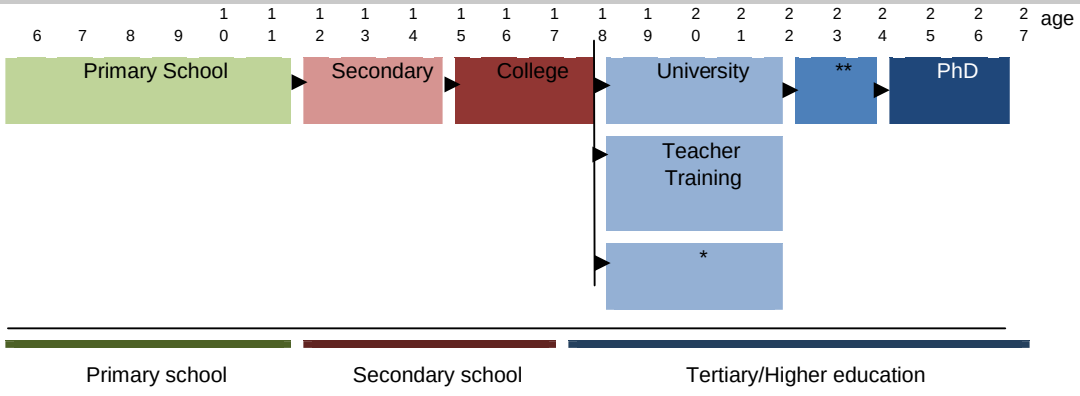
Structure of the educational system

Figure 14 illustrates the organisation of the education system in Ireland. The pre-tertiary education system consists of primary school for children aged between 6 and 11; and secondary school for pupils aged between 12 and 16 (culminating in Junior Certificate examinations (equivalent in depth and breadth to GCSEs)). Although the minimum school leaving age is 16, many schools offer an integrated senior cycle comprising 6 years between the age of 12 and 18 culminating in the Leaving Certificate (equivalent in depth and breadth to Scottish Highers). In addition, there are also a number of Community Colleges offering 2 year senior cycle studies (equivalent to 6th form colleges in the UK).

Based on the results of the Leaving Certificate examination, successful pupils have an opportunity to enrol in higher education system with students generally beginning third level education at the age of eighteen. There are 7 universities in Ireland, 4 university recognised colleges of higher education, 14 Institutes of Technology, and 8 Colleges of Education.

At university, the successful completion of a Bachelors degree takes approximately three to four years depending on the subject of study (three years for Arts, Humanities, Social Sciences and four years for engineering, architecture or natural sciences), followed by one or two year postgraduate Masters programmes. Alternatively to university education, students can undertake teacher training program in universities or specialised teacher training colleges or undertake more vocational orientated post compulsory education at Institutes of Technology or any other third level college. All of these institutions form part of tertiary education system in Ireland.

Figure 14: Organisation of the education system in Ireland



Notes: * Institute of Technology and other third level colleges. ** Masters Program lasts from one to two years depending on the subject.

Educational attainment

In 2007, 32% of population aged between 25 and 64 had attained qualifications at tertiary level. Breaking down this aggregate level of qualification attainment, 11% had attained Tertiary-type B education with 21% attaining Tertiary-type A qualifications. Average levels of qualification attainment have increased gradually over time, with approximately 21% of individuals aged between 25 and 64 possessing third level qualifications in 1998 (compared to 32% in 2007).

Participation at tertiary level

The level of qualification attainment has increased at secondary level, as well as at third level. In particular, approximately 90% of students successfully graduated from their secondary level studies in 2007 compared to approximately 74% in 1995 – and these increases in the average completion rates have fed through to third level. In particular, in relation to the cohort of pupils completing upper secondary level schooling, approximately 21% enter into Tertiary-type B education upon completing their secondary level schooling, while 44% of the cohort (on average) enter Tertiary-type A programmes. These net entry rates are relatively comparable to those being currently achieved in England (higher education initial participation rate).

Expenditure on higher education

The average expenditure on higher education stands at $8,407 (£4,874) per annum, while the total expenditure on higher education as a proportion of GDP stands at 1.2%. The proportion of expenditure that is derived from public sources in the region of 85.1%, while private households contribute approximately 13.2% and other private institutions (such as employers) contribute the remaining 1.7%.

5.11.2 Summary of current student support arrangements

Tuition fees

Traditionally (pre 1995), students attending universities in Ireland paid tuition fees. These fees were up-front fees and varied (to a relatively limited extent) on the subject of study and the institution attended. Average tuition fees were in the region of €1,000 (€900) per annum. In addition, individual institutions charged registration and administration fees (in the region of €400 (£360) per annum). In 1995, under a centre-left government, third level fees were abolished for all full-time undergraduates, although institutions started to increase the registration and administration fees (to approximately €900 (£809) by 2008). There were (and continue to be) grants in place covering fees and maintenance to assist the poorest students; however, there were (and are) no loans available to support students. In addition, part-time students pay up-front fees for their tuition (which are tax deductible) and there are no grants or loans of any description available to them.

By 2002, the increasing cost to the Exchequer associated with funding higher education prompted some politicians to demand the re-introduction of tuition fees (in the range of €4,000- €5,000 per annum (£3,596 to £4,496) for those students from the wealthiest households (more than €200,000 (£180,000) per annum). The proposal to re-introduce fees was shelved in 2003. However, following investigation of higher education funding in Ireland, in 2004 the OECD asserted that the abolition of college fees has provided *"substantial subsidies to students whose families could well afford to pay*", and as such a number of institutions have suggested that tuition fees need to be re-introduced. In 2008, the Minister for Education indicated that the return of fees could "*no longer be ruled out"* to ensure that universities are properly funded. Later in the same year, the national budget announced an increase in the annual college registration fee by €600 (to €1,500 (£1,349)) for the 09/10 academic year.

In July 2009, a discussion document from the Department of Education setting out four options on third-level fees was circulated by Minister for Education to Cabinet. The option that was most favoured by the Education minister was a student loan scheme, potentially including the current student services charge (€1,500 (£1,349) in 2009/10), with three variations presented in the document:

- Deferred student loan for fees available to all (in parallel with grant system)
- Deferred student loan for fees available based on means-tested and Up-front fees for non-eligible students (in parallel with grant system); and
- Deferred student loan for fees and maintenance for all students and the abolition of the current student grant system.

Although the Department of Education required all College presidents to inform all new students that third-level fees may be reintroduced from the 2010/11 academic year as part of their induction, these plans were shelved as a result of pressure from the Green Party (which is one member of the current Irish coalition government).

Grants

The Higher Education Grant Scheme covers full-time undergraduate courses of not less than two years duration pursued in the University/Institute of Technology sector or third-level institution. The amount received depends on household income and the number of dependent children, ranging from grants of 'Full Maintenance and Full Fees' to 'Part Tuition Fees (50%) only', with maintenance grants in the range €345 to €3,420 (£310 to £3,075). These grants are means-tested and are also dependent on the distance of travel between a student's residence and their location of study. This is presented in Table overleaf:

Table 27: Thresholds for grant eligibility (Annual household income (€))					
Number of dependent children	**Fees and maintenance (100%)**	**Fees and partial maintenance (75%)**	**Fees and partial maintenance (50%)**	**Fees and partial maintenance (25%)**	**Partial tuition fees (25%)**
Less than 4	€41,110 (£36,963)	€42,235 (£37,974)	€44,720 (£40,209)	€47,205 (£42,443)	€51,380 (£46,197)
4 to 7	€45,165 (£40,609)	€46,415 (£41,733)	€49,145 (£44,187)	€51,880 (£46,646)	€56,460 (£50,764)
8 or more	€49,045 (£44,097)	€50,400 (£45,316)	€53,360 (£47,977)	€56,320 (£50,638)	€61,295 (£55,111)

Source: Student Finance Ireland
Notes:
1. The full maintenance adjacent rate for 2009/10 stands at €3,420 per annum (£3,075), while the full maintenance non-adjacent rate stands at €1,370 per annum (£1,232).
2. Where a candidate qualifies for a maintenance grant and is pursuing an approved course to which the Free Fees Initiative applies, an award of €1,500 (£1,349) shall be made in respect of the student services charge, which shall be paid directly to the college/institution by the Local Authority.
3. In the 2009/10 academic year, where 2 or more children (or the candidate's parent) are pursuing a course of study listed below, the reckonable income limits for Full Maintenance (100%) and Full Fees and the Part Tuition Fee (50%) only by increments of €4,980 (£4,478). For the Part Maintenance and Full Fees at 75%, 50% and 25%, the reckonable income limits may be increased by €4,815 (£4,329) where there are 2 such children, €9,630 (£8,658) where there are 3 such children and so on, by increments of €4,815(£4,329).

Special rates of maintenance grants for disadvantaged students

The Special Rates of Maintenance Grant, more commonly known as the "Top-Up" Grant, is aimed at tackling under-representation by disadvantaged students in further and higher education. For the academic year 2009/2010 the grant was €6,690 (£6,015) for students residing more than 15 miles from college and €2,680 (£2,410) for students residing within 15 miles of college. This is equivalent to a "top-up" of €3,270 (£2,940) and €1,310 (£1,178) respectively for eligible students on the ordinary maintenance grant. This grant is means-tested. Eligibility is determined by reference to a lower income threshold compared to the ordinary maintenance Schemes, and that, in addition to other requirements, the reckonable income includes specified long-term social welfare payments. The total reckonable income for the "Top-Up Grant" for the 2009/2010 academic year - based on the 2009 tax year – cannot exceed €22,308 (£20,055).

There are no loans of any description available to students in Ireland.

5.11.3 Detailed description of student support arrangements in Ireland

We present a detailed description of student support arrangements in Ireland for full-time students in Table 28 followed by a brief discussion of part time student arrangements.

Table 28: Details of full-time student support arrangements in Ireland

FEES		GRANTS/BURSARIES		LOANS	
Tuition fees	**No (Free Fees Initiative)**	**Maintenance**	**Maintenance Grant**	**Tuition Fees**	**No**
Up-front/Deferred	-	Provider	Department of Education and Science	Provider	-
Maximum (cap)	-			Type of provider	-
Fixed/Variable by:	-	Type of provider	Government	Loan duration	-
Income (means-tested)	-	Grant duration	Course length	Administration fee	-
Subject of study	-	Maximum grant*	Non-adjacent: €6,690 (£6,015)	Maximum loan	-
Student residency	-		Adjacent: €2,680 (£2,410)	Fixed/Variable by:	-
Study intensity	-	Fixed/Variable by:	Variable	Living arrangements	-
Eligible for tax relief	-	Subject of study	No	Location of study	-
Regulated/Unregulated	-	Student residency	Yes, varies significantly if student lives within 24km of HEI. Rates for non-adjacent quoted below.	Family arrangements	-
Determined by	-			Income (means-tested)	-
				Loan type	-
Other fees	**Student service charge**	Study intensity	No	Income threshold	-
Up-front/Deferred	Up-front	Family arrangements	Yes, number of dependent children	Minimum repayment	-
Maximum (cap)	€1,500 (£1,349) per annum, set annually	Income (means-tested)	Yes	Repayment calculation	-
				Interest rate	-
Fixed/Variable by:	Fixed	Income tapers: (Non-adjacent rates)	Parent/guardian or student (if dependent)	Repayment commences	-
				Write off:	-
Income (means-tested)	Yes, students receiving maintenance grants are exempt, but must pay Student Levy €167.50	€22,308 (£20,058)	Maximum €6,690 (£6,015)	Early repayment bonus	-
		€46,090 (£41,440)	€3,420 (£3,075)	Deferrable?	-
		€47,050 (£42,304)	€2,565 (£2,306)		
Subject of study	No	€49,535 (£44,538)	€1,710 (£1,537)		
Student residency	No	€52,020 (£46,772)	€855 (£769)		
Study intensity	No	Income limit (no grant)	€56,360 (£50,674)		
Eligible for tax relief	No				
Regulated/Unregulated	Unregulated				
Determined by	HEI				

Source: London Economics review of official national sources.
Note: * Maxima include the special rate of maintenance grant, paid to eligible students from particularly low-income backgrounds.

Details of part-time student support arrangements in Ireland

Part-time students pay Up-front fees, freely set by HEIs. No grants or loans exist, but tax relief is available for tuition fees paid.

5.12 Netherlands

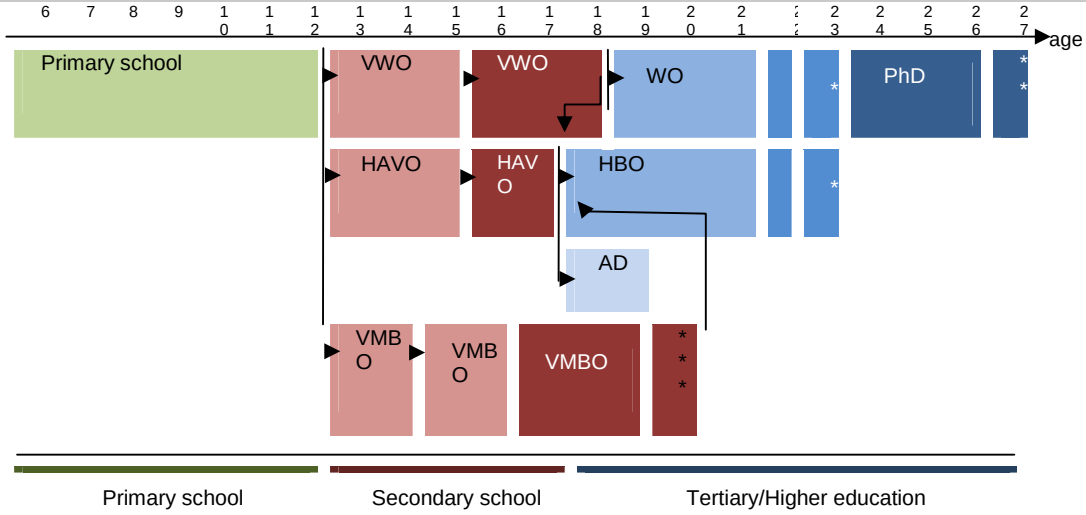
5.12.1 National context for student support

Structure of the educational system

Higher education in the Netherlands (as illustrated in Figure 15) comprises higher professional education (HBO[97]) and university education (WO[98]). HBO courses provide occupation-specific higher professional education and are provided by Universities of Applied Sciences (Hogescholen), also known as Universities of Professional Education. WO courses, on the other hand, are provided by Research Universities and are focused on academic training and research.

To be eligible for higher professional education (HBO), a student must possess either a senior general secondary education (HAVO) certificate, or a secondary vocational education (VMBO) certificate or a pre-university education (VWO) certificate. Admission to a research orientated University is only possible with either a pre-university school-leaving certificate (VWO) or a HBO degree.

Figure 15: Organisation of the education system in the Netherlands



Source: London Economics based on Eurydice (2009b).
Note: * Some Masters (M, MA or MSc) degrees take 1 or 2 years (depending on the discipline). ** PhD degrees take a minimum of 4 years. *** An MBO qualification can take 3 or 4 years.

There are 14 Universities (including the Open University) and 42 Universities of Applied Sciences in the Netherlands, with approximately 555,000 students enrolled between the two types of higher education institutions (205,000 and 350,000 students, respectively).

[97] Hogerberoepsonderwijs middelbaar beroepsonderwijs
[98] Wetenschappelijk onderwijs

Degree structure

Research Universities and Universities of Applied Sciences award both Bachelors and Masters degrees; however, only Research Universities may award a Doctorate degree. The Dutch degree structure is summarised in Table 29.

HBO students at Universities of Applied Sciences must complete 4 years of full-time study to qualify for a Bachelors degree (B) and may continue to a Masters degree (M) which will take an additional 1 or 2 years, depending on the discipline. At Research Universities, WO students obtain a Bachelors degree (BA or BSc) upon completion of the undergraduate phase of 3 years and a Masters degree (MA or MSc) upon completion of an additional 1 or 2 years. Approximately 80% of bachelor students choose to continue onto a Masters degree following on from their Bachelors course.[99] A doctorate degree (PhD) takes a minimum of 4 years after the (compulsory) completion of a Masters degree. This system of degrees is summarised in Table 29.

Table 29: Higher education degrees in the Netherlands

Qualification	Research Universities (WO)	Universities of Applied Sciences (HBO)
PhD	4 years	-
Master (M)	-	1-2 years
Master of Arts (MA); Master of Science (MSc)	1-2 years	-
Bachelor (B)	-	4 years
Bachelor of Arts (BA); Bachelor of Science (BSc)	3 years	-

Source: http://www.nuffic.nl/international-organizations/dutch-higher-education/degrees

Educational attainment

Whilst information on the overall upper secondary graduation rate in the Netherlands is not available, approximately 60% of the typical population of upper secondary school age population successfully completed upper secondary school programmes designed to prepare for direct entry to Tertiary-type A education (in 2007). This rate is close to, but below, the OECD average (61%) and the EU19 average (63%).[100]

[99] Eurydice (2009b).

[100] OECD (2009). The EU19 average is the unweighted mean of the values for the 19 OECD countries that are also European Union Member States, including: Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Ireland, Luxembourg, the Netherlands, Poland, Portugal, the Slovak Republic, Spain, Sweden and the United Kingdom.

Participation at tertiary level

60% of upper secondary school graduates entered tertiary-type A programmes in 2007, up from 44% in 1995 and 53% in 2000. The completion rate amongst tertiary-type A programme students was 71% in 2005, which is above both the OECD (69%) and EU19 (69%) averages. In terms of educational attainment, 31% of the Dutch population has completed a third-level qualification, which is above the OECD average of (28%) and EU-19 average of (24%), and educational attainment at this level has been increasing by an average annual rate of 2.8% since 1998. At 29%, the Netherlands is significantly above the OECD average of (20%) and EU-19 average of (18%) in respect of the proportion of the population in possession of tertiary-type A qualifications.

Expenditure on higher education

All Universities and Universities of Applied Sciences in the Netherlands are part-funded by the Dutch government, with additional funding coming from the tuition fees that the institutions charge their students.

In 2006, public expenditure on tertiary educational institutions per student (excluding R&D activities) totalled $9,717 (£5,885), which is above the OECD ($8,455 (£5,121)) and EU19 ($7,592 (£4,598)) averages and almost identical to the UK level ($9,714 (£5,883)).[101] This translates to an annual expenditure on tertiary educational institutions equal to 1.5% of GDP in 2006, again above the OECD (1.4%) and EU19 (1.3%) averages.

At 73.4%, the Dutch public sector contribution to higher education funding lies below the EU19 average of 81.1%. Private sources provide the remaining 26.6% of funding, though 0.8% of this is subsidised by public sources.

Table 30: Balance of public and private contributions to HE funding in the Netherlands, 2006

Source of funding	% of total funding
Public sources	73.4
Private sources, *of which:*	26.6
Household expenditure	*15.5*
Expenditure of other private entities	*11.1*

Source: OECD (2009).

[101] OECD (2009). The EU19 average excludes Denmark, Greece and Luxembourg, due to missing data.

5.12.2 Summary of current student support arrangements

Higher education students in the Netherlands pay tuition fees to their institution at a fixed level set annually by the Dutch government. For students under the age of 30 studying any subject full-time at a public institution, the statutory rate for the 2009/10 academic year is €1,597 (£1,436). For others, including students at private institutions, the fee is set freely by the institution. The tuition fee may be paid up-front, in instalments (six) or may be deferred through the system of student support, outlined below. There are no additional registration fees.

Aiming to cover the costs of tuition fees and living expenses, the Netherlands has a complete system of student finance (*studiefinanciering*), comprising student loans, grants and travel passes. The Informatie Beheer Groep (IB-group), an agency of the Ministry of Education, is responsible for the administration of student tuition fees, loans and grants. Eligibility for student finance depends on the student's age (must be under the age of 30), nationality (must be a Dutch national or have the same rights) and the intensity of study (must be in full-time or dual education). Students are allowed earn up to €13,215 (£11,801) per annum alongside their student finance.

All students eligible for student finance receive a fixed basic grant (*basisbeurs*) of €1,138 (£1,023) per annum in 2009/10, though students living away from home receive more. A supplement to the basic grant is also available for students with dependent children (€435 (£391) per month for single parents and €543 (£488) per month for parents with partners). An additional supplementary grant (*aanvullende beurs*) of up to €1,138 (£1,023) per annum in 2009/10 is also available depending on parental income in the previous two years, as parents are expected to pay their calculated parental contribution (*ouderbijdrage*). In addition, students entitled to student finance also receive a student public transport pass (*OV-studentenkaart*) which gives free public transport either mid-week or at the weekend, worth €80 per month (£72).

The notable feature of the Dutch student support system is the performance-related grant (*prestatiebeurs*). Whilst termed 'grants', the basic grant, supplementary grant and student transport pass all start out initially as interest-bearing loans (at a nominal rate of 3.58% in 2009), which are converted into a gift (grant) if the student obtains a diploma within 10 years. However, the number of years of the performance-related grant written off is limited to the standard study period of the course (e.g. three years for a 180 credit course or four years for a 240 credit course).

In addition to the performance-related grant, students may also borrow money for tuition fees and general expenses. The tuition fees loan (*collegegeldkrediet*) is offered up to maxima of €1,597 (£1,436) for statutory fee-paying students (per annum, based on 2009/10 fees) and €7,985 ((£7,179) five times the statutory fee) for institutional fee-paying students. A further €3,444 (£3,097) may be borrowed to fund other expenses under an 'ordinary' loan (*lenen*). Both loans are *interest-bearing mortgage-style* loans (at a nominal interest rate of 3.58% in

2009), with repayment commencing 24 months after course completion. The monthly repayment is calculated as the total debt divided by 180 months, though this may be reduced to the minimum monthly repayment of €45.41 (£41) if the graduate is unable to pay. The debt is written off after 15 years or in the incidence of death.

5.12.3 Background and remaining challenges for student support

The most recent change to the Dutch system of student support was the introduction, in 1996, of the performance-related requirement for grants. This change was motivated by the desire to introduce personal responsibility for programme completion within the 'normal' study period via financial incentives. As the system of student support is quite generous, there was a concern that poor incentives were being created, reflected in the high drop-out rates in the Dutch higher education system.

Eurydice (2009) lists the following outstanding challenges for the Dutch higher education system:

- Reducing the drop-out rate in higher education
- Improving the quality of higher education
- initiating a fully-fledged bachelor-master system (separate bachelors and masters programmes, currently integrated to a large extent, to require the student to make a deliberate choice of masters programme)
- Initiating a simpler system of accreditation
- Initiating new academic titles for HBO (Bachelor/Master of Applied Arts/Applied Sciences)
- Strengthening the relationship with the labour market (strengthened collaboration between schools and the business community to encourage entrepreneurship)
- Opening up the system (small-scale experiments underway to allow grants).

The *Strategic agenda for Higher Education, research and science*[102] was published by the government in November 2007, setting out the roadmap for higher education in the Netherlands up to 2011. The objective is to achieve an ambitious learning culture and an excellent research climate, enhancing the quality of education and reducing drop-out rates. Further, a new funding model for higher education is designed to enhance the quality and diversity in the courses offered by HEIs. Another goal is to adopt the US graduate school model or research training.

[102] Het Hoogste Goed: Strategische Agenda voor het hoger onderwijs-, onderzoek -en wetenschapsbeleid

5.12.4 Detailed description of student support in the Netherlands

We present a detailed description of student support arrangements in the Netherlands for full-time students in Table 31 overleaf.

Table 31: Details of full-time student support arrangements in the Netherlands

FEES		GRANTS/BURSARIES		LOANS	
Tuition fees	**Yes**	**Maintenance**	**Basic Grant (and supplements)***	**Tuition Fees**	**Tuition Fees Loan**
Up-front/Deferred	Up-front	Provider	IB-Groep	Provider	IB-Groep
Maximum (cap)	€1,597 (£1,436)	Type of provider	Government	Type of provider	Government
Fixed/Variable by:	Fixed	Grant duration	Course length (10 years max)	Loan duration	Course length
Income (means-tested)	No	Maximum grant	€1,138 (£1,023) per annum	Administration fee	No
Subject of study	No	Fixed/Variable by:	Variable	Maximum loan	€1,597 (£1,436)
Student residency	No	Subject of study	No	Fixed/Variable by:	Fixed
Study intensity	No	Student residency	Yes, but higher if living away from home	Living arrangements	No
Eligible for tax relief	No	Study intensity	No, but must be at least half-time	Location of study	No
Regulated/Unregulated	Unregulated	Family arrangements	Yes, Single-parent supplement of additional €5,221 (£4,694) and Partner supplement of additional €6,525 (£5,867).	Family arrangements	No
Determined by	Government	Income (means-tested)	Yes, student income	Income (means-tested)	No, but max student income €13,216 (£11,883)
		Income limit (no grant)	Student income €13,216 (£11,883)	Loan type	Mortgage
Other fees	**No**			Minimum repayment	Yes, €45.41 (£41) per month (on total debt)
Up-front/Deferred	-	**Maintenance**	**Supplementary Grant***	Repayment calculation	(Total debt)/(180 months)
Maximum (cap)	-	Provider	IB-Groep	Interest rate	3.58% as at 2009 (nominal)
Fixed/Variable by:	-	Type of provider	Government	Repayment commences	24 months after leaving education, or sooner
Income (means-tested)	-	Grant duration	Course length (10 years max)	Write off:	15 years / death / limiting disability
Subject of study	-	Maximum grant	€2,609 (£2,345) per annum	Early repayment bonus	No
Student residency	-	Fixed/Variable by:	Variable	Deferrable?	Yes (2 years)
Study intensity	-	Subject of study	No		
Eligible for tax relief	-	Student residency	No		
Regulated/Unregulated	-	Study intensity	No	**General**	**Loans**
Determined by	-	Family arrangements	Yes, number of other children receiving supplementary grant	Provider	IB-Groep
		Income (means-tested)	Yes	Type of provider	Government
		Income tapers:	Parental income 2 years prior	Loan duration	Course length + 3 years
		Income limit (no grant)	Depends on parental contribution	Administration fee	No
			Student income €13,216 (£11,883)	Maximum loan	€3,444 (£3,097)
				Fixed/Variable by:	Variable
				Living arrangements	No
				Location of study	No
				Family arrangements	No
				Income (means-tested)	No, but max student income €13,216 (£11,883)
				Loan type	Mortgage
				Minimum repayment	Yes, €45.41 (£41) per month (on total debt)
				Repayment calculation	(Total debt)/(180 months)
				Interest rate	3.58% as at 2009 nominal
				Repayment commences	24 months after leaving education, or sooner
				Write off:	15 years / death / limiting disability
				Early repayment bonus	No
				Deferrable	Yes (2 years)

Table 31: Details of full-time student support arrangements in the Netherlands					
FEES		**GRANTS/BURSARIES**		**LOANS**	
		Travel Provider Type of provider Grant duration Maximum grant Fixed/Variable by: Income (means-tested) Income limit (no grant)	**Student public transport pass*** IB-Groep Government Course length (10 years max) Week or weekend pass for free travel on public transport, worth €80 (£73) per month in 2009 Fixed Yes Student income €13,216 (£11,883)		

Source: London Economics review of official national sources.
Note: * Form part of the performance-related grant (prestatiebeurs): the basic grant, supplementary grant and student transport pass are initially interest-bearing loans (at 3.58% in 2009), but are converted into grants if the student obtains a diploma within 10 years.

Details of part-time student support arrangements in the Netherlands

A condition of student finance is that the student is enrolled in a full-time course, or in dual education (vocational course comprising an apprenticeship).

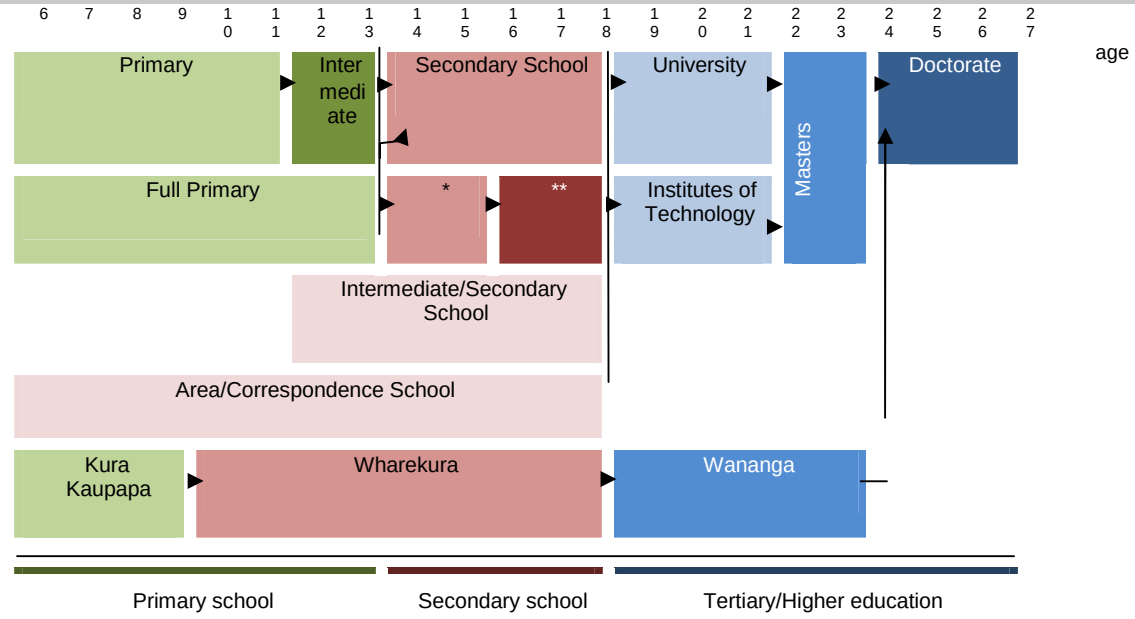
5.13 New Zealand

5.13.1 National context for student support

Structure of the educational system

Figure 16 illustrates the educational system in New Zealand. The pre-tertiary system is divided into primary schools and high schools. However, there are alternative student paths that feed through to the higher education system. Firstly, pupils can attend primary school until age of fourteen followed by four years of high school education. Alternatively, they can attend a feeder primary school followed by either intermediate school or secondary (high school). If they choose to attend high school they are entitled to either attend four years of high school education or two years of high school education and remaining two years in college (higher secondary) education. The pre-tertiary system also offers a Māori study pathway.

Figure 16: Organisation of the education system in New Zealand



Note: * High School (shorter student path), ** College (higher secondary education).

Educational attainment

In 2007, 41% of the adult population aged between 25 and 64 had attained qualifications at third level, of which 16% had attained Tertiary-type B qualifications and 25% had attained Tertiary-type A qualifications. The attainment rate amongst the adult population has increased steadily over time. Specifically, third level qualification attainment rate increased from 27% in 1997 to 41% in 2007. In terms of secondary level completion rates, the upper secondary school graduation rate stood at 74% in 2007 compared with 72% in 1995.

Participation at tertiary level

In 2007, the net entry rate to Tertiary-type B education was 48% (compared with 44% in 1995), while the net entry rate to Tertiary-type A higher education stood at 35% compared to 32% in 1995. The completion rate of type A and B tertiary education was 54% in 2005. Disaggregating this estimate, among Tertiary-type A students, 58% successfully accomplished their qualification aim in 2005, while 30% of those in Tertiary-type B education completed their programmes.

Expenditure on higher education

Public expenditure on higher education in New Zealand amounted to US$8,010 (£4,851) per student in 2006 equivalent to 1.5% of GDP. Public sources of funding covered just 63% of higher education expenditure compared to a private household contribution of 37%. There is no data available in relation to other private sources of higher education funding such as employer funding.

5.13.2 Summary of current student support arrangements

There have been a number of significant changes in higher education tuition fee policy in New Zealand since 1990. From a low benchmark (fees of less than NZ$300 (£132) per annum in 1989), tuition fees for domestic students in New Zealand have risen steadily since. In 1990, a flat standard tertiary fee for full-time and full-year students of NZ$1,250 (£548) was introduced briefly, but was abolished one year later in the 1991 Budget. It was replaced by a system that allowed tertiary institutions to set their own fees, free from any constraints of government control and was coupled with the Equivalent Full-time Student (EFTS) based funding model.

Over the course of the 1990s, tuition fees rose by an average of 13% per year.[103] In view of the upward trend in tuition fees, the Government instituted a fee freeze for the years 2001, 2002 and 2003. Since 2003, the fee freeze has been removed and the Government instituted a new system in the 2003 Budget: the Fee and Course Costs Maxima (FCCM) Policy. This new policy allows institutions the freedom to decide what tuition fees to charge students, but these fees must not be above a range of fee maxima, differentiated by subject area. There is also a 5% Annual Fee Movement Limit (AFML) to limit an institution increasing their fees more than 5% per annum towards the fee maxima

Since 2004, the Government has set maximum tuition fee rates that Tertiary Education Organisations (TEOs) can charge learners, differentiated by course subject area. The Fee/Course Costs Maxima (FCCM) for 2009 in dollars per Equivalent Full-time Student (EFTS) varies from NZ$3,925 (£1,722) for Arts degrees; to NZ$10,067 (£4,416) for Medicine.

[103] New Zealand Fee Maxima Reference Group (2003) *Fee Maxima Reference Group Report* http://www.minedu.govt.nz/web/downloadable/dl8058_v1/fee-maxima-reference-group-report.pdf

TEOs may increase fee/course costs by a maximum of 5% per year provided the increase does not take the fee/course costs over the maxima. Students in New Zealand are not required to pay any other fees.

Table 32: Fee/Course Costs Maxima (FCCM) for 2009 in dollars per Equivalent Full-time Student (EFTS) units		
A	Arts, Advanced Studies for Teachers, Health Therapies, Humanities, Languages, Social Sciences, General Education	NZ$3,925 (£1,722)
B	Architecture, Quantity Surveying (non-degree), Computer Science, Fine Arts, Design, Music and Performing Arts, Health Related Professions, Trades 1, Medical Imaging, Occupational Therapy, Physiotherapy, Clinical Psychology	NZ$4,528 (£1,986)
C	Architecture, Quantity Surveying (degree), Engineering, Technology, Health Sciences, Midwifery. Speech Language Therapy, Medical Laboratory Science, Audiology	NZ$5,235 (£2,296)
G	Veterinary	NZ$10,067 (£4,416)
H	Specialist Large Animal Science	NZ$5,235 (£2,296)
I	Teaching: Early Childhood Education, Teaching: Primary, Teaching: Secondary	NZ$3,925 (£1,722)
J	Business, Accountancy, Office Systems/Secretarial, Management, Law	NZ$4,528 (£1,986)
L	Agriculture and Horticulture (non-degree), Osteopathy, Science, Nursing	NZ$4,528 (£1,986)
M	Agriculture and Horticulture (degree), Optometry, Dental Therapy	NZ$5,235 (£2,296)
N	Pharmacy Professionals, Dietetics	NZ$5,235 (£2,296)
O	Medical Radiation Therapy (MRT)	NZ$5,235 (£2,296)
P	Trades 2	NZ$4,528 (£1,986)
Q	Veterinary Science Undergraduate (years 3, 4, 5)	NZ$10,067 (£4,416)
R	Dentistry	NZ$10,067 (£4,416)
S	Foreign-Going Nautical	NZ$5,235 (£2,296)
T	Medicine years 2-3	NZ$10,067 (£4,416)
U	Medical Undergraduate (years 4-6)	NZ$10,067 (£4,416)

Source: New Zealand Ministry of Education

Maintenance grants are available to students. The maintenance grants (Student Allowance) are income contingent and the full grant is available for students from households where annual income is less than $50,318 (£22,073) per annum. No Student Allowance is available if household income exceeds NZ$85,017 ((£37,295) living away from home) or NZ$78,418 ((£34,400) living at home). The Student Allowance is available for 200 weeks and amounts to

just under NZ$127 (£56) per week for students aged less than 24, rising to NZ$152 (£67) for students aged 24 or more living at home and NZ$190 (£83) per week for older students living away from home. Student Allowances increase if students have dependent children. The Government of New Zealand also offers accommodation bursaries (ranging between NZ$31 and NZ$40 per week (£14-£18)). The availability of the accommodation bursaries is also contingent on family income, family arrangements and student residence.

Students in New Zealand are entitled to fee loans to cover the entire tuition fee. Students are also offered course related loan provided by the government. The maximum amount of this loan is equal to NZ$1,000 (£439) per annum. The government also provides living expenses loans that amount to $5,130 (£2,250) annually (per 32 week course) *less* any Student Allowance. The living expenses loan is means-tested. Loans are interest-free if the individual is resident in New Zealand for more than 183 days per annum and 6.8% otherwise.[104] The fee, course and living expenses loan are income contingent and repayment commences at income levels in excess of NZ$19,084 (£8,372). Repayment rates are 10% of income in excess of the repayment threshold. There are repayment bonuses associated with early repayment (10%), as well as penalties associated with late repayment (1.5% on amounts in excess of NZ$333 (£146)). Loans are written off in the circumstances of death and bankruptcy.

Student Loans are available to part-time students studying more than 32 weeks per annum, in which case they are able to access the tuition fee and course-related costs elements of the Student Loan Scheme (not living expenses). Part-time student enrolled for fewer than 32 weeks in a programme of study are able to access the tuition fee component of the Student Loan Scheme only.

5.13.3 Detailed description of student support arrangements in New Zealand

We present a detailed description of student support arrangements in the Netherlands for full-time students in Table 33 and part-time students in Table 34.

[104] Prior to 1 April 2007, if you earned less than the repayment threshold for the tax year, you were entitled to a base interest write-off. Also if the base interest charged on your loan was more than 50% of your repayment obligation, the difference in interest was written off. Source: http://www.ird.govt.nz/studentloans/guide/write-offs/.

Table 33: Details of full-time student support arrangements in New Zealand

FEES		GRANTS/BURSARIES		LOANS	
Tuition fees	**Yes**	**Maintenance**	**Student Allowance**	**Tuition Fees**	**Compulsory Loan**
Up-front/Deferred	Up-front	Provider	Government	Provider	Government
Maximum (cap)	Varies by subject: Average in 2007: $4,500(£1,974)	Type of provider	Government	Type of provider	Government
		Grant duration	200 weeks	Loan duration	New loan account every year
Fixed/Variable by:	Variable	Maximum grant	$127 (£56); Sing 24+ home/away: $152/190 (£67/£83), living with partner: $317/69(£139/£30), single with children: $272 (£150)	Administration fee	$50(£22)
Income (means-tested)	No			Maximum loan	Outstanding tuition fee
Subject of study	Yes, differs by subject: Arts, Teaching $3,925 (£1722) to Medical/Dentistry/Veterinary $10,067(£4,416)	Fixed/Variable by:	Variable	Fixed/Variable by:	Fixed
		Subject of study	No	Living arrangements	No
Student residency	No	Student residency	Yes	Location of study	No
Study intensity	Yes	Study intensity	No (if the course is full-time)	Family arrangements	No
Eligible for tax relief	No	Family arrangements	Yes	Income (means-tested)	No
Regulated/Unregulated	Unregulated	Income (means-tested)	Yes (weekly income less than $384(£168))	Loan type	Income contingent
Determined by	HEI and Government			Income threshold	19,084(£8,372) per annum
		Income tapers:	Parent/guardian or student or both	Minimum repayment	$100(£44)
Other fees	**No**	£0 - $50,318(£22,073)	Below: full grant available	Repayment calculation	10% if income above threshold
Up-front/Deferred	-	$50,318 - $85,017/78,418 (£37,295/£34,400)	Reduction per £ of income: 0.00482	Interest rate	Interest-free if resident >183 days p.a. in NZ, otherwise 6.8% nominal rate
Maximum (cap)	-	Income limit (no grant)	$85,017/78,418 (£37,295/£34,400) living with parents/without parents	Repayment commences	Balance of loan accounts passed to Inland Revenue each February
Fixed/Variable by:	-			Write off:	Yes (bankruptcy, death, some cases disability)
Income (means-tested)	-			Early repayment bonus	Yes (10% bonus)
Subject of study	-			Deferrable?	Yes (deferred for 3 years due to travel or study)
Student residency	-				
Study intensity	-			**Maintenance**	
Eligible for tax relief	-				
Regulated/Unregulated	-			Provider	**Living Expenses or Course Related Loan**
Determined by	-			Type of provider	both: Government
		Bursary	**Accommodation bursaries**	Loan duration	both: Government
		Provider	Government		both: new loan account every year
		Type of provider	Government		both: $50(£22)
		Grant duration			
		Maximum grant			

Table 33: Details of full-time student support arrangements in New Zealand					
FEES		**GRANTS/BURSARIES**		**LOANS**	
		Fixed/Variable by: Subject of study Student residency Study intensity Family arrangements Income (means-tested) Income tapers: Income limit (no grant)	200 weeks $31/40(£14/£18) per week, $46/60(£20/£26)(student with children) Variable No Yes (connected with Accommodation benefit) No (if full-time) Yes Yes N/A No, if personal income more than $192(£84) or with spouse $384 (£168) combined	Administration fee Maximum loan Fixed/Variable by: Living arrangements Location of study Family arrangements Income (means-tested) Income tapers: Income limit (no loan) Loan type Income threshold Minimum repayment Repayment calculation Interest rate Repayment commences Write off: Early repayment bonus Deferrable?	Living Expenses: $1,000 (£439) per annum Course related: $5,130 (£2,250) per 32 week course Fixed No No No No for Living Expenses, Yes for Course related both: N/A both: N/A Income contingent $19,084(£8,372) per annum $100(£44) 10% if income above threshold Interest-free if resident >183 days p.a. in NZ, otherwise 6.8% nominal rate Balance of loan accounts passed to Inland Revenue each February Yes (bankruptcy, death, some cases disability) Yes (10% bonus) Yes (deferred for 3 years due to travel or study)

Source: London Economics review of official national sources.

Table 34: Details of part-time student support arrangements in New Zealand

FEES		GRANTS / BURSARIES		LOANS	
Tuition fees	**Yes**	**Bursary**	**Accommodation bursaries**	**Tuition Fees**	**Compulsory Loan**
Up-front/Deferred	Up-front	Provider	**Government**	Provider	Government
Maximum (cap)	Varies by subject	Type of provider	Government	Type of provider	Government
Fixed/Variable by:	Variable	Grant duration	200 weeks	Loan duration	New loan account every year
Income (means-tested)	No	Maximum grant	$31-40 (£14/£18) per week,$46-60 (£20-£26) for a student with children	Administration fee	$50(£22)
Subject of study	Yes, differs by subject: Arts, Teaching $3,925 (£1722) to Medical/Dentistry/Veterinary $10,067(£4,416)	Fixed/Variable by:	Variable	Maximum loan	Outstanding fee
		Subject of study	No	Fixed/Variable by:	Fixed
Student residency	No	Student residency	Yes	Living arrangements	No
Study intensity	Yes	Study intensity	Yes (usually full-time students only, however under pre specified circumstances also part-time students are eligible)	Location of study	No
Eligible for tax relief	No			Family arrangements	No
Regulated/Unregulated	Unregulated	Family arrangements	Yes	Income (means-tested)	No
Determined by	HEI and Government	Income (means-tested)	Yes	Loan type	Income contingent
		Income tapers:	N/A	Income threshold	19,084(£8,372) per annum
Other fees	**No**	Income limit (no grant)	No, if personal income more than $192(£84) or with spouse $384 (£168) combined	Minimum repayment	$100(£44)
Up-front/Deferred	-			Repayment calculation	10% if income above threshold
Maximum (cap)	-			Interest rate	0% real rate of interest
Fixed/Variable by:	-			Repayment commences	Balance of loan accounts passed to Inland Revenue each February
Income (means-tested)	-			Write off:	Yes (bankruptcy, death, some cases disability)
Subject of study	-			Early repayment bonus	Yes (10% bonus)
Student residency	-			Deferrable?	Yes (deferred for 3 years due to travel or study)
Study intensity	-				
Eligible for tax relief	-				
Regulated/Unregulated	-				
Determined by	-				

Table 34: Details of part-time student support arrangements in New Zealand					
FEES		GRANTS / BURSARIES		LOANS	
				Maintenance	**Course Related Loan**
				Provider	Government
				Type of provider	Government
				Loan duration	New loan account every year
				Administration fee	$50(£22)
				Maximum loan	Course related: $5,130 (£2,250) per 32 week course
					Fixed
				Fixed/Variable by:	No
				Living arrangements	No
				Location of study	No
				Family arrangements	No
				Income (means-tested)	
				Loan type	Income contingent
				Income threshold	$15,135(£8,372) per annum
				Minimum repayment	$100(£44)
				Repayment calculation	10% if income above threshold
				Interest rate	Loans covered by interest
				Repayment commences	Balance of loan accounts passed to Inland Revenue each February
				Write off:	Yes (bankruptcy, death)
				Early repayment bonus	Yes (10% bonus)
				Deferrable?	Yes (deferred for 3 years due to travel or study)

Source: London Economics review of official national sources.

5.14 Norway

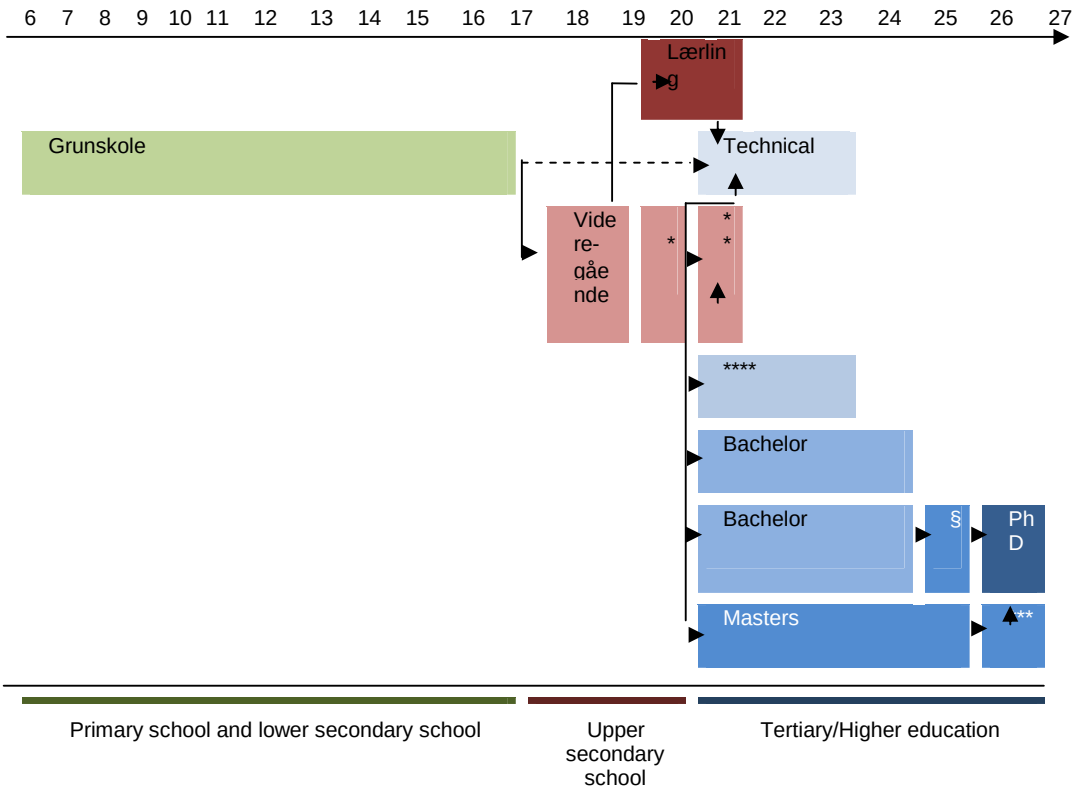
5.14.1 National context for student support

Structure of the educational system

Traditionally, primary school (children aged between 6 and 12) and lower secondary school (children aged between 13 and 16) are integrated into a single structure[105].

This 'grunskole' provides 10 years of compulsory education that may then lead into upper secondary education at 'videregående' schools. Programmes at these schools comprise 3 general and 9 vocational courses, most of which last 3 years. However, pupils in vocational courses may choose a 2-year apprenticeship training (Lærling) after the first 2 years of upper secondary school, implying that upper secondary school with apprentice training lasts a total of 4 years.

Figure 17: Organisation of the education system in Norway



Source: London Economics based on Eurydice (2009).
Note:*Generally upper secondary school is 3 years but after two years some pupils switch to a programme with 50% apprenticeship and 50% schooling. **Optional year for vocational upper secondary school students which qualifies students for Type A third-level degrees. ***Some single structure master degrees are 6 years or more. ****Høgskolekandidat. § Masters

[105] There is no formal division between the two stages of 'Grunskole' but some schools are purely primary schools, some purely lower secondary schools and some have students at all stages. This is mainly for practical reasons such as size of buildings, and pupil numbers.

Practical experience and/or some vocational or general upper secondary schooling provides access to technical higher education which is classified as post-secondary non-tertiary education (Eurydice (2009)). The duration of technical higher education varies between ½ and 2 years and takes place in Vocational Colleges that are administered as an extension of the upper secondary school system.

Access to other higher education programmes typically requires completion of a general upper secondary school course or completion of a vocational upper secondary school course plus a 1-year supplementary course. As part of the 'Quality Reform' in 2003, most higher education degrees were split into 3-year Bachelor's degrees, 2 year Master's degrees and 3 year Ph.D. degrees along the lines of the Bologna Process. However, there are still some deviations from this structure. For instance, Bachelor degrees in teacher training, music and performing arts last 4 years and some courses integrate the Bachelor degree and the Masters degree into a 5-6 year long programme. Some higher education institutions also offer a 2 year degree called 'høgskolekandidat' (tertiary level type B) that may be built upon to obtain a full Bachelor degree (similar to a Foundation degree in the United Kingdom). It is generally possible to switch between higher education institutions and units/credits are recognised by other institutions based on their length and an assessment of potential overlap in courses.

There is a mix of private and public higher education institutions in Norway and 13% of the student population attends a private higher education institution.[106] Most private higher education institutions are relatively small but the Norwegian School of Management BI has approximately 18,000 students and is thus an important higher education institution in the field of business studies. According to Eurydice (2009), there are a total of 70 higher education institutions in Norway.

University sector	Non-university sector
• 7 general Universities • 6 Specialist Universities (private and public)	• 26 University Colleges (private and public) • 2 University Colleges of Arts (public) • 29 other higher education institutions with recognized study programmes (private)

The main difference between the different types of institutions is their self-accreditation rights. Universities do not need external accreditation to establish study programmes at any level whereas higher education institutions in the non-university sector must apply for external accreditation. University colleges mainly offer 'høgskolekandidat' and professional Bachelor's degrees but in recent years there has been an academic upgrading of University Colleges and an increasing number of Masters and Doctoral degrees are being offered.

[106] Eurydice (2009)

Educational attainment

With 90-100% of a cohort completing upper secondary education over the period 2000-2007, Norway has the highest upper secondary graduation rate in Scandinavia. Thirty-four percent of the population aged 25-64 held a third level qualification in 2007 and this figure has been increasing steadily over the past decade. In 2007, 32% held a Tertiary-type A or advanced research degree with the remaining 2% holding a type B tertiary education.[107]

Participation at tertiary level

In 2007, 66% of upper secondary school graduates entered tertiary type A programme in 2007 with less than 1% entering tertiary type B third programme. Both these figures have decreased slightly in recent years. Average completion rates for third level education in 2005 were 66% for tertiary-type B third level qualifications and 67% for tertiary-type A third level qualifications.[108]

Expenditure on higher education

Higher education institutions in Norway are for the most part funded directly by the Ministry of Education and Research and the level of public expenditure on tertiary education excluding R&D was $10,730 (£6,499) per student in 2006. [109]

Funding of the institutions was traditionally based on the number of students; however, has been partly performance based since the Quality Reform in 2003. This current funding model implies that approximately 60% of funding is given as block grants, 25% is allocated based on education performance measures and 15% is allocated based on research performance.[110] These performance indicators include course credit production, international student exchanges, number of graduates, and funding obtained from other sources. The large block grant is meant to ensure provision of adequate scope for the higher education system and protection of the academic environment from short-term economic fluctuations.

Government funding covers most of the costs associated with running of higher education institutions and 97% of higher education funding in 2006 was public[111]. However, higher education institutions can obtain additional funds from a number of other sources (e.g. fees for distance and continuing education courses, contract research, grants from research councils, international research grants, and sale of publications).

[107] OECD (2009)
[108] OECD (2009)
[109] OECD (2009)
[110] Eurydice (2009)
[111] OECD (2009)

Private households contributed with 3% of total higher education funding in 2006 and other private expenditure was negligible. Overall, expenditure on educational institutions amounted to 1.2% of GDP.[112]

5.14.2 Summary of current student support arrangements

There are no tuition fees at public higher education institutions in Norway. However, students are required to pay a fee per semester of approximately NOK 400-600 (£43-64)[113] to the local Student Welfare Organisation.

Private higher education institutions may charge tuition fees. The most important private higher education institution, The Norwegian School of Management BI, charges tuition fees of NOK 26,350 – 47,400 (£2,813-£5,061) per semester. Typically, the size of the tuition fee is such that it can be almost entirely covered by a loan provided by 'Lånekassen' which is the governmental body that administers the student support system in Norway. All students who pay tuition fees are eligible for a loan of up to NOK 53,730 (£5,737) per year. The size of the loan only depends on the size of the tuition fee and the loan cannot exceed the annual tuition fee.

Lånekassen also provides maintenance loans to all students. The maximum size of the loan is NOK 8,760 (£935) per month but the size depends on both the income and the wealth of the student. A student is eligible for the full amount if the personal annual income in 2009 is less than NOK 128,360 (£13,705) and personal wealth is less than NOK 253,932 (£27,112). Household income does not play a role.

The loan is typically available for 10 months per year and for the duration of the official length of the qualification plus one additional year.

Forty percent of the loan may be converted to a grant upon success completion of exams. This implies that a maximum of NOK 3,504 (£374) per month is converted into grants. For students who receive the full loan and get full conversion upon completion, the *true* loan component then amounts to NOK 5,256 (£561) per month.

Students living with their parents cannot get the loan converted to grants even if exams are passed successfully. Students with children get 40% of the loan converted to a grant regardless of how they do at their exams and students who give birth or adopt are eligible for the loan for an additional 44 weeks. Furthermore, additional grants are available to students with children.

[112] OECD (2009)
[113] Using the Bank of England exchange rate from 20 November 2009: 9.3658 NOK/£

Loans are mortgage style loans which are interest free during education and may have either fixed or floating interest rates after the education is completed. In 2009, the floating interest rate was a nominal 2.5% and the fixed interest rate was a nominal 5.1%.

Repayment of loans begins 7 months after the qualification is completed and must be fully repaid within 20 years. The minimum repayment per quarter is NOK 3,140 (£335) but repayments may be deferred for up to 3 years and interest may be waived. The loan may be written off in cases of death, sickness, disability or inability to pay. Furthermore, 10% of the loan is written off per year the student lives and works in certain remote regions of the country after completing the education.

A similar student support system is in place for students studying part-time, provided that they study at least 50%. Students who study 50-67% of the time are eligible for 50% of the full loan, students studying 67%-75% of the time are eligible for 67% of the full loan, and students studying 75-100% of the time are eligible for 75% of the full loan. Rules about conversion and repayment are the same as for full-time students but only floating interest rates are available to part-time students.

5.14.3 Background and remaining challenges for student support

According to Eurydice (2009), the overall objective of Norwegian educational policy is to provide equal opportunities for all individuals irrespective of gender, geographic location or economic, social or cultural background. The system of free (or almost free) education at all levels and generous student support should be seen in this light. However, as in the other Scandinavian countries the effectiveness of the higher education system has been debated and the need to ensure that students pass more quickly through the higher education system was at the heart of the 2003 Quality Reform of higher education.

The reform established the 3+2+3 structure for higher education and introduced the ‘conversion system’ in student support. Whereas students today are only provided with loans which may be partly converted to grants contingent on academic performance, prior to the reform students received grants regardless of their academic performance.

An evaluation of the Quality Reform in 2007 concluded that students obtained more study points after the reform[114]. This would seem to indicate that students pass through the higher education system more quickly after the reform, because they take more credits. The evaluation also concludes that the reform has not resulted in a significant reduction in the disposable income of students and that economic factors are unimportant in relation to completion rates. However, there is some suggestion that students from poorer families may be wary of taking up loans to study, indicating that the reform may have made higher education less accessible to students from poorer backgrounds.

5.14.4 Detailed description of student support arrangements in Norway

We present a detailed description of student support arrangements in Norway for full-time students in Table 35.

[114] Kunnskabsdepartementet (2007).

Table 35: Details of full-time student support arrangements in Norway

FEES		GRANTS/BURSARIES		LOANS	
Tuition fees	**No***	**Maintenance**	**Basisstøtte: Stipendie**	**Maintenance**	**Basisstøtte: Lån**
Up-front/Deferred	-	Provider	Lånekassen	Provider	Lånekassen
Maximum (cap)	-	Type of provider	Government	Type of provider	Government
Fixed/Variable by:	-	Grant duration	Officially stipulated course length + 1 year. Ten months per year.	Loan duration	Official course length+1 yr (10 mths)
Income (means-tested)	-			Administration fee	No
Subject of study	-	Maximum grant	NOK 3,504 (£374) per month	Maximum loan	Maximum sum of loan and grant: NOK 8,760 per month. Grant given as loan but 40% converted to grant when exams are passed. With full conversion, the maximum loan is: NOK 5,256 per month
Student residency	-		(40% of maximum loan amount)		
Study intensity	-	Fixed/Variable by:	Variable		
Eligible for tax relief	-	Subject of study	No		
Regulated/Unregulated	-	Student residency	Yes, not available for students living with their parent(s).		
Determined by	-	Study intensity	Yes, grant is given as loan but 40% of loan is converted to grant when exams are passed	Fixed/Variable by:	Variable
Other fees	**Yes**	Family arrangements	Yes, additional grants for students with children	Living arrangements	Yes, no conversion possible when living with parents.
Up-front/Deferred	Up-front	Income (means-tested)	Yes, both income and wealth		No
Maximum (cap)	No maximum but usually NOK 400-600 (£43-64) per semester	Income tapers:	Student annual income	Location of study	Yes, parents get full conversion and extended duration.
Fixed/Variable by:	Fixed	£0 - £13,705 (NOK128,360)	Maximum NOK 3,504 (£374)	Family arrangements	Yes, income and wealth
Income (means-tested)	No	£13,705 -£21,188 (NOK 198,443)		Income (means-tested)	Student annual income
Subject of study	No	Income limit (no grant)	Reduction per £ of income: 0.05	Income tapers:	Maximum NOK 3,504 (£374)
Student residency	No	Wealth tapers:		£0 - £13,705 (NOK128,360)	Reduction per £ of income: 0.05
Study intensity	No	£0 - £27,112 (NOK253,932)	£21,188 (NOK198,443)	£13,705 - £21,188 (NOK 198,443)	
Eligible for tax relief	No	£27,115 - £45,819 (NOK 429,132)	Student wealth	Income limit (no grant)	
Regulated/Unregulated	Unregulated	Wealth limit (no grant)	Maximum NOK 3,504 (£374)	Wealth tapers:	£21,188 (NOK198,443)
Determined by	Student welfare organisation			£0 - £27,112 (NOK253,932)	Student wealth
			Reduction per £ of income: 0.02	£27,115 - £45,819 (NOK 429,132)	Maximum
				Wealth limit (no grant)	
			NOK 429,132 (£45,819)	Loan type	Reduction per £ of income: 0.02
				Minimum repayment	
				Repayment calculation	NOK 429,132 (£45,819)
				Nominal Interest rate	Mortgage style
					NOK 3,140 (£335) per quarter
					Such that it is paid back in 20 years
					0.0% during education, 2.5% floating or 5.1% fixed after leaving education
				Repayment commences	7 months after leaving education
				Write off:	Death / disability / inability to pay / geographical location of work
				Early repayment bonus	No
				Deferrable?	Yes (3 years)

Source: London Economics review of official national sources.

Note: Bank of England exchange rate from the 20th of November 2009: 9.3658NOK/£. *Private universities may charge tuition fees. A fee loan is available to students who pay tuition fees. The loan is not means-tested and only varies with the size of the tuition fee. The maximum loan is usually sufficient to pay for tuition fees. About 13% of Norwegian students attend private universities. *Grants and loans for part-time students are calculated on a pro-rata basis. However, the interest rate on loans for part-time students is a nominal 2.5% (floating) during and after leaving education.

5.15 Spain

5.15.1 National context for student support

Structure of the educational system

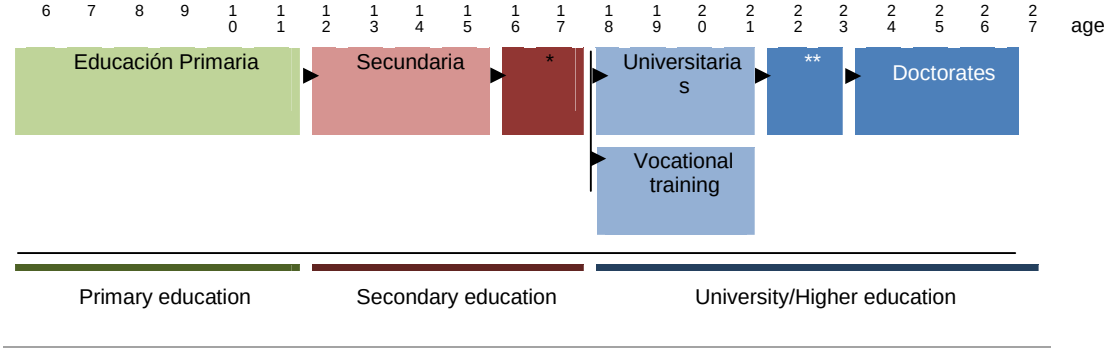
The Spanish education system is organised into mainstream and specialised education (see Figure 18).

Mainstream education comprises the following levels:

- Primary education (*Educación Primaria*) lasts six years from the ages 6 to 12;
- Secondary education (*Educación Secundaria*) covers the compulsory education (ESO) from 12 to 16. Upon completion of ESO pupils can access and *Bachillerato* or intermediate vocational training, both lasting two academic years (from 16 to 18);
- University education and advanced vocational training can be accessed after completion of *Bachillerato*.

In addition to mainstream education, there is specialised education (*Enseñanzas de Régimen Especial*) for artistic, sports and language education (Eurydice, 2008/09).

Figure 18: Organisation of the education system in Spain



Source: Eurodyce 2008/09.
Note: * Bachillerato. ** Master's degree. Higher education in Spain can last for 3 or 4 years followed by 2 years Master Program.

University education[115]

University education has been traditionally organised around cycles, which result in four educational modes[116]:

- First cycle education (short cycle) is vocational in nature and leads to the *Diplomado* qualification upon successful completion[117].

[115] In Spain, higher education is regulated by Organic Law 6/2001, and Organic Law 4/2007. In addition, Royal Decree 1393/2007 establishes the structure of higher education studies to align them with the requirements of European Space for Higher Education (ESHE), where higher education is divided into degrees and post-degree studies (masters and PhDs).

[116] Universities often offer additional specialised training courses which are outside mainstream education.

[117] In some cases, students who have attained this diploma can continue their studies with a second cycle education in an area related to the first. They can do so directly or on completion of certain specific training modules dependant on the first cycle taken.

- First and second cycle education (long cycle): Students have to complete both cycles in order to obtain a degree of *Licenciado*.
- Second-cycle-only-education (two years) is intended for students with a first cycle degree pursuing a *Licenciado*.
- Third cycle education (at least two years) is aimed at students with a *Licenciado* who wish to specialise in a specific scientific, technical or artistic field. The students have to write a dissertation about an unpublished research topic in order to be awarded a Doctorate.

The adaptation process of the Spanish university to the European Higher Education Area has led to a new legal framework which organises university studies into three cycles: Bachelors, Master and Doctorate:

- Bachelor studies include a minimum of 240 credits of theoretical and practical training and lead to the awarding of a Bachelor's degree[118].
- Master studies include between 60 and 120 credits and are aimed at the acquisition of an advanced training, specialised or multidisciplinary, for the academic or research professions, and lead to the awarding of the Master's degree.
- Doctorate comprises a training period as well as a period of research of the doctoral programme. This programme is completed after the presentation of a doctoral thesis, consisting of an original piece of research work.

The integration of the Spanish university to the European Higher Education required a significant effort in homogenising and adapting first and second cycle education into the single title of degree, and redefining the official awards of master and doctorate. Moreover, an agency for evaluation of the quality (ANECA) has been created in order to provide a certification of the quality of the new cycles offered by the different institutions.

The reforms have also affected the traditional access to university which changes to account for European integration needs and a more specialised orientation to the new degrees. The new structure of university studies will have to be fully implemented by the 2010/11 academic year. After that year universities will not be allowed to offer new places for the first year of the traditional degrees (*Diplomado* or *Licenciado*).

Educational attainment

In 2007, 29% of population aged between 25 and 64 were in possession of third level qualifications, of which 9% were in possession of Tertiary-type B qualifications (*Diplomado*) and 20% in possession of Tertiary-type A qualifications (*Licenciado*). The level of attainment has increased steadily over the last 10 years, In particular, compared to the current level of attainment of 29%, the equivalent level of education attainment in 1997 stood at 19%.

[118] In any of the following branches: Arts and Humanities, Sciences, Health Sciences, Social and Legal Sciences, Engineering and Architecture.

Participation at tertiary level

The upper secondary school graduation rate stood at 74% in 2007, compared with 62% in 1995. In 2007, 21% of student cohort participated in Tertiary-type B education compared to 15% in 2000. However, the participation rate in third level education has not been increasing unambiguously. In particular, while 41% of students enrolled in Tertiary-type A education in 2007, this compares with 47% in 1995.

Expenditure on higher education

Public expenditure on higher education amounted to the equivalent of $7,845 (£4,741) per student (1.1% GDP), which is lower than most of the developed OECD countries. Public sources of funding account for 78.2% of total higher education expenditure, whereas households and other private entities contribute to 17.6% and 4.2%, respectively.

5.15.2 Summary of current student support arrangements

The cost of higher education depends most importantly on whether the university is in the public or private sector. In private universities, fees are set without any restrictions and are normally higher than in public universities. The costs in public universities are determined by the tuition fee (*tasas académicas*).

The tuition fee amount depends on the number of credits undertaken, the field of study, and the student's performance[119]. In addition to fees, there are also additional costs related to study material (books, photocopies, stationary, …), housing, transport and living. The cost of living depends on the city and region of study.

Fees are different according to the subject and the Autonomous Community[120], so that a student in Spain can pay between €8.62 (£8) (Humanities in Canary Islands) and €17 (£15) (Technical or Health in Navarra) for each credit[121], where there are 240 credits associated with a *Licenciado* (Table 6). Given the different study fields, a median tuition fee of €700 per annum (£629) is a good approximation of the tuition fee associated with a five-year course.

[119] Students have flexibility in the number of subjects and credits undertaken each year. Annual fees are variable and reflect the number of credits chosen by the individual. The fees are variable according to the field of study and the level of experimental work required according to 5 fields of study: a) Art and humanities; b) Sciences; c) Health Sciences; d) Social Sciences and Law; e) Engineering and Architecture (Royal Decree 1393/2007). Finally, reduced fees are fixed for students' first-time enrolment but they are higher for subsequent enrolments to penalise students repeating subjects.

[120] As published in the official Journal.

[121] This would mean costs of €1,600-€3,200 (£1,439-£2,877) for a diploma and €2,500-€5,000 (£2,248-£4,496) for a higher degree. In theory, a very good student could finish a higher degree in four years at €650-€1,270 (£584-£1,142) per year. However, the average student is likely to finish a higher degree in five years at a cost of €520-€1,020 (£468-£917) per year. It is even more likely it would cost him an extra 6% (at €550-€1,080 (£495-£971), if we assume that for the average student 2 subjects per year (or 6/30 credits per semester) are passed after second enrolment (the cost for second-time enrolments for failing courses is 30% higher, on average, whereas the cost of a third-time enrolment is 80% higher than the first-time).

Table 36: University fees by Autonomous Community and field of study (2008-2009): Diploma and higher degree (*Primer y Segundo ciclo*), £stg					
Autonomous Community	**Health**	**Laboratory**	**Social sciences and law**	**Technical**	**Humanities**
Andalucía	10.34	10.34	10.34	10.34	10.34
Aragón	13.98	13.03	10.39	13.73	9.88
P. de Asturias	13.52	12.82	9.81	13.19	8.97
I. Balears	14.17	12.70	10.07	13.24	9.51
Canarias	10.92	11.04	8.03	11.52	7.75
Cantabria	13.31	10.46	9.15	12.43	8.51
Castilla y León	13.13	12.12	9.46	12.71	8.79
Castilla-La Mancha	11.96	13.15	9.66	12.42	8.96
Cataluña	13.85	13.72	10.11	13.59	9.87
Extremadura	12.43	11.58	9.19	12.20	8.29
Galicia	11.91	11.91	8.69	11.91	8.64
C. de Madrid	13.81	13.02	10.30	13.80	9.77
R. de Murcia	12.73	12.38	9.39	12.60	9.01
C.F. de Navarra	15.28	-	10.79	15.28	-
País Vasco	13.68	13.16	9.72	13.12	9.49
La Rioja	14.84	13.27	10.52	13.85	10.81
C. Valenciana	11.54	10.49	8.15	11.06	8.10
U.N.E.D. (Distance learning)	-	12.84	10.05	13.97	9.47
Average	13.03	12.24	9.66	12.83	9.19
Min	10.34	10.34	8.03	10.34	7.75
Max	15.28	13.72	10.79	15.28	10.81

Source:http://www.educacion.es/educacion/universidades/estadisticas-informes/estadisticas/precios-publicos.html.Rates quoted in sterling per unit

There are several ways of student support: statutory grants, other grants and repayable loans.

Statutory Grants

The Education Ministry provides several grants for higher education students. In general the grants cover for the annual fees and include some funding for books, studying material and urban transport. There are also grants to cover for regional mobility of students, housing, and directed to low-income families.
The grants are different for full- and part-time students. For full-time students five types of grants are available:

- Compensation for low-income families (€2,800 for degree (£2,518), €2,525 (£2,270) for rest of higher education studies);

- Inter-urban and urban commuting[122];
- Accommodation (€2,531 (£2,276), plus €202 (£182) in cities with more than 100,000 inhabitants (€346 (£311) in more than 500.000 inhabitants);
- Study materials (€242 (£218)); and
- Tuition fee grant[123].

For part-time students, *Tuition fee* grants are available. *Study material* and *Inter-urban and urban commuting* is only available for higher education and degree level qualifications (and postgraduate masters qualifications are associated with a 50% reduction).
To have access to the grants, there are economic and academic eligibility requirements.

- The economic requirements for grant eligibility are shown in Table 37 for different type of grants.
- Academic requirements stipulate a minimum pass rate of enrolled credits. For example, for a degree, eligibility is related to 80% pass rate on enrolled credits (60% for engineering/architecture studies) and the grant is only for the planned duration of studies +1 year (2 in the case of engineering/architecture studies).

Table 37: Thresholds for grant eligibility (Annual household income (£))

Total family members	Threshold 1	Threshold 2	Threshold 3	Threshold 4
1	3,305	10,733	11,901	12,688
2	6,378	17,482	20,315	21,659
3	9,294	22,958	27,574	29,398
4	12,189	27,232	32,747	34,914
5	15,078	30,903	36,601	39,024
6	17,903	34,448	39,512	42,126
7	20,664	37,800	42,390	45,196
8	23,363	41,129	45,255	48,251
Tuition fee	X	X	X	X
Accommodation	X	X	X	
Commuting	X	X		
Study materials	X	X		
Compensation	X			

Source: CCU (2007). Consejo de coordinación universitaria, Comisión de Financiación del Sistema Universitario Español. Informe sobre financiación del Sistema Universitario Español. Madrid, 20 de abril All thresholds quoted in sterling

[122] Inter-urban commuting between family household and higher education centre: 5-10kms €190 (£171); 10-30kms €382 (.£343); 30-50kms €755 (£679), >50kms €928 (£834). Urban commuting (incompatible with inter-urban and residence): €183 (£165) (plus €429 (£386) for maritime/aerial transport needs, €605 (£544) for Islands).

[123] An exemption to full university fees is also given in the following cases (depending on Autonomous Community): Students having achieved Honours in USE; Exemption for credits where Honours in HE have been achieved; Public service employees; Numerous family 2nd category of more than 4 siblings (50% for 1st category numerous family of 3-4 siblings); Victims of terrorism; Students with grant from Ministry; Special exemptions obtained in respective Autonomous Community; Other Autonomous Community exemptions (e.g. disability); Additional funding (living, material, low interest loan, ...) from other parties, such as Autonomous Community, Local Government, universities, or other institutions; Mobility programmes (Seneca, Socrates-Erasmus, Leonardo)

Other grants

Autonomous communities have annual grants and bursaries similar to the ones provided by the national government. In some cases they are substitutes while in other they can complement those provided by the Ministry of Education. Universities can provide some grants for payment of tuition fees, housing, commuting and other activities, including studying material and subsidised loans.

Repayable loans

Repayable loans were introduced in Spain in 2007[124]; however, these loans are relatively short term (repaid in the three years post graduation) and are in a sense bridging loans to overcome short term credit constraints. Total loans over a three year period for which they are available stand at €3,000-€9,000 (£2,697 to £8,092). Loans attract a real interest rate of 1% and interest accumulates at the point upon which funds are drawn down. The loans are mortgage style loans and must start to be repaid upon graduation. However, the loans also attract an interest rate subsidy paid by the government. Specifically, the Ministry of Education (Secretaría de Estado de Universidades e Investigación) provides a subsidy to the financial institution, which is used to reduce the interest of the loan. As a result, students only pay 35 % of total interest.

The conditions of the loans and selected financial institutions are regulated by Resolution 21 March 2007[125] and are as follows:

- The loan amount (for 2007-2008) is €3,000-€9,000 (£2,697 to £8,092) for HE studies, engineering or architecture (diploma or higher degree).
- Loans must be repaid in the 3 years (plus one year of grace) following graduation
- Payments are monthly and include amortisation and interest
- Repayments are cancelled under the circumstances of death or permanent disability
- Eligibility requirements are: Spanish nationality or EU or EEA and to be enrolled in the course.
- Loans are given taking into account priority conditions (e.g. priority for final year/s of studies).

[124] Resolution of 22 June 2007 regulates education subsidised loans

[125] As a result of public contest (Resolution 21 March 2007) the following institutions were selected: Banco Cooperativo Español (Grupo Caja Rural); Banco Popular Español; Banco Santander Central Hispano; Caja Duero, to provide financial aid to students in higher education.

5.15.3 Background and remaining challenges for student support

An important characteristic of the Spanish HE system is its reliance on public funding (74% of total in 2004)[126]. Additionally, it is believed the Spanish education system is in a disadvantaged position with other developed countries when measured in terms of expenditure per student and expenditure as a percentage of GDP.

Recently, the Commission for University Financing (CFU) engaged in an assessment of the economic and social role of Spanish universities. In its 2007 report, the CFU described the financing of public universities and proposed reforms to increase their funding so that the Spanish higher education system could achieve international standards. In addition, it was believed that under the previous system higher education institutions did not receive clear signals on the mechanisms for funding and their relationship with the services being provided (CFU, 2007). As a result, the report recommended introducing elements that would allow differentiation in the tuition fees to better reflect the costs of different fields of study. The additional funding could be directed to increasing the quality and equity of the education system and improving the activity and results associated with R&D. It was also a first step towards introducing incentives for achieving efficiency in the delivery of education.

The report recommended expanding the grants and repayable loans available to students so that equal opportunities are guaranteed to all potential students, and they can cover, at least partially, for the cost of opportunity of studying at the university (in form of lost wages from not being in the labour market). In this respect it was believed that the Ministry of Education should increase the financial resources dedicated to the final years of study so that students can be incentivised to finish their last years of university; update income thresholds for receipt of loans and grants and revise academic requirements for eligibility; and consider other socioeconomic factors so that they guarantee equal access to higher education.

5.15.4 Detailed description of student support arrangements in Spain

We present a detailed description of student support arrangements in Spain for full-time students in Table 38 and part-time student in Table 39.

[126] Different estimates establish the private contribution to total operating expenditures at around 10%.

Table 38: Details of full-time student support arrangements in Spain

FEES		GRANTS/BURSARIES		LOANS	
Tuition fees	**Yes**	**General**	**Becas de caracter general**	**Student Loan (general)**	**Subvencion intereses prestamo**
Up-front/Deferred	Up-front	Provider	Ministerio de Educación	Provider	Financial institutions. Interest subsidy by Ministerio de Educación
Maximum (cap)	No maximum, average €700 (£629) (range: €550-€1,080)* (£495-£971)	Type of provider	Government	Type of provider	Private sector banks
		Grant duration	Course length	Loan duration	4 years
		Maximum grant	€7,927 (£7,127), but could be more under special conditions	Administration fee	No
Fixed/Variable by:	Variable		Variable	Maximum loan	€9,000 (£8,092) per academic year
Income (means-tested)	No	Fixed/Variable by:		Fixed/Variable by:	Fixed
Subject of study	Yes	Subject of study	Yes	Living arrangements	No
Student residency	Yes	Student residency	Yes, including population of city	Location of study	No
Study intensity	Yes, number of credits taken	Study intensity	Yes (Full-time: 60 credits)	Family arrangements	No
Eligible for tax relief	No	Family arrangements	Yes, number of family members	Income (means-tested)	No
Regulated/Unregulated	Unregulated	Income (means-tested)	Yes	Loan type	Mortgage
Determined by	Regional Government	Income tapers:	Household income, 4-member family	Minimum repayment	Yes, full repayment
Other fees	**No**	€0 - €13,557 (£12,189)	Maximum €7,927 (£7,127): tuition (max fee), residence(major city), commuting(>50km inter-urban), studying material, income compensation	Repayment calculation	No repayments in year 1, but from the beginning of year 2. Student pays 35% of interest (65% paid by financial institution) after 80% Government interest subsidy. Maximum repayment term of 3 years from when repayment starts.
Up-front/Deferred	-				
Maximum (cap)	-				
Fixed/Variable by:	-				
Income (means-tested)	-	€13,557 -€30,287 (£27,232)	Maximum €5,127 (£4,610): tuition, residence, commuting, studying material	Interest rate	Euribor rate + 0.3 percentage points Beginning of second year
Subject of study	-				
Student residency	-				
Study intensity	-	€30,287 - €36,421 (£32,747)	Maximum €3,957 (£3,558): tuition, residence		
Eligible for tax relief	-				
Regulated/Unregulated	-	€36,421 -(€38,831 (£34,914)	Maximum €1,080 (£971): tuition only		
Determined by	-	Income limit (no grant)	€38,831 (£34,914)		
				Repayment commences	Death, permanent disability
		Bursary	**Descuentos matricula**	Write off:	No
		Provider	Regional Government and HEI	Early repayment bonus	No
		Type of provider	Regional Government and HEI	Deferrable?	
		Grant duration	Course length		
		Maximum grant	€1,080 (£971), tuition fee reduction/exemption		
		Fixed/Variable by:	Variable		
		Subject of study	Yes, by region		
		Student residency	Yes, by region		
		Study intensity	Yes, by region		
		Family arrangements	Yes, by region		
		Income (means-tested)	Yes, by region		

Source: London Economics review of official national sources.

Note: * Exempt if, *inter alia*, achieved Honours in USE, a public service employee, victim of terrorism, receive grant. Penalties for repeating courses: +30% for second-enrolments.

Table 39: Details of part-time student support arrangements in Spain

FEES		GRANTS/BURSARIES		LOANS	
Tuition fees	**Yes**	**General**	**Becas de caracter general**	**Student Loan (general)**	**Not specified**
Up-front/Deferred	Up-front	Provider	Ministerio de Educación	Provider	-
Maximum (cap)	No maximum	Type of provider	Government	Type of provider	-
Fixed/Variable by:	Variable, depends on credits taken (Part-time: 35-59 credits)	Grant duration	Course length	Loan duration	-
		Maximum grant	€1,980 (£1,780), but could be more under special conditions (e.g. terrorism)	Administration fee	-
Income (means-tested)	No			Maximum loan	-
Subject of study	Yes	Fixed/Variable by:	Variable	Fixed/Variable by:	-
Student residency	Yes	Subject of study	Yes	Living arrangements	-
Study intensity	Yes	Student residency	Yes, including population of city	Location of study	-
Eligible for tax relief	Yes, number of credits taken	Study intensity	Yes (Part-time: 35-59 credits)	Family arrangements	-
Regulated/Unregulated	No	Family arrangements	Yes, number of family members	Income (means-tested)	-
Determined by	Unregulated	Income (means-tested)	Yes	Loan type	
	Regional Government	Income tapers:	Household income, 4-member family	Minimum repayment	-
Other fees	**No**	€0 - €30,287 (£27,232)	Maximum €1,980 (£1,780): tuition (75% max FT fee, 45 credits), commuting(>50km inter-urban), studying material	Repayment calculation	-
Up-front/Deferred	-			Interest rate	-
Maximum (cap)	-			Repayment commences	-
Fixed/Variable by:	-	€30,287 - €38,831 (£34,914)	Maximum €810 (£728): tuition only	Write off:	-
Income (means-tested)	-	Income limit (no grant)		Early repayment bonus	-
Subject of study	-		€38,831 (£34,914)	Deferrable?	-
Student residency	-				
Study intensity	-				
Eligible for tax relief	-				
Regulated/Unregulated	-				
Determined by	-				

Source: London Economics review of official national sources.
Note: * Exempt if, *inter alia*, achieved Honours in USE, a public service employee, victim of terrorism, receive grant. Penalties for repeating courses: +30% for second-enrolments.

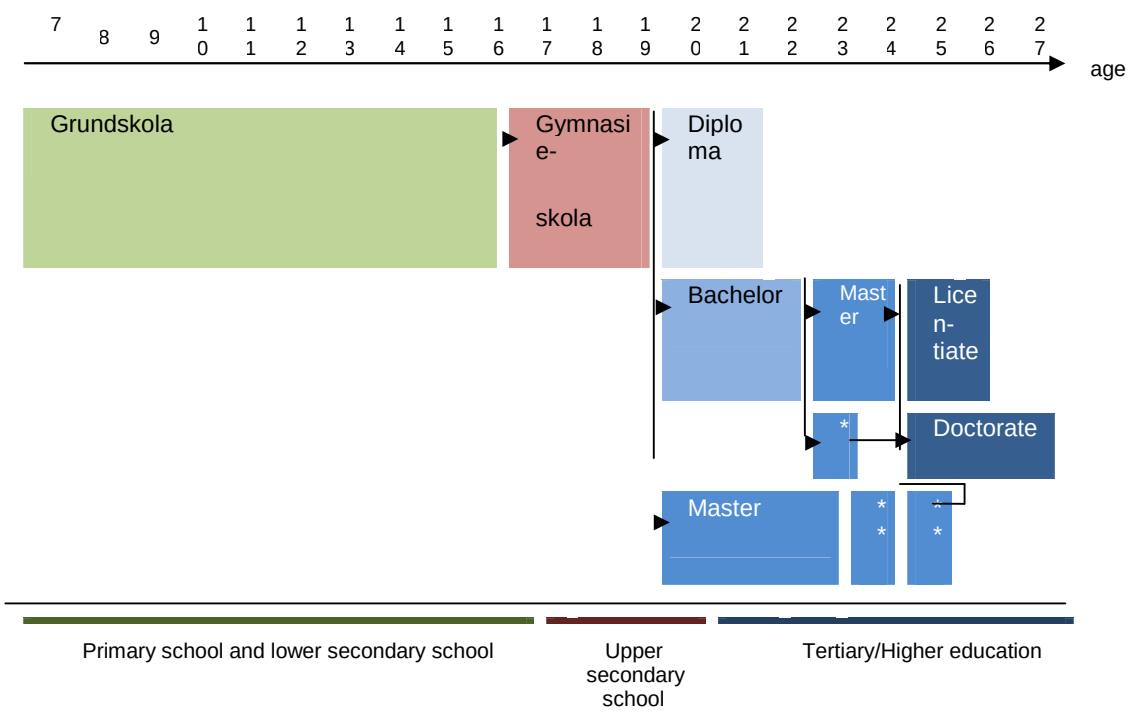
5.16 Sweden

5.16.1 National context for student support

Structure of the educational system

A summary of the education system in Sweden is illustrated in Figure 9. Primary and lower secondary school is combined in a single structure 'grundskola' which provides 9 years of compulsory schooling to children aged between 7 and 16.

Figure 19: Organisation of the education system in Sweden



Source: London Economics based on Eurydice (2009).
Note:*1-year Master's degree. ** Some single structure 4-6 year Master's degrees exist.

After 'grundskola' pupils may attend 'gynmaniseskola', which offers some or all of the 17 nationally determined programmes of study:

- Arts
- Business and Administration
- Child Recreation
- Construction
- Electrical Engineering
- Energy
- Food
- Handicraft
- Health Care

- Hotel, Restaurant and Catering
- Industrial
- Media
- Natural Resource Use
- Natural Science
- Social Science
- Technology
- Vehicle Engineering

Most programmes are mainly vocational in nature and all programmes with the exception of Arts, Natural Science, Social Science and Technology include 15 weeks of practical training. The remaining 4 programmes mainly prepare students for studies at Universities or University Colleges. Alternatively pupils may choose a 'specially designed' upper secondary school programme or, if they have insufficient qualifications after compulsory school, an 'individual programme' that aims at providing pupils with sufficient skills to enter 'national' or 'special' upper secondary school programmes.

Upper secondary school (gynmaniseskola) generally provides access to higher education. Third level education was restructured in 2007 to fit the three-cycle structure of the Bologna process and is now mostly structured into a 3 year Bachelor degree, a 2 year Masters degree and a 2 or 4 year post graduate degree. However, 1 year Master's courses also exist and some single structure 4-6 year Master degrees have been maintained (for example in field of medicine, psychology, dentistry, architecture, law and civil engineering).

All these degrees are categorised as Tertiary-type A degrees (Eurydice (2009)). Tertiary-type B programmes also exist and comprise 2 year programmes leading to a 'University Diploma'.

In 2005 there were about 60 higher education institutions in Sweden:

- 14 public Universities;
- 22 public University Colleges;
- 3 private higher education institutions with undergraduate and postgraduate education; and
- private institutions for education leading to University Diplomas or Bachelors in nursing, theology, fine arts/music or psychotherapy.

The main difference between Universities and University Colleges is that Universities offer a broader range of courses and provide one or more post-graduate programmes. Some university colleges have been assigned a specific area of research in which they may provide post-graduate programmes.

Approximately 95% if higher education and research is undertaken by the 14 public Universities and 23 public University Colleges.

Educational attainment

Seventy-four percent of a cohort completed upper secondary education in 2007 according to OECD (2009). This figure has ranged between 70% and 80% since 2000. The share of the population holding a tertiary education has increased by 1.3% since 1997, implying that 31% of the population aged 25-64 held a third level education in 2007. Nine percent of the population possess Tertiary-type B qualifications (University diploma) and 23% had Tertiary-type A qualifications or an advanced research degree.[127]

Participation at tertiary level

Seventy-three percent of upper secondary school graduates entered type A programmes in 2007 and 9% entered type B programmes. However, both these figures have decreased slightly in recent years. The completion rate for Tertiary-type A education in 2005 was 69%.[128]

Expenditure on higher education

Higher education is financed directly or indirectly by the State.[129] Allocations for Universities and University Colleges are based on proposals by the Government and provided as lump sum transfers to each institution. The basic principle of the allocation system for undergraduate education is based on the number of full-time equivalent students and the number of credits earned by students.

Government funding covers most of the costs associated with running private and public higher education institutions in Sweden and 89.1% of higher education funding in 2006 came from the public purse[130]. The level of public expenditure on tertiary education excluding R&D was $8,855 (£5,363) per student in 2006.[131]

However, some higher education institutions in Sweden do not receive government funding. In particular, 5 of the institutions offering degrees in psychotherapy do not receive governmental funding.[132] Funding of higher education from private households is negligible but 10.9% of total funding in 2006 came from other private sources. This is the largest share of private funding in Scandinavia.[133] Overall, expenditure on educational institutions amounted to 1.6% of GDP in 2006.[134]

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[127] OECD (2009).
[128] OECD (2009). Completion rates for tertiary type B education is are not available.
[129] Approximately 80% funding for higher education institutions cones from the government. Another 7-9% of funding comes from other public funding agencies. Meaning that 88-89% of all funding comes from public sources. Högskoleverket (2008).
[130] OECD (2009).
[131] OECD (2009).
[132] Högskoleverket http://www.hsv.se/densvenskahogskolan/universitetochhogskolor/adresser.4.539a949110f3d5914ec800062390.html
[133] OECD (2009).
[134] OECD (2009).

5.16.2 Summary of current student support arrangements

In more than 95% of the cases there are no tuition fees at public or private higher education institutions in Sweden. However, higher education institutions that do not receive public funding (5 private institutions offering degrees in psychotherapy) are allowed to charge tuition fees. Loans are available for students who pay tuition fees.

All students who fulfil some basic criteria are eligible for student grants and loans provided by the governmental body *Centrala studiestödsnämnden* (CSN). Eligibility is contingent on previous academic results and on the personal income of the student. Overall 88% of students in third level education (but not in advanced research programmes) receive grants and 66% receive loans.[135]

The maximum grant is SEK 2,684 (£233)[136] per 4 week period. The grant is available for a maximum of 240 weeks, corresponding to approximately 6 years where students receive grants for 20 weeks per semester. This implies that the grant is available for the full duration of a Master's degree plus one additional year of study. A student who receives the grant for 20 weeks during a semester is eligible for the full grant if their personal income is less than SEK 53,500 (£4,652) during that semester.

Students who receive a grant from CSN are also eligible for a loan. The maximum size of the loan is typically SEK 5,136 (£447) per 4 week period and the full loan is available to students who receive the grant for 20 weeks and where the personal income of the student is less than SEK 53,500 (£4,652) per semester. As in the case of the grant, as personal income increases the size of the loan available decreases.

The size of the grant and loan does not depend on where the student lives or whether the student lives with his or her parents. However, the maximum size of the grant is larger for students undertaking 'Special Education Studies'. In this case the maximum grant is SEK 6,264 (£544) per 4 week period.

Additional grants are available for students with children and the size of the grant depends on the number of children. Additional loans are available for 120 weeks to students aged 25 or above who worked before studying and had an income above a certain threshold. Supplementary loans are also available to cover other expenses such as travel expenses, tuition fees, necessary equipment and second house expenses.

Student loans are mortgage style loans with nominal floating interest rates of 2.5% in nominal terms in 2009. Repayment begins 6-18 months after leaving the education and loans are repaid in 25 years. The minimum repayment in the first year is SEK 6,420 (£558) but may be higher if the debt is very high. Payments may be deferred in cases of low-income, disability

[135] CSN (2009).
[136] Bank of England spot exchange rate 20th of November 2009: 11.5002 SEK/£.

etc. and payments may be reduced to 5% of personal income until the person reaches the age of 45, after which repayments are increased to 7% of their personal income. Debt is written off at the age of 68 and in cases of death, permanent inability to pay and disabilities.

Similar student support arrangements are available for part-time students who study at least 50% of a full-time equivalent (FTE). The maximum grant for students who study 75-100% FTE is SEK 2,000 (£173) per 4 week period and the maximum loan is SEK 3,852 (£335) per 4 week period. For students who study 50%-75% FTE, the maximum grant is SEK 1,332 (£115) per 4 week period and the maximum loan is SEK 2,568 (£223) per 4 week period. Part-time students have a higher personal income allowance than full-time students and are eligible for the full grant and loan (for instance, the full grant and loan is available to a 75%-100% FTE student if their personal income is less than SEK 66,875 (£5,815) per semester). The corresponding figure for 50%-75% students is SEK 80,250 (£6,978) per semester.

5.16.3 Background and remaining challenges for student support

Like the other Scandinavian states with a well developed welfare system, the Swedish approach to higher education student support builds on the principle that everyone has the right to a decent life and social advancement regardless of their social and economic background. Education is seen as an important means to achieving social advancement and crucially must be universally available.[137] At the same time it should be ensured that students (full and part-time) are able to support themselves and maintain an acceptable standard of living though a combination of grants, loans and paid employment.[138] Students are seen as independent of their parents and for this reason the size and availability of grants and loans do not depend on their parents' income or whether they live with their parents.

However, the current student support system with no tuition fees and high support is expensive and in recent years there has been an increase in the number of foreign students in Sweden.[139] Therefore there is an ongoing discussion about whether tuition fees should be introduced for non EU/EEA students. Proponents argue that Swedish taxpayers should not have to pay for the education of foreign students and that Swedish higher education institutions should be allowed to compete for funds and students using the same tools as foreign higher education institutions. Opponents, on the other hand, argued that tuition fees for non EU/EEA students would reduce internationalisation of the higher education system and be the first step towards introducing tuition fees for all students.[140] The government is positive towards introducing tuition fees for non EU/EEA students but stress that this must be combined with initiatives to ensure that Swedish institutions remain attractive to foreign students.

[137] IIEP (2006).
[138] Eurydice (2009).
[139] IIEP (2006).
[140] See IIEP(2006), Statens offentliga utredningar (2004) and Regeringens proposition (2008)

Another ongoing debate is how to increase student efficiency that is how to reduce the average age of students entering higher education and how to reduce the time students spend in higher education. A recent report on the student support system recommends that the incentives for students need to be improved e.g. though a reduction in the maximum time for which grants and loans are available for.[141]

5.16.4 Detailed description of student support arrangements in Sweden

We present a detailed description of student support arrangements in Sweden for full-time students in Table 40.

[141] Statens offentliga utredningar (2009)

Table 40: Details of full-time student support arrangements in Sweden

FEES		GRANTS/BURSARIES		LOANS	
Tuition fees	**No**	**Maintenance**	**Birdag**	**Maintenance**	**Grundlån**
Up-front/Deferred	-	Provider	Centrala studie stödsnämnden (CSN)	Provider	Centrala studie stödsnämnden (CSN)
Maximum (cap)	-	Type of provider	Government	Type of provider	Government
Fixed/Variable by:	-	Grant duration	Maximum 240 weeks, typically 40 weeks per year so 6 years.	Loan duration	Maximum 240 weeks, typically 40 weeks per year so 6 years.
Income (means-tested)	-	Maximum grant	SEK 2,684 (£233) per 4 weeks*	Administration fee	Yes
Subject of study	-	Fixed/Variable by:	Variable	Maximum loan	SEK 5,136 (£447) per 4 weeks*
Student residency	-	Subject of study	Yes, higher grant for Special Education Studies	Fixed/Variable by:	Variable
Study intensity	-	Student residency	No	Living arrangements	Yes, additional loans for second homes
Eligible for tax relief	-	Study intensity	No	Location of study	No
Regulated/Unregulated	-	Family arrangements	Yes, additional grants for students with children	Family arrangements	No
Determined by	-	Income (means-tested)	Yes	Income (means-tested)	Yes
Other fees	**No**	Income tapers:	Student income	Income tapers:	Student income
Up-front/Deferred	-	£0 - £9,304 (SEK 107,000)	Maximum SEK 2,684 (£233) per 4 weeks	£0 - £9,304 (SEK 107,000)	Maximum SEK 5,136 (£447) per 4 weeks
Maximum (cap)	-	£9,304 - £18,608/£22,160 (SEK214,000/SEK255,000)	Reduction per £ of income: 0.17 / 0.25**	£9,304 -£22,160 (SEK255,000)	Reduction per £ of income: 0.33
Fixed/Variable by:	-	Income limit (no grant)	SEK214,000/SEK255,000 (£18,608 / £22,160)**	Income limit	SEK255,000 £22,160
Income (means-tested)	-			Loan type	Mortgage style
Subject of study	-			Income threshold	-
Student residency	-			Minimum repayment	SEK 6,420 (£558) in the first year and increases by 2% per year.
Study intensity	-			Repayment calculation	Based on minimum repayment and repayment within 25 years.
Eligible for tax relief	-			Interest rate	Nominal 2.5%
Regulated/Unregulated	-			Repayment commences	6-18 months after leaving education
Determined by	-			Write off:	Death / disability / inability to pay
				Early repayment bonus	No
				Deferrable?	Yes

Source: London Economics review of official national sources.

Note: Bank of England interest rate from 20th November 2009: 11.5002 SEK/£.*Grants and loans for part-time students are calculated on a pro-rata basis. **Students who earn more than £9,304 per year may voluntarily (in advance) choose to receive the grant for less than 40 weeks that year. Unused weeks of grant may be carried forward and used at a later point in time. If the student chooses to receive the grant in less than 40 weeks the income allowance increases, corresponding to a £0.25 reduction in the grant per additional £ earned. In this case the income limit (no grant) is £18.608. If instead the student chooses to receive the grant for the full 40 weeks and the income is above £9,304 then the student must pay back part of the grant at the end of the year. In this case the reduction in the grant per £ earned is £0.17 and the income limit (no grant) is approximately £22,160.

5.17 United States

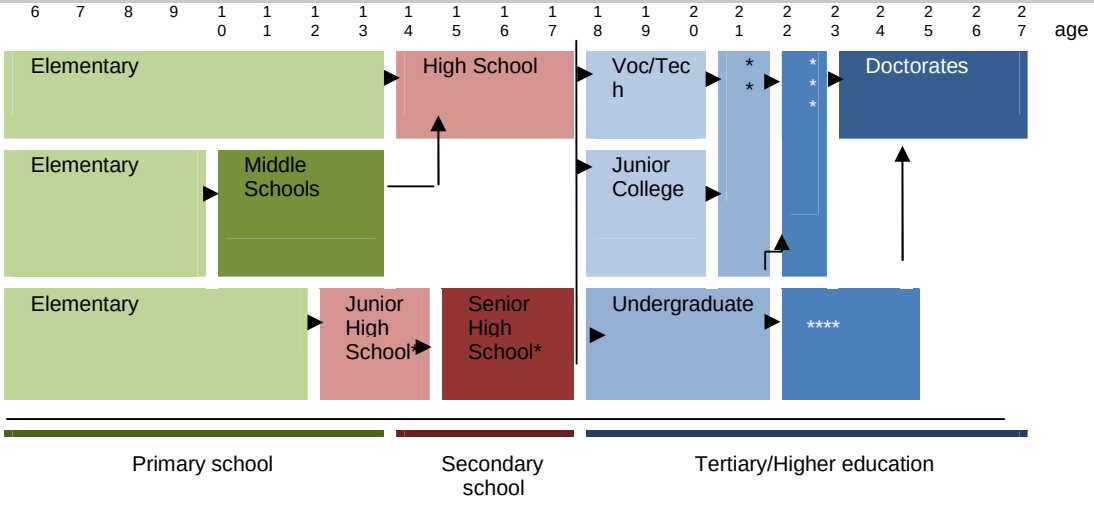
5.17.1 National context for student support

Structure of the educational system

Control of education policy in the United States is split between the federal, state and local government. Primary and secondary education is compulsory in all states, although there is variation in the minimum school leaving age (ranging between from 16 and 18). Whilst there is some variation by state, Figure20 illustrates the general education system in the United States.

Following kindergarten, elementary school starts from age 6 and continues to age 10, 12 and 14 depending on whether the student follows the course of middle school, junior high school, or high school, respectively. After age 18, successful students have the choice of enrolling in a higher education institution, choosing a tertiary programme from options including universities, junior colleges and vocational and technical higher education schools. Postgraduate studies may follow an undergraduate degree only (junior colleges and vocational and technical higher education schools may complete an additional year to their studies to gain an undergraduate degree).

Figure 20: Organisation of the education system in the United States



Note: * Combined Junior-Senior High Schools are available, ** Undergraduate degree, *** Master's degree, ****Professional

Educational attainment

In 2007, the upper secondary graduation rate was 78%, up from 69% in 1995. Attainment of tertiary qualifications amongst the 25-64 year old population is also on the rise, increasing from 34% in 1997 to 40% in 2007 (of which 9% had a tertiary-type B qualifications and 31% had tertiary-type A qualifications).

Participation at tertiary level

The net entry rate among participants in tertiary A education was 65% in 2007 (up from 43% in 2000), which is high compared to the OECD (56%) and EU19 (55%) averages. At 47% (both tertiary-type A and B), the completion rate is significantly lower than OECD (69%) and EU19 (71%) completion rates.

Expenditure on higher education

Public funding for public tertiary institutions in the United States is substantial and comes from three levels of government: federal, state, and local. According to 2006 statistics, the public expenditure on higher education (excluding R&D) in the United States was equal to $22,384 (£13,557) per student, almost three times the EU19 average. This corresponds to 2.9% of GDP, which is the highest of any OECD or EU19 country. Public sources accounted for only 34% of higher education funding, with 36.3% coming from households and 29.7% from other private entities in 2006. From these statistics, it is clear that the United States also has one of the highest rates of private expenditure contribution (66.0% in total) to higher education out of the OECD and EU countries.

15.7.2 Summary of current student support arrangements

Students participating in higher education in the United States are required to pay up-front annual tuition fees, determined by the institution with no set maximum limit. The level of fees varying greatly between public and private universities, with fees charged by (public) state universities varying further depending on whether the student is a resident of the state (charged in-state fees) or not (charged out-of-state fees, which can be more than double in-state fees). The enrolment-weighted average tuition fees charged by HEIs in the United States for 2009/10 are provided in Table 41 overleaf

Table 41: Average (enrolment-weighted) tuition fees in the United States, by institution type and Carnegie classification, 2009/10	
Institution type	**US$ (£stg)**
Public Two-Year	$2,544 (£1,541)
Public Four-Year: In-State	$7,020 (£4,252)
Public Four-Year: Out-of-State	$18,548 (£11,234)
Private Not-for-Profit Four-Year	$26,273 (£15,912)
For-Profit	$14,174 (£8,585)
Carnegie classification	**US$ (£stg)**
Public Doctorate-Granting In-State	$7,797 (£4,722)
Public Master's In-State	$6,094 (£3,691)
Public Baccalaureate In-State	$5,930 (£3,592)
Private Doctorate-Granting	$32,349 (£19,592)
Private Master's	$23,700 (£14,354)
Private Baccalaureate	$24,040 (£14,560)
Public Doctorate-Granting In-State	$7,797 (£4,722)

Source: College Board (2009) Trends in College Pricing 2009.

In view of the high cost of tuition and other expenses involved in higher education study, a wide range of support arrangements are available to ensure high levels of participation.

The cornerstone of the grant system is the Pell grant, which offers students up to $5,350 (£3,240) contingent on family income, family arrangements and study intensity. There is also a range of supplementary and complementary grants alongside the Pell Grant. The Academic Competitiveness Grant offers students support during the first ($750 (£454)) and/or second year ($1,300 (£787)) of study on the basis of a means-test. The Federal Supplemental Educational Opportunity Grant is designed to provide need-based support (up to $4,000 (£2,423)) to low-income students to promote access to post-secondary education.

Subject-specific grants are also available. The National Science and Mathematics Access to Retain Talent grant is designed for students of engineering, mathematics or foreign language, providing means-tested (family income and arrangements) support up to $4,000 (£2,423) per annum across the entire course length. The Teacher Education Assistance for College and Higher Education grant of up to $4,000 (£2,423) per annum is offered, based on academic performance and course of study, to students who agree to teach a high-need subject in a school in a low-income/disadvantaged designated area full-time for four years after graduation.

Students may also be eligible to apply for Federal Work-Study program depending on family income and on family arrangements, which arranges part-time employment whilst studying at the university.

In addition to the system of grants, there are a wide range of different types of student loans available in the United States, provided by the Federal Government or the HEI. The Federal Perkins Loan is funded by the federal government and administered by the HEI. Loans amount to $5,500 (£3,331) per annum based on a means-test. In terms of loans provided by the Federal Government (directly), there is the Direct Stafford Loan and the Direct PLUS Loan. The Stafford Loan may be subsidised in total or in part, based on a means-test and family arrangements criteria. If a loan is subsidised, the interest rate is lower (5.6% versus 6.8%) and the federal government pays interest on the loan during the grace period (6 months after graduation). A student may access up to $7,500 (£4,542) of credit per annum and up to $5,500 (£3,331) of this may be subsidised, with a lifetime limit of $31,000 (£18,775). The arrangement of the loan attracts an administration fee of 2%.

Alternatively, special student loans called the Federal Family Education Loans are available through private institutions, which may also be part- or wholly subsidised by the federal government. The amount of credit available under a FFEL is the same as for the Direct Stafford Loan, and again, whilst the unsubsidised loan is not means-tested, the subsidised version is subject to family arrangement and financial need criteria. The interest rate on the subsidised loan is again lower (6.0% versus 6.8%). These loans also attract an administration fee, but fees vary by the private provider. Parents or professional student are also provided for by Direct PLUS (from the federal government) and FFEL PLUS (from private institutions) loans, which are not subject to any eligibility criteria. There is maximum credit available, but there is an administration fee (Direct PLUS: 4%; FFEL PLUS: variable by lender). The interest rates are also higher, with a nominal interest rate of 7.9% on Direct PLUS and 8.5% on FFEL PLUS loans.

Whilst loans are subject to the standard repayment plan by default (mortgage-style repayments over a maximum term of 10 years),[142] there is a range of income-contingent and flexible or extended repayment plans available, based on financial need eligibility.

5.17.3 Background and remaining challenges for student support

The main point of concern in relation to tertiary education in the United States is the markedly low completion rate for both tertiary-type A and, especially, tertiary-type B programmes. At present, less than one in two tertiary education (both type-A and type-B) students complete their programme, though the rate is slightly higher for type-A students only (56%). Student supports can, and should, have an important role to increase the completion rate by reducing enforced drop-outs due to inability to afford the financial costs of third level education.

This issue has been acknowledged, with a commitment to make third-level education affordable for all. Reflecting this policy objective, the upcoming Budget 2010 contains specific

[142] There is no other repayment plan option for the Perkins loan.

provisions to provide students, especially those from low-income families, the support they need to enter and complete tertiary level programmes:

- The most significant provision is a new, five-year $2.5 billion (£1.5 billion) 'Access and Completion Incentive Fund' to support innovative initiatives at the State level to improve college completion rates, targeted at low-income students.
- The funding shortages that led to a fall over time in the real value of the Pell Grant are to be addressed by increasing the maximum Pell Grant to $5,550 from $5,350 (£3,361 from £3,240) and protect its future value by indexing it against the Consumer Price Index + 1%.
- To remove the uncertainty with the private sector loans (Federal Family Education Loans, FFEL) caused by disorder in the financial markets, and also with the aim of reducing the cost of the federal student aid programme (FFEL loans include subsidies to private lenders), it is planned to phase out the FFEL loans and offer all new loans through the Direct Loans system.
- In view of reducing the barriers to tertiary education, it is also planned to simplify the student aid application process.

5.17.4 Detailed description of student support arrangements in the United States

We present a detailed description of student support arrangements in the United States for full-time students in Table 42 and loan repayment plan options in Table 43.

Table 42: Details of Full-time Student Support Arrangements in the United States

FEES		GRANTS / BURSARIES		LOANS	
Tuition fees	**Yes**	**General**	**Pell Grant**	**General loan**	**Perkins Loan**
Up-front/Deferred	Up-front*	Provider	HEI on behalf of Federal Student Aid	Provider	HEI
Maximum (cap)	No maximum		Government	Type of provider	HEI
Fixed/Variable by:	Variable	Type of provider	Course length	Loan duration	Course length
Income (means-tested)	No	Grant duration	$5,350 (£3,240)	Administration fee	No
Subject of study	Yes	Maximum grant	Variable	Maximum loan	$5,500 (£3,331) p.a.,$27,500 (£16,656) total
Student residency	Yes (In-State and Out-of State fees)	Fixed/Variable by:	No	Fixed/Variable by:	Variable
Study intensity	Yes	Subject of study	No	Living arrangements	No
Eligible for tax relief	Yes, interest relief for certain borrowers but $2,000 (£1,211) maximum deduction	Student residency	Yes, must be enrolled at least half-time and maintain satisfactory academic progress	Location of study	Yes, depends on the funding available at the HEI
Regulated/Unregulated	Unregulated	Study intensity	Yes, via the Expected Family Contribution (EFC)	Family arrangements	Yes, must demonstrate financial need
Determined by	HEI	Family arrangements	Yes, household income is used to calculate the EFC**	Income (means-tested)	Yes, depends on financial need
Other fees	**No**	Income (means-tested)		Loan type	Mortgage style **(no repayment options)**
Up-front/Deferred	-			Minimum repayment	$40 (£24) per month
Maximum (cap)	-	**General**	**Academic Competitiveness Grant (ACG)*** **	Repayment calculation	Fixed monthly repayment
Fixed/Variable by:	-	Provider	HEI on behalf of Federal Student Aid	Interest rate	5.0% nominal
Income (means-tested)	-	Type of provider	Government	Repayment commences	9 months after leaving education (grace period: no interest levied)
Subject of study	-	Grant duration	First or second year only	Write off:	Death / limiting disability/bankruptcy
Student residency	-	Maximum grant	$750 (£454) in year 1, $1,300 (£787) in year 2	Early repayment bonus	No
Study intensity	-	Fixed/Variable by:	Variable	Deferrable?	Yes (3 years) for financial hardship
Eligible for tax relief	-	Subject of study	No	**General loan**	**Direct Stafford Loan (Subsidised & Unsubsidised)**
Regulated/Unregulated	-	Student residency	No	Provider	US Department of Education
Determined by	-	Study intensity	Yes, must be enrolled at least half-time and maintain satisfactory academic progress	Type of provider	Government
		Family arrangements	Yes, via the Expected Family Contribution (EFC)	Loan duration	Course length
		Income (means-tested)	Yes, household income is used to calculate the EFC**	Administration fee	Yes, 2% loan origination fee
				Maximum loan	Subsidised: $5,500 (£3,331) p.a., $23,000 (£13,930) total Unsubsidised: $7,500 (£4,542) p.a., $31,000 (£18,775) total, including any subsidised amounts

Table 42: Details of Full-time Student Support Arrangements in the United States

FEES		GRANTS / BURSARIES		LOANS	
		Maximum grant Fixed/Variable by: Subject of study Student residency Study intensity Family arrangements Income (means-tested) **General** Provider Type of provider Grant duration Maximum grant Fixed/Variable by: Subject of study Student residency Study intensity Family arrangements Income (means-tested)	**Federal Supplemental Educational Opportunity Grant (FSEOG)***** HEI on behalf of Federal Student Aid Government 3rd or 4th years (or 5th year of a 5-yr programme) $4,000 (£2,423) Variable No No Yes, must be enrolled at least half-time and maintain satisfactory academic progress Yes, via the Expected Family Contribution (EFC) Yes, household income is used to calculate the EFC** **National Science and Mathematics Access to Retain Talent (SMART) Grant***** HEI on behalf of Federal Student Aid Government Course length $4,000 (£2,423) per annum, and $16,000 (£9,691) for undergraduate study Variable Yes. Only mathematics, technology, engineering, a foreign language critical to national security or physical, life or computer sciences. No Yes, must be enrolled at least half-time and maintain satisfactory academic progress Yes, via the Expected Family Contribution (EFC) Yes, household income is used to calculate the EFC**	Fixed/Variable by: Living arrangements Location of study Family arrangements Income (means-tested) **Repayment options: (see Table)** Interest rate Repayment commences Write off: Early repayment bonus Deferrable? **General loan** Provider Type of provider Loan duration Administration fee Maximum loan Fixed/Variable by: Living arrangements Location of study Family arrangements Income (means-tested) **Repayment options: (see Table)**	Variable No No Subsidised: Yes, financial need Unsubsidised: No Subsidised: Yes, financial need Unsubsidised: No **Standard; Graduated; Extended; Income-Contingent; Income-Based** Subsidised: 5.6% fixed nominal Unsubsidised: 6.8% fixed nominal Subsidised: 6 months after leaving education (grace period: no interest levied) Unsubsidised: 6 months after leaving education Death / limiting disability/bankruptcy No Yes (3 years) for financial hardship **FFEL (Federal Family Education Loan) (Subsidised & Unsubsidised)** Financial institution (student's choice) Private sector Course length Yes, but lender-specific Subsidised: $5,500 (£3,331) p.a., $23,000 (£13,930) total Unsubsidised: $7,500 (£4,542) p.a., $31,000 (£18,775) total, including any subsidised amounts Variable No No Subsidised: Yes, financial need Unsubsidised: No Subsidised: Yes, financial need Unsubsidised: No **Standard; Graduated; Extended; Income-Sensitive; Income-Based**

Table 42: Details of Full-time Student Support Arrangements in the United States

FEES		GRANTS / BURSARIES		LOANS	
		General Provider Type of provider Grant duration Maximum grant Fixed/Variable by: Subject of study Student residency Study intensity Family arrangements Income (means-tested)	**Teacher Education Assistance for College and Higher Education (TEACH) Grant****** HEI on behalf of Federal Student Aid Government Course length $4,000 (£2,423) Variable Yes, must be a high-need teaching subject No Yes, must meet certain academic achievement requirements Yes, via the Expected Family Contribution (EFC) Yes, household income is used to calculate the EFC** **Federal Work-Study (FWS) Program** HEI on behalf of Federal Student Aid Government Course length Cannot exceed FWR Award Variable No No Yes, must be enrolled at least half-time and maintain satisfactory academic progress Yes, must demonstrate financial need Yes, must demonstrate financial need	Interest rate Repayment commences Write off: Early repayment bonus Deferrable?	Subsidised: 6.0% fixed nominal Unsubsidised: 6.8% fixed nominal Subsidised: 6 months after leaving education (grace period: no interest levied) Unsubsidised: 6 months after leaving education Death / limiting disability/bankruptcy No Yes (3 years) for financial hardship
		Other Provider Type of provider Grant duration Maximum grant Fixed/Variable by: Subject of study Student residency Study intensity Family arrangements Income (means-tested)		**General loan** Provider Type of provider Loan duration Administration fee Maximum loan Fixed/Variable by: Living arrangements Location of study Family arrangements Income (means-tested) **Repayment options: (see Table)** Interest rate Repayment commences Write off: Early repayment bonus Deferrable?	**Direct PLUS Loan** US Department of Education Government Course length Yes, 4% loan origination fee No maximum Variable No No No No **Standard; Graduated; Extended; Income-Contingent; Income-Based** 7.9% nominal 6 months after leaving education Death / limiting disability/bankruptcy No Yes (6 months)

Table 42: Details of Full-time Student Support Arrangements in the United States					
FEES		GRANTS / BURSARIES		LOANS	
				General loan	**FFEL PLUS Loan**
				Provider	Financial institution
				Type of provider	Private sector
				Loan duration	Course length
				Administration fee	Yes, but lender-specific
				Maximum loan	No maximum
				Fixed/Variable by:	Variable
				Repayment options: (see Table)	**Standard; Graduated; Extended; Income-Sensitive; Income-Based**
				Interest rate	8.5% nominal
				Repayment commences	6 months after leaving education
				Write off:	Death / limiting disability/bankruptcy
				Early repayment bonus	No
				Deferrable?	Yes (6 months)

Source: London Economics review of official national sources. Notes: * Fees must be paid up-front but finance is available to effectively defer fees. ** No information is published in relation to income thresholds or support tapers, with funding entitlement calculated on application via the Free Application for Federal Student Aid (FAFSA). *** Eligibility for Pell Grant required. **** TEACH grant will be converted to a Direct Unsubsidised Loan in the case of failure to carry out the service obligation (to teach full-time in a designated teacher shortage area for four complete years, within eight years of completing academic program, at an elementary or secondary school serving children from low-income families in a high-need field). ***** Subsidised loans have a reduced interest rate and the federal government pays the interest on these loans while students are in college and during grace and deferment periods, until six months after the student is no longer enrolled in school at least half time. Unsubsidised loans have an interest rate that is still below the market rate, and the borrower is responsible for the interest on the loan while in college and during grace and deferment periods.

Table 43: Repayment plans for Federal Student Loans in the United States						
Detail	**Standard Repayment Plan**	**Graduated Repayment Plan**	**Extended Repayment Plan**	**Income-Contingent Repayment Plan**	**Income-Sensitive Repayment Plan**	**Income-Based Repayment Plan**
Type of Loan	Mortgage-style	Mortgage-style	Mortgage-style	Income-contingent	Income-contingent	Income-contingent
Income threshold	-	-	-	N/a	N/a	$20,000 (£12,113), family size of 1
Minimum repayment	$50 (£30) per month	No	No	No, income contingent	No, income contingent	No, income contingent
Repayment calculation	Fixed monthly repayment depending on Principal, interest rate and repayment term	Payments start out low at first and then increase, usually every two years	Smaller fixed monthly repayment than Standard Repayment Plan	Based on graduate/household/ spouse income, family size, total amount of Direct Loans	Based on annual income (graduate income or parental income)	15% of income above 1.5*(Dept of Health and Human Services Poverty Guidelines), adjusted for family size
Repayment type	Fixed monthly repayment	Graduated monthly repayment	Fixed monthly repayment	Income-contingent monthly repayment	Income-contingent monthly repayment	Income-contingent monthly repayment
Max. repayment term	10 years	10 years	25 years	25 years, after which unpaid amount is forgiven (with income tax levied on the forgiven amount)	10 years, after which unpaid amount is forgiven (with income tax levied on the forgiven amount)	25 years
Means-tested?	No	No	No	Yes, repayments based on Student (if independent) and household (if dependent) or spouse (if married) income	Yes, repayments based on graduate income, or parental income	Yes, family income differentiated by family size
Other criteria	-	-	Must have more than $30,000 (£18,170) in outstanding Direct and/or FFEL Loans	-	-	-

Source: London Economics review of official national sources.

Details of part-time student support arrangements in the United States

Student support arrangements for part-time students is the same as for full-time students (as long as enrolment is at least half-time), but the amount of support available will be lower as the 'Cost of Attendance' will be lower.

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Annex 2 Tables and Figures

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