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Tuition fee models in comparative perspective

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Types of tuition fee systems

Upfront tuition fee policies -- based on the belief that parents have a responsibility to cover some portion of their children's higher education costs.

→ In some countries (Colombia, the Philippines, Italy) the amount that parents are responsible for paying is based on their income.

→ In others (Chile, China, India, Indonesia, Italy, Japan, South Africa, Kenya, USA) tuition fee levels do not change with a family's income level, but eligibility for aid does change and tuition fee costs are off-set by means-tested grants and/or government subsidized loans.

Deferred Tuition fee system

→ In countries with a deferred tuition fee policy (Australia and England), parents may choose to pay the "up front" tuition fees – generally with a financial incentive to do so or they may choose to leave this burden on the children who can defer payment of their tuition fees on an income contingent basis once their income has reached an agreed upon level.

→ *Deferred tuition policies* have become a popular way to reconcile requiring students to contribute to their higher educational costs with their inability to do so while still studying. Income-contingent loans are one way of deferring the tuition fee to the future.

→ Graduate taxes are a variation on the income contingent loan whereby students who have attended higher education free of charge are responsible for paying an income surtax throughout their working lifetime.

Fee-"Free" model

This model is applied in two main forms:

(a) Full-state subsidisation of tuition fees for all students (Brazil, Norway, Sweden, Denmark, Finland).

(b) Exemption of poor students from paying fees (For example, Chile).

Sliding scale tuition fee models

- In this model tuition fees vary according to the socio-economic background of each student. Accordingly, students from lower-income families pay lower fees while students from well-off families pay the full fee rate.
- Sliding-scale tuition fee models are applied in mainly two kinds of contexts, namely:

  (a) within a context of state controlled tuition fees with the aim of easing the financial burden on students. In this context, the model is not designed for redistributive purposes (Indonesia, Colombia and Italy). Universities in this context do not generate extra income that could be utilised to provide financial aid to indigent students.

  (b) within a context of institutionally determined tuition fees, where students from well off backgrounds pay significantly higher fees, part of which is utilised to enhance affordability by indigent students (University of California). In the latter system, fee increases are linked to the provision of financial aid.

Dual track tuition fee policies

→ Practised in countries such as Russia, Hungary, Ukraine, Kenya, Uganda, and Egypt. In these countries, a certain number of free (or very low cost) university places are awarded by the government based on academic merit, while other places are available to qualified, but lower performing students on a tuition fee paying basis.

→ Students in the “parallel” streams pay very high, sometime full cost fees

Upfront Tuition fees

China

- → China introduced cost-sharing (from fee-free higher education) in 1997 with the introduction of a dual-track tuition fee system and later discontinued this system and started charging fees to all students.
- → Tuition fees in China are regulated by the Ministry of Education. The guidelines require that tuition fee levels reflect the per student operational costs of the institution, subsidy from government, local economic development and household income.
- → At present, tuition fees may only be charged up to a maximum of 25% of the annual per student cost as determined by the Ministry of Education.
- → This means that the denominator should only relate to the *cost of teaching students* and should not include *faculty wages, building infrastructure and other costs*.
- → In the current higher education accounting system, it is difficult or even impossible to calculate the denominator exactly (Fengliang, 2012).

- → Several estimates suggest that the aggregate income derived from tuition fees surpasses the ‘maximum’ limit of 25%.
- → Between 1996 and 2008, the annual growth rate of tuition fees was 34% compared to only 19% for government funding (Dong & Wang, 2012).
- → The main reason for the escalation of tuition fee levels in Chinese higher education is the scale of expansion which exceeded the government’s ability to finance it. From 1999 the Chinese government started implementing a policy of enrollment expansion, leading to a significant growth in participation rates, from 8.3% in 1996 to 26.5% in 2010 (Dong & Wang, 2012).
- → The significant tuition fee increases in China, despite government regulation, has had several implications, especially with regards to equity, inter alia, exclusion of students from lower socio-economic backgrounds and enrollment of students from lower socio-economic backgrounds in lower status institutions and majors (Dong & Wang, 2012).

Deferred Tuition Fees

Australia

- Australia introduced the Higher Education Contribution Scheme (HECS) in 1989 to replace free higher education (FHE).
- The rationale for introducing HECS was to expand the capacity and effectiveness of higher education, address the challenge of unmet demand for university places in the context of government unwillingness to expand the system through additional taxpayer resources, and ensure university access to all students regardless of socio-economic background.
- With the introduction of HECS, student placement caps were removed.
- HECS covers courses that are funded by the Commonwealth Government -- degrees, diplomas, associate diplomas, graduate diplomas, graduate certificates, Master's qualifying courses, Master's courses or PhDs.
- The Australian Taxation Office is responsible for collecting HECS debts.
- HECS was replaced by HECS-HELP in 2005.

How HECS-HELP works

- → Students seeking to enrol in HEIs complete a Payment Options Form in which they indicate if they are going to pay fees up-front or if they are going to defer their payment (paid for by government).
- → Until 2016, discounts (revised over time – from 25% to 10%) were given on upfront payments. From January 2017 the discounts were removed.
- → Since 1998, students could also choose a combination of both payment options, paying part of the fees upfront and deferring the rest.
- → When it stated, fixed rates of student contributions were set but from 2005, universities were allowed to determine their own fees, up to a ceiling (25% higher than the projected 'standard' HECS level in that year.
- → HECS-HELP debtors are required to begin repaying their loans when their 'HEC repayment income' reaches the compulsory repayment threshold .

- HECS-HELP repayment thresholds are adjusted each year to reflect changes in average weekly earnings.
- It is possible to defer the compulsory repayment if it can be demonstrated that such payments would cause serious financial hardship.
- HECS loans attract a zero real interest rate (they are indexed to the consumer price index).
- It is also possible to make voluntary repayments at any time. Previously, voluntary repayments in excess of $500 received a bonus whereby a percentage (revised over time) was added to the repayment. The bonus was removed beginning 2017.
- HECS-HELP debts are cancelled at death. There is no requirement for the deceased person's family or beneficiaries to repay any remaining debt.

England – Variable tuition fee model

- England introduced tuition fees in higher education in 1998 and implemented a variable tuition fee model in 1998 (maximum allowable' tuition fee model).
- Maintenance grants were also abolished and replaced with maintenance loans.
- The rationale for introducing tuition fees was to increase revenue and quality, and the need to create an 'economic market' in higher education in which institutions would compete on price to attract students.
- Between 1987 and 1997, when the participation rate more than doubled from around 15% to 33%, had resulted in a serious funding crisis, since the amount paid by government to universities per student (the 'unit of resource') had been effectively halved.

- In 1999, tuition fees were capped at £1000 and £9000 per year since 2012. Students do not have to pay these fees up front; they are entitled to government-backed loans to cover the full cost of their tuition fees and a contribution towards their living expenses.
- Tuition fee caps are determined by Parliament.
- It has been proposed that the tuition fee cap (£9,000 per year) will be allowed to increase in line with inflation from the 2017/18 academic year at institutions offering 'high teaching quality'.
- English Universities have argued that capping of tuition fees has led to underfunding. The fees is undifferentiated, and below cost for especially expensive programmes such as science, engineering, and technology.

- An interesting dimension of the tuition fee policy in England is the requirement that universities that wish to charge the maximum allowable fees can only do so provided that they have an access agreement in place that has been approved by the Office For Fair Access (OFFA).
- The access agreements set out the fees the universities wish to charge, details of their financial support packages, details of their outreach strategies, and targets and milestones for widening participation.
- Access Agreements must be renewed and formally approved each year by OFFA (Hubble, 2015). Institutions that exceed either the limit specified in the institutions' access agreements, or the basic amount, where an institution does not have an access agreement, pay a penalty in the form of a reduction to the grant the Higher Education Funding Council of England (HEFCE) pays to the offending institution.

Fee "Free" policies

Brazil

- Brazilian higher education fits the *elite public / mass private* model of higher education, in which the public system has been kept small, relatively well-funded, academically selective, and for the most part socially elite, while a large, tuition-dependent private system of very diverse quality has been encouraged to absorb the rapidly growing demand for higher education.
- Nearly 60% of students in the public higher education system come from the top income quintile.
- About 70% of enrolments are in private universities.
- While tuition in public universities is "free", students pay registration fees and cover living costs (transport, accommodation, food, etc.).

- → Since 2004, the federal government has maintained a programme (University for all) directed to the for-profit sector, exchanging fiscal benefits for tuition exemption for about 1 million of low-income and minority students. Despite the high demand for HE in Brazil, there is considerable spare capacity in the system, as many places in private universities go unfilled due to inability of students to pay the fees. The idea is to encourage these universities to allocate their unfilled places free of charge to low-income students, in return for exemption from tax payments.
- → Non-profit institutions are currently required by law to allocate 20% of their revenue towards funding free places in this way (this is necessary in order to maintain their existing status of exemption from taxes). However, this requirement is routinely abused with many institutions either failing to reach the 20% mark, or allocating the places not to needy students, but to relatives of their own staff (McCowan, 2004).

- → Student loans and scholarships -- There have been some attempts to allow students without the means of paying the full fees to attend private institutions. Most important of these is the student loans scheme, known as FIES, which was initiated in 1999. The FIES provides a loan of 70% of the fees and is paid directly to the institution rather than the student (McCowan, 2004).
- → In order to address racial inequalities, the government has introduced affirmative action policies in both the public and private higher education sectors. In 2012 a law was introduced that requires that half of the entrance positions at the undergraduate level at federal universities are reserved for candidates from the public basic education system and minorities.

Norway

→ Tuition is “free” at public institutions.

→ Public universities may have tuition fees for a few specialised programmes. Typically these programmes are at the Masters level.

→ Student however have to pay a semester registration fee of about NOK300 – 600 each semester. The fees covers campus health services, access to sports facilities, etc.

→ Student living costs are borne entirely by the students, largely in the form of student loans.

→ Fee “free” higher education is aligned with Norway’s (and other Nordic countries such as Denmark, Finland and Sweden) social welfare system.

Fee-free for the poor

Chile

- → Towards the end of 2015, Chile passed a law granting tuition free higher education to students from poor families.
- → According to this law, students from the lowest three income quintiles (with a per capita family income of US$221 per month or less) will study for free (Hurtado, 2016).
- → Students without access to fee-free higher education can apply for bursaries or student loans.
- → Chile has a standard reference fee for each degree programme that is used to determine the amount to be disbursed in student loans. The Ministry of Education sets this amount annually (Arango, Evans & Quadri, 2016).
- → Participating universities are required to pay from their own sources the difference between the reference tuition set by the Ministry of Education and their actual fee.

- The requirement that participating universities that charge more than the fees set by government pay the difference from their own sources has discouraged some institutions to participate, even though they have students who qualify for fee-free higher education.
- An interesting feature of the changes in the tuition fee regime in Chile is that they were backed by tax reform. The country increased company tax to 27% to pay for the new tuition fees regime (Hurtado, 2016).
- The revenue generated by increasing company tax can hardly meet the demand for fee-free higher education. Because of economic constraints, only 50% of the country's poorest benefit from fee-free higher education.

Sliding scale tuition/Progressive fee model

California (USA)

- Partly as a response to declining state financial support, the University of California (UC) in USA has introduced a progressive tuition fee model whereby higher-income students are charged more to help reduce the cost and debt for lower income students and their families.
- Between 2006 and 2012, UC almost doubled tuition fees from $ 7 430 to $ 14 460 and also increased student enrollments despite not receiving state funding for the increased enrollments.
- To help mitigate the impact of increased tuition for lower- and middle-class students, UC devotes some 33 percent of all tuition income to need-based financial aid that differentiates net costs across income groups.
- Approximately $ 8 500 of the $ 14 460 currently charged as fees goes to financial aid primarily for lower income students (Lapid & Douglas, 2016).

→ The new tuition model at UC has resulted in a number of outcomes:

- The percentage of undergraduates attending UC from lower-income families has risen, while that of students from upper-income backgrounds has declined slightly.
- The net cost of attendance for lower-income families has stayed flat, while that of middle-income families has risen slightly.
- The net cost of upper-income families has increased significantly. The same pattern has been observed regarding debt burden. The average amount of cumulative borrowing among lower-income students has only risen slightly since 2009.
- There have been larger increases in cumulative borrowing among the middle- and upper-income groups (Lapid & Douglas, 2016).

- → From a cost perspective, the progressive tuition fee model applied by UC has resulted in greater net cost differentiation by income. The fees for lower-income students have stayed flat with only a slight increase in their debt burden, while students from higher-income groups are paying greater net costs and taking on more debt.
- → From the UC experience, it seems that that higher tuition rates, if accompanied by robust federal, state, and institutional financial aid, is a viable path for maintaining access to lower-income students, and for generating income needed for institutions to maintain or improve student to staff ratios and other measure of quality (Lapid & Douglas, 2016).

Dual-Track fee model
India

- India follows a low tuition fee policy where students in public institutions, (central and state) pay a nominal tuition fee.
- State universities in states such as Haryana, Karnataka, Kerala, Punjab, Rajasthan, and Tamil Nadu charge relatively high fee levels, accounting for about 50% of their annual income, some HEIs record even higher proportions (Agarwal, 2010).
- Indian universities also charge sundry fees (accommodation, transportation services, sports services, registration and examination fees) in addition to tuition. Fees other than tuition fees, are generally several times higher than the tuition fees.
- Over the years, state funding of HE declined drastically and tuition fees in many universities has not been raised. Most state governments have resisted increase in fees.

- Many Indian universities have introduced the so-called “self-financing courses”. After competitive examination at the central or state level, a student securing better percentage of marks gets entry at relatively lower tuition. Universities are allowed to admit additional students whom they charge a full cost mark up price (Bhushan, 2008).
- Fee range across all different universities in India for the self-financing courses is very high. Also for similar programmes, for example, for Bachelor of Engineering the range was Rs. 13 360 to Rs 155 240 in 2008.
- According to Bhushan (2008), the majority of students in self-financing courses come from higher socio-economic backgrounds.

Thank you