

Supporting Equity in Higher Education

A Report to the
Minister for Education and Science

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Introduction

The rationale for this review centres solely on the need to broaden access to third-level education in order to improve equity and social justice. It is founded on the Government's social and economic policy objective of reducing and eliminating educational disadvantage, and increasing participation at third level by lower socio-economic groups.

The *Agreed Programme for Government* of June 2002 commits the Government to building a caring and inclusive society and to achieving real and sustained social progress. Similar commitments are reflected in the National Development Plan, the National Anti-Poverty Strategy, the National Children's Strategy and successive national partnership agreements, including *Sustaining Progress*. Tackling educational disadvantage is a core principle of social justice.

The issues of educational disadvantage and social inclusion, therefore, are key priorities for the Government and, since taking up office, the Minister for Education and Science has emphasised his commitment to improving participation and achievement at every level of education.

The need for interventions throughout the education system is well recognised. It is well established that addressing educational disadvantage requires intervention in the context of a continuum of provision from early childhood through to adulthood. Successive governments, of all political persuasions, have recognised this fact and have introduced a range of initiatives at pre-primary, primary and post-primary levels aimed at increasing pupil retention and achievement. These initiatives are currently being reviewed in order to ensure that individuals are enabled to obtain the appropriate supports they require to maximise the benefit they derive from the education system.

Efforts are also being made to promote the participation of students from disadvantaged backgrounds in third-level education. Despite the remarkable increase in participation in higher education over the last twenty years, students from lower socio-economic groups continue to be significantly under-represented in third-level institutions. In 1998, over nine out of ten children from the 'Higher Professional' group entered higher education. In sharp contrast to this, only two out of ten children from an 'Unskilled Manual Worker' background entered higher education.

It is recognised that inequities earlier in the educational system contribute to the significant under-representation of students from lower socio-economic backgrounds entering third level. Their persistent under-representation in higher education is in many ways a product of the high levels of attrition and under-performance through primary and second-level education. However, even those who successfully complete the Leaving Certificate examination remain significantly less likely to transfer to higher education than their peers from higher socio-economic groups.

The provision of Access Officers and targeted access programmes within third-level institutions, the specific access initiatives provided for under the Department's student support framework and the recent decision by the Minister to establish a National Office for Equity of Access to Higher Education will, in addition to measures at primary and post-primary levels, contribute to redressing this under-representation at third level.

For the lower socio-economic groups, economic considerations, especially the short-term opportunity costs of staying in education, become highly significant at the point of transition to third level. Immediate action is required, therefore, to reduce the financial barriers faced by disadvantaged people who wish to access a third-level education.

Chapter 1

Equity in Education

Why Tackle Disadvantage?

The commitment to tackling disadvantage is based on a number of considerations. The concept of equity is a key democratic principle. The associated concept of equality of opportunity is particularly important in terms of education, given the direct correlation between educational attainment and future social and economic prospects.

The concept of equality of opportunity in education is normally defined in terms of access, participation and achievement in education of individuals who differ in gender, socio-economic background, geographical location or ethnic membership. The statistics produced elsewhere in this review make it clear that children from disadvantaged socio-economic backgrounds fare very badly in educational terms.

Addressing disadvantage also has a broader economic rationale. Individuals who are disadvantaged, by definition, never reach their full potential. Neither will they reach their full earnings potential and may have to rely on assistance from the State or community bodies.

At a broader social level, tackling disadvantage involves dealing with the many facets of social exclusion in order to provide individuals with a right to a basic standard of living and access to participation in the major social and occupational institutions of society. It is also argued that the condition of disadvantage must be addressed by society as it poses a potential threat to democracy: *"When a section of society is excluded from normal comforts and from experiencing the power enjoyed by the majority, social unrest and socially unacceptable behaviour are to be expected."*¹

That the Government is committed to tackling disadvantage and promoting social inclusion is clear from the range of policies and proposals outlined in the *Agreed Programme for Government* of June 2002. Similar commitments have been subscribed to by successive administrations and are reflected in major national policy documents including the National Development Plan, the National Anti-Poverty Strategy, the National Children's Strategy and the series of national partnership agreements, including *Sustaining Progress*. Policy in this area has been underpinned by the investment of significant levels of resources in addressing both the symptoms and the underlying causes of disadvantage and social exclusion.

The Role of Education

The education system operates in a context of broader social and economic inequalities. It is recognised that inequities earlier in the education system contribute to the significant under-representation of students from lower socio-economic (SES²) backgrounds entering third level. This is acknowledged in the Education Act, 1998 where educational disadvantage is defined as *"the impediments to education arising from social or economic disadvantage which prevent students from deriving appropriate benefit from education in schools"*.³

At present, different SES groups vary substantially in the extent to which they derive benefit from education in schools and inequities in educational outcomes are evident from the earliest stages of the educational cycle.

*"It is well established that the patterns of inequality, which are manifest at the point of entry to third level, are the result of a cumulative process of disadvantage which first manifest themselves much earlier in the educational cycle. The source of educational disadvantage is rooted in differential economic, social and cultural capital of families."*⁴

Disadvantage at Early Childhood and Primary Level

Educational research from all OECD countries testifies to the importance of the impact of home background characteristics and parental support in the home on the educational development of children. In terms of educational policy responses, these results highlight the value of targeted investment in early childhood and primary education and of addressing the learning needs of parents who are themselves educationally disadvantaged.

Ireland follows the pattern outlined above because, in the most recent National Assessment of English Reading conducted in 1998, the literacy attainment levels of children from disadvantaged backgrounds was found to be significantly lower than the literacy levels of the remaining majority of children⁵. This study also demonstrated that many of the parents of children with poor literacy levels had themselves very low levels of educational attainment.

Disadvantage at Second Level

At second level, there is a considerable amount of evidence of the impact of SES background on educational outcomes. In recent studies/reviews on the subject of broadening access to higher education⁶, three key transitions over the course of second-level education have been identified as critical to the participation of disadvantaged students in higher education.

- Transition 1 – retention through second-level education to sitting the Leaving Certificate examination.
- Transition 2 – performance in the Leaving Certificate examination and whether students obtain sufficient points to qualify for offers from third-level institutions.
- Transition 3 – the transfer rate to higher education of those who have both survived to Leaving Certificate level and achieved a minimum attainment threshold in this examination.

Transition 1 – Retention & Attainment at Second Level

While most people tend to focus on attainment at school through examination results, the more important statistics from the point of view of addressing disadvantage are the retention rates i.e. the number of pupils who remain at school up to Leaving Certificate.

The most recently available data on overall second-level retention rates indicate that approximately:

- 81% of school leavers had taken the Leaving Certificate examination,
- 15% had sat only the Junior Certificate examination
- 4% left before taking the Junior Certificate (i.e. with no qualifications).

These rates of retention vary considerably according to the SES background of school leavers. For example, 8% or less from the two professional groups left school in advance of taking the Leaving Certificate, by comparison with 35% from the 'Unskilled Manual' group.⁷ This means that more than one in every three children from the 'Unskilled Manual' group left school early and did not sit the Leaving Certificate examination.

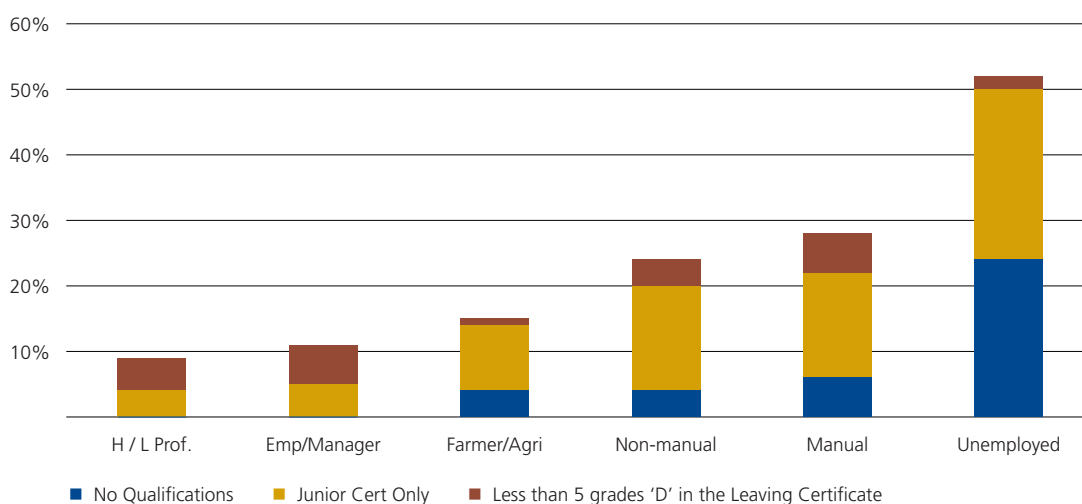
Transition 2 – Performance in the Leaving Certificate Examination

The second transition relates to the level of achievement of those pupils who stay to complete the Leaving Certificate examination. The impact of SES background on the pattern of attainment at this crucial transition is particularly strong.

Among the 1996-'98 school leavers, the majority of the students from 'Higher Professional' (56%) and 'Lower Professional' (51%) groups achieved honours grades in five or more subjects compared with just 12% and 14%, respectively, of those from 'Unskilled' and 'Semi-Skilled Manual' backgrounds. Furthermore, these latter social groups were strongly over-represented among those with lower levels of attainment. For the 'Unskilled' and 'Semi-Skilled Manual' groups, the incidence of those who fail to get at least five grades 'D' is twice the average for all groups.⁸

Figure 1.1 provides an overview of the passage of teenagers through second-level education using data from the 1999 School Leavers' Survey. This chart summarises the proportions of school leavers from different SES groupings that leave school in advance of successfully completing the Leaving Certificate examination. This illustrates the clear and unambiguous relationship between SES background and educational outcomes through second-level education. The proportion of early school leavers varies substantially and consistently according to the SES background of students. Underperformance at this level is particularly severe among pupils whose fathers are unemployed, with an estimated 53% leaving school without a minimum of five grades 'D' in the Leaving Certificate.

Figure 1.1 *Proportion leaving school without a minimum attainment threshold in the Leaving Certificate examination by SES background, 1999.*⁹

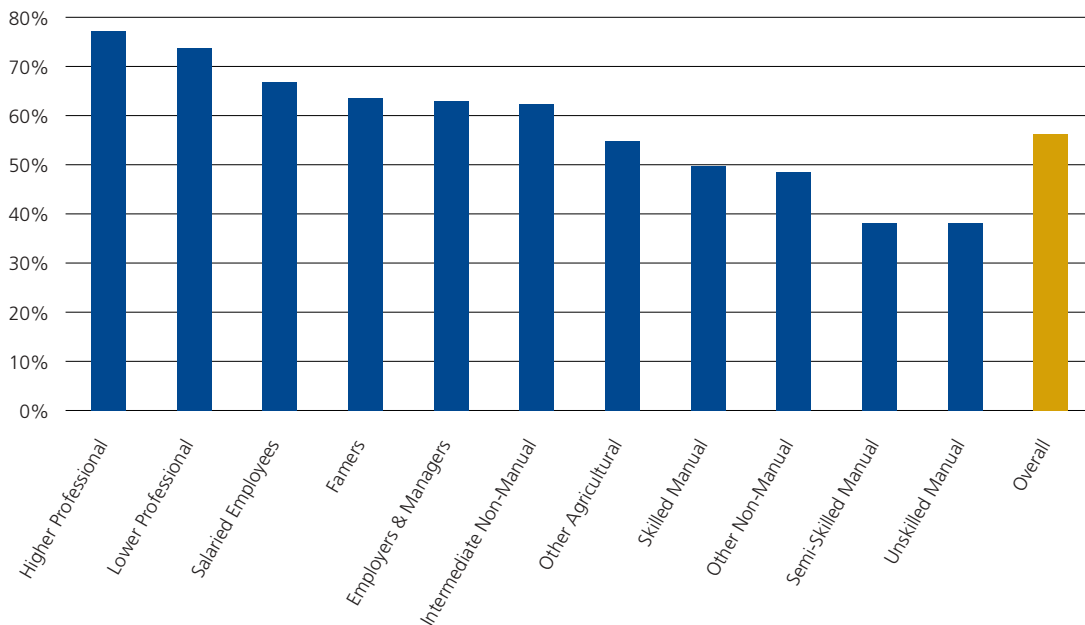


Transition 3 – Transfer to Third Level

The third transition is in respect of those who have both survived to Leaving Certificate level and achieved a minimum attainment threshold in this examination. Figure 1.2 provides details on the transfer rates to higher education among those who got at least 5 grades ‘D’ in the Leaving Certificate, by socio-economic background. These figures indicate that the percentages going on to higher education are lowest for the ‘Unskilled Manual’, ‘Semi-Skilled Manual’, ‘Skilled Manual’ and ‘Intermediate Non-Manual’ groups. Among those who successfully achieve a Leaving Certificate, those from the ‘Higher’ and ‘Lower Professional’ SES groups are twice as likely to transfer to higher education as those from the ‘Semi- and Unskilled Manual’ SES groups.

In addition to the clear need to address issues of retention and examination performance during second-level education, the continuing impact of SES background on progression to higher education is a cause of very serious concern. The disparities in transfer to higher education diminish for the very high performers. However, the continuing impact of socio-economic status at the point of transfer to higher education raises questions about the affordability and the ‘appeal’ of higher education for pupils from lower SES backgrounds, and indeed from the lower middle SES groupings, who successfully obtain a Leaving Certificate.

Figure 1.2 Percentage of School Leavers with a Leaving Certificate who Enrol in Higher Education¹⁰



“For tertiary education to be equitable, early childhood, primary and secondary education, too, must be equitable – otherwise the pool of students is not available”.¹¹

The very high levels of attrition among pupils from disadvantaged backgrounds and from the lower SES groups over the course of these three critical transitions through second-level education highlight the importance of tackling underperformance earlier in the educational cycle. The available evidence demonstrates substantial differences in educational outcomes for young people from the higher and the lower socio-economic groups. Pupils from the lower groups are much more likely to leave school early. Those that remain in school to Leaving Certificate tend to perform more poorly than their peers from the higher SES groups. Finally, even among those who successfully obtain a Leaving Certificate, pupils from the lower SES groups remain substantially less likely to enter higher education.

In education systems throughout the OECD, the SES background of pupils appears to have a major impact on learning outcomes, as clearly illustrated in the recent OECD PISA¹² study on the literacy attainment levels of 15-year-olds across 32 countries. Although it is not statistically legitimate to infer direct causal relationships from the PISA data, characteristics of education systems that have high levels of inequity include early selection, stratification (between school types) and the clustering of disadvantage in specific schools and geographical areas.

“The fuller analysis in the report – Knowledge and Skills for Life (OECD, 2001) suggests that [the impact of] the overall social background of a school’s intake on student performance tends to be greater than the impact of the individual student’s social background. Students from a lower socio-economic background attending schools in which the average socio-economic background is high tend to perform much better than when they are enrolled in a school with a below-average socio-economic intake.”¹³

The analysis of the Irish data indicates that pupils from disadvantaged SES backgrounds tend to cluster within certain areas and within the vocational sector, where pupils demonstrated lower levels of literacy attainment¹⁴ and substantially higher levels of school dropout¹⁵.

Consequences of Educational Disadvantage

Initial educational attainment has a substantial and broad-ranging impact on many aspects of life from personal development to civic engagement and economic well-being. Three aspects of the consequences of initial educational attainment are outlined below:

Future engagement with learning

The link between initial levels of educational attainment and likely participation in further and continuing education is evident right across the OECD and is particularly marked in countries with low levels of overall public provision of adult and second-chance education. It is estimated that Irish adults with third-level qualifications are four times more likely to participate in continuing education than their peers with less than lower second-level qualifications (no Junior/Intermediate Certificate).

“These patterns suggest that initial education and continuing education and training are mutually reinforcing, and that education combines with other factors to make adult training least common among those who need it most”¹⁶.

Participation in the Labour Market

Across the European Union, the unemployment rate of those with higher education is one third of the rate for those with lower levels of educational attainment.¹⁷

The vital importance of education for successful integration into the labour market and the strong link between educational qualifications and employment prospects are firmly established. In fact, the rapidly changing nature of work in modern economies has greatly enhanced the importance of educational qualifications over recent decades.

Returns to Education

There is clear and consistent evidence that third-level education represents a very significant benefit to the individual and that educational attainment is closely correlated with success in the labour market. The most recent OECD study – Education at a Glance, 2002 – shows that the career earnings potential of graduates is significantly enhanced, with a tertiary education delivering an annual earnings premium of 57% in Ireland¹⁸.

The individual returns to education are generally greater for females than males and they are particularly substantial for those from lower SES backgrounds. The individual benefits of third-level education extend well beyond those that can be quantified in financial and statistical terms. Society also benefits from the learning activities of its citizens in the form of active citizenship, cultural enrichment, technological innovation and taxation.

Conclusion

Educational reforms over recent decades have resulted in very substantial increases in participation in post-compulsory education. Here in Ireland, and across the OECD, the expansion of educational opportunities has resulted in much greater gender equality in educational attainment but large disparities remain in terms of the socio-economic, cultural, ethnic and racial background of learners¹⁹.

The worrying tendency for educational disadvantage to cluster in specific schools/areas and to be reproduced across generations raises serious equity issues and highlights the need for effective educational interventions.

The persistence of these inequities against the background of sustained increases in overall participation in second- and third-level education is a feature of all educational systems across the OECD. However, countries differ substantially in the degree of inequity in their learning outcomes. Many of the highest performing countries in the PISA²⁰ 2000 assessments (including Canada, Finland, Iceland, Korea and Sweden) have successfully combined very high overall performance with

high levels of social equity in educational outcomes. This illustrates that equity and excellence are not mutually exclusive in education. In fact, it is clear that these two educational policy objectives can be entirely complementary. The challenge for us in Ireland is to attain the same high levels of equity as the best in the OECD.

The evidence and issues referred to in this chapter have highlighted the central importance of educational policy for the achievement of broad national goals ranging from economic competitiveness to equity and social inclusion.

Educational policy objectives represent a major challenge for public policy makers across the OECD, particularly in the context of finite public resources.

"The rising international competition for increasingly mobile capital entails two contradictory constraints on nations and governments: to reduce taxes on the one hand, and to improve the qualifications of the workforce on the other".²¹

- 1 Kellehan, T: Keynote Paper to National Forum on Primary Education: Ending Disadvantage, Dublin, July, 2002.
- 2 SES means 'Socio-economic status' but is also used as an abbreviation of 'socio-economic' as in "SES backgrounds" or "SES groups".
- 3 Education Act, 1998; Section 32(9).
- 4 Clancy, P. (2001), College Entry in Focus – A fourth national survey of access to higher education, HEA, Dublin. p73.
- 5 Cosgrove, J., Kellaghan, T., Forde, P., Morgan, M., (2000) – The 1998 National Assessment of English Reading – with comparative data from the 1993 National Assessment, ERC, Dublin. pp.73-75. (In the absence of extensive data on the home-background characteristics of the pupils, the eligibility of the parents for medical cards was used as an indicator of disadvantage.)
- 6 Including Clancy (2001), Osborne and Leith (2000) & The Report of the Action Group on Access to Third Level Education (2001).
- 7 These estimates are derived from data supplied by the ESRI and published in Clancy, P. (2001), College Entry in Focus – A fourth national survey of access to higher education, HEA, Dublin, TABLE 28, p.74.
- 8 Clancy, P. (2001), College Entry in Focus – A fourth national survey of access to higher education, HEA, Dublin. p75.
- 9 The data underlying Figure 1.1 are derived from a special tabulation that was requested of the ESRI by the Department of Education & Science during the formulation of the Revised National Anti-Poverty Strategy. Data presented in this chart exclude those categorised as 'other' and 'unknown'.
- 10 Clancy, P. (2001), College Entry in Focus – A fourth national survey of access to higher education, HEA, Dublin. TABLE 30, p.76. The data underlying this chart is from the ESRI School Leavers' Survey, which is a sample-based follow-up survey of school leavers. When compared with Figure 2.4, it would appear that this data underestimates the proportion of school leavers from the Higher and Lower Professional groups that transfer to higher education. The difference between the two results would be largely accounted for by the numbers from the higher socio-economic groups who repeat their Leaving Certificate in private educational institutions.
- 11 Skilbeck & Connell (2001) – Access and Equity in Higher Education: An International Perspective on Issues and Strategies, HEA.
- 12 PISA – The Programme for International Student Assessment: The first cycle of PISA was administered to 15-year-old students in 28 OECD countries and 4 additional countries in 2000. In PISA 2000, the main assessment domain was reading literacy, while mathematical literacy and scientific literacy were minor domains. The PISA assessments are based on the interpretation of knowledge and the acquisition of skills for future life, rather than on the outcomes of specific school curricula. [See www.pisa.oecd.org & www.erc.ie/pisa]
- 13 OECD (2002) Education at a Glance: OECD Indicators 2002, p.88
- 14 Shiel, Cosgrove, Sofroniou, Kelly – 2001: *Ready for Life: The Literacy Achievements of Irish 15-year olds with comparative international data*, Educational Research Centre. – Table 5.14, p.111.
- 15 See Department of Education & Science (forthcoming), Retention of Pupils in Post-Primary Schools.
- 16 OECD (2002) Education at a Glance: OECD Indicators 2002, C4; p.248-249
- 17 European Commission (2003), Communication from the Commission: The role of Universities in the Europe of Knowledge 5355/03, p.5.
- 18 Data taken from the 2000 *Living in Ireland Survey* conducted by the ESRI, and published in OECD (2002) *Education at a Glance, OECD Indicators 2002*, Table A13.1, p.132.
- 19 Hutmacher, W. (2001) *Introduction*, to Hutmacher, Cochrane, Bottani (Ed.s) (2001): 'In pursuit of Equity in Education: Using International indicators to compare equity policies', Kluwer Academic Publishers, Dordrecht/Boston/London.
- 20 Programme for International Student Assessment (see endnote 12 above)
- 21 Hutmacher, W. (2001) *Introduction*, to Hutmacher, Cochrane, Bottani (Ed.s) (2001): 'In pursuit of Equity in Education: Using International indicators to compare equity policies', Kluwer Academic Publishers, Dordrecht/Boston/London, p.12.

Chapter 2

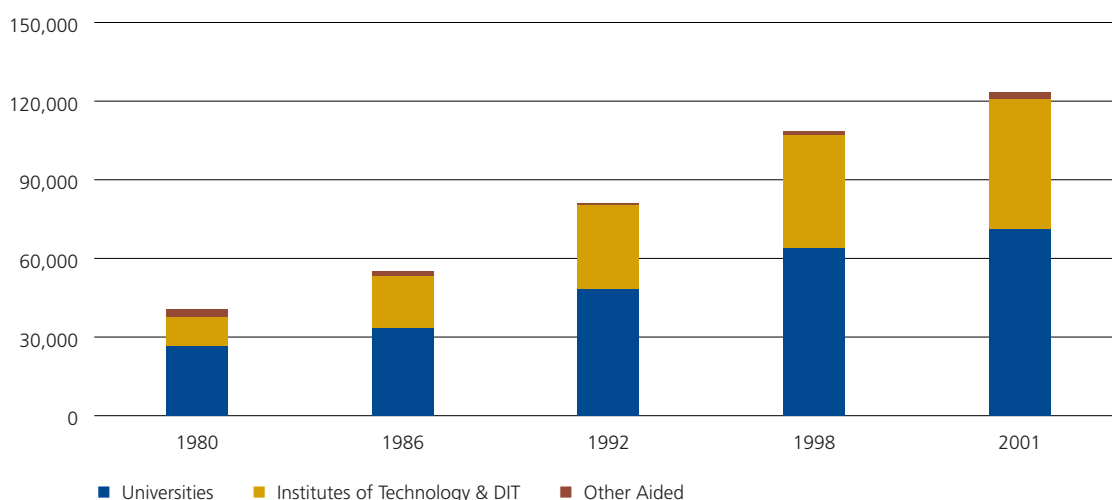
Access to Third-Level Education

Overall Participation in Third-Level Education

The very substantial and steady increase in the number of places at third level over the last 20 years is one of the most remarkable developments in modern Irish education. As outlined in Figure 2.1, the number of full-time enrolments at third level rose from 40,613 in 1980 to 123,477 in 2001.

This expansion of third-level places was one of the critical cornerstones of our overall national economic strategy throughout the difficult 1980s and early 1990s. The availability and supply of substantial numbers of highly qualified graduates with third-level qualifications contributed significantly to Ireland's much improved economic circumstances. Our ability to sustain the current levels of national economic competitiveness in the emerging 'global knowledge-based economy' is critically dependent on an increased output of students at graduate and postgraduate levels.

Figure 2.1 Full-time Enrolments in Third-Level Institutions Aided by the Department of Education and Science, 1980-2001¹



The benefits of the expansion of third-level education over recent years in Ireland are apparent in our much-improved relative position on this measure within the OECD. Table 2.2 provides information on the number of third-level graduates as a proportion of those in the population at typical age of graduation. Ireland has a relatively high output of graduates with Certificates and Diplomas from third-level institutions and a relatively moderate output of graduates with Degrees and Masters. However, the output of graduates from PhD programmes is relatively poor by international standards.

Table 2.2 Tertiary Graduation rates 2000²

Ratio of number of graduates to the population at the typical age of graduation (*100)

	Cert & Diploma	Degree & Masters	PhD
Ireland	15.2%	31.2%	0.8%
OECD Mean	11.2%	25.9%	1.0%
Ranking	4th of 14	7th of 17	14th of 25

Participation in Third-Level Education by SES Background

Despite the large increase in the numbers attending third level, there are still a number of socio-economic groups that are seriously under-represented. Table 2.3 presents data from each of the four *National Surveys of Access to Higher Education* (Clancy, P.) on the representation of students from various socio-economic groups among entrants to higher education.

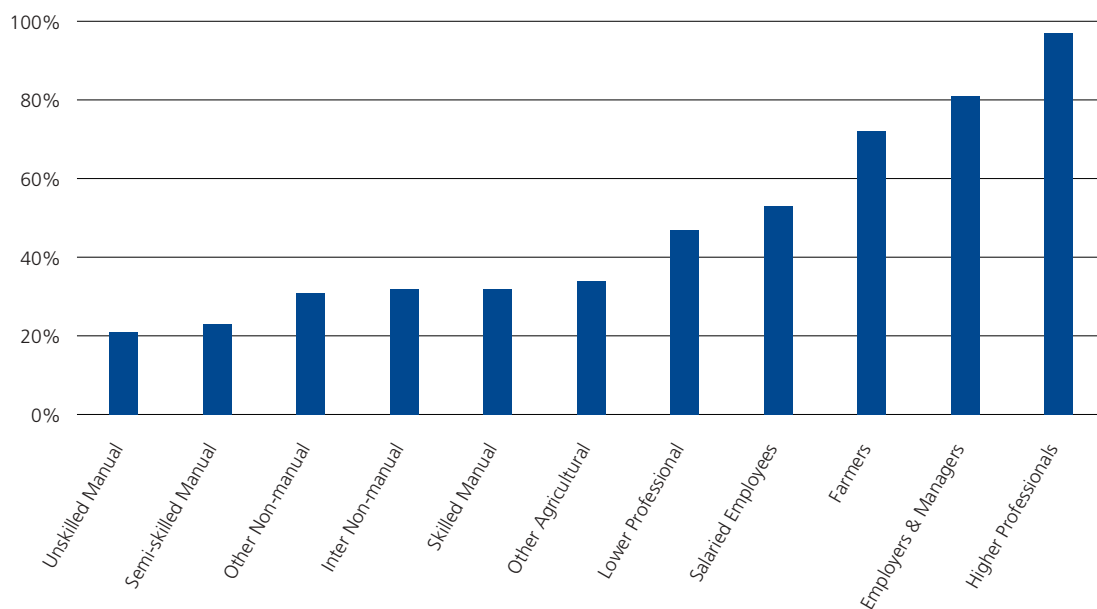
The percentages presented in the bottom row 'TOTAL' are the estimated overall proportions of 17/18 year olds that entered third-level institutions as full-time students for the various years. By 1998, this overall entry rate to higher education had risen to 44%. This rise is not evident among all socio-economic groups. Those groups that are under-represented among third-level entrants are highlighted in the table.

Table 2.3 *Estimated Percentage of Age Cohort Entering Full-time Higher Education by Fathers' Socio-economic Group: 1980 to 1998³*

Socio-Economic Groups	1980	1986	1992	1998
Higher Professionals	59%	72%	85%	97%
Employers and Managers	42%	45%	67%	81%
Farmers	30%	42%	53%	72%
Salaried Employees	59%	58%	48%	53%
Lower Professional	33%	47%	42%	47%
Other Agricultural Occupations	6%	12%	24%	34%
Intermediate Non-Manual Workers	22%	28%	27%	32%
Skilled Manual Workers	9%	13%	28%	32%
Other Non-Manual Workers	9%	11%	26%	31%
Semi-Skilled Manual Workers	9%	11%	19%	23%
Unskilled Manual Workers	3%	4%	12%	21%
Total	20%	25%	36%	44%

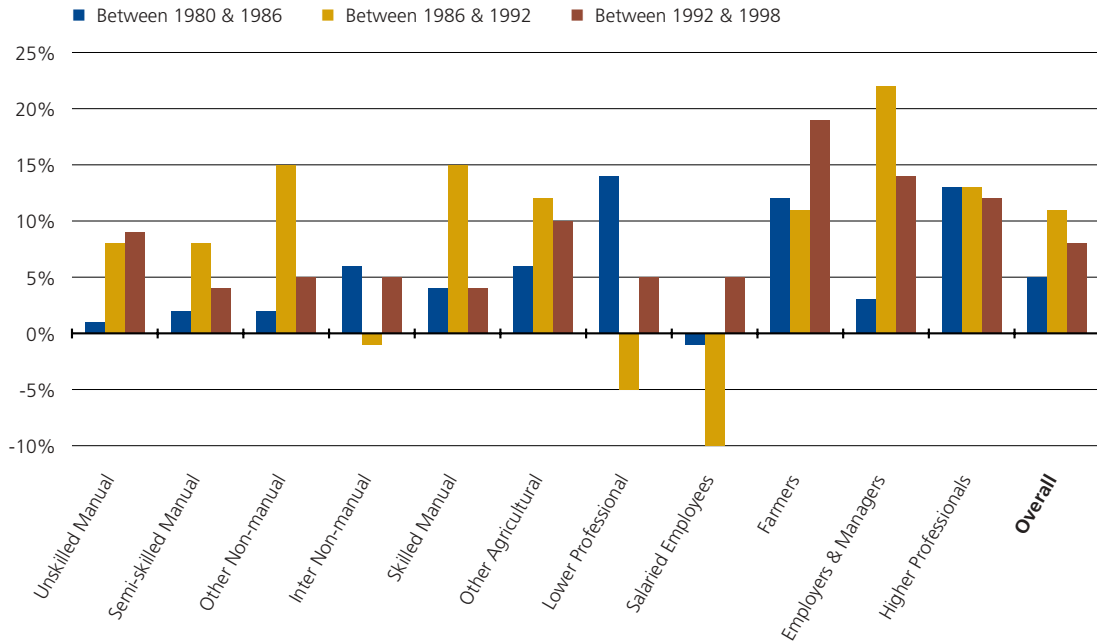
Figure 2.4 presents the results from the 1998 survey and clearly illustrates that students from the lower socio-economic groupings continue to be severely under-represented in third-level institutions. In 1998, almost all children from the 'Higher Professional' group entered higher education. In sharp contrast to this, only one in five or 21% of children from an 'Unskilled Manual Worker' background entered higher education.

Figure 2.4 *Estimated Percentage of Age Cohort Entering Higher Education by Socio-Economic Status, 1998⁴*



While almost all social groups have experienced increases in participation since 1980, the greatest beneficiaries of the expansion of third-level opportunities have been the 'Higher Professionals', the 'Employers & Managers' and the 'Farmers' who recorded the greatest improvement in participation between 1980 and 1998. The lowest SES groups did experience improved rates of participation over the period, but these improvements did not match the substantial increases in participation among other SES groups. Hence, the lower SES groups remain disproportionately under-represented in third-level education. Figure 2.5 illustrates more clearly changes over time in the participation of SES groups at third level between 1980 and 1998.

Figure 2.5 Changes Over Time in the Percentages Entering Higher Education, by Socio-Economic Status⁵



The greatest increase in overall participation at third level occurred between 1986 and 1992 when the overall participation rate rose by 11 percentage points from 25% to 36%. However in this same period, there was a decline in the proportions of 'Salaried Employees' and 'Lower Professionals' entering third-level education. Many within these groups would not have qualified for means-tested fee relief or maintenance grants. For certain families, the resulting costs of third-level education may have acted as a disincentive. One possible conclusion from the improved participation of these groups between 1992 and 1998 is that the abolition of fees for undergraduate studies in 1995 may have helped to reduce or eliminate this disincentive.

The data from the National Surveys of Access to Higher Education are the most comprehensive data on the subject of equity in higher education. Table 2.6 provides further data on the proportions of new entrants to higher education from each of the SES groups for various years between 1991 and 2001. This table combines data published by the HEA in its Annual Reports with equivalent data collected by the Department of Education and Science in respect of the Institutes of Technology and other publicly aided third-level institutions.

Table 2.6 *Socio-Economic Status of Entrants to Full-Time Undergraduate Programmes in Publicly Aided Third-Level Institutions, 1991-2001⁶*

Socio-Economic Groups	1991-92	1994-95	1995-96	1998-99	2000-01
Higher Professionals	11.4%	10.3%	9.9%	11.4%	12.2%
Employers and Managers	14.8%	14.0%	15.1%	15.7%	15.4%
Farmers	18.5%	19.2%	18.2%	16.2%	15.0%
Salaried Employees	10.0%	7.1%	6.7%	6.2%	7.4%
Lower Professional	10.8%	11.9%	12.6%	13.7%	12.7%
Other Agricultural Occupations	1.9%	1.8%	1.3%	1.6%	1.5%
Intermediate Non-Manual Workers	7.8%	9.2%	8.2%	7.6%	7.5%
Other Non-Manual Workers	6.3%	7.7%	7.5%	7.7%	7.9%
Skilled Manual Workers	11.6%	12.3%	13.4%	13.6%	13.8%
Semi-Skilled Manual Workers	3.6%	4.0%	4.1%	3.8%	3.7%
Unskilled Manual Workers	3.3%	2.6%	2.9%	2.5%	2.9%
Total	100%	100%	100%	100%	100%

* Note that these figures are a different type of measure to those provided in Table 2.3 above. The figures in Table 2.3 are estimates of the total number of third-level entrants from each SES group as a proportion of the number of 17/18 year olds in the population from each of those SES groups. The figures provided here are estimates of the percentages of total entrants coming from each of the SES groups. For each of the years concerned, information was obtained on the SES background of approximately 80% of entrants.

The above figures indicate that there has been little or no improvement in the proportion of third-level entrants from the lower socio-economic groups over the period 1991 to 2001. In fact, these data suggest that the 'Unskilled Manual Workers' constituted a smaller proportion of entrants in 2001 than they did in 1991. It should be remembered that over the 1990s, overall participation at third level increased substantially. Accordingly, all SES groups would have experienced an actual increase in participation. However, the relative inequities in participation would appear to have remained substantially unchanged. Indeed, within the university sector, the lower socio-economic groups represented an even smaller proportion of entrants in 2001 than they did in 1995.

In relation to the lower socio-economic groups, their persistent under-representation in higher education is, in many ways, a product of the high levels of attrition and under-performance among these groups through second-level education. But even those who achieve a minimum threshold in the Leaving Certificate examination remain significantly less likely to transfer to higher education than their peers from higher socio-economic groups.

For these (lower SES) groups, economic considerations, especially the short-term opportunity costs of staying in education and not entering employment, become highly significant at the point of transfer to higher education⁷. This raises questions about the adequacy of the maintenance grant for those coming from households with little or no disposable income. The Action Group on Access to Third Level Education recognised the importance of the level of financial supports and made recommendations relating to the introduction of the 'top-up' grant.

SES participation by Type of Institution and Field of Study

Further analysis of the Clancy data shows substantial differences in participation by type of institution and by field of study.⁸ All of the surveys of access to higher education since 1980 indicate that the higher SES groups are very highly represented in the university sector while the lower SES groups have their highest representation in the non-university sector.

Research on the crucial issue of retention through third-level education indicates stark differences in the rates of non-completion across the sectors. At 42.6%, the rate of non-completion in the Institutes of Technology is more than twice the rate found in the university sector.⁹ These findings suggest that students from lower SES groups may be at much greater risk of dropping out of third-level education and therefore, the proportion of students from lower-income families at entry to third level is likely to decline even further before graduation.

Having examined participation by sector and by field of study within each sector, Clancy concludes that “the present study replicates the finding that the more prestigious the sector and field of study, the greater the social inequality in participation levels”.¹⁰ The majority of entrants to the more prestigious subject domains within the university sector (e.g. Medicine & Law) come from the higher SES groups. The under-representation of students from the lower SES groups in these fields of study is particularly striking.

Participation by Geographical Area

The national surveys on access to higher education also provide some detail on the variation in participation in third-level education by geographical area. When transfer to third-level institutions in Northern Ireland is taken into account, the counties of Connaught and west Munster display the highest levels of participation in third-level education, with the poorest participation levels coming from the East, Midlands and the South East¹¹. Dublin records the lowest levels of participation at third level.

The most recent survey of access provides a very interesting further analysis of participation by postal district within Dublin. This reveals substantial differences in entry to third level by students from different geographical areas within Dublin City and County. For example, the proportion going to higher education ranges from over 77% in one area of Dublin to less than 10% in other, more disadvantaged, areas.¹²

Recent analysis of data from the Department’s Post-Primary Pupil Database¹³ indicates that those areas which display the lowest levels of participation at third level also have the highest rates of early school leaving through second-level education.

These substantial differences in participation by geographical area are very much a product of differential participation by SES groups. However, the degree of these inequalities does reinforce the OECD evidence that educational outcomes tend to be particularly poor where disadvantage clusters within specific areas and specific schools. These findings again draw attention to the importance of avoiding the clustering of disadvantage within and outside schools and highlight the importance of an integrated approach to social inclusion policies across a range of Government Departments.

Access – An Economic Imperative

In examining the issue of access to third-level education, it is worth remembering the overarching strategic objective outlined by the Review Committee on Post-Secondary Education and Training Places in their 1999 Report:

“We believe that the appropriate strategic objective for Ireland is to first achieve and then maintain a position well within the top quarter of OECD countries in terms of the participation of the population in post second-level education and training and in the quality of that education and training. In this regard, it will be important to take into account the major expansion in provision that is currently underway in competitor countries.”¹⁴

The rapid expansion of third-level education over recent years has resulted in substantial improvements in our overall levels of participation in post second-level education and training. Table 2.2 illustrates that Ireland is in the top quarter of the OECD in terms of the output of graduates at Certificate and Diploma level, in the second quarter for Degrees and Masters and below the OECD average in the third quarter in respect of PhD graduates.

This strategic objective is very much a moving target, given the continuing expansion of higher education internationally. In this increasingly competitive global scenario, performance at OECD averages will not suffice. Ireland needs to achieve placement in the top quarter of OECD countries in terms of graduate output at all levels to ensure national economic competitiveness, particularly in the context of the knowledge economy.

Bearing in mind the demographic decline in the numbers of Leaving Certificate candidates (described later in Chapter 5), improving, and indeed, maintaining current third-level enrolments and graduations will urgently require a substantial broadening of the profile of entrants and graduates in our colleges and universities. The broadening of access to third-level education is therefore necessary, not solely on grounds of equity and social justice. It is an economic imperative that must be achieved in order to maintain and improve our national economic competitiveness.

- 1 Figure 2.1 is based on data published annually by the Department of Education & Science in the Tuarascáil Staitistiúil (Annual Statistical Report). Years prior to 2001 were selected as reference years because they correspond to the National Surveys of Access to Higher Education (Clancy, P.), which comprise much of the available evidence on the subject of access to third-level education.
- 2 OECD (2002), Education at a Glance: OECD Indicators 2002: Table A2.1; p.46 (ChartA2.1; p.39)
- 3 Clancy, P. (2001), College Entry in Focus, HEA, Dublin. TABLE 25, p.68 - as published in The Report of the Action Group on Access to Third Level Education (2001), p.33.
- 4 Figure 2.4 provides a graphical illustration of the 1998 data presented in Table 2.3.
- 5 Again drawing from the data presented in Table 2.3 above, Figure 2.5 illustrates the actual changes over time in the proportional representation of SES groups among third-level entrants. This represents the change in the estimated proportional representation between each of the consecutive National Surveys of Access to Higher Education (Clancy, P.). For example, the estimated percentage of 17/18 year-olds from the 'Intermediate Non-Manual' SES group who entered higher education changed from 22% in 1980 to 28% in 1986 – an actual change of +6%. At the later time of the 1992 survey, an estimated 27% of young people from this group entered higher education, representing an actual change of –1% between 1986 and 1992. Note that given the very large disparities in the baseline data (1980) and the very small percentages for certain lower SES groups, it is more policy-relevant and more statistically valid to discuss actual increases in representation, as outlined above, rather than 'percentage increases' or 'rates of change' when examining changes over time.
- 6 This table combines data published annually by the HEA in respect of the universities with data collected by the Department of Education and Science in respect of the Institutes of Technology.
- 7 Report of the Action Group on Access to Third Level Education (2001), p.53
- 8 Clancy, P. (2001), College Entry in Focus – A fourth national survey of access to higher education, HEA, Dublin. pp.54-57 & Appendix Tables A12, A13 & A14.
- 9 Morgan, M., Flanagan, R. and Kellaghan, T. (2001), A Study of Non-Completion in Undergraduate University Courses, Higher Education Authority. See also www.councilofdirectors.ie
- 10 Clancy, P. (2001), College Entry in Focus – A fourth national survey of access to higher education, HEA, Dublin, p.158.
- 11 Ibid., TABLE 44, p.117.
- 12 Ibid., TABLE 47, p.125.
- 13 Department of Education & Science (forthcoming), Retention of Pupils in Post-Primary Schools.
- 14 Report of the Review Committee on Post-Secondary Education and Training Places (1999), p.1.

Chapter 3

Context of the Review

Context

A priority of education policy is the promotion of greater equity in participation at all levels. Promoting greater equity in higher education requires investment, not only at third level, but also at pre-school, first and second levels, and in the further education sector. This is necessary in order to maximise the size of the available pool of potential third-level candidates, particularly from disadvantaged backgrounds. It is necessary, therefore, to consider the relative merits of the cases for investment at all levels of the system when seeking to achieve an objective in relation to participation at third level.

The report of the Action Group on Access to Third Level Education, published in July 2001, examined many of the broader issues which result from the cumulative process of disadvantage first manifest at an early stage of the educational cycle¹.

In examining the present system of student supports, it is important to recognise that, in every area of public expenditure, resources are finite. The Agreed Programme for Government contains a commitment to building "...a greater culture of review of public spending by publishing regular evaluations of key spending programmes".² The need to prioritise expenditure is particularly important in a climate of increased national and global economic uncertainty. Within the education sector, this need applies not just across the different levels of education but also between competing demands in the third-level area.

Rationale

The rationale for this review centres on the need to improve equity in third-level education. It also stems more immediately from the lack of success of the free fees initiative, introduced in 1995, in contributing significantly to the achievement of these goals.

Undoubtedly, significant benefits accrue to society as a whole from the provision of third-level education. These benefits are both social and economic. Indeed, the need for Ireland to maintain and improve its international competitiveness by moving up the value chain to become a knowledge-based innovation society places the development of and support for a strong research capacity and a vibrant third-level education system at the forefront of our national policy priorities. In this context, investment in third-level education is clearly an investment in Ireland's social and economic future. It is appropriate, therefore, that the State should contribute to its costs. The State invested over €1,400 million on the provision of third-level education in 2002.

OECD studies have shown that a third-level degree qualification attracts a particularly high premium throughout an individual's working life. These findings in relation to the individual benefits of a higher education are common throughout the OECD. Clearly, this represents a very significant private return for the public investment made in third-level education. From an equity perspective, this reinforces the case for requiring a contribution from the individual who benefits most from third-level education.

This position was supported by the report of the Advisory Committee on Third-Level Student Support, published in 1995. The report concluded that,

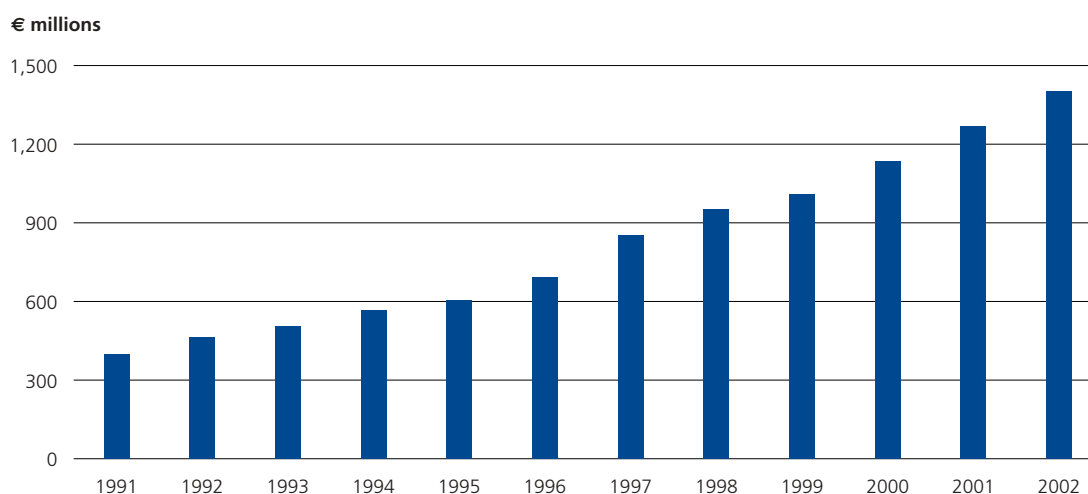
*"Because access to higher education has important influences on life chances...the State has an interest in ensuring that those who can benefit from higher education are not denied it due to lack of means...[and] that those who have the means to do so should contribute towards the cost of their higher education"*³.

In its deliberations on financial support, the Action Group on Access to Third Level Education stated,

*"The Action Group believes that it is not equitable or efficient for students from more advantaged social backgrounds to be in receipt of financial aid from the State to attend higher education. While the most effective interventions designed to reduce inequality can be made at earlier stages of education, it is also necessary to look specifically at the point of transition from second level to third level. At this stage, economic considerations, especially the short-term opportunity cost of staying in education, become highly significant"*⁴.

Exchequer Investment in Higher Education

The total annual Exchequer investment in higher education since 1991 is outlined in Figure 3.1. This clearly shows that expenditure on higher education has increased substantially over the last decade rising from just under €400m in 1991 to just over €1,400m in 2002. This steadily increasing investment, which facilitated the development of new third-level institutions and the expansion of existing institutions, contributed to the significant growth in third-level enrolments that has been achieved over the period.

Figure 3.1 Total Public Expenditure on Third-Level Education 1991-2002⁵

Expenditure on Third-Level Student Supports

Of the €1,401 million spent by the Exchequer on the provision of higher education in 2002, some €836 million related to recurrent grants to institutions and a further €183 related to capital expenditure. The balance of €382 million was spent on student supports (tuition fees/charges and maintenance grants), representing 27% of the total public expenditure on third-level education.

The expenditure on third-level student supports provided by the Department is detailed in Table 3.2:

Table 3.2 Expenditure on Third-Level Student Supports in 2002

Student Supports	Expenditure in 2002	%
Non means-tested ('free') tuition fees	€240m	63%
Means-tested Maintenance Grants	€94m	24%
Means-tested support for fees and registration charges	€26m	7%
Targeted supports under the Third-Level Access Fund	€22m	6%
Overall Expenditure	€382m	100%

'Free' Fees

By far the greatest level of expenditure on student supports (almost two-thirds of available funding) is devoted to the provision of free tuition fees. Entitlement to this support is neither means-tested nor targeted and it is estimated that over 20% of the provision goes directly to subsidise students from households with incomes in excess of €70,000 per annum.

The Exchequer already effectively subsidises tuition costs to a very substantial degree for all students through the provision of some €836 million in recurrent grants to institutions. Given the disproportionately high representation of those from better-off backgrounds in third-level education, and within third-level education in certain courses, the untargeted spending of 63% of the student support provision on free fees means that this group is subsidised to an even greater degree by the taxpayer.

The tuition fee represents only a proportion of the unit cost of providing a particular course. Table 3.3 provides an estimate of the current average fees and their relationship to unit costs. Effectively, the difference between the level of tuition fees and unit costs represents the significant level of additional Exchequer subsidy provided by way of recurrent grants (the 'block grant') to institutions.

Table 3.3 Fees as a Percentage of the Unit Cost by Field of Study⁶

Undergraduate Programme	2002/03 Average Fee including €670 charge	Estimated Full Unit Cost per Annum	Fee as a Percentage of Unit Cost
University Sector			
Arts/Law	€3,601	€6,044	60%
Business	€3,782	€5,820	65%
Science	€4,683	€8,204	57%
Engineering	€4,669	€9,270	50%
Medicine	€5,167	€8,815	59%
Dentistry	€6,219	€24,890	25%
Veterinary	€6,437	€20,577	31%
IoT Sector			
Cert/Diplomas	€1,633 – €1,694	€7,100-€7,058	23% – 24%

The background to the introduction of the free fees initiative is outlined in Appendix 2 and Appendix 3 provides details on its scope and application.

Maintenance Grants

The Department operates three means-tested grant schemes for students in higher education. The Higher Education Grants Scheme is administered by the local authorities, while the Vocational Education Committees administer the VEC Scholarship Scheme and the Third-Level Maintenance Grants Scheme for Trainees. The three schemes have been increasingly aligned in recent years and are now broadly similar – it is Government policy to introduce a unified scheme.

Students can apply for means-tested assistance for living expenses in the form of a maintenance grant – €94m was provided for this purpose in 2002. An additional €26m was made available through these schemes to provide for means-tested grants to meet the €670 student registration charge and tuition fees, where these are payable. Details concerning eligibility, income thresholds, grant levels and numbers of recipients are set out in Appendix 3.

Programmes Funded by the ESF Third-Level Access Fund

Top-Up Grants

The payment of special increased rates of maintenance grant to disadvantaged students was introduced with retrospective effect from the 2000/01 academic year, based on recommendations and criteria drawn up by the Action Group on Access to Third Level Education. The rates of these special grants are currently €4,000 non-adjacent and €1,600 adjacent, i.e. a top-up of €1,490 and €596 respectively on the standard rate of maintenance grant. To qualify for a top-up grant the grant-holder must be entitled to a full grant and the grant-holder's total reckonable income must not exceed €12,419 per annum and must include a specified social welfare payment. The number of students qualifying for top-up grants in 2002/03 is 7,498 (provisional) having increased from 2,570 in 2000/01.

The Student Assistance Fund

The operation of the Fund is devolved to the third-level institutions and allocations are based on total enrolments. The Fund amounted to €8.94m in 2002, enabling colleges to assist disadvantaged students who require additional support to allow them to fully benefit from their third-level studies. Students can be assisted towards their rent, childcare costs, transport costs and additional tuition. Over 7,000 students were assisted during the 2001/02 academic year.

Millennium Partnership Fund for Disadvantage

This Fund provides assistance to Area Partnerships and Community Groups to enable them to assist disadvantaged students in accessing and completing third-level education. A provision of €2m was allocated to Area Development Management (ADM) Ltd in 2002 to support initiatives by some 50 Partnerships and Community Groups in the 2002/03 academic year.

Special Fund for Students with Disabilities

This Fund assists third-level students who have special needs. Grants are provided for the purchase of special equipment, special materials, technological aids, targeted transport services and sign language assistance/interpreters. There are standard amounts payable from the fund for specific services. The fund amounted to €3.7m in 2002 and over 1,000 students were approved for funding.

Other Supports

The Revenue Commissioners provide for tax relief at the standard rate on “fees chargeable in respect of tuition” for approved undergraduate and postgraduate courses. The relief does not apply to the student registration charge. The cost of tuition fee relief in 2000/01 is estimated at €2.9m, involving 7,400 claimants.

The Department of Social and Family Affairs operates the Back to Education Allowance Scheme which allows people in receipt of certain social welfare payments to pursue approved courses.

The Department of Health and Children is funding the new four-year nursing degree programme on an interim basis. Costs for fees and maintenance grants are in the region of €32m and are due to be met by the Department of Education and Science through its student support schemes after the initial five-year period.

- 1 Report of the Action Group on Access to Third Level Education (2001)
- 2 Agreed Programme for Government between Fianna Fáil and the Progressive Democrats (2002), p.31
- 3 Report of the Advisory Committee on Third-Level Student Support (1993), p.4
- 4 Report of the Action Group on Access to Third Level Education (2001), p.52-53
- 5 Source: Department of Education & Science, Statistics Section (2002) – Key Education Statistics 1990/91-2000/01. Note that the expenditure figure for 2002 is provisional.
- 6 The unit costs underlying the comparisons in the university sector are based on the unit costs prepared by the HEA for 1999/2000 and have been inflated by the annual fee increase. The unit cost in the IoT sector is for the Cert/Diploma programmes in the 1999 financial year inflated by the annual fee increase.

Chapter 4

Supporting Equity: Policy Options

Moving towards Greater Equity

The policy options arising from this Review have been developed on the basis of the need to improve equity in access to higher education. Education has enormous potential to address inequality and disadvantage. However, the evidence presented in relation to participation at third level suggests that this potential is not being maximised. The evidence is clear – 97% of young people from the highest income group enter higher education. Only 21% of those from the lowest income group do so.

Young people from lower-income families face social, cultural, educational and financial barriers to participation in higher education. Some of these barriers must be addressed in families, schools, communities and in the third-level institutions themselves. However, key obstacles must also be addressed by the Department through the provision of targeted financial support accompanied by clear and accessible information on entitlements.

For families with little or no disposable income, the financial costs of continuing in education represent a real and substantial obstacle to participation in higher education. Research has highlighted the importance of addressing this critical issue.¹ The Action Group on Access to Third Level Education concluded that economic considerations were highly significant at the point of transfer to higher education.² Key recommendations made by the Action Group strongly reflect the importance of targeting greater levels of support at families on the lowest incomes.

In relation to the adequacy of the general schemes of maintenance grant, it has been contended that *“there is a clear and wide gap between the level of student financial support provided by the Government and the cost of going to college for students”*.³ It is argued that this gap deters disadvantaged students from planning to go to college, stops those with the necessary points from accepting places, leads to significant non-completion and requires students to work excessive part-time hours to sustain themselves in education. It is also argued that the real value of maintenance grants has been eroded in the recent past, due mainly to large increases in rent.

The expenditure options outlined below reflect a range of proposals with regard to maintenance grants and the funding priorities outlined in the Report of the Action Group on Access to Third Level Education.

Maintenance Grants: Options

Basic living expenses represent a significant cost for many students in third-level education and for many parents who struggle to support them. As a result, these act as a disincentive for students from families with little or no disposable income. Given the important impact of economic and financial barriers on participation in higher education, the provision of means-tested maintenance grants is currently the primary mechanism for promoting equity in access to third level.

The level and coverage of the maintenance grant is therefore an important factor in encouraging participation. Particularly for lower-income groups, adequacy of and entitlement to maintenance support influences, not only those who are already in higher education, but also the plans and aspirations of second-level students and their families.⁴ Table 4.1 presents a range of options detailing possible increases in grant levels, eligibility thresholds and more graduated reductions of maintenance grant entitlement.

The first three illustrations in Table 4.1 (A1 to A3) provide for increases in the level of the maintenance grant and are costed on the basis of eligibility under current income thresholds.

Illustrations A4 to A6 provide for increases in the income thresholds, making support available to a greater number of students. These thresholds currently stand at €29,228 for a full grant and €30,965 for a half grant at the basic rate (see Appendix 3).

The final set of illustrations (A7 to A9) introduces a more gradual reduction in grant level as income levels increase.

Table 4.1 – Extending Maintenance Grant Levels and Entitlement

No.	Illustrations (based on basic, non-adjacent rates)	Estimated Full-Year Cost
Increase Grant Levels		
A1.	Increase grant levels by 5%	€5.3m
A2.	Increase grant levels by 10%	€10.6m
A3.	Increase grant levels by 15%	€15.9m
Increase Coverage (Thresholds only)		
A4.	Increase thresholds as follows: €0k to €30k for full grant; €30k to €35k for half grant	€9.6m
A5.	Increase thresholds as follows: €0k to €30k for full grant; €30k to €40k for half grant	€19.0m
A6.	Increase thresholds as follows: €0k to €35k for full grant; €35k to €40k for half grant	€28.5m
Increase Coverage (Thresholds and Gradations)		
A7.	Increase thresholds as follows: €0k to €30k for full grant; €30k to €32k for 75% grant; €32k to €34k for half grant; €34k to €36k for 25% grant.	€11.6m
A8.	Increase thresholds as follows: €0k to €30k for full grant; €30k to €33k for 75% grant; €33k to €36k for half grant; €36k to €39k for 25% grant.	€17.2m
A9.	Increase thresholds as follows: €0k to €32k for full grant; €32k to €34k for 75% grant; €34k to €36k for half grant; €36k to €38k for 25% grant.	€19.2m

Action Group on Access: Options

Recommendations presented in the Report of the Action Group on Access to Third Level Education provide a range of options on how increases in student supports might be targeted at students from the most disadvantaged backgrounds with a view to increasing access and participation. Key recommendations relating to expenditure on student supports are outlined and costed in Table 4.2.

Table 4.2 – Action Group Recommendations on Student Supports

No.	Recommendation	Estimated Full-Year Cost
Special Rates of Maintenance Grant ('Top-up' Grant)		
B1.	Extend thresholds for 'Top-up' grants to 60% of average industrial earnings (€15,942 as at September 2002)	€4.2m
B2.	Increase the amount of the special rate of maintenance grant to actual student living costs (based on the State-recognised measure of income support, maximum personal rate of Unemployment Benefit/Assistance – €124.80 p.w.)	€4.7m
B3.	Extend thresholds for 'Top-up' grants to 75% of average industrial earnings (€19,927 as at September 2002)	€5.9m
Repeat Year		
B4.	Extend the scope of the schemes of maintenance grants and free fees to allow students in receipt of the special rate of maintenance grant to repeat a single year, without losing their grant	€3.5m
Part-Time Students		
B5.	Payment of fees for part-time students who are medical card holders, recipients of unemployment payment, means-tested welfare, or Family Income Supplement, or their dependants.	€3.4m – €5m
Mature Students		
B6.	Set up a targeted Higher Education Mature Student Fund, to be administered by the National Office for Equity of Access to Higher Education (recommended that the fund should increase on a phased basis to €12.7m per annum)	€2m

The Action Group also recommended that existing supports for students with disabilities be strengthened through the development of the Special Fund for Students with Disabilities. Expenditure on provision for disability in 2002, at €3.7m, achieved a level more than double that recommended in the Report of the Action Group. In real terms, this represents additional funding of, on average, some €3,480 per student per annum. However, significant progress remains to be made towards the report's related target participation level of people with disabilities in third-level institutions – 1.35% by 2003.

Policy Options

It is proposed that a combination of the measures in Tables 4.1 and 4.2, aimed both at increasing the level and coverage of the maintenance grant and implementing specific recommendations of the Action Group, would be required in order to effectively impact on equity in higher education. On this basis, three policy options have been developed and are outlined below. These policy options are presented in order of their potential to address the inequities in participation in higher education.

Examples of the effects of the policy options are based on the non-adjacent basic rate of maintenance and top-up grant. Further increases in grant eligibility thresholds apply to larger families and to families with more than one student at third level (see Appendix 3).

It should be noted that the implementation of some measures impacts on the cost of others. Therefore, the overall cost of a combination of measures amounts to less than the sum of the items costed individually, as outlined in Tables 4.1 and 4.2.

Policy Option 1	
A3	Increase grant levels by 15%
A9	Extend thresholds and increase gradations as follows: €0k to €32k for full grant; €32k to €34k for 75% grant; €34k to €36k for half grant; €36k to €38k for 25% grant.
B2	Increase the amount of the 'Top-up' grant to the maximum personal rate of Unemployment Assistance
Estimated Overall Cost	
€38.7m	

Policy Option 1 combines substantial improvements in the level and the coverage of the maintenance grant for those on low to moderate incomes with increases in the level of 'Top-up' grant for those most disadvantaged.

A 15% increase in the level of maintenance grant will provide a realistic increase in the level of support to meet the basic living expenses of students from families with low to moderate incomes. Students from these families will receive an increase of €377 over the current rate of €2,510 bringing the basic rate of grant up to €2,887.

This option also provides for a significant extension in the coverage of the maintenance grant. Eligibility for the full rate of grant will be extended from the current threshold of €29,228 to €32,000 increasing by an estimated 5,000 the number of students from lower-income families who will qualify for a full maintenance grant. Increased numbers of gradations have also been introduced, further extending the coverage of eligibility for part grants. Some 11,000 students from families with incomes under €38,000 who do not qualify for any grant-aid under the current system, will become eligible for some level of maintenance grant.

The Action Group Report on Access to Third Level Education recommended the introduction of 'Top-up' grants at special rates for those in the lowest income groups. Students from families earning less than €12,253 and in receipt of certain welfare payments qualify for these special rates. The Action Group considered that the 'Top-up' grant should bring the overall level of maintenance support for the most disadvantaged students up to *"a level which relates to actual living costs"*⁵ in order to remove the financial barrier to access.

The personal rate of Unemployment Benefit/Assistance is the State-recognised level of support for this purpose. Adopting this level, eligible students will receive an increase of €493 over the current rate of €4,000 bringing the overall rate of grant up to €4,493. This rate will have the added advantage of giving the benefit of the full rate of welfare assistance to the most disadvantaged students, thereby removing one of the most significant financial disincentives to participation in higher education.

Table 4.3 – Examples of the effects of Policy Option 1 at different levels of income⁶

Income level	Supports under current system	Net additional benefit	Supports under Policy Option 1
Top-up grant	€4,000	€493	€4,493
€29,000	€2,510	€377	€2,887
€30,000	€1,255	€1,632	€2,887
€31,000	€1,255	€1,632	€2,887
€32,000	None	€2,887	€2,887
€34,000	None	€2,165	€2,165
€36,000	None	€1,444	€1,444
€37,000	€670 charge	€1,392	€722
€40,000	€670 charge	€670	None (no charges)
More than €40,000	€670 charge	None	None

Table 4.3 outlines the impact of Policy Option 1 on the entitlement of students from families at different levels of household income.

Policy Option 2	
A2	Increase grant levels by 10%
A8	Extend thresholds and increase gradations as follows: €0k to €30k for full grant; €30k to €33k for 75% grant; €33k to €36k for half grant; €36k to €39k for 25% grant.
B2	Increase the amount of the 'Top-up' grants to the maximum personal rate of Unemployment Assistance
Estimated Overall Cost	
€31m	

Policy Option 2 shares a number of the key features of Policy Option 1, including an increase in maintenance grant levels (by 10% in this case) and the introduction of the maximum personal rate of Unemployment Assistance as the new rate of 'Top-up' grant for the most disadvantaged. With regard to this latter group, an increase in the level of 'Top-up' is regarded as a priority.

Full maintenance grant at the increased rate will be extended to a further 1,700 students. In overall terms, an additional 13,000 students from families with incomes under €39,000 who do not qualify for any grant-aid under the current system, will become eligible for some level of maintenance grant. As in the other options, the increased number of gradations will reduce the loss of support due to small increases in income at the margins of the thresholds.

Policy Option 3	
A2	Increase grant levels by 10%
A7	Extend thresholds and increase gradations as follows: €0k to €30k for full grant; €30k to €32k for 75% grant; €32k to €34k for half grant; €34k to €36k for 25% grant.
B2	Increase the amount of the 'Top-up' grants to the maximum personal rate of Unemployment Assistance
Estimated Overall Cost	
€25m	

Policy Option 3 shares the key features of the other options in terms of increasing the level and coverage of the maintenance grant. Again, it brings the 'Top-up' level to the rate of Unemployment Assistance.

The full rate of maintenance grant at the increased level will be extended to a further 1,700 students. In this case, an additional 8,000 students from families with incomes under €36,000 who do not qualify for any grant-aid under the current system, will become eligible for some level of maintenance grant.

Accompanying Measures

In the three policy options outlined above, it will be necessary to accompany the increases in the coverage of maintenance grants with an extension of the income threshold at which students are required to pay the €670 student services charge. At present, students from families with incomes above €36,897 are required to pay this charge. An extension of the threshold to €40,000 (at a cost of €2.7m) is built into the financing options outlined in Table 4.4. This measure will provide real relief to families on moderate incomes as some 4,000 students will no longer be required to pay the €670 charge.

The evidence in relation to grant take-up, particularly among the lower socio-economic groups, indicates that awareness of entitlement and information on grants is crucial to ensuring increased participation among groups that are currently under-represented in higher education. Particularly for lower-income groups, clear information about entitlements and supports is vital, not just for those already in higher education, but also to inform the plans and aspirations of second-level students and their families. In order to maximise the impact of public expenditure on the above policy options, they should be accompanied by an effective campaign delivering clear and accessible information on entitlements. It is estimated that an additional €0.5m would be required for this purpose.⁷

Financing of Policy Options

The policy options outlined above require the provision of additional resources for the purposes of increasing equity of access to third-level education. In line with the commitment in the Agreed Programme for Government to the development of a greater culture of review of public spending, the substantial investment being made in student supports has been examined with a view to identifying the potential contribution that can be made by rebalancing programme expenditure in this area.

Given the Minister's stated concern to ensure that there is no detrimental impact on provision elsewhere in the education system, particularly at primary and post-primary levels, the revenue implications of discontinuing tuition fee support above a range of income thresholds has been explored.

The report of the Advisory Committee on Third-Level Student Support concluded that those who have the means to do so should contribute towards the cost of their higher education and the Action Group on Access stated that:

*"... it is not equitable or efficient for students from more advantaged social backgrounds to be in receipt of financial aid from the State to attend higher education."*⁸

Drawing from an international perspective on issues and strategies for 'Access and Equity in Higher Education', Professor Malcolm Skilbeck observed that:

*"High levels of subsidy where there can be private sources of funds without hardship (e.g. families) have been consistently criticised by OECD, the World Bank and others as inequitable and inefficient."*⁹

The evidence presented in Chapter 2 indicates that the introduction of the free fees initiative in Ireland has had little or no impact to date on promoting equity or broadening access to higher education for the lowest socio-economic groups. Therefore, retention of the current system would perpetuate existing inequities. No additional revenue would be freed up to fund the policy options outlined above, which improve the supports available to those for whom access to and completion of third level proves most difficult. The State would continue to bear the entire cost of tuition fees for third-level education despite the very significant return to the individual.

Table 4.4 below presents a series of options based on the introduction of fee contributions across a range of possible income bands. These fee contributions are designed to contribute towards the cost of introducing greater equity in the system.

The basic equation is this: the more that students from higher-earning families can contribute towards the costs of tuition fees, the more money will be made available to improve supports for students from lower-income families.

Table 4.4 – Financing of Policy Options – Summary Overview¹⁰

Options	Option No.	Income Thresholds for Fee Contributions					100% Fee Level as a Factor of Average of Industrial Wage	Estimated Additional Revenue to Redistribute
		€670 Services Charge	25% Fee	50% Fee	75% Fee	100% Fee		
25% Gradations with €5,000 Income Thresholds	C1	€40,000	€100,000	€105,000	€110,000	€115,000	4.3	€10.9m
	C2	€40,000	€105,000	€110,000	€115,000	€120,000	4.5	€8.9m
	C3	€40,000	€110,000	€115,000	€120,000	€125,000	4.7	€7.1m
	C4	€40,000	€115,000	€120,000	€125,000	€130,000	4.9	€5.2m
100% Fee at a particular Income Threshold	C5	€40,000	-	-	-	€100,000	3.8	€15.5m
	C6	€40,000	-	-	-	€110,000	4.1	€10.6m
	C7	€40,000	-	-	-	€120,000	4.5	€6.9m
	C8	€40,000	-	-	-	€130,000	4.9	€2.9m

Table 4.5 presents details of the average fee contributions that were used in the modelling exercise for the purposes of estimating the level of funds that would become available to make the system of student supports more equitable.

Table 4.5 – Average Fee Contribution Levels Used in the Modelling Exercise and Associated Percentages

Fee Level	25%	50%	75%	100%
University Degree	€1,050	€2,100	€3,150	€4,200
IoT Degree	€875	€1,750	€2,015	€3,500
Certificate/Diploma	€500	€1,000	€1,500	€2,000

The actual fee contributions being charged vary across different sectors, institutions and fields of study (see Table 3.3). Therefore, bearing in mind the clear evidence that students from higher income households are more likely to undertake high cost prestigious courses of study, additional revenue over and above that projected using average fee contributions may be generated.

As noted in Chapter 2, there is evidence that, prior to 1995, the imposition of fees on middle-income households acted as a disincentive to their participation in higher education. Recognising this, the options in Table 4.4 effectively propose retaining ‘free fees’ (i.e. student services charge only) for students from families in a middle to upper-middle range of incomes. For this reason also, a significant increase in the threshold allowed where more than one student is attending higher education would have to accompany the re-introduction of tuition fees.

Varying numbers of students would benefit from some level of relief based on the illustrations outlined. All of the illustrations assume that those from families with incomes below €40,000 would be exempt from both fees and service charges.

The policy options outlined earlier envisage the extension of student supports to many households with incomes in the €30,000 to €40,000 range. Students from families with income levels between €40,000 and the various thresholds proposed for the minimum levels of fee contribution would still be required only to pay the student service charge.

A number of models of international experience examined in the course of the review require a shared contribution from the student. They also provide for loan schemes for fees and income-contingent deferred payment of fees through the taxation system (see Appendix 4). As these models are designed to achieve increased funding of higher education rather than redistribution of resources for equity purposes, they do not come directly within the scope of this review but are outlined for consideration in the broader context of higher education policy and provision in Chapter 5.

- 1 Lynch, K. & O’Riordan, C. (1999) ‘Inequality in Higher Education: A Study of Social Class Barriers’, in *Equality in Education*, Lynch, K., Gill & Macmillan, Dublin.
- 2 Report of the Action Group on Access to Third Level Education (2001) p.53
- 3 USI (2002) *Equality of Access to Higher Education*, USI Policy Document, p.18
- 4 Lynch, K. & O’Riordan, C. (1999) ‘Inequality in Higher Education: A Study of Social Class Barriers’, in *Equality in Education*, Lynch, K., Gill & Macmillan, Dublin, p.124.
- 5 Report of the Action Group on Access to Third Level Education (2001) p.55.
- 6 Examples of the effects of the policy options are based on the non-adjacent basic rate of maintenance and top-up grant. Further increases in grant eligibility thresholds apply to larger families and to families with more than one student at third level
- 7 Cost of the recent information campaign for the Residential Institutions Redress Board
- 8 Report of the Action Group on Access to Third Level Education (2001) p.52.
- 9 Skilbeck, M. & Connell, H. (2000), *Access and Equity in Higher Education: An International Perspective on Issues and Strategies*, Higher Education Authority, Dublin, p.63.
- 10 The reintroduction of a fee contribution will have some impact on the Consumer Price Index (CPI). It is estimated that for every €10m. contribution to fees from households, the CPI will increase by 0.0215%.

Chapter 5

Issues for Further Consideration

In the course of this review a number of policy issues have arisen that will require further consideration, both in the context of the previous chapters and the revenue and expenditure options presented and, at a broader level, in the context of more fundamental questions that arise in relation to the overall funding and provision of higher education in Ireland. These policy considerations are briefly outlined below.

Issues for immediate consideration arising from this review

Means Testing

A vitally important issue in promoting equity in the system of student supports at third level is the fairness of the means assessment on which the allocation of student supports is based. The 1998 Clancy survey on access to higher education¹ revealed that 14% of students from the 'Higher Professional' category, 20% from the 'Employers & Managers' category and 25% of those from farms in excess of 200 acres were in receipt of means-tested maintenance grants. It is conceivable that in a small number of cases there may be a mismatch between household income and SES background. However, a question arises as to whether the percentage of candidates from these socio-economic groups would be as high if due account were taken of the total resources (income and assets) available to the individuals involved.

A number of reports have pointed to the need to reduce the perceived inequities in the current system by reforming the means test. This is also likely to free up additional resources for redistribution. Because the current means test applies only to income and not to assets, it is widely regarded as being inequitable. The introduction of a capital test would remove a significant perceived inequity in the system. The nature of the test would involve a number of considerations and is likely to be administratively more complex. However, the introduction of such a test has been recommended in a number of reports².

Administration of Student Supports

The administration of the grant schemes needs to be reformed. Four different schemes have been introduced over the years to meet particular needs as they arose – three for higher education and one for Post Leaving Certificate (PLC) courses. Despite the fact that a significant degree of criteria convergence has been achieved in recent years, these grant schemes have continued to operate separately, administered by different agencies. This can cause confusion for parents and students alike, particularly for those for whom clear and accessible information on the availability of student supports is most critical. As outlined in the Agreed Programme for Government, it is intended to introduce a unified scheme.

The introduction of a unified scheme will require reform of the current arrangements involving administration of the existing schemes by 33 Local Authorities and 33 Vocational Education Committees. It is considered that administering the grants schemes through such a large number of individual agencies results in unnecessary duplication, client confusion and a greater administrative burden for the Department of Education and Science. Given the need to consolidate the schemes, to introduce more sophisticated means testing arrangements and to ensure consistency of application and client accessibility, the most appropriate delivery structure for student supports now needs to be determined.

The 1993 Report of the Advisory Committee on Third-Level Student Support recommended that a central agency should have responsibility for administration of the schemes and concluded that the Central Applications Office (CAO) might be most suited to this role. By 1997, the Department of Education and Science was actively pursuing the possibility of transferring the administration of student support to the Department of Social and Family Affairs (DSFA), primarily on the basis that the purpose of the schemes was the provision of income support subject to a means test. The Cromien Review of the Department's Operations, Systems and Staffing Needs in 2000³ strongly endorsed this proposed transfer of administration to the DSFA, particularly given its role in means testing and payments, but also recommended that the transfer of policy be considered. The Report of the Action Group in 2001 also recommended the transfer of responsibility for administration of student supports to the DSFA.

In brief, the options for the administration of a unified scheme of student support are as follows:

- Continue administration through either the Local Authorities or the Vocational Education Committees (but not both).
- Transfer administrative responsibility to the Department of Social and Family Affairs which already carries out means testing and payments on a significant scale.
- Transfer responsibility for administration to a central agency with a specific mandate to administer student supports.

Reform of grants administration and of the means test will require resources, consultation and, in some instances, legislative change. Similar implications will need to be considered in relation to decisions to be taken on the options outlined in Chapter 4.

For Immediate Action

It is recommended that the issues surrounding the administration of the schemes and the introduction of a more equitable system of means testing be fully reviewed as a matter of urgency. This should be done with a view to implementing improved arrangements, in consultation with the relevant agencies, at the earliest possible date.

Issues for consideration in the broader context of higher education

Projected Future Enrolment at Third Level

Demographic trends provide the context in which estimates of future enrolment are framed. The ‘baby-boom’ of the 1970s reached a peak in 1980 when over 74,000 births were recorded in Ireland. Since then the annual numbers of births declined steadily and substantially reaching a low of 48,255 in 1994 and subsequently rising again to current levels of approximately 55,000⁴.

Many of those born in 1980 would have undertaken the Leaving Certificate exam in 1998 – a year in which 59,297 school candidates took the examination. Corresponding to the decline in births subsequent to 1980, the numbers of school candidates taking the Leaving Certificate has declined since 1998. The number of school candidates taking the most recent Leaving Certificate (2002) was 50,117. It is expected that the numbers of school candidates sitting the Leaving Certificate examination will continue to decline over the coming years. Figure 5.1 outlines the recent and projected total enrolment at second level between 1995 and 2007.

Figure 5.1 – Recent and Projected Total Full-time Enrolment at Second Level (including VPTIPLC) 1995-2007

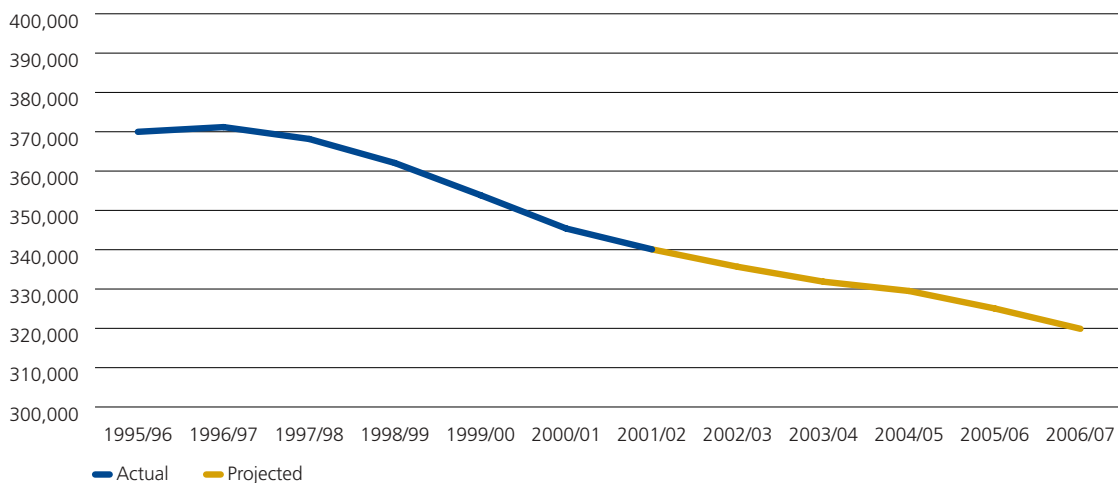


Figure 5.1 shows that Ireland is currently experiencing a steady and substantial decline in the numbers of ‘traditional entrants’ to third-level institutions (i.e. Leaving Certificate students). There has also been a significant decline in the total enrolment at primary level over recent years⁵, indicating that the decline in Leaving Certificate candidates will continue into the medium term future.

In the context of the demographics outlined above, it is very clear that in order to sustain the current output of graduates, third-level institutions will have to substantially increase the numbers of ‘non-traditional’ students that they accommodate within their educational programmes. These include mature students, part-time students, students with disabilities, students from lower SES backgrounds and students from minority ethnic backgrounds, all of which are under-represented at present.

Expenditure on Higher Education – International Context

A comprehensive examination of the financial and human resources invested in education is presented in *Education at a Glance – OECD Indicators 2002*. This provides comparative information on the levels of expenditure in education internationally and on the balance of expenditure on education in participating countries. Salient aspects of Ireland's public expenditure on higher education in the OECD's international comparative analysis for 1999 are as follows:

- Expenditure at third level in Ireland showed the third highest proportionate increase between 1995 and 1999 among OECD countries.⁶
- Expenditure at third level in Ireland at 1.4% of GDP was above the OECD country mean (1.3%).⁷
- The proportion of public expenditure committed to higher education in Ireland at 3.6% was also above the OECD average (2.8%).
- Expenditure per-student at third level in Ireland at \$9,673 was higher than the OECD country mean of \$9,210.⁸

Notwithstanding the above data, it is important to recognise that across the European Union, public expenditure on education has not kept pace with increases in GDP and has declined as a proportion of GDP over the last decade. In addition, total expenditure on higher education has not increased in proportion with the growth in the number of students in any member state over recent years⁹. There is growing concern at the EU level about the international competitiveness of European universities in the context of the strategic objective agreed by EU leaders in Lisbon (2000) of becoming the world's most competitive and dynamic knowledge-based economy and society. The challenge posed by the requirement to ensure sufficient and sustainable resources for third-level institutions within this globally competitive context is outlined in the following extract from a recent European Commission discussion document:

"A substantial gap has opened up with the USA: 1.1% of GDP [on higher education] for the Union compared with 2.3%, i.e. more than double, for the USA. This gap stems primarily from the low level of private funding of higher education in Europe. This stands at a meagre 0.2% of European GDP compared with 0.6% in Japan and 1.2% in the USA. ... Given that it is highly unlikely that additional public funding can alone make up the growing shortfall, ways have to be found of increasing and diversifying universities' income."

Tuition Fees and Student Supports – International Experience

The terms of reference for the review required that consideration be given to international experience in the treatment of tuition fees and provision for student support. A very significant amount of international data on these issues was collected and researched in the course of the review and this is presented in tabular format at Appendix 4. The following is a brief summary of the issues arising:

International Review – General Conclusions

It is generally recognised that higher education is the key to individual and societal opportunity and prosperity. Research clearly points to an increased individual income enjoyed by graduates over non-graduates. However, higher education does more than increase the earnings of graduates. It has been widely acknowledged that the scale and quality of human resources are major determinants of both the creation of new knowledge and its dissemination.¹⁰

A recent report produced for the EU Commission¹¹ concluded that investment in "human capital" contributes significantly to productivity growth and is an attractive investment relative to alternative spending, both at the microeconomic and at the social level. At the social level, there is evidence that human capital investment is responsible for a significant proportion of aggregate productivity growth. An estimate for OECD countries is that an additional year of average school attainment increases economic growth by around 5% immediately and by a further 2.5% in the long run.¹² Furthermore, the OECD found that improvement in human capital was responsible for half a percentage point or more of annual growth in several EU countries during the 1990s as compared with the previous decade.¹³

However, the increased demand for places in higher education over the last two to three decades has resulted in substantial increases in the level of public funds directed to higher education institutions.¹⁴ The challenge for governments is how best to balance the fiscal and social gains derived from a tertiary educated population against the additional fiscal costs resulting from increased participation. It is clear that higher education is operating in a new context, characterised by mass participation, diversity of interests and backgrounds of students and limited public funding per student.

Meeting the challenge of increased higher education costs

This expanding demand for student places and acknowledgement of the need to expand provision has led most countries to look for additional sources of revenue to help meet growing costs. While some countries, typically the Nordic States, have retained a system of centrally funded tertiary education, there has been a gradual move from a reliance on taxpayers to meet tertiary education costs to some reliance on parents and students. This cost-sharing typically takes the form of tuition fees which may be paid up-front or deferred and repaid either through the taxation system or to a financial institution. Countries which have moved to a cost-sharing arrangement have done so on the basis of the private gain for successful students in the form of increased earning power in later life. Countries which have adopted this approach have generally provided a support mechanism for students unable to meet the cost of these fees. These support mechanisms range from subsidised student loans to allowing students defer repaying tuition fees until they have completed studying.

Examples of international responses

Schemes of student support vary from country to country in terms of detail, eligibility criteria and conditions. Table 5.2 provides a broad overview of a range of such supports. While many of these supports have common features, a brief examination of the main features associated with the less familiar concept of deferred payment of tuition fees (or fee loans) follows.

Table 5.2 – Representative Sample of Student Support Arrangements

	Summary Description of the System	Sample Countries
i)	No tuition fees, grants (all or partly means-tested) and mortgage style loans for living costs	Finland and Denmark
ii)	Up-front fees, non-means-tested loans that convert to grants on successful completion of study, means-tested supplementary grants and non-means-tested supplementary loans	Netherlands
iii)	Deferred tuition fees with up-front payment option, means-tested grants and income-contingent loans	Australia
iv)	Deferred graduate contribution, means-tested fee and maintenance support grants, income-contingent loans	UK (White Paper proposed)
v)	Up-front fees and non-means-tested loans for fees and maintenance purposes	New Zealand
vi)	Up-front fees, means-tested grants and means-tested mortgage style loans	Canada

Example – Deferred Payment of Fees (Loans)

In reviewing international experience, a number of models incorporate deferred fee payments (e.g. the Australian Higher Education Contribution Scheme, HECS). Effectively, this means that students are required to make a contribution to tuition fees, but have the option to defer payment until after they have graduated and are earning a level of income considered sufficient to enable repayment. Although deferred payments involve the provision of a loan, repayments may not attract a rate of interest, but rather may be inflation indexed and recovered as a percentage of income through the taxation system. In some instances (as with HECS), annual up-front payments are incentivised by providing substantial discounts.

The fundamental principle behind this type of loans system is that the direct beneficiary of the third-level course of education pays and payment arrangements are based on the individual's capacity to pay, reflecting the return to the individual from education. It can remove the burden of payment of tuition fees from the parent and from the student, while in college. Students are not required to start repaying the debt until their income has reached a minimum threshold. A key feature of this model is the universal requirement to pay fees. The introduction of such a system would also obviate the need to carry out a broad-based parental or student means test for fees.

A loan or deferred payment system can also be administered so as to incentivise students to pursue particular areas of study as needs arise in the economy or the public service. Similarly graduates in particular disciplines who give a minimum service commitment (e.g. teachers in disadvantaged areas) might also benefit in a similar way in relation to loan liabilities. Fees write-off or reduction incentives could also be used to encourage students to undertake part-time support roles in schools or colleges or to encourage post-graduation take-up of opportunities in areas of critical skills shortage in the public service.

Irrespective of the nature of the deferred payment or loan, the student accumulates a level of debt to be repaid at a later date. There is some evidence to suggest that debt aversion may have a greater disincentive effect on students from disadvantaged backgrounds.¹⁵ Data for Australia indicate that while the number of students from lower socio-economic

groups increased by nearly 23,000 (31%) between 1991 and 2002, their share of the domestic student population declined from 14.7% to 14.5% over the same period.¹⁶ However, the impact of the Australian HECS system was found to be "...a very minor influence, if a factor at all, for the low participation by low SES groups".¹⁷

Given the need to record the level of fees owed, the accumulation of any interest due and the need to track employment until the deferred fees have been paid, this system is administratively more complex. International experience has shown that some level of repayment default is likely in any deferred payment or loans system, and might arise from circumstances such as emigration or a level of income below that at which repayment is triggered.

From the point of view of resource redistribution, the State would not have the benefit of the deferred payment contributions for some considerable period, and not in full for an estimated 10-15 years. The provision of incentives to encourage up-front payment of fees would redress this impact to some extent, although it can be argued that such a provision disproportionately benefits students whose parents are in a position to make such payments.

Since the loans are re-payable by the students, the amount involved does not impact on the General Government Balance (GGB). It could be argued, therefore, that the amount of the improvement in the GGB by moving from grants to loans could be allowed for the purposes of redistributing to improve other areas of student support or higher education generally.

Example – Combination of Fee Grants and Loans

Given the possible disincentive effect on students from disadvantaged backgrounds likely to be occasioned by debt aversion, some systems provide for a combination of means tested fee grants to support students from lower income families, with deferred payments available to remove the burden of payment of tuition fees for all other students.

This approach parallels to an extent the proposed treatment of fee payments under the recently published English White Paper, "*The Future of Higher Education*". Currently, means-tested fee grants are available to those with net incomes under Stg£30,501 – those with incomes above that level pay a flat rate fee contribution. Under the proposed new system, institutions will be able to charge a "top-up" fee but students will be entitled to repay these fees on a deferred basis.

An important feature of these schemes providing for a "shared contribution" through payment of tuition fees on a deferred basis is that they are designed to generate very significant additional levels of revenue in the system to meet the increasing costs of higher education generally, rather than improving equity of access alone. In assessing the appropriateness of such schemes in an Irish context, therefore, substantial consideration would have to be given to the future direction and needs of higher education in Ireland.

Increasing Competition in Higher Education

It has been argued that the requirement for a student contribution through tuition fees would create a more competitive marketplace for educational services among institutions and substantially reduce the cost of third-level education. It is argued that such a competitive environment would require institutions to be more consumer-oriented, facilitate greater variety and flexibility of provision, attract more part-time and overseas students and be significantly more transparent in costing and funding individual courses. It is suggested that State funding alone encourages dependence and institutional inertia and that the provision of (non-Exchequer) loans to students for tuition fees would effectively transfer purchasing power to the student and create a more dynamic and competitive environment in higher education.

Conclusion

The purpose of this review centres on the need to improve access and equity in third-level education. The above issues do not come directly within the scope of the review but are outlined for consideration in the broader context of higher education policy and provision. It is recommended that these issues be considered in detail as part of an overall external review of higher education in Ireland.

- 1 Clancy, P. (2001), *College Entry in Focus – A fourth national survey of access to higher education*, HEA, Dublin. Table 19 (p.61) and Table 21 (p.63)
- 2 Report of the Advisory Committee on Third-Level Student Support (1993), p.16; Report of the Action Group on Access to Third Level Education (2001), p.59.
- 3 Department of Education and Science (2000) – *Review of Department's Operations, Systems and Staffing Needs*, p.51.
- 4 Central Statistics Office (2002), *Report on Vital Statistics 2000*, p.14.
- 5 Total enrolment at primary level (including special needs education) has declined by over 100,000 pupils in the last decade – from 543,744 in 1990/91 to 439,560 in 2000/01. (Source: *Key Education Statistics 1990/01 – 2000/01*, Department of Education & Science, Statistics Section)
- 6 OECD (2002) – *Education at a Glance: OECD Indicators 2002: Table B2.2*; p.173
- 7 OECD (2002) – *Education at a Glance: OECD Indicators 2002: Table B2.1a*; p.170
- 8 OECD (2002) – *Education at a Glance: OECD Indicators 2002: Table B1.1*; p.158.
- 9 European Commission (2003) – *Communication from the Commission: The role of universities in the Europe of knowledge (discussion paper)*, p.12, Section 5.1.
- 10 *Communication from the EU Commission: Investing efficiently in education and training: an imperative for Europe*
- 11 De La Fuente and Ciccone. 'Human capital in a global and knowledge-based economy', *Final Report for DG Employment and social affairs*, European Commission, 2002
- 12 De La Fuente and Ciccone, *op.cit.*
- 13 *Education at a Glance*, OECD, 2002
- 14 Maassen, Peter, *Models of Financing Higher Education in Europe*, Report from the Nordic Theme Conference, April 2000.
- 15 *Students Studying in London*, Callender and Kemp (2002) p.23, 25
- 16 Commonwealth Department of Education, Science & Training (2003), *Higher Education Report for 2003 to 2005 Triennium*, p.19.
- 17 Andrews, L. (1999), *Does HECS Deter? – Factors affecting university participation by low SES groups*, Australian Department of Education, Training and Youth Affairs, p.vii.

Appendix 1

Acknowledgements

Acknowledgements

The Department of Education and Science would like to acknowledge the excellent work undertaken by Dorothy Watson and Emer Smyth of the ESRI in devising the models which were used to estimate the revenue and cost implications of the various policy options outlined in Chapter 4 of this Report.

This work, which was conducted in a most efficient and professional manner, enabled the Department to undertake a more thorough examination of the various options for reform than would otherwise have been possible.

Appendix 2

Background to the Introduction of the Free Fees Initiative

A2.1 The DeBuitléir Report – 1993

The Advisory Committee on Third-Level Student Support (chaired by Dr. Donal de Buitléir) was established by the Minister for Education in April, 1993 to address perceived inequities in the higher education grants scheme. Its establishment arose from a commitment in the Programme for a Partnership Government to the continuing improvement of third-level student support and from widespread public disquiet about the student support schemes. Its terms of reference were to recommend appropriate criteria for assessment of eligibility on grounds of means in the third-level student support schemes with reference to equity and the financial capacity of parents and applicants to pay. The Group was also charged with examining the most effective and efficient organisational arrangements for the administration of the schemes. These terms of reference were extended to include consideration of covenants and student loans and whether or not courses in private colleges should be included in the schemes.

The Advisory Committee reported to the Minister for Education in November, 1993 and its report was published in February, 1995. The Committee viewed the role of the State in the context of student support to be one of ensuring equality of opportunity. It concluded *“Because access to higher education has important influences on life chances ... the State has an interest in ensuring that those who can benefit from higher education are not denied it due to lack of means ... [and] that those who have the means to do so should contribute toward the cost of their higher education”*.¹ In terms of its review of the existing arrangements, it concluded that public confidence in the equity of the system was very low and that the administration of the system needed substantial improvement. It identified the main defects to be the inadequate definition of income (which ignores accumulated wealth), the poverty traps associated with the income cut-offs and the less favourable treatment of larger families.

The Committee made a range of recommendations including:

- the introduction of a capital test and recognition of family size in the means test provisions;
 - the introduction of moderated grant entitlements and extending grants to cover part-time courses;
 - means-testing of the fee element of grants paid under the European Social Fund (ESF) scheme in the light of the effect of means-testing the maintenance element of ESF grants;
 - the amalgamation of the three schemes and transferring the administration of the means test to the Revenue Commissioners and the processing of applications and payments to the Central Applications Office (CAO) or a related body while transferring responsibility for appeals to the Appeals Commissions;
 - relaxing the rules to facilitate second-chance opportunities for students who had to drop out of college, after a five year period had elapsed;
 - independent means assessment where a student is either 25 years old or over, is married for at least 2 years, has been self-supporting for 3 years or has no parent living;
 - the introduction of a fund to be administered by colleges to deal with hardship cases; and
 - the phased abolition of tax relief on covenants in favour of children aged 18 years and over (other than those for handicapped persons) with the revenue used to increase direct expenditure under the student support schemes.
- The Committee noted the cost of covenants in tax foregone in 1992/93 was estimated by the Revenue Commissioners to be some £28m and estimated that £20m was in respect of covenants to children in full-time third-level education.

The Committee recommended that further consideration be given to a system of student loans to supplement the existing grants system. It also advocated extending the grants scheme to encompass private colleges, distance learning opportunities and courses available outside Ireland that are not available in Ireland, subject to appropriate quality control and approval of the particular fees concerned. The Committee made detailed recommendations in relation to the assessment of income and capital for means-testing purposes.

A2.2 Policy Priority of the Government of Renewal Policy Agreement

The Government of Renewal Policy Agreement of December, 1994 contained a commitment to *“New support mechanisms to increase participation by 3rd level students from low-income backgrounds, including the abolition of third-level fees, a comprehensive reform of the Higher Education Grants Scheme, the introduction of support for students on post-leaving Certificate courses and an increase in the number of third-level places”*.²

A2.3 Announcement of the Free Fees Initiative – February 1995

When delivering his 1995 Budget Statement on 8 February, 1995, the Minister for Finance announced that the Government had decided to phase out, over two years, fees for third-level undergraduate students in publicly-funded colleges and to abolish fees for post Leaving Certificate courses. In tandem with this change, the Government announced the extension to all covenants of restrictions applying to parent-child covenants. This involved the application of a 5% income limit and the abolition of tax relief on covenants to minor children, other than incapacitated children, to apply to existing covenants from 6 April, 1995 and to new covenants taken out from 8 February, 1995. The abolition of tax relief on covenants generally (other than those for the elderly and incapacitated and for maintenance payments between separated spouses) from 1996 was also announced. It was estimated that £25m was foregone in 1995/96 in respect of covenants to students at third level, with a further £9m foregone on covenants other than those benefiting the elderly and incapacitated. The Minister for Finance also announced the provision of tax relief on fees paid for approved courses in private colleges and the extension on the student support schemes to cover students studying approved courses abroad, both with effect from the 1996/97 academic year.

A2.4 Rationale Underlying the Free Fees Initiative

When announcing the removal of undergraduate fees, the Minister for Education's press release read *"Through student grants and covenant relief, the Exchequer is already meeting the brunt of the costs of fees for third level but in an inequitable and regressive way. Covenants benefit the better off disproportionately. The restriction of covenant relief will enable the tax forgone to be converted into direct expenditure on the abolition of fees which is fairer to all...The abolition of undergraduate fees is just one strand of the Minister's overall strategy to encourage all students to remain in and participate fully in the education system... Today's decision on abolishing undergraduate fees, aims at providing universal access to third-level education and will impact in a very real way on the life chances of students and their families. The psychological impact of today's decision will encourage and allow people to consider pursuing a third-level education as a very realisable option in their life choice"*.³ The Minister for Education argued that a policy of free access to undergraduate courses at third level would be much more equitable, rational and efficient. It was also argued that the application of a targeted system of student support in its fullest sense would entail the dismantling of the block grant system and the establishment of a student grant system which was equitable in application and enjoyed widespread public confidence. This approach would result in the universities charging a full fee of about £5,000 (against an average fee of £1,600) which, in turn, would necessitate all students, except those from exceptionally high income backgrounds, enjoying some level of support.

A2.5 The Implementation of the Free Fees Initiative

The abolition of undergraduate fees was introduced on a phased basis, with tuition fees being halved for the 1995/96 academic year and abolished completely from the 1996/97 academic year. Under the free fees initiative, the State meets the cost of tuition fees for eligible students who are attending full-time undergraduate courses. These must generally be of at least two years duration and be offered at approved colleges (except for the Third-Level Trainee Courses in the Institutes of Technology). The initiative, as initially announced, was to apply to full-time undergraduate courses in publicly-funded institutions. However, its scope was extended to include institutions and courses which were already approved for the purposes of the Higher Education Grants Scheme and which were part of the CAO system of entry. This extension included courses in the following non-publicly funded colleges: Mater Dei Institute of Education; Milltown Institute of Theology and Philosophy; All Hallows College, Drumcondra; and Pontifical College, Maynooth. St. Patrick's College, Carlow was also subsequently included in the scope of the initiative. More recently the Shannon College of Hotel Management and the Royal College of Surgeons in Ireland have been approved for the purposes of the scheme.

1 Report of the Advisory Committee on Third – Level Student Support – February 1995, p4

2 A Government of Renewal, A Policy Agreement between Fine Gael, The Labour Party and Democratic Left – December 1994, p65

3 Press Release Minister for Education 8.2.1995

Appendix 3

Student Support – Scope, Eligibility, Income Thresholds and Grant Levels

A3.1 The Free Fees Initiative – Scope

The free fees initiative for undergraduate degrees accounted for expenditure of some €211m in 2002. This initiative was introduced with effect from the 1995/96 academic year. The background to its introduction is outlined in Appendix 2. The scope of the free fees initiative can be seen from the Table A3.1 below:

Table A3.1 The Free Fees Initiative for Undergraduate Degrees¹
Breakdown of expenditure & detail on the numbers benefiting under the scheme.

	HEA Sector	IoT Sector	Others	Total
Expenditure in 2002	€178.63m	€24.56m	€8.03m	€211.22m
Number in receipt of Free Fees 01/02	54,154	14,099	2,642	70,895
Total full-time undergraduates 01/02	59,054	15,559	2,888	77,501
% Receiving Free Fees	91.7%	90.6%	91.5%	91.5%

The students who are not in receipt of free fees include students who do not meet the eligibility criteria (e.g. those who are repeating a year), non-EU students and students whose fees are paid by other bodies and not directly by the student (e.g. Defence Force personnel).

A3.2 Free Fees Initiative–Eligibility Criteria

To be eligible under the free fees initiative, a student must hold EU nationality or official refugee status and have been ordinarily resident in an EU Member State for at least 3 of the 5 years preceding their entry to an approved course. Tuition fees are not payable in respect of students pursuing a second undergraduate course. However, notwithstanding this condition, students who already hold a National Certificate or Diploma and are progressing to a degree course, without necessarily having received an exemption from the normal duration of the course, may be deemed eligible for free fees. Students who have pursued a course of third-level study which has attracted Exchequer funding (e.g. fees, maintenance, tax relief, subsidy towards course cost) and who have not secured a final qualification and who subsequently resume third-level studies, are not eligible for free fees for the equivalent period of time spent on the first course of study. Part-time and evening students are included in this category.

Except in the case of second-chance students (i.e. students who have attended but not completed approved courses and who return after a break of at least five years to pursue approved courses), tuition fees are not paid in respect of students doing repeat years or students repeating a year-level having changed (but not completed) their undergraduate course. This condition may be waived in exceptional circumstances such as cases of certified serious illness.

A3.3 Free Fees for Third-Level Trainees in the Institutes of Technology

The Third-Level Trainee Scheme covers certificate and diploma courses in Institutes of Technology (IoTs). These courses were previously aided by the European Social Fund (ESF) and trainees were already in receipt of free tuition when the Free Fees Initiative was introduced in 1995/96. The scope of the scheme is summarised in Table A3.2 below.

Table A3.2 Detail on the Free Fees Scheme for Third-Level Trainees (TLT)

TLT Free Fees Scheme	
Expenditure in 2002	€28.4m
Number in receipt of Free Fees 01/02	30,366
Total student nos. 01/02	32,451
% Receiving Free Fees	93.6%

The ESF aid for this scheme was discontinued in 1999. Since then the full cost (€28.4m in 2002) has been met by the Exchequer.

A3.4 Free Fees for Third-Level Trainees – Eligibility Criteria

The eligibility criteria for free fees are broadly similar to those applying to the free fees initiative. In addition to EU Nationals and those with official refugee status, those who have been granted humanitarian leave to remain in the State are eligible. There is no residency requirement. Trainees who are pursuing or who have completed more than the first year of a degree level course are not eligible. Tuition fees are not payable where a student is repeating a year on the same course except in exceptional circumstances such as cases of certified serious illness. Tuition fees are generally not paid for second courses, except where they represent progression within related areas or where exemptions to indirectly related courses apply. Subject to a maximum of four years funding, tuition fees can be paid for students who transfer to a second course, provided they transfer after year one of the first course.

A3.5 Maintenance Grant Schemes

Expenditure on the three schemes (the Higher Education Grants Scheme, the VEC Scholarship Scheme and the Third-Level Maintenance Grants Scheme for Trainees) in 2002 was €120m. The following table gives details on the number of grant-holders in 2000/01:

Table A3.3 Number of Grant-Holders in 2000/01²

Scheme	Non-Adjacent Grant-holders		Adjacent Grant-holders		Fee Grant-holders		Total
	Full	Part	Full	Part	Full	Part	
HEG	18,784	595	3,347	175	1,044	255	24,200
VEC	4,233	129	1,079	32	94	23	5,590
TLT	11,017	294	2,730	119	Not applicable		14,160
Total	34,034	1,018	7,156	326	1,138	278	43,950

A3.6 Maintenance Grants and Income Thresholds

Since the mid 1980s, the rate of maintenance grant has increased broadly in line with the Consumer Price Index. The current rates of maintenance grant are **€2,510** non-adjacent (i.e. where student resides 15 miles or more from college) and **€1,004** adjacent. Part-maintenance grants are payable at 50% of these full-maintenance rates (i.e. **€1,254** non-adjacent and **€501** adjacent). With effect from the 1999/2000 academic year, the higher non-adjacent rate of grant is payable to **all** eligible mature students. The grant in respect of the student services charge is payable to all candidates qualifying for maintenance grants or who would have qualified for lecture fee grants but for the free fees initiative. The tuition fee grant is payable up to a maximum of €4,412.

The means test comprises an income test and the income limits have remained relatively constant since 1992 at 115% to 119% of the average industrial wage. The reckonable limits for 2002, adjusted to a 12-month period (they were based on the period 6th April 2001 to 31st December, 2001 – the short 9-month tax-period, 2001), are as follows:

Table A3.4 Income thresholds of the means-tested eligibility for Maintenance Grant and Fee Grants, 2002

Number of Dependent Children	Full Maintenance and Full Fees	Part Maintenance (50%) and Full Fees	Full Fees Only	Part Fee (50%) only
Less than 4	€29,228	€30,965	€34,872	€36,897
4 – 7	€32,122	€33,858	€37,766	€39,791
8 or more	€34,872	€36,897	€40,659	€42,684

Under the current arrangements, minor differences in income can lead to a significant difference in the level of grant provided. At the margins, a family with an income level €1 above the threshold loses half of a maintenance grant, amounting to €1,255. A previous review noted, “*some relief is clearly necessary ... to cover cases in which applicants are marginally over the threshold. To deny a grant fully in these cases would mean that some people would end up worse off than those with nominally lower incomes*”.³ The options detailed in Chapter 4 present alternatives to the current system

with a broader income range, a greater number of income bands and a corresponding number of grant levels for fees and maintenance purposes.

In the 2002/2003 academic year (adjusted to 12 month period) where 2 or more children (or the candidate's parent) are pursuing a course of study listed below, the reckonable income limits are further increased by €3,534 where there are 2 such children, €7,068 where there are 3 such children and so on, by increments of €3,534:

- i) attending full-time third-level education
- ii) attending a recognised PLC course, student nurse training or student gárda training
- iii) participating in a CERT course of at least one year's duration
- iv) attending a full-time Teagasc course in an agricultural college
- v) attending a recognised full-time further education course, of at least one year's duration, in Northern Ireland.

This represents an increase of 15% in the allowance by which the income thresholds may be increased for each dependant where two or more children are in further or higher education.

Grants are payable in respect of students attending all of the publicly-funded third-level colleges in Ireland and a number of private institutions in Ireland together with publicly funded colleges in Northern Ireland. Maintenance grants are also tenable in respect of approved full-time undergraduate courses of not less than two years duration in publicly funded third-level colleges in other EU Member States. EU nationals, those with official refugee status or humanitarian leave to remain in the State, are eligible. Grants are not tenable for repeat years of study, other than in exceptional circumstances such as serious illness. A graduate is not eligible for grant assistance while pursuing a second undergraduate course. However, candidates who hold a pass/general degree may be grant-aided for a further year to obtain an honours degree and candidates progressing from National Certificate/Diploma level to degree level can be grant-aided. Similarly, since 2000/01, a postgraduate can receive grant aid if the second postgraduate course represents progression, within an overall limit of four years grant-aid.

A3.7 Student Services Charge

Prior to the introduction of the free fees initiative, the standard practice had been that the universities had included the charge for examinations, registration and student services with their tuition fees as a single payment. Students in receipt of Higher Education Grants and VEC Scholarships in the university sector had this charge paid as part of their tuition fees. In the IoT sector, tuition fees for ESF funded courses did not include this charge and most IoT students paid the charge directly to the colleges. Students in this sector paid the charge whether or not they were in receipt of a grant/scholarship. A Working Group established to advise on the arrangements for implementing the free fees initiative, recommended that free fees should cover tuition fees only and should not provide for payments in respect of examinations, registration and student services.

In the context of the free fees initiative, the third-level colleges levied a standardised charge of IR£150 (€190) in the 1995/96 academic year for examinations, registration and student services. Since then the amount of the charge has increased as follows:

Table A3.5 – Charge for Examinations, Registration and Student Services

Year	Amount €	Annual Percentage Increase
96/97	€190.00	-
97/98	€317.00	67%
98/99	€330.00	4%
99/00	€353.00	7%
00/01	€371.00	5%
01/02	€396.00	7%
02/03	€670.00	69%

Students who are eligible for maintenance grants under the means-tested student support schemes do not have to pay this charge, as it is met by the relevant grant authority.

- 1 The full-time undergraduate population in the IoT sector refers to degree students only. The number of students in the case of the 'Others' comprises the non-HEA teacher training colleges, the home economics colleges, the religious colleges, Shannon College of Catering and the National College of Ireland. Figures for the HEA sector are drawn from the HEA free fees returns, based on student numbers at 1 February. The number of Certificate/Diploma students in the IoT sector is set out in Table 2.3.2.
- 2 12% of HEG grant-holders are postgraduate students and it is estimated that some 8% of all grant-holders are postgraduate students.
- 3 Report of the Advisory Committee on Third-level Student Support (1993), p.17

Appendix 4

Survey of a Range of National Student Support Systems

Survey of a Range of National Student Support Systems¹

AUSTRALIA

Tuition Fees

The Government funds a set number of Higher Education Contribution Scheme (HECS) liable places, the majority of which are offered at undergraduate level. Students are required to make a contribution to the cost of the place through HECS and these contribution levels are set by the Government. Universities may also “over enrol” students in HECS places, but the funding they receive for these places is marginal.

HECS was introduced in Australia in 1989. Students can either opt to pay their HECS contribution up-front (and receive a discount) or defer their payment. Students in a HECS place pay approximately 25% of the costs of their course and the government pays the remainder.

Under HECS, the amount a student pays is based on the units they study, not on the overall course. Units of study are divided into 3 bands. The 2003 rates are as follows: \$3680 (€2,004) for Arts, Humanities etc; \$5242 (€2,854) for Maths, Computing, Sciences etc; \$6,136 (€3,341) for Law, Medicine, Dentistry etc.

Universities also have the option of offering domestic students full fee-paying places at both the undergraduate and postgraduate level, under certain conditions. International students are required to pay the full cost of their course.

Grants/Scholarships

Youth Allowance. It is a means-tested (on an asset basis) grant for students under 25. It is subject to a parental income test. There are two rates payable i.e. a lower rate for those living at home and a higher rate for those living away from home.

Austudy (for full-time students aged over 25)

ABSTUDY (to help Aboriginal and Torres Strait Islander people).

All grants are based on financial need.

The Government offers a number of postgraduate and research scholarships.

Student Loans

Brief description

HECS provides a loan, to eligible students, that is indexed to maintain its real value but is otherwise interest-free. The deferred payment arrangements are income contingent.

Universities calculate a student's HECS liability on a semester basis and provide a written notice of liability to each student.

There are also;

- Student Financial Supplement Loans (SFSS) for living and other costs. There is a means test. (Similar arrangements to HECS but different repayment schedule – repayments not due for 5 years but repayment thresholds are higher and the rates lower).
- The Postgraduate Education Loan Scheme (PELS), which applies to students enrolled in full fee-paying, postgraduate non-research courses. Fees set by the universities and the repayment arrangements are the same as those for HECS.
- The Open Learning Deferred Payment Scheme (OLDPS) which applies to eligible students undertaking undergraduate level units of study through Open Learning Australia. The repayment arrangements are the same as those for HECS.

Eligibility

All Australian citizens, NZ citizens and the holders of Australian permanent visas who undertake higher education award courses funded by the Commonwealth Government are required to pay HECS, unless they are exempt. Exemptions are granted if students are enrolled in specific courses, including undergraduate and postgraduate courses for which fees are being charged, enabling courses, non-award courses, courses fully funded by employers, approved work experience courses.

For PELS, only Australian citizens and some permanent residents are eligible for the scheme.

For OLDPS eligibility criteria must be met in relation to units of study undertaken.

Overseas students, the holders of temporary or provisional visas are not eligible for HECS and must pay international fees.

Student Financial Supplement loans: For students eligible for ABSTUDY, Youth Allowance or Austudy payment, the allowance can be traded in for double the amount as a supplementary loan (Category 1 loans). Category 2 loans are available for students not eligible for ABSTUDY or Youth Allowance but who would have been eligible if it were not for the parental means tests and if their adjusted parental income /family actual means is less than \$64,500 (€35,117) – the threshold for 2003.

Method of Repayment

Most students have three HECS payment options:

- Make a full up front payment and receive a 25% discount,
- Make a partial up front payment and defer the remainder (and receive a 25% discount on payments over \$500 (€272))
- Defer entire payment and repay through the taxation system.

Students are required to complete a Payment Options Declaration form and submit it to their university by a specific date each semester, known as the HECS census date. The university forwards the form to the Australian Tax Office.

The Australian Tax Office (ATO) administers repayments. Repayments of the HECS, PELS, OLDPS and the Student Financial Supplement loan are income contingent. Compulsory repayment of HECS, PELS and OLDPS commences when a student's taxable income reaches the minimum threshold for compulsory HECS repayment, which for 2002-2003 is \$24,365 (€13,266). The Australian Taxation Office (ATO) calculates the compulsory HECS repayment. There are progressive repayment rates (i.e. ranging from 3 – 6%) depending on income level for the financial year.

For the supplement loan, repayment begins on 31 May of the 5th year after the year in which the loan was paid.

Interest

Linked to inflation.

Repayment Incentives

25% discount for up-front HECS payment (in full or partial payments of over \$500 (€272))

15% discount for HECS,PELS and OLDPS voluntary repayments to the ATO over \$500 (€272) (a discount applies to payments made after the census date, once the debt has been incurred).

Discount for early Supplementary repayments (i.e. within the contract period).

Capital Write-off

HECS: For death

Student Financial Supplement Loans: For death

Other student support features

Full-time students receive transport concessions from state or local governments. Supplementary financial help available to students experiencing hardship but this is traded against the Youth/Austudy allowances.

Statistics

In 2001 there were 726,418 students in Australian universities.

79% of HECS eligible students choose to defer payment of tuition fees

The average student loan debt (as at 30 June 2002) is: AU\$7,800 (€4,247)

In May 2001, more than two thirds of degree level students were in the labour force and nearly a fifth were in full-time employment.

Average repayment time: 10 years.

AUSTRIA

Tuition Fees	Tuition fees introduced in the academic year of 2001/2002. Students receiving a study grant get a full refund for the payment of tuition fees, students from developing countries can get a partial or full refund and students without a study grant can get a subsidised bank loan for the payment of tuition fees. The government enacted simultaneous social policy measures in order to compensate for introducing tuition fees which included compensation for the tuition fees to students receiving study grants, the extension of the scope of students entitled to receive study grants, and the introduction of financial aid for students in addition to the (partial) compensation for tuition fees. Tuition Fees (2001/2002) €363.36 per semester for Austrian students, EEA nationals and Swiss nationals and €726.72 per semester for other students.
Grants/Scholarships	A national system of means tested study grants is in place and it also provides allowances for insurance, study programmes in a foreign country, travel costs, language courses and grants for the completion of studies. Subject to the requirements of the Student Support Act support is available for Austrian citizens, citizens of the EEA countries, official refugees and foreign and stateless person. In 2001/2002 the maximum rate of grant is €5,088 /year for single students, €7,272/year for orphans/ married students/students who reside away from home and €7,800 for students with children. The system is organised into two groups of federal subsidies of financial aid for students: transfer payments paid out directly to students in cash (direct federal aid for students) and expenses from which the students may benefit as transfer payments to the parents or as services in kind (indirect federal aid for students). Students must commence studies before age 31 (but with certain exceptions 35). Study allowances are also available on a means tested basis to provide financial aid to students in respect of maintenance and it is paid out twice yearly. The "grant upon completion of studies" is to assist those who have been employed during their studies to complete the final 18 months of their studies without stress at their jobs. Eligibility criteria are a minimum of half-time employment for at least 36 months in the previous four years.
Student Loans	<p><i>Brief description</i> Students who have paid tuition fees but did not qualify for study grants may receive subsidised bank loans for tuition fees only. Loans are available for a max. 14 semesters. Terms and conditions of loan are agreed between student and bank/financial institution. There is no academic achievement or social need requirement. The Ministry subsidises loans by paying up to 2% of interest on loan.</p> <p><i>Eligibility</i> No proof of social need or academic advancement is required.</p> <p><i>Method of Repayment</i> Not stated</p> <p><i>Interest</i> Under an agreement between the Federal Ministry of Education, Science and Culture and Austrian banks, the government pays approx. 2% of the interest. Subsidised interest is granted for a max. of 14 semesters.</p> <p><i>Repayment Incentives</i> Not stated</p> <p><i>Capital Write-off</i> Not stated</p>
Statistics	Not obtained

CANADA

Tuition Fees

Responsibility for education rests with the Provinces.

Quebec: General and vocational colleges are publicly funded. Most other post-secondary schools charge tuition fees.

Alberta: Student contribution is capped at 30% and the Government regulates the fees. The Government limits annual tuition fee increases to CPI and fees reflect relative costs of programmes offered.

Ontario: Fees regulated by the Government with a set number of places being funded.

Saskatchewan: Universities set fees as part of their budget and base their decisions on annual provincial funding allocations and planned expenditure for the coming year.

Fees vary from college to college and from course to course.

Grants/Scholarships

Canadian Study Grants are available to students with disabilities, dependants, high-need part-time students and women in post-doctoral studies, within an eligible field of study. There are also provincial grants and scholarship programmes.

Millennium scholarships (2 types): bursaries granted according to financial need and merit; excellence awards for those committed to excellence and innovation and demonstrate leadership (up to for 32 months).

Student Loans

Brief description

The Canadian Student Loan Program (CLSP) and its provincial counterparts have been in existence for almost 40 years. In August 2000, the Government of Canada began directly financing Canada Student Loans. Financial institutions no longer issue Canada Student Loans. Loans cover educational and living costs. Parental contribution is expected and is based on family income and size.

The duration of loans is based on the formula “period of studies + 1”. There is a life-time limit of 340 weeks for full-time students with no minimum length for part-time students. This life-time limit may be extended an additional 60 weeks for those enrolled in doctoral programmes. Students with disabilities have a life-time limit of 520 weeks.

There are also a number of provincial loan schemes operating as an alternative or additional assistance. The amount of loan available is limited. The federal loan (CSL) represents 60% of the students assessed need to a maximum of \$165 (€100) a week. Most students with a CSL also receive a provincial loan (meeting 40% of assessed need). Students are required to complete one application form (covering both loans) but are expected to maintain yearly contact with each government separately. A Student Assistance Office confirms eligibility, assesses need and processes loans.

Eligibility

Citizenship or permanent resident status.

Be a resident of a province or territory that participates in the Canada Student Loans Scheme – Quebec, Nunavut and the Northwest Territories operate their own student assistant plans.

Parental income and assets are not considered for part-time students.

Students must pass a credit check if over the age of 21 and applying for the first time.

Students must also demonstrate financial need.

Must have attained a satisfactory scholastic standard.

Studies must lead to a degree, or diploma or certificate and must be a minimum of 12 weeks in length within a period of 15 consecutive weeks at a designated educational institution.

Students must be enrolled in at least 60% of a full course load (40% if a student has a permanent disability), 20-59% of a full-time course load for a part-time loan (20-39% if a student has a permanent disability).

Method of Repayment

Fixed term repayments

Repayment begins 6 months after completion of study. The repayment time is 9.5 years.

Interest

There is no interest while studying for full-time students. There is some interest relief if income is below a certain level. Students in government or privately sponsored international internship programmes may also be eligible for interest relief. The maximum cumulative period for interest relief is 30 months anytime during repayment of the loan; possibility for extended interest relief for an additional 24 months if application is within 5 years of end of study period. Part-time loan applicants are eligible for interest relief one month after receiving a loan disbursement. Interest relief is consecutive and is granted in multiples of 3 months.

The floating interest rate for federal student loans is Prime + 2.5 %. The fixed rate is Prime + 5%. In Ontario, the interest rate for the provincial program is Prime + 1%.

Repayment Incentives

A 17% tax credit on interest portion of loan of the amount paid on interest on student loan repayments each year. Part-time students in eligible programmes may claim an education tax credit for each month during which they were enrolled in a course lasting at least 3 weeks and involving a minimum of 12 hours of course work each month. Full-time students in eligible programmes may claim an education tax credit for each month during which they were enrolled in a course.

There is also enhanced support for students from \$500 (€303) to \$3,000 (€1,818) in the amount of tax-free income from bursaries, fellowships and scholarships. Part-time students may claim a child-care expense deduction for periods during which they are enrolled in part-time studies.

Capital Write-off

For death

Principal debt can be reduced by the smaller of \$10,000 (€6,060) or 50% in cases of severe hardship. To be eligible a student must have exhausted 30 months of interest relief and other options, the loan is in good standing, and the student has ceased to be a student at least 60 months before the application.

Students cannot avoid repaying their CSL or provincial loan through bankruptcy for a period of ten years after the end of their studies.

Other student support features

Some provinces (e.g. Ontario) have set up a trust fund at universities and colleges to provide aid to students in need.

From 1 Jan 2000, students graduating in Saskatchewan can apply for a Saskatchewan Post-Secondary Graduate Tax Credit of \$350 (€212) – this is a one-time tax credit for students when they graduate.

If a person runs into financial difficulties then the Government may reduce the amount of Loan principal by maximum \$10,000 (€6,060) where the debt repayment amount exceeds a certain % of income.

Statistics

The average CSL (in 1998/99) of \$4,654 (€2,820) typically corresponds to a provincial loan of \$3,103 (€1,880) (40% of the assessed need), for a combined federal-provincial borrowing of \$7,757 (€4,701). For students receiving the maximum federal loan of \$165 (€100) per week plus the typical provincial amount of \$110 (€67), the maximum available on loans for a 34 week academic year would be \$9,350 (€5,666). In terms of overall debt in 1998/99 72% had a debt of \$10,000 (€6,060) or less and 14% had a debt over \$15,000 (€9,090). The average debt of student borrowers who consolidated loans in 1997 – 98 CSL and Provincial/ Territorial programs was \$13,056 (€7,912).

The net cost of the Canadian Student Loan Scheme related to the in-schools interest subsidy and default costs is approximately 30 cents per dollar lent.

DENMARK

Tuition Fees	As in other Nordic countries, there are no tuition fees for students.
Grants/Scholarships	SU is the Danish State Education Grant and Loan Scheme which is a grant given to all third-level students. Students 18 and over may apply for a grant if their personal income is under a certain threshold. Grants are paid at two rates i.e. students who reside with parents receive DKK 2,177 (€293) (2003 rate) per month and students who live on their own receive DKK 4,379 (€589) (2003 rate) per month. Inside a maximum of 70 monthly grants students can change from one course to another. Grants are awarded 12 months a year and they are taxable. Foreign students may also apply for SU but the eligibility conditions are different.
Student Loans	<p><i>Brief description</i></p> <p>Loans are available in conjunction with grants. Students can obtain State loans. The support is means-based. It will normally be reduced, if the student's income exceeds DKK 66,852 (€8,989) per year (2003 limit). Capital assets are not taken into account in the means test. However; interest from capital assets is considered part of the student's income. The means test is not dependent on parental income.</p> <p><i>Eligibility</i></p> <p>To be eligible for support, students must be enrolled full-time in a non-salaried higher education course, which is recognised by the state and is at least three months long. In addition, students must be Danish citizens and be at least 18 years old to receive support (both grants and loans).</p> <p><i>Method of Repayment</i></p> <p>Students must start repaying the state loans at the latest one year after completion. The duration of the period of repayment cannot exceed 15 years.</p> <p><i>Interest</i></p> <p>The interest rate is set by Parliament. During the period of study the State loans carry a 4% annual interest rate. On completion of study the interest rate is the current minimum lending rate of the Danish Central Bank which can be negative or positive, but at most plus 1%.</p> <p><i>Repayment Incentives</i></p> <p>Interest accumulated on the balance of loans before graduation and interest charges on loans during repayment are tax-deductible during repayment at an average "tax-value" of 44%.</p> <p><i>Capital Write-off</i></p> <p>Possible postponement and/or reduction of the debt under special recognised circumstances, such as unemployment, illness and maternity etc.</p>
Other features	Discounts for public transport. Support for accommodation or housing if one complies with the criteria set down.
Statistics	52% of the support recipients in higher education took out loans in 2001. 64% of the support recipients finalising their higher education in 2001 had at one time or another during their period of study taken out loans. At end of 2001 the average total loan was 75,000 DKK (€10,084). The average repayment period is approximately 10 years.

ENGLAND AND WALES

Tuition Fees

Means tested tuition fees were introduced in 1998/9.

The Government sets tuition fees; For 2002/2003, the maximum tuition fee contribution for eligible students is £1,100 (€1,667). (Fees are flat across universities and subject). Most students are eligible for assistance towards these fees depending on their own or their family's income. Students may be ineligible for fee support if they have received financial assistance for previous study.

The Income Limits for 2002/2003 for students who depend financially on their parents and whose parents' residual income (income before deductions but minus certain allowances) are:

Less than £20,480 (€31,044) – No Contribution towards fees

£20,480 – £30,501 (€46,235) – Part Contribution (pay £45 (€68) if residual income is £20,480 +£1 (€1.52) for every £9.50 (€14.40) over £20,480 (€31,044) if parents have other dependent children, their contribution will be reduced by £81 (€122.78) for each child)

Over £30,502 (€46,236) – Pay £1,100 (€1,667)

For an independent student who is married or has partner/spouse, partner/spouse's income will be assessed instead of parents, but in broadly the same way i.e.

Less than £17,615 (€26,702) – No Contribution towards fees

£17,615 + , Pay £45 (€68), plus £1 (€1.52) for every £8 (€12.13) over £17,615 (€26,702)

Over £26,055 (€39,495) – Pay £1,100 (€1,667)

Eligibility Requirements *Nationality:*

Students must have settled status in the UK or exceptional leave to remain or refugee status/or person who has been granted exceptional leave to enter or remain in UK and husbands/wives/children. EU nationals do not automatically have settled status and do not have a right to be classed as a home student. Some EU nationals can claim migrant worker status, otherwise they are only entitled to means tested tuition fee support and are not eligible for a student loan.

Residency:

Resident in the EEA throughout the three years immediately prior to the start of the academic year, Irish nationals, uniquely in the EU, automatically have settled status in the UK.

Course:

- Enrolled on a full-time course in a publicly funded college
- Must be first time undergraduate course or a course that offers progression.

To be assessed as an independent student a student must also meet one of the following conditions:

- 25 or over before the start of the academic year for which s/he is applying
- Married before the start of the academic year for which s/he is applying
- Have been self-supporting for at least three years before the start of the academic year of the course.

Deductions Allowed in Calculating Reckonable Income

CANDIDATE

Income from casual or part-time jobs during the course;

First £4,000 (€6,063) from any scholarship, sponsorship or similar award; Student Loans, Hardship funds & Erasmus;

Any pension, allowance or benefit paid because of disability and any war pension;

First £3,340 (€5,063) of any allowance or benefit paid because of old age, retirement, bereavement or military or public service;

Most social security payments which are not taxed;

Any trust income depending on the circumstances;

First £880 (€1,334) of any income left;

First £1,075 (€1,630) from permanent employers if released to study;

Payments made under Teacher Training Initiative;

Maintenance payments to student for a child arranged through court;

Independent student with no husband/wife/partner first £7,500 (€11,369) of income of any kind.

PARENTS

Dependent adult who is not husband/wife, where dependants residual income is less than £2,360 (€3,577);
 Wages of domestic help required because of disability;
 Pension Scheme & Superannuation payments that qualify for tax relief;
 Living abroad, if parents live outside UK where cost of living is higher;
 Parent who is also a student;
 £81 (€122.78) for each dependent child.

**Grants/Allowances/
Scholarships**

Support for living costs is primarily via student loans, although other forms of support exist e.g. supplementary grants for students in particular circumstances (means tested) and Access Funds and Hardship Loans (from institutions). There is generally no mandatory support for postgraduate study centrally funded by the Department for Education and Skills (with the exception of PGCE courses and post graduate Disabled Student's Allowances).

Student Loans*Brief description*

Student loans are available for living costs and do not cover tuition fees at present.

Amounts available through the loan scheme depend on:

Where the student lives and studies;
 Which course they study;
 Which year of the course they are on;
 How much the student and their family (parents/spouse/partner) are expected to contribute;
 The length of the academic year.

Parental contribution is not expected if the student is deemed to be independent. 25% of the loan is assessed on personal and family income.

In 2002/03 students attending courses outside the greater London area (known as the elsewhere rate) can borrow up to £3,905 (€5,919), £4,815 (€7,299) for those in London; £3,090 (€4,684) for those living at home. 75% of this is the basic entitlement, and is not dependant on personal or family income.

Eligibility

Students applying for loans:

Same as for fee support, other than those that have reduced entitlement for fee support because of previous study;

Must be under 50 years of age (54 for those who intend entering employment after completing the course);

Loans are not available for postgraduate (except for PGCE courses). Currently loans of £500 (€758) are available for students undertaking part-time study, who meet the eligibility criteria. The maximum number of part-time student loans that can be taken out is six.

Method of Repayment

Since 1998/9 repayments are income-contingent. Borrowers are expected to repay 9% of their annual income over £10,000 (€15,158). Repayments are collected through the tax system. Average and median figures for 01/02 of repayment times for future graduate cohorts are, respectively, 11 and 9 years.

Interest

Interest on the amount owing is linked to inflation and is adjusted in line with the Retail Price Index. Interest rate from 1st September 2002 to 31st August 2003 is 1.3%APR.

Repayment Incentives

Although there are no direct incentives borrowers are free to make additional repayments at any time.

Capital Write-off

Loans are also written-off at death, permanent disability or reaching age 65. Mortgage style loans are also written off after 25 years (thus a person who goes to university from ages 18-21 will have all outstanding loans forgiven in their mid-40s).

Other student support features	A range of support is now available to part-time students, including fee waiver, loans of up to £500 (€758) for course related costs subject to income and eligibility criteria, Disabled Students Allowances and help from Access Funds.
Review of Higher Education Student Finance	A White Paper on Education "The Future of Higher Education" was published at the end of January, 2003. It states inter alia that the Government is reversing under-investment with an increase in funding for higher education averaging more than 6% – over and above inflation – for the next three years. This extra investment will boost access and enable universities to tackle many of their immediate problems. This alone will not enable universities to boost opportunity and excellence as much as is needed. Additional resources will be needed if they are to meet the long-term challenge to maintain and improve high standards, expand and widen access, strengthen links with business and compete globally. Top up fees of up to £3,000 (€4,548) per annum (differential amounts for courses and institutions) to be introduced for new entrants to HE from 2006. To be repaid after graduation, unlike now when fees must be paid up front. Loan amount available will increase to cover tuition fees and living costs.
Statistics	<p>In 2000/01 the average value of (largely discontinued) mortgage style loans was £1,450 (€2,198) and that for income contingent loans was £3,100 (€4,699), £2,900 (€4,396) overall, compared with the average of £390 (€591) in 1990/91 (students starting higher education before 1998 took out 'mortgage style' loans for 50% of the basic living cost support available).</p> <p>The average debt of a borrower (entering repayment in April 2002) is estimated at £6,650 (€10,080). A poll (Jan 2002) conducted by the market research company MORI, indicated that students on courses in 2001/02 will have an average debt on graduation of £8,133 (€12,328). For students in their 3rd or later year of study, the average anticipated debt was £8,755 (€13,271). This survey excluded part-timers and included postgraduates.</p> <p>Approximately 6.8% of loan eligible students in 2000/01 were in receipt of some type of grant or allowance. Under the new system to be introduced in 2006, estimated average graduate debt will be £21,000 (€31,833).</p>

FINLAND

Tuition Fees

There are no registration or tuition fees payable in Finland. This applies to Finnish and foreign students. The students have to pay a small fee to the student union, which entitles them e.g. to use the services of the FSHS (The Finnish Student Health Service). This fee at Helsinki University in 2002/2003 academic year was €62. Adult education is, however, subject to a charge.

A formula allocates basic funds to universities primarily according to their target numbers for Master's degrees and doctorates weighed by field of study. Lagging behind the targets is also taken into account in the formula.

Grants/Allowances/ Scholarships

Students can apply for financial assistance from public funds. The granting of assistance is co-ordinated by the Social Insurance Institution (KELA).

Government assistance is available under 2 programmes:

Ordinary financial aid for students: this comprises of a study grant (taxable), a housing supplement and government guaranteed student loans.

Foreign citizens can get financial help with studies if they have lived in Finland at least two years for some other purpose than studies and their residence in Finland is considered to be permanent.

Support for adult education: this comprises of a study grant for mature students (taxable); housing supplement; government-guaranteed student loans.

Financial aid is granted for the duration of full-time studies but is subject to a maximum of 70 months. At universities financial aid is granted for 55 months for studies towards a Master's degree. At polytechnics financial aid is available for 45 to 55 months depending on the extent of the degree. The remaining time up to 70 months can be granted for other higher education studies.

Student Loans

Brief description

Student loans are granted by banks and guaranteed by the State. No other security is required.

Eligibility

The amount of financial aid depends on the type of institution, age, marital status and mode of accommodation. Personal income (and in some cases parental and spousal income) will be taken into account. In order to receive financial aid the student must progress in his/her studies, i.e. earn a certain number of credits per month.

Method of Repayment

Repayments begin when studies have ended. The rate of interest, terms of repayment and other credit terms are agreed by the bank and student. Interest, which becomes due during school terms for which a student receives financial aid, is added to the loan principal.

Interest

In some conditions KELA will pay all of the interest on a state guaranteed student loan (e.g. certain circumstances to do with length of unemployment and income).

Statistics

The average study grant in 1998-99 was €252/per month (university students).

The average housing supplement was €120/per month and study loan €225/per month (all levels of education)

GERMANY

Tuition Fees	Generally no registration fees, semester fees or examination fees are imposed for first-degree courses either for German or non-German students. The Länder (state governments) are free to charge tuition fees if students exceed the period of study in which the first degree can be earned by more than 4 semesters or if they exceed by more than 30% the number of hours laid down in examination regulations. All students have to pay a minor contribution for the use of the institution's social facilities. Some states have implemented or intend to implement fees for long-term students. There has been strong debate about the possibility of introducing tuition fees but in February 2002, the Federal Cabinet decided that there would be no tuition fees for those undertaking first degrees.
Grants/Allowances/Scholarships	Means-tested (parental, spousal and personal income) financial assistance (BAaföG) is available. The Federal Government and the Länder provide the funds for BAaföG in a 65-35 ratio. The amount depends on the duration of the programme, the type of programme and whether the student is living at home or not. There is a merit-based component. After the 4th semester, students have to submit a "certificate of qualification" in order to maintain their eligibility. Individual training assistance is a state social security benefit embedded in a comprehensive scheme for the equalisation of family burdens, additional important elements of which are the provision of a children's tax allowance and the granting of tax-free allowances.
Student Loans	<p><i>Brief description</i></p> <p>Half of the financial assistance is payable as a non-repayable grant, while the other part of the assistance is an interest-free state loan. Maximum amount to repay: €10,000.</p> <p><i>Eligibility</i></p> <p>Eligible Germans, refugees, nationals of other EU Member States (if, as children, they enjoy freedom of movement within the EC or have themselves been gainfully employed in Germany respectively prior to embarking on training) and other foreigners (if they – or at least one parent – have been gainfully employed in Germany for five years or three years respectively prior to embarking on training). In principle, pupils and students can receive financial assistance only, if they embark on training for which they apply for assistance prior to the completion of their thirtieth year.</p> <p><i>Method of Repayment</i></p> <p>Repayment terms depend on social considerations and income. The loan must be repaid in 20 years, beginning 5 years after graduation with a monthly minimum payback of €105.</p> <p><i>Interest</i></p> <p>Interest free. Once the maximum period during which assistance is payable has been exceeded, students, as a rule, only receive funding in the form of a bank loan, which is subject to interest (4-5%) and a repayment obligation beginning 6 months after graduation.</p>
Other student support features	Some student associations provide loans in cases of extreme social need. Some gifted students may receive a grant from relevant foundations. On completion of a first degree students may also receive scholarships to support further studies. In addition, all students under the age of 27 benefit though the tax allowances to which their families are entitled. Parents not students are entitled to this form of support.
Statistics	From April 2001 total state expenditure for student support increased by nearly 50% to make BAaföG available to more students and to increase the rates for students not living at home.

INDIA

Tuition Fees	Except for a few private universities/autonomous colleges, the University Grants Commission (UGC) finances the Central Universities. State Universities are also funded by the UGC wherein State governments provide a certain percentage of the budget. The UGC provides development grants including one-time grant for books and equipment. The students pay a nominal fee that constitutes less than 10% of the budget of the institution.
Grants/Allowances/Scholarships	The National Scholarship Scheme is based on merit (limited – through open national talent examination for various category of courses). The UGC provides special assistance programmes to researchers at higher levels of studies. Special grants are also provided to encourage women students taking up higher education. The rate of scholarships increases with the higher courses of education. No scholars are entitled to double scholarship schemes.
Student Loans	<p><i>Brief description</i></p> <p>Many nationalised banks offer a variety of loans to students for higher education within India and abroad. The loans generally cover tuition fees, books that are essential for completing the course, living and travel expenses. There are minimum and maximum limits placed on borrowing – loans are described as needs-based finance subject to the repaying capacity of the parents. The loans are dispersed directly to the institutions, vendors, etc. However, the government or the UGC does not get itself directly involved in the disbursement of loans for students.</p> <p><i>Eligibility</i></p> <p>The terms and conditions vary (e.g. some have age limits, loans available for certain courses and levels only). However, in most cases eligibility is based on need and merit (i.e. borrowers must have scored a minimum of 60% in the qualifying examination for admission to graduate courses). Borrowers must also be Indian nationals. Loans are granted jointly to parents and students (in the case of minors).</p> <p><i>Method of Repayment</i></p> <p>Repayment is fixed term (generally 5-7 years after commencement of repayment). Depending on the bank scheme, repayment can begin either on disbursement, or when the student gets a job (or one year whichever is earlier). Penal interest at 2% is charged for an amount overdue over a certain amount and the overdue period.</p> <p><i>Interest</i></p> <p>In some cases interest may be nominal while the student is studying (to cover the interest portion at least) and is stepped up after completion or when the student gets a job. Interest rates vary (this depends on the amount borrowed – e.g. 12% - 15% plus interest tax). Security may be insisted for loans over a certain amount.</p> <p><i>Repayment Incentives</i></p> <p>Minimal. One scheme offers a 1% rebate in interest for regular repayment of interest and instalment and payment of insurance premiums.</p> <p><i>Capital Write-off</i></p> <p>None. Insurance is required on the life of the student for the amount equivalent to the loan amount.</p>
Other student support features	Other financial assistance included scholarship (minimal) given to socially disadvantaged section of students (funded by the Ministry of Human Resources and Development and not the university or colleges) which includes handicapped students.
Statistics	No statistics obtained

IRELAND

Tuition Fees

The Government funds a set number of places in higher education.

Ireland has in place what it calls “The Free Fees Initiative”. Under this initiative, the Exchequer meets the tuition fees of eligible students who are attending approved third-level undergraduate courses.

Eligible students are third-level students who inter alia

- are first-time undergraduates;
- hold E.U. nationality or Official Refugee Status;
- have been ordinarily resident in an E.U. Member State for at least three of the five years preceding their entry to an approved third-level course.

Free fees are not available for those repeating a year having failed their end of year examinations or as a result of changing courses or for those undertaking a second undergraduate course. Free fees do not apply to postgraduate study.

Grants/Allowances/ Scholarships

Means-tested maintenance grants are available under four student support maintenance grant schemes in respect of eligible students who are pursuing full-time approved courses.

Eligibility for grant assistance is assessed by reference to conditions pertaining to age, residency and nationality. To qualify for a grant a student must also satisfy a means-test. Generally speaking, Independent Mature Students are means-tested on the basis of their own income and spouses/partners income, if applicable. All other students are assessed with reference to parents/guardians income.

There are three third-level Irish Scholarships Schemes which award scholarships (fees and maintenance) to successful applicants who have, amongst other things, completed their second level studies through the Irish language.

The Easter Week Commemoration Scholarship Scheme awards scholarships (fees and maintenance) to students who achieve the highest results in the Leaving Certificate Examination.

Student Loans

There is no government-sponsored student loan scheme.

Other student support features

- A Special Rate of Maintenance Grant (“top-up grant”) payable to disadvantaged grant holders was introduced with effect from 2000/01 academic year.
- A new Millennium Partnership Fund for Disadvantage was introduced in 2001. The Fund provides assistance to Partnership Companies and Community Groups to develop their support Schemes for disadvantaged students.
- The Student Assistance Access Fund provides financial support to students in approved third-level institutions. The objective of the Fund is to assist students who might otherwise, due to financial hardship, be unable to continue their third-level studies
- The Fund for Student with Disabilities grant aids the provision of services and purchase of equipment for third-level and Post Leaving Certificate Students with disabilities.
- Tax relief is available for tuition fees paid in respect of approved full-time and part-time undergraduate and postgraduate courses.

Statistics

In the 2001/02 academic year:

- 43,000 third-level students were in receipt of grant assistance under the three third-level maintenance grants schemes.
 - Approximately 6,000 further education students were in receipt of grant assistance under the Post Leaving Certificate Maintenance Grant Scheme
 - 253 third-level students were in receipt of grant assistance under the Irish Language and Easter Week Scholarship Schemes
 - 3,500 approx. students received the Special Rate of Maintenance Grant “Top-up Grant”
 - 809 student received grant assistance under the Fund for Students with Disabilities.
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NETHERLANDS

Tuition Fees

Tuition fees have been charged in the Netherlands since 1945.

In publicly funded institutions flat rate tuition fees (irrespective of subject or university) are set annually by the Government in respect of full-time students who are less than 30 years. The current fee (i.e. academic year 2002/2003) is €1,396. For full-time students (both EU and Non-EU citizens) who are more than 30 and all part-time students, universities can determine their own fee.

Student liability for tuition fees depends on whether or not the student is or is not eligible for student support. Students with support pay the governmentally determined tuition; students without support pay tuition fees set by the institution. Students not eligible for student support include those who are part-time students or full-time students who are not entitled to support because their personal income exceeds the income limits for student support, or because they already used all entitlements to student support. Fees have increased 20% in real terms over 7 years to 1999.

Grants/Scholarships

Since 1986 there has been a three tier support system (with no differentiation between fees and maintenance) –

- *Non-means tested basic grant* for full-time students on undergraduate and Master courses (living at home rate is lower). In general full-time students receive this basic grant for 48 months i.e. 36 months for a bachelor degree and 12 months for a master degree (with certain exceptions as some master degrees such as medicine take 36 months and such students receive the basic grant for a maximum period of 72 months). This is a series of loans that can be converted to grants provided the student demonstrates the required academic performance and completes studies within the required period (10 years of start).
- *Means-tested supplementary grant* (also performance-related) for the normal duration of undergraduate study (generally 4 to 5 years). Approximately 30% of students are eligible for the supplementary grant. After this time a student may take a loan for three additional years.
- *Non-means tested student loans* equivalent to the full supplementary grant for those not eligible for the supplementary grant. Students who don't receive the maximum of the supplementary grant are also allowed to take a student loan for the part "they are missing in their supplementary grant".

Student Loans

Brief Description

Loans are provided to cover tuition and maintenance. Part of the loan, including a basic allowance, is not means-tested. Another part of the loan is means-tested and can be converted to a grant if satisfactory academic progress is maintained. Students initially receive their grants in the form of a loan, which is then converted to a non-repayable grant if they meet performance criteria. Basic grants, additional grants and public transportation cards that are not converted into a gift have also to be repaid.

Eligibility

Basic and supplementary grants awarded to students in higher education are performance related. The system is based on the principle of a loan which can be converted into a grant".

Method of Repayment

Repayments are fixed after a two-year grace period with an income-contingent feature for those on low incomes (i.e. those in lower incomes can apply for repayment relief, based on an annual means test).). For those on a higher income there is a mortgage style repayment. Student loans must be repaid over a 15-year period.

Interest

Rate on long-term government bonds plus 2.15%. The interest rate in 2001 was 5.18% and is chargeable on loans and grants from date of award.

Repayment Incentives

From 1 January 2001 interest payment was no longer deductible.

Capital Write-off

The debt for those repaying on an income contingent basis the loan is forgiven after 15 years.

Other student support features

Students receive a public transportation card for the whole country, which is valid either during the week or during the weekend. In addition students can receive 40% discount when travelling on public transport when the transport card is not valid. Like the grants, the public transportation cards are a loan that is converted into a gift if the student meets performance criteria.

Statistics

No statistics obtained.

NEW ZEALAND

Tuition Fees	Undergraduate university fees were set by individual universities up to three years ago. The government has stated its intention of reverting to a system of a centralised national fee setting structure. Certain universities are already implementing this process. For the remainder, tertiary providers set fees. Fees are differentiated from course to course. The Government meets approx. 70% of course costs
Grants/Allowances/Scholarships	Student allowances for living costs. Eligibility is based on a parental income test (for those under 25) and a personal income test. There is no capital asset test.
Student Loans	<p><i>Brief description</i> One-tier system for all students that covers loans for all fees, course costs and living costs. No means test applicable</p> <p><i>Eligibility</i> Permanent residency or citizenship</p> <p>Loans are not available to un-discharged bankrupts</p> <p><i>Method of Repayment</i> The Inland Revenue Department is responsible for the collection of repayment of student loans.</p> <p>Income contingent – 10.0% of taxable income earned over threshold which is set at nz\$15,496 (€7,828) for 2003.</p> <p>50% of repayments, less inflation component, directed to principal</p> <p><i>Interest</i> Effectively 0% while studying through interest write-offs for full-time full-year students and low-income students.</p> <p>Interest rate comprises of base rate (which covers the cost of borrowing and a margin for administration costs and the costs associated with low risk borrowers) and an inflation adjustment rate. 5.1% + 1.9% = 7.0% (for the 2002/03 income year).</p> <p><i>Repayment Incentives</i> Although there are no direct incentives borrowers are free to make additional repayments at any time (which go directly to the principal).</p> <p><i>Capital Write-off</i> For death or bankruptcy</p>
Other student support features	Work and Income NZ is responsible for the assessment of applications for Unemployment Benefit Student Hardship. This is a weekly payment to help meet a student's living cost during study breaks
Statistics	Average student loan debt as at 31 December 2001: \$12,724

NORTHERN IRELAND

Tuition Fees	<p>Means tested funding available to assist with tuition fees. Maximum fee limit is £1,100 (€1,667).</p> <p>Income Limits for 2002/2003 Income less than £20,480 (€31,044) – No Fees £20,480 (€31,044) - £33,662 (€51,026) – Part Fees Over £33,663 (€51,028) – Pay £1,100 (€1,667)</p> <p>Less than £20,480 (€31,044) – No Contribution Pay £45 (€68) if residual income is £20,480 (€31,044) +£1 (€1.52) for every £12,50 (€18.95) over £20,480 (€31,044)</p>
Eligibility Requirements	<ul style="list-style-type: none"> ■ EU National or spouse/child of EU National or an Official Refugee or husband/wife/child of Official Refugee or persons who have been granted exceptional leave to enter or remain in UK and their husbands/wives/children; ■ Be resident in UK, Channel Islands or Isle of Man for 3 years immediately prior to the commencement of the academic year; ■ Attending a full time course in publicly funded college; ■ Must be first time undergraduate or pursuing a course of study that offers progression from the previous course of study.
Deductions allowed in calculating reckonable income	<p>CANDIDATE</p> <ul style="list-style-type: none"> ■ Income from casual or part-time jobs during course ■ First £4,000 (€6,063) from scholarship, sponsorship or similar award ■ Any pension, allowance or other benefit paid because of disability and any war pension ■ First £3,340 (€5,063) of any allowances or benefit paid because of old age, retirement, bereavement or military or other public service ■ Most social security payments, which are not taxed ■ Any trust income depending on circumstances ■ First £880 (€1,334) of any income left ■ First £1,075 (€1,630) from permanent employers if they release you to study ■ Payments made under Teacher Training Initiative ■ Maintenance payments to you for a child arranged through a court ■ For Independent student with no husband/wife/partner first £7,500 (€11,369) of income of any kind ■ Any bursary from D/Health, Social Services & Public Safety <p>PARENTS</p> <ul style="list-style-type: none"> ■ Dependent adult who is not husband/wife, where dependants residual income is less than £2,360 (€3,577) ■ Wages of domestic help where this is required because of disability ■ Pension Scheme & Superannuation payments that qualify for tax relief ■ Living abroad if parents live outside UK where cost of living is higher ■ Parent who is also a student ■ £81 (€123) for each dependent child

Grants/Scholarships	Means Tested Student Bursary of up to £1,500 (€2,274) for NI Students
Student Loans	<p><i>Brief description</i></p> <p>Between 27% and 42% of the maximum loan available is income assessed, depending upon whether it is the “home”, “elsewhere” or “London” rate which is being applied.</p> <p>The basic rates for 2002/2003 were:</p> <p>Home (London + elsewhere) £3,090 (€4,684) Amount not dependent on income £1,795 (€2,721) Amount dependent on income £1,295 (€1,963)</p> <p>London Rate (away from home) £4,815 (€7,299) Amount not dependent on income £3,520 (€5,336) Amount dependent on income £1,295 (€1,963)</p> <p>Elsewhere rate (away from home) £3,905 (€5,919) Amount not dependent on income £2,610 (€3,956) Amount dependent on income £1,295 (€1,963)</p> <p>These rates can fluctuate depending on the duration of the course.</p> <p><i>Eligibility</i></p> <p>All full-time undergraduate students and PGCE students who are under 50 years of age (54 for those entering employment after completing the course) are eligible to apply for loans. Loans of £500 (€758) are available for students undertaking part-time study, who meet the eligibility criteria.</p> <p><i>Method of Repayment</i></p> <p>Income contingent repayments normally begin in the April following completion of/withdrawal from the course. Payments commence automatically once the student’s income reaches the appropriate level. The amount to be repaid is 9% of any income earned over £10,000 (€15,158) gross per annum.</p> <p><i>Interest</i></p> <p>Interest is calculated on the base rate of inflation and is reviewed every September. The 2002/2003 rate is 1.3% p.a. Interest accrues from the day a student receives the first instalment of their loan.</p> <p><i>Repayment Incentives</i></p> <p>There is no payment incentive.</p> <p><i>Capital Write-off</i></p> <p>For death, permanent disability or on reaching 60 years of age.</p>
Other student support features	Support Funds and Hardship Loans also available. Higher Education Bursaries for low income families were introduced in September 2002.
Statistics	Not available

SCOTLAND

Tuition Fees	<p>A set number of places are funded. From August 2000 SAAS (Student Awards Agency for Scotland) pays the tuition fees direct to universities for eligible full-time Scottish domiciled and EU students attending Scottish institutions, irrespective of family income. (The amount paid to universities is a set figure of £1,100 (€1,667) per student for 2002/03 and represents around a quarter of the full cost: the remainder is funded directly by Central Government). Scottish students attending UK institutions outside Scotland are means-tested and are liable to contribute up to £1,100 (€1,667) towards the cost of tuition.</p> <p>The Income Limits for 2002/2003 are: Less than £20,480 (€31,044) – No Fees £20,480 (€31,044) - £30,000 (€45,475)– Part Fees Over £30,001(€45,477) – Pay £1,100 (€1,667)</p> <p>Definition of Part Fees: Parental income is assessed to establish eligibility for grant assistance towards tuition fees and living costs. Fees paid first and remainder goes to loan and supplementary grants.</p> <p>Assessed Contribution Starts at £45(€68) Maximum Assessed Contribution is £6,682 (€10,129)</p>
Eligibility Requirements	<p><i>Nationality:</i> EU Nationality or spouse/child of EU National; Official Refugee or husband/wife/child of Official Refugee; Persons granted exceptional leave to enter or remain in UK and husbands/wives/children.</p> <p><i>Residency:</i> Be resident in EEA Member State for 3 years preceding entry to a course; Be resident in Scotland on the first day of the first academic year of course.</p> <p><i>Course:</i> Full time course in publicly funded college; Must be first time undergraduate study or a course of study that offers progression from previous study.</p>
Deductions allowed in calculating reckonable income	<p>CANDIDATE: Income earned by working during year; Income from Scholarship or Sponsorship up to £4,150 (€6291); Child Benefit; Student Loans or Hardship Funds; State Pension or Pension, benefit or allowance paid because of disability; Pension payable to student over 50; Income Tax and National Insurance Contributions; First £3,340 (€5,063) of other pension income; First £1,995 (€3,024) of trust income of students with no living parents; First £880 (€1,334) of any income left.</p> <p>PARENTS: Allow up to £2,360 (€3,577) for dependent adults, less any income dependent receives; Domestic Help of £1,850 (€2,804) if parents are disabled; Allowance of £950 (€1,440) if one parent is also receiving a grant; Superannuation payments that qualify for tax relief; Retirement annuity premiums that qualify for tax relief; Certain other items that are allowed as expenses or as charges for Income Tax; £155 (€235) for each child receiving an award other than candidate.</p>
Grants/ Scholarships	<p>Limited grants are available for living costs There is a '<i>Young Students' Bursary</i> of up to £2,050 (€3,107) a year for young students (under 25, not married or self-supporting from earnings for 3 years) from low-income families which replaces the equivalent amount of loan.</p> <p>There is a discretionary '<i>Mature Students' Bursary</i> available for mature students (e.g. those over 25 on the first day of study) applicable via the institutions targeted primarily for formal childcare costs.</p>

There is extra help available through supplementary grants for certain categories of students such as those with dependents, disabled or lone parents.

Students studying part-time are not eligible for living cost assistance. However, since 2000/2001 loans of up to £500 (€758) are available to help with course related costs for mature students on low incomes who meet eligibility criteria.

Student Loans

Brief description

Student loans are available for living costs. The amount available depends on parental or personal/spousal income. For Scottish students studying at Scottish institutions and living away from home the minimum loan (regardless of income) is £770 (€1,167). The maximum amount available for young students is £3,905 (€5,919) if away from home and £3,090 (€4,684) if living with parents. The maximum loan for mature students is £3,905 (€5,919). There is also an additional loan of £510 (€773) for young students whose parental income is lower than £15,360 (€2,328) which provides additional spending power for those young students from lowest income bracket.

Eligibility

A student must be under 50 at the start of their course. However, if they are between 50 and 54 at the start of their course they may be able to claim for a loan if they are returning to employment on completion of their studies.

Method of Repayment

Income contingent repayments. These normally begin in the April following completion of/withdrawal from the course. Payments begin automatically once the student's income reaches the appropriate level. The amount to be repaid is 9% of any income earned over £10,000 (€15,158) gross per annum.

Interest

Interest is linked to inflation. Interest accrues from the day a student receives the first instalment of their loan.

Repayment Incentives

Although there are no direct incentives borrowers are free to make additional repayments at any time.

Capital Write-off

For death, permanent disability or on reaching 60 years of age.

Other student support features

Both Scottish domiciles attending Scottish institutions and EU students attending Scottish institutions will contribute to their study through a 'graduate endowment'. There are some who will not need to do this, including those assessed as independent students, lone parents eligible for a lone parents grant, students with disabilities, those courses that attract a health department bursary and those who fail to meet the requirements to be accredited with a degree.

Graduates entering in 2001/02 will be liable to pay £2,000 (€3,032). This is payable in full in the April after completion of their degree course. It can be done in a lump sum or by using the existing student loan scheme. Repayment conditions are under the same terms and conditions as loans to cover living costs (9% of income earned over £10,000 {€15,158} a year).

Statistics

Average cumulative debt: £6,100 (€9,247) as at 31 December 2001.

SWEDEN

Tuition Fees

No tuition fees. Since 1977, Swedish higher education has had an admissions ceiling. Since the beginning of the academic year 1993/94, institutions set their own student numbers and admittance requirements. Their funding is restricted to match a foreseen number of students, but institutions are free to accept more students than the number financed, provided they can guarantee quality.

Grants/Scholarships

A new student support system was introduced on 1 July 2001. Support is administered by a government agency (CSN). Study support consists of a student grant and loan that are available for full-time or part-time study. The upper age limit for study assistance is generally 50 years. The grant represents 34.5% of study assistance. Study assistance is calculated on a study unit of one week and normally the assistance is granted for a maximum of 240 weeks (12 terms). A certain level of income (in 2003 48,250 SEK (€5,232) per calendar half-year, full time studies) is allowed without a reduction in the study assistance.

Student Loans

Brief description

Student loans are available for living costs. As part of the changes that occurred in 2001, the income contingent repayment for loans was abolished (previously based on 4% income per latest tax return), with a type of annuity loan being introduced. (This change to the repayments schedule was to provide students with more predictability and enable them to repay their debt faster).

Eligibility

Under certain circumstances, citizens of other EU/EEA countries may be granted entitlement in principle to Swedish study assistance on the same terms as Swedish citizens. However, Non-EU nationals must be in possession of a permanent resident permit and EU/EEA-nationals must have a 5 years permit. The basic rule is that an individual who comes to Sweden with the sole purpose of getting an education does not qualify for Swedish study support.

To receive loans (and grants) all students must fulfil certain requirements. For example, study assistance cannot generally be awarded after the year of the student's 50th birthday (except for adult education programmes and vocationally oriented in areas of labour shortage). Entitlement is reduced as of the year of the student's 41st birthday.

Method of Repayment

Loan repayments begin six months after the student last received any form of study assistance. Repayments always begin at the beginning of the calendar year. The new loan is a type of annuity loan repaid in yearly instalments for a period of 25 years or until the age of 60. The annual repayment amount is calculated using a special formula (based on four factors – the amount of the debt, rate of interest, remaining payment period and an annual increase of two per cent). The repayment amount of the loan will be shorter if the debt is small. However, a student will normally not need to pay more than 5% of their income.

Interest & Repayment Incentives

The loan is subject to a rate of interest decided each year by the government based on the cost of funding. For 2003 it is 3.2%. The interest rate is not deductible against taxes. The rate of interest is compounded as from the first payment. Each year the unpaid interest rate is added to the debt. There are default safeguards built in. It is possible to apply for a reduction of annual repayment total to 5% of annual income (7% if over 50). When over 50 The National Board of Student Aid will consider the debtors private assets before deciding on a reduction of the annual amount. A pre-condition for the reduction is that the reduction of the annual amount must be in excess of 3 percent of the index linked base amount (1,158 SEK (€126) in 2003).

Capital Write-off

Any remaining debt is, in most cases, written off at age 68, on death, or special circumstances.

Other student support features

Statistics

UNITED STATES

Tuition Fees

Private institutions (both non-profit and proprietary) set tuition fees; practices vary for public institutions depending on the state with most states setting tuition levels. Tuition fees tend to be lower in public institutions and higher in private institutions. Public College fees are usually set by State Government, with an added fee for students at the college who are not residents of that state.

Grants/Scholarships

Students receive grants from three major sources: the federal government, primarily in the form of needs-based Pell Grants (generally only awarded to undergraduate students); states (which have a variety of grant aid programmes most of which are needs based) and universities that use tuition, endowment, and other resources to aid their students. The maximum Pell Grant award for the 2002/2003 year was \$4,000 (€3,701).

Federal aid is available subject to the following conditions:

Means-test, Minimum education qualification, Eligible degree/certificate course, US citizen or eligible non-citizen, Valid social security number, Maintain satisfactory academic progress on course. Conviction of the sale/possession of drugs suspends aid eligibility.

Student Loans

Brief description

Two main student loan programmes are offered through the William Ford Direct Loan Program (FDLP) and the Federal Family Education Loan Program (FFELP). Whereas the federal government administers the direct loan program (1/3 of loans), banks and other lending agencies provide FFELP loans (2/3 of loans), that are guaranteed against default by the federal government. Colleges and universities choose which loan programme they will use for attending students. Both programmes offer two types of Stafford student loans: subsidised and unsubsidised. For students who take out a subsidised loan, the federal Government pays the interest while a person is studying. Parents of dependent students can also get loans to pay for their children's education – borrowed in the name of the parent (The Federal PLUS Loan). Consolidation loans are available through the FDLP and FFELP that allows borrowers to combine several types of loans with various repayment schedules into one loan. Student loan programmes are applied towards tuition fees and living costs, with funds disbursed by the college or university attended. There are maximum amounts that can be borrowed depending on the year in school.

Eligibility

Eligibility for a subsidised loan includes a demonstration of financial need. All students are eligible for unsubsidised loans, but students must pay the interest that accrued while they are studying (after graduation the interest that accrued will capitalise). If a student qualifies for a subsidised loan that does not reach the maximum amount that can be borrowed, they can supplement the loan with an unsubsidised loan until the total amount reaches the maximum.

Method of Repayment

Repayment begins six months after the student finishes attending an institution. Mainly conventional (mortgage style) repayments but there are other options that the borrower can choose from, depending on the programme, for repaying loans. Under the default "standard repayment plan," the borrower pays a fixed amount and has up to 10 years to repay the loan.

Other options may include:

Extended Repayment Plan (12 – 30 years)

Graduated Repayment Plan (repayments start out low and then increase every 2 years. The repayment period is between 12 and 30 years for FDLP or up to 25 years for FFELP). Income Sensitive Repayment Plan (FFELP only; payments amounts vary according to annual income but must at least total accrued interest between payments.)

Income Contingent Repayment Plan (FDLP only; borrowers have 25 years to repay after which time any unpaid amount will be discharged but borrowers may have to pay tax on the amount discharged). Very few borrowers use this repayment option and repayments are not collected through the tax system. Under certain circumstances e.g. financial hardship loan repayments may be deferred with the Government paying interest accruing on capital sum if subsidised loan, otherwise interest accumulates or parents pay – depends on type of loan.

Interest

Variable interest rate with a cap of 8.25%. Charges annually in July and is calculated by taking the bond equivalent rate of the last auction of the 91 day Treasury Bill and adding 1.7% (2.3% in repayment). Borrowers of Unsubsidised Loans are responsible for the interest during the in-school and grace periods. Subsidised Loans – federal government pays interest during these times.

Repayment Incentives

Very limited. In some instances there are small interest concessions for electronic payment or for a good repayment history. Failure to make repayments may result in a number of actions including credit reporting, wages being garnished and the loss of income tax refund.

Capital Write-off

The debt is written off if a student dies or becomes totally or permanently disabled (this has recently been tightened because of abuse), goes bankrupt (in rare cases). A loan will also be cancelled if the school closed (before the student could complete the programme of study) or false loan certification or in cases where the school does not make required return of loan funds to the lender. In addition, for borrowers who are:
full-time teachers for five consecutive years in a designated elementary or secondary school serving students in low-income families, up to \$5,000 (€4,626) of the aggregate loan amount that is outstanding after completion of the fifth year of teaching will be forgiven; and child care providers who completed a degree in early childhood education and have been employed full-time in a child care facility in a low-income community for two consecutive years, 20% off all loans after the second and third year of employment and 30 % after the fourth and fifth year will be forgiven.

Other support features

There are three types of tax benefits for higher education.

Saving for college:

Parents can invest money in an education Investment Retirement Account (IRA) that will accumulate tax-free interest and not attract a penalty if money is withdrawn. Money can also be saved in a state-sponsored tuition plan. No taxes are paid until the money is withdrawn.

Already in college:

Funds can be withdrawn from an IRA, without penalty, for the education of the student, their spouse, child or grandchild. If an employer is paying for the education, \$5,250 (€4,858) per year can be excluded from the student's income for undergraduate classes. A parent paying for a dependent's education can have their federal income tax cut by as much as \$1,500 (€1,388) or more by claiming tuition tax credits (i.e. Hope and Life-time Learning tax credits).

Graduates:

If repaying a loan, graduates can deduct interest paid on loans from their taxes. If they have had loans forgiven because of community service the amount forgiven is tax-exempt and excluded from their income.

Under certain circumstances e.g. financial hardship, loan repayments may be deferred with the Government paying interest accruing on capital sum if subsidised loan.

Statistics (in \$US)

Money borrowed in Stafford loans has increased from \$14.7 (€13.6) billion in 1992/3 to \$37 (€34) billion in 2000/2001. From 1992/93 to 1999/2000 the average annual loan has increased from \$3,186 (€2,948) to \$5,131 (€4,747). In 1995/96 the average debt of students graduating from public four-year schools was \$11,950 (€11,057) and for students graduating from private four-year schools was \$14,290 (€13,222).

In 1999/2000 the average loan drawn down for undergraduates was \$5,100 (€4,719) and \$16,728 (€15,477) for Graduates.

The average debt in 1999/2000 was \$11,379 (€10,528) for undergraduate education and \$2,597 (€2,403) for graduate education.

In 2002, \$25 billion of FFEL loans and \$11 (€10) billion of FDSL were awarded to students.

1 Euro foreign exchange reference rates as at 28 January 2003. Rates are rounded to nearest euro.

Appendix 5

Basis for Projections

Basis for Projections

Detailed consideration of policy options requires sustainable expenditure/revenue projections. In order to cost the additional expenditure required for improvements in student supports to promote equity and access and to determine the revenue that can be raised for this purpose through reform of the free fees initiative, data on the income distribution of households with children in third level are required. As such data are not available, it was necessary to estimate the income distribution of such households.

At the request of the Department, the ESRI constructed a model on the basis of estimates of the income distribution of relevant households. Essentially, these estimates are derived by combining information from two separate surveys. The ESRI used data from a sub-sample of the Living in Ireland Survey 2000 for the income distribution of households (with children between the ages of 10 and 20) and combined this with data from the School Leavers' Survey 1998 on the propensity of children from each income category (SES group) to attend third-level education. The model facilitates estimation of the numbers of young people likely to attend third level by household income category. Table A5.1 outlines the estimated numbers and percentages of undergraduate students (eligible under the free fees initiative) underlying the model used to calculate the costs associated with reform of the current system.

Table A5.1 Estimated Undergraduate Student Numbers by Reckonable Household Income Category (2002/2003)

Household Income (€'000)	IoT Degree	University/Other Degree	Diploma/Cert.	TOTAL	Percent	Cumulative Percent
0 to 10	1,061	4,469	2,500	8,030	7.7%	7.7%
10 to 20	1,968	8,283	5,163	15,414	14.8%	22.5%
20 to 30	1,821	7,671	4,565	14,057	13.5%	36.0%
30 to 40	1,778	7,485	4,392	13,655	13.1%	49.1%
40 to 50	1,693	7,129	3,995	12,817	12.3%	61.4%
50 to 60	1,692	7,121	3,726	12,539	12.0%	73.4%
60 to 70	1,215	5,117	2,500	8,832	8.5%	81.9%
70 to 80	927	3,905	1,772	6,604	6.3%	88.2%
80 to 90	537	2,261	1,160	3,958	3.8%	92.0%
90 to 100	287	1,209	578	2,074	2.0%	94.0%
100 to 110	247	1,036	439	1,722	1.7%	95.7%
110 to 120	191	804	260	1,255	1.2%	96.9%
120 and over	493	2,077	674	3,244	3.1%	100.0%
Total	13,910	58,567	31,724	104,201	100.0%	

The income of each household is the reckonable income under current means-testing criteria. Deductions have been made in respect of additional children corresponding to the extensions of income thresholds allowed for such children under current means tests. Therefore, the model takes into account the issues of other dependent children and other children in further/higher education within households.

Fee levels

The current cost of the free fees initiative reflects a wide range of fee levels across different disciplines, institutions and sectors within the tertiary education system. Many of these fees are historically based and their relationships to course unit costs¹ are variable. The tuition fee represents only a proportion of the unit cost of providing a particular course. Table A5.2 provides an estimate of the current average fees and their relationship to unit costs. Effectively, the difference between the level of tuition fees and unit costs represents the significant level of additional Exchequer subsidy provided by way of recurrent grants (the 'block grant') to institutions.

Table A5.2 Fees as a Percentage of the Unit Cost by Field of Study²

Undergraduate Programme	2002/03 Average Fee including €670 charge	Estimated Full Unit Cost per Annum	Fee as a Percentage of Unit Cost
University Sector			
Arts/Law	€3,601	€6,044	60%
Business	€3,782	€5,820	65%
Science	€4,683	€8,204	57%
Engineering	€4,669	€9,270	50%
Medicine	€5,167	€8,815	59%
Dentistry	€6,219	€24,890	25%
Veterinary	€6,437	€20,577	31%
IoT Sector			
Cert/Diplomas	€1,633 – €1,694	€7,100-€7,058	23% – 24%

The fees represent varying proportions of the total costs incurred by the Exchequer in delivering different programmes.

Internationally, a number of systems have been operated on the basis of a single fee-contribution level, or ‘flat fee’. However, it is noteworthy that the recent British White Paper proposes a move away from a flat fee to multiple fee levels through the introduction of ‘top-up fees’. Similarly, for the Australian system, which had already moved to a three-band fee system (see Appendix 4), a multiple fee structure is now being mooted.

In the circumstances, for modelling purposes only, a weighted average of fee levels has been applied, specifying a lower fee for certificate and diploma courses and providing for a fee for degree courses that reflects a historic differential between the institute of technology and the university sectors. The fee levels used are set out in Table A5.3.

Table A5.3 Weighted average Fees for Undergraduate Courses Used in the Modelling Exercise

University Degree	Institute of Technology Degree	Certificate/Diploma
€4,200	€3,500	€2,000

- 1 The ‘unit cost’ of a third-level course represents the total cost of providing the course divided by the number of participating students.
- 2 The unit costs underlying the comparisons in the university sector are based on the unit costs prepared by the HEA for 1999/2000 and have been inflated by the annual fee increase. The unit cost in the IoT sector is for the Cert/Diploma programmes in the 1999 financial year inflated by the annual fee increase.

Appendix 6

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National Board of Education, Finland

Embassy of India, Dublin

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