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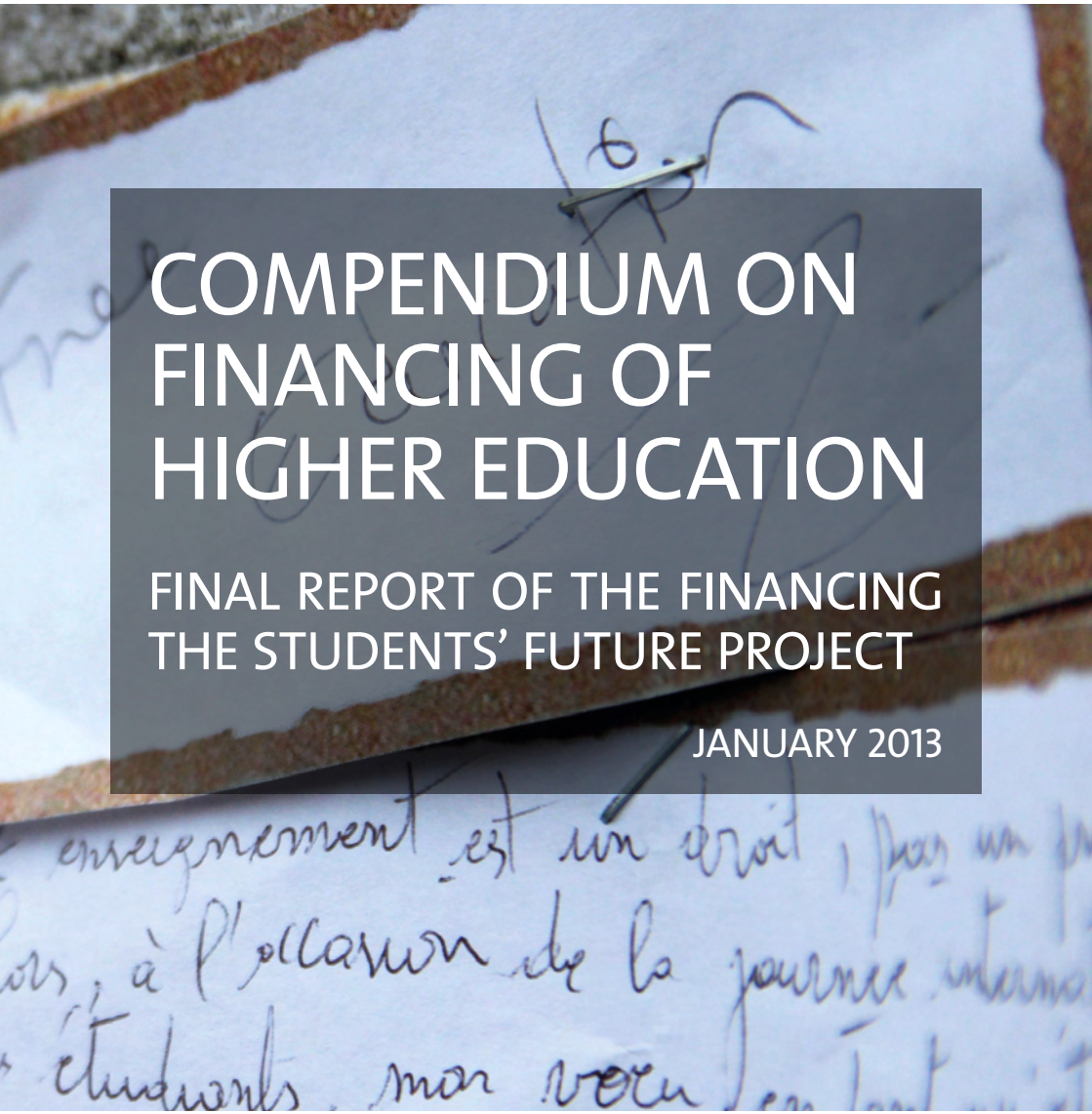

COMPENDIUM ON FINANCING OF HIGHER EDUCATION

FINAL REPORT OF THE FINANCING THE STUDENTS' FUTURE PROJECT

JANUARY 2013

Lifelong Learning Programme

FINST
Financing the Students' Future

EACEA
Education, Audiovisual & Culture Executive Agency

IMPRINT

COMPENDIUM ON FINANCING
OF HIGHER EDUCATION

Final report of a project named Financing the Students' Future

Brussels, January 2013
by the European Students' Union ESU

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1 FOREWORD

Karina Ufert
Chairperson ESU 2012–13

Today nobody dares to doubt the value of higher education in our societies. However, the question whether it is a financial priority for governments in times of an economic downturn remains under much of heat. The European Union has increased its focus on higher education as one of the top priorities for the next decade of European development, though it has not yet been able to present a satisfactory solution to the ailments of educational financing in Europe. In the meantime, on the ground, the first ten years of our century have seen the amount of funding per student decrease in many countries, often for the first time in decades.

The question how to do more with less rose in the context of higher education financing forcing policy-makers to rethink financing strategies with more pressure than ever. Since the economic crisis hit in 2009, the use of public financing in education has been under constant scrutiny by both governments and institutions, but most changes in financing have come only with a delay in 2010 when governmental measures affected the access to higher education in nearly every European country.

It should be noted that the current status of financing of higher education is extremely different across the continent hence a valid comparison is difficult to conduct. However, statistics show that the failure rate at the end of the first year of studies is over 50 per cent, which is mainly associated with high study costs for students in certain countries. This is an issue of serious concerns. While there is a strong tendency to stress the inefficiency of higher education institutions, expansion of student numbers and growing needs of the societies might be used as an incentive to increase the private spending on higher education at the expense of public funding—the global trends quite often present a somewhat different approach. Be it the economic downturn, be it the societal situation, be it the political belief of the governors, in most countries the value of higher education as a national priority for welfare has decreased.

In the context of the current political climate where austerity is a mainstream policy, the financing of higher education is surely the key policy discussion in many countries, but increasingly also on the European level. Our project Financing the Students' Future is thus well timed since the fight for increasing public investment into higher education must intensify right now.

For this, we have designed our project to deliver key policy messages and argumentation for the national unions to use in national discussions. But moreover, we would want you to be actively part of shaping the message about future ideals for funding higher education in this fastly paced world. Perception of missions of higher education is increasingly mixed and if our vision of a public education is to prevail, one needs to be well prepared with the homework done. And that is precisely one of the aims of this project.

It is clear that the European dimension in the financing debate is only now emerging since there is some understanding that the Bologna Process cannot be implemented without increased convergence also in funding policies. We see tensions in promoting mobility leading to an educational quasi-market where public budgets come increasingly under pressure and governments actually adopt policies that are less open-minded to international openness. We must thus promote alternative models that can serve our ideals.

2 INTRODUCTION: WHY DO WE HAVE THIS PUBLICATION?

Higher education plays a vital role in society and the quality, accessibility and form of higher education is highly dependent on financing. The type of society we strive for should be reflected in the way we finance higher education. The importance of higher education has recently been addressed in the context of building a knowledge society in Europe. Both the EU 2020 strategy and the Leuven/Louvain-la-Neuve Communiqué confirmed the public responsibility and the need for investment in the higher education sector as solution to the economic crisis. Financing of higher education is conceived to be of central importance for the future creation and dissemination of knowledge and research.

Therefore, the financing of higher education is a topic that has been always at the core of the work of student organisations, even more so in the times of the economic and financial crisis. This is why the European Students' Union decided in 2009 to apply for a grant for a project, aimed at increasing the knowledge of the effects of financing systems in Europe on students and enhance the capacity of its member national unions of students with regard to active involvement on higher education funding reforms.

ESU has been conducting the project together with three national unions of students, that have been a part of the project management and research team and have contributed to both this publication and other deliverables in this project. The partner unions were:

- EÜL—Eesti Üliõpilaskondade Liit (Estonia)
- ÖH—Die Österreichische HochschülerInnenschaft (Austria)
- NUS UK—National Union of Students (UK)

The last partner in the project was the HIS-Institute for higher education research (HIS-HF), which was in charge of quality assurance during the project lifecycle of FinSt and has reviewed and provided feedback on all products of the project.[1]

1 HIS-Institute for higher education research (HIS-HF) was in charge of quality assurance during the project lifecycle of FinSt. It was involved in project discussions within the research team and the Advisory Board. It has reviewed and provided feedback on all products of the project. In this role it was not responsible for the final analysis of the topic areas and the ensuing conclusions and recommendations. Therefore, the published results do not reflect the qual-

It must be stated that the compendium does not present the policy of either ESU or our members, national unions of students, but rather gives an insight of what we thought were the issues to address and what we think needs to be researched further.

The Compendium is the culmination of the research process carried out during the project, the rationale being that it neatly brings together the various different research components. The project began with the formulation of a series of hypotheses, with data gathered in order to test them. Certain topics that were of particular interest to the research team were then investigated in more depth through research articles. With this general overview of the situation regarding student and higher education funding across Europe, predictions on what the future of funding might hold for students, higher education institutions as well as the wider society were presented, in the form of >scenarios<.

While the research team strived to ensure robustness and impartiality, it should be noted that it provides a student perspective on higher education funding with the aim of building the capacity of national unions of students and student representatives to understand the present trends and envision potential future developments.

Primarily, this compendium is meant to be a tool for students and student representatives, when they are discussing the funding of higher education. It does not give final answers, and it does not offer easy solutions. As we have observed, because of the differences in national contexts and because of the complexity of the matter, easy fixes of this issue or simple answers to the questions about funding are not possible.

This is the final publication in the project, although this topic is of course still on the agenda of the students unions in Europe and globally, maybe even more than when the project started in 2010. We will keep updating the knowledge base on our website and we also invite the readers to take a look there on what the developments are after this compendium was published.

WHAT IS IN THE COMPENDIUM?

The compendium begins with a short overview of higher education funding systems, which should give the reader a basic picture about the current situation in Europe, based on some selected indicators from the FinSt mapping process.

The second part presents a series of hypotheses that we have set to analyse the differences among funding systems and their effects on the student population. It tries to shed a light on how the funding of higher education affects students and looks into

ified opinion of its research team.

possible correlations between the funding systems and the number of students. The research team chose four hypotheses, covering some selected themes, which the authors have tried to test with the data available.

The third part consists of several articles on issues that are related to the overall topic of financing of Higher education and are giving various insights into the matter. The first article deals with the relation between social dimension and funding of higher education, in which the authors tried to analyse the correlation between the two. Although various international projects and organisations are already making valuable progress in collecting data at the European level, trying to work out the possible indicators for measuring the social dimension and collecting the data at the international level, the researchers observed that quality data is still lacking and that no general agreement or benchmarks have been set on how to evaluate the development of the social dimension. The second article analyses the policies of ESU's member unions of students that answered our survey and examines their perceptions about elements of the policy model in relation to the financing of higher education and their opinions of their national financing policy for higher education. The third article looks into the commodification of (higher) education. It explains the concept of commodification and examines the appearance of this trend in the last years. The last article in this section gives some reasons for why it is important to invest in higher education from the point of view of one of our former colleagues in ESU. As the author himself says, there are many different ways to look at this question, but it can give the reader some ideas and perspectives on how to analyse the contributions of higher education to individuals and society.

The last part tries to formulate some overall conclusions from the research and policy process we have gone through. In sum, the Compendium should give the reader a fairly adequate picture of the most important issues in connection with higher education financing from a student perspective and we hope it will help to encourage a deeper discussion about funding that will encompass views of different stakeholders and try to build an agreement about the basics of how the financing systems should look like.

1

PART 1: SHORT OVERVIEW OF HIGHER EDUCATION FUNDING SYSTEMS ACROSS EUROPE

1 INTRODUCTION

This section provides a brief analysis of the Country Sheets[2] collected in the course of a recent mapping process conducted in 2011 and 2012[3]. It aims at giving a short overview of the higher education financing system in question and will hopefully assists as reference to other students' representatives in research about the financing of higher education across Europe.

During the FinSt project, we have undertaken two different mapping processes. In the first one, conducted in spring of 2011, we have gathered data from secondary sources that were publicly available and have consulted with the unions about the validity of the data. The data collected this way were mostly originating from before 2009, but we were able to use them to test the hypotheses set at the beginning of the project and compare situation of students in different European countries. More detailed description of both the mapping process and the testing of the hypothesis please see Part II: Comparative analysis of funding systems.

Second mapping process was done in the spring of 2012 and was aimed at collecting the most up-to-date information about some selected indicators of funding systems. We have asked our member national unions of students to provide us with the most recent data for the study year 2011/2012. We have gotten responses from most of the unions and we are presenting some of the results in this chapter. Please note that not all gathered data are used here as some were not the most recent and were thus not comparable.

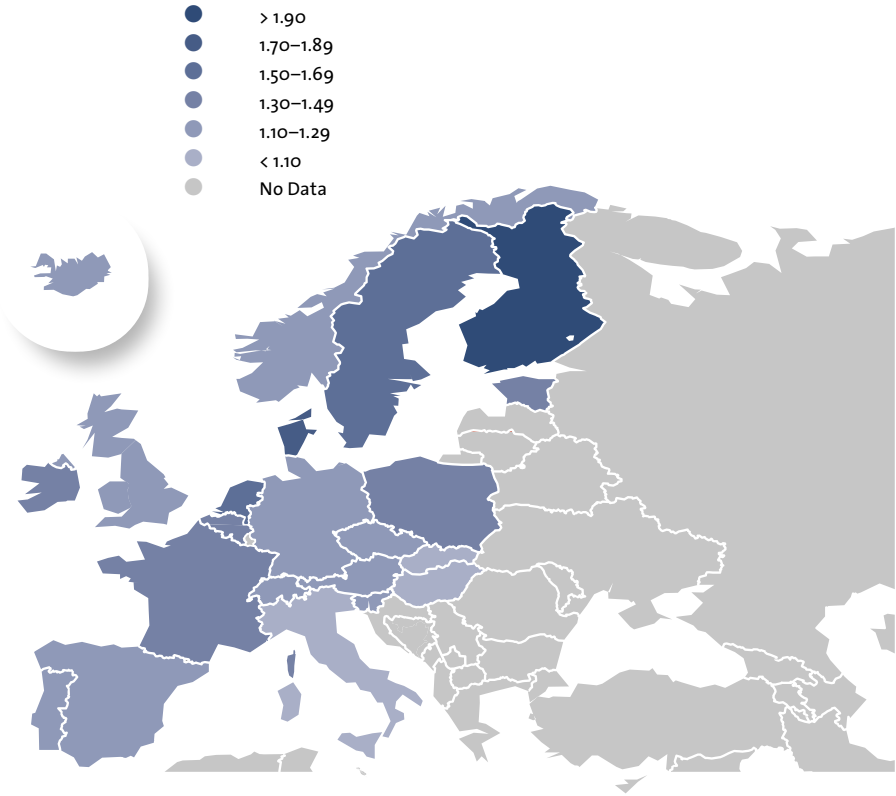
Gathered data will be uploaded online and will be publicly available at ESU website (*http://esu-online.org*). We will enable the visitors a possibility to correct and update the information in order to gather the most up-to-date data.

2 Data were gathered and presented in separate sheet for each country, therefore we use the term Country sheets when referring to the results of the mapping processes.

3 For more details about the 2011 mapping procedure, please consult Part II Introduction: Mapping how higher education is financed—process and practice.

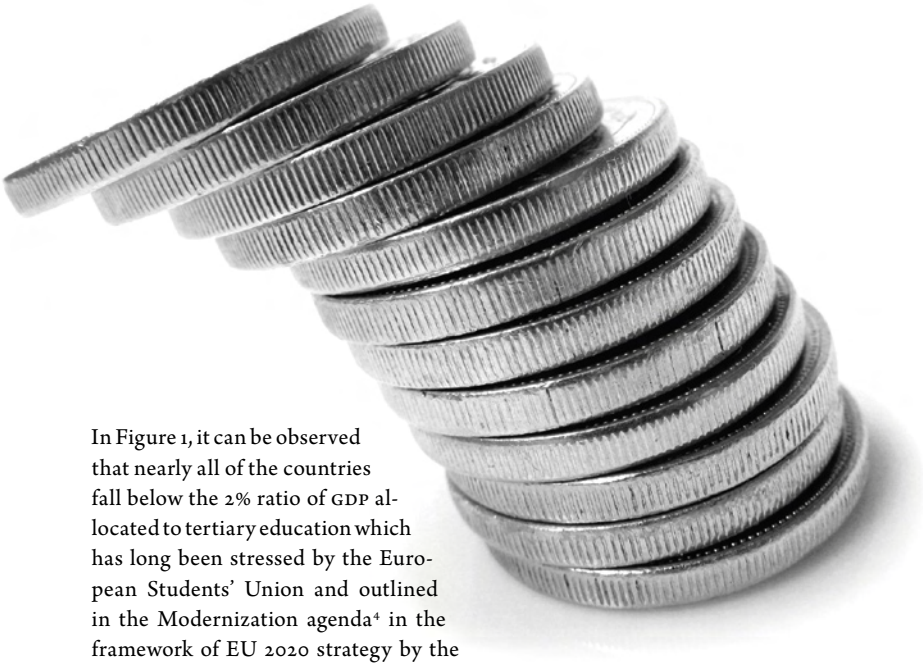
2 OVERVIEW

fig. 1 Public expenditure on Higher Education as a percentage of GDP



Source: OECD, Education at a Glance 2012, table B2.2.

When we are comparing different higher education funding systems, public expenditure as a percentage of GDP is a useful indicator. It does not give us a full picture as it need to be seen only as one indicator among others in capturing public funding of HE and has to be linked with other data, such as the number of students enrolled at or the growth rate of GDP to provide a meaningful source of information. But nevertheless, it can give a starting point for a discussion about diversity of financing systems as well as priorities that the countries have set for the use of their public funds.



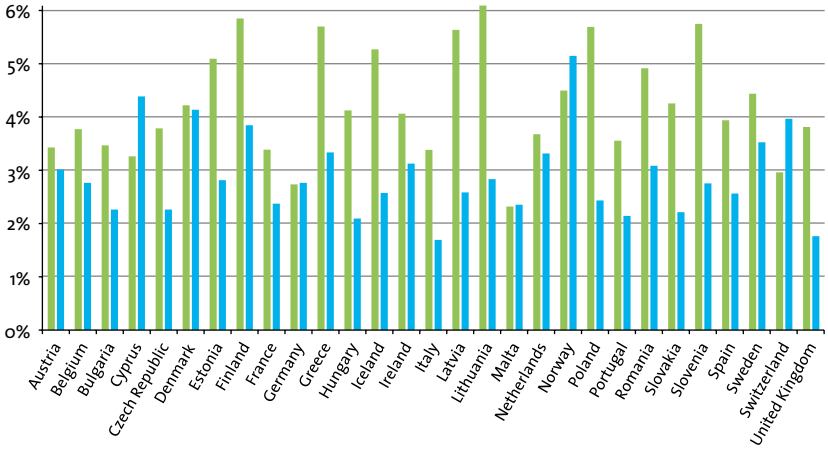
In Figure 1, it can be observed that nearly all of the countries fall below the 2% ratio of GDP allocated to tertiary education which has long been stressed by the European Students' Union and outlined in the Modernization agenda[4] in the framework of EU 2020 strategy by the European Commission. Additionally, it should be pointed out that most of the data shown here dates from 2009 and therefore does not reflect the impact of the financial crisis on public budgets and the frequently following cuts in public spending on HE. Taking recent events into account, the numbers shown in this map should be seen as an optimistic overview, as a total of 11 countries (especially in Southern and Eastern Europe) cut their budgets significantly between 2008 and 2012[5] and the most current figures are likely to present an even more worrying picture.

In Figure 2, we have compared the percentage of students enrolled in higher education in total population and percentage of public expenditure on higher education in total public expenditure. We are aware that this kind of comparison is difficult because of different public funds allocation systems and the budget data are not taking into account the relative GDP and public budget size differences, but relationship between these two indicators can still be seen as an indicator of the importance that students and higher education are given in a country.

4 For more about the Modernisation agenda, see *http://ec.europa.eu/education/higher-education/agenda_en.htm* (15.1.2013)

5 As shown in the research published by EUA in their Public Funding Observatory. Details are available at *http://www.eua.be/eua-work-and-policy-area/governance-autonomy-and-funding/public-funding-observatory.aspx* (15.1.2013)

fig. 2 Percentage of students in total population, compared to public expenditure on higher education as percentage of total public expenditure[6]



The comparison in Figure 2 shows quite a diverse picture, though in the majority of the observed countries, the percentage of students in total population is higher than the percentage of public expenditure on higher education in the total public expenditure. Though in most of the countries, the difference is not that high, some countries, such as Greece, Latvia, Lithuania, Poland and Slovenia have quite high percentage of students and relatively low percentage of public expenditure on higher education. The opposite, meaning that the expenditure on higher education is higher than the percentage of students can be observed for countries like Norway, Cyprus, Switzerland and Denmark. While we would not want to make any simplified conclusions, it needs to be noted that the increase in the number of students should also be followed in the public expenditure on higher education.

6 Data for the chart were gathered from own calculation, based on the following sources: The European Higher Education Area in 2012: Bologna Process Implementation Report: Figure 1.7; Eurostat: Total population, 2008; Eurostat: Trends in the number of students (ISCED 5-6), 2008

3 SELECTED INDICATORS OF FUNDING SYSTEMS FOR EUROPEAN COUNTRIES

As stated before, we have decided to show some basic indicators of financing systems in European countries with an intention to enable easy overview and comparison of student situation in different countries. For more in-depth comparison, we recommend the reader to search for additional data in the country sheets on our website.

When talking about financing of higher education, tuition fees are one of the most common indicators to compare the situation of students in different countries. Not only that the differences between the countries are big, but it can be gathered from the additional information in the datasets that the magnitude of tuition in a country can vary widely, depending on the type of institution, field of studies and level of degree. We can also observe that the specific properties of the national systems differ from each other in many aspects and tuition regulations are in some cases subject of a trial phase (Finland) or currently under judiciary review (Austria).

In most cases, tuition applies to citizens as well as foreign students with tuition fees highest for non-EU based students. Some of the countries in which tertiary education is traditionally regarded as public responsibility and therefore free of charge did nevertheless recently implement tuition fees for international students (Denmark, Sweden); in Czech Republic the determinant of whether tuition fees are being levied or not is the language of the course with only courses in Czech being free of charge. We must observe this as a very worrying development as this kind of trend can be construed as a change in the understanding of higher education as public responsibility, not even considering the implications that this can have to access and completion of higher education.

fig. 3 Selected indicators for European countries[7]

Country	Tuition[8]	Who pays tuition?[9]	Average grant per month[10]	Base
Austria	€ 363,36–726,72 per term	Non-EU citizens (€ 726,72), long-term students (€ 363,36)	€ 380	merit/needs
Azerbaijan	€ 1500–2000	Domestic and international students	€ 100–150	needs
Bulgaria	~ € 15–886 per year	Domestic and international students	~ € 138	merit/needs
Denmark	N/A	Non-EU students and part-time students	~ € 755	All Danish citizens
Estonia	€ 600–1600 per term (varies with HEI and field of studies)	Domestic and international students	€ 82	merit
Finland	€ 0–12000	Free for home and international students (pilot study for tuition fees for students from non-EU countries)	€ 268	needs
France	€ 177–584 per year	Domestic and international students	€ 100	needs
Hungary	€ 0–2500	Domestic and international students (60% of all students pay)	€ 30–300	merit
Ireland	€ 2250 (undergraduate) € 4000–10000 (postgraduate)	Domestic and EU students; non-EU students pay more	€ 130	needs

7 Please note that this data were self-reported by our member unions in a survey, prepared by FinSt research team from August to October 2012.

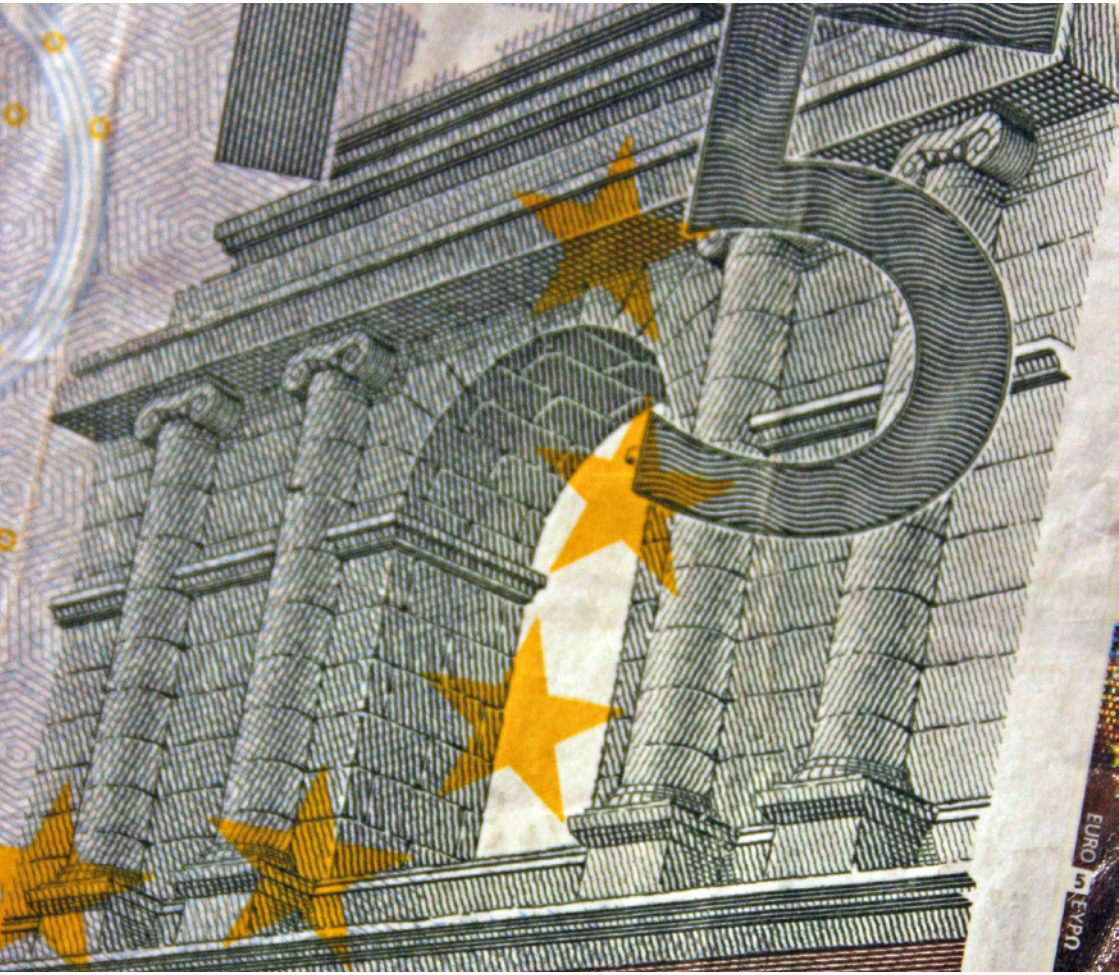
8 We wanted to show the span of the tuition fees in different countries, as calculating average tuition fee can sometimes dim the big differences between the institutions and disciplines. Some clarification are provided, but for more details about a system in individual country, please consult the country sheets on ESU website.

9 Please note that we are using the term non-EU students for students, citizens of countries other that 27 EU member states, Norway, Switzerland, Iceland and Liechtenstein.

10 Some unions have provided us with the span of the grant rather than the average size of the grant as they have observed that calculating average does not reflect the real situation of students. For more details about a system in individual country, please consult the country sheets on ESU website.

Country	Tuition[8]	Who pays tuition?[9]	Average grant per month[10]	Base
Israel	€ 2.027	Domestic and international students	€ 144	merit/needs
Italy	€ 1.215,34	Both domestic and international students: only students having the right to get a grant don‹t have to pay	N/A	merit/needs
Latvia	~ € 1970	Domestic and international students	N/A	merit
Lithuania	€ 1150–4900 (depends on study program)	Domestic and international students	Up to € 1400	merit/needs
Macedonia	€ 0–3000	Domestic and international students	€ 40–200	merit/needs
Malta	N/A	Free at Bachelor level	€ 84	merit/needs
Netherlands	€ 1771 per year	Domestic and EEA-students (€ 1771), international students (amount is determined by the HEI itself)	€ 266,23	needs
Poland	€ 1000–5000 per year	For 33%,fee is covered from national budget, 66% of students pay themselves	€ 70	merit/needs
Portugal	€ 999.71 per year (maximum amount, set in law)	Domestic and international students (1st and 2nd cycle)	€ 1712 per year (tuition cover included)	needs
Romania	€ 340–2270 per year	Domestic and international students	N/A	merit
Serbia	€ 400–2400 (determined by HEIs)	Domestic and international students	Depends on the tuition set by the HEI	merit
Slovakia	€ 400–2200	Long-term students and part-time students, international students	€ 10–265	merit/needs
Slovenia	€ 1500–4500	International and part-time students	From € 120 to € 300	merit/needs
Sweden	Free at Bachelor level, € 14.000 per year at Master level	Non-EU students	€ 312	merit

Country	Tuition[8]	Who pays tuition?[9]	Average grant per month[10]	Base
Switzerland	€ 500–3200	Domestic and international students	€ 460	merit/needs
UK	€ 4178 (undergraduate)	Domestic and international students	€ 127	needs
Ukraine	€ 800	Domestic and international students	€ 70	merit/needs



While not shown in the Figure 3, we have also shortly analysed the loan systems of student support. Several European countries offer a government loan system to students, mostly as an addition to the grant system. While we cannot present the in-depth comparison because of lack of data, we have observed differences also in the loans systems. In some cases, repayment is linked to postgraduate income (Netherlands, Hungary, Serbia, UK, Sweden) to abandon some of the socially selective effect of high tuition fees. However, it stands to question whether such loans are appropriate to ensure socioeconomic diversity throughout student population. Moreover, most countries apply a repayment system independent of income (Ukraine, Lituania, Denmark, Italy, Switzerland, Poland, Finland, Bulgaria, Portugal, Estonia, Slovakia).

In many cases where unions have reported that students are currently able to cope with the existing funding system, they are also very concerned about ongoing changes in their national funding mechanisms and deteriorating conditions for students' material situation. In many countries, they have observed incentives to either raise or implement tuition fess (Austria) or cut public support (Hungary, Netherlands). There's reason for concern that such developments will force more and more students to work part-time and lead to increasing segregation of students from weaker socio-economic backgrounds.

More detailed information on each of the national funding mechanisms and all corresponding data collected can be found online at FinSt project site (*http://www.esu-online.org/projects/current/finst*) and will be useful for further research and comparison.

2

PART 2: COMPARATIVE ANALYSIS OF FUNDING SYSTEMS

1 INTRODUCTION: MAPPING HOW HIGHER EDUCATION IS FINANCED—PROCESS AND PRACTICE

by Bethan Payne

This chapter introduces the research process undertaken to create funding typologies and country maps. It describes the four research themes and emerging hypotheses, which are each tested in turn in the subsequent chapters of this part of the Compendium. This introduction also prepares the readers for the research articles that are available in Part III of the Compendium.

A desk-based research project was undertaken during Spring 2011. It was designed to gather all the necessary information in order to map the higher education finance systems in every member union of ESU. In total, this amounted to thirty-eight countries from both within the EU and outside it.

The mapping process was a large undertaking and highlighted a number of challenges. The research team felt that the process as a whole provided a number of valid learning points with regard to this type of research, which are worth exploring further.

1.1 SETTING THE PARAMETERS AND DECIDING ON DATA

In order to ensure the research conducted stayed focussed on the original aims of the project and that it was manageable within the set time frames, the team agreed on four research themes, each with one related hypothesis.

These were as follows:

1. **National higher education funding systems:** This was chosen to give an overview of the main aspects of a national system. The main questions to be answered were:
    1. What is the funding mechanism?
    2. Where does the funding come from?

3 How much money is spent?

4 What do students think about it? (This question was answered through a survey to national unions of students.)

This overview is essential to the research, as it enables all other aspects of the research to be put into context and more fully understood.

The hypothesis for this theme was:

»Most of the countries observed are using cost sharing to cover increasing higher educational costs.«

The research team felt that this hypothesis would be interesting to explore as the main political discourse for the past few years has been around the mass expansion of higher education, the resulting increased costs on the public purse, and the need to increase cost-sharing. Whilst this is the political discourse, the team felt it would be interesting to see to what extent different countries had developed systems in line with this discourse.

2 **Public funding of students:** This aims to describe different aspects of public support to students. This section includes students' private contribution to higher education as these are considered as negative support, whilst grants and loans are considered to be positive contributions. The main questions that needed to be answered to describe the above were:

1 What is the system?

2 How much is spent?

3 Who spends it?

4 What do students think about it?

Finding out what students think of their financial support arrangements was a particularly challenging aspect of this research area. There is a question in the Eurostudent survey asking students to assess their material well being, but this is not quite the same thing. It was decided that national union opinion on the student funding situation in each country would have to act as a proxy for general student opinion.

The hypothesis for this theme was:

»Higher education systems that have higher tuition fees also have higher levels of public student support.«

This hypothesis was chosen to investigate political arguments that state, if there are higher fees, then more money can be spent on those who need it most. Is this actually happening, or do higher fees lead to increased spending in other areas instead of student support?

3. **Student income and expenditure:** This theme aimed to outline what students' private financial situations were and what the costs of going to higher education were in each country. The main questions for this theme were:

    1. What are the main sources of income and expenditure?
    2. What is the significance of each source to the total income and expenditure?
    3. What is the relationship between students' income and expenditure?
    4. What do students think about it?

The ways in which students finance themselves is complex, but it is important for national unions to understand what the key areas of income are if they are to ensure that they are campaigning on the right issues. Also, by seeing how students from other countries support themselves, it is easier to draw ideas and best practice together.

The hypothesis for this theme was:

»In most of the countries observed, the public support to the student per month is higher than the student's private contribution to HEIs per month.«

This hypothesis was chosen to gain a better understanding of whether student financial support went beyond support for tuition.

4. **Impacts and outputs:** This theme looks at the impacts of different funding systems on participation in higher education. The questions that need to be answered for this theme are:

    1. What are the demographics of students attending higher education?

2 What are the characteristics of students receiving public support?

3 How satisfied are students?

One of the key aims of the Bologna Process is to increase participation in higher education from a range of different demographics. It is important to see who is attending higher education and where. By mapping such aspects, any regional successes or challenges can easily be seen and unions can see who they might want to collaborate or share ideas with to help improve participation in their home nations.

The hypothesis for this theme was:

»In most countries, observed levels of public investment correlate between levels of participation.«

This hypothesis was chosen in the light of increasing cuts to public funding of higher education and the transfer of the cost to the individual. In an environment where reducing public expenditure is top of the agenda, the team felt it was important to see if public investment in higher education was an important factor in ensuring participation was high.

1.2 DECIDING ON DATA

Data fields were only included in the mapping template if they could be used to test the hypotheses or provide information directly relating to one of the research themes. The research team conducted an initial scoping exercise to gather an indication of whether the information required could be found, and where it could be located. This then guided the process of deciding which precise data fields should be included.

The team also needed to decide where to collect the required data. This decision was taken in tandem with the process of synthesising the research themes and hypotheses in order to ensure that the research would be achievable. It was agreed that all data should be collected from relatively few sources in order to ensure reliability and parity between data. In addition to this it was decided that all data should be collected from the same year—or as close to it as possible.

The sources used were:

- OECD, 2010: Education at a Glance 2010;
- Eurostudent, 2011: Social and Conditions of Student life in Europe 2008–11, Summary document;
- Eurostudent/Eurostat, 2009: The Bologna Process in Higher Education in Europe: Key Indicators on the social dimension and mobility;
- Eurydice, 2011: Modernisation of Higher Education in Europe: Funding and the Social Dimension;
- CHEPS, 2010: Progress in higher education reform across Europe: Governance and Funding Reform; Volume 2: Methodology, performance data, literature survey, national system analyses and case studies

These sources were chosen because the team felt that they had the widest range of countries available, whilst still being reliable sources.

The full data-mapping template is available in Appendix 1 (fig 4).

In order to share the workload, the team divided the countries being mapped as equally as possible between the three partner national unions. Each union then had to fill in the data sheet with the relevant information from the indicated source. This was entirely secondary research, with no primary research being conducted for the mapping process. In addition, it was entirely Internet-based. If a source could not be located online, then the team did not look to find it paper-based elsewhere. It would have been unfeasible to locate paper-based evidence for a research project spanning thirty-eight different countries. This also meant that all data collected was already available for public use.

Frequently, data was not available for a country—this was especially the case for non-EU countries. In such cases, the team had agreed that the researcher should search for the data from another resource, such as the nation's ministry website, and clearly indicate the source on the data sheet.

Following this, each country's data sheet was sent out to a contact at each national union. The unions were asked to verify information and amend anything that was incorrect. This was particularly important for the more descriptive sections of the data sheet.

Once the national unions had returned these, the mapping process was complete and the data was collated into one comprehensive file that all members of the research team could access. Upon completion of the mapping process, data analysis and testing of hypotheses followed.

1.3 CHALLENGES AND SOLUTIONS:

DATA

There have been a number of issues with the data that was available to the research team. One of the main issues faced by the research team was being able to use up-to-date data. Much of the data collected, published in the above sources, actually comes from 2005 or 2006. Not only is this data from around five years ago, but it also predates the world financial crisis and consequent national recessions. This has had significant impact on how national governments fund and support higher education. Some countries decided that greater investment in higher education would increase their country's chances of swiftly ending a recession, and others decided that dramatically reducing public investment in higher education would achieve this. This five-year period has also seen a number of changes in governments across Europe, usually towards the more right-wing political parties—in Finland and the UK for example.

However, as it was decided that the year in which data was taken had to match as closely as possible across all fields and all countries, it was not possible to use data much later than this. This ensures that all data is reliably comparable. It is unfortunate that it takes so long for some types of data to be published across all countries, and any work to speed the process would be welcomed.

A second challenge with the data was complete lack of it for a number of countries and in a number of sections. In particular, the way in which socioeconomic data is collected across Europe does not appear to be sufficient for analysing participation of different socioeconomic groups in higher education. With the apparent increasing costs of higher education across Europe, it is increasingly vital that we are able to monitor such aspects on a European as well as on a national level. This issue is further discussed in some of the research articles within this Compendium.

The lack of any, or very little, data for a number of individual countries (Azerbaijan, Belarus, Bosnia & Herzegovina, Israel, Macedonia, Serbia, Ukraine) is concerning for ESU in particular. Without any data for these countries, it is difficult for ESU and other organisations to tailor support for these countries to develop their student support and funding systems.

1.4 INTERNATIONAL COLLABORATION

As with any research project of this size, it is most easily achieved by sharing the workload amongst a number of partners. Due to the nature of the project, it was also advantageous to have research team members from a variety of different countries within Europe.

However, having these benefits also brought some challenges in working with a number of people in a number of different countries. The main challenge was being able to meet and discuss the project's development, especially if difficulties or issues with the data collection arose.

The team made significant use of Skype and email communication in order to address this and held one research team meeting in April 2011 in Brussels.

In addition, the team needed to come up with a joint understanding of various aspects of technical language, as different countries use different terms in different ways. This was most easily resolved at the face-to-face research team meetings, where it was simpler to resolve such disparities swiftly, rather than over email.

1.5 CONCLUSIONS

Overall, the mapping process revealed as many questions as it answered, particularly with regards to what, how, and why data is collected at a European level.

The mapping process was not a simple one, but it was necessary. In particular, it has highlighted a number of gaps in the information that is held at a European level. This is especially troubling when many European countries are currently working to reform their higher education systems as a result of the Bologna Process. If information is not available to measure its successes and failures, then how can the process be amended and further improved?

Data analysis and testing the hypotheses have yielded some interesting and insightful results. The creation of individual country maps will be more challenging for some countries than others, but again, should provide a useful tool for comparison between nations.

1.6 APPENDIX 1

fig. 4 Mapping Template

National Higher Education Funding Systems		Country Data	Country Year
Annual public expenditure allocated to tertiary education as a percentage of: (Bologna process in HE, Study Framework, Statistics Table: B.1a,b,e)	GDP		
	Total public expenditure:		
Annual total expenditure on tertiary educational institutions per full-time equivalent in EUR PPS: (Bologna process in HE, Study Framework, Statistics Table: B.1c,d,e)	Including expenditure on research and ancillary services		
	Excluding expenditure on research and ancillary services		
HEI's income from private sources (households & other private) as a percentage of all public and private sources: (Bologna process in HE, Study Framework, Statistical Table B.2a,b)			
Public Funding of Students			
Students' monthly obligatory contributions to HEI's in nominal amounts (EUR): (Bologna process in HE, Study Framework, Statistical Table B.2c)			
Public financial aid to tertiary students by type as a percentage of public expenditure on tertiary education: (Bologna process in HE, Study Framework, Statistical Table B.3a,b)	Loans		
	Grants		
Public subsidies for households & other private entities as a percentage of: (Table B5.3 OECD Education at a Glance 2010)	Total public expenditure on education		
	GDP		
Are there tuition fees?: (Eurydice Finance draft report)			
Who do tuition fees apply to?: (Eurydice Finance draft report)			

National Higher Education Funding Systems		Country Data	Year
Make up of state support—share of non repayable support (%): (Eurostudent, Social & Economic Indicators of Student Life in Europe, Fig 5.13)	Grant		
	Repayable Loan		
Describe the student support system: Please include, if you can the eligibility for state support & the % of students in receipt of state support:			
Describe the public funding system: (Progress in higher education reform across Europe Governance and Funding Reform; Volume 2: Methodology, performance data, literature survey, national system analyses and case studies)			
Student Income and Expenditure			
Significance of state support for student recipient (%): (Eurostudent)	Share of receivers		
	Relative contribution to receivers income		
Composition of total income by source (%): (Eurostudent, Social & Economic Indicators of Student Life in Europe, Fig 5.6)	Family/Partner		
	State		
	Job		
Main components of total expenditures as a percentage: (Eurostudent, Social & Economic Indicators of Student Life in Europe, Fig 6.5)	Accommodation		
	Tuition and other fees		
	Transport		

National Higher Education Funding Systems		Country Data	Year
Impacts and Outcomes			
Total number of students: (OECD stat, Education & training, students enrolled by age)			
Net entry rate: (Eurostat, Eduction & Training, Bologna, Net)	15–19		
	20–24		
	25–29		
	30–34		
	35–39		
	40+		
Enrolment rate: (OECD stat)	15–19		
	20–24		
	25–29		
	30–34		
	35–39		
	40+		
Percentage of full-time students: (OECD stat, Education & training, students enrolled by age)			
Percentage of part-time students: (OECD stat, Education & training, students enrolled by age)			
Percentage of male students: (OECD stat, Education & training, students enrolled by age)			
Percentage of female students: (OECD stat, Education & training, students enrolled by age)			
Percentage of students with level of father's education at: (Eurostudent, National Profiles)	Up to lower secondary		
	Upper Secondary		
	Post Secondary Non Tertiary		
	Tertiary		

National Higher Education Funding Systems		Country	
		Data	Year
Percentage of students with level of father's occupation at: (Eurostudent, National Profiles)	0: military		
	1: legislators, senior professionals		
	2: professionals		
	3: technical and associated professionals		
	4: clerks		
	5: service/shop market sales workers		
	6: skilled agriculture & fishery workers		
	7: craft and related trades		
	8: plant and machine ops./assemblers		
	9: elementary occupations		
	Blue Collar		
Students' assessment of their material well being (%): (Eurostudent, National Profiles)	Very dissatisfying		
	Dissatisfying		
	Acceptable		
	Satisfying		
	Very satisfying		

2 ARE COUNTRIES USING COST SHARING TO COVER INCREASING HIGHER EDUCATIONAL COSTS?

Hypothesis 1
»Most of the countries observed are using cost sharing to cover increasing higher educational costs.«

by George-Konstantinos Charonis

2.1 INTRODUCTION

For the purposes of this analysis, cost sharing is understood as the combined contribution from public and private sources in the financing of higher education. Higher educational costs will be referred to simply as costs throughout the analysis, unless specified otherwise. The term >costs< refers to the costs of providing higher education, whether these are covered by public or private sources.

Based on the hypothesis, the analysis aims to examine three aspects:

- Whether or not higher educational costs are increasing
- Whether or not the majority of countries mapped use cost sharing to finance higher education
- Whether or not cost sharing is being used in order to cover increasing higher educational costs

The reason for this approach is that these are the three key elements presented in the hypothesis.

The following section describes the indicators used throughout this analysis. Section 3 discusses different funding typologies, while limitations and considerations of further data that would prove useful are provided in Section 4. Conclusions are then drawn in Section 5.

2.2 INDICATORS

Regarding the first aspect on whether or not costs are increasing, one of the key sources of data The Bologna Process in Higher Education in Europe—2009 (data from this source for the indicators used in this analysis is mostly from 2005) states that »Both the recent expansion of higher education participation in terms of volume and the widening of participation in terms of participative equity lead to increased demands on public funding« (Eurostat/Eurostudent 2009). This is echoed by the Organisation for Economic Cooperation and Development (OECD) in Education At a Glance 2010; »Spending per student fell in some cases between 1995 and 2007, as expenditure did not keep up with expanding student numbers.« (OEDC EAG 2010, p. 200). This indicates that costs are indeed increasing; therefore the first aspect (a) can be accepted as true.

With regards to the third aspect, (c), although costs are increasing, the data cannot provide a definitive correlation between this and cost sharing; i.e. cost sharing cannot be attributed to one or more specific causes. Therefore, it cannot be verified whether or not cost sharing is being used to cover costs increases. Data on the reasons for cost increases would however prove useful in future for such analyses.

The rest of the analysis will focus on the second aspect (b) of whether or not most countries observed are using cost sharing, and what such cost sharing looks like across Europe. The data selected for comparison are the following indicators:

1. Annual public expenditure allocated to higher education as a percentage of:
   - i GDP
   - ii Total public expenditure
2. Annual total expenditure on tertiary educational institutions per full-time equivalent in EUR PPS1
   - i Including expenditure on research and ancillary services
   - ii Excluding expenditure on research and ancillary services
3. HEI income from private sources (households & other private) as a percentage of all public and private funding sources

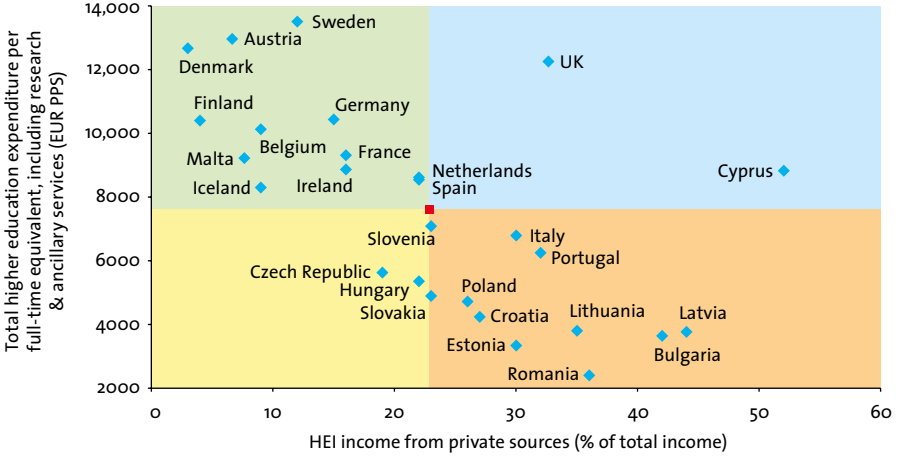
CHOICE OF INDICATORS

The above indicators will provide a picture of the extent to which HE is publicly and privately financed, therefore either confirming or denying the statement »most countries observed are using cost sharing.«

Plotting each indicator and observing that there is a combination of public expenditure as well as HEI income from private sources for each country can verify the existence of cost sharing. This is the method undertaken in the main source from which the data was collected, The Bologna Process in Higher Education in Europe—2009 (Eurostat/Eurostudent) (Sections B.1 & B.2); however, in order to identify any patterns and potential typologies, public expenditure can be graphed against percentage income from private sources as a scatter plot. Although these two indicators are independent of each other, such a representation will demonstrate the extent to which HEIs are financed through public and private sources. It should be noted that other funding sources that do not fall strictly under the label of ›public‹ or ›private‹ as defined by Eurostat/Eurostudent (2009) may also exist, therefore the analysis does not necessarily provide a rigorous account of all potential HE funding sources.2

Indicator 1 as well as indicator 2 can express annual public expenditure. As this analysis will be investigating HEI income from public sources (in the form of annual public expenditure) against HEI income from private sources (as a percentage of overall income from public and private sources) however, the focus will be on indicator 2 that represents HEI income per each full-time equivalent as oppose to indicator 1, which represents annual public expenditure on tertiary education as a percentage of other figures that include wider spending (GDP and total public expenditure). Indicators 1i and 1ii are plotted against HEI income from private sources in Annex 1 and Annex 2 respectively, for information. Although a general pattern is difficult to observe, a regional pattern does begin to emerge (explained below). When plotting indicator 2 against indicator 3 a pattern becomes more apparent. Although indicator 2ii, total annual public expenditure per student excluding research and ancillary services, is a representation of expenditure on core educational services, expenditure on ancillary services (subsistence, transport, accommodation, etc …) included in indicator 2i may result in improved study conditions for students. As it is difficult to differentiate between spending on ancillary services and research (Eurostat/Eurostudent 2009) it is difficult to compare »core« expenditure against ›other‹ expenditure, therefore HEI income from private sources (indicator 3) is plotted against total expenditure per student including research and ancillary services (indicator 2ii), shown in Figure 1.3,4

fig. 5 HEI income from private sources plotted against total expenditure per student, including research and ancillary services



Source: Eurostudent/Eurostat, 2009: The Bologna Process in Higher Education in Europe: Key Indicators on the social dimension and mobility, Figure B.1c and B.2a

2.3 NATIONAL HE FUNDING SYSTEM TYPOLOGIES

The funding typologies that emerge from the scatter plot in Figure 5 are shown in Table 6.

fig. 6 Funding typologies emerging from Figure 5

	Total public expenditure per full-time equivalent student (in EUR PPS), including expenditure on research & ancillary services	HEI income from private sources (households and other private entities) as a percentage of total income
Type 1 (Top left)	High	Low
Type 2 (Top right)	High	High
Type 3 (Bottom right)	Low	High
Type 4 (Bottom left)	Low	Low

Where high and low are in reference to the mean value.

From the plot it can be observed that the majority of countries fall into either a type 1 or a type 3 typology. Therefore, in general, in countries that allocate more resources per student there is a weaker dependence on private contributions, whereas in countries that allocate fewer resources per student there is a stronger dependence on private contributions. Nonetheless, a combination of public and private contributions is apparent in all countries plotted, confirming the fact that all countries indeed use cost sharing.

Furthermore, a broad regional pattern emerges, as the majority of countries above mean total public expenditure per FTE (types 1 & 2) are located in Northern and/or Western Europe (excluding Austria, Cyprus and Malta), whereas the majority of countries below mean total public expenditure per FTE (types 3 & 4) are in Central and Eastern Europe, including the Balkans (with the exception of Italy and Portugal).

Most countries of the former Eastern Bloc are type 3, whereas the older Western democracies, particularly those with a social-democratic tradition, are type 1. This raises questions about how the political system shapes the HEI financing system. Although beyond the scope of the FinSt project, further research into this question may elicit interesting results.

Only two countries fall into the type 2 typology: the United Kingdom and Cyprus. In Cyprus approximately 65% of students are enrolled in fee-paying private independent institutions (Eurostat/Eurostudent 2009, p. 84). In the UK HEIs charged a flat rate of £ 1,175 per year of undergraduate studies in 2005, in addition to income received from public sources. It is important to note that from the 2006/2007 academic year this fee increased to a flat rate of just over £ 3,000 and will increase further to up to £ 9000 from 2011/12 onwards.

2.4 LIMITATIONS AND OTHER POTENTIALLY USEFUL DATA

A key source of limitation is the lack of data, especially for non-Eurostat countries, as well as some Eurostat countries (e.g. Norway) where data is not available for all indicators. This is a source of limitation as only countries with values available for both indicators are presented in the plot.

Although the data collected reflects the situation with regards to cost sharing for a specific year (in most cases 2005), it cannot be concluded whether there is an emerging trend over time; however, the report from which the data has been collected provides information on HEI income from private sources as a percentage of their total income (from public and private sources) for the six-year period from 2000 to 2005 for the 27

European Union member states as well as for the median of Bologna Process countries (Figure B.2b, p. 83), indicating a gradual increase.

The EUA report »Diversifying Income Streams« (2011) also finds that most HEIs use cost sharing; although relying predominately on public funding (just under ¾ of overall income), cost sharing is increasingly pronounced with further income diversification expected.

Further data and information that could be useful for the analysis include:

- The reasons for which higher educational costs are increasing
- Whether such increased costs have led to restructuring effects in cost sharing, and what the motivations behind increased cost sharing are in general
- Complete data sets for all countries, especially for non-Eurostat countries where data is often sparse, if at all available
- To what extent and in what ways does the political system affect the financing of HEIs?
- More recent data in order to observe longer term trends, especially given the economic recession and ongoing financial crisis
- The way in which private contributions are spend by HEIs, i.e. what private contributions are used to finance
- Clearer differentiation between spending on ancillary services and research
- A more detailed breakdown of HEI income, e.g. including income from public and other funding sources (although such data is available in the EUA Diversifying Income Streams project report, 2011)

2.5 CONCLUSIONS: REFORMULATING THE HYPOTHESIS

Based on the above analysis, the hypothesis is not currently supported by the data and should therefore be revised as follows:

»Most of the countries observed are using cost sharing to finance higher educational costs.«

It should be understood that higher educational costs are increasing, however the reasons for cost sharing cannot be verified based on this analysis, therefore cost sharing cannot be attributed to increased costs.

If information from the key source (Eurostat/Eurostudent 2009) to observe private contributions towards HEIs over time is also considered, the hypothesis can be further revised as:

Most of the countries observed are using cost sharing to finance higher educational costs. Furthermore the percentage of HEIs' income from private contributions is increasing in most countries.

However, the latter aspect of percentage of HEIs' income from private contributions may be best suited as a separate statement, as a definitive correlation between the latter and the former statements cannot be established and could be misleading if presented together.

2.6 NOTES

1 »Purchasing Parity Standards (PPS) refers to the artificial common reference currency unit used in the European Union to express the volume of economic aggregates for the purpose of spatial comparisons in such a way that price level differences between countries are eliminated. Economic volume aggregates in PPS are obtained by dividing their original value in national currency units by the respective PPP (Purchasing Power Parity). 1 PPS thus buys the same given volume of goods and services in all countries, whereas different amounts of national currency units are needed to buy this same volume of goods and services in individual countries, depending on the price level.«

2 »Private contributions to higher education institutions may take one of two forms. Firstly, students and their families make payments to educational institutions, not only tuition fees but also in the form of fees for ancillary services, such as accommodation and meals. Secondly, private businesses, nonprofit organisations and labour organisations make transfers to educational institutions. All these represent the contribution of the private sector to the financial resources of higher education institutions.«
»However, it should be noted that even when educational institutions receive their funds from private entities, it does not mean that they do not come originally from the government, in the form of transfers or social benefits given by government to those private entities.«

3 »Total expenditure on educational institutions per student represents the amount of income a tertiary institution has per enrolled student. These amounts are expressed in EUR PPS, which take into account the different price levels in each country.

The annual expenditure per student includes direct expenditure on educational institutions, provided by public and private sources. However, it does not include expenditure directed outside educational institutions (see note 4 below). Direct expenditure on educational institutions is more directly connected to the provision of educational programmes and therefore to its quality.«

»Two kinds of expenditure on educational institutions can be distinguished. »Core expenditure« is expenditure directly related to the provision of instructional services. Additionally, expenditure may be used for educational peripheral goods and services that include research and development as well as ancillary services (meals, transport, accommodation, etc.).«

»It should be noted that it is currently not reliable to differentiate between these two categories—ancillary services and research—which limits the value of a comparison between »core expenditure« and other at the present, since expenditure in ancillary services may be made to improve the study conditions of students.«

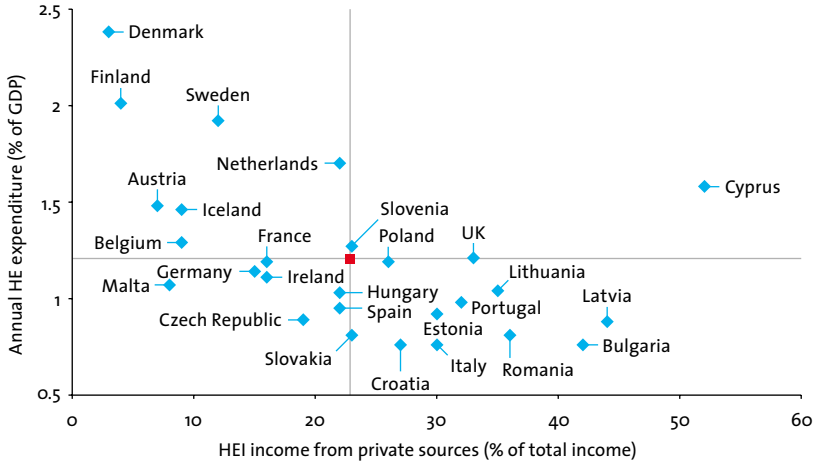
4 Collating total expenditure on HE

»Education expenditure includes direct expenditure on educational institutions and indirect expenditure on goods, services purchased outside educational institutions to support educational activities and transfers from governments to private entities earmarked for education or from private entities to households in the form of financial aid to students. The funding of this expenditure is provided by public (government at local, regional and national level) and private (households and other private entities) sources. It can be argued that expenditure on educational institutions is more directly connected to the provision of educational programmes and therefore to its quality. Actually, data on funds from private entities (private businesses, non-profit organisations and labour organisations) and households directed outside educational institutions (household expenditure on education goods, services purchased outside educational institutions and financial aid to students given by other private entities) are difficult to collect in many countries. To ensure reliable comparisons across countries, it is thus appropriate to focus only on expenditure directed inside tertiary educational institutions«

Source: Eurostudent/Eurostat, 2009: The Bologna Process in Higher Education in Europe: Key Indicators on the social dimension and mobility

2.7 APPENDIX 1

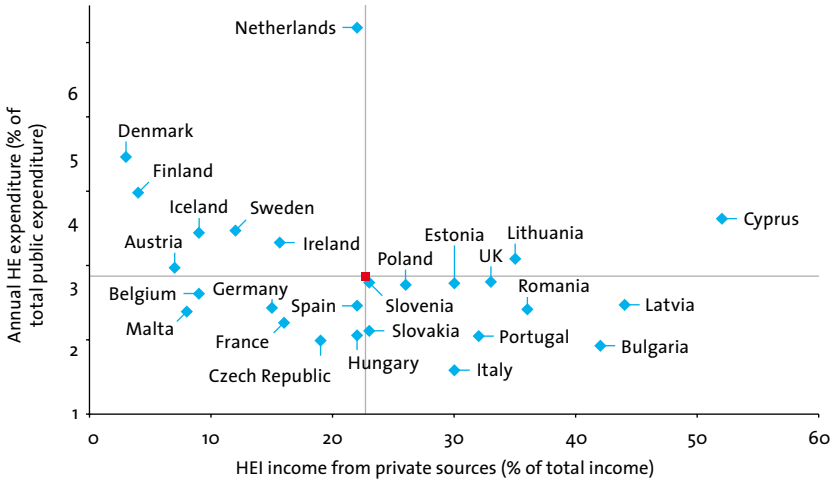
fig. 7 Plot of annual public HE expenditure as a percentage of GDP against total HEI income from private sources (as a percentage of overall income).



Source: Eurostudent/Eurostat, 2009: The Bologna Process in Higher Education in Europe: Key Indicators on the social dimension and mobility, Figure B.1a and B.2a

2.8 APPENDIX 2

fig. 8 Plot of annual public HE expenditure as a percentage of total public expenditure against total HEI income from private sources (as a percentage of overall income).



Source: Eurostudent/Eurostat, 2009: The Bologna Process in Higher Education in Europe: Key Indicators on the social dimension and mobility, Figure B.1a and B.2a

3 DO HIGHER EDUCATION SYSTEMS THAT HAVE HIGHER PRIVATE FINANCING LEVEL ALSO HAVE HIGHER PUBLIC STUDENT SUPPORT LEVEL?

Hypothesis 2: »Higher education systems that have higher tuition fees also have higher levels of public student support.«

by Hanna-Stella Haaristo

3.1 INTRODUCTION

This analysis section is part of the research theme on public funding of students, which aims to describe different aspects of public support (grants and loans) to students, as well as students' private contributions to higher education institutions (tuition and other fees) in different countries. In this article fees are considered as a negative way of support whilst grants and loans are seen as positive ways of support.

The general idea behind the second hypothesis is that higher education systems that acquire more private investment from students, offer more public support at the same time in order to level the expenses made by students and their families.

The choice of indicators is explained in Section 2, while the original hypothesis is reformulated in Section 3. Section 4 tests the hypothesis and conclusions are drawn in Section 5.

3.2 CHOOSING THE INDICATORS

In order to test this hypothesis, sufficient and comparable indicators from the FinSt mapping database are needed, which describe the relevance of fees and public support to students.

On the relevance of tuition fees, the mapping database has four different indicators from three different data sources:

- Students' monthly obligatory contributions to higher education institutions (HEIs) in nominal amounts (EUR) (EUROSTUDENT);
- Student expenditure on tuition and other fees as a percentage of total expenditure (EUROSTUDENT)
- HEIs income of private sources (households & other private) as a percentage of all public and private sources (Eurostat);
- The minimum and/or maximum amount of fees (Eurydice);

In the analysis it was decided to use the Eurostat indicator on HEIs income from private sources for several reasons:

- Students' monthly contributions to HEIs would seem to be the best indicator to show the relevance of tuition fees in different countries., However, this indicator is in nominal amounts which means that it doesn't take into consideration the relative wealth and prices in different countries, which makes the indicator not comparable between different countries;
- Student expenditure on fees as a percentage of total expenditure also seems to be a good indicator to use, while keeping in mind the 4 different research themes and hypotheses of the project. When comparing these themes and hypotheses, it can be seen that the hypothesis should consider financing aspects on a more general system-wide scale, whilst the third theme and hypothesis looks at financing from a more student point of view and uses student expenditure and income as indicators. In this sense it is wise not to use the same level indicators in this case;

- The mapping dataset has also some data about the minimum and maximum fees, but covers a small number of countries only. Secondly, it is not reliable to compare minimum and maximum amounts when the share of students paying these amounts is not known. In this light it would be better to compare the average amounts, but no data is available.

Taking these reasons into consideration, the indicator that describes HEIs income from private sources (households & other private) as a percentage of all public and private sources was the most suitable to be used. The indicator demonstrates well the overall private investment higher education systems acquire. These private contributions to HEIs come mainly from two sources: students and their families whom make payments to HEIs, in the form of tuition and other fees, as well as for ancillary services.), The other share of income comes from private businesses, NGO's and other organisations whom make contributions to HEIs. Since the indicator in question includes both types of private contributions, showing only the relevance of fees with the indicator becomes more difficult. However, since a recent study on HEIs income streams has shown[12], student contributions still remain the largest part of private investment, this indicator can still be used to refer to the relevance of student contribution in higher education systems.

On the relevance of public support to students, the mapping database has different indicators from different data sources:

- Public financial aid as loans to tertiary students as a percentage of public expenditure on tertiary education (Eurostat);
- Public financial aid as grants to tertiary students as a percentage of public expenditure on tertiary education (Eurostat);
- Public subsidies for households & other private entities as a percentage of total public expenditure on education (OECD);
- Significance of state support for student recipient (%) Relative contribution to receivers income (EUROSTUDENT);
- Composition of total income by source (%): State (EUROSTUDENT)

12 European Universities Association. »Financially Sustainable Universities II: European Universities Diversifying Income Streams«. Available at: *http://www.eua.be/Libraries/Publications/Financially_Sustainable_Universities_II.sflb.ashx*

Out of these indicators using the Eurostat indicator for public financial aid in the form of grants to students as a percentage of public expenditure on tertiary education was settled on. Ideally it would be beneficial to add the public expenditure on grants and loans and public subsidies to households together, but taking into consideration the data available in the FinSt mapping database (missing data for several countries), it was only possible to look at the expenditure on grants. On one hand this indicator is limited, but on the other hand it gives us a good overview of how much countries are actually spending on supporting students directly, as loans are repayable and subsidies to households do not always reach students .

3.3 REFORMULATING THE HYPOTHESIS

Two indicators have been chosen:

Indicator A: HEIs income of private sources (households & other private) as a percentage of all public and private sources

Indicator B: Public financial aid as grants to tertiary students as a percentage of public expenditure on tertiary education

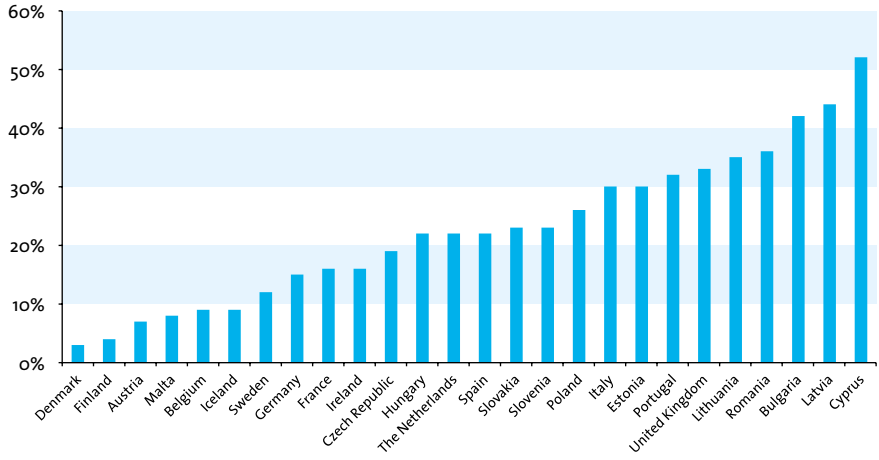
The hypothesis to be tested refers directly to the level of tuition fees, but the data available in the FinSt mapping dataset makes it impossible to concentrate and compare only the level of tuition fees in different countries. In order to still be able to analyse the data available and test the hypothesis on the balance between the levels of private contributions to HEIs and public support to students, the hypothesis needs to be reformulated slightly without changing the meaning:

»Higher education systems that have a higher private financing level also have a higher public student support level.«

3.4 TESTING THE HYPOTHESIS

To begin, it is necessary to take a look at the share of private investment in higher education in different European countries (where the data was available). In Figure 9 it can be seen that there are huge differences across Europe as in countries like Denmark, Finland, Austria, Malta, Belgium and Iceland less than only 3–9% of HEIs income comes from private sources.

fig. 9 HEIs income of private sources (households & other private) as a percentage of all public and private sources

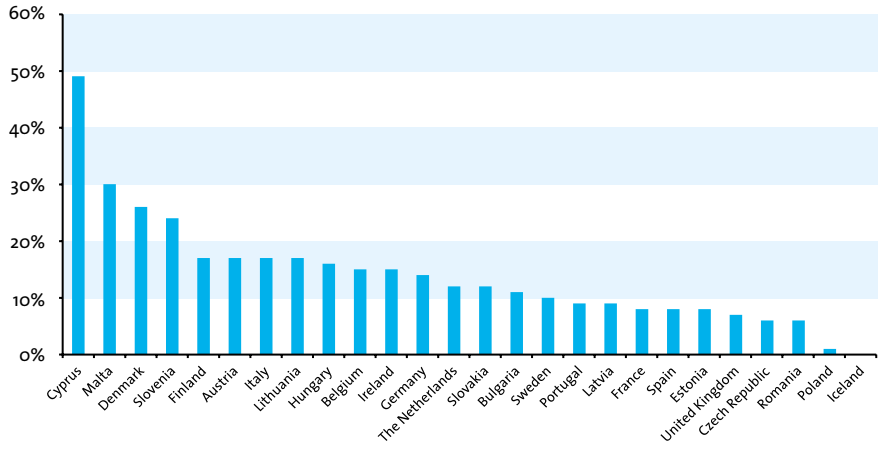


Source: Eurostat. Bologna process in HE, Study Framework, Statistical Table B.2a,b

This can mostly be explained by the fact that students in most of these countries do not have to pay tuition fees at all or only some students have to (part time or international students). At the same time in Belgium and Iceland all students have to pay fees. On the other extreme are Cyprus, Latvia and Bulgaria, where almost half of HEIs income is from private funding. The average for the countries observed here is 23%.

Looking at the relevance of grants as public financial aid to students in Figure 10, the vast differences in the amounts spent can easily be seen, with the public spenditure ranging from 0% to 6%, up to 49% in Cyprus. Once again Cyprus acts as an extreme with almost half of the public expenditure on higher education spent on grants for students. This can be explained by the fact that in Cyprus all students receive a basic grant and there are several different grants for different types of students, both merit-based and needs-based.

fig. 10 Public financial aid as grants to tertiary students as a percentage of public expenditure on tertiary education



Source: Eurostat. Bologna process in HE, Study Framework, Statisitcal Table B.2c

Malta, Denmark and Slovenia also seem to have higher shares of public investment used for grants to students, but most of the countries observed are rather close to the average, which is 14% amongst these countries. Iceland and Poland represents the other extreme, where the public aid to students in the form of grants is basically non-existent in the total public expenditure on higher education. For Iceland this can be explained by the fact that there is no grant system in place and public support is given only in the form of loans.

For testing the hypothesis, the countries were divided into two groups for both of the indicators based on the average percentage for the countries observed. This means, that all the countries, where HEIs income from private sources is less than 23% of all public expenditure, fall into the group >Low<. Countries, where this indicator is higher than 23%, fall into the group >High<. The same grouping is applied when it comes to public financial aid as grants—countries, where this indicator is less than 14% of public expenditure, form the group >Low<, and countries with more than 14% of public expenditure on tertiary education used for grants, form the group >High<. Figure 11 below demonstrates the groupings of the countries with combining both indicators.

fig. 11 Grouping of countries based on the indicators observed

		Public financial aid as grants to tertiary students as a % of public expenditure on tertiary education	
		Low	High
HEIs income of private sources (households & other private) as a % of all public and private sources	Low	*Group A* Iceland, Sweden, France, Czech Republic, Netherlands, Spain	*Group C* Denmark, Finland, Austria, Malta, Belgium, Germany, Ireland, Hungary
	High	*Group B* Slovakia, Poland, Estonia, Portugal, UK, Romania, Bulgaria, Latvia	*Group D* Slovenia, Italy, Lithuania, Cyprus

As seen from the table, most of the countries observed fall into groups, where one of the indicators is low and the other one high:

- There are 8 different countries in the Group B, where HEIs income from private sources is rather high, but the public financial aid as grants is rather low. This means that for example in Slovakia, Poland, Estonia, Portugal and UK there is a high dependency on private investments in higher education. In practice this means that students have to pay quite extensive tuition and other fees, while receiving little public support from the government that would be non-repayable.

- There are 8 different countries in Group C, where HEIs income from private sources is rather low, but at the same time public financial aid as grants as a percentage of total expenditure on higher education is rather high. This means that in countries such as Denmark, Finland, Austria and Malta higher education systems rely on private sources very little, which means, that fees are very low or non-existent. But at the same time students in these countries receive extensive non-repayable support from the state.

- There are 6 different countries in Group A, where both—HEIs income from private sources, as well as the relevance of public financial aid to students is rather low. This means, that in countries like France, Sweden, Iceland and the Netherlands higher education systems do not receive much income from pri-

vate sources, which might also mean that they do not rely on students' private contributions very much. At the same time public aid to students in the form of non-repayable grants is not prioritized in the expenditure on higher education.

- The smallest is the Group D with only 4 countries, where both of the indicators are high. This means, that in Slovenia, Italy, Cyprus and Lithuania higher education systems have high dependency on private sources, which might mean that students' private contributions are relatively high in these countries. But at the same time public financial aid to students in the form of grants also plays an important role in the total expenditure on higher education., This might mean, that the high contributions made by students could be levelled by the extensive non-repayable support to them.

3.5 CONCLUSIONS

First it is important to remember, that the data available in the FinSt mapping dataset did not allow testing the initial hypothesis given, so the hypothesis had to be revised and reformulated in the process. The new hypothesis formulated is as follows:

»Higher education systems that have a higher private financing level also have a higher public student support level.«

By testing the hypothesis by grouping the countries into typologies based on the indicators observed it is clear, that this hypothesis is not supported by the data. In most of the countries observed—16 out of 26—one of the indicators is high and the other one low. There are only 4 countries with higher education systems with a high-level of private financing and a high level of public student support at the same time. There are 6 countries where both of these indicators are rather low.

4 IS THE STUDENTS' PUBLIC SUPPORT PER MONTH HIGHER THAN STUDENTS' PRIVATE CONTRIBUTION TO HEIs PER MONTH?

Hypothesis 3
»In most of the countries observed, the public support to students per month is higher than the student's private contribution to HEIs per month.«

by Moritz Maurer

4.1 INTRODUCTION

This paper mainly deals with the student income and expenditure theme. Its aim is to find out whether there is a correlation between student support and students' private contribution to HEIs.

Gathering relevant data from the mapping process to test this hypothesis was challenging and hypothesis two (higher education systems that have higher tuition fees also have higher public student support level) covers quite similar ground. Therefore, it was decided that it would be most useful to use indicators that were not used to test hypothesis two. The data, generated within FinSt mapping process, relevant to students' support and students' private contribution to HEI's that pass these criteria, are as follows:

1. Contribution to student's income by state sources as percentage of student's total income [13]

2. Student's expenditure on tuition and other fees as a percentage of total main expenditure components[14]

13 Eurostudent, social & economic indicators of Student life in europe 2008–2011, Fig 5.6: Contribution of individual income sources to total student income in %

14 Eurostudent, social & economic indicators of student life in europe 2008–2011, Fig 6.5: Main components of total expenditures (students maintaining own households)

The data source was Social & economic indicators of student life in Europe 2008–12 (Eurostudent). The third theme and hypothesis were designed with the aim of looking at finance from a student point of view.

As the indicators that were used do not refer to a defined time period, the hypothesis was adapted to remove the time references:

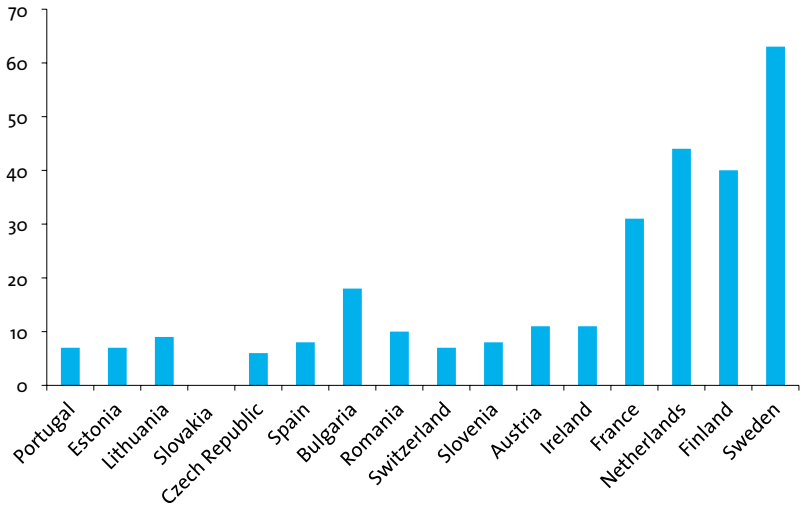
»In most of the countries observed, the public support to students is higher than the student's private contribution to HEIs.«

The hypothesis is tested in Section 2, and conclusions are drawn in Section 3.

4.2 TESTING THE HYPOTHESIS

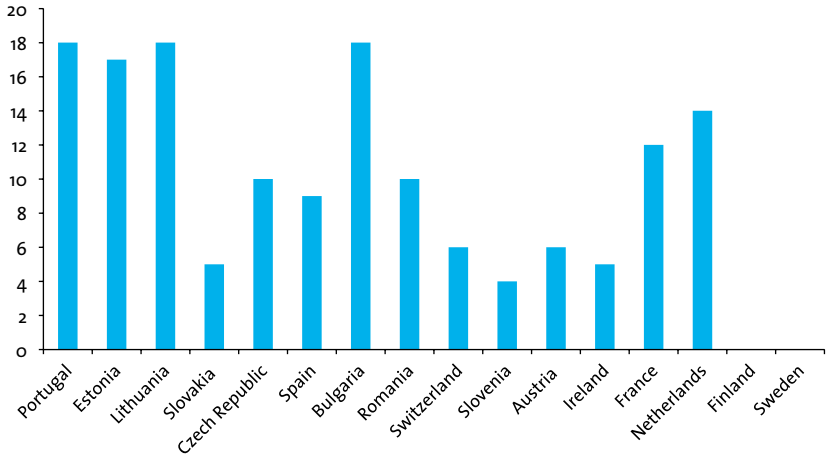
After eliminating all the countries where data could not be found or where data is not consistent with other indicators, a set of 16 countries were tested. The following charts show the selected countries and the corresponding indicators in percentages.

fig. 12 Contribution to students' income by state sources as percentage of students' total income



Source: Eurostudent, 2011: Social and Conditions of Student life in Europe 2008–11, figure 5.6

fig. 13 Students' expenditure on tuition and other fees as a percentage of total main expenditure components



Source: Eurostudent, 2011: Social and Conditions of Student life in Europe 2008–11, figure 6.5

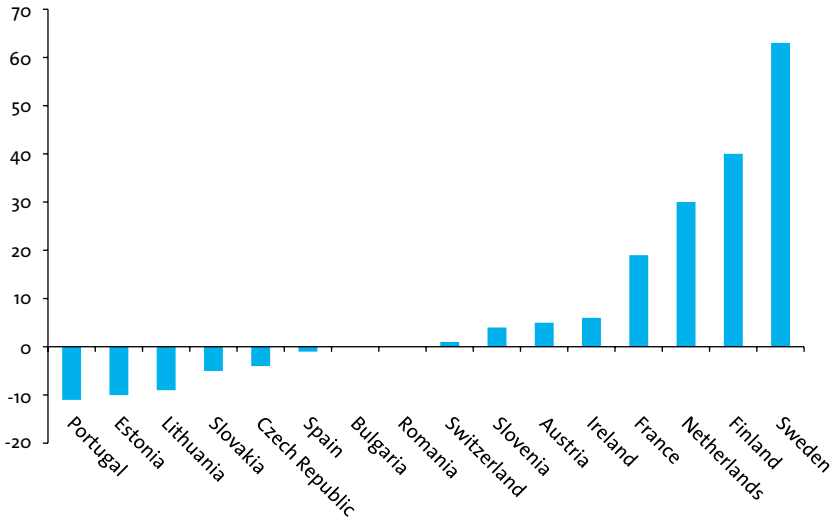
In order to test the hypothesis, the amount of state support of total income was manipulated by subtracting the expenditures of total income on tuition and other fees. In seven out of sixteen countries, the state support does not cover or just covers the expenditures on tuition fees, which disproves the hypothesis. As the indicators are average numbers, for the individual student this result might not be correct. In some of the countries, for some students the state support may be significantly higher than the tuition fees they have to pay. Unfortunately, the data does not allow further differentiation.

As the sample only covers half of the countries mapped within the FinSt project, further conclusions made are quite limited. To visualise the point of the hypothesis some further investigation of the data was undertaken. Firstly, the countries in each of the indicators were divided into three groups.

Indicator A: Contribution to students' income by state sources as percentage of students' total income:

Group 1: high level of state support (≥40%; Sweden Lithuania, Netherlands, Finland)

fig. 14 Contribution to students income by state sources-student's expenditure on tuition and other fees



Group 2: average level of state support (≥10%; France, Belgium, Bulgaria, Austria, Ireland, Romania)

Group 3: low level of state support (<10%; Slovakia, Spain, Portugal, Estonia, Switzerland, Czech Republic)

Indicator B: Students' expenditure on tuition and other fees as a percentage of total main expenditure components:

Group 1: high percentage of total expenditure spent on tuition and other fees (≥12%; Portugal, Bulgaria, Estonia, Czech Republic, Slovakia, France)

Group 2: average percentage of total expenditure spent on tuition and other fees (≥5%; Romania, Spain, Belgium, Austria, Lithuania, Switzerland, Ireland)

Group 3: low percentage of total expenditure spent on tuition and other fees (<5%; Netherlands, Finland Sweden)

Put together on a table it can clearly be seen that there is a correlation between the two indicators, as displayed in figure 15. It is important to note however, that this is a small dataset, and therefore the results are indicative rather than conclusive.

fig. 15 Comparison of contribution to students' income by state sources as a percentage of students' total income against students' expenditure on tuition and other fees as a percentage of total main expenditure components

		Contribution to students' income by state sources as a percentage of students' total income		
		High	Average	Low
Students' expenditure on tuition and other fees as a percentage of total main expenditure components	High	0	1	3
	Average	2	4	0
	Low	5	2	0

4.3 CONCLUSIONS

The hypothesis has been disproved against the set of data generated from the FinSt mapping process. There is a small majority of countries where the hypothesis fits but with the small sample it cannot be stated significantly that the hypothesis is true. Still it can be stated that, in general, in countries with high student support, the value of the support is higher than the value of private contributions to HEI's. In addition, countries with low student support, the value of the support is lower or equalises the value of the private contributions. They hypothesis can be reformulated as follows:

»In some of the countries observed, the public support to students is higher than the student's private contribution to HEIs.«

5 DO LEVELS OF PUBLIC INVESTMENT CORRELATE BETWEEN LEVELS OF PARTICIPATION?

Hypothesis 4
»In most countries, observed levels of public investment correlate between levels of participation.«

by Bethan Payne

5.1 INTRODUCTION

In order to test the hypothesis »In most of the countries observed, levels of public investment correlate between levels of participation«, the annual public expenditure of each country was plotted against a number of indicators for participation. These include the percentage of the total population who are students, the percentage of the student population who are 25 years old or more and the percentage of the student population who are studying part time.

Data on annual public expenditure was collected in two formats—as a percentage of total public investment and as a percentage of GDP.

Data is anlaysed in Section 2, and Section 3 provides funding typologies. Section 4 concludes.

5.2 DATA ANALYSIS

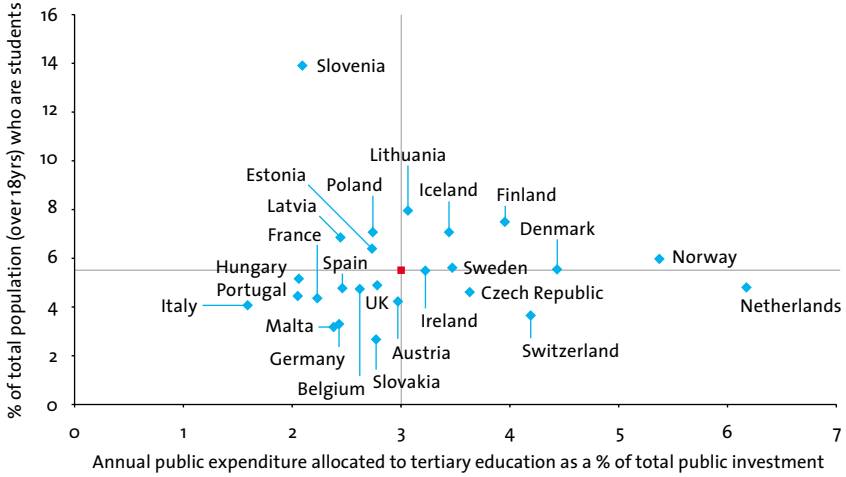
TOTAL POPULATION

When analysing data by percentage of total public expenditure and as a percentage of GDP, it is clear that there is no correlation between public investment and total participation in tertiary education (Figure 16, 18). However, interestingly, when the outlier is removed as in Figures 17 and 19, a clearer correlation becomes apparent when comparing as a percentage of total public investment and as a percentage of total GDP.

Interestingly, it seems that the Scandinavian countries are all grouped fairly closely together. With the exception of Iceland, there is no tuition fee in these countries. However, whilst these countries are grouped closely together, and, in general have higher public investment that is used towards free tuition, the correlation is not perfect, and so there are others with lower investment but higher participation.

Countries of particular interest for further investigation are the countries that have lower than average public investment but higher than average participation—Slovakia, Poland, Latvia and Estonia. It will be interesting to see if there are any parallels between the way in which these countries choose to invest in higher education—through making tuition free to the student, by investing in infrastructure or by investing in teaching and research for example.

fig. 16 Percentage of total population who are students plotted against the annual public expenditure allocated to tertiary education as a percentage of total public investment across Europe, including outlier



Source: OECD stat, Education & training, students enrolled by age (2008); Eurostudent/Eurostat, 2009: The Bologna Process in Higher Education in Europe: Key Indicators on the social dimension and mobility, Figure B.1a

fig. 17 Percentage of total population who are students plotted against the annual public expenditure allocated to tertiary education as a percentage of total public investment across Europe, excluding outlier

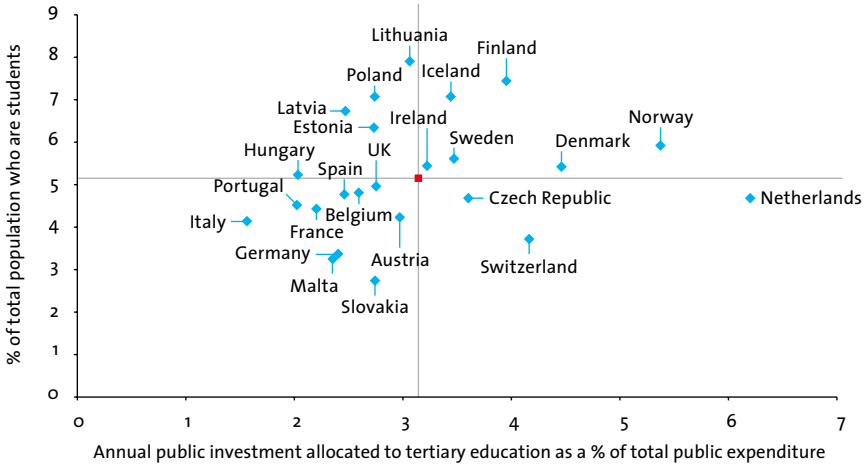
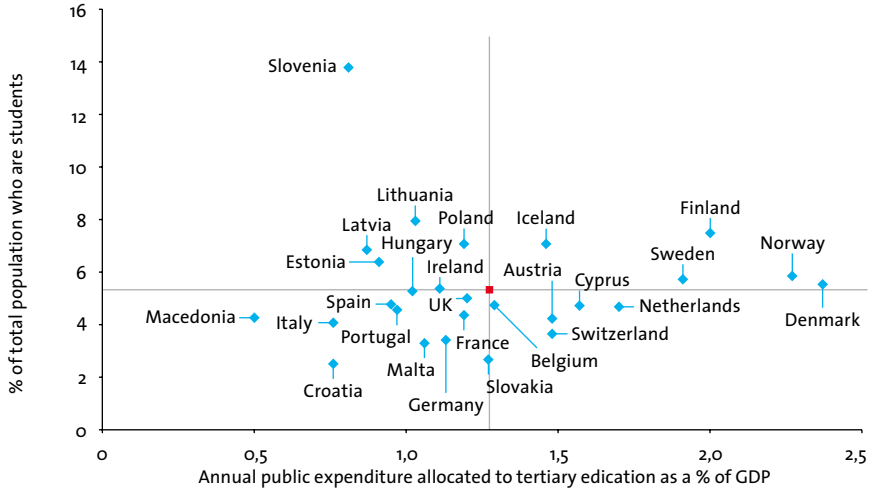
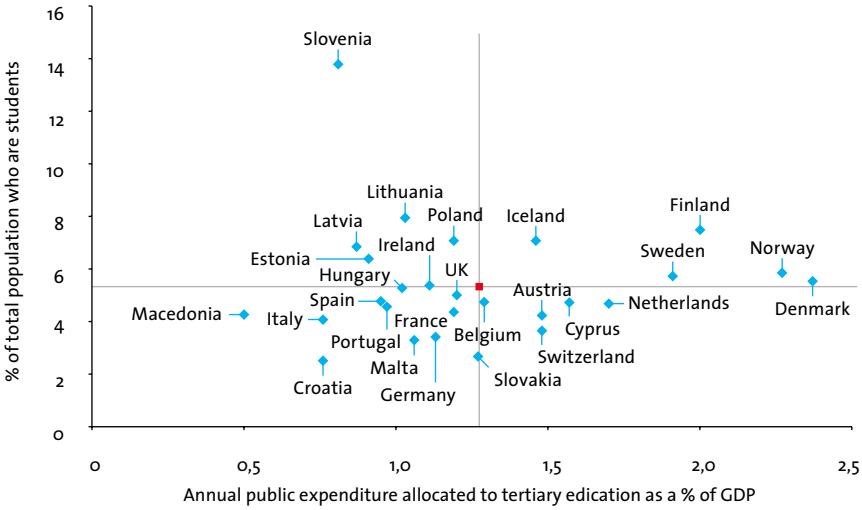


fig. 18 Percentage of total population who are students plotted against the annual public expenditure allocated to tertiary education as a percentage of GDP across Europe, including outlier



Source: OECD stat, Education & training, students enrolled by age (2008); Eurostudent/Eurostat, 2009: The Bologna Process in Higher Education in Europe: Key Indicators on the social dimension and mobility, Figure B.1a

fig. 19 Percentage of total population who are students plotted against the annual public expenditure allocated to tertiary education as a percentage of GDP across Europe, excluding outlier



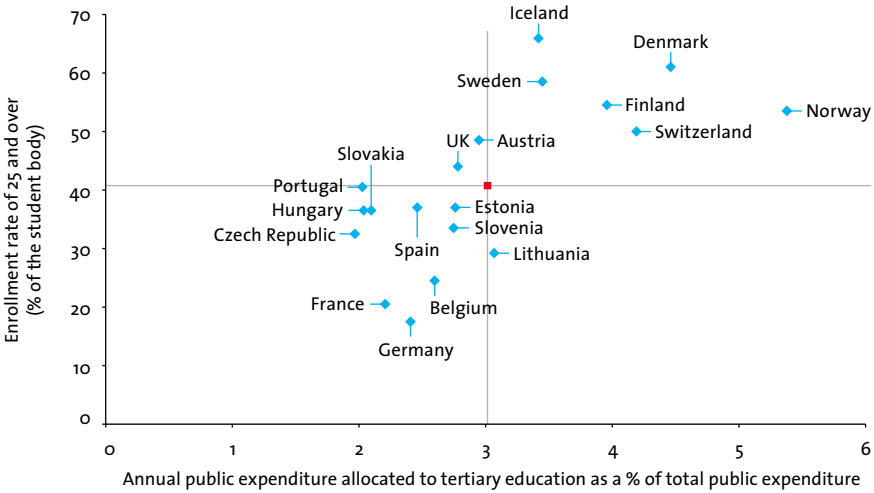
5.3 MATURE STUDENTS

In addition to looking at broad participation, it is also important to investigate how levels of public investment correlate with non traditional routes. Mature students (25 years and over) are one of these areas. As the graph shows, there is a correlation between investment and mature student participation.

Again, as can be seen from Figures 20 and 21, the Scandinavian countries are grouped closely together. Figure 20 also shows a clear split between these countries and Switzerland and the rest of the countries on the graph. There are only two countries that fall into the lower than average investment but higher than average participation category.

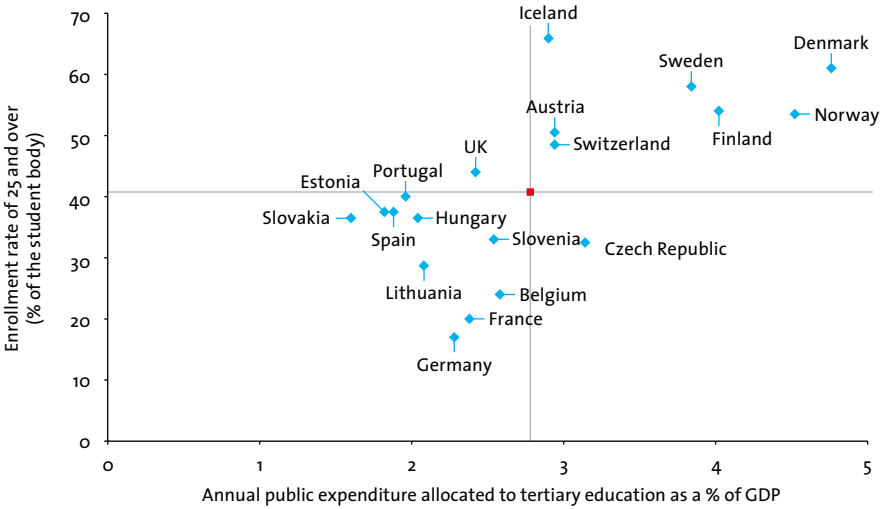
This indicates that funding may be of particular and higher importance to mature learners that to a traditional learner, as the correlation is much stronger.

fig. 20 Enrolment rate of students aged 25+ (as a percentage of the student body) plotted against the annual public expenditure allocated to tertiary education as a percentage of total public expenditure across Europe



Source: OECD stat, Education & training, students enrolled by age (2008); Eurostudent/Eurostat, 2009: The Bologna Process in Higher Education in Europe: Key Indicators on the social dimension and mobility

fig. 21 Enrolment rate of students aged 25+ (as a percentage of the student body) plotted against the annual public expenditure allocated to tertiary education as a percentage of GDP across Europe



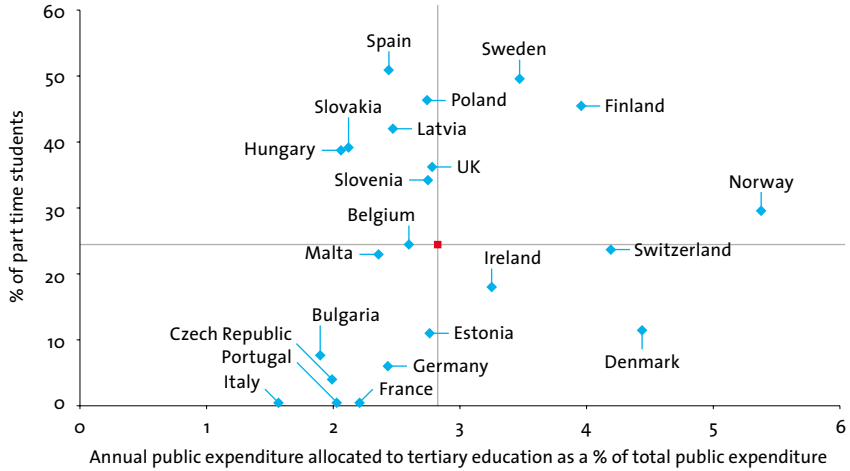

Politician
YES
you
CAN

5.4 PART TIME STUDENTS

In contrast to total population and mature students, it appears that there is little or no correlation between investment and part time students, as displayed in Figures 22 and 23. This could be because most state investment into tertiary education focuses on relieving the financial burden for full time students only.

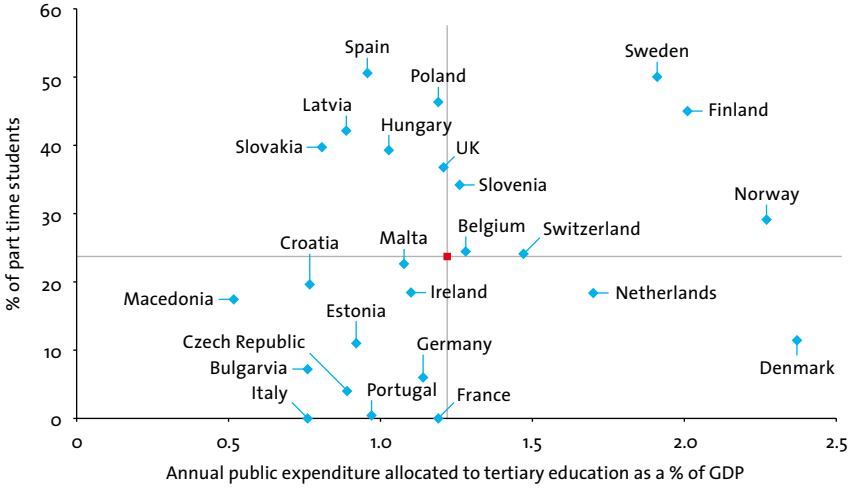
It is also worth noting the three countries that the data showed had no part time students at all. It would be interesting to investigate further the reasons behind why this is so. For example, is it the way that the data has been collected from the FinSt team, from the original data collection or is it that these countries to not provide part time tertiary education?

fig. 22 Percent of part time students plotted against the annual public expenditure allocated to tertiary education as a percentage of total public expenditure across Europe



Source: OECD stat, Education & training, students enrolled by age (2008); Eurostudent/Eurostat, 2009: The Bologna Process in Higher Education in Europe: Key Indicators on the social dimension and mobility, Figure B.1a

fig. 23 Percentage of part time students plotted against the annual public expenditure allocated to tertiary education as a percentage of GDP across Europe



5.5 FINANCING SYSTEM TYPOLOGIES

In order to create a greater understanding of how countries and factors inter-relate with each other it is useful to create typologies. The graphs show the mean average for all the countries that have been plotted. This helps create clear types; those with high investment and high participation; high investment and low participation; low investment and low participation and low investment and high participation.

The typologies have been created using the total public investment data. This data shows clearly the investment that a government makes against the rest of its spending, rather than against the wealth of the country as a whole. This is more useful for the aims of the research, as students' unions are able to influence where governments decide to prioritise their public investments, where they are less likely to be able to increase the amount of the total.

Each type has been allocated a colour and plotted in Table fig. 24 next page.

fig. 24 Financing system typologies based on participation and investment in higher education

5.6 CONCLUSIONS

In conclusion, it is valid to say that levels of public investment correlate between levels of participation. In fact, in can be said that public investment in tertiary education has a positive correlation. The caveat to this is with regard to part-time students, where it appears that there is little or no correlation. In order to investigate what the drivers are for increased participation in part time study, countries with high levels of part time students should be investigated; these include Spain, Sweden, Poland, Finland and Latvia.

PART 3: ARTICLES ON FINANCING ON HIGHER EDUCATION

Four research articles can be found in this section of the Compendium. Once the four hypotheses, stemming from the four key research themes were tested, the research team decided on four further areas where further investigation would provide useful insight. The outcome of this process is the articles that follow, and are each intended to be fairly self-contained. However, bearing in mind the information that has already been presented until now will help readers better understand the concepts and information presented in the articles.

The first research article investigates the relationship between the social dimension of higher education and HE funding, with the aim of exploring whether the later affects the former, and if so, in what ways.

The second research article is aimed at probing the perceptions of National Unions of Students across Europe with regards to the financing systems in their respective countries. This in turn is intended to enable national unions to better understand and more effectively influence higher education funding policy.

Article three focuses on the commodification of higher education, exploring the extent to which HE is indeed treated as a commodity today.

The final research article poses the question of ›Why invest in Higher Education?‹, exploring the role and impact of higher education, as well as the benefits to individuals and wider society

1 NO DATA, NO SOCIAL DIMENSION?

THE SOCIAL DIMENSION AND ITS RELATION TO FINANCING OF HIGHER EDUCATION

by Florian Kaiser, Hanna-Stella Haaristo, Rahel Siegrist

1.1 INTRODUCTION

Worldwide trends including globalization and internationalisation as well as the move towards a knowledge-based economy and society have had a deep impact on higher education across the globe. Something that was previously only available to a small, elite group of individuals has now become achievable for everyone.

Has it really? Research is showing that despite the massification of higher education in recent decades, there still remain obstacles for certain social groups to access higher education[15]. Due to this empirical fact the term >social dimension of higher education< has become central in the policies of developing higher education systems on the European level where higher education ministers have agreed on the common goal of removing all discriminatory obstacles that exist when it comes to participating in higher education.

This article looks at the social dimension from a financing perspective, focusing on the following key questions:

- What is the role of different funding aspects on access and participation in higher education?
- How can we measure funding aspects or participation?
- What data is available?

15 See for example: Asplund, R., Adbelkarim, O. B., Skalli, A., 2008. An equity perspective on access to, enrolment in and finance of tertiary education. Education Economics. Vol. 16, No. 3, September 2008, 261–274

The data used in this article is based on the mapping exercise done as a part of ESU's (European Students' Union) Financing the Students' Future (FinSt) project. The project gathered data on key indicators related to the financing of higher education and students' situations from the main sources available[16]. By analysing the data it becomes clear that its availability is of more than dissatisfying quality, reveal little regarding the link between the social dimension and financing of higher education. The authors hence decided to firstly outline the concept of the social dimension, its conceptual development and different dimensions. Secondly, the link between the social dimension and financing of higher education is investigated. The article then further explores one specific, potential link between the social dimension and financing, namely the aspect of tuition fees and their relation to three main participation indicators. Due to the quality of data available, the section dealing with data collected through the FinSt project mapping exercise focuses on highlighting issues with data availability in a basic yet revealing manner, rather than providing a firm conclusion between the nature of the correlation between funding and the social dimension. Finally, conclusions are drawn based on the overall analysis.

1.2 THE SOCIAL DIMENSION OF HIGHER EDUCATION

The social dimension has become an integral part of the Bologna Process, mentioned for the first time in 2003 in the Berlin Communiqué[17]. In the Bergen Communiqué (2005) the social dimension was described as a key part of the European Higher Education Area and with the London Communiqué two years later, the definition of the social dimension was agreed as: »Higher education should play a strong role in fostering social cohesion, reducing inequalities and raising the level of knowledge, skills and competences in society … We share the societal aspiration that the student body entering, participating in and completing higher education at all levels should reflect the diversity of our populations. We reaffirm the importance of students being able to complete their studies without obstacles related to their social and economic background.«

In general there is a gap between political statements and the actual activities and mechanisms set in place to realise them. The implementation of the social dimension seems to be a difficult task. This especially appears to be the case during times

16 These are: Eurostat/EUROSTUDENT: The Bologna Process and in Higher Education in Europe: key indicators on the social dimension and mobility; OECD Education at a glance 2010; EUROSTUDENT project data

17 The Communiqués are outcomes of the ministerial follow-up meetings of the Bologna Process, taking place every 2nd year. These statements are emphasizing the political priorities and showing the agreed activities by the ministers.

of financial crisis, as the majority of the activities required to reach the goals of the social dimension are closely linked to the availability of financial resources. Furthermore, the introduction of the social dimension in the Bologna Process was to a large extent a political achievement of students, who saw its necessity and called for the social dimension to become an integral part of policies across the European Higher Education Area (EHEA)[18]. When students officially became involved in the Bologna Process in 2001, the social dimension appeared for the first time in the Prague Communiqué[19]. As demonstrated across the various Communiqués and documents of the Process, the social dimension is now widely accepted as an integral part; nevertheless its implementation remains heavily neglected, once again requiring a strong voice from students.

The social dimension covers a broad spectrum and huge diversity of groups facing obstacles to participation in higher education. Referring to the equity handbook of the European Students' Union, underrepresented groups and groups with obstacles include, for example, ethnic and cultural minorities, students with migrant backgrounds or disabilities as well as lesbian, gay, bisexual and transgender students. It is difficult if not impossible to describe all aspects of the social dimension in detail, as the range of needs of the different groups included within it is huge. Referring to the results of an unpublished survey conducted by the European Students' Union in early 2011, all responding national unions expressed the opinion that students' socioeconomic background poses one of the most significant determinants to participation in higher education. It should also be noted that an individual student could belong to more than one group within the social dimension, e.g. a migrant student from a low socioeconomic background, making the concept of the social dimension somewhat more complex. Adding to this complexity is the fact that socioeconomic background is influenced by a variety of factors including a student's age, parental status and so on. In general there is no single, widely accepted, concrete definition of the social dimension. Furthermore, different aspects of the social dimension are interpreted differently across the EHEA, but the social dimension of the Bologna Process should be viewed as a responsibility towards society as a whole, not only with regards to the student population.

The social dimension of education does not merely emerge upon students' entry into tertiary level education; its relevance begins to unfold even at the level of primary education, if not earlier. The social dimension cannot just be seen as a section of a life span, it is in fact relevant over the entire life span of an individual, including upon the completion of one's educational career. This is exemplified by the existence of a cor-

18 European Students' Union. Bologna At The Finish Line. Available at: *http://www.esib.org/documents/publications/*ESU_*BAFL_publication.pdf*

19 Bologna with student eyes 2009

relation between one's level of education and parental educational attainment. Proof for this correlation is available in the 2011 EUROSTUDENT report[20].

Furthermore, a gender gap still exists between men and women in the academic as well as professional worlds: we find a large scissor effect on gender equality within higher education. While women generally make up at least 50% or more of the student population at undergraduate level, this majority becomes a minority as we move up the academic ranks to PhD students and a small minority at professorial level. This is yet another reason that the social dimension should be viewed as relevant over an entire lifespan and not only during participation in education.

1.3 THE SOCIAL DIMENSION AND FINANCING OF HIGHER EDUCATION

In the London and Bergen Communiqués a relationship between the social dimension and the financing of higher education and students' life can be found. The financing of students by the state (generally through grants and loans, as well as the existence of tuition fees) and the financial resources available to students from their parents and family all play an important role in the social dimension, as students need a source to cover their study and maintenance (e.g. food, accommodation) costs.

Student support systems provided by the state are used to target specific goals that often vary across different countries. Eurydice differentiates between three different targets in the publication »Modernisation of Higher Education in Europe: Funding and the Social Dimension 2011«. The first target is the strengthening of underrepresented groups in higher education, the second one is the improvement of participation in education in general and the third can be seen as the combination of the two. This means funding models can often be used as tools to influence social dimension of higher education and participation in general. Another central question regarding the financing of students in higher education is based on how the role of students in society is generally defined. According to the study of Schwarz & Rehburg, in Europe, students are mostly seen in four different ways: as investors (e.g. the United Kingdom), as dependent members of a family (e.g. Italy), as adolescent trainees (e.g. France) or as citizens with own responsibilities (e.g. Norway)[21]. It is important to note that these

20 Available at: *http://www.eurostudent.eu/download_files/documents/Synopsis_of_Indicators_EIV.pdf*

21 Schwarz, S. & Rehburg, M., 2004. Study Costs and Direct Public Student Support in 16 European Countries—Towards a European Higher Education Area? European Journal of Education, Vol. 39, No. 4, 2004

definitions are not exclusive, but rather primary ways of looking at students in different societies. Nevertheless, these differing views of students are strongly referring to the different student support strategies in the respective countries.

The direct link between financing and the social dimension of higher education is more difficult to establish. A more or less obvious link might be tuition fees. As pointed out by Eurydice in their publication, individuals from lower socioeconomic backgrounds are more easily deterred by tuition fees and are therefore less likely to participate in higher education, where fees must be covered by private means. Increasing tuition fees e.g. in England or the Netherlands might therefore indicate that participative equity is not the highest priority in some countries. A further, rather direct link between funding and social dimension is the free provision of teaching aids and the existence of hidden course costs. This includes the provision of books and research articles to students; if students are required to pay privately (high prices) for study materials, such costs are likely to become an obstacle for participative equity.

MEASURING THE IMPACT OF FINANCING ON THE SOCIAL DIMENSION

Given the important link between financing and the social dimension of higher education, it is important to define indicators in order to measure and show the impact that one has on the other. However, from a researcher's perspective, it is not easy to work with or to interpret these indicators, as far as the social dimension is a result of multifactoral influences, and not just a simple coherence. A second issue that makes measuring and analysing the social dimension difficult is that the population that must be measured includes not just students, but also the non-students. As the target of the social dimension, based on its definition in the London Communiqué, is to reflect the diversity of the population, in this case wider society, it strongly emphasises the need of data regarding those who do not participate in higher education, something that is rarely available. Another significant problem also mentioned by Eurydice is that social dimension monitoring systems are still in their infancy, making it very difficult if not impossible to compare national systems in which different countries emphasise different aspects and utilise different methods. Some countries hardly even collect data. Lack and quality of data is something that has even been highlighted by the ministers responsible for education across the European Higher Education Area on several occasions. The following section of this article hence explores the main international sources of data available for financing and social dimension indicators, including EUROSTUDENT and OECD (Organisation for Economic Cooperation and Development) publications, as well as Eurostat and Eurydice from where mapping data of the FinSt project is collected. The mapping exercise gathered data for all countries where ESU members exist, for a selection of indicators based on the four research themes of the project:

1.4 WHAT THE DATA FROM DIFFERENT EUROPEAN COUNTRIES INDICATES

DATA AND SAMPLE

As elaborated in earlier sections of this Compendium, a key objective of the FinSt project was the mapping of higher education systems across Europe based on four thematic areas: national higher education funding systems, public funding of students, students' income and expenditure, and impacts and outcomes (of financing systems on students). The final mapping exercise was primarily based on the five data sources described earlier on in the Compendium.

Despite the rigorous data collection process involving several key sources and certain secondary sources such as feedback from national unions and national ministry websites, in many cases none or hardly any data was available. However, this does not necessarily indicate that data is not available across the board, as it is possible that existing data wasn't found, or that verification and supplementing of data from national unions was possibly incomplete—in addition to other potential factors. Even for countries where national sources such as ministry websites and so on were used, the data could not be included in the mapping exercise. This was due to language barriers as well as the fact that in most cases where alternative data was indeed found, the parameters of the indicators available through alternative sources did not correspond with the parameters of the indicators of the key data sources used.

In numbers, the situation regarding data availability is as follows: The original sample of the mapping exercise consisted of 39 countries that signed the Bologna Reform. After the mapping was done and sent to national unions, 11 had to be excluded due to a lack of data that the mapping exercise was able to collect. The final sample on which this article is based includes 27 countries. It should be noted that a substantial number of the countries excluded are eastern European countries.

fig. 25 Countries in the final sample

Countries in the final sample:	Austria, Belgium, Bulgaria, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, UK
Countries excluded from the final sample due to lack of data available in the mapping:	Azerbajian, Belarus, Bosnia Herzegovina, Georgia, Israel, Luxembourg, Macedonia, Malta, Serbia, Ukraine, Croatia

TUITION FEES AND PARTICIPATION: INDICATORS AND HYPOTHESIS

As the aim of this article is to explore the possible impacts of financing on the social dimension, a number of indicators from different data sources described above were chosen. To measure the social dimension, the following indicators of participation in higher education were used:

- By gender,
- By age, and,
- By students' paternal educational background.

These three indicators have been chosen for various reasons. Firstly, they are traditionally indicative dimensions of participation when investigating the diversity of a student population and whether or not it is reflective of a country's wider population. Secondly, the dimension of ethnic background was not taken into account, as no data was available. In order for ethnic background to be included, an indicator would be required to reflect the extent to which the student population reflects the overall population in relation to ethnic background for a given country (to enable comparability, the indicator would have to be consistent across countries). Finally, of six indicators from the mapping exercise linked to participation, sufficient data was collected for the three indicators chosen above, with data for other indicators missing.

To measure aspects of financing, traditional indicators including tuition fees as well as public student support measures (grants and loans) were utilised. It was decided to focus on tuition fees, used as the independent variable throughout this article in order to avoid a complicated analysis process, as well as for several other reasons. First, whether or not, and the extent to which, tuition fees influence the composition of the student population, remains a hotly debated topic. Generally, proponents as well as opponents of fees tend to reference the data and research that confirms their position

and argumentation. In times of increasing cost-sharing that students across Europe face nowadays, this question is certainly worthy of investigation—and this before introducing more costs to the private purses of students and families, since an open and socially inclusive educational system is the backbone of a democratic and prospering society. Prohibiting access to certain groups of society can have severe short and long-term impacts on social cohesion, social well-being, economic development, and so on. As highlighted by the Eurostudent report, the educational and financial background of one's parents has an influence on the chance to participate in the higher education, therefore the European Students' Union views widening access to higher education as a key tool for social mobility. Additionally the Education at a Glance publication OECD shows that education has an influence on society; an example of this is the higher participation in voluntary organisations amongst those with higher levels of educational attainment. Policy development and changes in financing of educational systems are delicate processes, highly relevant for a society's future development. Furthermore, the choice of focusing on tuition fees is also a rather practical one, firstly to narrowly define the scope of the link between financing and participation to be investigated, and secondly, it is an indicator which is widely available for many countries—thus being one we could easily work with.

In order to focus on certain aspects based on the data available, the following hypotheses were established:

Hypothesis 1
In countries with high tuition fees participation of students with age 35+ is lower than in countries with no or less tuition fees.

Hypothesis 2
In countries with high tuition fees participation of female students is lower than in countries with no or less tuition fees.

Hypothesis 3
In countries with high tuition fees participation of students with fathers' education at tertiary level is higher than in countries with no or less tuition fees.

N.B. These hypotheses are used solely for the purposes of this article and are **separate** to the four main research hypotheses emerging from the key research themes of the FinSt project, as outlined in the introduction to the previous part of the Compendium, and is discussed further in subsequent articles.

For hypothesis one (H1) the primary assumption was that in countries with lower or no tuition fees the participation of fringe groups is higher than in countries with high fees. For students age 35+, family obligations and their social status as individuals who

are independent from their parents might result in tuition fees having a prohibiting influence on this group to access higher education, since the cost to enter a university has to come from private sources.

For hypothesis two (H2) the assumption is, that the need to invest privately into education might be linked with a gender dimension. The assumption we chose as hypothesis is that females might be supported less by their families to access higher education, or that an expectation of future parenthood may result in females being more averse to high private financial contributions in accessing higher education.

Hypothesis three (H3) is based on the assumption that higher levels of educational attainment often result in a higher income, therefore families in which the father has attended higher educational may be better placed than others financially, allowing them to pay for tuition fees.

ANALYSING THE DATA: NOT EVERY BEE IS A BEE IF YOU TAKE A CLOSER LOOK

In the mapping process the information regarding tuition fees was collected from Eurydice's Key data on Education in Europe 2009[22] and divided into two subsections. The first one described *if there were tuition fees at all or not and the second one asked who tuition fees apply to*. The data gathered for the countries was extremely diverse. For both subsections the answers contained diverse information; the first question was asked as a yes/no question, often containing a lot of descriptive information. The second question was an open question asking for a description of the situation regarding tuition fees in general, sometimes highlighting very different aspects of fees. In order ensure a systematic approach, the information gathered in those two subsections were split into the following questions:

1. Whether or not there are tuition fees: yes/no
2. If yes, what their amount is
3. Which determining factors (criteria) are being used to define whom the tuition fees apply to (for example, whether they are based on nationality, mode of study, field of study, academic performance, etc)

22 Available at: *http://eacea.ec.europa.eu/education/eurydice/documents/key_data_series/105EN.pdf*

The countries could then be grouped with regards to certain characteristics:

- 3 countries could be identified, where there are no tuition fees at all (aside from some contribution students have to make to the students' unions): Finland, Norway and Sweden;

- 24 countries employ some sort of fees: Austria, Belgium, Bulgaria, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, UK;

- 7 out of these 24 countries that have fees, have been at the absolute high end when it comes to tuition, with fees of more than € 500 per annum (p.a.), going up to £ 3255/year for England and Wales in the UK (now increased to up to £ 9000 p.a. since the 2012/13 academic year). These countries are: Ireland, Italy, Netherlands, Portugal, Spain, Switzerland and UK (both, England and Wales, as well as Scotland are to be included in the group of high tuition fees, although Scotland has a separate system and lower fees);

- The other 17 countries also have a system of fees, but in most cases they are considerably lower than in the group of countries with the highest fees (often termed entry fees, admission fees, registration fees, and so on)

This grouping of countries looks fairly elementary, but it has resulted from criteria given in the information provided. Placing countries without fees and countries with the high fees at the two extremes is justified by the data. For many countries in the group with lower fees however this is more ambiguous—where the level of fees was not indicated for a given country, that country was placed in the group with lower fees. This might result in some bias when analysing the relationship between fees and participation in HE.

Furthermore, it is interesting to have a look at whom the fees apply to in different countries (Finland, Norway and Sweden are excluded here since they have no fees):

fig. 26 Whom fees apply to?

To whom fees apply to	Countries	Special remarks
Tuition fees apply to all students (including entrance, admission, registry etc fees)	Austria, Belgium, Czech Republic, Estonia, Iceland, Ireland, Italy, Netherlands, Poland, Portugal, Romania, Slovenia, Slovakia, Spain, Switzerland, UK	Slovenia: Only admission fees. Czech Republic: Most fees are admission fees. Slovakia: Only admission and entry fees
Tuition fees apply to certain groups of students	Denmark, Germany, Latvia	Latvia: Part time students pay fees, as well as long distance students. Denmark: Part time students and all international students pay fees. Germany: In most parts of the country no fees, some regions have fees, if exceeding regular study time fees might be introduced.
Some defined groups of students are exempt from fees or pay a lower level of fees	Bulgaria, Cyprus, Germany, France, Hungary, Lithuania	Bulgaria: Orphans, persons with disabilities, war invalids and senior cadets in military schools. Persons with dual citizenship, one of which is Bulgarian, pay half of the applicable fee. Cyprus: 1st cycle Cypriot and EU students at public universities have no fees. France: Students that receive a grant don't pay fees (30%) Hungary: Students with a state subsidised study place don't pay fees (50%). Lithuania: Students with special academic merit receive state voucher for fees.

A closer look into Table 26 makes it clear that there is a huge variety of terms referring to different types of fees: >fees<, >admission fees<, >entry fees< etc, this only being a fraction of terms showing up in the mapping data. Sometimes the term >tuition fee<

was used, sometimes annual fee, admission fees, entry fees, in some cases different types of fees were listed with different amounts, and sometimes, in addition to tuition fees, exam and other (e.g. materials, books and so on) fees were also applicable. This poses two questions: First, what did those collecting the data understand as ›tuition fees‹, and what kind of fees data was actually collected? Said differently: What do the numbers we have actually refer to? Did the person saying »In country X we have tuition fees of 1,000 Euro« mean that it is per year, or per semester? Do such fees cover the cost for study materials or simply fees for admission or exams? Did the person maybe just not think of these fees to be considered as tuition fees too? In any case the mapping data collected shows that there is no clear and unique approach of what tuition fees exactly are, therefore making any comparison of numbers highly problematic. Furthermore the numbers outlined are amounts in Euros, but not in purchasing power parity (PPP), which accounts for different costs of goods and costs of living across different countries.

Despite all the problems and questions that arising from the data, we will nevertheless have a closer look at the hypotheses we established, trying to group the countries as closely and accurately as possible according to the data available.

TESTING THE HYPOTHESIS

To test the hypothesis, three groups of countries based on the amount of tuition fees were taken into account for further calculations:

1. Countries with at least € 500 p.a.: Ireland, Italy, Netherlands, Portugal, Spain, Switzerland and UK.

2. Countries with fees below € 500 p.a.: Austria, Belgium, Bulgaria, Czech Republic, Cyprus, Denmark, Estonia, France, Germany, Hungary, Iceland, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia.

3. Countries with no fees at all for domestic students: Finland, Norway and Sweden.

While the above classification may appear to be an oversimplification, as there is a significant disparity between the lowest and highest fees charged in countries within Group A, it provides a workable framework for the current data analysis. While results may not be fully representative they can be considered at least indicative.

Furthermore, the distinction between Groups A and B was set at a fee rate of € 500 as the data indicated that there was a fairly clear separation between countries with fees

exceeding € 500 and countries with fees below € 500. The aim is to investigate whether or not fee levels correlate with levels of participation.

HYPOTHESIS 1: TUITION FEES VERSUS PARTICIPATION BY AGE

The participation variable investigated for the first hypothesis has been collected from OECD data and refers to the enrolment rate (as a percentage of the student body from that age group) of age groups 35–39 and over 40. In order to test the hypothesis, the sample of countries with available data had to be established first. Seven countries had to be excluded from the sample due to a lack of data regarding the enrolment rates of students over the age of 35: Bulgaria, Cyprus, Latvia, Romania, Ireland, Italy and Poland. Therefore the remaining sample consisted of 20 countries: Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Iceland, Lithuania, Netherlands, Norway, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland and UK. It should be noted that for some of these countries the data was available as actual numbers of students enrolled, but for others as a percentage. This therefore suggests that not all data originates from the same source, most probably as it was not available in one source for all countries. This problem was overcome by converting the actual numbers of students enrolled per age into a corresponding relative amount of the student body in order to enable the hypothesis to be tested. The enrolment rates in the different countries of the sample are displayed in figure 27.

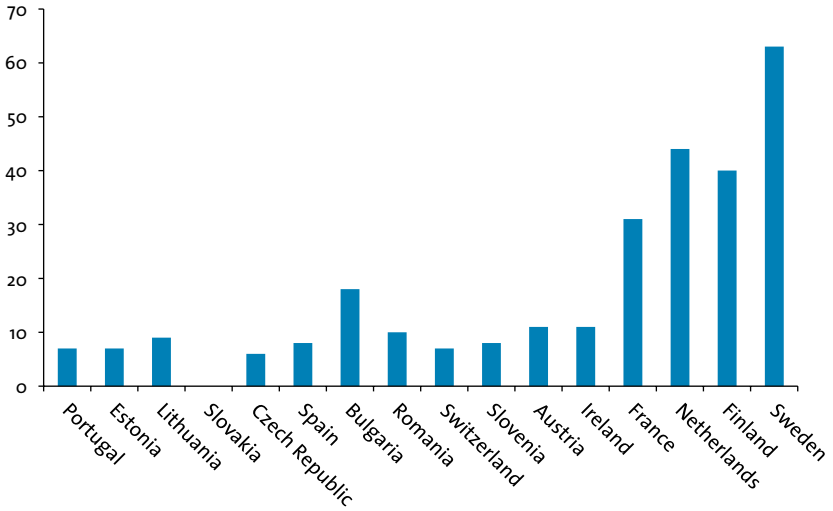


fig. 27 Enrolment rate by age

Source: OECD stat, Education & training, students enrolled by age (2008)

With the data left, the average enrolment rate of students over the age of 35 was calculated for the different groups of countries (relating to tuition fees, see above). The results are shown in figure 28.

fig. 28 Average enrolment rate by age, based on the level of fees

Tuition fees:	Average enrolment rates of students aged 35+
Group A: 500 Euros and more	13.2%
Group B: Up to 500 Euros	10.8%
Group C: No tuition fees	21.7%

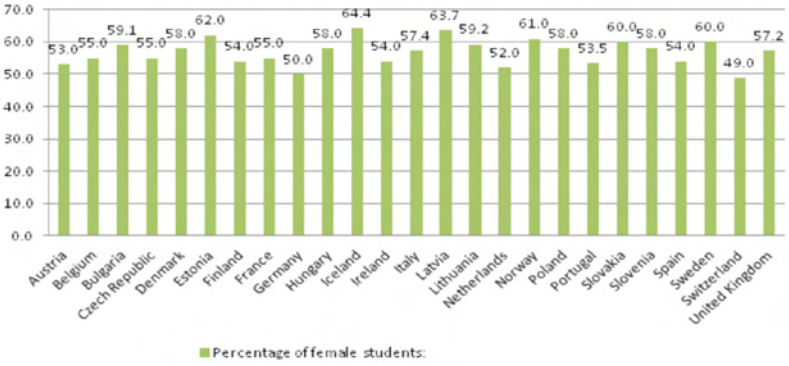
If we look at Group A, representing countries with the highest fees, versus Group C countries which have no fees at all, the hypothesis proposed is clearly supported. Group C overall has the highest participation rates from students aged 35+. Nevertheless, for Group B, in relation to the countries with the highest fees, the hypothesis seems not to be supported. Some considerations must be mentioned at this point: if we look at Group B, Iceland is an absolute extreme case within the group with a participation rate of 27% (see Table 3). If we exclude Iceland from the group, the average rate would be at 15.5% instead of 10.8%. This again would support the hypothesis. If on the other hand we have a closer look at Group A nevertheless, the UK is an extreme case within that group (compare Table 3). If we calculate the average participation rate of Group A excluding UK, the rate is at 10.8%. This again would support the hypothesis.

Nevertheless it is clear that these extreme cases cannot be excluded just to support a hypothesis. Instead, there should be a closer look into what different countries and systems are within the groups, especially within Group B. Further, in Group C all the countries are Nordic ones, which represent a very unique group of educational systems. These educational systems are comparably very well financed and the student support systems are well developed. Also the question remains of what other variables might have an influence on the participation of mature students. We don't know for example if in some countries studying over a certain age is prohibited for any reasons. The case of France with a participation rate of 0% certainly raises questions. Furthermore, it is clear that in later stages of life, family planning becomes an issue—and hence the question of how to finance studying becomes not only one of financing a single person, but rather an entire family. Also, how much influence do tuition fees have on whether people over age 35 participate in higher education, versus the influence of whether these groups are eligible for student support measures? And the list goes on almost endlessly.

HYPOTHESIS 2: TUITION FEES VERSUS PARTICIPATION BY GENDER

For the second hypothesis only two countries were excluded from the sample due to no data: Cyprus and Romania. The sample remaining included 25 countries: Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland and UK. The participation rate of female students (collected from the Eurostat database) shows the following:

fig. 29 Participation by gender



Source: OECD stat, Education & training, students enrolled by age (2008)

The respective enrolment rates for each group are as follows:

fig. 30 Participation by gender, by the level of fees

Tuition fees	Average enrolment rates of female students
Group A: 500 Euros and more	54.0%
Group B: Up to 500 Euros	58.0%
Group C: No tuition fees	58.0%

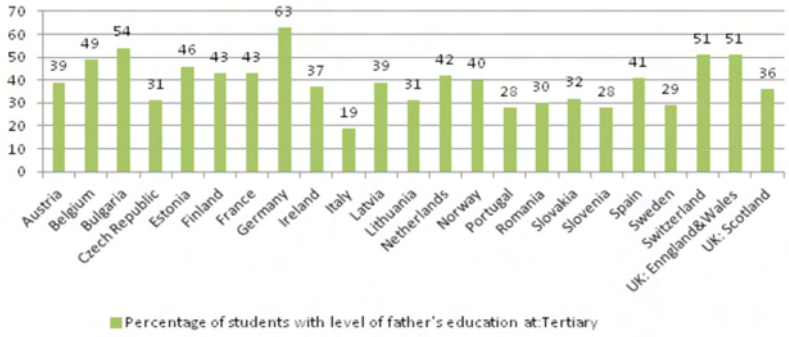
In this comparison, the data doesn't seem to differ much and doesn't provide much valuable information. Nevertheless, as proposed with the hypothesis, the participation of female students in higher education might be linked to the level of tuition fees, as in Group A with the highest tuition fees the participation rate for female students

is slightly lower than in the countries with lower fees. At the same time the sole existence of tuition fees in a system doesn't seem to have that significant an impact. Again, the fact that the group with no fees consists of Nordic countries, which have a tradition of gender equality being systematically approached, might distort the relationship there is for many other countries in Europe.

HYPOTHESIS 3: TUITION FEES VERSUS PARTICIPATION BY FATHER'S LEVEL OF EDUCATIONAL ATTAINMENT

For testing the third hypothesis, Cyprus, Denmark, Hungary, Iceland and Poland had to be excluded due to no data on the level of students' father's education. Furthermore it is important to say, that within this dataset, the UK has been split into two—England and Wales on the one hand, and Scotland on the other. The data about the level of fathers' education has been collected from the EUROSTUDENT National Profiles. For the hypothesis we only considered the rates of students with fathers' education at tertiary level and the data showed the following situations:

fig. 31 Participation by fathers' educational background



Source: Eurostudent, 2011: Social and Conditions of Student life in Europe 2008–11, national profiles, Topic C, subtopic 3

The respective average rates by different country groups of students with fathers that have education at tertiary level are as follows:

fig. 32 Participation by fathers' education, by the amount of fees

Tuition fees:	% of students with father‹s education at Tertiary level
Group A: 500 Euros and more	38.1%
Group B: Up to 500 Euros	40.0%
Group C: No tuition fees	37.0%

Looking at the data, the average rates again seem to support the hypothesis if we look at the two extreme ends, Group A versus Group C. But Group B does have the highest rate of students with father's education at tertiary level. As the differences are not very significant, it is difficult to make any conclusions of whether the existence of tuition fees has an impact on students' participation in higher education by the level of their fathers' education. Small differences seem to suggest that in countries with no tuition fees, the participation of students with fathers' education below tertiary level appears slightly higher, indicating that tuition fees may act as obstacles in accessing higher education. It should however be noted that the participation from students whose fathers' attainment is at tertiary level is not indicative of equitable access to higher education, at least in the context of the social dimension, unless broader information regarding the overall composition of society is known. On one hand, the 40% of students whose fathers have attended higher education may be under-representative compared to the wider population if more men have participated in higher education within a given society. On the other hand, if fewer men have participated overall, the figure may be over-representative. Taking this into consideration, unfortunately no conclusions whatsoever can be drawn from this data.

REASONING AND CONCLUSION ON THE WORK WITH MAPPING-DATA:

At this point we need to come back to the data collected in the mapping process. The deeper we dig into it, the more questions arise: on a very superficial level, a problem that might have influenced the results of Group B is the quality of data. As previously outlined, in some cases where the existence of fees was indicated, the exact amount was not specified. It might be possible that some countries actually belong in the group of high fees, but this is not visible within the data provided. Furthermore, the question »Do tuition fees exist within your country?« was answered inconsistently, sometimes with a simple yes/no, other times indicating the amount, though in most cases further, detailed information was provided. Looking in greater detail, most interestingly the answers contained a vast diversity of terms closer specifying what kind of fees

there are: »Admission fees«, »admission procedure fees«, »registry fees«, »tuition fees«, simply »fees«, »entrance fees«, »annual tuition fees« and in one case »costs for materials«. This shows two important things: First there is a huge diversity of the kinds of fees in existence across Europe. Second it highlights a severe problem with data, as it is clear that the exact, direct expenditure required from a student or her/his family towards higher educational fees is unclear. Though gathering data on »tuition fees« is indeed useful, it is unclear what the exact definition of fees is. There are some countries with high annual fees, which have been listed and are often understood as »tuition fees«. In many other countries fees occur with registration or admission, but have these also been considered as »tuition fees«? Furthermore, although in one country material costs were listed, do such costs exist in other countries and though what means are they financed? What costs do »fees« actually cover? And what about cases such as hidden fees students pay, for example to take exams? Are such fees also in existence? Evidently, there is no clear definition for »tuition fees«, or a differentiated concept to gather data with which in the end it was known exactly what kind of fees there are and to which amount. Only a robust approach that addresses these issues will make a proper, cross-country assessment of the situation possible. Additionally, once these issues are addressed it will be possible to estimate the cost that individuals and their families have to bear for higher education.

Further we need to consider that we explored variables in a rather isolated manner. The three countries that have no tuition fees (Finland, Norway and Sweden) are unique and well financed educational systems, almost of their own kind. Not only are there no tuition fees, but also generous student support measures, which apply to a majority of students. In order to obtain an understanding of the inter-linkage of social dimension and funding aspects, so many more factors have to be taken into consideration.

What is more important when looking at the interpretation of the data above—social dimension and participation in higher education cannot be measured and explained by only one or two factors—to measure the real impact on social dimension one must have a complex structure of different indicators and variables. For example it is also important to analyze parental income, public support systems, grants and loans, public versus private funding and of course the financing and social dimension on the lower levels of education. Also, to be able to make any conclusions on the impact of financing on the social dimension, one must not look only at the demographic groups participating in higher education, but also at those not participating. Furthermore, the diversity of different higher education systems across Europe clear and direct comparison and outcomes even more difficult.

1.5 CONCLUSIONS

What is clear after the process of mapping and interpreting the data on the social dimension and financing of higher education for this article, is that more, better and comparable data is needed. It's not about the quantity of data but also the quality of it—indicators must be comparable while accounting for the diversity of higher education systems. It is a difficult task, but certainly not an impossible one as some rather well developed initiatives demonstrate. Despite the generally scarce situation regarding data, it needs to be said that several countries in Europe such as Austria and Switzerland have their own extensive social student surveys with much more detailed information. Different monitoring systems have been introduced on a European level, for example The Network of Experts in Student Support in Europe (NESSIE). Following from the Bucharest 2012 Ministerial Conference for the European Higher Education Area, Minsters agreed on an initiative of knowledge sharing and further sharing of best practices regarding the social dimension.

In the end it is not only about what the specific indicators for the correlation between funding and social dimension are, but rather what the impact of financing on the social dimension of higher education is, and this needs to be researched and analysed in greater depth. For example the impact of different funding models on dropout rates has not been reviewed in enough detail form an international perspective. Such further activities would simplify the search for best practice models.

By exploring available data, one of the aims of this article was attempting to measuring the impact one factor might have on the aspects of the social dimension and to show that an analysis of this sort is not only possible but definitely needed. Various international projects and organisations are already making valuable progress at European level, trying to work out the possible indicators for measuring the social dimension and collecting the data at the international level, but at the same time there is still a lack in the quality of data and no general agreement or benchmarks set on how to evaluate the development of the social dimension. Several years ago, the Bologna Follow-Up Group's social dimension working group for all European Higher Education Area countries set up an initiative for each country to set its own national goals and benchmarks and to develop their national social dimension strategies and action plans. But as it was not an obligation, few countries actually went through this process.

After looking through the available data for this article it has become clearer that such strategies and action plans would make it much easier to measure the development of the social dimension and compare the progress of different countries in achieving the ideals set by the communiqués of the Bologna Process. For the future it is indispensable to increase the amount and quality of data on the social dimension, because without the data little can be said about the social dimension of higher education.

Even if through this article we emphasise the importance of data and what such data could encompass, data is just one step that must be supplemented. It is important to outline the needs and requirements in order to prove which actions are needed; nevertheless political will is a necessary prerequisite for a meaningful social dimension. Therefore claims for data are at the same time a claim and plea for greater political will and initiative.

2 POWER, POLICY AND PERCEPTION: NATIONAL STUDENTS' UNIONS COMMENTARY ON NATIONAL HIGHER EDUCATION FINANCE POLICY

by Dr. Debbie McVitty

2.1 INTRODUCTION

This article explores how national students' unions think about higher education finance policy. It first introduces the concept of a policy model for supporting understanding of how students' unions might conceivably engage to influence national higher education finance policy. It goes on to examine national students' unions' perceptions about elements of the policy model in relation to higher education finance and their opinions of their national higher education finance policy using the results of a survey of national students' unions conducted in June 2011. Survey results were taken to consultation with national students' unions representatives from across Europe, and the observations of delegates integrated into the final article.

The following section outlines a policy model for student finance. Section 3 describes the methodology, while survey results and analysis are presented in Section 4. Section 5 concludes.

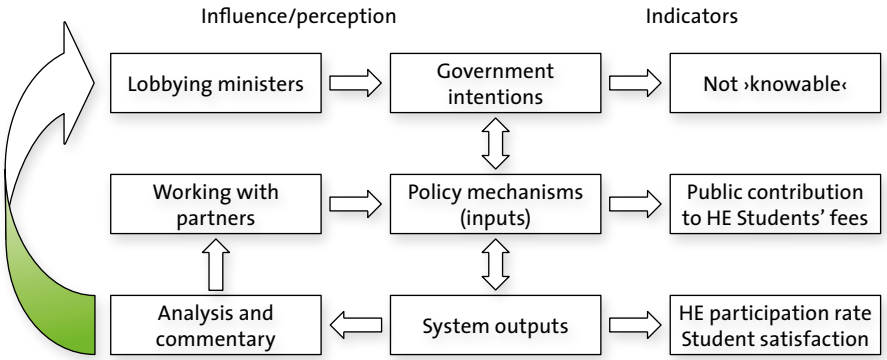
CREATING A POLICY MODEL FOR STUDENT FINANCE

The Financing the Students' Future (FinSt) project aims not only to describe and analyse the various systems for funding students in higher education across Europe, but to use this information to support national students' unions to engage in the national political/policy processes that determine student funding systems. In order for national students' unions to engage with policy processes they need to have a sound grasp of the student finance system in their country and that of other countries in Europe, particularly those with comparable systems to their own. To this end the project seeks to generate funding >typologies< that would identify the points at which systems can fruitfully be compared, and also intends to consider whether there is such a thing as an >ideal< funding system. However, students' unions also need to

understand the political and policy processes that generate ›systems‹ and consider the modes by which they might engage with these processes. Thus, it is crucial that we have a clear understanding of what we mean by ›systems‹ and ›processes‹ before we can properly articulate either in a way that stimulates action to reform or engage with these systems and processes.

During the process of mapping the student finance systems and identifying which indicators would be selected for description and analysis, a simple ›policy model‹ was created in order to articulate the way that finance systems and political processes interact. This model is based on intentions, inputs and outputs, and is reproduced in Fig. 33.

fig. 33 A policy/system model for student finance



The centre of the model describes student finance systems in which policy mechanisms are designed (broadly) in order to enact government intentions, and which lead to specific outputs which may or may not reflect the original intentions, depending on the quality of the design or implementation of the mechanism. Government intentions must interact with policy mechanisms in order that the mechanism be appropriate and the intention be feasible; arguably the extent to which this interaction is well-handled determines the success of the policy. System outputs are, of course, subject to other factors beyond the core policy mechanism, and it is important to be aware of this when engaging in critique of the system and its mechanisms.

On the right-hand side of the model is an indication of which parts of the system are ›knowable‹, that is: reliably measurable. Government intentions may be ›knowable‹ through, for example, policy statements, discussion papers or ministerial speeches, but these are subject to fluctuation, disagreement and/or may be hidden from the

public. Certainly these are not measurable, and even when publicly stated are subject to interpretation. Policy mechanisms or system inputs are knowable and these are reflected in the indicators chosen for the mapping data. Other articles tackle the extent to which correlations can be drawn between inputs and outputs according to the mapping research hypotheses, and what can be learned through identifying correlations.

The left-hand side of the model describes the points at which national students' unions might conceivably aspire to influence the student finance system. They can lobby ministers in order to reform government intentions to match those beliefs held by the students' union, or they can engage with those responsible for creating and implementing policy mechanisms to shape these as favourably as possible. National unions cannot, of course, influence system outputs. They can only provide analysis and commentary on these in defence of their political position.

Arguably the level of influence a national students' union can have is highly dependant on whether the government looks favourably, not only on listening to students, but on the policies and ideas advanced by the national students' union and how closely these match government preferences. Where students' unions have powerful allies such as national teaching unions or heads of higher education institutions, they are much more likely to be able to be influential.

However, building such alliances and engaging with the policy process may in some cases require the national students' union to take a political position that is different from ideal. For example, many students' unions hold a stated political position or policy that higher education should be free, but we would expect that the pressure of increased numbers of students entering higher education would tend to drive up costs, some of which may be passed to the student.

The survey collects national students' unions' opinions of specific aspects of the policy model: government intentions and specific system outputs. It also seeks the formal view of national unions on higher education finance, particularly whether stduents should have to bear the cost of higher education (which would be filed under policy mechanisms rather than system outputs).

An initial overview of the survey results indicates in a number of places that students' unions knowledge of their higher education finance systems indicates one opinion, while their ideological position demands another.

In light of this it was thought appropriate that the survey results be taken to consultation and representatives of national unions be asked to discuss why and how these results emerged, and their implications.

2.2 METHODOLOGY

The research team designed a survey intended to take a snapshot of the views of national students' unions of their higher education finance system. It was expected that there would be variation in the views of national unions, and that there would be a general trend towards a preference for free higher education.

The survey was open throughout June 2011 and the 45 national unions in membership of ESU were invited to nominate an individual to complete the survey from the perspective of the union. The survey was available in both online and paper formats. National unions who were slow to comlpete the survey were sent reminder emails until they submitted it. The survey achieved 34 usable responses in total, representing 30 countries—a response rate of 75 per cent. Four countries have two national students' unions in operation: Lithuania, Finland, the Netherlands and France. As in all cases respondents were affiliates of ESU, the double responses were accepted.

Breakdown of respondents by region (as per UN definitions) are displayed in Table 34

fig. 34 Breakdown of unions responding to the survey by region

Region	Number of unions responding
Northern Europe	12
Southern Europe	5
Eastern Europe	8
Western Europe	9
Total	**34**

This is a reasonable spread of regions, although we would wish Southern Europe to be better-represented.

The survey results were cleaned and unclear responses excluded. One question, about which bodies were influential in higher education finance policy, had to be excluded because the direction of the scale of influence was not specified in the question—this was an unfortunate oversight.

Results were analysed in Excel and feedback sought on initial findings. Survey results were brought to consultation at the FinSt Consultation Seminar held in Liverpool, UK on 24–26 November 2011. Two hour-and-a-half workshops were held in which the results of the survey were presented and discussed. It is estimated that approximately 30 student representatives participated in the workshops.

Consultation enabled a much richer picture to emerge of students' unions' perceptions than is able to be demonstrated via a survey. The survey provides a useful starting point and structuring framework for further analysis; it should not be read as infallible. As such, the opportunity to test findings with representatives of national unions proved invaluable.

2.3 SURVEY RESULTS AND ANALYSIS

IDEOLOGICAL POSITIONS OF NATIONAL UNIONS ON STUDENT FINANCE

Respondents were asked whether their national union had a policy position on student finance, particularly on whether the union had views on student contributions to higher education. Responses were in free-text and were analysed by themes emerging in the answers. 31 respondents had an ideological or political position on the system of student finance in their country.

Of these:

- 14 said unequivocally that education should be free for all.
- 8 said that education should be free, but with qualifications, either acknowledging that this was a difficult goal to achieve, or restricting the number of students who could/should qualify for free education.
- 3 were comfortable with some form of student contribution e.g. income-contingent fees, progressive taxation
- 2 said that they support the principle of accessible higher education without specifically mentioning finance
- 1 said that students should have to pay less for their higher education.

We cross-referenced the 22 national unions who hold the political view that education should be free with the actual level of tuition fee in that country.

In only three cases (two of which were the same country) the stated position of the union matches the current state of affairs in their country. In all the rest of cases higher education is not free, either because a tuition fee is applied, or a registration fee is required.

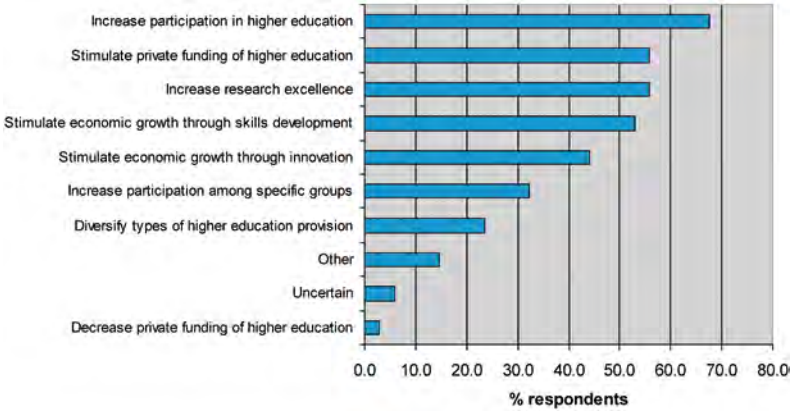
It is important to note, however, that in a number of cases the fee is very low, as low as two figures. In other cases the tuition fee applies in some cases but not others; typically the >traditional< full-time young student is able to attend for free, while part-time or distance learners are required to pay. Finally, in some cases the state funds a number of student places but those without a state-funded place have to pay.

PERCEIVED INTENTIONS OF GOVERNMENT IN DESIGN OF STUDENT FINANCE SYSTEM

We asked national unions what they think the intentions of their government are in designing the higher education finance system. This matches with the policy model which presumes that the government has intentions and that there will be a perception about what those intentions are. Respondents were invited to select from a list of possible intentions, which were identified as plausible by the research team.

In your view, what are/were the intentions of your government in designing the higher education finance system? Please tick any that apply. N=34. The results are available in Figure 35.

fig. 35 Perceived government intentions



If the top two perceived government intentions are correct, we can identify a trend in government intentions across Europe towards simultaneous increased participation in higher education and increased seeking of private investment in universities. In some cases there may be a direct causal link in that private investment may be supporting the expansion of higher education or increased costs in delivery of higher education. The FinSt hypothesis that most countries observed are using cost-sharing to fund higher education was confirmed, and this data supports that trend.

The trend towards cost-sharing and increasing private investment appears to be diametrically opposed to the political standpoint of most students' unions that education should be free. It may be instructive to consider how students' union policy and perception of government intentions interrelate—the former may stem from the latter or, perhaps more interestingly, vice versa (unions perceive government priorities to be inverse to their own because of an assumption around the relationship between governments and students' unions).

Nearly half of all respondents (47 per cent) said that the intentions they had identified were the right mix of government intentions. Although this is not the majority, it raises an interesting question about the extent to which students' unions hold policy views that are potentially in conflict, and to what extent this is recognised.

When asked whether they believed their higher education system was successful in delivering their government's intentions, the results are displayed in figure 36 (N=34).

fig. 36 National unions' perceptions regarding the extent to which HE systems are successful in delivering government intentions: 1 = not at all successful; 5 = very successful

Score	Number of respondents	% of respondents
1	1	3
2	9	26
3	16	47
4	7	21
5	0	0
Unsure	1	3
Total	**34**	**100**

Nearly half of all respondents chose 3—perhaps indicating perceptions of moderate success at achieving goals on the part of governments, or perhaps indicating an unwillingness to take a firm view on the part of national unions.

Views of national representatives were sought at consultation, and delegates were asked to comment on the idea of >government intentions< and the capacity of national unions to make a judgement on the validity and success of government intentions.

Delegates made the following observations:

>Government intentions< is not a straightforward concept Space must be left for government intentions to be subject to fluctuation and negotiation as, for example, in the case of a coalition government with differing views as to the purpose and function of higher education. This would make establishing success criteria difficult for a national union.

The gap between intention and output is long Student officers do not hold permanent positions and are usually in office for only one or two years; not long enough to take an informed view of how successful governments are. Not many national unions employ policy or research staff who could sustain knowledge over a longer period of time. Handover is therefore crucial.

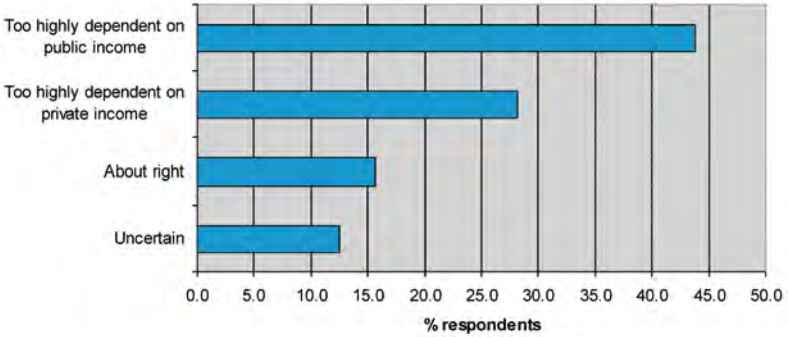
Success criteria are vague Especially where the government seeks to, for example, stimulate the economy through educational investments, it is very difficult to apply measures of success, as economic trends are subject to factors outside educational investments.

Delegates did, however, agree that the ability to make a judgement on both government intentions and the capacity of the system to deliver those intentions was an important aspect of the process of influencing policy.

BALANCE OF PUBLIC AND PRIVATE CONTRIBUTION TO HIGHER EDUCATION

From a policy perspective, this is the question at the heart of designing a higher education finance system: what should be the balance of public and private contributions?

fig. 37 Balance of public and private income to higher education institutions



Again, the opinion of the largest number of unions does not seem to match the stated ideological position of the majority of unions. Two of those who selected ›Too highly dependent on public income‹ enlarged as follows:

»There is a lot public universities, which are waiting for governmental funding.«

»It's a loop. On one hand, private sector doesn't want to invest into [our] higher education, research etc, because of it's quality, but on the other hand— some institutions has big perspectives, but are not able (or do not have the know-how) to advertise themselves effectively to attract private funds.«

However, some respondents who selected ›too highly dependent on private income‹ associated this with shrinking public funding:

»State is financing so-called prioritized fields, thus social sciences and humanities are highly dependent on fees.«

»due to budget cut and unequal distribution of funding, universities are more and more looking for money in the private sector«

At consultation delegates were asked to comment on the potential contradiction between taking a position in favour of free, (presumably) state-funded education, and observing that higher education was too dependent on public funding.

Delegates made a number of observations as follows:

The financial crisis has brought the potential vulnerability of public institutions into relief in recent years In other words the response to this question is a response to a current, hopefully temporary economic situation rather than a statement about preferred sources of funding to higher education institutions. When public funds shrink institutions whose funding is largely public are vulnerable to cuts. In times of economic plenty this is less of a problem.

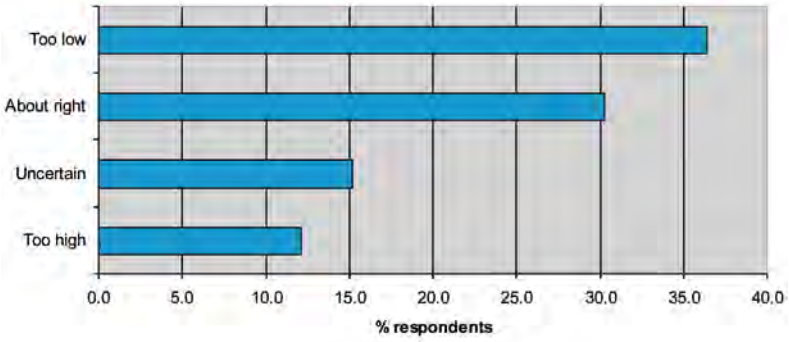
There is a distinction between forms of private income which the survey did not seek a view on Representatives of national students' unions were of the view that business and employers should pay a share of the costs of higher education, as opposed to students and their families. There was a concern that business would become involved in funding to the extent of shaping the curriculum or threatening academic freedom. However, the idea of business contributions was not seen as problematic in itself. As such the survey should have made the distinction between private contributions of business and those of students and their families.

OUTPUTS AND IMPACTS: PARTICIPATION AND STUDENT CHOICE

The social dimension of higher education is an ongoing concern, and it is important to consider how higher education finance supports participation in general, particularly in light of the Bolgna 40 per cent participation target. The research team had identified participation rates as an important output of any higher education finance system, while recognising that participation, particularly among socially excluded or disadvantaged groups is not solely shaped by financial factors.

Do you feel that the numbers of individuals who are able to access higher education in your country is … (N=33)

fig. 38 Participation in HE



The largest number of national unions felt that participation rates in their country were too low; however this was by no means the majority. A number of comments enlarged by mentioning socio-economic class as an area where there were concerns about participation:

»It is not simply the number of people in higher education we are concerned with, it is the socio economic background that we should be more concerned with.«

»Ok for the average student, still problematic for some socio-economic groups in the society. Even with extra financial support & additional measures in HEI, the percentage of students out of these equity groups stays far below the average.«

»For sure we could think that there're enough young people who enter HE after leaving secondary school. 2 main points are worrying :

- The part of lower social-class students start decreasing
- Most of the young people who enter HE can't go far enough to obtain any diploma. We're worried especially about the fact this high failure rate can be caused by the weaknesses of orientation, social, academic support processes.«

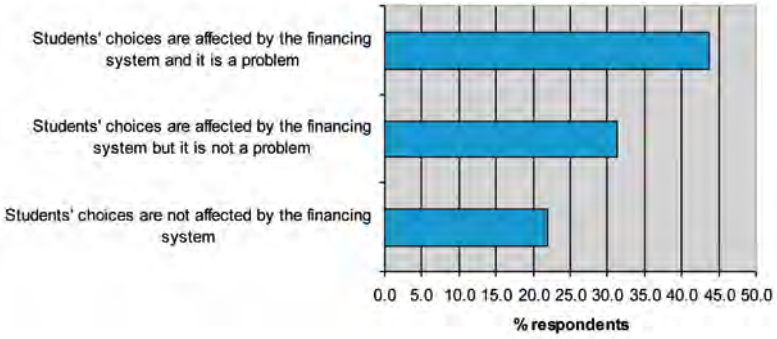
It is worth noting that nearly one-third of respondents feel the participation rate is ›about right‹, despite the identification of increasing participation as one of the primary intentions of governments.

Respondents were also asked the extent to which their student finance system affects students choice of institution, subject or course. Although >student choice< is not typically identified as a desirable outcome as expressed by national students' unions, one could posit that the constraining of choices is an undesirable outcome because it leads to inequality (unless, of course, everyone is equally constrained). This respondent states the issue:

»Obviously when geographically-built clusters obtain more money than other universities, one would choose the best for his studies and would prefer to be far away from home, with a lot of transport to pay for, an apartment to find out in an unknown place … without any help to do it. Student who can't afford it will be restrained to smaller universities, and fall in a vicious circle, with not-so-considered diplomas, and less job and less money at the end of the line.«

How do you feel about the way the student financing system in your country shapes student choices of course, field of study and/or institution? (N=31)

fig. 39 Effect of financing on student choice



There is a not-quite majority consensus among respondents that students' choices are affected by the financing system and that it is a problem, but almost a third disagree that it is a problem.

However, comments seem to suggest that some unions feel that constraints on choice are not only >not a problem< but sensible and even desirable.

»But: corrective mechanism >credit package<: you may study, you may fail once, you may fail twice but not three times: a responsible mechanism is introduced to encourage students to take their responsibility when choosing a courses /programme.«

It is recognised that cheaper systems encourage >browsing< and delayed choices:

> »There are no tuition fees and the student grants can support a minimal standards of living (depending on your luck in residential costs), so young people probably do experiment different fields before finding their »own field/thing« more than they would, if there were fees or the support system was worse.«

Other respondents point to the effects of a variable fee system: people are taking courses for which there will be no subsequent available employment options:

> »Over 50% of students each year chooses social sciences and humanities, though our labour market is stating out loud since 2008, that the country won't be able to provide jobs for such professionals. Such choices are made mainly because these studies are cheapest »in the market«. Yet, mostly worthless, but it is hard to judge, when acknowledging, that students simply can't afford medical, technical, art or most other fields of studies.«

When the idea of >student choice< was taken to consultation, delegates made the following observation:

There is a difference between the introduction of incentives into the system that attempt to shape student choices and those aspects of the system that constrain student choices An example of the former is higher stipends for courses or subjects that are strategically important. This was not felt to be ideal, but neither was it widely viewed as problematic. There was significant scepticism as to whether students actually do allow finance to influence their choices to the extent of choosing a subject that is not their first preference. An example of the latter was higher course fees for certain high-cost subjects such as medicine or other professionally oriented courses. This was felt to be a problem because it excludes students from lower socio-economic backgrounds from taking up these courses and indeed; reaping the benefits of the higher income they would command on graduation.

2.4 CONCLUSIONS

Overall, the survey results are intriguing rather than informative. We see indicative trends that suggest a tension between ideology, or political positions, and knowledge, or observation, of existing systems that seem in some cases to promote a more pragmatic view.

However, in consultation we found that national students' unions have mechanisms for resolving these tensions through holding in balance a view of the current situation and the ideal. However, in many cases the national students' unions did not feel informed enough to take a view on the higher education finance policy of their national government.

At the same time we see a fairly clear statement in favour of increased participation and fewer constraints on student choice that the policy position of the national unions must take account of.

3 FOLLOWING THE COMMODIFICATION DAEMON

COMMODIFICATION OF EDUCATION IN HIGHER EDUCATION FINANCE SYSTEMS

by Moritz Maurer and Angelika Gruber

Recently, hardly any dispute on higher education (HE) between the different active stakeholders is held without reasons related to the term of commodification. To many, the term must have become a daemon, haunting through the discussions, pulling the strings in actual developments of the higher education sector with one hand and with the other directing the chorus of global players trying to construct things called >knowledge based society<, >network economy<, >Bologna Process< or >GATS<.

The following article on commodification of education (CE) tries to make a part of that daemon disappear, making concrete political action in the field of HE financing possible by contributing to ESU's project, Financing of Students' Future (FinSt). The main questions the article deals with are whether CE influences higher education financing (does the daemon exist?), where and how CE influences higher education financing systems (who creates what daemon what for?) and what do students think about CE (do we believe in the daemon?). Therefore the first section of the article aims at clarifying the term and its historic development by a qualitative literature analysis. The purpose of this part is to introduce the reader to the topic by outlining the main social and ethical problems of commodification. The first part of the article serves to make the theses established and trying to test them in the second part understandable. In a third part, the opinions of student union representatives on questions related to CE are investigated in order to have an idea of students' perception of CE. This is done by studying data of the FinSt survey, developed by the FinSt research team and sent to ESU member unions. Finally we draw a conclusion, trying to put emphasis on what should be further investigated, as well as what the results of this article imply to FinSt's attempt finding good solutions of HE financing.

3.1 DEFINITION OF THE TERM

In analysing the term commodification, major challenges are uncovered. Commodification, for our purposes, will be defined referring to Balzer's definition: commodities are objects of trade, they are produced, they are associated with rights of disposition

and they give its owner some sort of benefit (cf. Balzer 2003:89f). However the meaning of education is pretty unclear. The term is understood by some as a tool and chance for the individual to gain autonomy and emancipation (cf. Bakic et al 2011:16). Others see education as an engine of future economic growth and prosperity and includes a chance to avoid economic, social, environmental and other crises the world seems to be experiencing (cf. for instance: European Commission 2010: Europe 2020). More critical voices argue that educational systems are also systems where power and inequality is reproduced. Following the history of education, its role in ensuring individuals conform to ideologies cannot be underestimated.

In the UN declaration of universal human rights education is declared as a basic human right. But already in that article certain restrictions are put up. The article says that it should be equally accessible to all on the basis of merit (cf. The Universal Declaration of Human Rights). Unfortunately the declaration doesn't clarify what this means, instead opening the field to a political discussion, hardly excluding any perception of education. What does equally accessible on the basis of merit mean? Who defines this basis of merit? What is meant by higher education and how it is distinct from other levels of education? Who can define quality of education, who defines the parameters its quality is measured with? These are just a few questions that exist.

Education and perhaps more obviously, the quality of education is hard to define, Adorno even argues, it is indefinable, and it is furthermore not possible to earn it (cf. Adorno 2006:44,33).

If it is so hard to define education it can be assumed that it is also hardly possible to make it a commodity. Looking at the process, it becomes obvious that education, in general, cannot be commoditised. What can be sold on markets are commodities linked to acquisition of defined skills, the certification of these skills and a promise of an advantage for an individual; knowledge and knowledge production or knowledge producing institutions. As skills can be defined as internalised knowledge, it can be further investigated how knowledge can be commoditised. To clarify this point, it is necessary to look a bit deeper into the characteristics of knowledge itself and see how the commodification of knowledge is different to the commodification of other objects.

Gorz postulates a distinction between two sorts of knowledge: living knowledge and scientific knowledge. Living knowledge is bound to a subject. It comprises a broad variety of individual skills, like intuition, power of judgment, learning abilities etc. Scientific knowledge can be formalised and can exist without an individual. This distinction is quite practical when explaining the commodification process (cf. Gorz 2004:41ff).

The first category of knowledge, living knowledge, is learned by experience. It contains the knowledge of interpersonal relations and can be used without understanding it and without formally possessing it. Likewise a language can be spoken without knowing any rules of grammar (cf. Gorz 2004:42). For instance the ERT (European round table of industrialists) refers to this knowledge when demanding »… a product [sic] of this education chain …« to be well rounded individuals that have been trained how to learn and to be motivated always to learn more (cf. ERT 1994:7). This knowledge can be commoditised partially and transformed into professional skills that can be distributed as services. But, it cannot yet be fully formalised because the performance of these actions needs personal engagement. The value of the service is hardly predictable (cf. Gorz 2004:43). Imagine a scientist being employed for creating innovation. The value for society of the product they create cannot be forecast and must not be contingent with the time its creation took. Regarding to the definition of a commodity, we know that it is linked to production and benefit. The challenge in predicting a correlation between effort of production and benefit of knowledge makes this commodification process complex. This is one of the dimensions that institutionalised education can be offered on a market. For example, the service of a motivational seminar can be offered to individuals or corporations or the service of quality testing of workers be sold as a product.

Formalised knowledge, on the other hand, can be offered on a market as patents, copyright agreements or bound to a product as an innovation. In order to make them a commodity, both these processes need to have thei access to them controlled. A generalised service that is connected to knowledge of an individual becomes a tradable commodity only if the knowledge is not part of society's general knowledge (Gorz 2004:42). For formalised wisdom, the need to control its access, in order to make it a commodity, is more tangible. The costs in developing formal knowledge are insecure and entirely different to the costs of its reproduction. To produce the first unit can be very costly but the reproduction costs of each other unit can be close to zero (cf. Gorz 2004:47). A good example is the software industry. To develop a new program is quite costly. But when the software is finished it can be easily distributed via the internet without any costs. So to be able to sell the program, the company needs to limit the access to the product, usually by copy protection.

To sum up, it is clear that knowledge is not an ordinary commodity. Its worth is not predictable, and is not measurable. If it is possible to digitalise it, it can be reproduced without costs and limits and its distribution increases its value. The privatisation of knowledge however, reduces its value and contradicts its characteristics (cf. Gorz 2004:79).

The particularities of knowledge commodification bring in a new perspective to discussions about the commodification process: is it ethical or desired to limit the access of a good that could be accessible to everybody as a public good?

Furthermore with these particularities some of the bias in the dispute of higher education financing can be explained:

- Egalitarian approach vs. Individualist approach (higher education should be accessible to all due to its benefit to all versus the benefit of merit leads to more innovation for the benefit of all). Further explanation follows later in the text.

- The problem in quantifying quality of outcomes. Critics argue that quantifying quality of education system outputs by allocation of funds by market-like criteria leads to wrong decisions in the allocation of limited resources.

The following example out of the pharmaceutical industry aims at making this problem more understandable: A company invents a medication that treats a serious disease. The medication can be produced easily and without danger. The company wishes to get a patent on their product. Is it not quite unethical not to give the knowledge regarding how to produce the medication to everyone who has the disease or to everyone that could produce the medication (egalitarian or emancipative approach)? The company argues that the production of this knowledge was very expensive and they could not have done it if they did not have the perspective of gaining profit by sale of their innovation (individualist approach). Regarding the medical supply of weaker economies, this problem is existent and the inequalities that this restriction creates are outrageous (cf. Seefeld 2002).

FROM THE COMMODIFICATION OF KNOWLEDGE TO THE ECONOMISATION OF HIGHER EDUCATION INSTITUTIONS TO THE COMMODIFICATION OF EDUCATION

The perceived necessity of limiting the access to knowledge is nothing new. Humboldt's argues that in a situation of competition between individuals that struggle for economic success concludes in a wish of individuals to restrict certain knowledge (cf. Bakic et al. 2011:17). And due to the saying »knowledge is power« it can be assumed that knowledge and the control of its access always has been an aid to implement the power of an individual, a class or a state.

The previous discussion was necessary to draw the connection between the commodification of knowledge and the commodification of institutionalized education and also to show that the treatment of knowledge within an educational institution influences its understanding of education. Furthermore the presumption that it is

not possible to find a common definition of education and therefore it also cannot be commoditised opens the sight to what all the rumour in this long lasting discussion is about. Education is interpreted by different social entities differently. The commodification of knowledge products means an interpretation of education due to market analogue criteria. The adaption of organisational structure to make these criteria applicable could be seen as the link to the concept of economisation (cf: Balzer 2003:93). Krautz describes three dimensions of an economisation process of education (cf. Krautz 2007:111):

- **Economisation** of content: this dimension refers to an adaption of the content of taught knowledge due to its economic relevance (In this dimension we include the adoption of content due to the relevance of students'/graduates' purchasing capacity. Students are consumers of products designed to ease studying and research. Former students will be both advertisers and customers of products related to their studies. Both might have an influence on taught and researched content[23].

- **Economisation** of educational services: this dimension refers to the implementation of a market with educational services. This means a privatisation of educational institutions and the implementation of a market for knowledge commodities.

- **Economisation** of educational institutions and pedagogic relations: This dimension refers to an internal adoption of the leadership and management style of educational institutions to a more business-like organisation and the implementation of competition between education institutions. This adoption leads to an **economisation** of relationships between people and the pedagogic relationship between students and teachers (this includes perceptions that students have an investment in their own and their country's economic benefit). Choice of study based on economic criteria will be mentioned in the following text several times and therefore it should be clarified that we see it as a part of this dimension.

All these dimensions can be seen as a result of the commodification process. Markets are based on norms that people are willing to accept. Maintaining such norms involves judicial and police administration, which define and persecute violations of these norms (cf. Balzer 2003:105). Also the market for knowledge is created and supported by states or international contracts (GATS, patent rights, copyright agreements etc.) (cf. Lichtblau 2008:53).

23 Unfortunately we could not find a qualitative source for this assumption. An example would be the use of ICT products in university surroundings.

WHAT HAPPENED, WHERE ARE WE NOW AND WHAT ARE WE GOING TO FACE?

Economic reasoning always played a role in individual choice of study, creation of curricula and funding of higher education institutions. So what has changed to make critics of on-going developments feel education is being endangered by an economic approach? David Bridges and Ruth Jonathan investigate in an essay on »education on the market« (cf. Blake et al 2002:126ff) in philosophical strands on the view of education and their historic uprisings in post-war Europe's society. Jonathan argues that the »individualistic turn« and the quasi-marketisation of education cannot be understood without analysing the historic change of the debate in the philosophy of education (cf. Blake et al in Philosophy of Education 2002:138). Three major common developments in the understanding of higher education can be distilled out of Jonathan's assumptions:

In the post-war years up until the 1970s education was only available to the privileged and philosophers tried to explain to all the benefits of liberal education. The socially funded and state-regulated education given to some should emancipate them and wealth and knowledge would trickle down to the whole of society (cf. Jonathan et al 2002:139). The 1960s and 1970s were branded by the idea of liberal education for all instead of some. Still the emphasis was on the idea that education would emancipate individuals and enable them to take part in, amongst other things, democratic processes. To ensure a liberal education was delivered the search for an epistemological rationale for curricula became central (cf. Jonathan et al 2002:139) and developed further debates over who should control the curriculum and into democratic approaches of their control. During the 1980s a general individualist or neoliberal turn hit the debates. The egalitarian approach got challenged by centralising the proper award of merit that accompanies a more competitive and productive environment. Jonathan relates these challenges to the egalitarian post-war impetus to the general individualist or neoliberal turn with its political moment in the 1980s.

Market principles were applied, based on the arguments outlined above, in established public education systems that were managed in some way through the apparatus of the State. Bridges further analyses, taking the UK as an example, that the application of market principles is nearly always at the expanse of a nationally or locally administrated state bureaucracy which is subject to national and local norms of democratic accountability. Critics of such systems highlight the predominance of the role of the state bureaucracy in their operations (cf. Jonathan et al 2002:127).

But as Bridges further explains, using the UK as an example, that the implementation of market criteria was pretty half-hearted. Actually Bridges states, taking into account several sources, that the implementation was followed by centralisation of the control

of curricula development, policed through a combination of nationally defined tests, benchmarks of achievement, and a state-controlled system of inspection. Traditional systems were replaced to ensure the conformity of independent institutions to the will of government (cf. Jonathan et al 2002:129). In Austria an analogous development could be observed (cf. Maurer et al 2011:237ff).

Looking at the characteristics of the current state of education and higher education institutions the analyses by Bridges shows that they are somewhere in the middle of a development to quasi-market structures, which seems to be very applicable. Weingart describes the status as a division into two knowledge cultures. One has free access and the production of knowledge there is supported by society. The other one is commercialised and knowledge is traded on markets, provided with property rights. (cf. Weingart 2008:477). The same ambivalence, regarding the treatment of knowledge, can be found within the EU2020 vision paper. On one hand the access to higher education should be widened, on the other hand the »innovation union« pictures an economy that demands the restriction of the access to knowledge (cf. European Commission 2010: Europe 2020).

The question that comes up is whether we face a drastic or even complete transformation of knowledge and knowledge producing institutions to commodities and what the effects of this transformation would be (cf. Weingart 2008:477). Picturing future socioeconomic complexes and work atmospheres as described by Luc Boltanski/ Ève Chiapello (cf. Boltanski et Chiapello 2006:f.I.287), where self-production of individual knowledge capital becomes a total constraint, a more extensive shift of this ambivalence towards commercial knowledge producing institutions is possible. Also arguments in favour of the described individualistic turn take up a line going into that direction.

COMMODIFICATION OF EDUCATION IN HIGHER EDUCATION FINANCING SYSTEMS

The following chapter is about trends in funding mechanisms with an emphasis on the impact of commodification of education in higher education financing systems. To grasp the implementation of quasi-market situations in the allocation of funds to higher education institutions we will discuss two dimensions of economisation that are built up on the thesis of the previous chapter. The privatisation of educational institutions and the implementation of a market for knowledge imply a shift from public to private funding structures, whereas the economisation of educational institutions and pedagogic relations refers to adoption of the management style. We argue that the view of the »entrepreneurial university« also leads to changes in the criteria that drive the allocation of the government appropriations to the institutions. Thus, two

hypotheses are going to be tested, to grasp the implementation of quasi-market situations in the allocation of funds to higher education institutions:

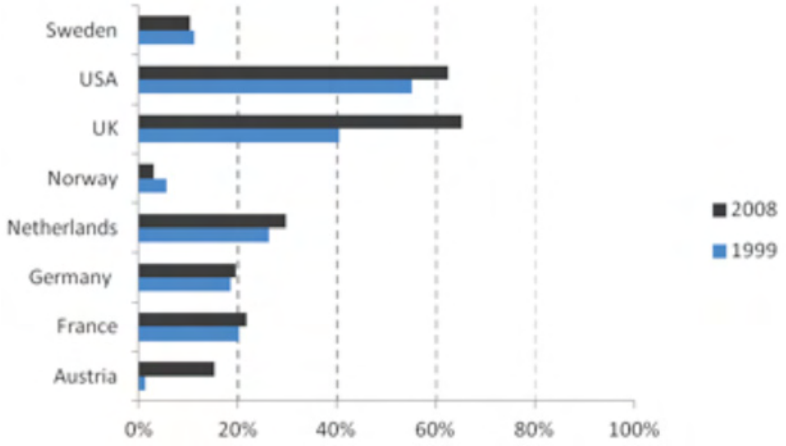
- The share of individual contributions and the share of non-private household contributions to higher education institution increased
- The share, via competition, of allocated funds to higher education institutions increased

The share of non-private household contributions is an indicator of the quantity and quality of outputs for use as commodities and the share, via competition, of allocated funds can be seen as an indicator of implementation of market like criteria in higher education financing systems. To test the two hypotheses data is compared from OECD sources and a qualitative approach is also taken.

3.2 LEVELS OF PUBLIC AND PRIVATE FUNDING

Even though European universities are predominantly funded by public sources, there is a noticeable increase in the share of private contributions. Figure 1 shows that there have been increasing shares of non-governmental sources, especially through student tuition and other fees, between 1999 and 2008 in some countries. This trend can be observed in other European countries as well. The selection of the countries was mainly made to underline the different kind of levels of public and private funding. This might have various reasons, but generally can be explained by the different shape of welfare system. Esping Andersen tries to overview the classification of welfare systems in a very simple and concise way. According to the Danish sociologist, welfare systems can be clustered into three kinds of categories: the Liberal, the Corporatist-Statist or the Social Democratic system. Of course, as Esping Andersen acknowledges, it might seems a little absurd to characterise such complex mechanisms as >welfare states< in one of three categories. However, the selected countries roughly fit into one of those welfare state types. In terms of funding higher education, it is observed that in social democratic systems such as Norway or Sweden the university system is solely-or at least almost solely financed by government, whereas liberal welfare states such as the UK or the US have very high shares of private funding. Corporate-Statist countries like Germany or Austria lie somewhere in between the two extremes. It is noticeable that shares were rising in nearly all selected countries between 1999 and 2008. »The stagnating trend in public spending until 2008, combined with the impact of the current economic crisis signal that, unless a major policy commitment is made, prospects are not bright for a significant increase in the level of higher education funding« (EACEA 2011, 35). This heats the debate about the need of private contribution for financing tertiary education.

fig. 40 Private expenditure as a percentage of total expenditure to tertiary education

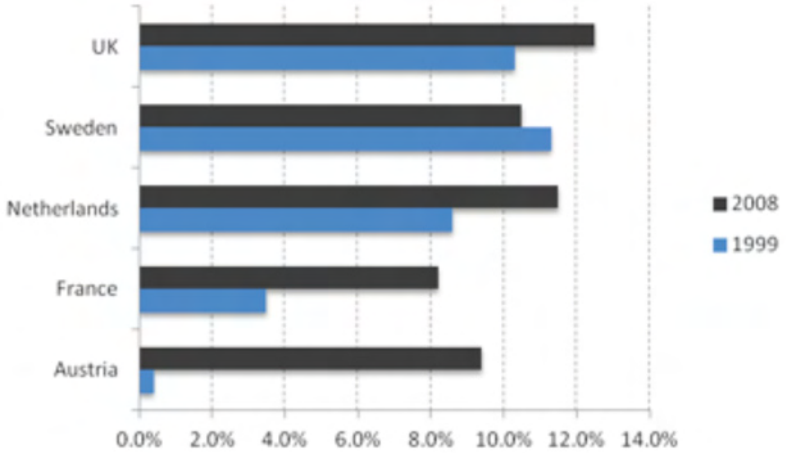


Source: OECD

Those developments are followed by the incentives set by governments and university administrations to generate external income (for example competitive, third party or industry-based). Universities are encouraged to enforce their ties to industry. This is especially true for financing academic research and development. The share of industry-based income is 12.6% in Germany, 6.8% in the Netherlands and about 5% in the UK with the effect of growing the influence of industry on research findings (cf. Leitner 2007, 1).

Figure 41 shows the growing interest of private institutions and direct payment from business for services provided by universities. Education as investment in human capital, as one of the main factors of economic growth in modern industries, has become a key aspect of official educational policy platforms in many countries. The dominance of economics over educational policy continues. As discussed before, this also changes the funding structures where individuals or businesses play a greater role than ever before (cf. Yang 2003, 278). Again, there is a remarkable increase of private expenditures (other than households) to tertiary education between 1999 and 2008.

fig. 41 Percentage of private expenditures other than households to tertiary education



Source: OECD

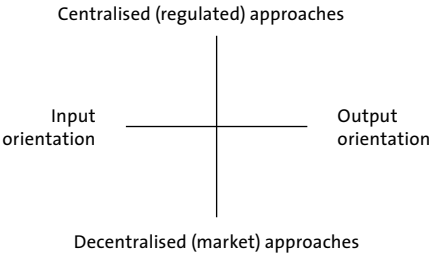
3.3 PERFORMANCE-BASED FUNDING (PBF)

The impact of the commodification process on finance systems cannot only be observed by a shift from public to private funding sources, but also by the emphasis of the evaluation of university performance. This changing financial structure is connected to the main idea that academic output can be improved by imposing competition between universities and performance orientation. Universities should be run like a business, new public management structures should enforce universities to act more efficiently. With regards to Europe, in most countries public funding is no longer tied to input measures (such as students). Governmental initiatives move towards a more competitive allocation of operation funds. This can be mainly measured by the degree of the output orientation in public funding and the degree of competition implied by funding decisions (cf. Jongbloed 2008, 16). »Probably the main reason for introducing a performance-based approach to the funding of university research is the belief that it is meritocratic, providing a reward for those with a record of successful research, and thus constituting a strong incentive for improving the quality of research as measured by the selected performance indicators« (Genua/Martin 2001, 26).

For the classification of funding mechanisms Jungbloed uses two questions: what is funded by the government? And how is it funded? The first question concerns the funding base for the government allocations to higher education institutions: are the

funds tied to educational outputs and performance, or rather to inputs? The second question relates to the issue of the degree of market orientation in the funding arrangements« (Jongbloed 2008, 18). To classify funding arrangements he distinguishes four quadrants (see figure 42).

fig. 42 Classifying funding mechanisms



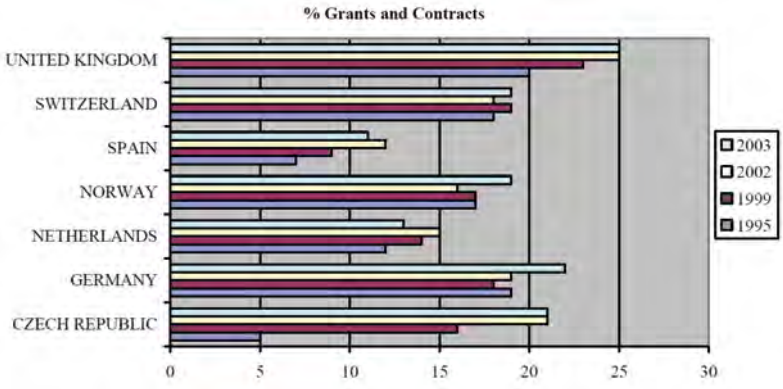
Source: Jongbloed 2008

The vertical axis depicts the degree of (de)centralisation and the horizontal axis expresses the degree to which governments are paying for outcomes or inputs. Quartile 1 represents a centralized system of funding, Quartile 2 is still centralized, but now the criteria on which funding is allocated refer to outputs rather than inputs (for example, a formula is calculated based on the amount of students that are passing exams). Quartile 3 instead is more market-oriented: higher education institutions are encouraged to compete with one another, while they commit themselves to »produce a certain output«. The last quadrant, Quartile 4, represents a demand-driven input-based funding system. Core funding is then supplied through the clients of higher education institutions (the university charges students a certain amount of the course costs, for example).

In practice the financial structure of European universities is a mixture between the models described above. Mostly, they include »unconditional« allocation mechanisms (usually based on negotiations between government and universities) as well as »conditional» allocation mechanisms, where allocation is calculated on the basis of formulas. Formulas are often balanced between input and output criteria, though there is a clear trend towards increasing use of output criteria. Jongbloed and other finance experts attest this development. Specifically, changes to universities' funding environment are a moving towards performance-based funding, where budgets are increasingly based on measures of institutional performance. Common measures are the number of degrees or credits accumulated by students, or the allocation of grants and contracts in a competitive process, such as through a research council (cf. Jongbloed 2008, 23). »While we observe a growing use of performance measures, there is

yet no uniformity in the choice of indicators. Our overview shows that use is made of the following performance indicators: number of (BA and MA) degrees, credits, graduation rates, success in winning competitive research grants, academic publications, and research evaluation outcomes» (Jongbloed 2008, 28). The CHINC project (Changes in University Incomes and their Impact on university-based research and innovation) illustrated those developments over the period 1995–2003. Its findings outline a tendency towards the increasing use of performance-based funding: nearly all European countries use mechanisms that are based in quadrant Q3 of the figure 3. In particular, the use of allocation of grants and contracts in a competitive process has been significantly increasing. Figure 43 illustrates these tendencies.

fig. 43 Development of competitive finance structure 1995–2003



Source: CHINC project (Lapori et al. 2005), Jongbloed 2008

The University of Twente in the Netherlands is often cited as the role model of the modern »entrepreneurial university«. It overhauled its organisational culture and internal values, re-aligning them to match the ideology of the entrepreneurial university (cf. Leitner et al. 2007, 69). About a third of its resources come from industry, there is a very close cooperation with local business and its research findings are highly related to labour market and the needs of industry.

Of course, this re-organisation did not happen without criticisms from many experts. Bultmann and Weitkamp, for example, argued that third party funding and competitive financing would lead to a concentration of funds to only those universities that are attractive to the economy. Public funds are now often allocated based on winning competitive research grants. This concentration will even increase at the expense of smaller, less competitive universities that are not well linked to the economy (cf. Bultmann/Weitkamp 2008, 49). First of all, performance-based funding is implemented

to encourage efficiency, but also to ensure universities »produce relevant outputs«. »It can move resources from less well-performing areas to areas where they can be used to greater effect« (Jongbloed 2008, 32). However, as a consequence, this system disregards the overall responsibility of the higher education system and will lead to a reduction of education down to its exploitable parts, as described in the previous section.

STUDENT REPRESENTATIVE PERCEPTION OF DEVELOPMENTS LINKED TO COMMODIFICATION OF EDUCATION

A questionnaire carried out by FinSt research team and sent to European students union representatives investigated the student perceptions of commodification (a detailed investigation of the survey can be found in the research article »How do national students' unions in Europe perceive their student finance systems?«). In the following text we display a selection of questions that can be associated to the hypothesis. Some of the questions not chosen could be associated with commodification, but answers were too vague to find clear perceptions. Within the consultation process of the article we further consulted a selection of unions regarding what could be seen as conflicting answers. Interesting answers from that are displayed and marked within the explanation of the survey results.

IDEOLOGICAL POSITIONS OF NATIONAL UNIONS

The survey asked the National Unions of Students (NUS) whether they have an ideological or political position regarding student finance. 14 of 35 NUS clearly responded that education should be free for all. Looking closer at the positions, a striking majority of unions share an egalitarian emphasis of the access to Higher Education.

PARTICIPATION IN HIGHER EDUCATION

Regarding the question about unions' perception of the quantity of participating individuals, 35% answered that the number is too low. This can be seen as a statement for higher education as a public good that is to be accessible to all or a statement that a higher participation rate would result in a benefit for all. However, almost half of the Unions were not convinced by these arguments and felt the participation rate is about right or even too high. Quite interestingly, the answers seem to be contradictory to the answers of the first question. The survey did not ask for explanations in this item so this curiosity could not be resolved. We asked participants at a consultation seminar if they could elaborate or find explanations for these contradictions. One theory was that unions might risk their credibility if they continued to argue for free education when the predominant discourse in their country is that it is an unrealistic fantasy. The second explanation posed was that, in some countries, obtaining a bachelor's de-

gree no longer ensures socio-economic advancement. This is due to a combination of a low quality provision and mechanisms for reducing student numbers. Both of these ideas for explaining the contradiction within the answers lack further evidence, but they are mentioned here, as a possible approach for further investigations.

HOW DO YOU FEEL ABOUT THE WAY THE STUDENT FINANCING SYSTEM IN YOUR COUNTRY SHAPES STUDENT CHOICES OF COURSE, FIELD OF STUDY AND/OR INSTITUTION?

This question could be seen strongly related to perception of commodification because it alludes to the question of whether it is good or not that student's choices of course, field of study and/or institutions are affected by economical individual drivers. About one third of the Unions repeated that the affection is a problem. There were not many comments for this question but those available say that regulation by private fees fail to reflect actual needs of society or economic needs and differences in private costs of different fields of study lead to inequalities as more privileged students have more choice.

There is no clear consensus regarding opinions about how developments in higher education could which could be linked a more individualist approach. The unions have quite different points of critique on their systems. This can be explained by the significant differences in the finance systems, different challenges in higher education and a different understanding of the purpose of higher education and the students' union's role within it in differing countries.

At the consultation seminar workshop an interesting consideration emerged. To some of the unions the bias around commodification of education is quite unknown or is only seen in a context with tuition fees. Problems that can be seen as a result of commodification of higher education are not necessarily linked in the mind of the students' union and this led to some misunderstandings within discussions between unions. The following quotes from minutes taken at the consultation seminar help explain some of these:

> »We don't have a policy [on commodification of higher education] because our education is free. Our higher education system is public. Education should be free to all. It doesn't seem to be likely that our higher education system is going to change, so we don't need a strategy regarding commodification. We support free higher education as an investment in the economy's future«.

Looking at ESIB policy on commodification from 2005 and compendiums on tuition fees 2005 and 2007, the ESU/ESIBs position on commodification of education is very clear (cf. ESIB compendium on tuition fees 2005, ESU compendium on tuition fees

2007, ESIB policy on commodification of education 2005). Strong arguments against commodification of education, and in favour of education as a key factor for social development can be found in the previous chapter. However, data validating ESU's and ESIBs' assumptions is lacking. Here is an example of this:

> »ESIB rejects the idea of education as a commodity and is therefore in opposition to the process of commodification of education. (…) ESIB is opposed to any tuition fees; no matter if they are raised in public, private or for-profit systems. Tuition fees are a tool of exclusion and hinder free access to higher education throughout the world. ESIB further believes that Education is a basic human right and has to be accessible to as many people as possible« (ESIB compendium on tuition fees 2005: 2).

3.4 CONCLUSION—WHAT HAPPENED TO THE DAEMON IN THE END?

The daemon analogy described in the abstract of the article helped us handle a complex topic. With the help of the analogy, we were able to link two processes and describe them almost as one:

- The substitution of education under economy by favouring competiveness and efficiency and developments in organisation of the higher sector in relation to markets
- The commodification of knowledge goods and the growth of an international market for these goods

In the end, these semantic fields may not be completely linked, as the meanings of them are different (for instance, economisation can also lead to more direct control of state entities as described in section one of this paper). On the other hand, the discursive fields seem to be highly interactive. Häyrinen-Alesto et al fuse these fields regarding countries favouring market governance: »The knowledge economy stands for a new socio-economic order where new technologies are in the core of knowledge production and application. In this frame science and technology among other social functions are governed with attention put on market-orientation« (Häyrinen-Alesto et al 2006: 253). From this, we find the link legitimised by two similarities:

- Outcomes of developments regarding both discursive fields from a student point of view: vast and opaque control of taught and researched knowledge by structures of hegemony[24]

- Reasoning in favour of the »individualistic turn« as described in section one of the article

Finance models are a tool to regulate inputs and outputs. The first question raised in this article comes (does commodification influence higher education finance systems?) has to be answered clearly positively as numerous developments in HE financing show (see f.i. section two of the article). Also, numerous entities reasoning in favour of commodification and economization as a necessity state the »existence of the daemon« (f.i. ERT, OECD etc.). The way the reasoning in favour of commodification has been legitimised, beside the criterion of efficiency, is pretty shaky. Hayekian philosophers argue that the cause of equity suffering over the past two decades is because the state has not been far removed enough from the provision and regulation of education (Tooley 2000 in Bridges et al 2003: 143). But their vision has dark corners that need to be examined. For instance, Barnett draws a picture of an entrepreneurial university that is a key institution in the development of the networked global economy built up on already mentioned critiques of a bureaucratic, state controlled university with untenable claim of universality and few connections to the industry. Entrepreneurial in his sense is clearly linked to taking on characteristics of a market (cf. Barnett, Higher education and the university). Of course his critique is partly eligible but the proposed solution seems to be kind of an »out of the frying pan into the fire, from state controlled education to market controlled education« approach. Thus Barnett does not take into account the criticism of market driven decisions (see f.i. Bridges et al 2003: 131) nor the possible appearance of inequalities in such a networked society (cf. der neue Geist des Kapitalismus, 397 ff).

Regarding the criteria for efficiency, the present tendencies for implementing market like structures via finance systems does not answer the market-tautology problem as formulated by Bridges:

> »The free market is held to have an almost magical power to generate the best solution to a problem, the best response to a perceived need, at the lowest possible cost. Indeed so strong is this particular faith that »the best solution« becomes defined as that produced under ideal market conditions, with the result that the claim becomes virtually tautologous«
> (Bridges et al in Education of Philosophy 2003: 131).

24 We refer here to a concept of hegemony as defined by Gramsci 2004: 80, Gramsci, Antonio. 2004.Erziehung und Bildung.1.Aufl. Argument Verlag, Hamburg

The second question, where and how commodification influences higher education financing systems, cannot be answered clearly. Generally it can be stated as mentioned before, that commodification leads to regulation of taught and research content regarding market criteria. However, as shown in section two, such developments are detectable. Who benefits from the developments of the systems differs as well, especially when switching between the two discursive fields. We tried to build up the article in a way that development in national higher education finance systems and international processes, such as Bologna or GATS can be contextualised to commodification. For more precise analyses further investigation into the links between markets (global/national), their entrepreneurs and higher education finance systems and their effects is needed. Therefore higher education institutions and responsible state regulation institutions (ministries etc.) are needed to make data on these links transparent and survey data on their effects (e.g. the social dimension). Why and by whom the daemon is created depends on the context that is investigated (national, international, conservative or developing environment etc.).

The last question, what do students think about commodification, remains unclear as well, especially considering the methodology used had some challenges. Firstly, we do not know much about the correlations between students' union perceptions and students' perception. So conclusions between students' perception and student representative's perceptions have to be handled with care. Also the survey questions were not specifically designed to answer questions regarding commodification, therefore resulting in vague answers. However, it can be stated that union representatives and therefore also the students themselves defer a lot in opinion and knowledge on the topic. Partially we do believe in the daemon, partially we neglect it. Further investigation into student and students' union perceptions on the topic and their ideas and strategies for political action could be very fruitful.

The vast developments in higher education finance systems that lead, more or less, to a market organisation of the distribution of knowledge cannot be taken as a development that is natural and unchangeable by the students' unions of Europe. As representatives of students, we can demand some corner stones to be taken into account in the further developments to higher education finance systems. Neither state and/or private entities (direct or indirect) nor the logic of markets and capitalism itself should totally control curricula, quality, output and access of and to higher education on their own. The allocation of funds is highly political and therefore decision making in that field should be transparent and students should be properly involved in the process, especially when external sources of funding are involved and especially when curricula and outputs are influenced (cf. ESU compendium on tuition fees 2005,11). In general, knowledge produced and processed should be handled regarding its characteristics as described in the first section of the article and should be made accessible to as many people as possible due to the benefit of all. This is not to be understood as making the

collaboration between industry/economy and HEIs more difficult, like protagonists of the »individualist turn« critiqued (see section 1). The question remains, who it is to decide usability, effects and access of knowledge generated within HEIs and therefore how limited resources are distributed. Students are not to be treated as consumers, but as a part of the HEI and therefore have to be involved in organisation of the HEI regardless of their financial capacity. Allocation of funds within and to HEIs should be organised in a way that avoids drastic influence by state or private entities. Or formulated positively: curricula, research fields, allocation of funds and handling of outputs should be results of consultation with the stakeholders, embedded in the democratic organisation of HEIs and proper pedagogic relations between teachers and students.

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4 WHY INVEST IN HIGHER EDUCATION?[26]

by Nik Heerens

4.1 INTRODUCTION

At the time of a global financial crisis, when governments are cutting public expenditure en masse and desperately try to find the solution to bring their countries out of recession, the question »Why invest in higher education?« is possibly more relevant than ever.

Among the current austerity measures proposed and implemented around Europe, public spending on higher education is certainly not exempt, as evidence from several European countries shows.[27] These cuts are not limited to the Eurozone, where the global financial crisis appears to have struck even harder than in the rest of Europe. Also in the United Kingdom, the funding of higher education has been a subject of major changes. These changes are partly introduced in terms of >reform<, but also as a way of reducing public expenditure.[28]

In England, students who start their university education in the next academic year are facing the prospect of having to pay the equivalent of the cost of a high-end sports car for their degree, something which is beyond the imagination of most 18-year-olds—still the age at which the great majority of people start their higher education courses. UK minister of education David Willets tried to give a positive spin to the cuts in public spending and the concurrent shift in funding from the government's coffers to students themselves. In a recent speech, he proudly announced that since public universities will in future receive only 40% of their income from the state, becoming de facto private institutions, they are free from the EU obligations for the public sector.[29]

26 This article is based on a speech held by Nik Heerens at the Consultations seminar: Financing the Students' Future, Liverpool, 24–26 November 2011

27 See for example the European University Association's Public Funding Observatory for a good overview: *http://www.eua.be/eua-work-and-policy-area/governance-autonomy-and-funding/public-funding-observatory.aspx*

28 *http://www.guardian.co.uk/education/2010/oct/20/spending-review-university-teaching-cuts* Full details: HM Treasury (2010), Spending Review 2010, available at *http://www.official-documents.gov.uk/*

29 *http://www.conservatives.com/News/Speeches/2011/10/Willetts_We_are_giving_young_people_the_opportunity_to_achieve_their_ambitions.aspx*

Of course, these far-reaching changes in England are not yet being copied to a similar extent in the rest of Europe, but it is clear that these developments are followed with much interest by politicians, policy makers, and the higher education sector in many countries, as discussions on financing higher education are high on their agendas.[30]

Section 2 provides a brief overview of stakeholder perceptions towards higher education. Section 3 describes the role of universities, while the impact of higher education is considered in Section 4. The benefits of higher education to individuals and society are then analysed in sections 5 and 6, respectively.

4.2 PERCEPTIONS TOWARDS HIGHER EDUCATION

My current research looks into the role of higher education in regional development in the most South-Western British county, Cornwall, for which I have interviewed a range of people from the areas of governance, business, and higher education. One of the questions posed to all of them was whether investing in higher education is a good way of furthering economic and social development. Without exception, and with no hesitation, they all answered positively.

However, upon being asked to list the exact benefits of higher education, different stakeholders tend to give different answers and priorities. This suggests several things:

1. Firstly, that people generally have a very positive attitude about higher education;

2. Secondly, it shows a wide and diverse range of areas in which universities are expected to have a positive impact;

3. And it shows how stakeholders have different priorities for higher education, linked to their different perspectives on the benefits that it is expected to bring.

Before further elaborating on the benefits that higher education brings to the economy and to society, it might be helpful to consider some of the fundamental changes in the role attributed to universities in recent history.

30 See for example: *http://www.universityworldnews.com/article.php?story=20120326230548818*

4.3 THE ROLE OF UNIVERSITIES

Ever since the creation of the first universities in the Middle Ages, higher education and academic research have been widely valued in their own right. Universities were communities where people came together to create and share knowledge. They were seen as sources of new ideas and understanding, but also had the function to raise educational levels and to generate highly skilled graduates. On the other hand, higher education was, for a long time, accessible only to a small, elite section of the population—as was once the case, albeit to a lesser extent, with primary and secondary education.

This sense that higher education was not meant to be for everybody prevailed until the 1960s and 70s, when we saw the start of a huge expansion in the enrolment into higher education in Europe, with further growth in most of Eastern Europe in the 1990s. This massification of higher education was partly a response to a growing emancipation and the social and political belief in equal opportunities to get into university, regardless of socio-economic background. There was still a lot to win in, among other areas, gender equality.

But even though the drive for equal opportunities always receives attention when explaining the massification of higher education, it was also a direct result of an increase in demand for a more highly educated population, both from the perspective of the labour market and of society as a whole. The other side of the coin was an increase in demand for higher education from the perspective of individuals, who needed to obtain the qualifications that would enable them to fulfil their aspirations.

Since the 1980s, higher education institutions have become even more explicitly linked to national development policies and objectives in most of the Western world. A well-known example of such policies is the European Commission's Lisbon Strategy.[31] Nowadays, higher education institutions are given an important role in most contemporary paradigms and views on processes of development, following the dominant view that knowledge is a key condition of economic growth and wealth creation.[32]

Knowledge-based development is often interpreted as a transformation of science and research into economic activity through cooperation of universities with industry, in particular related to the commercialisation of knowledge and technology transfer.[33]

31 *http://www.europarl.europa.eu/summits/lis1_en.htm#a*

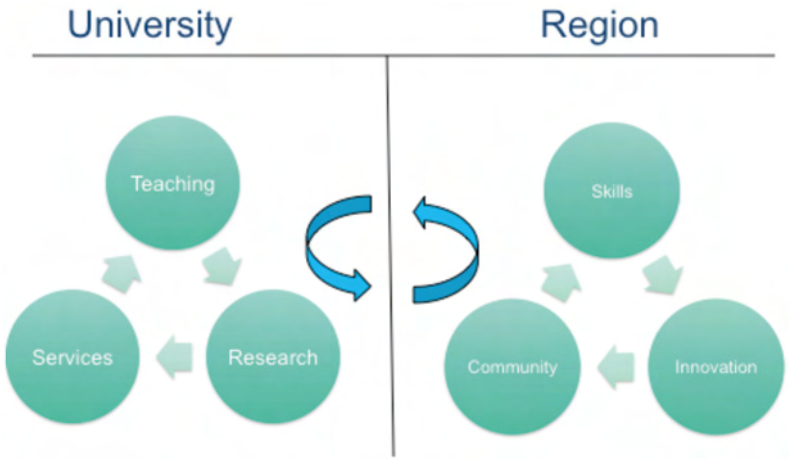
32 Arbo, P. & Benneworth, P. (2007), Understanding the Regional Contribution of Higher Education Institutions: A Literature Review, OECD Education Working Paper, No. 9, OECD, Paris.

33 cf. Mould, O., Vorley, T., Roodhouse, S. (2008). Realising capabilities—academic creativi-

Seen in this way, universities are thus given a new role in addition to their traditional roles of providing academic education and research; namely, to be a direct institutional partner working with businesses and other organisations in society, which would theoretically lead to more innovation and, again, economic growth.

This view is illustrated in Figure 44, adapted from John Goddard (2005),[34] wherein university education, research, and services contribute to a more highly skilled population, innovation, and wider socio-cultural benefits to society.

fig. 44 Regionally engaged university, adjusted from Goddard (2005)



The model shows that through their three main roles, universities have the potential to contribute to a nation's prosperity.

4.4 THE IMPACT OF HIGHER EDUCATION

To look more concretely at the impact of higher education, let us first examine some figures relating to the UK higher education sector. According to Universities UK, the direct economic impact of higher education in 2007/2008 was as follows:[35]

ties and the creative industries. Creative Industries Journal, Vol. 1:2.

34 Goddard, John (2005), Institutional Management and Engagement with the Knowledge Society. Higher Education Management and Policy, Vol. 17. OECD.

35 Universities UK (2009), The impact of universities on the UK economy, 4th report, p.5. Available at: *http://www.universitiesuk.ac.uk/Publications/Pages/ImpactOfUniversities4.aspx*

- Higher education in the UK was a £ 23.4 billion/year business;
- Universities in the UK employed over 372.000 people;
- Over 324.000 jobs in other sectors in the economy were dependent on universities;
- Higher education earned £ 2.9 billion/year from exports.
- It is clear that these figures, impressive as they may be, hardly give a complete picture of the full impact of higher education. Much of the impact is non-quantifiable and becomes apparent only in the long-term. This cannot be as easily quantified as >direct< economic impact, let alone attributed to a specific year, and is thus generally not included in >hard< figures like those presented above. Therefore, let's elaborate on the benefits of higher education to societies.

The direct economic impact of higher education normally includes:

- Direct contribution of education, research, and other university activities;
- Purchase of goods and services by universities;
- Wages spent by university employees;
- Student spending on rent, food, etc. during their time at university.

Labour market and business sector development, in the form of:

- Improved productivity through highly skilled and qualified graduates, as well as through research translated into innovation;
- Creation of new businesses (and additional jobs) by graduates and/or as spin-offs from university research;
- Students working part-time, contributing to the labour force;
- Knowledge transfer and commercialization activities of universities;
- Money spent through >tourism visits< from friends and family.

Universities also have a positive influence on broader social and cultural aspects of society through:

- Raising the aspirations of young people and giving them the opportunity to improve their own situation, not least through encouraging the participation of under-represented groups;
- Direct interactions between universities and their environment—for example, through provision of public space, provision of learning opportunities through Lifelong Learning, fostering a cultural infrastructure;
- Accumulation of social capital through volunteering activities of staff and students
- Preparing people for life as an active citizen in a democratic society, which has an impact on social cohesion, cultural identity, et cetera.

This brief overview is still far from complete, but it gives an impression of the wide range of socio-economic areas on which higher education has a fundamental and positive effect. It should also be clear that this is nothing new. Despite all the contemporary rhetoric about knowledge-based development, innovation, valorisation (Sorry, what is this word? Did you mean >adding value<?), commercialisation, entrepreneurship and so on, the main impact on the economy and society still comes from universities' >traditional< roles: the delivery of high quality education and the carrying out of fundamental research.

4.5 BENEFITS OF HIGHER EDUCATION TO THE INDIVIDUAL

It seems to be a clear case—investing in higher education makes a lot of sense given the many positive effects it has on the economy and the wider society, short term and long term. But what do we make of the comment often made in debates about finance of higher education, that it is mainly individuals who benefit from higher education?

Such a distinction between >individual< and >society< is problematic in itself, as society is made up of individuals. Therefore, one would expect that when there are benefits for certain individuals, without concurrent negative consequences for others, this would ideally also be to the benefit of society as a whole. This line of reasoning is easily followed in the case of public goods that have great benefits to a part of a population, while many other people do not make use of it at all. Some obvious examples are lighthouses, bridges, roads, and dikes, but it could be equally valid for universities.

Some studies argue nevertheless that the private benefit of higher education for an individual is substantial and can be shown through the difference in the income of university graduates compared to the income of those without a university degree.[36] However, upon looking more closely at these studies, it becomes clear that the >additional< income that people are understood to earn as a result to a higher education degree is dependent on the kind of subject they studied, the specific university from which they graduated, their socio-economic background, and more characteristics specific to the individual.

It is questionable if such generalisations can ever be made about as complex an issue as an individual's talents, skills, interests, and capacities, the role education (or lack of it) plays in their development, and a person's ability to make use of his or her unique characteristics for income-generating activities. Clearly, it seems irresponsible to directly compare the income of a person who has been to university with one who has not, without taking other important differences into account that without doubt exist between them—particularly with respect to the true reasons why they originally chose whether or not to go to university (informal, presumptive).

It is not hard to believe that the personal circumstances of those who did not go to university were in many cases much more difficult than the circumstances of people who did go to university, which in itself is likely to have a significant effect on their chances in the labour market, as well as their future earnings.

Perhaps we should consider the question of individual benefits of higher education from a different point of view. We might consider whether it is an entirely wrong approach to claim that people with a higher education degree are advantaged, and acknowledge rather that those without one are greatly disadvantaged.

4.6 BENEFITS OF HIGHER EDUCATION TO SOCIETY

A popular phrase amongst student representatives is that higher education is a right, not a privilege. Although from an idealistic point of view we would all agree with that, we could prefer to take a more pragmatic view. I offer the proposition that in the 21st century, higher education is not just a right, but it is a necessity. Until comparatively recently it was still accepted that not everyone needed primary education; later the need for secondary education for all became a reality; nowadays a higher education degree becomes more and more the minimum requirement for employment for several fields of studies.

36 Cf. Universities UK (2007), Research report, The economic benefits of a degree

Societies have developed greatly in recent decades and have become more complex, more based on knowledge, information, uncertainty, communication, and understanding. In a knowledge-based society, developing everybody's full potential is as necessary for society as it is for individuals. For an individual, the possibility to access higher education means the opportunity to develop one's potential further, acquiring knowledge and skills that will help her or him (one) for the rest of her or his (one's) life. That will present the possibility of obtaining a job and accepting opportunities to which she or he or one aspires; such opportunities being based on talent and not dependent on family background, parental income, gender, ethnicity, etc.[37]

The benefits of higher education to society as a whole, especially a contemporary knowledge-based society such as we see in 21st century Europe, are comparable to those of other building blocks for a well functioning society that we have long since taken for granted; roads, electricity, broadband, public television, and health care, to name a few. And even though there are many people who do not drive a car, have never had to use a hospital, and do not own a television, the value of all these publicly funded provisions for the economy, society and general welfare, is unquestionable. Just as higher education should be.

37 Cf. *http://www.ox.ac.uk/media/news_stories/2011/110410.html*; *http://chronicle.com/article/Bachelors-Degree-Is-Still/129784/*; *http://www.universityworldnews.com/article.php?story=20120217134852241*; *http://www.luminafoundation.org/publications/A_Stronger_Nation-2012.pdf*

4

PART 4: FUTURE FUNDING SCENARIOS OF HIGHER EDUCATION

1 INTRODUCTION TO HE FINANCING SCENARIOS

Higher education financing scenarios are compiled using the knowledge gained throughout the entire project process. Primarily, the scenarios aim to envisage two extreme versions of the future as well as an analysing an ›in-between‹ mixture of these two versions, given the different approaches to Higher Education (HE) financing distinguishable today. The main question investigated in this part of the compendium is therefore, »What will be the effects of a higher education system as visualised under a given financing method?«

Secondly, this document should serve as a support tool for national unions of students (NUSes) across Europe to develop arguments for or against current and future developments in HE financing. This is achieved by:

- Displaying the ideological and political context stakeholders are working within when arguing for or against certain developments in HE financing.
- Explaining, in a balanced manner, the strengths and weaknesses of different financing extremes from a student perspective.
- Establishing connections to the research data, hypotheses and articles presented in the previous sections of this compendium in order to facilitate a context-specific evaluation of HE financing for national unions.
- Deconstructing the differentiation we established for the previous goals, in order to find some common conclusion relevant for students.

This introductory section describes the process in which the funding scenarios are set up, key definitions that will be of use are explained, the general structure is outlined, and finally the methodology used to envisage the funding scenarios is explained.

1.1 SCENARIO PROCESS

Although there are an infinite number of possible HE funding models, it is useful to reduce these to a few models that present interesting cases for further discussion. The selection of these cases is not arbitrary, and they do not focus on specific details within

an HE financing system but rather on the system-wide level. The following three possible scenarios were envisaged:

- Higher education, a public good under public responsibility (I)
- Higher education, a private good under private responsibility (II)
- Higher education, a public and private good under mixed responsibility (III)

The choice of these three scenarios is based on current discourses in higher education financing across Europe, discussions held with national unions during a consultation seminar, held in Liverpool in November 2011, as well as a 2006 scenario paper published by the OECD on future scenarios for higher education.[38]

More specifically, after consultation with NUSes the FinSt research team determined a set of ideal outcomes for a higher education system, against which the implications of future funding scenarios can be tested.

> **A higher education funding system must deliver increased participation (the precise meaning of this will be determined at national level), fair and equal access to higher education for suitably qualified individuals and financial independence for students. Higher education systems should support diverse knowledge pathways and be based on the principle of academic freedom. Students must be assured of the quality of their education, and be able to develop their personal and professional skills as well as their disciplinary knowledge, ultimately supporting successful course completion and entry into employment.**

While reading through the financing scenarios it will be useful to bear the above ideal outcomes in mind.

38 OECD (2006). Four Future Scenarios for Higher Education. *http://www.oecd.org/edu/highereducationandadultlearning/ceri-universityfuturesfourscenariosforhighereducation.htm.*

1.2 KEY DEFINITIONS

What is the link between HE funding and the outputs produced by higher education institutions (HEIs)? Does the overall composition of financing to HEIs, whether originating from public or private sources, matter to students?

The answer to the second question may be assumed to positive, as evidenced by current debates on HE funding where the terms >public< and >private< seem to have somewhat of a rival relationship. However, in order to provide a more differentiated answer, these categories of >public< and >private< must first be defined. The question of public or private is linked to different methods of distributing scarce resources (i.e. funding) to individuals and institutions such that they provide an output (or good) as efficiently as possible.

With regards to higher education, the issue of resource distribution leads to two key questions:

1. What is the difference between private and public distribution regarding their efficiency in providing a given output or outputs?

2. What output should be provided and for the benefit of whom?

A secondary question is then how these two primary questions are related. Although there may be various factors linking the above two questions, from a student perspective the first questions depends on one's perception of the good that should be provided. Therefore the question of how HEIs should be financed depends upon the intended output or outcome.

According to Marginson (2007)[39] the public/private scheme is used in neoclassical economics and political philosophy in relation to outputs, but in a different way. Marginson argues that the usage in both these disciplines lacks in accuracy and usefulness when applied to HE in practice. The public/private divide in neoclassical economics leads to an underestimation of non-individualisable benefits of HE and does not account for public goods. The divide in political philosophy leads to neglecting the production of private benefits in public HEIs and focusing more on national as opposed to

39 Marginson, Simon (2007). The public/private divide in higher education: A global revision. Higher Education (2007) 53: 307–333. The paper was adapted from a keynote address to the Conference of Higher Education Researchers (CHER), University of Twente, Enschede, 19 September 2004 on the public/private question.

global contexts.[40] On the level of public and private outputs, Marginson's framing, as described below, is accepted.

> »Public goods are goods that (1) have significant elements of non-rivalry and/or non-excludability, and (2) goods that are made broadly available across populations. Goods without attribute (1) or (2) are private goods.«[41]

Within this frame, the individual status gained through the completion of a degree is considered a private good, as study places are exclusive, presenting an object of competition between students (at least the ones that are presumed to ensure higher earnings). The knowledge produced and provided by private HEIs is to be considered a public good, so long as property rights do not restrict its usage. Therefore a question of primary concern with respect to the funding scenarios does concern the level of outputs and can be framed as follows: Which outputs should be private and which public?

Marginson argues the properties of a good are, at least to some extent, a prior policy decision. Therefore the public/private distinction alone does not solve distributional issues; the central question of whether or not the good in consideration should be market-produced remains. Again when it comes to neoclassical economics and political philosophy, the distinction works with >state/non-state< or >market/non-market< schemes, which according to Marginson lack in many ways. Two general mechanisms for the distribution of limited resources are distinguished:

1. By accumulated individual demands and the competition of suppliers
2. By democratic decision-making

The above distinction can be applied to diverse levels of governance in higher education institutions, ranging from faculty and institutional level to national, European and International levels. Furthermore, it can be applied to governmental as well as to non-governmental institutions.

Table fig. 45 below distinguishes three distinct, possible scenarios of higher education funding.

40 Ibid, pp.312–314

41 Ibid, p.315

fig. 45 Possible higher education funding mechanisms

	Scenario I: HE as a private good under private responsibility	Scenario II: HE as a public good under public responsibility	Scenario III: HE as a mixed good under mixed responsibility
Organisation of distribution	The ideal situation is one in which most levels of distribution work with a market-like method	The ideal situation is one in which most levels of distribution work with democratic decision-making methods	The ideal situation is an interplay between market methods and democratic decision-making methods
Nature of outputs (public vs. private)	Emphasis on private outputs	Emphasis on public outputs	Emphasis on a balance of mixed public and private outputs

The normative questions to be analysed within the three scenarios based on the input received during the consultation period still hold:

- Are students better off if HE is conceptualised primarily as a private, public, or mixed good?
- To what extent should HE therefore be financed via market mechanisms or through democratic decision-making?
- What, if any, are the effects of the diverse perceptions of outcomes and resource distribution mechanisms on students?

1.3 SCENARIO STRUCTURE

The first two scenarios are structured as follows:

- A brief introductory section, followed by assumptions. Together these two sections aim to clarify the main political and ideological context in which the scenario is embedded, while explaining some key assumptions taken into consideration for the development of each scenario.
- Internal strengths and weaknesses: for students and HEIs. This section provides an analysis of advantages and disadvantages for students and higher education institutions under each scenario.

- External strengths and weaknesses: for wider society. Here, the advantages and disadvantages beyond just students and HEIs are considered for both scenarios.

- The following questions are borne in mind throughout each scenario:

  - What do students' economic situations look like in this scenario?

  - How is students' participation in decision making processes conceived in this scenario?

  - How are issues of social dimension rendered in the scenario?

- The final evaluation section serves to pose key questions and propose possible indicators for the evaluation of the scenario in practice.

It should be noted that the internal and external strengths and weaknesses are not meant to be exhaustive lists but rather indicative of the general situation. Furthermore, as argued in Article 5, the separation of individual vs. societal benefits can be problematic in itself. This binary view neglects the fact that society is made up of individuals, and where there are benefits for certain individuals that do not result in negative consequences for others, society benefits overall. However, for the purpose of designing brief, straightforward funding scenarios, the strengths and weaknesses of the different scenarios are analysed with respect to students as well as the general public.

The final scenario discussing mixed public and private investment in higher education is structured in a somewhat different manner, as it presents a situation which is closer to present-day HE funding mechanisms. Instead of adopting a strict >strengths vs. weaknesses< approach, the mixed scenario examines the justifications and risks associated with different forms of investment into HE, while further suggesting ways in which the risk can be mitigated.

METHODOLOGY

The scenarios outline some potential developments in HE financing. As far as the actual status of the higher education financing across different European countries is concerned, the country case analyses, as well as the mapping procedure, described in the research articles section, within this compendium might be considered.

It should be noted that such an exercise may be subject to bias and it should be made clear that ESU is strongly in favour of public and free higher education. Nevertheless, every attempt has been made to outline positive and negative effects of each scenario as objectively as possible.

2 SCENARIO I: HIGHER EDUCATION AS A PRIVATE GOOD UNDER PRIVATE RESPONSIBILITY

2.1 INTRODUCTION

This scenario aims to visualise the likely effects on students of a HE system that is organised mostly market like, emphasises HE as a private good and is only marginally influenced by political intervention.

This document outlines some of the basic assumptions that need to be clarified in order to develop a workable scenario and then analyses how such a scenario would affect students, HEIs and wider society. This is seen as a preparatory step to determine central questions in the evaluation of further developments as pictured in this scenario. In a last step, some basic conclusions are drawn.

2.2 ASSUMPTIONS

In order to develop a scenario that shows higher education as a private, market-based system, we needed to set the following assumptions:

1. Individuals are key beneficiaries of higher education, as evidenced by higher average lifetime earnings of those who have completed a higher education degree.

2. Higher education is a commodity for which the individual pays all related costs. HEIs regulate students' access autonomously.

3. Research outputs are commodities. To assure this, the knowledge produced by institutions is safeguarded through strict intellectual property rights. A real, plural, and fair market for knowledge products is established.

4 Private entrepreneurial HEIs compete on this market in distribution of products such as degrees and research outcomes, in attraction of the most promising students and teachers (human capital) and in the attraction of investors. The distribution of resources between HEI as well as the distribution of knowledge products is regulated through the free play of market forces.

5 State intervention in Higher Education is limited. As HEIs need to compete for funding on the free market, the role of the state is limited to external quality assurance procedures.

A vast privatisation of higher education outcomes can be argued from a neoliberal perspective, where it is assumed that the market is naturally the best solution to distribute private goods. It should be noted however that certain theories in political economy challenge this assumption, stating that organisation of the distribution of goods via a market is just another distribution network that allows certain entities to profit while excluding others. With regards to participation in higher education, neoliberal discourse also places greater emphasis on the benefits incurred by individuals as opposed to the benefits incurred to society as a collective, arguing the former are outweigh the later.

What needs to be clearly pointed out is that we are setting these assumptions into the current context and environment and are not trying to predict the changes of the (socio-economic) systems as such. So in this exercise, the environment is a non-changing variable.

In the following analysis we are trying to deduce how students, HEIs and society would be affected by the distribution of funds via market mechanisms. The analysis is divided into two parts. First the advantages and disadvantages of a privatised system for students and HEIs are demonstrated. Secondly, the advantages and disadvantages of such a system are outlined for broader society, although the evidently affect students as well, albeit indirectly.

As it can be challenging to deduce purely positive and purely negative aspects or clear consequences, and as some of the possible effects can be seen both as positive or negative, some of them have been formed with additional assumptions, which are outlined in the text.

2.3 INTERNAL STRENGTHS AND WEAKNESSES: FOR STUDENTS AND HEIS

STRENGTHS

- Students are seen as customers, therefore having the power to decide on their curriculum and select the modules they want to study.
- As HEI have to compete on the market, the quality of teaching and learning improves, as only the best study programmes manage to survive.
- A competitive environment of HEIS enhances the overall quality of the skills delivered to students. HEIS aim to deliver skills to students that ensure employability with the acquisition of the degree.
- Individuals can participate directly in decision-making processes with their power as consumers.
- Better capital access due to a more entrepreneurial [13] environment enhances the possibilities for students to study concentrated on their subjects with sufficient resources given. Given that capital access is distributed equally, this can flatten inequalities between students, related to family background.
- Inequalities in the distribution of knowledge become more balanced as talented students from non-industrial and ex-colonial nations obtain access to capital, and therefore to the degrees and knowledge of universities worldwide.

WEAKNESSES

- Students are seen as consumers, purchasing their individual benefit in the form of a higher education degree and minimising their input towards decision-making, the educational agenda and curriculum.
- HEIS tend to react more to those who can attract more capital. HEIS in competition for capital adapt their services to the needs of selected target groups that can contribute tuition fees or enhance institutional reputation. Groups without this capital access may be marginalised.

- The quality of skills gained by students erodes. Education is defined by market externalities. Private financers are more interested in the degree and its adaptation to market needs than in the actual skills students acquire. The choice of study correlates with the possibility to gather capital for studies. Students cannot react to changes in skills needed for future professions due to their commitment to capital invested.

- Greater emphasis is placed on employability. Where students and/or their families are covering educational costs, studies are viewed primarily as a financial investment; selecting a field of study is based on the estimated return on investment or graduate salary.

- Selection of subject or discipline is related to the ability to finance studies. This is valid particularly for students from lower socioeconomic backgrounds who require loans or employment to finance their education. The issue of effects of HE financing on student choice is discussed further in the research article >Power, policy and perception: national students' unions commentary on national higher education finance policy< found in this compendium.

- Access to higher education is limited to those who can afford it. This can be mitigated by the existence of fee waivers and scholarships, but would require further funding from other sources.

- Where scholarships are offered solely on the basis of academic performance in secondary education, students from disadvantaged backgrounds or underperforming schools are less likely to be awarded.

- Students must identify sources of funding, making them more dependent on their families, or requiring them to seek student or commercial loans where available (when scholarships and grants are not available). If a publicly funded student loan system is not in place, and as study is still seen as added value, banks would be able to offer high-interest loans, limiting students' career choices.

- Geographical background is related to the quality of skills and status of the degree acquired. HEIs in industrialised nations are well adapted to the needs of the industrialised world, but not so much to the needs of non-industrialised countries. Students from non-industrialised nations may find it difficult to gain relevant employment in their nation of origin. Higher education continues to reproduce geographical inequalities.

- Academic freedom could be threatened while business and employers may shape curricula, should they contribute towards educational costs. This concern is also raised in the research article ›Power, policy and perception: national students' unions commentary on national higher education finance policy‹ of this compendium.

2.4 EXTERNAL STRENGTHS AND WEAKNESSES: FOR WIDER SOCIETY

STRENGTHS

- Educational curricula become more closely linked with the labour market, fostering a dynamic relationship between education, business and industry.

- The overall sum of capital within the sector increases, with the possibility for HEIs to sell knowledge products. HEIs are able to attract private investors that assume a high chance of a good return rate. The export of knowledge commodities brings the growth rate of industrialised nations back on track.

- Easier access to capital for the HE sector supports the emergence of regional institutions and access to HEIs for rural citizens. The gap between access to higher education in urban and rural areas is narrowed.

- A competitive environment within the sector also enhances the quality of public outputs in a privatised system, such as the spread of knowledge through individual beneficiaries (students) to non-students without economic interest. Mobile students spread knowledge within their nations of origin, leading to an emancipation process of non-industrialised nations.

- Institutions become more autonomous in their decision-making and are less dependent on government decisions. In nations with little democratic culture, this enhances the quality and universality of knowledge produced by HEIs.

WEAKNESSES

- Higher education becomes a luxury commodity, excluding individuals from the lowest socioeconomic groups of society while reproducing social elites.

- Education is viewed as a means to an end, the end being employment and financial profitability. The most profitable subject areas would flourish, leaving less financially profitable disciplines behind. Research and development in the arts and humanities would be of secondary priority and may potentially even be gradually phased out.

- The restriction of access to knowledge through patent law decreases overall economic productivity. Industry declines and economic growth rates drop.

- Inequalities between those with access to degrees and knowledge produced in HEIs with a good reputation and those with access to less reputable institutions become more pronounced and are reflected in society through social inequalities. These may include disparities in income level, decision-making power, health, employability, children's access to institutions with a good reputation and so on.

- Industrialised nations are more likely to protect their markets and have a better starting position than non-industrialised nations. The market for knowledge goods created does not deliver the same chances for all nations in gaining access to capital and knowledge to build up HEIs. Geographical inequalities are reproduced.

2.5 EVALUATION

The outcomes of a privatised system need not only be evaluated with economic theories, that is, theories and methods with focus on markets as more or less natural phenomena. Methods stemming from political and social as well as other sciences must also be utilised in order to obtain a more holistic view of the effects of market distributions. Though by no means exhaustive, some questions that would be key for the evaluation of a fully privatised higher education system are listed below. It should be noted however that the effects and outcomes of the privatisation of higher education remain unpredictable, and to give up any conscious democratic non-market driven control of HE can be reasonably constituted as a risky experiment.

- What is the participation rate of students from low socioeconomic backgrounds?
- Is there a correlation between family income/socioeconomic background and choice of subject area?
- Does student uptake of subjects in the arts and humanities change drastically over time, and in what way?
- What is the effect if any, of a privatised higher education system on national economic performance?
- Who are the key players influencing curricular design?

3 SCENARIO II: HIGHER EDUCATION AS A PUBLIC GOOD UNDER PUBLIC RESPONSIBILITY

3.1 INTRODUCTION

The publicly funded scenario aims to visualise the likely effects that a public higher education system under public responsibility will have on students. More precisely, it aims to answer the following question: What would higher education look like if it were treated entirely as a public good and public responsibility?

As in the previous scenario this document firstly outlines some basic assumptions that help develop a feasible or potential scenario, and secondly analyses the effects of such a scenario on students and wider society.

3.2 ASSUMPTIONS

The concept of public goods is central to economic analysis of the role of government in the allocation of resources. Public goods are defined by two characteristics (Bergan and Weber, 2005)[42]:

- Non-excludability: It is not possible to exclude non-payers from consuming the good.
- Non-rivalry in consumption: Additional people consuming the good do not diminish the benefit to others.

42 Bergan, S., Weber, L. 2005. The Public Responsibility for Higher Education and Research. Council of Europe.

The following assumptions are taken into consideration for the public funding scenario:

1. Tertiary-level education is regarded as a basic right and necessity, as described in the fifth and final research article of this compendium, >Why invest in higher education?<

2. Higher education is viewed as a public good and public responsibility. Via tax revenues, government funds higher education such that no student must pay tuition fees or repay, upon graduation, any financial support received. This creates cyclical process whereby graduates' salaries are taxed, funding HE for future generations.

3. Equal access to HE irrespective of socioeconomic background is of key importance. Social mobility is a primary objective of higher education.

4. While subject-specific incentives may be provided, courses are not funded solely based on their perceived necessity in the labour market or contribution to national economic activity.

5. As the sole funder, the state has a certain degree of control over HEIs, i.e. institutions are not fully autonomous (the exact degree of autonomy may vary depending on national, social, political, economic context and so on), but this does not affect academic freedom.

6. Academic freedom is not jeopardised by external groups or interests.

Collectivism, as opposed to individualism, forms the basic rationale for the wholly publicly funded higher education system.

3.3 INTERNAL STRENGTHS AND WEAKNESSES: FOR STUDENTS AND HEIS

STRENGTHS

- Students receive full financial support, allowing more time to focus on studies, particularly in cases where jobs currently serve to cover subsistence, fees and other study-related expenditures.

- More funding opportunities are available for mature students. This expectation is supported by the fact that participation of students aged 35+ is higher in countries with low or no tuition fees, as evidenced in the second research article of the compendium.

- While the state may seek to create funding incentives and rewards for HEIs to perform well while penalising institutions that perform poorly, there is a certain level of financial certainty on a short-term, year-to-year basis. A firm, public commitment to publicly funded HE thus enables institutions to place greater emphasis on teaching and research as opposed to seeking funding from private sources.

WEAKNESSES

- As mentioned in the third research article of this compendium, ›Power, policy and perception: national students' unions commentary on national higher education finance policy‹, economic crises pose a threat to public funding in general, in the longer-term. A system that is entirely or even predominately dependent upon public funds will be vulnerable to cuts resulting from a reduction in overall public funds and expenditure.

- Governments fund higher education alongside other public expenditure including healthcare, pensions as well as primary and secondary education, among other things. If we accept that higher education must be reconciled with other government responsibilities, then we accept that it will not be possible to allocate over a certain amount or percentage of total public expenditure, or maximum financial resources, whatever they may be, on higher education. (It should be noted however that it is rather likely different stakeholders will have different views on the ideal level of maximum financial resources). Unless a high quality, fully publically funded system that is accessible to all who have the ability and desire to attend higher education is achievable within the limits of the maximum financial resources, certain tradeoffs will inevitably exist. These may include tradeoffs between the size of the system in student numbers and the quality of education provided, as well as between the number of students and overall public financial support per student, to name a couple.

- Lack of institutional autonomy, as HEIs are accountable to the state and subject to specific requirements.

- Graduates in the arts and humanities find it difficult to gain employment as the labour market focuses more on students with qualifications in Science, Technology, Engineering and Mathematics (STEM).

3.4 EXTERNAL STRENGTHS AN WEAKNESSES: FOR WIDER SOCIETY

STRENGTHS

- As proven by the fourth and final research hypothesis in this compendium, there is a positive correlation between levels of public investment and levels of participation in higher education.

- Balanced, equitable economic and social development, fostering a sense of collectiveness amongst citizens, aiding social cohesion and inclusion as well as active participation in democratic societies.

WEAKNESSES

- Disconnect with the labour market, if saturation of graduates in specific disciplines occurs and there is lack of communication with employers, as a greater state control and less institutional autonomy may impact flexibility and curricular adjustment. If prolonged, this may also negatively impact economic growth and national competitiveness.

3.5 EVALUATION

As is clear from the above analysis, a higher education system that is entirely publicly funded presents various strengths and weaknesses both internally for students and HEIs as well as externally for wider society. The following questions and indicators could however be used to evaluate the model in practice:

- What is the rate of participation in higher education amongst those completing secondary education?

- How is the quality of education defined and measured? Based on the indicators of quality, is the system performing well?

- What are the perceived levels of autonomy amongst HEIs?

- In what ways, if any, is public expenditure on higher education affected by economic crises?
- How many hours a week do students work on average? Is this higher, lower or equal to systems that are not wholly publicly funded?
- Upon completion of studies, what percentage of graduates is able to find employment?

4 SCENARIO III: MIXED PUBLIC AND PRIVATE INVESTMENT IN HIGHER EDUCATION

4.1 INTRODUCTION

This scenario explores the predominant model of mixed public and private investment in higher education, and what the implications are of shifts in the balance of public and private investment.

In most of the European countries observed public funding still contributes the bulk of funding to higher education. However, there appears to be a trend towards increased private investment, a trend that is more pronounced in some countries than in others. Where private funding is increasing, public funding is also increasing meaning that the balance of public and private funding in most cases does not change a great deal.

This scenario explores whether there is, in actual fact, any correlation between increases in public or private investment, and increased participation rates in higher education.

It goes on to address the possible justifications for increases in private investment, and examine to what extent these are valid. It will also discuss the risks of increased private investment and what instruments might be used to mitigate risk.

4.2 INVESTMENT VERSUS GOOD

One of the questions that is raised when considering public and private investment in higher education is the link between public investment and public good; likewise the link between private investment and private good. It would be wrong to assume that public investment always and automatically leads to public good or that private investment only occurs when some private benefit is expected because systems are usually more complex than this model would allow. Charitable giving for example, is an instance of an income stream from a private source that need not necessarily have any private good to the giver attached. In practice, efforts are made to maximise the private good to the giver—and thus promote charitable giving—through provision of

rewards relating to status and prestige and in some cases tax relief. Conversely, when public money is invested in a system that is run corruptly for the benefit and profit of a social elite, and when those who are funding the system have no capacity to benefit from it, whether through accessing the system themselves or through accessing the services provided by those who have gone through the system (teachers, doctors, lawyers etc.) it could be argued that the public good of the higher education system is severely compromised.

However, if we consider systems of higher education to carry their own intrinsic public good, whether in terms of individual development and skills, the growth of knowledge in society or the economic impact that pertains to these outcomes, then any investment in higher education at all must carry some element of public good, no matter the source of the investment.

The issue at stake, therefore, is, in a mixed system of public and private investment in higher education, which is the system that most countries in Europe can expect to see continue for some years to come, barring massive systemic upheaval, what balance of public and private investment is appropriate, and how can all forms of investment best be leveraged towards ensuring the public good?

4.3 INCREASING COSTS OF PARTICIPATION IN HIGHER EDUCATION

The OECD's Education at a glance (2011) considers increased participation and diversification of programmes offered to be a driver of private investment: >As more people participate in a wider range of educational programmes offered by increasing numbers of providers, governments are forging new partnerships to mobilise the necessary resources and to share costs and benefits more equitably<.

We do not have the means to examine the phenomenon of diversification, but we can observe trends in participation and how these correlate with trends in funding.

Mapping changes in private and public investment against changes in attainment rates demonstrates that there is no clear correlation between either increased public invest or increased private invest, and attainment rates.

OECD provides data on the index of change in private funding to tertiary education between 2000 and 2007 in its 2010 indicators (Table Bb.2b) but does not provide similar trend data in this table in 2011, so we will work from 2010 data.[43]

For participation rates, the Eurostat indicator of tertiary educational attainment for those aged 30–34 (t2020_41) is very helpful, as it captures everyone up to the age of 34 rather than breaking enrolment rates down by age as OECD does.[44]

However, Eurostat does not provide information on proportions of public and private investment in tertiary education, only in all education, which means that we cannot get comparable data from a single source. As such, we have chosen to map Eurostat data on tertiary educational attainment against OECD data on increases in private investment and trends in balance of public and private investment, and thus can only do this for OECD countries.

Some data is unavailable for some countries in each dataset. For the table from which the below graphs were derived see Annex 1.

These graphs demonstrate that in most of the countries observed there is both an increase in the amount of public and private investment between 2000 and 2007, and an increase in attainment levels. However the rate of increase does not correlate with the rate of attainment, meaning that funding increased participation is only one side of the increased costs of higher education.

Other costs might include investment in new technologies, facilities, buildings, learning resources and staff salaries or that the costs of these things are on the increase. It may be that increased participation leads to increased competition between providers of higher education to recruit the best students, meaning that providers feel obliged to invest in the >student experience< in ways that were less pressing before 2000. It may even be that increased regulatory burdens such as quality assurance are pushing up costs.

Whatever the source of the increased costs, as Education at a Glance observes, it is increasingly felt to be >inequitable< that the full burden of funding higher education should rest on the state. This is to some extent a disingenuous statement, as it assumes that a balance of contributions from public and private sources is >equitable<

43 OECD, Education at a Glance 2010, >Key indicators on education: How much public and private investment is there in education?< Table B3.2b available at: *http://www.oecd.org/document/55/0,3746,en_2649_37455_46349815_1_1_1_37455,00.html*

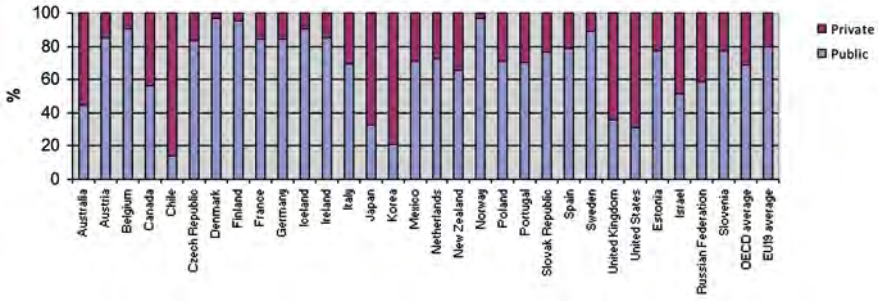
44 Eurostat table >Tertiary educational attainment by gender, age group 30–34 (t2020_41)< available at: *http://epp.eurostat.ec.europa.eu/portal/page/portal/education/data/main_tables*

and therefore desirable, whereas there is a valid argument that public good should be primarily if not entirely funded from public sources. However, the unwillingness of governments to fund the full cost of higher education has led institutions and governments to seek to leverage income streams from other (private) sources.

4.4 THE CURRENT BALANCE OF PUBLIC AND PRIVATE INVESTMENT IN HIGHER EDUCATION

OECD indicators enable us to observe the balance of public and private investment in OECD countries.

fig. 46 Balance of public and private investment in tertiary education in OECD countries (2007 data)



Source: Education at a Glance 2010: OECD indicators, Table B3.2b

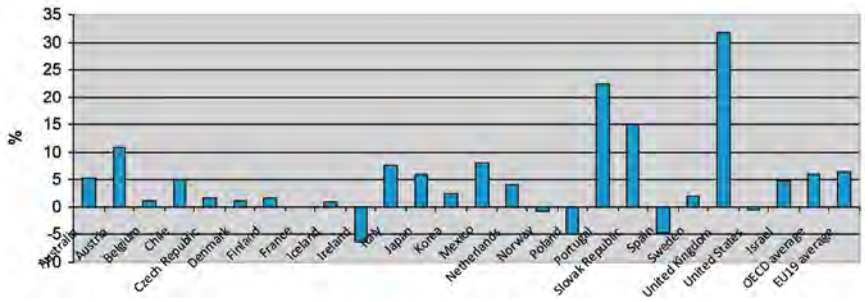
No OECD country has an entirely private or entirely publicly funded system of tertiary education. A few European countries have a very high proportion of public funding e.g. Sweden, Finland, Iceland, and Belgium. Only the United Kingdom falls below the 50 per cent public funding threshold.

The EU19 average is a rough 80/20 split between public and private investment in tertiary education.

It is, however, possible for rapid shifts to occur in the balance of public and private investment in a relatively short space of time. The below table illustrates changes in the proportion of tertiary education funding which comes from private sources between 2000 and 2007 for OECD countries for which data was available.

Trends between 2000–07 do not follow a uniform pattern. In the United Kingdom, Portugal, the Slovak Republic and Austria there has been a large increase in the share of private investment whereas in Poland, Spain, Ireland, Iceland and Norway the share of private investment has decreased (albeit by modest amounts). Relatively small increases in the percentage share of private investment are seen in Italy, the Netherlands, the Czech Republic, France, Germany, Sweden, Belgium, Finland and Denmark, suggesting that if there is a trend it is for slow growth towards greater private investment in tertiary education in Europe.

fig. 47 Change in proportion of private investment in tertiary education in OECD countries 2000–07



Source: Education at a Glance 2010: OECD indicators, Table B3.2b

Overall we see a modest increase in the proportion of private investment on average, but a significant increase for a small number of countries whose systems changed in that period e.g. through the introduction of tuition fees. It is also worth observing that while the shift in the balance between public and private funding may be modest, it is possible for the amount of private investment to rise significantly without affecting the balance, as long as public investment increases alongside private investment.

4.5 HOPED-FOR OUTCOMES OF HIGHER EDUCATION AND PUBLIC AND PRIVATE GOOD

As mentioned in the introductory section to the future funding scenarios, consultation with NUSes resulted in a set of ideal outcomes for HE systems.

The validity of any higher education funding system is whether it supports or contributes to these hoped-for goals, described in the introduction. Where there are fears that features of a financing system may detract from any of these goals, action should be taken to mitigate that possibility.

Some of the hoped-for outcomes, including fair access, diverse knowledge pathways and academic freedom are firmly rooted in a discourse of public value. The potential danger of private investment for these outcomes is that fair access to higher education will be compromised because it depends on students being able to afford to attend higher education rather than on their academic merit, that some economically viable subjects will be privileged over those that are less economically viable (or even less profitable) and that academics will to a greater or lesser extent be forced to serve private interests in their research e.g. through suppressing results that funders may dislike.

Some of the other outcomes, for example, educational quality, personal and professional development and employability need not be compromised by private investment; in fact, there is an argument that these outcomes may be enhanced through private investment as there is more money in higher education to pay teaching staff, support co-curricular and careers service provision and there may also be scope for developed links with a range of different employers.

The danger here could be that pursuit of private investment leads to the privileging of the private benefits of higher education to the individual over the public benefits of the system as a whole, while the hoped-for outcomes around academic freedom, access and diverse knowledge are lost in the discussion, which is then merely reduced to the question of how institutions and systems can leverage greater private investment without addressing the potential negative implications of increased private investment and how these can be mitigated.

These are, of course, extreme scenarios, but they articulate the fears that are sometimes expressed when the question of private investment in higher education is raised. These questions are based on the assumption that private investors will at least in some cases seek some kind of private benefit or become so dominant in the system that wider public benefit is overlooked. A question is therefore raised about the ways

that private investment can be leveraged towards the public good. One example of a mechanism to ensure this is the collection of private contributions through the tax system e.g. through a tax on university graduates or a specific levy on business.

Alternatively we must ask ourselves whether private stakeholders in the system will necessarily act predominantly in the private interest, and whether it is possible to be a responsible stakeholder in a higher education system and to act for the collective public good. Although the balance of public and private investment may be psychologically important it may be that the sources of private investment, the way that investors behave and how steps are taken to preserve the public good in a mixed system, are ultimately more important to ensuring the hoped-for outcomes are achieved.

4.6 SOURCES OF PRIVATE INVESTMENT IN TERTIARY EDUCATION

The traditional assumption is that the rationale for public funding is that it preserves higher education as a public good, ensuring that private or individual interests do not dominate over the collective benefit. This proposition is of course debatable, but assuming there is some truth in it, the question is whether the benefits of private investment outweigh the risks, whether there is justification for seeking private investment and if so within what parameters.

For the purposes of this making this scenario comprehensible, we are assuming that higher education costs are restricted to course and service delivery and not to undertaking research. For an institution to be viable its income from fees and/or public income streams must be enough to cover the cost of providing courses and services to students, including buildings maintenance, staffing, learning resources and infrastructure.

Public funding to institutions may come from a direct grant system from national or local government.

Government may also use public money to invest in higher education through a student loan system with, however, the assumption that much of the initial investment (if not all) will be recouped through private loan repayments from students and their families.

As the graphs above show there may be several forms of private investment in tertiary education. Students and/or their families may make contributions in the form of tuition fees. Fees may be chargeable to some or all students or vary in level.

Private, fee-paying educational *institutions* may operate within a publicly funded system. Some of these institutions may be for-profit but others may be charitable foundations, or not-for-profit. In some countries (e.g. the UK) what we tend to think of as public institutions are actually private, but dependent on public money. For these purposes we consider a private institution as one that is not dependent on public funding.

Employers or business may invest in higher education either through covering course fees for individual students or through buying services from the institution such as consultancy or research and development (the latter is not within the remit of our investigation).

Charitable bodies may offer scholarships and bursaries to students to cover tuition fees. Some institutions *fundraise* through seeking charitable donations from alumni and business.

JUSTIFICATIONS FOR, AND RISKS OF, PRIVATE INVESTMENT

Logic dictates that while it is not a necessary outcome for private investment to lead to the prioritising of private interests over public good, it is a key risk. In some cases, particularly that of student fees, interest of private stakeholders is a possible justification for increased private investment.

A general justification for seeking increased private investment is that there is not enough public money available to finance a higher education system of a sufficient quality. For example, when governments seek to expand the numbers of students entering higher education at a pace that public funding cannot match they will either have to seek increased private investment or cut the amount of funding provided per student. The third alternative is to increase funding to education through raising taxes or cutting public expenditure in other areas.

Diversifying income streams also helps to make institutions more secure and less dependent on the fluctuations of government priorities.

PRIVATE CONTRIBUTIONS FROM STUDENTS OR THEIR FAMILIES (FEES)

The justifications are:

- The student gains from higher education through better employment outcomes and a higher salary, so it is only right that s/he should contribute to the cost. In countries where a relatively small proportion of the wider population enters higher education it is unfair to use public money taken from those who do not benefit from higher education to finance the educational elite.

- Students do not all come from the same socio-economic background and some families can afford to contribute to the cost of higher education; those families should help to cover the costs for those who can less afford to pay.

- If students have to pay fees higher education will operate more in the student interest.

The risks are:

- People may be deterred from entering higher education if they cannot afford to pay a fee

- Once you introduce the principle of students making a contribution institutions may take the opportunity to levy excessive or unfair charges and to raise the fee as high as possible

- By focusing on the private benefits of higher education you dilute recognition of the wider public good of higher education ie training doctors, lawyers, civil servants, extending knowledge etc

- A risk of having variable fees is that students may choose courses based on cost rather than on whether it is the right course for them. A further risk is that institutions set fee levels based on the signals they want to send about how good their courses are, not on how much it actually costs to deliver.

Risks can be mitigated by:

- Introducing a publicly-funded student loan system available to all prospective students, for all courses, with generous repayment terms so that nobody needs to be fearful of getting into debt that they cannot pay.
- Make fees means-tested so only those who can afford it have to pay.
- Making it illegal for institutions to charge more than a certain fixed fee.
- Ensure the total fee income is lower than the total public funding.
- Scrapping the concept of a fee and levying a tax on graduates so that the public funding to institutions can be increased without overtaxing those who do not benefit from higher education.

It should be noted however that concerns of widening participation and equal access to higher education are often voiced when introductions of or increases to contributions from students and/or their families (e.g. in the form of fees) are proposed, especially with regards to lower socioeconomic groups. In response to such concerns, the argument that higher income from private sources will be coupled with higher levels of student financial support is sometimes used. Hypotheses two and three of this compendium investigate this particular issue. On a system-wide level, no clear correlation is found between the levels of public financial support to students (as a percentage of public expenditure on tertiary education) and HEIs' income from private sources (household & other private) as a percentage of all public and private income. Therefore, the assumption that increased income from private sources, where this means students and/or their families, will automatically and without exception lead to increased levels of student financial support can be rejected based on the available evidence and data.

PRIVATE, FEE-PAYING PROVIDERS OF HIGHER EDUCATION

The justifications are:

- More student places can be offered, ensuring those students who do not need public funding do not take up space in public institutions.
- Private institutions can offer bursaries and scholarships, improving access for those who cannot afford to attend.
- Private institutions offer greater choice to students and provide competition for public institutions, ensuring that public institutions do not become complacent.

The risks are:

- It can be hard to control quality at private institutions. In some cases this can mean a poor-quality experience for students. Some students are particualrly vulnerable to exploitation in this way eg international students.
- In others, inflated fees deliver an experience beyond that experienced by students in public institutions, which is also unfair. At their worst, private institutions confirm and compound existing social inequalities, offering a high-quality experience only to those who can afford to pay for it.
- Where an institution is run for profit, the interests of its stakeholders may dominate over the public interest. If a course or subject is financially unviable, for example, the institution may close it down.

Risks can be mitigated by:

- Creating a legal framework that requires private institutions to participate in public processes for assuring quality and safeguarding students' interests.
- Charity law may be a useful mechanism to challenge where an institution does not appear to be acting in the public good.
- Where legal frameworks cannot be delivered, reputation may used as a lever to ensure institutions adhere to common standards. NUSes may want to >name and shame< institutions that do not participate in national quality assurance processes, for example. Media scrutiny can also be effective.
- Ensuring full transparency in the publication of accounts.

EMPLOYER OR BUSINESS INVESTMENT

The justifications are:

- Employers benefit from recruiting graduates, so why should they not make a contribution to higher education?
- If employers are making a contribution courses will be more aligned towards the employment market, ensuring graduates have the skills and attributes to get a good job on graduation.
- Employers and business have quite a bit of money, more than students and taxpayers.

The risks are:

- Employers having an undue influence on which courses are taught and how, making higher education too instrumental and short-termist, and starving less vocational subjects of funding

Risks can be mitigated by:

- Taxing employers so that they make a contribution through public funding methods
- Institutions working with employers to ensure employers and business understand, value and support the values of academic freedom and diversity in the knowledge base.

CHARITABLE INVESTMENT

The justifications are:

- If people or businesses want to give money to higher education, this is always a good thing

The risks are:

- Charitable funding is subject to economic fluctuation—in times of austerity charitable giving may decrease.
- If government thinks institutions can get by on charitable investment it may decrease public funding, leaving institutions vulnerable.
- Institutions that attract charitable investment tend to be the more prestigious institutions, which is unfair.
- Wealthy donors may expect favours in return, such as preferential treatment in admissions for their children

Risks can be mitigated by:

- Institutions having a clear and transparent framework for charitable giving eg to fund additional services, not core teaching or staff

As we can see, the methods for mitigating risk will not always be effective in every case. In most cases, it requires institutions to act honourably and in the public interest. Therefore, there should be a mechanism to ensure that where an institution is not thought to be acting in the public interest as a result of seeking or receiving private investment, government can handle this.

Public funding is a useful lever to ensure that institutions meet a public standard of behaviour—governments can levy fines or suspend institutions' rights if an institution acts in a way that does not meet the public interest. Within this framework wholly private, for-profit institutions are the most risky. Where private investment is greater than public investment for any given institution the temptation for that institution may be to extract itself from government control and become entirely private. In practice, however, this would be very risky for institutions.

ANNEX 1

fig. 48 Table of percentage changes in public and private investment against changes in tertiary attainment in in population aged 30–34

Country	Index of change in public investment 2000–07 (%) OECD	Index of change in private investment 2000–07 (%) OECD	Tertiary educational attainment 30–34, 2000 (%) Eurostat	Tertiary educational attainment 30–34, 2007 (%) Eurostat	Change in tertiary educational attainment 2000–07
Belgium	110	126	35.2	41.5	6.3
Czech Republic*	203	230	13.7	13.3	-0.4
Denmark	121	180	32.1	42.5	10.4
Finland	118	187	40.3	47.3	7
France	115	114	27.4	41.4	14
Germany	104	141	25.7	26.5	0.8
Iceland	152	167	32.6	36.3	3.7
Ireland	127	82	27.5	43.3	15.8
Italy	100	148	11.6	18.6	7
Netherlands	115	143	26.5	36.4	9.9
Norway	115	93	37.3	43.7	6.4
Poland	172	137	12.5	27.0	14.5
Portugal	125	659	11.3	19.8	8.5
Slovak Republic*	137	447	10.6	14.8	4.2
Spain	134	104	29.2	39.5	10.3
Sweden	114	143	31.8	41.0	9.2
UK	121	288	29.0	38.5	9.5

Source: Education at a Glance 2010: OECD indicators, Table B3.2b and Eurostat: Tertiary educational attainment by age 2000 and 2007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PART 5: CONCLUSIONS

This chapter will serve as a summary of the main points that have been pointed out during FinSt research and various events in the framework of FinSt project. We have gathered opinions from students and student organisations as well as a number of different stakeholders and here we try to outline some of them with a purpose to suggest further points of discussion.

Students' view on the financing of Higher Education starts with a premise that this term doesn't only consist of the financing of teaching and research in Higher Education Institutions (HEI), but also includes financing of students. In the planning of the research and in our events, we have mostly been dealing with the financing of students and what kind of effects that has on the student population.

During the mapping and analysis process, we have come to a range of issues and difficulties that have different effects on the scope and quality of our research and final outcomes. From one point, being a student organisation, we are based on certain core values and policies. Some issues are not disputable, for example the firm belief and policy of the European Students' Union (ESU) against any forms of tuition fees. This has also a different meaning—ESU's policy is also that (higher) education is not a commodity and not only an economic good, but has several benefits that not all can be quantified.

Furthermore, it needs to be pointed out that a comparative research on this subject is generally hampered by a lack of available data, particularly when it involves a range of countries as broad as in this project (for example, see Part II, Article 1: No data, no social dimension).

Additionally, because most of the used data was from the year 2009 or older, we did not manage to analyse the effect that the economic crisis and austerity measures had on the financing of higher education and how that was reflected in the student population. This still remains a challenge for further research and discussions.

With all this in mind, we can still draw some general conclusions:

1. **We would firstly like to state that higher education funding systems across Europe are very different and diverse, which makes any comparisons difficult.** This might seem as an obvious and not exactly complex finding, but quite important from a point of view of both research and policy making. We have learned that the distribution of funds in higher education varies greatly between countries and that student support is very much linked to other social policies that the countries have and need to be observed in the proper context. From this, we can also conclude that practices that work in one country cannot be simply copied to another.

Probably the most important reason for this diversity is that higher education is primarily a matter of national states, which makes any attempt to find or implement an ideal funding system on European level quite impossible. Additionally, distribution and public funds allocation systems vary greatly from one to another, which has also made the comparison quite difficult. Even a short overview can show that funding of students can take place in very different forms; in some countries students get most of the funds directly, with grants and loans. In others, there is a bigger focus on indirect funding though mechanisms such as different subsidies, tax benefits for students or their families etc.

Although the Bologna process has had some harmonising effects and countries have agreed on certain principles for higher education, any debates on its financing take place at a national level. The European Commission has limited competences in the field of higher education within the European Union, focusing on certain aspects of it, such as mobility. In general, we have observed that there is a need for a European discussion about the financing of higher education in order to come at least a little closer to a common understanding.

2 **Students in different countries do not have the same level playing field.** Taking into account the observation under the point 1., we have tried to compare the situation of students in different countries by testing some of the hypotheses we have set up. We have tried to see if there is a sort of common level of funding of students, following a hypothesis that countries with higher tuition fees also offer their students higher levels of students support. Our research has shown that this is not the case in majority of European countries, meaning that a higher level of private contributions to HEIs income does not mean a higher level student support from public sources. Even more so, in some countries such as Portugal, Estonia, Slovenia and Czech Republic (inter alia), the private expenditure per student is even higher than the public support that students receive (for more see the analysis of hypothesis 3 in part II). On this point we had limited data available so this analysis was done only with a sample of 17 European countries, but already based on their diversity we can conclude that students have quite different positions within their societies.

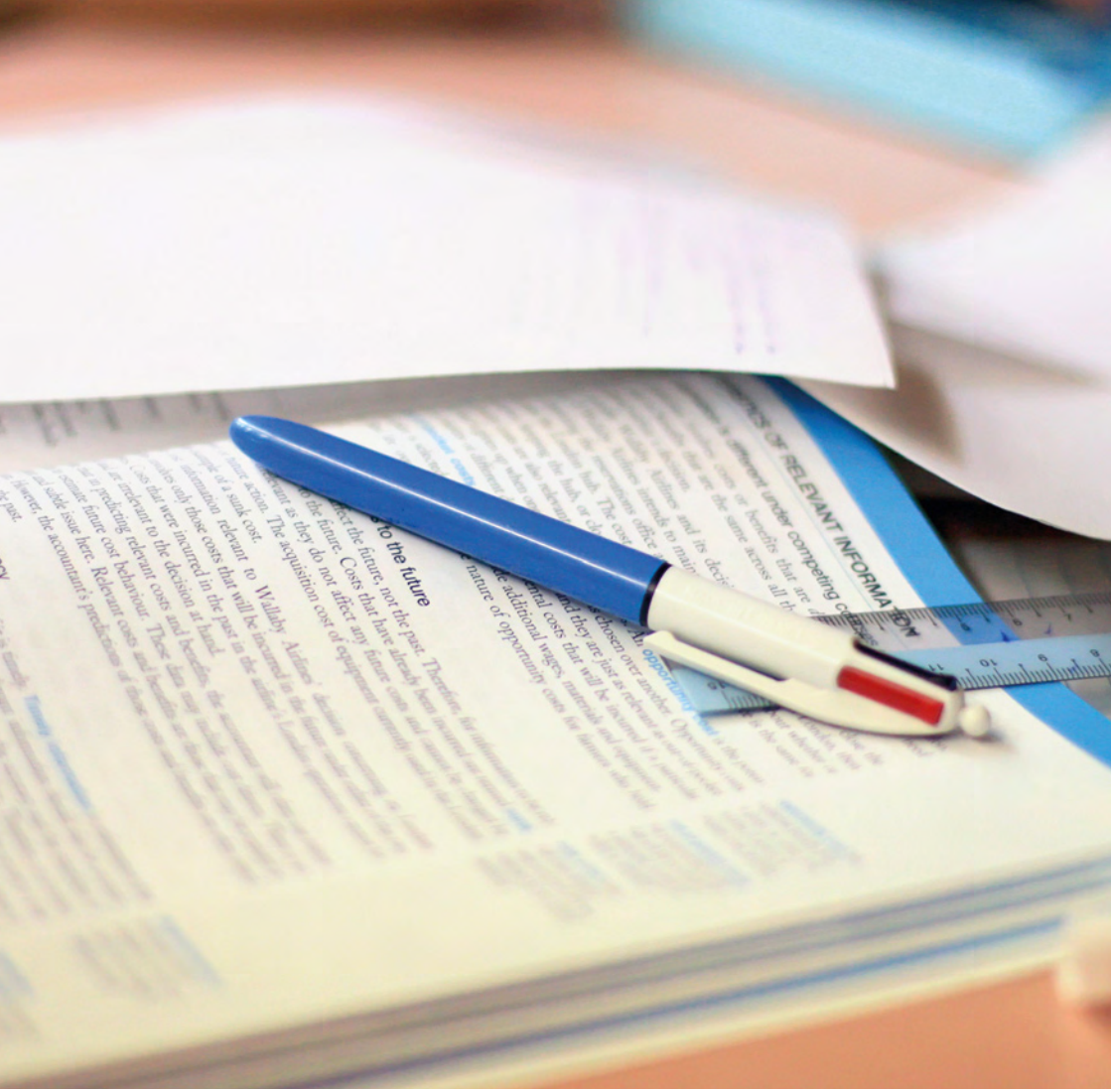
We have also tried to examine the correlation between the level of public investments in higher education and student participation (Figure 2 and Hypothesis 4). From the analysis, it can be said that a public investment in tertiary education has a positive correlation with the level of participation, meaning that a bigger public expenditure in higher education also means a higher number of students in the general population.

The differences among countries are not surprising seeing there are different discourses about the role of higher education and to what extent the society/state is supposed to fund higher education. As said before, funding of higher educations and students is very closely linked to other social and economic polices as well as historical factors and mentality of the countries, so drawing too simple conclusion would be quite hasty.

3 **The conception of higher education as a public good and a public responsibility is changing.** In the last years, especially since the beginning of the economic crisis in 2008 and the subsequent austerity measures, the discussion about the private responsibility and contribution for higher education have been on the agenda in almost all European countries. Even though the ministers for higher education have reiterated their commitment to public funding of higher education, the data gathered does not support their statements.

3.1 **Most of the European countries are using cost-sharing and there is a trend of shifting the burden of study costs to students.** We can claim that all of European countries are using some form of cost-sharing if we take into account also the funding of students (see Part 1, table 1 and Part II: Hypothesis 1). Even in the countries that do not have tuition fees and where education could be considered free, students and their families need to contribute to their costs of living. It is however possible to observe a regional pattern between countries as our analysis (see Part I: Hypothesis 1) showed that the majority of countries with high public expenditure and low HEIs income from private sources are located in Northern and/or Western Europe (excluding Austria, Cyprus and Malta), whereas the majority of countries with a low public expenditure and high HEIs income from private sources are in Central and Eastern Europe, including the Balkans (with the exception of Italy and Portugal).

As shown in the Table 1 in part I of this compendium, 23 out of 26 observed European countries charged international students (non-EU/EEA) with tuition fees in the study year 2011/2012. Norway and Malta are the only ones, from the countries observed, that are not charging fees to international students, while that is for the moment also valid in Finland, although at the time of issuing this publication there is an ongoing pilot study about the effects of introducing such fees. We must also point out that in countries such as Ireland and the United Kingdom, tuition fees for international students are much higher and the notion of education as a service and a private good has already been adopted.



For domestic (EU/EEA) students, the situation is not that much better. 19 out of 26 observed countries charge some form of tuition fees to their students. Denmark, Finland, Malta, Slovenia, Sweden and Norway do still have a tuition free higher education, at least on Bachelor level. Austria formally does not have tuition fees within its legal system, but universities can decide for themselves whether to charge for tuition or not. There are several countries, such as Hungary, Poland and Slovakia, that offer subsidised study spaces and some students do not have to pay tuition fees, usually according to their merits.

3.2 **Funding gap is widening.** In the last 50 years, there has been a significant increase in the numbers of students across whole Europe. This increase can also be observed on a shorter time line—for example, Eurostudent/Eurostat 2009 showed that in half of the Bologna countries the student population increased by more than 10 per cent from 2003/04 to 2008/09. The rise in the student population (massification) has not been followed by a rise in public funding; in the last few years the level of public funding has been declining (in certain countries there have been cuts close to 50 per cent of the overall budget for Higher Education Institutions). This issue will have to be addressed soon; otherwise it can have a very negative effect on both accessibility and quality of higher education. In the overview (Part I, Figure 1: Public expenditure on Higher Education as a percentage of GDP) we can observe that countries rarely dedicate more than 2 per cent of their GDP to higher education and that the percentage has been decreasing in the past years.[45]

We must clearly state that students see this is as a very worrying trend and that this development can have severe and unpredictable consequences on students. With the current data, we were not able to conclusively show those consequences (also see Part III, Article 1), but they can limit the access and completion of higher education for students from a lower socio-economic background, or influence the choice of study programmes (see Scenario I for some of the possible consequences). What is even more problematic is that we have not observed any improvements in the systems of financing of students, even more so, we have been able to observe cuts and increasing use of loans in the financing of students. We can unfortunately conclude that the situation of students is getting worse and that there is currently no sign of an improvement.

In the end, all the stakeholders agreed that higher education has several and diverse positive benefits both for individuals and the society. They would like to believe that there will always be an agreement that higher education is and will remain a public good and a public responsibility. Therefore, the public funding of higher education should remain the most important source of both financing of teaching and research in higher education institutions and the financing of students.

45 As shown in the research published by EUA in their Public Funding Observatory. Details are available at *http://www.eua.be/eua-work-and-policy-area/governance-autonomy-and-funding/public-funding-observatory.aspx* (15.1.2013)