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The controversy over university student finance: the EU perspective

A Federal Trust briefing paper

Introduction
The issue of tuition fees for university students has been a controversial one in the United Kingdom since they were first introduced, at a flat rate of £1,000 in 1998 (with some means-tested remission available). Objections became more intense when, as provided for by the Higher Education Act 2004, variable tuition fees up to a maximum of £3,000 were introduced in 2006. The Coalition proposal to raise the cap to £9,000 (after the Independent Review of Higher Education and Student Finance *Securing a Sustainable Future for Higher Education,* October 2010, led by Lord Browne of Madingley, recommended it be removed altogether) has been followed by sometimes violent student protests.

One means of assessing current arrangements for the UK and proposals for their reform is through placing them in international perspective. When the Labour government first introduced variable tuition fees it argued that such a system was becoming the norm amongst competitor countries in the OECD.

However, a different possible perspective on UK arrangements is that since the UK is a member of the EU, then the most appropriate comparison is with EU member states (which include amongst them a number of OECD members), rather than all OECD competitors internationally. The purpose of this paper is to use this EU focus to assess the extent to which existing and proposed arrangements for university student finance in the UK can be seen as normal or exceptional.

A consideration of arrangements across the EU suggests a series of key themes and observations:

The payment of fees
In requiring students to pay fees of some kind for university education, the UK is not remarkable, though in some EU states no – or at most minimal – fees are charged. The fees that are charged may have different names, ostensible purposes and justifications, but from the point of view of the student they remain fees.

Under present arrangements for England, Wales and Northern Ireland, domestic students are charged tuition fees; a basic system that the Coalition proposes to retain (fees are not charged in Scotland).

The charging of some kind of fee to students is widespread throughout the EU. In the case of countries such as France and Ireland, a 'registration fee' is levied; in others, including the Netherlands and Austria, there is a tuition fee. In some states fees are structured in such a way as to provide financial incentives for prompt completion of courses and fulfilling other obligations, for instance in the Czech Republic and Hungary.

However, in some states there are normally no fees, including in Denmark (though students pay for their education using vouchers which are made available to them) and Poland.

The amount payable
The UK is an outlier in terms of the size of the fee for which students are liable; and set to become even more so.

At present tuition fees in the UK outside Scotland are capped at £3,290. In practice, nearly all universities charge this amount. The Browne Review proposed removing this cap, with no limit on what can be charged, while the Coalition has opted for increasing

the limit to £9,000, with some degree of means-testing determining how much students will pay.

In Austria, students pay (as of 2008-09) €363.36 per semester. In Germany they pay up to €500 per semester (also as of 2008-09). Both countries have two semesters per academic year. In 2008-9, the fee for enrolment in a basic degree at a regular university in France was €169. In 2005-06 the average contribution in Italy was €880 (although there is a significant trend towards increase in Italy). The tuition fee in the Netherlands for 2009-10 was €1,620.

Variability in fees
As well as there being divergence over whether fees are charged and their maximum size, there is the issue of variability of fees within those individual territories in which they are levied. In theory, the UK outside Scotland has the potential for exceptionally large variability in the size of fees charged; in practice fees in the UK are almost entirely uniform, charged to the maximum, the only diversity being between Scotland, where no fees are charged, and everywhere else. There is seemingly greater diversity, albeit over a more limited potential range, in a number of other European states. It remains to be seen what the impact of future policy upon diversity in the size of fees within the UK will be.

In the UK outside Scotland, individual institutions are allowed to vary the level at which tuition fees are set. At present in practice the maximum (£3,290) is almost always charged. The Browne proposals, which entailed removing the cap, might have been expected to produce variation, as possibly will the Coalition proposals for a £9,000 cap; but the outcome can only be speculated upon.

In Germany (for 2008-09) there is variation between those states in which tuition fees are not charged; and the six states within which tuition fees are charged. Within this latter group fees are levied up to a maximum of €500; with either the rate being set for the state as a whole, or individual institutions being permitted to decide whether to charge fees and the level to set them at.

Italian universities set their own fee levels, within minimum and maximum parameters set centrally. In 2006-07 the minimum enrolment fee was €174.91; while universities cannot levy in fees more than 20% of the state support they receive.

In Spain, fees vary by Autonomous Community and course.

In the Netherlands there is a fixed statutory tuition fee.

Fees for French higher education are to a large extent fixed at the centre (although they are fixed at different levels for different types of courses); some institutions, particularly those in the private sector, have scope for variability.

Forms of student support
Some combination of grants and loans for university students, as exists in the UK, is common in the EU.

Support for university students in the UK (outside Scotland) comes in three forms: loans for tuition fees (not means-tested); maintenance loans which are both means-tested and repaid on a basis of income; and means-tested maintenance grants (accompanied in Wales by a tuition fee grant). Under Coalition proposals there will also be some means-tested remission for tuition fees.

Austrian students receive indirect support through various benefits (which are not means-tested) and direct support in the form of grants, which are means-tested and tied to performance. Similarly students in the Czech Republic receive indirect support through benefits; and some receive means-tested grants. There exists in Denmark a universal system of grants and loans. In France loans are universally available, as well as there being means-tested grants. In Sweden all students are entitled to a grant and a loan. In the Netherlands, there is a universal grant for university students (which can be topped-up by a means tested grant) and a system of loans for tuition fees.

Levels of student support
In terms of the amounts available in support for students, while direct comparisons are difficult, the UK is less of an outlier than it is for the size of fees payable by students.

In the UK (outside Scotland) loans to enable the payment of tuition fees in full are available to all students at present; and the Coalition intends to maintain this policy with a higher fee cap.
Means-tested maintenance loans are also available up to a maximum of nearly £7,000 for students living in London, and to a maximum of nearly £5,000 outside London. Maintenance grants of £2,906 are available to students from households with an income

of less than £25,000. (There is a higher means-tested grant of up to £3,475 in Northern Ireland and in Wales up to £5,000, plus a £1,980 tuition fee grant for Welsh students studying in Wales). The Coalition proposes raising these maintenance grants to £3,250. Partial grants are available to students whose household income is between £25,000 and £50,020. The Coalition proposes lowering this cut-off point to £42,000.

Meaningful, direct comparisons are difficult to make, but financial support available to UK university students - particularly in the form of grants - certainly does not appear exceptionally generous when placed in an EU perspective. In France (figures for academic year 2007-08) means tested grants are available in six bands, ranging from €0 to €4,019 per year; which can be topped-up by other benefits, including academic merit aid at €200 per month. Loans are available of up to €15,000 in total.
In Germany an allowance is available to students without other means of supporting themselves of up to €648 per month (in 2009), half of which is a non-repayable grant, half of which is a loan, based on ability to repay. In Sweden study assistance (a form of loan) in 2006 was SEK 1841 per week and the grant was SEK 623 per week (conversion rate of 1 SEK is approximately 0.1 Euros at present).

Conclusion
In some respects the UK can be regarded as unremarkable amongst its EU partners in its approach to student finance.

The charging of fees of some kind upon which there has been some upward pressure in recent years is not unique to the UK. Nor is the combination of grants and loans to provide student support with a means-testing dimension.

However, the size of tuition fees in the UK is outstandingly high and set to become more so.

Moreover, an EU comparison draws attention to the lack of divergence in the amounts charged for tuition fees by universities within the UK. There appears to be greater variation in other EU states, where the overall level of fees is much lower than the UK. For this reason it cannot be predicted with confidence that raising the cap further in the UK will automatically produce substantial variation in costs. The quasi-market rationale supposedly underpinning present UK policy on tuition fees, which is contradicted by the current uniformity of British tuition fees, may well not be realised to any substantial extent after the implementation of Coalition proposals.

While levels of British tuition fees are undeniably high in an EU context, it is not possible to argue that provision for student support in the UK appears exceptionally generous. In other words, the high level of tuition fees is not offset by the student support on offer.

Dr. Andrew Blick
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