



Financial Support for Students in Tertiary Education

Pointers for policy development

PROVIDE SUPPORT FOR STUDENTS WITHIN A BROADER FUNDING STRATEGY

- Provide financial support in line with the overarching principle that tertiary education uses public funds in a way that facilitates its contribution to society and the economy.
- Make the funding approach consistent with the goals of the tertiary education system *e.g.* expansion, quality, cost effectiveness, equity, institutional or system capacity – which differ across countries at a given point in time.
- Ensure the funding approach is transparent, flexible, predictable, fair (to institutions, students and taxpayers), ensures public accountability, permits freedom to innovate, is sensitive to institutional autonomy, is demand-driven, recognises the missions of institutions, and is open to private institutions (in some circumstances).
- Share the costs of tertiary education between the State and students, who gain significant private benefits from tertiary education. Provide public subsidies for tertiary education studies in public or private institutions, but without taxpayers bearing a top-heavy share of the costs.
- Charge tuition fees to students, especially if limited public funding rations the number of students, jeopardises levels of spending per student, or restricts financial support for disadvantaged groups. Savings from cost-sharing can be used for broadening access to tertiary education through strengthened student support systems.
- Allow institutions to differentiate tuition fees across courses to make systems more responsive to student and employer preferences and generate efficiency gains but consider tuition fee stabilisation policies to contain costs.

DEVELOP A COMPREHENSIVE STUDENT SUPPORT SYSTEM

- Assist students to cover tuition fees and living costs through a mixed system of loans and grants.
- A comprehensive student support system reduces liquidity constraints faced by students and is a key element in broadening access to tertiary education and improving completion rates. It alleviates excessive hours of part-time work, and/or disproportionate reliance on family support.
- A loans system with income-contingent repayments addresses risk and uncertainty faced by individuals by providing insurance against inability to repay and improves progressiveness by providing a lower public subsidy for graduates that obtain higher private returns.
- In many countries, student support systems need to be expanded, diversified and to place extra emphasis on the financial need of students.
- Aim for a universal income-contingent loan system complemented with means-tested grants to provide comprehensive student support.
- Develop an income-contingent loan scheme at the national level, open to both full-time and part-time students.
 - If government cannot finance a universal scheme immediately, start with means-tested loans and make the scheme universal as it reaches maturity.
 - If subsidies on interest rates are provided, they should be based on need, subsidised for a limited period and supplemented with a larger loan entitlement at market rates.

- Base grants on an assessment of financial need of the student to promote access of those with greater need and who underestimate the net benefits of tertiary education as a result of socio-economic disadvantage.
- Allow students who receive grants to also take out student loans, but with the loan entitlement reduced by the size of the grant.
- Ensure that student support entitlements are sufficient to cover tuition and living costs.
- Provide access to the student support system to students in the public and private sectors alike.
- Consider creating an agency within or outside the Ministry in charge of tertiary education, to be responsible for the administration and delivery of student loans and grants.

Approaches to student support, 2007

PUBLICLY-FUNDED GRANT SCHEMES					
LOAN SCHEMES	Basic Universal grants	Means-tested grants	Merit-based grants	No grants scheme	
	Public Loan Fund	Netherlands, United Kingdom Sweden	Australia, Japan New Zealand		Iceland, Norway
	Commercial banks with public subsidy or guarantee	Korea (part 1)	Chile, China Finland Poland, Portugal	Korea (part 2) Estonia	
	No publicly subsidised or guaranteed loan scheme		Flemish Com. of Belgium, Czech Republic, Spain Greece, Mexico, Russian Federation, Switzerland		Croatia

Notes: For Norway a proportion of loans can be converted into grants. Conditions and regulations of grants schemes in Japan are at the discretion of Tertiary Education Institutions.

Source: OECD (2008), *Tertiary Education for the Knowledge Society*

FURTHER READING

These general pointers for policy development are drawn from the Thematic Review of Tertiary Education, which covered tertiary education policies in 24 countries. The findings of this review are presented in *Tertiary Education for the Knowledge Society*, published in September 2008. Background reports prepared by 21 countries, *Reviews of Tertiary Education* in 14 countries and other documents of the review are also available on the OECD website www.oecd.org/edu/tertiary/review.