



INTELLIGENCE BRIEF NO. 03 | 2016:

THE STRUCTURE OF PUBLIC STUDENT SUPPORT IN EUROPE¹

The EUROSTUDENT project collates comparable student survey data on the social dimension of European higher education, collecting data on a wide range of topics, e.g. the socio-economic background, living conditions, and temporary international mobility of students. The project strives to provide reliable and insightful cross-country comparisons. The data presented below stem from the fifth round of the EUROSTUDENT project (2012-2015).

Overview

The share of recipients of public support as well as the composition of this support differs greatly across EUROSTUDENT countries. In most countries, financial support from the public sector is available to students in the form of both grants and loans. This brief discusses the implications of the two different types of support. A relationship between the average share of recipients in a country and the share of loans can currently not be found in the EUROSTUDENT countries.

How many students receive public support?

The state contributes to the financing of higher education in different ways in the countries of the European Higher Education Area (EHEA). On the one hand, state support can be paid directly to students in the form of grants and loans. On the other hand, in some countries, parents of students are supported through payments or tax benefits granted due to their children's student status. Finally, higher education institutions receive public funds to cover their costs related to research and teaching.

The EUROSTUDENT data enable an analysis of the first kind of public support, i.e. the kind paid directly to students. For the sake of comparison, only selected support items are covered by the data, namely, grants, scholarships, and loans which are typically used to support students. Other forms of state funding which may be available for students in some countries, such as housing benefit or pensions, are not included in the EUROSTUDENT category „public support“. Such benefits are only available in some countries and are usually only granted to a small portion of students under very specific conditions.

Table 1: Recipients of public support by form of housing (in percent)

Country	NL	SE	MT	NO	FI	HU	EE	SI	FR	IE	BA	PL	LT	ME	DE	RS	AT	LV	SK	HR	CH	CZ	IT
Living with parents	90	83	81	57	56	54	53	33	31	31	30	30	25	21	21	20	17	15	13	12	9	3	n.d.
Not living with parents	70	66	35	71	39	56	59	35	64	30	20	36	30	21	35	15	20	18	16	26	13	9	17

Source: EUROSTUDENT V, G.9. No data: AM, DK, RO, RU, UA; Living with parents: IT. Too few cases: GE.

It can be seen that the recipient quota of students receiving public support varies quite a lot between EUROSTUDENT countries (Table 1). In Serbia, Austria, Latvia, Slovakia, Switzerland, the Czech Republic, and Italy (no data for students living with parents), no more than 20 % of students receive direct financial support from the state. In the Netherlands, Sweden, Norway, Hungary, and Estonia, in contrast, the majority of students receive public support, independent of their form of housing. Large differences between students living with parents and students not living with parents can be found in the Netherlands, Sweden, Malta, Finland, and France. In these countries, the share of recipients in the two groups differs by at least 15 percentage points. In all of these countries except France, the share of recipients of public support is higher among students living with parents than among students not living with parents.

The large cross-country differences with regard to recipient quotas can also be traced back to different basic conceptions of public support for studies. Some countries support specific student groups which have been identified according to defined criteria as eligible for financial support. An often-used criterion, for example, is

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financial need (this is the case for example in Germany, Slovakia, and Switzerland, see Eurydice, 2016). In other countries, all or most students are principally eligible for public support, as only very fundamental criteria (e.g. official student status) need to be fulfilled. This is the case, for example, in the Netherlands, Sweden, and Norway (see Eurydice, 2016).

Types of support and their implications

Besides the share of recipients, the structure of public support is of interest. Whether public support is repayable or not has different ramifications for students and society at different points in time and implies a different distribution of the financial burden of study financing. Two main types can be distinguished:

- The payment of **direct grants and scholarships** supplies students with financial resources during their education. No future financial burden is put on them, as the grants and scholarships are per definition non-repayable. The costs of study financing are instead borne by all taxpayers (assuming that transfers to students are financed from the overall public budget – as it is the case in many countries – and not through a special tax paid only by some).² Such a design of the public support system for higher education is often based on the assumption that higher education has positive societal effects. Positive economic effects associated with higher education are for example an increased economic growth and lowered unemployment (see de la Fuente, 2003, OECD, 2015); positive non-economic effects that have been named include a strengthened awareness for democracy and increased social cohesion (see Brady et al., 1995, Hillygus, 2005).
- Systems of higher education financing based on the **provision of public loans** stand in contrast to such a design. These systems oblige students to a future debt service in the form of repayment of loans and perhaps payment of interest. In this way, individual higher education graduates' incomes are burdened, whereas taxpayers can remain exempt from any burden. This type of design is based on the reasoning that higher education's main positive effects are on the participants themselves. Among these positive effects are, e.g., a higher income, better career chances and work environments, a higher degree of satisfaction with life and more prestige (see Wößmann and Schütz, 2006, Blanchflower and Oswald, 2004, for an overview of effects). Based on the individual positive effects, students/future graduates are expected and required to bear the costs of their education to a higher degree in the future.

The implications associated with the two different types of funding systems are also discussed with regard to social justice issues.

- Repayable public support is regarded to be potentially detrimental to the goal of equity of opportunities for all social groups, as especially potential students from low(er) social backgrounds might be deterred from taking up studies by the prospect of high debt after graduation, especially in view of loans that are subject to interest (for effects of anticipated costs on the uptake of higher education, see e.g. Callender and Jackson, 2005, Forsyth and Furlong, 2003).
- Such a deterrent effect is said to be avoided by granting scholarships and grants. Critics, however, argue that a financing system based on non-repayable support results in a “redistribution from bottom to top” as taxes used for the financing of studies are supplied, among others, by people who have not participated in higher education themselves, who have a relatively low socio-economic status, and whose children have low(er) chances of attaining higher education. Recipients of these grants and scholarships, on the other hand, are said to be mainly students with high social background who will be the high-earners of tomorrow due to participating in higher education (see García-Peñalosa and Wälde, 2000).

The decision for a (more) grant-based or loan-based system of financial support can have additional socio-political implications. Due to the large number of governmental tasks which need to be financed through limited funds, the state is only ever able to invest a limited amount of resources for financial support for studies. This holds especially with regard to grant- or scholarship-based funding. The possibility of taking up public loans and passing them on to students broadens the fiscal scope of action for the state. This would also allow supporting additional groups of students in order to facilitate their access to higher education, should this be a policy goal.

² A student, however, may contribute to the public budget through indirect taxes (e.g. value-added taxes) and direct taxes (e.g. income taxes). In this way, a single student also finances the costs of higher education. Yet this marginal contribution is not considered here.

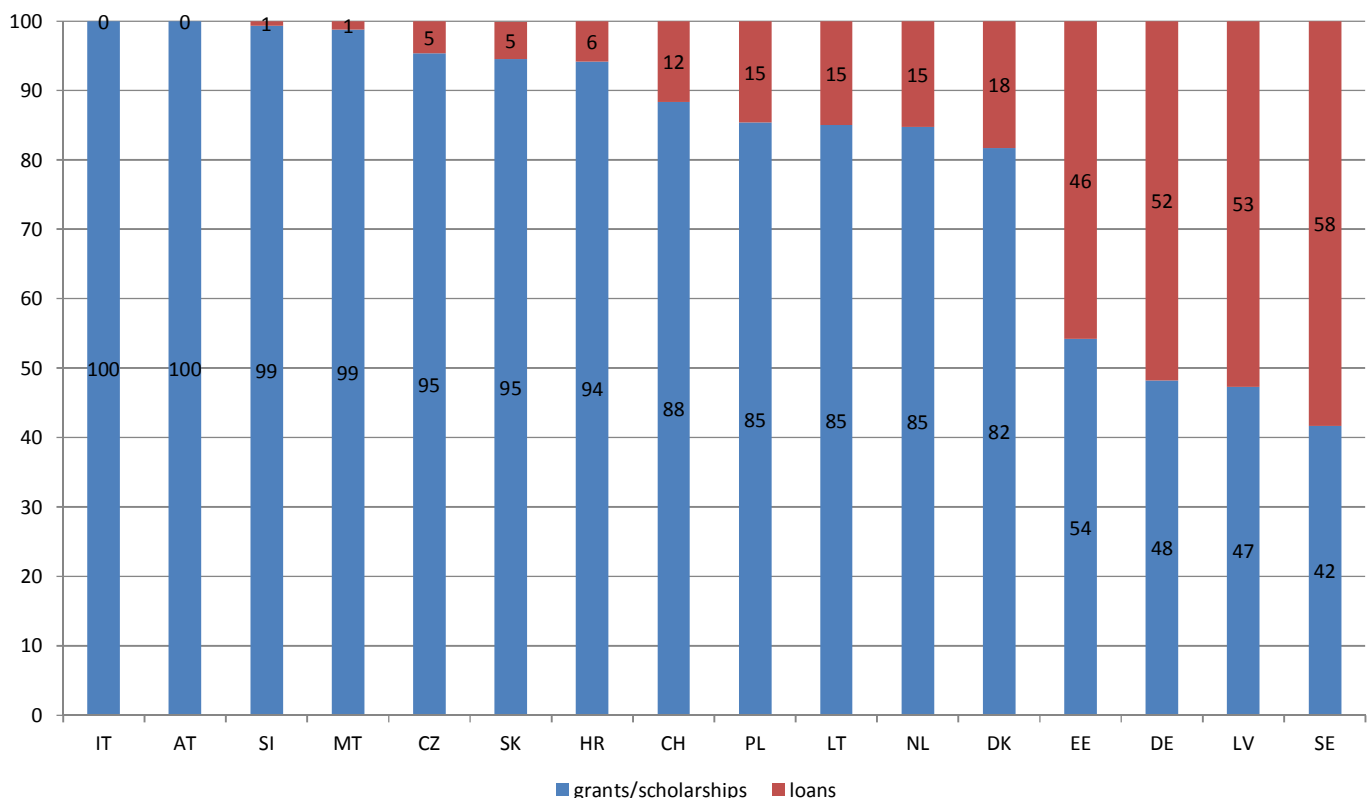
The composition of public support for students in the EUROSTUDENT countries

In the European Higher Education Area, no specific type of student support system, i.e. based either on non-repayable or repayable support, is explicitly recommended in the joint declarations of the ministers responsible for higher education (see London Communique, 2007, Leuven/Louvain-la-Neuve Communique, 2009, Yerevan Communique, 2015). Which basic design have the EUROSTUDENT countries chosen for their system of study financing?

An analysis of available EUROSTUDENT data shows that in most countries students receive public support from both categories, i.e. repayable and non-repayable support. In the majority of countries (13 of 16 countries), the share of grants and scholarships dominates in comparison to loans. Italy's and Austria's systems of public student support are based entirely on the provision of non-repayable support. In Slovenia, Malta, the Czech Republic, Slovakia, and Croatia, non-repayable support makes up more than 90 % of all public support; in Switzerland, Poland, Lithuania, the Netherlands, and Denmark, this share is higher than 80 %.

In four countries (Estonia, Germany, Latvia, and Sweden), considerable shares of public support are granted as loans – loans make up on average more than 40 % of the public support paid to students. In fact, in Germany, Latvia, and Sweden, the share of loans outweighs the share of grants. These countries therefore make up a minority of countries in which the average public support to students is based mainly on repayable support. In Germany, for example, students receiving support get on average 52 % of public support as loans. This includes parts of the German student support system BAföG³, as well as training loans and student loans from the KfW-banking group. The rest of support paid to students in Germany (48 % of public support) is grants, consisting of scholarships and the BAföG-grant.

Figure 1: Composition of public support for students (students living and not living with parents) (in percent)



Source: EUROSTUDENT V, G.12. No data: BA, FI, FR, HU, IE, ME, NO, RO, RS, RU, UA. Too few cases: AM, GE.

³ The BAföG support for students in Germany is usually composed of a 50 % grant and a 50 % interest-free loan. In exceptional cases, however, BAföG may be granted completely either as a grant or a loan.

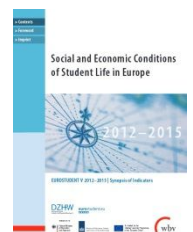
How can the different structures be explained?

Is public support increasingly granted on a loan basis as the share of recipients increases in order to unburden the public budget and, in turn, the tax payer? Additional analyses reveal that such a relationship between the average share of recipients in a country (weighted average across forms of housing) and the share of loans can currently not be found in the EUROSTUDENT countries. An increase in the share of recipients is not associated with an increase of the share of loans.

In a cross-country perspective, the decision with regard to the extent of loans as part of the public student support system is therefore apparently not only or not largely guided by fiscal reasons. It should be noted, however, that despite there being no apparent relationship between the average share of recipients and the share of loans on a cross-country level, the systems of public support in place in single countries of the European Higher Education Area may nevertheless be based on the reasoning described above, with increased use of loan-based models presenting also an attempt to widen the circle of recipients to additional target groups. The actual systems of study financing in place in the different countries can then possibly be regarded as specific expressions of societal negotiations between the two previously described positions, at least in the majority of countries which have realised a mix between grants and loans.

EUROSTUDENT V

Besides the questions regarding the structure of public support, many other questions regarding students' financial situation are important: can differences in students' income with regard to age, sex, or educational background be identified? Is students' income distributed evenly among the student population? Do students experience financial difficulties or can they generate sufficient income? EUROSTUDENT offers answers to many of these questions in the report "[Social and Economic Conditions of Student Life in Europe](#)" (2015). The [EUROSTUDENT database](#) further enables country-specific analyses and targeted comparisons between countries. Further information is available on the EUROSTUDENT website: <http://www.eurostudent.eu/>



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Country abbreviations

AM = Armenia	FR = France	NL = The Netherlands
AT = Austria	GE = Georgia	NO = Norway
BA = Federation of Bosnia and Herzegovina (without Republic Srpska and District Brčko)	HR = Croatia	PL = Poland
CH = Switzerland	HU = Hungary	RO = Romania
CZ = Czech Republic	IE = Ireland	RS = Serbia
DE = Germany	IT = Italy	RU = Russia
DK = Denmark	LT = Lithuania	SE = Sweden
EE = Estonia	LV = Latvia	SI = Slovenia
FI = Finland	ME = Montenegro	SK = Slovakia
	MT = Malta	UA = Ukraine

This publication was commissioned and supported with funds by the German Federal Ministry of Education and Research (Bundesministerium für Bildung und Forschung, BMBF, grant agreement no. M 520200). Responsibility for the content remains with the German Centre for Higher Education Research and Science Studies (DZHW).