

## Hong Kong

### I. A Brief Description of the Higher Education System in Hong Kong

With its higher education financed mainly by the government, Hong Kong allocates funding primarily through the University Grants Committee (UGC). The UGC, along with manpower planners, regulates the number of university and diploma holders. There are eight universities funded by the UGC, and they offer programs at sub-degree, degree, taught-postgraduate and research-postgraduate levels<sup>1</sup>. Seven of these can grant their own degrees; the remaining university, the Hong Kong Institute of Education, validates its degrees through the Hong Kong Council for Academic Accreditation (HKCAA). The UGC provides financing by means of recurrent block grants on a triennial basis, and gives the institutions autonomy in how they use the funding. The universities are also allowed to implement their own curricula and academic standards. These UGC-funded institutions provide places for 60,512 full time and 4,506 undergraduate and graduate students (2008/09) (Information Services Department 2009).

There are four important institutions outside the UGC-funded sector including the Hong Kong Academy for Performing Arts (HKAPA), the Open University of Hong Kong (OUHK), the Hong Kong Shue Yan University and the Chu Hai College of Higher Education. The HKAPA provides degrees, diplomas, and certificates in dance, drama, music technical arts, and is funded by the government; while the latter three are totally self-financed. The Hong Kong Shue Yan University, granted university status in 2006, is the only formally recognized private university.

In order to achieve the goal of 60 percent participation in tertiary education set by the chief executive of the Hong Kong Special Administrative Region (HKSAR) in 2001, the number of higher education providers, including private institutions, is on the increase. Currently, more than 20 private colleges and schools are expanding opportunities for post-secondary education by introducing programs that lead to associate degrees or higher diplomas. However, not all institutions can award degrees on their own authority.

In Hong Kong, university admission is determined by performance on the Hong Kong A-Level Examinations. About 80 percent of the students who achieve the required grades on the Hong Kong Advanced Level Examination gain a university place, while 20 percent do not and have to consider other options, such as associate degrees, higher diploma programs, or foreign studies at other institutions.

Higher education in Hong Kong consists of three levels. At the first university stage level are the Associate Degree and Higher Diploma, the Bachelor's Degree and the Honors Degree; at the second stage is the Master's Degree; at the third stage is the Doctorate Degree. Associate Degree and Higher Diploma programs commonly require two years and offer an alternative route to university degrees. Bachelor's Degrees require a three-year study course (some programs take four to six years). In addition, in technical/vocational institutions students may continue studying

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<sup>1</sup> Chinese University of Hong Kong; City University of Hong Kong; Hong Kong Baptist University; Hong Kong Institute of Education; Hong Kong Polytechnic University; Hong Kong University of Science & Technology; Lingnan University and University of Hong Kong.

part-time for Higher-Certificate or Higher-Diploma qualification. Master’s Degrees require one to two years of full-time study (three years part-time). Doctoral degrees are conferred after two to seven years of research work and approval of a dissertation.

## II. Costs, or Expenditures, in Hong Kong Higher Education

Funding to the UGC institutions is channeled through recurrent and capital grants. Recurrent grants are used for academic and related administrative activities. Capital grants support major capital projects and minor campus improvements. For the 2005-2008 triennium, the total recurrent funding for UGC-sector institutions was HK 30.3 billion (US\$5.3 billion). Table 1 shows its higher education expenditures for the academic years 2003-2009.

To share the cost burden of higher education, the Hong Kong government has implemented programs of matching grants to stimulate fund-raising activities by the individual universities. The “Matching Grants Scheme,” launched in July 2003, is based on the rationale that universities that succeed in securing private donations will be awarded dollar-for-dollar matching funds from the government. According to the UGC website, the Hong Kong government earmarked HK\$2.6billion (US\$ .5 billion) for these matching grants over the triennium period.

**Table 1**  
**Government Expenditure on Education, 2003-2009**

	<b>2003/2004</b>	<b>2007/2008</b>	<b>2008/2009</b>
Total expenditure (HK\$ million)	57,291 (US\$10,068 million)	53,825 (US\$9,459 m)	75,935 (US\$13,345 m)
As percentage of total government expenditure (%)	23.6	22.9	24.1
As percentage of Gross Domestic Product (%)	4.6	3.3	4.5
Recurrent expenditure (HK\$ million)	47,203 (US\$8,295 m)	46,794 (US\$8,224 m)	50,314 (US\$8,842 m)
Percent of recurrent expenditure spent on higher education	29.5	27.5	25.9

*Source:* Education Bureau. Available at:  
<http://www.edb.gov.hk/index.aspx?langno=1&nodeid=1032>

The charging of tuition fees has a long tradition in Hong Kong tertiary education. In the 1970s, the government began to expect tuition and fees to cover at least 12 percent of recurrent expenditures. But it was not until the late 1980s, when higher education in Hong Kong expanded that this expectation was realized. In 1990, tuition fees amounted to HK\$8,700, an increase of 16 percent over preceding years. By the end of the 1990s, tuition fees amounted to HK\$42,100 (US\$ 7,400), approximately 18 percent of unit costs (University Grants Committee).

Due to the high demand for manpower in the fields of science and technology, as Hong Kong makes the transition to a knowledge-based economy, flat tuition charges have been implemented

to attract more young people to study in these disciplines. As of 2009, the yearly tuition is HK\$42,100 (US\$7,400) for full-time students (except for a few subject fields and self-financed postgraduate programs). Tuition fee levels are reviewed annually by the Hong Kong government.

### III. Estimated Expenses of Higher Education

**Table 2. Hong Kong  
Higher Education Expenses Borne by Parents and Students  
First Degree, Academic Year 2009-2010 (9 month academic year)  
(Hong Kong Dollars converted to US dollars using 2005 ICP PPP  
estimate of \$1 = HK\$5.69)**

		Public		Private
		Low	High	
<i>Instructional Expenses</i>	<b>Tuition</b>	HK\$ 42,100 (US\$7,400)	HK\$ 42,100 (US\$7,400 )	HK\$ 49,000 (US\$8,611 )
	<b>Fees</b>	HK\$ 240 (US\$42)	HK\$ 240 (US\$42)	HK\$ 240 (US\$42)
	<b>Books &amp; Other Educational Expenses</b>	HK\$ 4,550 (US\$800)	HK\$ 6,000 (US\$1,054 )	HK\$6,000 (US\$1,054 )
	<b>Subtotal Expenses of Instruction</b>	HK\$46,890 (US\$ 8,240)	HK\$48,340 (US\$8,495 )	HK\$55,240 (US\$9,708 )
<i>Student Living Expenses</i>	<b>Lodging</b>	0	HK\$9,000 (US\$1,582)	HK\$45,000 (US\$7,908)
	<b>Food</b>	HK\$15,000 (US\$2,636)	HK\$25,000 (US\$4,394)	25,000 (US\$4,393)
	<b>Transportation</b>	HK\$5,000 (US\$878)	HK\$5,000 (US\$878)	5,000 (US\$878)
	<b>Other Personal Expenses</b>	HK\$10,000 (US\$1,757)	HK\$10,000 (US\$1,757)	10,000 (US\$1,757)
	<b>Subtotal Expenses of Student Living</b>	HK\$30,000 (US\$5,272 )	HK\$49,000 (US\$8,611)	HK\$85,000 (US\$14,938)
	<b>Total Cost to Parent &amp; Student</b>	HK\$76,890 (US\$13,513 )	HK\$97,340 (US\$17,107)	HK\$140,000 (US\$ 24,646)

Source: Estimated by the author using information retrieved August 7, 2009, from [http://www.nrca.com/nh\\_df/hschina/hschinacosting2004.html](http://www.nrca.com/nh_df/hschina/hschinacosting2004.html)  
<http://www.sfaa.gov.hk/eng/schemes/nlss.htm>,  
[http://cedars.hku.hk/finance/gl/0809/maximum\\_g10809.pdf](http://cedars.hku.hk/finance/gl/0809/maximum_g10809.pdf),  
and <http://www.cuhk.edu.hk/adm/handbook/content.html>.

Low cost: Public university living at home.

Medium cost: Public university living in dormitory.

High cost: Private university living in apartment.

#### IV. Student Financial Assistance in Hong Kong<sup>2</sup>

There are both means-tested and non-means-tested financial aid programs available to eligible local students. These programs do not cover students studying in Hong Kong on student visas.

##### *Tertiary Student Finance Scheme (TSFS)*

The publicly-funded Means-tested Tertiary Student Finance Scheme (TSFS) provides means-tested financial assistance to full-time students taking up University Grants Committee-funded or publicly-funded student places in recognized institutions. The TSFS, provided in the form of grants and loans, is means tested both on family income and family assets. For the income means-test, the student's adjusted family income (AFI) is calculated by dividing parental income and a portion of the income from unmarried siblings living at home by the number of family members plus one. The AFI is then used to determine the amount of the maximum grant and loan to which the student is entitled using the Ready Reckoner table, a portion of which is shown in table 3.

**Table 3. Ready Reckoner Used in Hong Kong**

AFI Groups between (HK\$)		% of Maximum Grant	% of Maximum Loan
0	20,882 (US\$3,670)	100%	100%
20,883 (US\$3,670)	22,219 (US\$3,905)	95%	96%
22,220 (US\$3,905)	24,428 (US\$4,293)	91%	92%
24,429 (US\$4,293)	26,637 (US\$4,680)	86%	88%

If, for example, a family has an AFI of between 0 and HK\$20,882, the student is entitled to 100 percent of the maximum grant and loan. If the family's AFI is between HK\$20,883 and \$22,219, the student is entitled to 95 percent of the maximum grant and 96 percent of the maximum loan.

Once the maximum grant and loan amounts have been calculated using the income test, they are then discounted by a discount factor associated with the family's net asset value per family member (calculated by dividing the family's total assets, excluding the value of their first home, by the number of family members). The Sliding Scale of Asset Value for Discounting Grant and Loan Assistance (a portion of which is shown below in table 4) is used to assign a discount factor that is applied to the level of grant and loan assistance calculated using the income test. For example, a family with a net asset value per family member of HK \$193,000 (US\$33,920) to \$292,000 (US\$51,318) has to discount the maximum grant and loan by -20%. Therefore, a student's entitlement to a grant of \$17,799 (US\$3,128) and a loan of \$8,560 (US\$1,504) (calculated on family income) would be reduced by 20 percent to \$14,239 2,502) and \$6,848 (US\$1,204) respectively. If a family has assets between \$370,001 (US\$65,027) and 457,000 (US\$80,317) the

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<sup>2</sup> Information source: Student Financial Assistance Agency. Retrieved July 24, 2009, from <http://www.sfaa.gov.hk/eng/schemes/tsfs.htm#10>

grant and loan to which the student is entitled are reduced by a further 60 percent.

***Sliding Scale of Asset Value for Discounting Grant and Loan Assistance for 2009/10 Application***

<u>Net Asset Value per Family Member (HK\$)</u>	<u>Discount Factor of Grant/Loans Assistance</u>
Over \$544,000 (US\$95,606)	-100% (no assistance)
\$457,001 to \$544,000 (US\$80,317 – 95,606)	-80%
\$370,001 to \$457,000 (US\$65,027 – 80,317)	-60%

The TSFS grant covers tuition fees, academic expenses and compulsory union fees -- the sum of these three expenses is the maximum grant. The TSFS loan is for living expenses. The loan, which requires an employed guarantor, is interest-bearing at 2.5 percent. The maximum loan is HK\$36,880 (about US\$6539, using 2008 PPP estimate) for 2009/10 applications. The approved grant and/or loan is paid in two equal installments, one for each semester.

The TSFS loan(s) and the interest accrued are repayable in 20 quarterly installments within five years after graduation. Students may apply for deferment of loan repayments if they are having difficulties repaying the loans due to further full-time study, financial hardship or serious illness (The Student Financial Assistance Agency 2009).

***Means-tested Financial Assistance Scheme for Post-secondary Students (FASP)***

The Financial Assistance Scheme for Post-secondary Students (FASP) provides means-tested financial assistance in the form of tuition fee grants, academic expenses grants and living expenses loans to needy full-time students who are pursuing locally-accredited, post-secondary education in self-financing institutions. The same means test is used as in the TSFS program. Successful applicants must provide a Deed of Indemnity signed by a guarantor and evidence showing that the guarantor is employed. The living expenses loan has an interest rate of 2.5 percent and repayments must be made in 20 equal quarterly installments within a period of 5 years upon graduation or termination of studies. Repayments may be deferred in the event of full-time studies, financial hardships or serious illness.

***Non-means-tested Loan Schemes***

There are three non-means-tested loan programs for different groups of eligible students, all of which require co-signatories: the Non-means-tested Loan Scheme (NLS), the Non-means-tested Loan Scheme for Post-secondary Students (NLSPS), and the extended NLS. The NLS provides loans to students who are eligible for assistance under the TSFS. The maximum NLS loan is capped at the maximum amount of tuition fees payable.

The loan application fee for the 2009/10 academic year is HK \$260 (US\$ 46, using 2008 PPP estimate) of which HK \$180 (US\$32) is the annual fee charged by the Agency and HK \$80 (US\$14) is the handling charge levied by students' institution per application. If the student has

applied for TSFS, he or she will be informed of the financial assistance and/or loan(s) entitled under both the TSFS and the NLS in the TSFS notification of result. The NLS loan(s) and the interest accrued thereon are repayable in 40 equal quarterly installments within 10 years after the completion of the relevant course or the student ceases to be a registered full-time student at the institution on or before completion of the relevant course. The NLS operates on a full-cost recovery basis. Interest is charged at the Government of the Hong Kong Special Administrative Region (the Government)'s no-gain-no-loss rate which is currently set at 2.984 percent below the average best lending rate (BLR) of the note-issuing banks, plus a risk-adjusted factor which seeks to cover the Government's risk in disbursing unsecured loans. The rate as of June 2009 was 3.599 percent.

The NLSPS is for full time students who are covered under the FASP to help them cover their tuition fees, academic expenses and basic living expenses. The maximum NLSPS loan amount is capped at the annual tuition fees payable for the course under application plus an allocation for academic expenses (HK\$3,200 [US\$562]) and an allocation (HK\$36,880 [US\$6,481]) for living expenses. Students may apply for the NLSPS alone or for both and the FASP and the NLSPS. The Agency will not be able to determine the loan amount under the NLSPS until the FASP results are known.

Like the NLS, the NLSPS operates on a full-cost recovery basis. An administrative fee is charged for each application to cover the full costs of processing and administering the NLSPS loan(s). The administrative fee payable in the 2009/10 academic year for applicants of the NLSPS is HK\$180 (US\$ 32, using 2008 PPP estimate).

The Non-means-tested Loan Scheme (NLS) was extended to provide financial assistance in the form of loans to eligible students who are not covered under the TSFS and FASP to meet their tuition fees (The Student Financial Assistance Agency 2009)

#### (4) Means-tested Student Travel Subsidy Scheme (STS)

Those eligible to TSFS and FASP may also apply for a travel subsidy under the Student Travel Subsidy Scheme (STS), if (a) they attend a full-time day course up to first degree level and (b) reside beyond 10 minutes' walking distance from their normal place of study and travel to school by public transport.

The subsidy is calculated on the basis of the average unit fare between the district, in which a student resides during term time, and the district in which the normal place of study is [Top ▲](#) located. STS is paid in one lump sum for an academic year.

#### (5) Institutional Financial Aid Programs

In addition to the government financial aid schemes, the universities also provide scholarships and other financial assistance on behalf of individual and corporate donors. Most are awarded to

students on the basis of academic and professional merit upon recommendation of the academic departments. Bursaries, grants, and loans donated by private organizations, professional bodies, firms, and individuals, are primarily allocated to full-time students who face unexpected or exceptional hardships.

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