Tuition Fee Policies in Comparative Perspective: Theoretical and Political Rationales

Pamela N. Marcucci and D. Bruce Johnstone*

As governments are increasingly turning to cost sharing in order to meet the growing demand for, and decreasing government investment in, public higher education, the choice among different tuition fee policies becomes of great importance. Tuition fee policies and the financial assistance policies that accompany them are critical both for the very considerable revenue at stake and for the potential impact on higher education accessibility and the implications for equity and social justice. This paper will look at tuition fees in an international comparative perspective in the context of this rich mixture of finance, ideology and politics.

Introduction

The charging of tuition fees by higher education institutions is a critical component in any cost sharing strategy and one that has become increasingly salient as more and more countries turn to cost sharing in an effort to meet growing demand for, and offset decreasing government investment in, higher education. The immediate issue addressed in a country’s tuition fee policy is the division of the burden of higher education’s instructional costs between the student and his/her family and the government, or taxpayer, as well as the accompanying financial assistance policies/programmes that are adopted to ensure that the implementation of tuition fees does not reduce access to higher education for students from lower socio-economic backgrounds. Thus, the policies by which tuition fees are established (or opposed or rejected) are critical both for the very considerable revenue at stake as well as for the potential impact on higher education accessibility and the implications to equity and social justice. This paper will look at tuition fees in an international comparative perspective in the context of this rich mixture of finance, ideology and politics. In the US, “tuition” is a fee charged for instruction. In the UK and in English language usage in most of the rest of the world, the word “tuition” means instruction, and a fee charged must therefore be called a tuition fee. We will follow the UK practice and refer to the tuition fee.

The distinction between such a tuition fee and other kinds of fees is imprecise and is sometimes even deliberately intended to hide what could just as well be termed a tuition or a tuition fee because of either legal obstacles or political opposition to the very idea of such a fee. However, a tuition fee generally refers to a mandatory charge levied upon all students (and/or their parents) covering some portion of the general underlying costs of instruction. A fee, on the other hand, generally refers to a charge levied to recover all or most of the expenses associated with a particular institutionally-provided good or service that is frequently (although not always)

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partaken of by some but not all student and that might, in other circumstances, be privately provided. Thus, charges to cover some or all of the costs of food and lodging, or of health and transportation services, would normally fall under the category of **fees**, as might the charges to cover some special expenses associated with instruction such as consumable supplies in an art class or transportation associated with a special internship experience. Less precisely distinct from a tuition fee because they are usually levied on all students but are nonetheless based on the actual expense of the particular institutionally-provided good or service – and which therefore might be referred to as **fees** as opposed to **tuition or tuition fees** – could be charges levied to cover the cost of processing admission applications or of providing student Internet access or recreational programmes. Finally, charges levied on all students that are associated with non-instructional programmes or services and that the students themselves have a major hand in allocating among competing programmes and services (usually through an elected student government) are generally referred to as **fees**.

Further to the definition of a tuition fee, this paper will not make a major distinction between a tuition fee that is charged **up front** (that is, payable at the time of matriculation and thus most frequently paid for by the parents in so far as they are financially able) and a tuition fee that is **deferred** (regardless of whether this deferred obligation, or **loan**, is to be repaid on a predetermined fixed schedule or on a schedule that is based on the graduate’s later earnings or income). The distinction is not unimportant. But it is not that one or the other form of obligation is or is not a **tuition fee** – as both forms are mandatory payments to cover part of the expenses of instruction, and thus both are indeed tuition fees. Rather, the important distinction is which party – the parent or the student – is obliged to pay, a distinction to which we will return below. (See Johnstone. 2004.)

Historically, the development of many higher education systems (particularly in Western Europe, Central and Eastern Europe, Russia and the nations of the former-Soviet Union and Francophone Africa) were developed based on an ideology of free tertiary education for qualified students. The argument for free higher education is based on several rationales:

- The returns to society from an educated population are very high.
- Education is (or should be) a fundamental right.
- Tuition fees may discourage the participation of students from low-income families, rural areas or ethnic minorities with negative impacts in terms of social equality and social benefits.
- The costs of student maintenance are high and already beyond the reach of many families especially when coupled with the costs of foregone student earnings.

Moreover, the immediate beneficiaries of free public higher education have tended to be the politically powerful middle and upper classes that use these rationales to support their own interest in keeping higher education free.

In recent years, however, there has been a dramatic shift in the burden of higher education costs with students and their parents being asked to shoulder a larger share. The rationales for this shift include:

- Private returns to higher education (higher lifetime earnings, enhanced status, etc.) are substantial (and probably extend as well to parents of students).
• Free higher education is still enjoyed disproportionately by the children of middle and upper classes, while the costs tend, in most countries, to be paid for by taxes that are at best proportional and frequently regressive. Thus, most economists view totally free higher education—especially to the extent that most parents would willingly pay a fee if one were levied, and even more so if there are means tested grants for those unable to pay—to be effectively a redistribution of income from the poor to the wealthy.

• Students and families who pay tuition fees will demand accountability and, therefore, universities will have to be more consumer oriented and efficient.

• The costs of higher education— with per-student costs rising at rates in excess of inflation, magnified by increasing enrollments— are calling for extremely high annual increases in revenue. However, the increased difficulty of taxation, especially in low income and transitional countries, plus also increasing competition from other compelling public needs such as health care and primary education, make increased tax revenues to higher education doubtful at best.

Whatever the arguments, the simple fact is that growing enrolments and decreasing government investment have translated into growing numbers of state policies that encourage, or at least allow, the charging of tuition fees.

Setting of tuition fee policies

The tuition policy of a country is generally dependent on a law or other type of legal instrument that provides the basis for charging or for prohibiting tuition fees. The United States, Canada, Japan, India, South Korea, the Philippines and some of the Anglophone nations in Africa have national and/or state policies requiring moderate tuition fees in most or all public higher educational institutions. (Johnstone 1992). In China, the 1998 Higher Education Law calls for the charging of tuition fees to all students.

Other countries have laws that prohibit the charging of tuition fees. In Central and Eastern Europe, Russia and the other countries of the former Soviet Union, free higher education is frequently guaranteed by their constitutions or framework laws. In Nigeria, the government announced in May 2002 that the 24 Federal universities were forbidden to charge tuition or other academic fees. In Ireland, government efforts to reinstate tuition fees, abolished in 1996, met with failure in the summer of 2003.

In Germany, until recently, the federal framework law (HRG: Hochschulrahmengesetz) imposed restrictions on the individual Länder’s (state’s) authority to charge tuition fees, and the Social Democratic government banned tuition fees for the first degree outright (Ziegele 2003). Certain exceptions were made, and several states (Baden-Württemberg, Bavaria, Saxony, Berlin, Lower Saxony and Brandenburg) implemented the special forms of fees that were allowed, such as tuition fees for students who exceeded the normal duration of a certain programme plus 4 semesters and tuition fees for students enrolled in a second degree. In January of 2005, after several years of emotional debate, the country’s supreme court overturned the ban in a case brought by six Länder and ruled that individual Länder could introduce tuition fees. As of 2005, several Länder plan to pass enabling legislation and impose fees of about 500 Euros per semester in the next couple of years, while others have no intention of changing their tuition policies.
The legal status of tuition fees is less clear in other countries. In Mexico, where public 
universities have charged, albeit inconsistently, very low tuition fees for the past 30 years, the 
Constitution is ambiguous as to whether higher education is the sole responsibility of the state. 
The very public student protests in the late 1990s that accompanied the first (and fairly modest) 
increase in tuition fees at the Universidad Nacional Autónoma de México since 1948 illustrated 
the volatility and uncertainty surrounding this issue.

Table 1. Tuition fees in various countries for first degree, recent academic year 
(National currencies converted to US dollar by Purchasing Power Parities)

<table>
<thead>
<tr>
<th>Country</th>
<th>Public</th>
<th>Special Fee Paying Track</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>Medium</td>
</tr>
<tr>
<td>Australia (2005; 2004 PPP)</td>
<td>$3,500</td>
<td>$5,000</td>
</tr>
<tr>
<td>Austria (2002-2003; 2003 PPP)</td>
<td>$800</td>
<td>$800</td>
</tr>
<tr>
<td>Canada (2003-2004; 2004 PPP)</td>
<td>$1,460</td>
<td>$3,170</td>
</tr>
<tr>
<td>China (2004-2005; 2003 PPP)</td>
<td>$1,640</td>
<td>$2,960</td>
</tr>
<tr>
<td>Ethiopia (2003-2004; 2003 PPP)</td>
<td>$1,559(^1)</td>
<td>$1,559</td>
</tr>
<tr>
<td>Hong Kong (2002-03; 2002 PPP)</td>
<td>$6,060</td>
<td>$6,060</td>
</tr>
<tr>
<td>Hungary (2000 – 2001)</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>India (2001-2002; 2001 PPP)</td>
<td>$20(^2)</td>
<td>$85(^3)</td>
</tr>
<tr>
<td>Japan (2005; 2004 PPP)</td>
<td>$4,060</td>
<td>$4,060</td>
</tr>
<tr>
<td>Korea (2000-2001; 2000 PPP)</td>
<td>$195</td>
<td>$1,404</td>
</tr>
<tr>
<td>Mexico (1999-2000; 1999 PPP)</td>
<td>$178</td>
<td>$535</td>
</tr>
<tr>
<td>Mongolia (2002 – 2003; 2002 PPP)</td>
<td>$1,125</td>
<td>$1,125</td>
</tr>
<tr>
<td>Netherlands (2002-03; 2004 PPP)</td>
<td>$1,520</td>
<td>$1,520</td>
</tr>
<tr>
<td>Russia (1999 – 2000; 1999 PPP)</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Singapore (2005-06; 2003 PPP)</td>
<td>$1,340</td>
<td>$3,875</td>
</tr>
<tr>
<td>South Africa (2004; 2003 PPP)</td>
<td>$4,500</td>
<td>$7,000</td>
</tr>
<tr>
<td>UK (2005-06; 2004 PPP)</td>
<td>$0(^5)</td>
<td>$1,000</td>
</tr>
<tr>
<td>United States (2004-05)</td>
<td>$4,350</td>
<td>$9,000</td>
</tr>
<tr>
<td>Vietnam (2002 – 2003; 2002 PPP)</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

Notes:
1 Deferred payment: this amount includes payment for room and board, health services as well as tuition.
2 Central University
3 State University
4 University or Government College
5 When residual family income is below £22,000 no tuition fees are charged. When income is between £22,010 and £32,742 some tuition fees are charged and when income is above £32,745, full tuition fees are charged.

The authority to set tuition fees at public higher education institutions is vested in different entities in different countries. In many countries, including Canada, India, and the United States, tuition levels are set at the state or provincial level. In the US, the entity or entities responsible for setting tuition differs from state to state and may include the governor, legislature, state higher education coordinating or governing board, or the individual institution. It is often difficult to determine the exact mix of legal authority and political influence in the setting of tuition fees in US public institutions or higher educational systems. For example, if an
institution (or the system), given the authority to set tuition fees, does so against the clear wishes of the governor and the legislature, the government may in turn effectively “retaliate” and undo the revenue effect of the tuition fee simply by reducing the state taxpayer allocation. In a similar “mix” of fee-setting authorities, the governing board may have the sole authority to establish the tuition fee but only the state government may have the power to appropriate the revenue raised therefrom.

In others countries, including Hong Kong, and the United Kingdom (at present), the central government is responsible for setting tuition fee levels. And in others, such as Chile and South Korea, the individual institutions are authorised to set their own tuition fees. The new Higher Education Act in the UK, passed in 2004 amid great controversy, allows universities to charge “top up” fees over and above the standard governmental fee up to a maximum of £3,000 (US$ 4,846). While much of the opposition from the political left was over the specter of only a handful of the elite universities availing themselves of this authority – and thus of the “rich getting richer” – preliminary observations in 2005 are that most universities will charge the maximum allowable tuition fee. Similarly, in 2005, legislation was passed in Australia that gives universities the power to increase their tuitions by up to 25 percent above current levels.

In several countries, tuition fee setting authority is split between the central and state governments or between the state and institutions. In the Netherlands, for example, the government sets tuition fees for those students eligible for student support and the institutions set tuition fees for the students who are not eligible (i.e. part-time students, students who have used up all of their entitlement for student support and students whose personal income exceeds the income limits for student support). Reforms to the higher education system have been proposed to Parliament, however, that if accepted would lead to a much more differentiated and market based system and institutions would have considerably more latitude to set tuition levels (Jongbloed 2005).

In Japan, a major reform in 2004 authorized the national universities to incorporate as public corporations and to set their own tuition fees. However, universities may not exceed 110 percent of the standard fee set by the Ministry of Education and the Ministry of Finance. The local authorities continue to determine the tuition fee levels at local public institutions.

In Nigeria, the federal government has forbidden the charging of tuition fees at the federal universities (though, as of July 2006, it is poised on the brink of changing this policy), but the eleven universities that are owned and financed by the states are allowed to set their own tuition fees. It is particularly interesting that in a country such as Nigeria, where explosive student protests against tuition fees have probably played a considerable role in the federal policy, there is not much opposition to the charging of tuition fees at the state level. It has been hypothesized that at the state level the community feels more involved in, and responsible for, their universities (Ishengoma 2002).

Types of Tuition Fee Policies

The types of tuition fee policy adopted by a country are strongly related to its conception of parental financial responsibility for their children’s higher education. Upfront tuition policies are based on the assumption that parents have a responsibility to cover some portion of their children’s higher education costs and that they should pay according to their ability. In this case, the proportion of tuition fee to be paid or the amount of financial assistance available depends on
a family’s income. This is the case, for example, in Austria, Chile, the Netherlands, South Africa, the United States, and the United Kingdom (through 2005).

Box 1. Austria: Introduction of tuition fees
After close to thirty years of free tuition, in the fall of 2000, the Austrian right-of-center government announced the introduction of a 363 Euros tuition fee per semester for students in universities and Fachhochschulen effective as of October 2001. While the introduction of tuition may have been useful in reducing the number of what are called “card index corpses” or those students who enroll just to avail of student perks, but do not actually pursue their degree with any commitment, and appears not to have had as negative an impact as feared on enrolments (which dipped significantly in 2001-02, but grew in 2002-03, though not to previous levels), many argue that it has had no real impact on the quality of education, since the government has simply reduced its contribution by what the universities are able to get from their students (Various Times Higher Education Supplement Articles: Sully 2000; Leidig 2001; Potterton 2001; Chapman 2002).

In those countries with no tuition fees (the Scandinavian countries) or with deferred tuition policies (the Higher Education Contribution Scheme in Australia, the Graduate Endowment Scheme in Scotland and the Students Allowance Scheme in New Zealand), there is the assumption that parents are not financially responsible for their children’s higher education and that the children themselves cannot be expected to cover its cost while they are studying. In Scandinavia, the state pays for all instructional costs for qualified students using the considerable resources collected from its taxpayers, while the students, as “financially independent adults,” assume the burden of living costs through subsidized student loans. In Australia, parents can choose to pay the “up front” tuition fees – with an incentive to do so – but may also leave this burden on the children to be repaid with an income contingent loan. In Scotland, the tuition fee is automatically deferred and repaid as a loan, but the parents may choose to cover some or all of the costs of student living.

Box 2. Australia and Scotland: Deferred tuition fee policies
Since 1989, most Australian students contribute to the cost of their higher education through the Higher Education Contribution Scheme (HECS). Under the HECS program, Commonwealth-funded students (i.e. those students who only make a contribution towards the cost of their education, while the Australian Government contributes the majority of the cost) and their families have the option of paying their tuition fees up-front (with a 25 percent discount – reduced to 20 percent for students starting their study in 2005) or accepting the terms of the income contingent loan. In 1997, HECS was increased and differentiated into three cost bands based on a combination of the relative cost of course delivery and the relative profitability of certain programs. The government directly pays the university the tuition fee for each HECS deferred student and assumes responsibility for collecting the loans once students have reached a certain income level after graduation.

Recent legislation has introduced a subsidized income contingent loan program (FEE-HELP) also for full fee-paying students (i.e. those students who pay tuition fees that are not subsidized by the Australian Government) in public or eligible private institutions whereby they
will be able to defer payment of their tuition fees until their salary has reached the average Australian earning income.

The Graduate Endowment Scheme (GES) in Scotland was created in 2001 by legislation of the Scottish Parliament wherein Scottish and EU students are liable to pay a fixed amount (£2,154 per year of study) at the end of their degree in recognition of the higher education benefits received. The contribution can be paid as a lump sum or income contingently once income has reached £10,000. A recent agreement in the Scottish Parliament enables the Ministers (with the approval of Parliament) to set top up fees for English students studying at Scottish universities.

In recent years, deferred tuition policies have come into vogue as a way to reconcile requiring students to contribute to their higher educational costs with their inability to do so while still studying. Income-contingent loans are one way of deferring the tuition fee to the future. Such loans carry “a contractual obligation to repay some percentage of future earnings … until the loan is repaid at a contractual rate of interest, or until the borrower has repaid either a maximum amount or for a minimum number of years” (Johnstone 2005). Graduate taxes are a variant on the income contingent loan “whereby the student (sometimes only the graduated student), in return for government subsidization of higher education in the form of low or no tuition fees, becomes obligated to an income surtax, generally for the rest of his or her earning lifetime”. (Johnstone 2005) While no country has introduced a formal graduate tax, the Scottish Graduate Endowment Scheme described above and the Ethiopian Graduate Tax described below have many common elements.

Box 3. The United Kingdom: From upfront to deferred tuition fees

In the United Kingdom, a government White Paper was presented to Parliament in January 2003 that signaled a significant shift in tuition fee policy from an upfront tuition fee to a deferred income contingent graduate contribution system. From 1998 to the present, means tested contributions to upfront tuition fees ranged from zero contributions for families with income below £17,370 (US$28,061 using 2004 PPP rate of US$1= £ .619) to £1,025 (US$1,655) for families with income above £28,000 (US$45,234). There was a system of income contingent loans in place that allowed students to borrow to pay their upfront tuition fees. In 2004 legislation was passed that will abolish up-front tuition fees and introduce an income contingent repayment obligation that students who start their study in 2006 will pay after graduation through the tax system. Institutions have been granted the right to set these student contributions between £0 and £3,000 (US$4,846).

A recent cross-party deal in the Welsh assembly has concluded a long debate about tuition fees in Wales. As part of the agreement, Welsh students at Welsh universities will be exempt from top-up fees through the 2006/07 academic year and will pay the current flat rate means-tested deferred tuition fee of £1,200 (US$1,938). Welsh students studying in England, however, will have to pay the top up fees. Starting with the 2007/2008 academic year, higher education institutions in Wales can charge an annual deferred flexible fee of up to £3,000, but the increase will be offset for Welsh students by a non means-tested fee grant of up to £1,800. English and Scottish students will have to pay the entire amount.
Box 4. Ethiopia: Introduction of a graduate tax

Until 2003 higher education in Ethiopia was free for the limited number of students who qualified for it based on their school leaving certificate examinations. In June of that year, the Higher Education Proclamation introduced a major policy shift indicating that cost-sharing would be a key component in financing Ethiopian higher education development. In September, the Higher Education Cost-Sharing Council of Ministers Regulation introduced a graduate tax designed to recoup the governments’ full costs for student meals, accommodation and health services plus 15 percent of estimated tuition costs. Payments will take place at a flat rate of 10 percent regardless of income category until the student’s agreed upon share is fully recovered (Saint 2003). Students and their families who pay their contribution up-front as a lump sum will receive a 5 percent discount and those who pay as a lump sum in the first year after graduation will receive a 3 percent discount (Saint 2003). Evening students will continue to pay their fees.

In many countries with either legal restrictions against, or strong popular resistance to, tuition fees, *dual track tuition policies* are being implemented. In these countries, a certain number of free (or very low cost) university places are awarded by the government based on some criteria (usually scoring above a certain cut off point on the secondary school leaving examination) and other places are available to qualified, but lower scoring, students on a tuition fee paying basis or special continuing education or professional courses are set up by universities for which they charge tuition fees.

Governments all over the world are implementing dual track fee policies. In Australia, since 1998 universities have been able to offer fee-paying places to Australian undergraduates as long as they have met their enrolment target for Commonwealth funded students. In 2003, legislation was passed that starting in 2005 increased the proportion of full fee-paying students allowed to enroll in an institution from 25 to 35 percent of the total enrolments in each program of study. In Hungary, tuition fees have not been charged since 1998 except for those students whose scores are below average on the entrance exams. In Russia, where free higher education is guaranteed by the constitution, the 1996 Law on Education introduced the concept of higher education cost sharing, and more than 25 percent of all university income is said to come from tuition fee paid by students who have passed the entrance exam, but have not scored high enough to qualify for state support (Bain 2001). In the 2001/02 academic year over 50 percent of university students paid full tuition fees. In Russia, the government has also started to experiment extensively with a new system of financing based on government individual financial obligations (GIFOs). GIFO is a voucher system that provides students with five levels of tuition fee subsidy (0 to 100 percent) based on their scores on a national entrance examination. In Uganda, where, as in much of sub-Saharan Africa, higher education is supposedly “free,” 80 percent of Makerere University’s 22,000 students pay an average yearly tuition fee of $700 (Kigotho and Bollag 2002).

One further variant on the dual track tuition policy model is the practice of charging international students tuition fees that are even higher than those charged to domestic full-fee paying students. In Australia, for example, part of the higher tuition paid by international students (A$10,000 to 13,500 per year compared to A$8,000 for domestic students) is used for capital costs and for English Language and student skills support. Some European Union countries have different tuition policies for international students from other EU countries and
for international students from non-EU countries. Box 3 describing the treatment of English and Scottish students in Wales illustrates the complexity of the issue.

Box 5. Kenya: module II academic programs

Higher education was historically free in Kenya. Eligible students paid no tuition fees and were given living allowances in exchange for their working in the public sector for three years following graduation. This changed in 1991 when tuition fees were introduced for all government supported students and most government support for living expenses was eliminated in the face of financial austerity and growing enrolments.

Continued declines in government support for higher education has forced universities to continue to look for ways to generate additional income. Among other initiatives, in 1998, the University of Nairobi introduced the highly successful Module II programs, academic programs for privately sponsored students in which they pay full tuition fees. These programs are run in parallel to the Module I Programs (traditional student supported programs whereby students pay only 20% of tuition fees). By the 2002/03 academic year, of the close to 22,000 undergraduate students enrolled at the University of Nairobi, about half are in the Module II programs and since their creation these Programs had raised over 3 billion Kenyan Shillings (US$130,000,000 using 2002 PPP estimate). (Kiamba 2003)

<table>
<thead>
<tr>
<th>Up-front Tuition Fee</th>
<th>No Tuition</th>
<th>Dual Track Tuition Fee</th>
<th>Deferred Tuition Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Netherlands</td>
<td>Brazil</td>
<td>Australia</td>
</tr>
<tr>
<td>Belgium</td>
<td>Nigeria (State)</td>
<td>Denmark</td>
<td>Australia</td>
</tr>
<tr>
<td>Canada</td>
<td>Philippines</td>
<td>Finland</td>
<td>Ethiopia</td>
</tr>
<tr>
<td>Chile</td>
<td>Portugal</td>
<td>France¹</td>
<td>Hungary</td>
</tr>
<tr>
<td>China</td>
<td>Singapore</td>
<td>Francophone Africa</td>
<td>Kenya</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>South Africa</td>
<td>Germany²</td>
<td>Poland</td>
</tr>
<tr>
<td>India</td>
<td>Spain</td>
<td>Greece</td>
<td>Romania</td>
</tr>
<tr>
<td>Italy</td>
<td>Turkey</td>
<td>Ireland³</td>
<td>Russia</td>
</tr>
<tr>
<td>Japan</td>
<td>England (now)</td>
<td>Luxembourg</td>
<td>Tanzania</td>
</tr>
<tr>
<td>Kenya</td>
<td>United States</td>
<td>Malta</td>
<td>Uganda</td>
</tr>
<tr>
<td>Korea</td>
<td>Wales (now)</td>
<td>Nigeria (Federal)</td>
<td>Vietnam</td>
</tr>
<tr>
<td>Mexico</td>
<td></td>
<td>Norway</td>
<td></td>
</tr>
<tr>
<td>Mongolia</td>
<td></td>
<td>Sweden</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tanzania</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. The 1958 French constitution defines access to education as free; however registration fees of approximately Euro 230/year (US$256 using 2004 ppp conversion) are charged to cover administrative costs and health costs.
2. Recent legislative changes allow individual states to introduce tuition fees.
3. While Ireland’s universities do not charge tuition fees, they do charge students a yearly student service fee of Euro 750 (US$742 using 2004 ppp conversion) (2005).

How are tuition fees set?

A critical policy question, of course, is the proper level of tuition? This question is most usefully answered by positing an appropriate percentage of the underlying instructional costs that
would be covered by a tuition fee. This, however, is not a simple matter. For example, costs vary substantially across institutions and sectors, and especially across programs in accord with prevailing faculty-student ratios, equipment needs, and other program-specific costs—as, for example, among programs in science, history, or undergraduate teacher education. Furthermore, the calculation of instructional costs also depends on assumptions or accounting conventions: for example, how so-called indirect costs, or institution-wide expenditures, are apportioned among first-degree or graduate instruction, or how pension costs, or the costs of health insurance, or the costs of capital (i.e., debt service and depreciation) are handled.

The appropriate tuition fee may be thought to depend on the cost of the programs. This is the case in Canada, China, South Africa and Vietnam, where programs with higher costs charge higher tuition fees. In other cases, the appropriate tuition fee may be thought to depend on the private benefits believed to be attached to certain institutions or certain degree programs. Regardless of the underlying instructional cost differences, it is commonly thought appropriate (or perhaps merely expedient, or just more feasible) to recover a higher percentage of these costs from those programs and degrees believed to bring the greatest private return to the student (or parents)—either in future earning capacity, or in prestige, job security, or anything else valued in a profession or vocation. Thus in the world of private higher education, and in public higher education where tuition is permitted, tuition and associated fees for medical and other advanced health professional programs are generally high, reflecting not only the greater instructional costs of such education, but the high market value of the degree (in turn reflecting the high income and high status associated with these professions). In Mexico, the United States and Vietnam, higher prestige institutions or institutions belonging to more competitive categories (universities versus community colleges) charge higher tuition fees.

The establishment of a “proper tuition” is made even more complicated by the interaction and the inter-country variations between these two factors instructional costs and the presumed mix of public and private benefits. For example, it is conventionally thought that research, or "classical," universities are more costly per-student than shorter-cycle, more vocationally-oriented, less research-intensive institutions; thus, a common percent of costs to be covered by a tuition fee would yield a higher tuition in the classical, research university. However, although the presumably higher unit costs of the classical university may be true for medicine, it is probably not true for certain other professional programs such as law or business, which are highly sought-after and which bring considerable private benefits, but which can be rather inexpensively delivered, particularly at the first degree level.

Further complicating the establishment of a proper tuition fee is the fact that a realistically expected family contribution cannot be derived simply from some ex ante rule of what parents at various income levels ought to pay, but of what parents seem in fact willing to pay at a particular time in a particular culture. Thus, the Swedish parent has become accustomed to paying very heavy taxes, but then to enjoying the benefit of “free” university education for their children; the imposition of tuition charges in Sweden could well be resisted, even by parents who by most measures could well afford the tuition. In contrast, Chinese parents, who probably have only one child to begin with, and who have probably always placed a very high value on education (or else the child would not likely be in a position even to contemplate higher education), are apparently willing to make considerable personal financial sacrifices for their child to go to a university.
Parents may be thought to be more willing to pay in countries with substantial private education, where people are more used to paying for the higher (and sometimes the secondary) education of their children. This seems to be the case in the US, where tuition at private colleges and universities may be well in excess of $20,000 a year, and total expenses in excess of $35,000—making even a moderately high public university tuition of $6000 - $8000 seem quite modest and politically acceptable. (The same association of politically acceptable public sector tuition with an extensive private university sector, however, does not seem to hold in countries such as Japan, Brazil, India, Korea, and the Philippines that have extensive private sectors but which still feature low or no cost public classical universities.)

Finally, the very availability of need-based grants and loans as well as possibilities for part-time employment affect the level of tuition fees that can be charged in the public sector. In theory, a “need-based” grant, increasingly in conjunction with a student loan, substitutes for the missing parental contribution from the low-income family. However, grants and loans in most countries are generally rationed, usually by criteria of academic merit or preparedness having nothing to do with the ability of the family to provide financial support. Because academic merit or preparedness, at least as conventionally measured, is strongly correlated with socio-economic status, the more “merit” figures into the awarding of grants and subsidized loans—much of which (to the upper-middle class) is likely to have little or no impact on the student’s enrollment decision—the less is apt to be available for low-income students, and the more the imposition of tuition is thus likely to be a barrier to higher educational participation.

Box 6. China: From free higher education to dual track to upfront tuition fees

China’s tuition fee policy passed through several quite distinct stages. From 1949 though the mid 1980s, higher education was completely funded by the government, which was, in turn, responsible for making the enrolment and personnel plans. College graduates were assigned jobs by the government and there was little room for personal preference in terms of type or location. The monetary returns for a university education were extremely low. In 1985, a dual track tuition fee policy was announced in the policy document, *Decision on Reform of the Educational Structure*. The document stated that higher education institutions could charge tuition fees to a small number of students who had scored below the cut off for public supported students. In 1993, the Chinese government announced the introduction of a one-track enrolment policy wherein all students would be charged tuition fees. By 1997, all regular higher education institutions charged tuition. This policy was reiterated in the 1998 Higher Education Law of the People’s Republic of China. At present, approximately 27 percent of the total recurrent higher education expenditure is covered by student’s tuitions (Li 2005).

Another type of tuition policy is one in which tuition fees are charged as a way of penalizing those students who have studied longer than the normal program duration. In Hungary, tuition fees were abolished in 1998, except for those mentioned above who do not score high enough on the entrance exam and for those who take longer than the allotted five years to complete their degree. In the Czech Republic, the 1998 Higher Education Act allows institutions to charge fees as a penalty for students who study beyond the standard length of the program. In Germany, for example, the state of Baden-Wurttemberg charges a tuition fee of $500 per semester to students who have exceeded the normal program duration.
Tuition Fees and Implications for Access and Enrolment Behavior

An earlier section of the paper mentioned that arguments against free higher education often cite its regressivity, in that it benefits the middle and upper middle socio-economic classes to which the vast majority of students belong at the expense of the low income taxpayers whose children are not well represented in higher education, as a reason to charge tuition fees and implement means-tested grant and loan programs. The counter argument to this rationale is that charging tuition fees or increasing tuition fees will have a negative impact on enrolment rates.

Research in this area in Australia, Canada, China, the Netherlands, New Zealand, the United States, and United Kingdom (Andrews 1999, Li and Min not dated, La Rocque 2003, Junor and Usher 2002, Leslie and Brinkman 1998, Heller 1997 cited in Vossensteyn 2000, Vossensteyn 2005) suggests that at the macro level, demand for higher education is relatively inelastic in the face of price increases, but that in some countries (or at certain tuition fee levels) there may be a corresponding change in the proportion of students enrolled from different socio-economic groups. Interestingly, this appears to be the case in the US and the United Kingdom where net price changes appear to have a greater effect on students from lower socio-economic classes, but not in Australia and New Zealand where the introduction of tuition fees (albeit deferred) did not influence the composition of the student body (LaRocque 2003 and Chapman and Ryan 2002).

Looking at the impact of a decrease in or elimination of tuition fees on student enrolment, a recent report by the Irish Department of Education and Science indicates that the introduction of the free fees initiative in 1995 had “little or no impact to date on promoting equity and broadening access to higher education for the lowest socio-economic groups.” (Department of Education and Science 2003). While all socio-economic groups experienced actual increases in participation between 1991 and 2001, within the university sector, “the lower socio-economic groups represented an even smaller proportion of entrants in 2001 than they did in 1995.”

Macro level enrolment data may also mask the changes in enrolment behavior that result from the implementation of, or increases in, tuition fees. These changes could be students switching from full to part-time programs, taking time off for a period of time to earn money, working longer hours in off-campus employment and/or changing from more to less expensive institutions or majors, or institutions closer to home. There is also evidence in the United States that in the face of rising tuition fees, more students may be participating in the College Board’s College Level Examination Programs that culminate in a test that if passed with a certain score allow the student to receive college credit from many public and private colleges and universities (Hebel 2003).

In general, however, little is known empirically world wide about the impact of cost sharing (and tuition fees) on higher education accessibility and enrolment behavior or about the ameliorative efficiency of programs such as means tested grants and loans, and additional research is needed in order to inform higher education policymaking.

In an effort to shed more empirical light on the issue of causal links between affordability and accessibility, Usher and Cervenan (2005) conducted research in 16 countries and found that the links are far from simple. For example, some countries with substantial tuition fees, like the United States, Canada and the United Kingdom, do fairly well on accessibility measurements (participation rates, attainment rates, an educational equity index developed by Usher to capture
the degree to which the student population reflects the socio-economic make up of the general population, and gender parities), while others with free higher education systems like Austria and Germany do not score particularly well on any of the accessibility measures.

**Future Trends**

Whatever one’s personal perspective or ideological stance, it is clear that there is a worldwide trend for decreased government support for higher education and increased costs for students and families in the form of some type of tuition fee. Even countries like Germany with a firm tradition of free higher education and a powerful student movement are in the process of planning a move to across-the-board tuition fees for all students. It is also clear that given the financial austerity facing governments and the compelling competing public needs in terms of health care, primary education, housing, the environment, any expansion in higher education enrolment will have to come at the cost of increased investment by parents and students. The challenge, therefore, is to design efficient and effective student aid programs that can offset any discouraging impact that tuition fees have on the participation of low-income students.
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