FINANCIAL AID FOR UNIVERSITY STUDENTS: AN INTERNATIONAL COMPARISON AND A NEW MODEL FOR ITALY

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Preliminary remarks

The purpose of this paper is to present research questions and a research framework of the doctorate research studies that were started in March 2004 on the subject of financial aid policies for university students and of models for the sharing of education costs. This theme, which involves several actors (State – families – students), is of particular interest both from the theoretical point of view and as far as the political debate that has accompanied the reforms over the last few years in different European countries is concerned. The paper presents the results of the preliminary stages of the work, which were carried out to clearly identify the objectives and to define the most appropriate research method. Definitive results are therefore not illustrated in the final part of the paper, but rather some keys which will help one to understand the investigations that are at present under way.

Research questions

At an international level, the debate on support systems has concentrated on a more efficient and just distribution of the costs. *Cost sharing* has led the student and his (her) family to take on an ever increasing central role in the financial responsibility of education (Johnson, D.B. and Shroff-Mehta, P. 2000). A first objective of the research is that of answering the questions: who pays for university education? What is the most appropriate way of dividing the costs?

Today in Europe there is a multitude of different higher education systems and different systems to help students. The different financial aid schemes, according to whether the education is of a private or public nature, recognises that different actors are involved in covering the maintenance costs. By maintenance costs we mean both didactic services, that is, tuition fees, and living costs. What are the choice criteria among the different models? The second object of the research is therefore to draw up a classification of the types of different schemes that have been adopted, to identify the relevant variables of the financial aid systems and to try to define the relationships with the reference context. It will also be attempted to identify the performance indicators connected to the efficiency, the efficacy and the equity of the different models. In the light of the obtained results, a possible new model for Italy will be proposed, with particular attention being paid to the financial sustainability aspects, to the identification of the institutional subjects, to the organisational and management aspects, but also to the identification of the evaluation and monitoring instruments of the policies.

With the Bologna process, which deals with the harmonising of higher education systems, it is also necessary to make the financial aid models for the students uniform. European directives place the accent in particular on the necessity of having equal opportunities for students both as far as access to higher education and mobility are concerned (European Commission 2003). In this context, the research asks whether the financial aid systems that are adopted nowadays make mobility easier for students and what are the most appropriate instruments for this purpose.

Theoretical perspectives

Before discussing the models on the right to study, it is necessary to understand how the support policies are involved in the productive process of higher education (figure 1).

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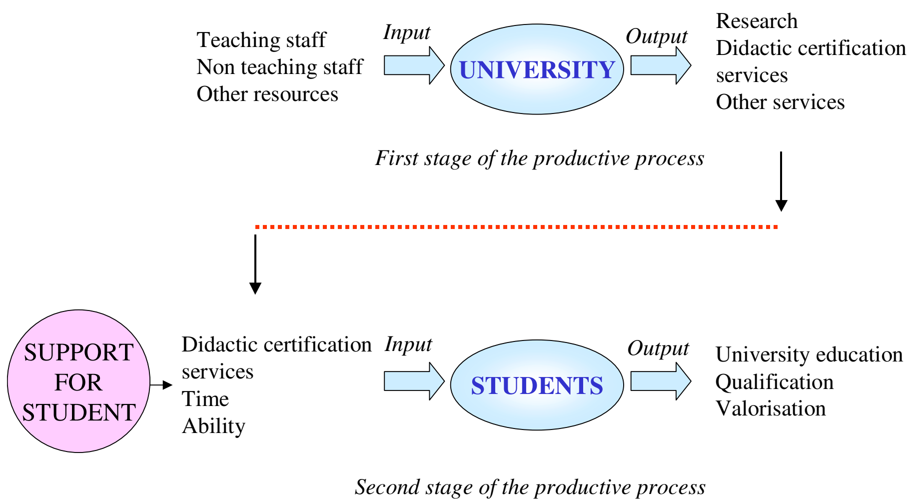
The first stage of the productive process concerns universities: using different input (teaching staff, technical- administrative staff, structures and equipment, etc.), different output are obtained that are difficult to measure (scientific and technological research, didactic services, sanitary services).

Figure 1 – The Productive process of university education



Source: Catalano, G. *et al.*, 1993.

On its own, this first part is not complete, if not for the scientific research and other important services that the university supplies the country with (sanitary assistance, consultancy, expertise services, tests, etc.). If the activity of the student is not considered, the final result of university education, in both its most formal sense and most general sense of valorising competences and knowledge, is not realised. The support for students, from an economic point of view, falls into the second stage of the productive process, in which the student uses the services offered by the university as input and integrates them with two fundamental factors: his ability and his time, that is, the possibility of dedicating himself in a reasonably intensive way (though in respect of the different modalities with which this can occur) to the university studies (Catalano, G. *et al*. 1993). As a consequence, the support policies take on a particularly important role in the production process and therefore on the results of the education policies.

Different subjects take part in the payment of education costs. First of all, the students, who cover a part of the expenses for the production of didactic services, through the university taxes and a part for maintenance, through current earnings, savings or making use of credit systems (loans) or support for studies (scholarships); secondly, the families, who give sums of money to their children; the third subject is made up of private institutions which can act both by making offers, through donations to the education producers and by making requests, by participating in the maintenance costs of the students through the donation of scholarships; finally, the State, that is, the taxpayers, who through general taxes cover the costs of production and support both the students and their families through financial aid systems.

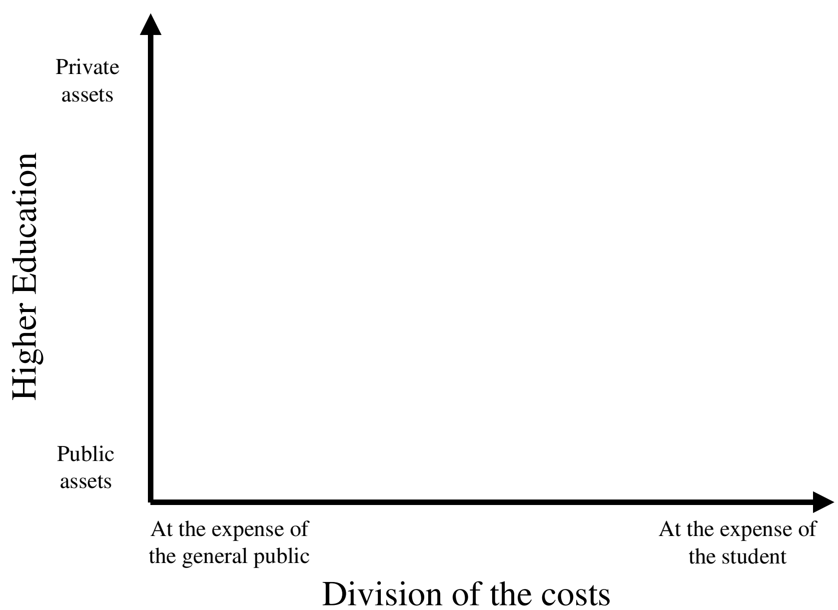
But why does the State intervene in higher education? Economic literature has identified three main reasons (Johnes, G. 1993):

- the presence of positive externalities: not only private benefits, but also public ones are connected to the education assets. The social return of higher education can in fact be calculated as greater knowledge of the electors, greater productivity of the country, greater economic growth and greater fiscal revenue (in comparison to higher earnings due to a higher degree of education);
- capital market imperfections: the impossibility of the students to have access to credit markets, if not supplied with guarantees from the family; the student is in fact subject not only to the risk of the success of the educational course, but also that connected to future work and its remuneration (Oosterbeek, H. 1998): without the intervention of the State an under-investment in education could occur (Barr, N. 1998);
- equal opportunity to arrive at higher study levels: the necessity of also guaranteeing access to education to those who do not have sufficient economic resources (Barr, N. 1998).

The approach depends to a great extent on the concept of education as being public or private assets. From the economic point of view, higher education is not a public asset (Friedman, M. 1968): the private benefits are much more significant than the public ones (Hansmann, H. 1995). As we are dealing with private assets, it is therefore plausible that the direct beneficiary of the assets (the student) should participate in the financing of education.

The possible scenarios of division of the costs are thus identified so as to define typologies on the basis of the nature of the education assets and of the participation of the different subjects in the costs of education (figure 2).

Figure 2 – The models of the right to study on the basis of division of the costs and of the definition of education assets



Methodological issues

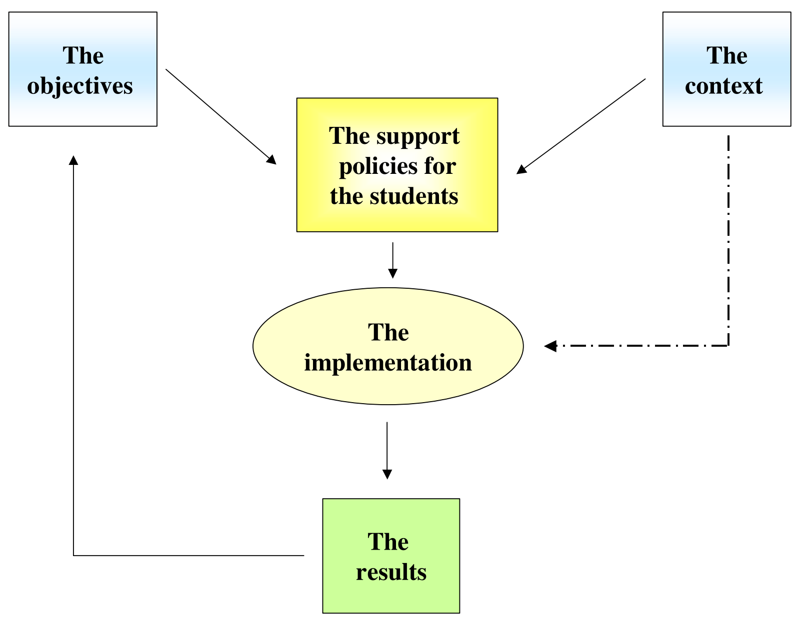
The analysis programme of this research concerns financial aid policies for university students and the research in particular will be focused on financial instruments. It will be attempted to focus on the objectives of the aid policies for the students and to define the reference context (figure 3).

The first stage of the research (at present under way) concerns the analysis of the financial aid policies that have been adopted in some European countries with the objective of describing aid systems for the students and of exploring the factors that led to these choices. The Multiple Case Study was chosen as the research method. After having contextualised the data, the relevant variables will be highlighted (both exogenous and endogenous), for an analysis of the different systems. Through the study of the models, an attempt will be made to:

- measure the results and the performances;
- evaluate whether and how the results respond to the starting out objectives;
- evaluate whether and how the results depend on the reference context.

In order to measure the performances of the different systems, it is necessary to identify the context indicators and the performance indicators (that is, the efficiency, the efficacy and the equity). After having identified the good practices in the international field and the results of the investigation, a new model will be proposed to help students in Italy.

Figure 3 – The research framework



The questions on the problem

Some relevant aspects have emerged, from a preliminary analysis of some financial aid models, which represent the key to reading the empirical investigations (table 1):

1. the presence of university taxes and their characteristics;
2. the typology of the financial aid instruments;
3. the identification of the beneficiaries (eligibility requisites);
4. the government levels;
5. the financial resources.

1. *The presence of university taxes and their characteristics*

The countries, including the Scandinavian countries, that consider education as a public value do not foresee the payment of any tuition fees: in this case, the costs are borne by the taxpayers. This policy is open to criticism in that some sustain that, in this way, the more well-to-do classes are favoured. No taxes are foreseen for full time students in Germany who are up to date with their exams; only in some Lander has a tax been introduced for those students who do not finish their studies within the foreseen time.

In the countries where, instead, the payment of the tuition fees is foreseen by the students, the debate moves to the possibility of having equal taxes for all students rather than differentiated taxes according to the type of student. In the U.K, with the latest reform, the universities can automatically fix the taxes under a maximum threshold and scholarships are allocated to pay the taxes for the poorer students.

The differentiation therefore not only concerns the different universities (and also the individual study courses) but also the students.

In the Netherlands, the taxes have gradually undergone an increase in recent years and have become an instrument of the cost distribution policies. Until the beginning of the nineties there was a difference in the sums between the different types of institution for higher education, but today the sum is equal for all students.

In Italy, the sum of the taxes is established by each university. The only constraint the universities are subject to is that the total revenue of the taxes must be below a threshold of 20% of the annual finances of the State. The taxes are divided into two parts: one is made up of a direct financing to the university and the other is a reassignable purpose tax used to finance the support of studies (regional tax for the right to study). The government fixes the minimum threshold. In Italy therefore, apart from a direct participation by the student to education costs, there is a contribution to the costs for the poorer students by those students who come from the more well-to-do classes. Furthermore, the taxes are different according to the economic conditions of the student (means-tested). The students who deserve scholarships, due to merit and economic conditions, are exempted from paying taxes.

Table 1 – The characteristics of financial aid for students : a comparison between some countries

	Italy	**The United Kingdom**	**The Netherlands**	**Germany**
The tax policies and their characteristics	Yes, differentiated taxes. Purpose tax.	Yes, differentiated taxes	Yes, undifferentiated taxes.	No taxes
The type of instrument	a) scholarships	a) scholarships b) credit loans	loans that can be changed into scholarships	a) scholarships (50%) b) credit loans (50%)
The eligibility requirements	Income and merit criteria	Income and credit criteria	Income and credit criteria	Income and credit criteria
The government levels	determination of the beneficiaries: local level on the indications of a central level management of the services: local level	determination of the beneficiaries: central level management of the services: local level (LEA)	determination of the beneficiaries: central level management of the services: local level	determination of the beneficiaries: federal level management of the services: Lander level
The financial resources				

2. *The typology of the support instruments*

The analysed countries differ according to the use of either a mixed support system (scholarship plus loan) or a single system (either scholarship or loan).

In reality, the mixed system is interpreted in different ways according to the actual situation under investigation. In some cases, (Germany for example), there is in fact only one instrument, but it is made up of a part of unsecured loans and a part of loans; in other countries (The United Kingdom for example) the two interventions are instead integrated, that is, all students receive a loan and some are also allocated a scholarship.

Italy has adopted the scholarship method as the only instrument of financially aiding students. In reality, regulations foresee the introduction of loans students, but the degree of donation was so high that it has proved impossible to enforce the regulation. This law has recently been modified to start an experimentation into a new system of loans.

The Netherlands, instead, have adopted a single instrument, loans, which can however be changed into donations following determined scholastic performances. This aspect highlights another characteristic of the intervention: the moment of evaluating the student. While in most countries the evaluation of the student is made according to his conditions at the moment of the request, in some cases (The Netherlands for example), the suitability of the student to change a loan into a scholarship is established ex-post, that is, at the end of the academic year.

3. *Identification of the beneficiaries (eligibility requirements)*

The students do not make up a homogeneous category, it is instead inhomogeneous: the definition of a student differs from country to country in relation to the type of enrolment (part-time or full-time), the age, the fact that they are dependent or independent , the economic conditions and the scholastic performances. These differences reflect on the policies of the right to study and on the necessity of identifying the target of the beneficiaries of the financial aid services. Together with the models that foresee financial aid instruments for the majority of students (for example, the absence of university taxes), there are models that concentrate resources on one particular type of student, for example, the student who is capable and deserving, but without the financial means. Apart from the merit, these models also take into consideration the economic conditions of the student, whether present (that is, of the family) or future (that is, of the actually graduated student).

Some systems however foresee access to financial instruments, independently of the economic conditions. These however are evaluated in order to determine the sum and the degree of financial aid. In The United Kingdom, for example, all students can have a loan, while scholarships are foreseen for poorer students (even though at present they are reserved for particular cases); in the Netherlands, all students have the right to a basic loan and those without means have the right to a further loan.

4. *The government levels*

An important theme, which at present is frequently discussed in Italy, concerns who should decide the financial aid policies, the characteristics of the instruments and the reference target and who, instead, has the duty of managing these tasks. A modification of the Constitution has recently been approved which foresees that the State (the central level) has the right to decide on the essential levels (that is, the minimum requirements necessary to obtain financial aid and the minimum sums that can be allocated) while the Region (the local level), apart from managing the system, even those autonomously fixed, but within the imposed limits, have the right to establish access and the financial aid sums. This is different from other countries which require that the eligibility requirements and the entity of the financial aid should be defined at a central level, while the local levels are responsible for the operative management of the interventions.

5. *The financial resources*

The choice of the intervention models is characterised in all countries by a scarcity of public resources. Together with the problem of equity, there is also the problem of efficiency, not only in terms of distribution of the costs, but also in terms of capacity of satisfying the requests (Vossensteyn, J.J. 2004). The choice of the instruments is therefore also influenced by the limits of the budget and not only by the evaluation of the public or private return (in terms of benefits) of education assets.

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