Editorial
Paying for Learning: The Debate on Student Fees, Grants and Loans in International Perspective

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This special international issue of the *Welsh Journal of Education* has as its focus the funding of higher education in Wales and the world. The publication by the National Assembly for Wales of *The Learning Country* in September 2001 (NAfW, 2001, see the article by Richard Daugherty and Gareth Elwyn Jones in the Research Notes section of this volume) and the *Policy Review of Higher Education* in January 2002 (NAfW, 2002) means that paying for higher education will be the subject of prolonged debate in Wales in the coming months. The debate about student fees, grants and loans is already heated, loud, but far from clear. The report of the Independent Investigation Group on Student Hardship and Funding in Wales in June 2001 (IIGSHFW, 2001) presented evidence and recommendations on reforming the system of financial support for students in higher education in Wales, and indeed went further, since the group's remit covered all post-16 education, not only higher education, and the first set of recommendations was concerned with the system in the UK as a whole, not only students and institutions in Wales. Since that report was published, the Department for Education and Skills has announced a UK-wide review of student support that should report by the end of 2002. A vigorous national debate is therefore taking place about the role of tuition fees, grants and loans for students in Wales and in the UK as a whole. But this is not just a Welsh or a British debate, as this special issue shows. Paying for learning is a matter of enormous concern and debate throughout the world and, although the same questions have been asked in different countries for decades, there is still no consensus on the answers.

The Carnegie Commission on Higher Education in the USA posed the questions simply in the title of its report: *Higher Education: Who Pays? Who Benefits? Who Should Pay?* (Carnegie Commission, 1973). This special issue makes clear that these questions are currently engaging politicians, policy-makers, students, parents, administrators and the general public in countries as diverse as Australia, China, South Africa, Thailand and the USA, as well as Wales, Scotland, Northern Ireland and England. As a member of the IIGSHFW I believed strongly, with other members, that we should draw on lessons from international experience in framing our own recommendations to the National Assembly. As guest editor of this issue I have tried to assemble a wide range of views and arguments – both theoretical and practical – that draw on that experience, and on research evidence on the effects of different systems of higher education finance in many parts of the world, in the hope that this will illuminate the debate in Wales and the UK. The contributors draw extensively on research on tuition fees, student loans and grants, scholarships and bursaries in both industrialized and developing countries. They present conclusions and recommendations that often coincide, but sometimes conflict. There are interesting parallels between higher education in Wales and in many other countries, and an exploration of what has been tried elsewhere, what has worked, and what has failed, may help to guide both research and policy-making.

In the first article Teresa Rees offers brief reflections as chair of the IIGSHFW. (The article by Dean Stroud in the previous issue of the *Journal* (Stroud, 2001) gave a summary of the background, evidence and recommendations of the group.) These reflections, on the way in which the group operated and on subsequent developments, provide more personal insights and express the chair's satisfaction, shared by all members of the group, when our conclusions and recommendations led to swift action on the part of the Minister for Education and Lifelong Learning. We will have to wait before knowing what impact our report may have on the UK review of student support, but the fact that since 2000 significant policy differences have developed on student fees, grants and loans in Scotland, Northern Ireland and Wales is a fascinating outcome of devolution and means that some change in the English system now appears inevitable.

There also seems to be an element of inevitability in the financial austerity afflicting higher education in so many countries, both rich and poor. Bruce Johnstone's international survey of higher education finance demonstrates that cost sharing and diversification of revenue sources are a widespread response to austerity, juxtaposed with a general trend towards mass participation in tertiary education. Johnstone examines the limitations of, as well as the necessity for, revenue diversification, and the complexities, unexpected outcomes and unintended consequences that often arise from introduction of tuition fees and student loans, drawing not only on his earlier comparative study of student support in five industrialized countries (Johnstone, 1986) but on the International Comparative Project on Higher Education Finance and Accessibility that he is currently directing in the State University of New York at Buffalo.

Adrian Ziderman also draws on two comparative studies, one conducted for the World Bank in the 1990s (Ziderman and Albrecht, 1995), and his current study of student loan schemes in Asia. The article provides a useful synopsis of the many different objectives of student loan schemes around the world and emphasizes the need to take careful account of policy objectives in designing and evaluating student loan schemes. Because of the timetable constraints of this special issue, Ziderman provides a brief synopsis rather than a detailed comparative analysis of student loan schemes, but even a brief synopsis demonstrates the complexities of designing student loan schemes, and underlines the importance of distinguishing clearly between loans designed to increase cost recovery and generate revenue and loans as a way of improving equity. Ziderman argues that the first of these objectives is best served by unsubsidized loans, and the second by loans that may be subsidized but require careful targeting. This important lesson, and the fact that explicit subsidies are more effective than 'hidden grants', has been overlooked in the UK, where student loans have a zero real interest rate (interest simply reflects inflation, rather than the true costs of government borrowing), and all students enjoy the benefit of this subsidy.

This anomaly is criticized by Ken Richards in his article, together with other weaknesses in the current loan schemes in the UK, particularly the measures used to determine 'ability to pay' and the income thresholds that determine when and how quickly graduates must repay their loans. These weaknesses are addressed in his proposals for further reform of the UK system. Richards, a member of the IIGSHFW, also compares the new system in Scotland, set up after the Cubie Committee's report, with the system in England and Wales (before the Assembly's changes recently announced for Wales). This comparison reveals some of the 'unintended consequences' that Johnstone warns are so prevalent in student financial support systems. His analysis shows that although abolition of fees in Scotland was claimed as a victory for fairness, echoing the title of the Cubie report (Independent Committee of Inquiry into Student Finance, 2000), *Fairness for the Future,* the effect is to make the poorest families worse off than before and the richest families better off.

Both the Cubie Committee in Scotland and the IIGSHFW cited the Australian experience of income-contingent repayment of student loans – the

Higher Education Contribution Scheme (HECS) – in recommending that students should be required to make income-contingent payments to a graduate endowment when they are earning, rather than to pay up-front fees. Bruce Chapman was one of the architects of the Australian scheme, so his article, written with Chris Ryan, draws on extensive knowledge of the political background and the theoretical underpinnings of HECS as well as an important analysis of new data on the effects of HECS on participation in Australian higher education. Chapman's and Ryan's conclusions, that HECS has raised and continues to raise considerable revenue which helped finance a large expansion in Australian higher education, and that there have apparently been no adverse consequences for the participation of disadvantaged students, are very positive.

One of the reasons for the success of HECS, according to Chapman and Ryan, was strong political will on the part of government, accompanied by effective publicity campaigns to explain to both students and the wider public the principles and justification of charges. Both these factors are cited by Roy Jackson to explain the success of the National Student Financial Assistance Scheme (NSFAS) of South Africa. Jackson is the chief executive officer of NSFAS, which was first established in 1991 as a small scheme to assist black disadvantaged students in apartheid South Africa. Since the democratic elections and the election of a government committed to political, social and educational transformation and eradication of racial, class and gender imbalances and inequities, NSFAS has grown into a national scheme which has helped nearly 600,000 black students, of academic ability but poor family background, to finance tertiary education. NSFAS is funded mainly by government contributions and donors, but an increasing share of its financing comes from loan repayments by former students, now graduates, who are able to repay their loans. Students from poor families still face severe financial and educational barriers to entry and successful progression through higher education in South Africa. NSFAS is helping to overcome these barriers for some of the most disadvantaged students, but Jackson recognizes that 'academically able but financially needy students will always be with us and the bulk of the loans still need to be recovered. So, NSFAS still has work to do.'

In the final article Phil Thomas and Ashima Arora show how much still needs to be done in Wales to ensure equality of opportunity for would-be lawyers from disadvantaged backgrounds. Their article, drawing on studies of Welsh law schools and of the legal profession, focuses on the particular problems faced by law students, arguing that despite the existence of student loans and other forms of support, these problems lead to severe imbalances in entry to the legal profession, particularly to elite solicitors' practices and barristers' chambers. They consider possible solutions to these problems, recognizing that student financial support is necessary but is not by itself sufficient to ensure equal opportunities and greater social mobility.

Although there are huge economic, social and educational differences between the countries described in this special issue, there are many common problems and some surprising similarities in the approach of governments with very different political and administrative systems. A recurring theme in these articles is that cost sharing – with the costs of higher education divided between students, families, taxpayers, donors (including international and local donors and philanthropy), industry and business – is here to stay. A regime of free tuition and generous maintenance grants for a privileged minority, representing no more than a tiny proportion of school leavers and the tertiary education age group, cannot respond to the pressures of expanding social and labour market demand and the requirements of a global 'knowledge economy' (Task Force on Higher Education and Society, 2000). But the need to widen access to higher education, overcome financial barriers limiting opportunities for the poor and disadvantaged, and improve equity is also increasingly emphasized.

That is why the effectiveness and sustainability of different forms of financial support for students is so crucial. Student loans play an increasingly dominant role in many countries, usually combined with non-repayable grants for the most disadvantaged, as will now be the case in Wales and in Scotland. Many of the authors of these articles, particularly Richards, Jackson, Chapman and Ryan, argue for income contingent repayment of student loans, and other researchers in this field, for example, Barr (2001), share this enthusiasm for income contingent loans; but Johnstone is more sceptical of the superiority of income contingent repayments and emphasizes that there are few countries, apart from Australia, Sweden and the USA, where loan repayments have yet had a significant impact on government revenue. Jackson reminds us that no system that incorporates a grant element can ever become fully self-financing, but rising levels of loan recovery in South Africa are encouraging. Cost recovery is enhanced in South Africa by charging a positive real interest rate (2 per cent above inflation) and NSFAS justifies this by explaining:

> It is NSFAS policy to charge interest on outstanding balances so as to preserve the value of the original loan . . . Recovered monies will be used to assist future generations of needy and deserving students gain access to tertiary education. It is for this very reason that NSFAS has to remain viable in order to assist these students financially. (*http://www.nsfas.co.za/FAQ.htm*)

The emphasis of NSFAS on effective communications strategy, including posters, pamphlets and radio broadcasting, is in marked contrast to the situation described by Rees: 'No money is allocated to advertise the funds in Wales – as a consequence, in some places, learners are barely aware of their existence.' One result of weaknesses in communication is that in Britain (England as well as Wales), students often do not fully understand the way in which student loans must be repaid, particularly the rules governing income thresholds, or the way in which interest is calculated. Richards proposes changes in the income thresholds that determine when repayment starts. Interestingly, Chapman and Ryan suggest that when such a change was introduced in Australia it had less effect than expected, although the Australian system certainly seems easier for students to understand, since repayments are calculated as a proportion of total income, rather than marginal income above the threshold, as in the UK.

Other recurring themes include, first, the importance of effective targeting of grants or interest subsidies, using simple but reliable measures of ability to pay, rather than cumbersome means tests which are criticized by Rees as 'highly complex and administratively burdensome' and by Richards for failing to discriminate between the most needy and those who could afford to pay more. Secondly, the burden of student debt is an important issue in several articles. Student loans can be viewed positively, as a way of overcoming failures in the capital market and enabling students to invest in their own future earning power, as Chapman and Ryan argue, or negatively, as saddling students with unmanageable debts. The articles by Rees and by Thomas and Arora raise disturbing questions about the effect of rising levels of debt on access to postgraduate training.

A question not discussed explicitly in any of these articles, but raised recently in the press, is: what will be the combined impact of rising levels of student (and graduate) debt and the shift towards requiring higher employee contributions to pension funds? An article in *The Times* in February 2002 suggests that 'the young are hit hardest', citing a recent graduate 'denied the chance to join a pay-linked pension scheme' while 'struggling with the legacy of student life: loans, credit card debt and overdraft' (Senior, 2002). So far, there has been little exploration of such issues.

Further research will be needed in the future on interactions between income-contingent loan repayments and possible changes in policies on pensions, the finance of health care and taxation. Barr (2001) distinguishes between two functions of the welfare state: the 'Robin Hood' function – provision of poverty relief, income redistribution and reduction of social exclusion – and the 'Piggy-bank' function – ensuring that in a world of risk, uncertainty and imperfect information, individuals have access to adequate mechanisms for insurance and for redistributing over their life cycle the costs of higher education and pension provision. Financial support to students falls under both categories, with targeted grants for low-income students as a way of meeting the first set of objectives and student loans the second. Barr argues that flexible tuition fees, supported by income-contingent student loans, is the best way forward, and he believes, like Chapman and Ryan in this volume, that income-contingent loans are far superior to mortgage-type loans. There will be an excellent research opportunity in the UK in the next few years for comparisons of attitudes and behaviour of graduates with old-style mortgage-type loans and those with income-contingent loans, first introduced in 1997.

The website of NSFAS in South Africa quotes Nelson Mandela:

> Education is the great engine to personal development. It is through education that the daughter of a peasant can become a doctor, that the son of a mineworker can become the head of the mine, that the child of farm workers can become the president of a great nation. (Mandela, 1994)

This vision provides a driving force for NSFAS, and was a theme of the report of the National Commission for Higher Education (NCHE) in South Africa that proposed a *New Policy Framework for Higher Education Transformation* (NCHE, 1996). A similar vision, and many of the guiding principles of the South African National Commission's report, are shared by *The Learning Country* and the National Assembly's *Policy Review of Higher Education*. The NCHE believed that:

> The need for transformation stems from two sets of factors: firstly, the profound deficiencies of the present system which inhibit its ability to meet the moral, social and economic demands of the new South Africa; and, secondly, a context of unprecedented national and global opportunities and challenges. Together, these factors require reorientation and innovation . . . The growth of the higher education system, in a changing national and global context, will require radical changes in the ways institutions and the system are structured, funded, planned and governed. (NCHE, 1996, from *http://star.hsrc.ac.za/nche/final/transform*)

Similarly, the National Assembly's Education and Lifelong Learning Committee stated that higher education should

> serve the needs of adaptable, sustainable, knowledge-based economy at local, regional and national levels . . . play a major role in shaping a democratic, civilised, inclusive society . . . We want a world-class higher education system in Wales that . . . widens access to all but especially does more to attract under-represented social groups. (NAfW, 2002: 1–2)

As the debate continues about how such visions can be translated into policies for higher education and student finance, we need to keep an international perspective. The purpose of this special issue is to contribute to that perspective, both in Wales and more widely. Finally, in a volume dealing with student debt, I must record my own personal debt to the contributors. I am grateful to them all for accepting my invitation to write for this special issue despite the constraints of tight deadlines, and for permitting me a judicious measure of editorial freedom.

Note

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