

Tuition fees in Germany: Conditions, Approaches and Models

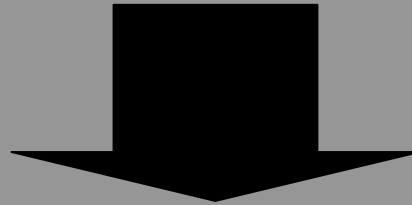
Dr. Frank Ziegele

Why discuss about tuition fees in Germany?



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tuition fee ban
(HRG: federal Higher Education
Framework Law)



thank you for your
attention!

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**closer look:
interesting developments**

phases of
political
debate

except-
ions from
ban

changes
in frame-
work
conditions

bottom up-
develop-
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ban presum-
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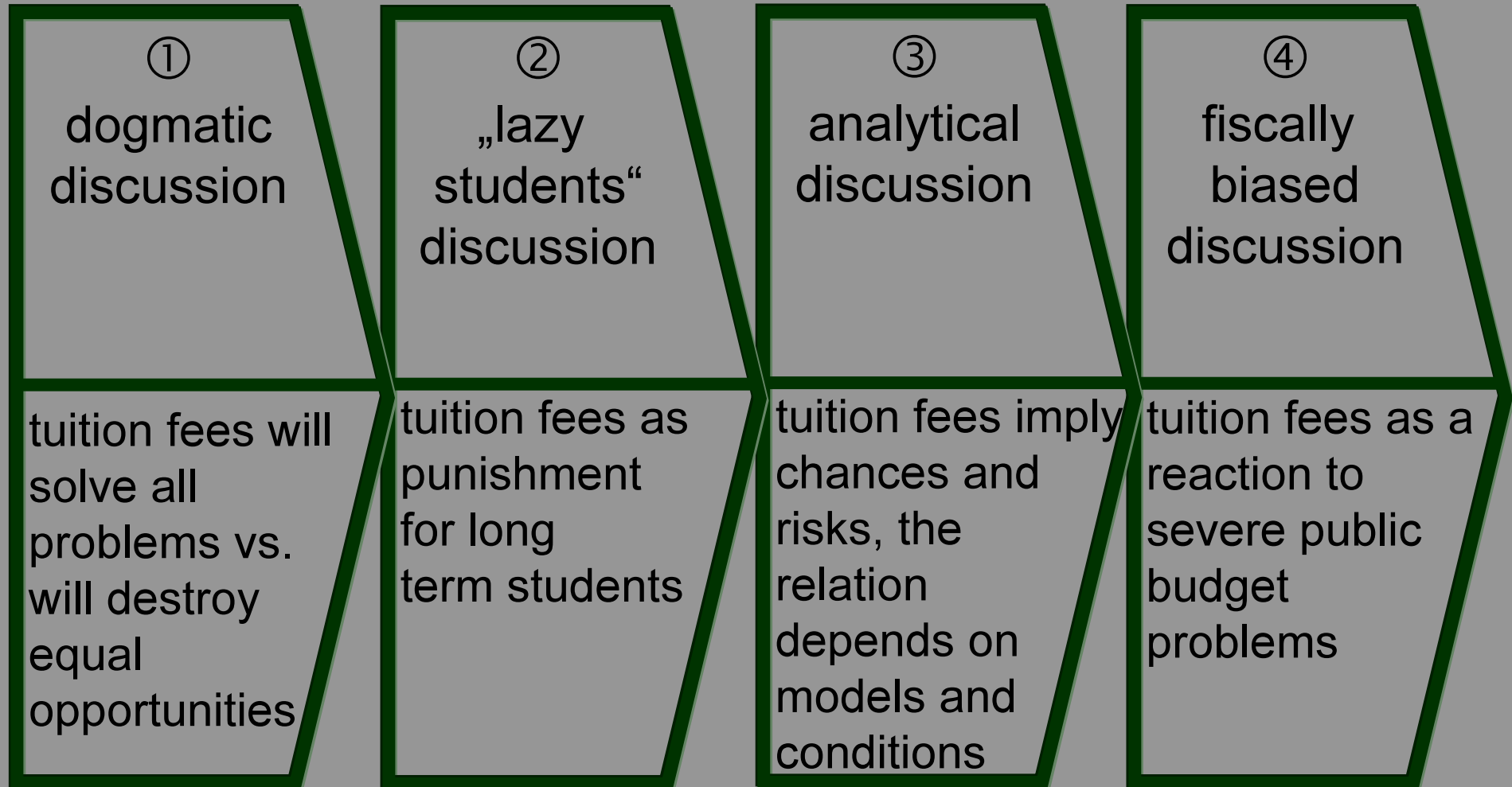
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4 phases of political debate about tuition fees



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some politicians still stick to phases ① and ②

scientific and public discussion clearly moves towards phase ③, promoted by HRK, CHE and others

danger to step into phase ④; fear of tuition fee solutions dictated by fiscal rationales (current cutbacks) instead of HE policy

today: analytical approach!

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fee models in Germany



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<i>model</i>	<i>volume (per semester)</i>	<i>implications</i>	<i>examples</i>
user charges	50 €	relief for public budgets, low revenue, linked to administrative costs	Baden-Württemberg, Berlin, Brandenburg
tuition fees for long term student	500 – 650 €	incentives on demand side, punishment, revenue for HEI or state, some models linked with vouchers (usage oriented instead of time oriented)	Baden-Württemberg, Saarland, Nordrhein- Westfalen, Hamburg, Niedersachsen
tuition fees for second studies	about 500 €	Idea of free access limited to first degree	Bayern, Sachsen, Nordrhein-Westfalen
Tuition fees with vouchers for state residents	500 €	strategy for states with student imports, incentive to have domicile in-state (state benefits from Länder financial equalisation scheme)	Hamburg

assessment of German practice: tuition fees for long-term students



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analytical approach

chances of tuition fees

money + quality

money + expansion

institutional perspective:
diversification of revenues,
marketing, profile

stop redistribution from
taxpayers to academics

supplier-customer-relation

risks of tuition fees

absorption by public budgets

free access barriers, deterrence
of students

administrative inefficiency

assessment of German practice: tuition fees for long-term students



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feature of long-term
student model

effect on chances/
risks

few payers; ideal:
zero payment



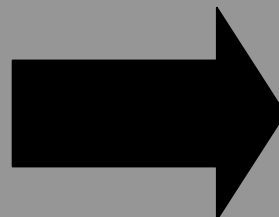
marginal quality/
expansive effects

flat rate, set by state



no instrument for
institutional marketing/
profiles

blame on students,
one-sided



no signals on supply
side, no customer-
orientation, „perverse“
incentive effect

assessment of German practice: tuition fees for long-term students



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feature of long-term
student model

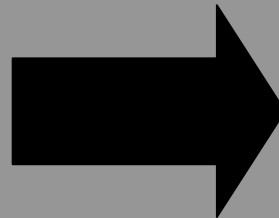
effect on chances/
risks

complicated exceptions
from payment duty



high administrative
costs

no link with loans/
instruments for refinan-
cing in phase of graduation



danger of deterrence
effects

no systematic
redistributive effect



no correction of
redistribution from
poor to rich

conclusion

long-term tuition fees:
completely inadequate model

only effect: pseudo-students leave HEI
(Baden-Württemberg/Bayern: about 10%)

even not clear, if partial goal of reduced
study length is realistic (lack of
supply side orientation)

Reason to resign?



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- no, because of**
- changed framework conditions**
 - ideas for „intelligent“ models**

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some framework conditions in favour of the imposition of tuition fees



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empirical evidence for low participation rates (HE degrees compared with population of same age: Australia/Finland 36%, USA 33%, UK 37%, Germany 19%) and low participation of lower income groups (7% of children from working class background start HE) \Rightarrow tuition free studies can't change these facts

expansion + quality goals on political agenda, no chance for public financing due to fiscal crisis in Germany

some framework conditions in favour of the imposition of tuition fees



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complementary reforms on state finance of HE
(„money follows student“, 3-5-year contracts)

acceptance of tuition fees in German population,
but only under adequate circumstances

opinion poll (in 2000)



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opinion poll (in 2000)		
	population	students
support tuition fees of 500 € going into state budget	21 %	6 %
support tuition fees of 500 € improving study conditions	57 %	32 %
support tuition fees of 500 € improving study conditions + loan (with no repayment under a certain income threshold)	62 %	47 %

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„intelligent“ models: student contribution model (CHE)



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strategic
orientation

demonstrate acceptable conditions for students, HEI, state

features

HECS-type loan with income contingency (minimal repayment risks inevitable for acceptance), but signal for parental responsibility: subsidies for educational savings

revenue earmarked for teaching expenses

direct payment to HEI budgets, financial reserve covers risk of non-repayment

„intelligent“ models: student contribution model (CHE)



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features

additional financial burden for starting the system not covered by state budgets, direct relations bank-student

framework condition concerning maintenance support: basic support for students instead of subsidies to parents

„intelligent“ models: University Witten/Herdecke



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strategic
orientation

inverse generation contract, solidarity

student participation

features

students created and administrate the
system

graduate tax (based on individual contract
between self-administration of students
and student)

lump sum independent of study length

basis for various forms of student
participation (concerning university
management, resource allocation)

„intelligent“ models: TU Munich



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strategic orientation

quality comes first

differentiation, tuition fees as part of HEI profile

features

programme for innovation in teaching and learning , establish quality assurance, calculate cost, cover gap with tuition fees

differentiated volume of fees, explained by enhanced quality

mixture of offers to students for refinancing: well-paid jobs, human capital fund, scholarships, conventional loans (measures of TU to give securities)

„intelligent“ models: Dräger proposal



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strategic
orientation

integrated reform of higher education finance,
inclusion of maintenance grants

features

tuition fees (2.500 € p.a.) + reform maintenance
grants (BAföG)

HECS-type loan for maintenance + tuition,
interest covered by state during study period

states bear risk of non-repayment (financial
neutrality if subsidies for parents become
part of the system)

role of income contingency



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all propositions contain elements of income-contingent repayments (+ non-means tested loans)

public opinion + academic discussion favour income contingency (risk argument, success abroad)



income contingency inevitable, learning from HECS

But what is different in Germany?



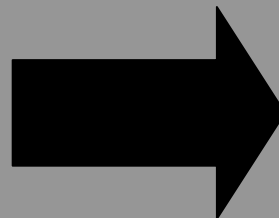
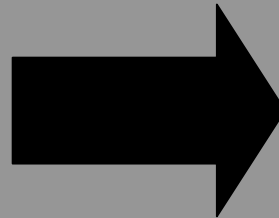
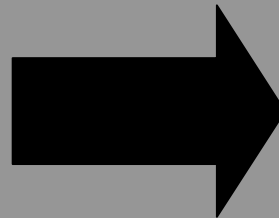
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differences

no additional burden for state budgets possible (start-up financing of loans)

mistrust in politics

German jurisdiction: no complete independence from parents (+ fiscal rationale!)



solutions

involvement of bank, human capital fund, financial reserve out of fee revenue

direct financial relation student/bank/university

subsidies for educational savings, clear signals for parental responsibility

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differences

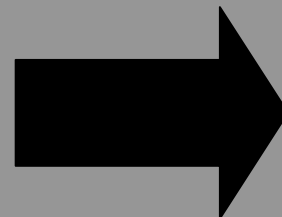
solutions

institutionally driven
developments, federal
HE system



more decentral
solutions

diversity in strategic
goals (no clear
expansion strategy)



flexible solutions,
diversity

break in discussion, waiting for Constitutional Court decision

after ban is abandoned: models will start within 1-3 years

problem of wrong timing? (financial crisis)

HE policy should prevail over fiscal orientation (no phase ④!)