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Tuition fees in Germany: Conditions, Approaches and Models

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Why discuss about tuition fees in Germany?

tuition fee ban

(HRG: federal Higher Education Framework Law)

↓

thank you for your attention!

Why discuss about tuition fees in Germany?

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closer look:
interesting developments

- phases of political debate
- except-ions from ban
- changes in frame-work conditions
- bottom up-develop-ment of ideas
- ban presum-ably won´t hold in Constitutio-nal Court decision

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4 phases of political debate about tuition fees

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① dogmatic discussion	② „lazy students“ discussion	③ analytical discussion	④ fiscally biased discussion
tuition fees will solve all problems vs. will destroy equal opportunities	tuition fees as punishment for long term students	tuition fees imply chances and risks, the relation depends on models and conditions	tuition fees as a reaction to severe public budget problems

current situation

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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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model	*volume (per semester)*	*implications*	*examples*
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

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

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analytical approach

chances of tuition fees

- money + qualitiy
- 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

assesement 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

assesment 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

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

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

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) ⇨ 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

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
- differentation, 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?

differences		solutions
no additional burden for state budgets possible (start-up financing of loans)	→	involvement of bank, human capital fund, financial reserve out of fee revenue
mistrust in politics	→	direct financial relation student/bank/university
German jurisdiction: no complete independence from parents (+ fiscal rationale!)	→	subsidies for educational savings, clear signals for parental responsibility

But what is different in Germany?

differences		solutions
institutionally driven developments, federal HE system	→	more decentral solutions
diversity in strategic goals (no clear expansion strategy)	→	flexible solutions, diversity

Conclusion

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- 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!)