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Secção Autónoma de Ciências Sociais, Jurídicas e Políticas

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O CONTRIBUTO FINANCEIRO DAS FAMILIAS PARA O ENSINO SUPERIOR NA NORUEGA? DESAFIOS E BENEFICIOS POTENCIAIS.

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PARENTAL CONTRIBUTIONS IN NORWAY? POTENTIAL CHALLENGES AND BENEFITS.

Thesis presented to the University of Aveiro to fulfill the formalities essential to obtain the degree European Master in Higher Education, done by the scientific supervision of Professor Peter Maassen, Professor in Higher education at Institute of Educational Research, Faculty of Education, University of Oslo, Norway.

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Palavras-chave

Equidade, Eficência, Divisão de custos, apoio financeiro aos estudantes.

Resumo

Nos ultimos 50 a 60 anos, a grande maioria dos países industrializados foram alvo de um processo de intensificação de procura de mão de obra qualificada. O resultado, na área do ensino superior, culminou na transição de sistemas de élite - reservado a uma minoria previlegiada - em sistemas de accesso universal, em que a grande maioria dos jovens qualificados ganhou accesso ao ensino superior. Como consequência deste movimento expansionista, a pressão a nível do investimento público e a necessidade de se adaptar medidas do ponto de vista da eficiência financeira, obtiveram um grau de importância elevado no contexto das politicas governamentais a nível do ensino superior. No entanto, preocupações a nível da equidade ou justiça social também se tornaram aspectos relevantes nas politicas governamentais. Neste sentido, a maneira como os diversos governos adoptaram, e continuam a adoptar, medidas para promover a justiça social ou a liberdade de acesso, varia grandemente de contexto para contexto. Neste estudo, dois países Europeus - a Noruega e a Holanda – ambos alvo de uma transição de um sistema de élite para universal, são analisados e contextualisados. Históricamente, os dois páises adoptaram diferentes politicas para promover a eficiência e equidade (justiça social) a nível do ensino superior. Este estudo apresenta as divergências entre os dois casos, e reflecte cuidadosamente em relação ás medidas que poderão ser tomadas no intuito de promover a equidade no contexto do ensino superior da Noruega. Uma atenção especial é dada á importânçia de factores como as estruturas existentes de suporte financeiro a estudantes e o papel de apoio desempenhado pela agregado familiar. Duas questões fulcrais no contexto deste estudo são: (a) Em que sentido a equidade no sistema de ensino superior Norueguês poderá ser melhorada? (b) Qual é o potential em se explorar/adoptar novas medidas governamentais em relação ao papel desempenhado pelo agregrado familiar Norueguês, no contexto de informação recente na área dos estudos (pesquisa) de equidade no ensino superior, a nível mundial.

Keywords Equity, Efficiency, Cost-sharing, Student support.

Abstract

During the latest 50-60 years most industrialized countries have experienced an increasing demand for highly qualified labour and this has resulted in higher education systems worldwide going from elite to mass access. The consequence has been a massive pressure on these governments` public expenditure and the pressure for efficiency has become a frequently used term in the area of higher education policy. At the same time equity is a major policy concern for governments. The way in which the governments cope with this concern is differing across national contexts. In this study, two European countries, Norway and the Netherlands, who have both gone from elite to mass higher education systems are followed and analysed. These two countries have coped differently with the policy concerns of efficiency and equity and this study aims to present the main differences as well as focusing on potential improvements of the Norwegian case regarding equity with respect to higher education. Special attention is hence given to the difference between the two countries with regard to their student support systems and the parental role. How can equity in Norwegian higher education be improved and what potential is held by a change of parental policy given recent research on equity with respect to higher education?

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1. INTRODUCTION

1.1. Background

Higher education systems operate under changing conditions. Today the higher education policies have to be adapted to a global context. International markets are affecting higher education also at a local level and governments wish to make their higher education systems more efficient. Higher education quality has become a key issue, especially after the GATS agreement defined higher education as a trading commodity. Due to the growing demand for highly qualified labor in the labour market, referred to as the knowledge economy, systems across most (if not all) industrialized societies have gone from elite to mass higher education systems. This transition has represented great challenges both for the Higher Education Institutions (the HEIs), who face challenges of both management and quality assureance, and for the governments because of the increasing costs resulting from this. Governments however, cope differently with such challenges. In an article on the effects of globalisation, Douglass (2005:1) claims that *"all globalisation is in fact subject to local, (or national and regional) influences"*. Even though the focus of this study is not about globalization (at least not directly) the point made by Douglass says something interesting about how major policy concerns are handled depending on country culture or region. In this study the central policy concerns to be discussed are equity and to some extent also efficiency. These policy concerns are not only central in this study, but are also key areas of interest in higher education economics and are hence also concerns central to any government.

It is in the interest of the government to provide goods and services efficiently. Likewise is it the interest of the government to contribute to a fair society. Because it is desirable that individuals have equal opportunities in life, countries` governments (those who posses the capacities and prerequisites necessary) provide funding for students who want to invest in higher education. Student support systems (described in more detail later in the study) differ as they are shaped by factors that are practical (e.g. the structure on which it is based, affordability and demand), ideological and traditional (such as national values the state profile). In this study the ways in which student support systems differ is the area of interest.

In the changing global environment Europe has been named *the last bastion of mostly free higher education* (Johnstone 2006:12). The Nordic countries in particular have a long tradition of having a socialist orientation and this is reflected in education policies. In Norway, which is the country of interest in this study, access is free of charge and the students are regarded financially independent. This principle of free access has recently been legally stated, which can be regarded an indication of a symbolic resistance against the worldwide trend of cost-sharing. Cost-sharing is a relatively broad term (elaborated on in more detail in 2.1.3) referring to a wide variety of measures taken in order to *shift the burden of higher education costs from the taxpayer to students and their families* (Johnstone 2006). In the Nordic countries this shift of financial responsibility is often associated with unfairness and social reproduction. Because of this, merely discussing cost-sharing policies or questioning the fairness of current policies of welfare remains controversial, also at a high political level. As we speak, a national commission (Stjernø-utvalget) has been established to discuss the structural challenges which Norwegian higher education faces and the time perspective given is during the next 10 or 20 years. The commission is to lay out a strategy to promote the objectives of the higher education sector, including aspect such as international competitiveness, the quality and magnitude of research and teaching and the demands for a modern system. However, there are restrictions in the mandate of the commission. According to the mandate, certain alternatives of the funding of the higher education institution are not to be discussed, and the commission will not discuss alternative forms of ownership (of the HEIs) either, a topic that did in fact come up as recently as 2003[1]. Regardless of the increasing costs of higher education and regardless of how much it may increase during coming years, discussing the abolishing of the legally stated principle of free access (Gratisprinsippet which was legally stated as recently as in 2005), seems to be out of the question within the given timeframe (http:/stjernoe.no/site/om-utvalget/mandat.html 21.05.07). This alone may give an idea of how highly some of the welfare principles are held in regard in the Norwegian society. One explanation for this could be that there is a strong belief that a high degree of public funding, will secure fairness and social cohesion, not only with respects to higher education, but also in the overall society. The

[1] The Ryssdal - commission (Ryssdal – utvalget: NOU 2003:25) discussed different forms of ownership of the Higher education institutions in 2002-2003. The outcome was that the higher education institutions preferred to stay within the ownership of the state.

traditional objective of the Norwegian government and the Norwegian student support system (the State Educational Loan Fund or Statens Lånekasse for Utdanning) has been and still is; equality of opportunity. Another highly held principle in the Norwegian culture and society is the sovereignity of the individual. This idea is also manifested in the law as students are considered to be financially independent having turned 19 (NOU 1999:33). In practice this means that parents are not financially responsible for their children investments in human capital after this age. From then on, the state takes over the responsibility and offer financial aid in order to contribute to equality of opportunity.

The Norwegian higher education sector is hence going through great changes at the moment and is probably going through yet other changes during the coming years. These changes also represent great challenges regarding both efficiency and the maintainance of the fairness of the higher education system both with regard to equity of access and outcome. This does not only concern the higher education institutions, but indeed also the Norwegian government. Because the Norwegian population is ageing the pressure on the health sector is likely to increase dramatically the next 10 – 20 years. Furthermore, several other areas of investment are competing for public revenue. This may indeed affect higher education economics in Norway as the growth participation rates in HE represent enormous expenses for the government (Raabe 2005:28). This study is partly a critique of the attitude or general belief that the Norwegian higher education is a system representing fairness and equality of opportunity. The following areas of interest make up the study.

Firstly, it seems that Norway, along with all other European countries, is experiencing a gap between the principle of equity and reality. Some authors claim that financial explanations for inequalities based on family backgrounds are not sufficient (Opheim 2004, Aamodt 2006:337). However, it is stressed here that explanations based purely on non-financial factors do not suffice either. There have been performed some reports and studies on equity of outcome and access in Norway. The OECD report by (Opheim (2004), and a study in drop out and socio-economic background by Mastekaasa & Nordli Hansen (2005), provide some knowledge of the current situation and some reflections on the causes of inequity are also presented.

Secondly, there are factors that are distorting the idea of the student as a financially independent individual. The most important one may be whether the financial support offered by the state educational loan fund is sufficient or not. Do students work more than previously and to what extent are the parents helping? The principle of the independent student may be unfair and the source to growing inequity. If there is a gap between the principle of the student as financially independent and reality (that the student is not financially independent), what could be done to compensate and to what extent would such a gap represent a threat to the objective of equality of opportunity?

Thirdly, a different perspective on the Norwegian case is provided when taking a look at another country case, the Netherlands. The Dutch have coped with the challenges of going from elite to mass higher education and the concern for equity in higher education in a different manner. The status with regard to the policy concerns of efficiency and equity in Norwegian higher education today may be clearer after a small comparison between these two countries` systems and policies has been performed.

1.2. Methodology

The methodology of the study was naturally selected as a consequence of the interest in cost-sharing policies and the tendencies observed in Norwegian students financial situation. The need to make use of already established data from other researchers and statistics and the interpretation of statistics in combination with this data made secondary analysis a natural alternative as a research design.

1.2.1. What is secondary analysis?

Secondary analysis is the form of analysis applied in this study. This form has been characterized as a form of research where the data is collected by someone other than the researcher in question (Bryman 2004). In the following some of the main aspects of these research designs are elaborated upon and an explanation is given for why it fits the study.

Some features of this particular study are below analysed using the categories mentioned by Bryman (2004). The following text also serves to legitimize the methodology of choice. According to Bryman (2004:203) the *advantages* using

secondary analysis are *Cost and time, High Quality data, Opportunity for longitudinal analysis, Sub-group analysis, Opportunity for cross cultural analysis, More time for data analysis, Reanalysis may offer new interpretation, and The wider obligations of the social researcher.* In this study, not all of these advantages seem relevant and hence comments are provided only on the following advantages: *Cost and Time, High Quality Data, Opportunities for Cross-cultural analysis, More time for data analysis* and *Reanalysis offer new interpretations.*

The low costs and the time saved (relative to the amount of information provided) is one of the great advantages of secondary analysis as it provides an opportunity of applying high quality data without spending too much time or money in the research process. In this particular case, getting access to the research reports and statistics has been relatively easy and the only method of gathering data applied has been searching the internet and analysing publications that were deemed relevant to the study. Taking this into account the methodology has allowed for the study to be performed in an independent manner, though it has taken some time to get focused. Secondary analysis is also preferable regarding the quality of the data available. The data chosen to make up the study have been sources that are commonly regarded as reliable, however complex. Out of official statistics the OECD Education at a Glance 2006 serves as a major contributor to getting hard statistical facts on countries compared internationally. Concerning data on the Norwegian case reports from Statistics Norway have contributed to a great extent. Secondary analysis of studies and data collected by other researchers is also a major part of the literature review. Regarding the search for data that could help cast light on the main problem statement the data provided from recent studies by Sæther & Løwe (2007), Nordli Hansen (2007), Hovdhaugen Aamodt & Opheim (2006), Hovdhaugen & Aamodt (2006), Nordli Hansen & Mastekaasa (2005) has helped. These publications contained data on drop-out, affordability of the students and their living conditions. The research design of secondary analysis also is chosen in this case because of the *opportunity for cross cultural analysis*. The main features of the Norwegian student support system are presented and the overall structure is discussed along with a special focus on the parental role. Though the study is not a comprehensive comparative study, the country case of the Netherlands and their student support system serves as a frame of reference when discussing parental contributions as a possible

student support policy in Norway. The methodology opens up for more time for analyzing data since the collection of the data is already done. Another asset regarding secondary analysis is that it opens up for a re-analysis and re-interpretation of already collected data that may offer new perspectives and ideas.

The *disadvantages* using secondary analysis are according to Bryman (2004); *Lack of familiarity with data, Complexity of the data, No control of data quality and The Absence of key variables.* Firstly*, the Lack of familiarity with data* represent a challenge to this study as the research and literature referred to and that are central to the study need some methodological justification in order to secure the validity of the findings. Secondly, the *complexity of the data* and the amount of studies referred to make it hard to present the findings, their implications and the methodological details of each and every study comprehensively. This demands a certain superficial approach which is shown as references are primarily made related to parts of the data and conclusions available in the original studies. However, methodological problems and sources of error will be referred to as they emerge. Thirdly, the fact that the research reports referred to were not performed by the author of this study and the fact that this study is referring to research and statistics where different *forms* of methods of data collection have been applied makes it difficult to know what sources of error are influencing the conclusion. In other words, due to the way in which this study is structured there is *no control of data quality.*

This methodological disadvantage demands some forms of compensation. Careful interpretations of the data presented and a holistic and complementary framework from which conclusions are drawn may help make up for the potential loss of validity resulting from the unknown level of data quality. Fourthly*, the Absence of key variables* as such is not believed to present a threat to the quality of the study and the validity of the findings. The difficulty in defining and operationalizing key variables however, has been a challenge. In this study often used concepts are *equity* and *efficiency* although the latter is not central in the problem statement and is first and foremost central in the extent to which it can be a contributing factor to aspects of the former. Still, it is clear that the definitions of these terms do play a decisive role. The *complexity of key variables* therefore may be the greater challenge. The different aspects of equity with respect to higher education however, make the discussion of equity broader and more

interesting. It is therefore not an alternative to look at only one aspect of equity in this study.

1.2.2. An instrumental case study

An instrumental case study is a study;

> *"…in which a case is examined mainly to provide insight into an issue or to revise a generalization. Although the case selected is studied in depth the main focus is on something else."*
>
> *(Stake (2000:437-438 in Silverman 2005:127)*

The instrumental case study design fit this study well. The case that is about to be examined here is the ideology and practices with respect to higher education in Norway. The historical overview and the context presented will give an idea of the ideology and values at the base for the objectives. Further, the regulations and the statistics on student indicators will show the relation between the policies and the objectives. By making an analysis of research looking into the financial capacities of students an assessment is made of how, or to what extent, these policies are functioning after the intentions. The effectiveness and overall structure is then assessed relative to another student support system. The student support system in question is that of the Netherlands, which is not a Nordic country, but still is within Europe. It has also emphasized equality of opportunity as a major policy concern, but has indeed a differently structured student support system. After introducing the Netherlands in very much the same manner in which the Norwegian case was introduced, attention is given to the similarities and the differences between the two country cases. The generalization *to question or revise* is the fairness associated with the Norwegian student support system and some related principles and mechanisms. This is done by making an overview of the Norwegian case concerning both the higher education system and the student support system where the ways in which it is expected to contribute to equity is shown. Then an analysis of how the situation is in practice is performed. The focus of the study is one of the main differences between the two countries, namely the parental role, and the benefits and challenges of the potential changing of a policy in Norway makes out the main discussion in the study.

1.2.3. Possible methodological criticisms

The terms *socio-economic background, disadvantaged background* and *affluent background,* will be frequently mentioned in the study. Parental level of education is often used as a proxy for SES or Socio Economic Status. A student is considered to come from lower socio-economic background if his/her father and mother have relatively low levels of education as their highest level of education. The problem is that across the studies referred to the level of education may be operationalized in slightly different ways. Sometimes only the level of education of the father is taken into account and sometimes both of the parents are counted.

The rationale behind using the level of education as a proxy for level of income or SES is that it usually is a correlation between level of education and level of income. However, it could be argued that this proxy holds less validity in the Norwegian context. Norway is known for small social differences and a low rate of return to higher education (Asplund & Pereira 1999 in NIFU Step 2005). This means that socio-economic background may not be a good proxy for level of income and hence this classification has certain limitations as parents with low levels of education could do ok financially and vice versa. Furthermore, as some studies referred to here use different categories for measurement, the results may not be directly comparable and socio-economic background will have different meanings throughout the study depending on which study is referred to. But nevertheless, the terms "socio-economic background", "the less fortunate ones", "affluent/disadvantaged backgrounds", "socio-economic status" or "SES group" and so on will indicate the parental level of education. Furthermore, the validity of the findings will rest on the assessment of trends observed in statistics and research results and the conclusions drawn from this are therefore considered reliable given that a broad range of relevant factors are taken into account.

Another possible source of error in this study lies in the fact that large parts of the literature referred to originally were in Norwegian and that the translation has been performed by the author rather than by a professional translator. However, in order to be clear about how some of the translations have been performed the original Norwegian words and sentences are sometimes given to supplement the meaning and provide a picture of how the author interpreted the words.

1.3. The problem statement the assumptions and the research questions.

Due to the observations mentioned above, this study questions the extent to which different aspects of the student support system could be improved in order to come closer to the objective of equity with respect to higher education. As mentioned above, in order to get a broader perspective on the weaknesses in the Norwegian student support policies it has been helpful to use another country case as a frame of reference. The Netherlands is a country not too different from Norway regarding several aspects of the higher education system and structure. Both countries have been through the challenging process of massification of the higher education systems, which has put a pressure on the governments` budgets. The countries` higher education systems are both conforming to the Bologna declaration, introducing a 3 tier structures of 3+2+3 year duration (Bachelor, Master, PhD), a new grading system and a now system of credits - the European Credit Transfer System (ECTS). However, there are also interesting differences. During the process of massification the Dutch economy has fluctuated more than the Norwegian and the affordability of the government has to some extent affected the student support policies (Vossensteyn 1997). The Dutch student support system is different from the Norwegian in structure and one important difference is the parental role. In the Netherlands the student is regarded as the financial responsibility of the parents and the legally based formal parental contributions are, along with most other student support policies, means tested against the parental income. In Norway parents are not seen as financially responsible for their childrens investment in higher education after the child has turned 19. Still, recently significant changes have taken place regarding the extent to which parents contribute financially to their children`s educational investments (these figures are presented in more detail in chapter 4). Considering this fact as well as some other recent developments of the financial situation of students in Norway one might ask whether this is an alternative for the Norwegian student support system as well. Instead of letting contributions take place informally, maybe parents could be given a more formal role?

The theoretical starting point of this study is that there is a potential for improvement in the Norwegian student support system with respect to several aspects of equity and that the altering of the parental role may hold such a potential. The problem statement of the

study is therefore: *How can formal parental contributions effectively contribute to reducing inequity with respect to Norwegian higher education?* The idea of this policy will be discussed along with some other ideas about how inequity emerges as a consequence of the absence of policies promoting efficiency.

1.3.1. The problem statement explained

How can formal parental contributions effectively contribute to reducing inequity with respect to Norwegian higher education? The meaning of the problem statement is here explained in more detail.

How can: In a way the problem statement communicates an underlying assumption: - "Yes, it can, but how?". This is not the intention. Rather it is the intention to reflect on various aspects of equity and fairness and how these aspects could be affected the potential introduction of formal parental contributions. The national equity objectives that are mentioned throughout the study are natural points of reference. Other aspects of equity that are not as simple are also discussed. One aspect is the ideologal implication of a change of policy. Another question is whether changes in ideology take place whether policy is changed or not. The way *the function* of a student support system can change from one *form of equality* to another (not by changing in itself, but by remaining more or less the same as *the conditions in society* are slowly changing) is also reflected upon. The categories of equality formulated by Hernes (1974) may be helpful in this respect.

Formal parental contributions: This term refers to the nature of the parental contribution. Parents may be legally obligated to contribute financially to their children`s investment in higher education (contribute with a fixed amount (the amount is determined by the parents income) at a fixed frequency as a formal part of the student support system) or they may choose to contribute informally (offer financial support of varying degree and frequency). The problem with informal parental contribution is that some parents may choose to contribute and some may not, hence the total financial support to students becomes arbitrary and may contribute to or reinforce inequity.

Contribute: It is rather optimistic to assume that policies will remove inequity altogether or by itself reduce it, but combined with other policies it may be a contributing factor. Parents have freedom to contribute with whatever they wish and hence a policy like

formal parental contributions can not represent an "equality guarantee" of any sort. Furthermore, policies do not exist in a vacuum. The contributing potential with respect to equity will rely also on the presence of other policies.

Inequity with respect to higher education: Regarding inequity with respect to higher education two gaps between principles and reality are of interest. The first is the gap between the symbolic idea of equity both in terms of access and outcome (formulated in the national equity objectives) and reality. The second gap observed is between *the principle of the financially independent student* (that is supposed to be financially independent after the age of 19) and the reality. Regarding these gaps the question is whether parental contributions as a controlled form of cost-sharing policy introduced formally as part of the student support system could contribute to reducing the inequities observed. In the first case, the tightening of the gaps would represent improved equity, in the latter the question is whether it is inequitable to keep the gap open. In the first part of the study, the research analysis in chapter 4 the main focus is on the students financial situation and whether the students who do not have parents who are able or willing fund their educational investments have to work more and whether this results in academic deterioration (drop out). Later in the study some other forms of equity is examined. Here, the link between efficiency and equity is assessed and the concern for equity is also discussed from other perspectives.

1.3.2. Assumptions and research questions

A recently published report shows that parental contributions have increased and that these contributions correlate with socio-economic background (Sæther & Løwe 2007). On grounds of these results it is assumed that the financial support offered by Lånekassen is insufficient. These are underlying premises for the analysis. Do these premises represent a threat to aspects of equity, and if yes, then to what extent and how? In trying to provide ore knowledge on this topic the Norwegian national equity objectives serve as a framework. The first set of objectives looked in relation to parental contributions is equality of outcome. The following three assumptions are therefore tested in the research analysis:

a) Students who do not receive contributions from their parents work more

b) Students who work more, generally study less
c) Hours spent working correlate with drop out

Hence the assumption is based on the following logical inference; - too little formal support means that parents must help and the students must work more. As some parents help and some do not and hence some students have to work more than others. Does this have implications for equity and/or efficiency?

The studies on which the analysis is based were performed on topics relevant to Norwegian students` financial situation. To help systemize the data 7 research questions have been formulated. The first 4 research questions provide a framework for the research analysis in chapter 4. Here the purpose is to provide some knowledge of the financial conditions of Norwegian students and special attention is given to the whether work represents a deterrent to academic quality and hence also to equity of outcome. The research questions 5, 6 are addressed in the introduction of the Dutch case. Research question 7 is addressed in the beginning of chapter 7. The research questions are as follows.

1. *How can the situation regarding equity of access and outcome with respect to Norwegian higher education be interpreted?*

The background for asking this question is to get an idea of situation regarding equity that is part of the focus in the study. I here look at both the equity of access and equity of outome. Because of different studies performed over time it is possible to provide data from both before and after the Quality reform.

2. *What are the main financial resources of Norwegian students?*

The question is posed to get an idea of statistics on the actual income situation of Norwegian students. The three main types referred to here are Lånekassen, parental contributions and income from work. The relationship between these sources of income is elaborated upon below.

3. *How is work influencing students` academic performances?*

The rationale behind this research question is that the students have mainly 3 sources of income; Lånekassen, Income from work and their parents. Since some parents contribute to their children`s higher education investments and some do not (or less) it is assumed that some students have to work more in order to provide the same amount of income. If parental contributions are correlating with socio-economic background, it follows that students from lower socio-economic backgrounds have to work more. If it is the case that working is a deterrent to (or at the expense of) academic quality, then the skewedness of informal parental contributions is in fact also a deterrent to equity within higher education.

4. *How do students assess their sources of income?*

The rationale for this question is to provide more knowledge of the extent to which students get contributions from their parents and how they assess these contributions in importance relative to the other sources of income. This is relevant to the problem statement because it provides some ideas to whether parental contributions have a potential to improve equity with respect to both national equity objectives.

After the introduction of the Netherlands in chapter 6, the two country cases are roughly compared regarding some key aspects of the higher education and the student support system.

5. How does the Netherlands compare to the Norway with respect to policy concerns for efficiency and equity in higher education?

6. Considering the categories of equality elaborated by Hernes (1974): What type of (in)equality applies to Norwegian and Dutch higher education?

In the Netherlands the student support system has a different structure than in Norway and there are also other interesting differences and similarities. The Netherlands is a European country with long traditions of both cost-sharing policies and holding the parents financially responsible for their children`s investment in higher education. By

taking the main features of the two systems and the student population into account something may be said about the link between efficiency and equity and what implications this may have for student support policies.

7) What are some of the potential benefits and challenges with formal parental contributions?

In chapter 7 some of the potential challenges and benefits of parental contributions are discussed on basis of the already collected data. The rationale behind this discussion is to investigate the way in which formal parental contributions can influence policy concerns for both efficiency and equity.

1.4. The structure of the study

The study consists of 8 chapters. In chapter 1, the *Introduction*, a brief presentation of the context under which Norwegian higher education operates is presented along with the background for the problem statement. The research methodology is also part of chapter 1 with its advantages and disadvantages that are showed in relation to this particular study. In the end of the chapter the problem statement and the research questions are presented. In chapter 2, the *Literature overview*, the key concepts of the study are presented and discussed. The purpose of this part is to demonstrate how the concepts are presented in the literature and provide information on how they serve as a conceptual platform for the study. Then, in chapter 3, there is a presentation of *The Norwegian higher education system* and the Norwegian student support system, Lånekassen. It contains parts describing the higher education system and its funding mechanisms; both the funding of the HEIs and the students, statistical facts on participation and educational attainment, recent reforms and the history, traditions and political developments of relevance for student support and student support policies. In the end of chapter 3 the problem statement and the research questions are elaborated upon further. In chapter 4, *Research and research analysis*, some research reports are presented and analyzed followed by a summary in order to inform the reader how the data has been interpreted in relation to the problem statement. In chapter 5, *Introducing the Netherlands*, another country case is presented in order to put some of the findings

from chapter 4 into perspective. This chapter is also separated into several parts. There is a rough presentation of the main features of the Dutch higher education system and the student support system is also presented like the Norwegian; with two separate sections for history and regulations presented respectively. In chapter 6, *The Netherlands and Norway: An historical and systemic comparison,* some of the features of the Norwegian and the Dutch higher education systems are discussed with respect to structure, participation, admission policies, the models of the student support systems and the student population. Chapter 7, *Parental contributions: Potential challenges and benefits,* contains a discussion on formal parental contributions especially concerning potential advantages and disadvantages with respect to equity and efficiency. The discussion is partly based on the findings from the research analysis in chapter 4, on the comparison with the Dutch case and some considerations related to the objectives of the student support system and the government. Chapter 8, *Concluding remarks*, contains some thoughts and perspectives on some of the implications of the study.

2. LITERATURE OVERVIEW

In this study key concepts are *equity, efficiency, cost-sharing and student support*. This section presents the four concepts by giving a rough introduction of how they are reflected in the literature and how they are interrelated.

2.1.1. Equity

Equity is a quite common term referring to policies of fairness and/or welfare. But what does it mean? It has numerous interpretations attached to it and the term is mentioned in arguments both in favor of, and against, e.g cost-sharing policies. What is the difference between for example equity and equality?

"Are all identified inequalities inequitable?" This question posed by Hutmacher (2001) addresses the nature of the difference between equity and equality. An illustrative example can be made referring to a school class. In a class, grades will differ, meaning that there is inequality. Everybody is not evaluated as equally competent or knowledgeable in certain areas. The teacher of the class is likely to have some sort of justification for this differing of grades, meaning that he or she may claim that the grades were given on a fair basis and that those who got a good grade got it due to effort. In such a case the school would be displaying inequalities (the differing of grades), but still have a fair system. However, as certain pupils end up getting poor grades over time and later in life may struggle both socially and financially, it is tempting to claim that the causes of the observed inequality are more complex. Though the school may not be unfair in its procedures (treating pupils in the same way etc) our intuition tells us that someone or something has to "take the blame" for the differences in learning outcome. Differences can be attributed to a lot different of factors or the interplay between them. Such factors are the social environment, peer – and family relations, tastes and hereditary factors. Such factors can indeed contribute to *social reproduction,* a concept explained below.

Some might argue that these inequalities are more unfair than those that arise as a consequence of differences in effort. That effort matters, is commonly accepted and the rationale behind incentives in policies. Social reproduction, on the other hand, is considered inequitable (unfair) and hence unacceptable. Therefore the response to Hutmachers question is that not all inequalities are inequitable, and in my opinion the

question captures the main essence of equity, namely that equality refers to a form of value-free state that is merely describing varying degrees of equivalence or sameness while equity has more ethical connotations, having to do with fairness. Besides from telling the difference between equity and equality, this example above also points to the difference between what is regarded as fair and desirable (equity) and what is considered unacceptable (inequity). Knowing this, the rational thing to do is to seek out a way to reduce or avoid inequity altoghether. But is it possible to avoid inequity? Two theories dealing with this question are *the Functionalist approach* (Parsons and Durkheim in Benadusi 2001:27) and the *Social reproduction theory* (Bourdieu Passeron 1971 in Benadusi 2001:29).

The *Functionalist approach* proposed in the most classical way by Parsons and Durkheim in the 1960s posits that inequalities in education stem from two kinds of factors; 1) *ascription factors* such as race, gender, social class and nationality, and 2) *achievement factors* that again are subdivided into endowment, such as natural ability or talent, and what has to do with the *use* of this endowment such as effort. This functional approach to inequalities posits that social inequalities may be unjust (inequitable) only if the inequality stems from the ascription factors. If, however, it stems from achievement factors the inequality is not inequitable the way it is described above. It should be profitable to make an effort and therefore some inequality has to be accepted to make an incentive for people to try to do better. This factor to some extent promotes inequality, without promoting inequity. The functionalist position is rather optimistic on behalf of the less fortunate ones. Regarding those who are treated unfairly on grounds of ascription factors, it is believed by functionalists that compensatory measures may help compensate for the inequity resulting from the system.

The *social or cultural reproduction theory* by Bourdieu and Passeron differs fundamentally in that it is not believed that social reproduction can be relieved by educational or financial policies (such as different forms of compensations). The interpretation of Bourdieu (1971) presented here is that social reproduction is a process triggered by the exclusion of certain cultures at the lower levels of the school system and such exclusion may affect later educational or career choices such as choosing to enter higher education or not. In this sense the social or cultural reproduction theory is different regarding the question of inequity. According to this theory, the school system

works in favor of some cultures and consequently in disfavor of others, resulting in inequity that reproduces the culture already dominant and suppresses the latter. The children that have parents of the dominant group have a better chance of succeeding in the school system than children that have parents of minorities or less dominant groups. A central phenomenon is what Bourdieu would refer to as *cultural capital;* the knowledge children of the dominant culture already are equipped with at the first day of school and which is an important asset for succeeding because they will be more easily accepted by the teachers. Applying the terms of Durkheim and Parsons one could argue that the children of the less dominant culture have several handicaps; they may lack both the achievement factors (it may seem like they do not have talent since they do not know what the children of the dominant culture know and they may be discouraged from trying since they may feel alianated in what appears to be an unfamiliar learning environment) and the ascription factors may also be working in their disfavor. Skills that are considered valuable for society may be more held by children from the dominant culture as the teachers (also from the dominant culture) decide on a curriculum that favors one group over another (Benadusi 2001).

While functionalists may argue that only inequalities from ascription factors are inequitable, the cultural or social reproduction theory posits that *all inequalities* in the the school system may be inequitable (regardless of whether they stem from ascription or achievement factors) because the inequalities stem from cultural dominance. The two theories differ in one more very important respect: While the functionalist theory seems to be optimistic positing that inequities (to them; inequalities that stem from ascription factors) can to some extent be compensated for (in the sense that they at least can alleviate or reduce the inequities), the cultural or social reproduction theory seems to be a more "pessimistic" theory positing that social inequalities will reproduce because the education system is inherently unfair and culturally biased (Benadusi 2001).

In fact the Functionalist - and the Social reproductionist theory (model) presented above represent two perspectives useful for understanding the structuring of student support systems, especially with respect to the latter difference between the two. While the student support systems based on the Functionalist model contain more characteristics of compensation and targeting the student support systems based on the social reproduction model are more "flat" in the sense that the degree of compensation means

testing and targeting is lower. When talking about ways of funding students it can be tricky to tell equity apart from equality. The way of treating everybody "in the same way" (in line with the social reproduction model) has been a common practice in Norwegian funding policies, but as some authors have argued however, it does not always mean that the result is equitable.

Because of this the Norwegian way of interpreting the notion of equality has been critiziced. One famous criticism was published by sociologist and former Norwegian Minister of Education Gudmund Hernes (1974), who argued that the Norwegian way of understanding equality may create arrangements that contribute to inequity. Hernes described 4 main categories of equality; *Formal Equality, Resource Equality, Equality of Competence* and *Equality of Results*.

Formal equality is one conception referring to the equal treatment of different groups in society as mentioned above. This form of equality is considered politically correct and therefore is legally stated in most societies. The criticism expressed by Hernes however, was that this form of equality as an educational policy is inequitable simply because financial conditions are unequal. A government that has formal equality legally stated with the intention of promoting equal access to secondary - or higher education may fail to increase participation for students from disadvantaged backgrounds because young people from lower social classes can not participate for financial reasons (1974:9). In other words, it may not help to have equity stated in the law if nothing is done to compensate for already established financial inequalities.

The second form of equality, *Resource equality* (*Ressurslikhet*) means that financial issues shall be irrelevant for whether one succeeds in the education system or not. It means that all can participate in the competition and that equal amounts of resources are to be spent on all pupils/students at the same level. This form of equality is assumed to be fair as financial issues are considered to be "ruled out" as a deterrent to access as it is possible in theory for all students to go to higher education (Hernes 1974). However, it is important to stress that this is *in theory*, as having the same minimum of resources does not necessarily make all people invest in higher education (this point is discussed under the 4th form, - equality of results).

The third form, *Competence equality*, refers to the idea that the resources are spent in proportion to the student`s ability or merit. This means that public sources are spent to a

greater degree on those who do well and succeed in the education system. Consequently, this means that more is spent per student in tertiary education than is spent per pupil in upper secondary and more is spent per pupil in upper secondary than per pupil in lower secondary and so on. If higher education is publicly funded and not all of the age cohort go on to higher education, the ones who do get more from the public purse than the ones who do not, and statistically, those who participate are more likely to be from affluent backgrounds. Thus, the ones who were more affluent to begin with will also benefit the most and hence this form of equality may be argued to be inequitable as well (Hernes 1974:10). Here is a clear parallel to the equity-argument of Johnstone (2006) presented below, which is mentioned as one of the rationales behind the concept of cost-sharing (see 2.1.3).

The fourth form of equality proposed by Hernes is *Equality of results* which is based on the idea that the objective is to make the result equal. As most, if not all, societies today have some degree of social inequalities some governments (through their student support systems) find it necessary to discriminate intentionally between social groups. The state therefore may apply compensatory measures to help those that are worst off within a group or a society to achieve more or less equal conditions in several respects, be it geographical measures, financial measures or others. Thus, the different sub-groups within the groups will in such an instance intentionally be treated unequally in order make the result more equal. To this form of equality Hernes emphasizes two demands, one strong and one weak. The strong demand is that all shall achieve the same fundamental standards, which means that education leads to status within one area and that this expertise is not considered lower status than other areas of expertise. Hence, the labor market will consist of complementary areas where everybody is an expert within their own field and that these fields are considered and treated relatively equal. Social differences shall therefore be reduced by mechanisms within the school system if one is to claim that the schools are successful (meaning fair or equitable) and the schools should be graded for this achievement (Hernes 1974:19). The strong demand is strong because it demands a change not only in the school system, but also in the labor market with regard to status of individuals. In other words it demands an *equal society.*

As this may be too much to wish for the weak demand is *equality of opportunity*, is second best, that there *shall be no correlation between where you come from and where*

you end up in society (Hernes 1974:19) or put differently; *that any member of society shall have the same probability of reaching different positions in the social pyramid.* The demand is a weak demand because two conditions are kept; the social pyramid itself, and the relation between the social layers *in* the pyramid. "Accepting" these imperfections, equality of opportunity remains the most equitable principle.

2.1.2. Efficiency

Johnstone (2003) describes efficiency as one of the *virtues of the market* that has entered the area of higher education policy. Efficiency is a major policy concern in any government and hence also one of the key concepts in this study. Even though it is characterized and defined in literature in various ways, there are only two aspects of it that will be referred to in this study. One is the form of efficiency mentioned as one of the rationales behind cost-sharing policies by Johnstone above. Policies aiming to contribute to getting the student through the higher education system faster will in this study refer to *output efficiency* or *efficiency of output*.

The other form of efficiency referred to here is a more *general form of efficiency.* The interpretation of the author from the literature on higher education economics is that efficiency refers to a broad range of means in which to maximize utility in relation to resources used. This can be done by making more utility out of using the same amount of resources as previously, or by spending less resources, without losing out in terms of the utility attained in previous cases.

One example of how efficiency is used in literature is to avoid waste. Abolishing policies that are (believed to be) wasteful is per definition efficient. Student support policies that secure or provide resources for students who probably would have participated in higher education either way are considered wasteful. Another aspect is the effectiveness of the system as a whole, which is close to the same phenomenon. Governments are trying to increase the performance of the institutions without increasing the input (public funding) or even trying to get the same result while decreasing the input. Hence, a government aiming to make the best possible use of the resources is a government emphasizing efficiency.

2.1.3. Cost-sharing

According to Johnstone (2006) higher education institutions can potentially be funded by four sources: students, their families, governments (taxpayers[2]) and philantropists[3] (Johnstone 2006:52). It is when students and families contribute to the costs of higher education that it is called *cost-sharing*. The concept of *cost-sharing* however was coined by Bruce Johnstone (1986) and can be defined as a "shift in the burden of higher education costs from being borne predominantly by government, or taxpayers to being shared with parents and students." (Johnstone 2003:1). But what are the "costs of higher education"? Johnstone[4] refers to "costs[5]" as the resources given up in producing something and makes a distinction between the direct and indirect costs of a college. The direct costs are visible and measurable costs, typically salaries of staff and administration, special materials needed etc. The indirect costs are less visible and can be electricity, janitorial expenses and overall building maintenance, as well as other services (Johnstone*). Other costs can be opportunity costs (or foregone earnings) paid by students (the financial loss resulting from studying instead of working), costs of living plus other forms of costs of higher education. With such a perspective on the costs of higher education, the phenomenon cost-sharing is already established to some degree in all countries. Cost-sharing can take many forms: the most famous form is the charging of tuition fees for covering expenses that HEIs (Higher Education Institutions) might have such as salaries, rooms and other costs. Other kinds can be the freezing of student grants in inflationary times (decreasing the purchasing power of the grants), transforming of grants to loans and the charging of extra fees, not only for tuition, but also for application, maintenance and registration (Johnstone 2003). As higher education systems have gone from elite to mass due to the demand for highly qualified labour, the costs from such expansion have made governments in industrialized countries expand the private sector allowing the public Universities to maintain their

[2] As governments use tax money, most economists prefer to use the term "taxpayers" instead of referring to "governments" as one of the 4 contributors.
[3] Endowments from philantropists are known mostly in the USA (Johnstone 2006).
[4] This paper is unpublished and contains introductory concepts on the Economics of higher education. In bottom of the bibliography the nature and reference of this paper is explained in more detail. The paper will from now on be referred to as Johnstone (*).
[5] Costs however, are not the same as price (Johnstone *). While costs refer to the resources given up in producing something the price is what the customer has to pay for it. Hence, forms of cost-sharing are in reality only prices presented in various ways.

selectiveness. Private higher education institutions rely to a great extent on high tuition fees as a major or at least significant part of their budgets. Such reforms have taken place in countries as diverse as Portugal (Teixeira 2006) and Japan (MEXT 2006:10).

But why should these costs be shared with students and families and why should the public (the taxpayers) fund higher education? To start with the latter: A common argument for public funding of higher education is the fact that any society benefits from a highly competent labour force through the quality of services etc. and it is hard to measure the utility they get from it. This form or argument is referred to as *externalities* or *spillovers*. Taxpayers may not be benefiting directly from higher education, but may have advantages resulting from the knowledge produced in higher education and hence this represents an argument for public funding. It is hard to know however, exactly *how much* utility the average taxpayer enjoys indirectly from higher education or the price this person would have been willing to pay for this advantage or good. Because of this it is of course also hard to know exactly how much the public should fund higher education. Another argument for public funding of higher education is that higher education participation adds to the productivity of the individual and that this in turn contributes to economic growth.

What are the arguments for higher education to be privately funded? Johnstone (2006) presents three main rationales for cost-sharing in higher education; *necessity, equity and efficiency.*

The first rationale is the *necessity* of shifting some of the financial burden to students and their families due to the enormous expenses observed in higher education budgets in industrialized countries worldwide. These expenses are resulting both from increasing participation rates and from the increasing per-student cost[6]. Another factor that is relevant to the discussion of the funding of higher education is that it is not first in line for public revenue as there are other areas that may be deemed more important.

[6] The *cost-disease of higher education* may be mentioned here to better understand the challenges. Two points have to be spelled out in order to understand the seemingly unproductive nature of HEIs; the fact that staff may require/demand a raise in order to stay put (this means of course a raise that exceeds the rate of inflation) plus the fact that this does not help them become more productiveto. Thus the increase in salary for the staff does not lead to increased productivity. The result is that higher education budgets tend to increase 2-3 % faster than the rate of inflation each year. This phenomenon has been referred to as the cost-disease of higher education and was initially developed by Baumol and Bowen (1966) has later been elaborated on by Johnstone (Johnstone 1999, 2001 in Johnstone et al 2006:6).

Competing areas for public funding are especially the health sector, primary and secondary education, the social services and the police and military services. The rationale of *equity* is based on the fact that student populations in most higher education systems worldwide are disproportionately from affluent backgrounds (Johnstone 2006). These students are allegedly later likely to enter the labour market with advantages in terms of a higher salary, more opportunities and greater status. According to Johnstone (2006) it is "socially perverted" to offer these students "free" (publicly funded) higher education as those who do not participate (and hence do not enjoy the benefits) are the ones who end up sponsoring the education of those that are later likely to lead more comfortable lives in several respects and that often were from a more affluent backgrounds to begin with. According to Johnstone (2006), therefore, it is fair to charge those who later benefit for parts of the production of higher education. *Efficiency* is a rationale and a policy concern that has increasingly influenced educational policies during the latest 15-20 years. There is a belief that the increasing of cost-sharing policies will make students more demanding of the higher education institution and that the higher education institutions also in turn will become more responsive to the demands of the students. Cost-sharing is in short assumed to have an intensifying effect on student efforts (Johnstone 2006). The policy concern of efficiency also has relevance for equity as the problem posed by *academic malingering* (that students stay for too long within the higher education system, often not completing a degree or displaying extremely slow progression) represents a hazard not only for society and the higher education institutions, but not the least for the individual student who loses out compared to others in terms of lifetime earnings (Johnstone 2003).

2.1.4. Student support

All of the three concepts mentioned above may be integrated through the fourth concept which is *student support.* Student support is organized by governments in student support systems. The rationale behind student support systems is primarily equity and welfare but student support systems are not unaffected by governments everpresent drive for efficiency and hence student support systems often also contain forms of cost-sharing policies.

The rationale of equity is based on the fact that we live in a society of risk and uncertainty (Beck, 1992) and that private actors do not think of the welfare of the people. The state must therefore intervene in order for all people to have the opportunity to invest in human capital. Student support is hence considered a form of *state intervention*. In *The Welfare State as a Piggy Bank,* Nicholas Barr (2001) mentions some significant differences regarding the investment in physical capital vs investment in human capital. In the former private banks will be willing to lend money to make an investment possible while in the latter private banks (here referred to as private markets) will fail to offer insurance (loans) due to uncertainty. In these cases, the state intervenes (public funding) for the sake of equity. These differences are labelled as *imperfect capital markets* and include considerations of both *imperfect information* and *risk and uncertainty*.

Because of *imperfect capital markets* there is a need for state intervention (Barr 2001). Barr (2001:175) argues that investing in human capital is fundamentally different from investing in physical capital (for example a house) because a person who buys a house:

- Knows what he is buying because he has lived in one all his life.
- The house is unlikely to fall down.
- The real value of the house will generally increase.
- If his income falls, making repayments burdensome, he can sell the house.
- Because the house acts as security for the loan, he can get a loan on good terms.

Barr argues that the repayments of a house will be predictable because there are only three factors that determine the monthly repayments: the size of the loan, the duration and the interest rate, while investments in human capital are not as predictable and rely on far more than these three factors (Barr 2001:175).

Imperfect information relates simply to the fact that all people are not equally informed about the benefits of getting a degree, and in relation to what is seen as the relative risk of such investments, some will invest in higher education and some will not. Those who will not are likely to come from poorer backgrounds and are likely to be less informed about the opportunities and benefits of going to higher education. Imperfect information will have unfortunate consequences for risk-averse individuals regarding investments in

human capital because of the risky nature of such investments. Barr (2001:176) points out three fundamental reasons that are mentioned above:

1) The house is unlikely to fall down, but the education can very well "fall down" by the failure to graduate of not pass exams. The student may have to make loan repayments paying for an education that could have contributed to a better income that could again been used to better manage the repayments.
2) Also well-informed students face risk. That is because the returns of human capital can be hard to predict in several ways both in terms of social and private returns. It is not easy for anybody to predict how the labor market will look like in a few years so one can not justifiably claim that the value of education will generally increase as is the case with a house.
3) If one has borrowed to invest in human capital and ends up with a lower wage and then struggles to repay the loan, one can not sell the qualification in order to get rid of the debt. This last phenomenon is referred to by Barr (2001:176) as "*Risk and Uncertainty facing lenders*"[7].

This is why state intervention (through student support) is necessary. The state acts as social insurance for risks that can not be absorbed by private markets and public intervention in this sense means a trade-off between efficiency and equity (welfare). By offering loans to individuals who invest in human capital (regardless of risk) the state accepts some degree of inefficiency as a price to pay in order to achieve a certain level of welfare in terms of equality of opportunity.

A well-functioning student support system has been stressed by authors as an indispensable condition for cost-sharing policies (Barr 2001, Johnstone 2003). Financial aid to students may be provided in a number of ways and with varying degrees of efficiency and may also contain cost-sharing policies such as loans. Below some forms

[7] This means that private banks are not willing to provide loans that are earmarked human capital investments because some students are more likely to fail in the education system than others (some are low- and some are high-risk loaners). The problem for the private banks when faced with someone who wishes to take up a loan to invest in human capital is that it is impossible for the bank to know who the high risk loaners are. This is the problem of adverse selection (Akerlof 1970 in Barr 2001), - that the borrower can hide/conceal from the lender the fact that he is a high-risk loaner. Since it is likely that the bank will lose money on some, but not on all loaners, - the bank will have to let every loaner pay a higher premium to cover the potential loss (risk pooling). The problem then may arise that the low-risk loaners opt out (they don't want to pay a risk premium that is excessive in relation to their probability of failing), leaving the bank with only the high risk loaners resulting in inefficiency (Barr 2001).

and arrangements are listed in order to provide some idea of the extent to which student support policies may vary. These are direct support and indirect support, loans and grants, means testing and targeting, interest subsidies or interest free loans during the time of study, parental contributions, the balancing of student support policies against other welfare arrangements and other subsidies.

Student support may be provided both directly and indirectly to the student. In both cases they are regarded as incentives for investment in education. Examples of direct financial aid are grants, loans and scholarships. Examples of indirect financial aid are tax benefits for the families or relatives of the student, subsidies allowances or services (Vossensteyn 2004). Grants are direct support for the student that is not to be repaid after graduation. It can be provided unconditionally (universal) or with some strings attached. Such strings or conditions can be that the grant is progression dependent meaning that the whole amount is intitially given as a loan and later turned into a grant depending on progression. A grant can also be initially given as a grant and then later be turned into a loan depending on progression or whether the client has respected other regulations or terms. Another condition may be that the grant is means tested against the students or the families/relatives income and/or means tested against the students` savings. Grants can also be given and repayment may be postponed if special conditions apply such as illness, disability, or studying abroad to compensate for fees. Some student support systems have favorable repayment conditions in case of unemployment and some erase the whole or parts of the debt at death. A vital part of any modern student support system is the loan. Because the living costs are part of the costs of higher education, all loan designs are counted as forms of cost-sharing policies. Barr (2001) presents three loan designs (also called repayment designs). These are mortgage type loans, graduate tax and income contingent loans. *Mortgage type loans* are loans of which the repayment is organized like a mortgage. The amount borrowed (+ interest) is spread out over time, and repayments take place accordingly (i.e. € 100, - a month in 20 years). The amount is in such a loan design is pre-determined and repayment does not stop until the whole loan sum is repaid. *Income contingent loan* repayments can be calculated as e.g. 5% of the borrowers` subsequent income until he or she has repaid the loan (then repayments will be "switched off"). Only the percentage of the individuals` income that is to be repaid is predetermined while the time it takes may vary. *The*

graduate tax is the loan which also is designed like the income contingent loan with a pre-determined fraction (fixed percentage) to be repaid per month. However, the difference is that the graduate tax continues for life or until retirement. The borrower may in this way end up paying more than he or she borrowed.

As mentioned above, the student support system is a form of state intervention that works as social insurance (Barr 2001). For the sake of equality of opportunity it can be argued therefore, that *means testing* should be part of student support systems. The financial support will, in such cases differ relative to the income of the parents or the student. This is not only because students and their families are differing in financial capacity, but means testing is also serving the purpose of making the student support system more efficient and hence means testing also can be regarded a form of cost-sharing policy. It is a waste of money to give student support (tax money) to those who most likely would have invested in human capital in any case. Means testing is tricky because it relies on a well-functioning taxation system (as mentioned above) as not all countries have the same capacity to tell whether an individual or his/her family is well-off or indeed poor (Barr 2001).

As part of the strategy to encourage people to invest or reinvest in human capital the interest rate of student loans may be subsidized by the government or removed entirely so that the student can take up an interest free loan during the time of study. This may represents a loss for the public purse as inflation reduces the value of money over time, while for the student the subsidy should be valued like a grant. The underlying rationale behind interest subsidies is that students will not take up loans to invest in human capital if there is an interest rate running, in other words, it is argued that students are debt averse (Odnes 1986, Vossensteyn & De Jong 2006, Callender 2006).

In some cultures the student is regarded the responsibility of the parents until relatively old age compared to other cultures. Parental contributions are therefore often a part of the student support system of these countries. Such policies depend on the cultural traditions of the country regarding practical issues such as the affordability of the government the situation regarding housing for students (in some Mediterranean countries more than 50 % of the student population, live with their parents) (HIS 2005). Some countries have 18 or 19 as the upper limit to which a child is considered the financial responsibility of the parents and hence the parents are not legally obligated to

contribute to their children`s financing of higher education. While this is a common policy in the Nordic countries, other countries have laws that make parents responsible of their children higher education investments until a higher age e.g. age 27 or 28 or as long as the student is eligible for support as is the case in the Netherlands (Vossensteyn, 2004). Despite of differences in arrangements with regard to parental role there is consensus that the student sooner or later must be considered financially independent.

To cope with geographical inequity, some student support systems also provide some funding for transport. Students may receive grants that are ear-marked traveling expenses or simply receive a transport pass (like the case is in the Netherlands) that has a significant monetary value.

Modern welfare states have well developed systems for providing a minimal level of well-being for individuals in the overall society. These of course also include financial aid provided for those who do not participate in higher education. It can be child allowances, sickness and disability pensions, pensions, and allowances for living and maintenance for the unemployed. Student support systems have to be tuned in relation to these forms of welfare policies as they can be overlapping. The rationale for such policies is to reduce inefficiency and fraud.

2.2. The role of the key concepts in the study

The concepts are all part of the study in different ways but the main focus is on how the student support system is structured and how it can better cope with challenges regarding efficiency and equity. The relatively controversial discussion (in chapter 7) in this study concerns the potential improvement of efficiency and equity by introducing forms of cost-sharing policies. Formal parental contributions is a form of cost-sharing policy and the study can be read as an argument for alternative means of funding of students and also as an implicit critique of the current Norwegian student support system, its structure and its lack of dynamics under changing conditions. The ideology of Lånekassen seen in relation to the structure of the student support policies is also questioned given that trends observed by research and statistics continue. The way in which the function of the student support system (Lånekassen) is measured, is using the categories provided by Hernes (1974) in 2.1.1. Equity is not only related to the national equity objectives (defined in 3.2.2), but also to whether the current student support

policies in relation to indicators of reality such as statistics and research work in relation to the objectives and whether the efficiency (or lack thereof) can have implications for equity in any way. The Dutch case is interesting because it represents another model of student support system. The emphasis on efficiency and on a greater degree of means testing and targeting makes out an interesting contrast to Lånekassen. In the following the Norwegian case is presented containing information on the higher education system, recent reforms and funding mechanisms.

3. THE NORWEGIAN HIGHER EDUCATION SYSTEM

The Norwegian higher education system is a binary system with a dominating public sector consisting of 7 Universities in Oslo, Bergen, Trondheim, Tromsø, Stavanger, Agder and Ås, 6 Specialized University Colleges, 24 State University Colleges and 29 Private Colleges (www.utdanning.no). The Norwegian system has tendencies of homogenization since several State University Colleges strive for University status. Norway also has a private higher education sector, the largest institutions being the Norwegian School of Management (BI). The private sector in Norway is both publicly and privately funded. With respect to participation and current educational attainment the Norwegian higher education system has gone from elite to mass higher education during the latest 50-60 years. The Norwegian higher education system is characterized by low entry barriers, and until the Quality reform the degree structure was characterized by flexibility (Aamodt & Markussen 2003).

3.1.1. Recent reforms in Norwegian higher education

Norway is among the countries who have signed the Bologna Declaration an intergovernmental declaration (not a treaty) intended to conform the higher education systems across Europe to a common set of standards (such as degree structures and grading systems). The purpose of this conforming process is to create a European Higher Education Area which hopefully may seem attractive to talented researchers, students and staff. The objective is that Europe shall appear more unified, coordinated and internationally competitive as a continent. Students shall be given the opportunity of taking international degrees (joint degrees), attend programmes in different countries and getting them recognized by a conformed set of criteria (NIFU Step 2005).

By implementing the *Quality Reform* autumn 2003 the Norwegian higher education system conformed to the suggestions made in the Bologna Declaration. Hence the main features of the Quality Reform are in line with the ideas on which the Bologna declaration was based. A new degree structure, a new grading system and the introduction of ECTS credits (European Credit Transfer System) are central components of the Quality reform. Furthermore, incentives for effectiveness are also central in the reform by stressing the importance of a closer follow-up of students (NIFU Step 2005). To achieve a higher quality in the higher education system more

emphasis has been put on Internationalisation and some changes have been made to the structure of the student support system. These objectives were motivated by a drive for effectiveness after a period of increasing inefficiency in the University sector in the end of the 1990s (Telhaug 2002, Markussen & Aamodt 2003, Raabe 2005).

The Competence reform (2003) is a reform that to some extent "pulls in the opposite direction" of the Quality reform because the objective is to keep educational opportunities open to individuals throughout life (hence promoting the policy concern of lifelong learning). As the quality reform is intended to get students through the higher education system, the competence reform to some extent encourages "older students" or adult learners to enter the higher education system. A key feature of the Competence reform is that individuals who did not complete upper secondary education can get access to higher education on grounds of at least 5 years of work experience (*realkompetanse*) (Opheim 2004).

3.1.2. Participation and educational attainment[8]

At present about 55% of the age cohorts enter Norwegian higher education system (NIFU Step 2005:14). The student population in higher education as of 2003 indicates that the participation at the Universities is declining relative to other sectors of higher education. In 1999 about 30% of the overall student population attended the Universities and in 2003 it had declined to about 26.8 %. Most of the students are enrolled in the State University colleges, the numbers are increasing and the percentage is stable at around 50% of the whole student population. During recent years the participation in the private schools has somewhat increased. Today it amounts to about 17% of the overall student population (Aamodt & Hovdhaugen 2006:18).

From 2003 until 2005 the growth has been at about 800 students per year. As of autumn 2004 there were about 224700 students in the public sector and about 31000 enrolled in the private sector (Raabe 2005:20). Regarding educational attainment the proportion of people of the population between 25 and 64 that has lower secondary education as their highest form of education attained is about 11 % and this is well below OECD average

[8] Participation and attainment is not the same. Participation refers to being enrolled in education. It does not even mean taking exams as a student may enrol for other purposes than to get educated. Attainment, in contrast, means completing a level of education. Having completed a bachelor degree means that it is attained and it is hence registered as current educational attainment, even though one may at the same time be enrolled in a master program (participation).

of 30 % (2004). This group is also clearly declining (Aamodt & Stølen 2003). Higher education participation relies on the participation in primary - and secondary education (or at least partly as *Realkompetanse* makes it possible to enter higher education without having completed secondary education as mentioned above). The proportion of the Norwegian population that has a form of upper secondary education as their highest level of education attained is in Norway about 53 % and this is above OECD average which is 42 % (2004). Regarding educational attainment for tertiary education Norway is above OECD average with a proportion of 32 % measured against the OECD average of 25 %. Added up this means that about 88% of the target group has attained at least upper secondary education (OECD 2006:37). This leads to the conclusion that Norway has a highly educated population compared internationally. However, this perception has been questioned by Jørgensen (2005). In an article discussing the categorization of the education system he points to the complexities of categorization nationally and internationally and claims that due to factors resulting from re-organization of the education system, statistics may not provide an accurate picture of how educated the Norwegian population is compared internationally. According to Jørgensen, the categories of higher education in Norway are relatively wide and excluding some of the forms of education at the base of the traditional perception of Norwegian higher education, Norway is at about OECD average regarding educational attainment (Jørgensen 2005:295).

3.2. The Norwegian Higher Education Funding mechanisms

The funding mechanism of higher education consists of the Student support system (Lånekassen or The State Educational Loan Fund) and the funding of the higher education insitutions. Both forms of funding have changed since the Quality reform was implemented in 2003.

3.2.1. The Funding of Higher Education Institutions

The Norwegian higher education sector has a dominating public sector as mentioned above. Entrance at public institutions is also “free of charge”. In 2005 the new Act on Universities and Colleges was passed and it contained a paragraph that prohibited public institutions to charge tuition fees from student on fulltime programs leading to a

degree (FOR 2005-12-15 nr. 1506). *Gratisprinsippet*, the principle of not charging tuition at public institutions, has high symbolic value politically. Politically cost-sharing policies are frowned upon and associated with stepping away from the national equity objective of equality of opportunity (equitable access to higher education).

Regarding the public funding of the higher education institutions there is a trend at the moment that the funding is getting hybrid due to the government`s desire to provide the institutions with incentives for various objectives. The current trend therefore is that the funding for higher education is getting more output-based, intended to make universities produce graduates rather than just attract them. It also matters *how* the institutions perform. The main components of the funding model are a basic component and two performance related components, one for teaching in which credit point production is funded and the other for research, funding publication points.

As noted above the Norwegian higher education system is almost entirely funded by the taxpayers and the proportion of public subsidies is not only dominant, but also increasing. As of 1995, 93.7% of the funds for higher education came from public sources. In 2003, the public share in the funding of Norwegian higher education had increased to 96.7 % and is one of the highest of the OECD along with Greece (97.4%), Denmark (96.7%) Turkey (95.2%) and Finland (96.4%) (OECD 2006:220). While the trend in Norway is that the proportion of public sources in the funding of higher education is increasing, the trend in the OECD is the opposite: In the OECD countries, the tendency is that the burden of higher education costs is being borne to a greater extent by students and families than previously. The OECD average has gone down gradually regarding the proportion of public funding from 81.2 % in 1995 to 72.2 % in 2003 (OECD 2006:221).

3.2.2. Principles of equity and welfare policies

A number of welfare arrangements are intended to contribute to equity in the wider Norwegian society. Social aid, sickness and disability pensions, the progressive taxation system, child allowances, salaries negotiated centrally all represent arrangements intended to pursue the ideology of equality and social cohesion in Norway. These factors also have an impact on higher education policy as all of them added up result in a relative low rate of return to higher education compared internationally (Asplund &

Pereira 1999 in NIFU Step 2005). With regard to access to higher education there are also welfare policies intended to contribute to equity such as Gratisprinsippet mentioned previously. The objectives set the government regarding higher education are formulated as *national equity objectives.* These objectives are divided in two groups of policies. Group 1 is focusing on equality of opportunity by improving *access* to tertiary education, while group 2 concerns the improvement of equality of outcome and thus focuses more on equity *within* tertiary education (NIFU Step 2005:59). Other key principles that are intended to contribute to equality of opportunity and equality of outcome in Norway are formulated as policies in the student support system, the State Educational Loan Fund (Lånekassen).

3.2.3. The State Educational Loan Fund

The State Educational Loan Fund (Statens Lånekasse for Utdanning, from here on referred to as *Lånekassen*) was established in 1947 as part of other welfare arrangements. From the late 1950s on Lånekassen has provided support also for participants in Secondary education (Videregående skole). As of 2005 Lånekassen had about 770 000 clients of which about 492000 were repaying their loans. For the school year 2004-2005 about NOK 16.8 billion (of which about NOK 3.3 billion were grants and about NOK 13.6 were loans) were provided as educational support for about 274 000 customers. Clients were repaying debts making up a total of NOK 87.4 billion (Lånekassens Årsmelding 2005). The purpose of Lånekassen is to contribute to equal educational opportunities for all regardless of conditions having to do with age, gender, level of physical capabilities, financial or social factors (Lånekassens Årsmelding 2005). To get an idea of how this concern has been manifested historically it is necessary to present a brief historical overview of the background for the student support policies since the Second World War.

3.2.4. Historical overview of student financial support in Norway

The following information is almost exclusively provided from a report by the Aamodt commission (NOU 1999:33). In the post-war years, the period 1945-1955 there was political focus on especially two matters: 1) the need for academic labor as a part of re-establishing the country and 2) the coordination of initiatives in the education system

from the primary level of education and up to higher education. Even though the Norwegian society was in need of academic labor there was a certain fear of overproduction of academics. Still, a pedagogical committee (*Samordningsnemnda i Skoleverket)* established by the government in 1947 argued for financial support for students in order to provide educational opportunities for students with talent and ambition. Lånekassen[9] was founded as part a strategy to re-establish the Norwegian society after the war. The ideology of Lånekassen was the same as that of Samordningsnemnda. The objective was equal right to education. In the period 1947 – 1955 the only kind of student support available was loan. This was only given to candidates who seemed qualified for this form of education and who could not provide funding in other ways. The loans during this time were interest free, but after graduation the students had to pay 2.75 % interest. The period 1955 - 1976 was characterized by reforms at all levels of education. This formed the basis for what was later to be called the *education society*; - the trend that more and more people entered some form of education. The Ottosen committee contributed with some valuable knowledge and accurate estimations in the period 1966 – 1970, among them the estimations of the amount of students to enter higher education during the next decades and the need for an additional sector in higher education besides from the University sector to cope with the increasing numbers of students. Lånekassen started to provide grants[10] from the year 1956-57. The demand for such arrangements had grown parallel with the acknowledgement of the responsibility of society to provide equal rights for choosing a career. The grants had a common characteristic of being strictly means tested due to the resources being scarce relative to the student demand. In the beginning of the 60s there were 4 main areas of student support that separated areas of education with different rules applying. These areas were 1) student support for higher professional – or university education, 2) grants available for general education[11], 3) grants available for lower professional[12] – and vocational[13] education with additional funding from an

[9] At that time the name was *The State Loan Fund for Studying Youth* (Statens Lånekasse for Studerende Ungdom). In the year 1968-69 the name changed to *the State Educational Loan Fund* (Statens Lånekasse for Utdanning) due to a unification of the different funding arrangements provided until then (own translations).

[10] This form of support was provided for students at several kinds of schools, among them the Professional schools (Yrkesskoler), General schools (Allmenndannende skoler), Folk high schools (Folkehøgskoler), gymnasiums (gymnast) and in higher education (meaning universities).

[11] General education here refers to *Allmenn utdanning* (own translation).

[12] Professional education here refers to Yrkesskole (own translation).

additional welfare arrangement and 4) grants available for students and others engaged in higher professional education. Through several steps the system changed towards a more unified system. In 1968 the grants for students living away from home was no longer means tested against parental income and this resulted in pressure to offer universal loans. Gradually all means testing against parental income seized. By 1972 all students were to be considered as financially independent individuals from the age of 20 years. The student support system in the 1970s contained a number of smaller grants, variable in size and without much logical coherence. Because of this, the Ministry of Culture and Science in 1977 appointed the Sand commission (Utdannings-finansieringsutvalget or Sand utvalget) to propose some alternatives. In 1979 the Commission proposed *Prosentstipendmodellen*[14] (NOU 1999:33:46). The proposition was again promoted in the white paper nr. 12 and the law implemented in 1983-84. The rationale behind the model was that the grant was to be adjusted to the financial need of the student. Prosentstipentmodellen had the following features:

1. Educational financial support below a lower limit is provided as a loan.
2. Educational financial support over an upper limit is only given as a loan.
3. The discrepancy between the lower and the upper limit can be given as a grant up to a certain percentage.
4. The lower limit, the upper limit and the percentage is to be decided annually.

On grounds of the information provided by the Storting in the white paper number 12, 1983 - 84 the Ministry proposed a new Act on educational financing (Lov om Utdanningsstøtte for elever og studenter - Ot. prp. nr. 20 1984-85). The main features were:

1. The establishment of a homogenous system designed to calculating all forms of student support.

[13] Vocational education here refers to Fagutdanning (own translation).
[14] NOU 1979:34 ”Utdanningsfinansieringen”.

2. The maintenance of an age limit in the funding arrangements so that applicants above the age limit can receive support without means testing against parental income.
3. The arrangement of interest free loan during the time of study is maintained.
4. The design of repayment should provide stability and predictability.

The age limit was in 1987-1988 lowered to 19 years of age due to some discussion between advocates of an age limit of 18 years and advocates of the maintenance of the limit of 20 years. In the white paper number 12 (1983-1984) the national assembly made a proposition to the government to present some models for income contingent repayment. A result was a report that suggested a maximum percentage of the income that was to be repaid (Odnes 1986). This percentage was set to 6%. The income contingent loan never became a popular as a repayment design in Lånekassen (Aamodt 1997). Today the loan design of Lånekassen is the mortgage type loan with some favourable welfare characteristics[15]. In 1991 the Magistad commission (Magistad utvalget) was selected to assess the educational financing through Lånekassen and the student welfare. Their proposition[16] (of which the first part came in 1992) was to keep the main structure of the established arrangements, but parts of the discussion evolved around the interest free loan during the time of study. A smaller part of the commission suggested an abolishement of the interest free principle replacing it with a larger grant. However, this suggestion never was put into practice (NOU 1999:33:46).

The 1990s represented a crisis in the higher education sector with regard to output efficiency (gjennomstrømning). For example out of all the students enrolling in the Universities in 1992, 1/3 (32%) did not complete any degree at all, about half completed a lower level degree (cand.mag.) and only 17% completed a higher level degree within 10 years (Raabe 2005:24). The poor effectiveness in completion rates took place primarily in the university sector (Telhaug 2002). This illustrates some of the crises triggered debates concerning effectiveness and efficiency in higher education leading up

[15] Low income during a period as well as other conditions such as caring for children, sickness and disability and unemployment may qualify for getting interests erased (rentefritak) during a given period. The term amount is not reduced, but the total period of repayment is (www.lanekassen.no 25.07.2007).
[16] St. meld nr. 14 1993-94

to and resulting in the Quality Reform implemented in 2003. The ministers of Education in the latest periods prior to the implementations of the reform, particularly Trond Giske and Kristin Clemet, also claimed as part of their argument behind their politics that the quality[17] of Norwegian higher education was alarmingly low and that an emphasis on efficiency was necessary in order to meet international standards regarding both teaching and research (Telhaug 2002). The Universities were demanded to do better, faster, spending more or less the same amount of resources as previously. The Quality reform was based on ideas presented in the white paper "Do Your Duty - Demand Your Rights" (St. melding nr. 27. 2000-2001). The slogan "The student shall succeed" symbolized the emphasis on the improved follow up of students in order for the output efficiency to be improved. The funding of higher education institutions went from a system where they were funded per student to a system where a proportion of the funding was output based (the public HEIs were from now on also funded per credit points and per graduate). In the following the main regulations of Lånekassen are presented to illustrate some of the main changes that have taken place during the latest years.

3.2.5. The main regulations of Lånekassen 1999/00-2007/08

The period 1999 - 2002 (Opheim 2005): Student support has been means tested (with some exceptions) against parental income until the age of 19. After this it has generally (with some exceptions also here) been the rule that 19 year olds receive support that is not means tested against parental income. For higher education there could be given support for up to 6 years at Cand. Mag. level (the undergrad. degree in the old Norwegian degree structure), with an extention of up to 8 years when continuing at a higher level. There were few flexible options regarding long distance learning. Demands were that the student was to be enrolled and attend the programme of study by following the lectures. Support was given for both full-time and part-time education. Privatists could get support for fulltime studies. The support was given as a loan, but

[17] In line with the concern for quality in higher education NOKUT - Norsk Organ for Kvalitet i Utdanningen (may be translated roughly as "the Norwegian Quality Assurance and Accreditation Agency") was founded in 2003 along with the implementation of the Quality reform. Up until then quality assurance and accreditation had been performed by the Ministry of Education.

parts of it could be turned into a grant if the student passed at least 15 vekttall (equals 45 ECTS credits) per academic year. Support provided for delayed students could be given as long as 1 year.

In 1999-2000 the amount of support was NOK 6625, - per month for students living away from home (about € 830,-)[18] out of which NOK 1990, - (30%) was given as a grant. Students living at home could get a loan of NOK 4535, -. Financial support was means testing against own income (income limit); - students could make up to NOK 3550, - before tax each month. In 2001-2002 the amount of support had increased to NOK 6950, - per month out of which NOK 2080, - was given as a grant (still 30%). Students living at home could get a loan of NOK 4760, -. The income limit, the amount a student could make from working (before tax) had increased to NOK 5200, - per month. With regard to savings the limit for single students was NOK 189000, - and for married students it was NOK 362000, -.

The period 2002-2003 (Opheim 2005): As the Quality Reform was implemented the regulations of Lånekassen where changed considerably. Age was no longer a main criterion in the regulations of receiving student support. The limit was now to be set between the students eligible for different levels of education. The parental role however did not change. The main features of the new system were: The amount of support (the Basic support) increased to NOK 8000, - a month. This represented growth of NOK 1050, - and was intended for students living away from home. The Basic support consists of grant and loan. Up to 40% of the support can be given as a grant to students living away from home. Students living at home can get the whole amount as a loan. Out of the 40 %, 25 % is given at the ordinary awarding of the support. The remaining 15 % will initially be given as a loan and may be converted into a grant wholly or partially depending on the production of credits. The changes also included the introduction of universal grants. Earlier, both grant and loan was means tested against the applicants` income and savings, but in the new system only the part that made out the grant was means tested. With the new system the income limit is NOK 100 000, - per year. The routines for controlling the income and savings were also changed as the data from the tax authorities were linked to the system of Lånekassen. Controlling income and savings had previously been done by checking whether people

[18] The currency NOK Euros are calculated roughly by dividing the number of NOK by 8. This is close to todays currency which is 1 € = NOK 7.81 as of 08.11.2007.

had the income and savings reported at the application stage. With the new system such reporting was not necessary and it could check all students instead of just some. If the income and savings were above the set limits, Lånekassen could convert the grant into a loan. Regulations about limiting the loan due to high debt were abolished. The grant for traveling/transport was limited to applicants under the age of 26 and had an upper limit of NOK 7000, - per year for travels in Norway/the Nordic countries). The time limit for higher education completion was set to 8 years altogether. The support that was previously offered to privatists for fulltime studies was abolished. The demand that the student had to be at the learning institution where abolished, but the student had to be accepted as an ordinary student.

The period 2003-2004 (Opheim 2005): Few changes were made this year. The Basic support was still NOK 8000, - per month with the same proportions as earlier (40 % grant / 60 % loan). However, - this year the whole amount was initially given as a loan and could be converted into a grant of up to 40% depending on credit production.

The period 2004-2005 (www.lanekassen.no): The basic support was still at NOK 8000, - per month with few changes made. The support offered to students with children was NOK 1290, - for each of the two first children and thereafter NOK 830, - for each additional child. Means testing still applies to against own economy (meaning both income and savings) and income and parts of the savings of the spouse. The limit for the students income before the student loses some of the grant entitlements was for Fiscal Year (FY) 2004 set to NOK 104 500, - and for FY 2005 set to NOK 108680, -. The penalty for exceeding these limits was set to 60% of the income exceeding the limit. The income limit set for income from other welfare arrangements was for FY 2005 was set to NOK 58150,-. The penalty for exceeding the income limit was also here about 60 %. For the academic year 2004-2005 students not living with their parents could get a grant for covering parts of traveling expenses for 3 trips (both ways). The amount having to be covered by the student was set to NOK 1120, - and the maximum traveling grant was set to NOK 7000,-.

The period 2005-2006 (www.lanekassen.no): The basic support remained NOK 8000,-. The student support was means tested against own income and the limits changed: For FY 2006 the limit was set to NOK 113027, - per year. The traveling grant was reduced

to funding for 2 trips instead of 3 and the amount to be covered by the student was increased to NOK 2010, -.

The period 2006-2007 (www.lanekassen.no): The basic support was raised to NOK 8140, - per month and the same conditions as the year before applied regarding the possibility to convert loans to grants. The income limits (the amounts students are allowed to make before the lose any of their grant entitlements) increased. For FY 2006 the limit was 113027, -. For FY 2007 the limit was set to NOK 116 983, -. The penalty for exceeding the income limit was lowered significantly to only 5% per month of the income exceeding the limit.

The period 2007-2008 (www.lanekassen.no): The basic support was raised to NOK 8290, - per month. The conditions for conversion from loans to grants remained the same. The income limits increased again. For FY 2007 the amount was set to NOK 116983, - For FY 2008 the amount is set to NOK 122247, -. The penalty subtracted from the grant entitlements for exceeding these limits remained the same (5 % per month). The amount allowed to receive from other welfare arrangements before a penalty is subtracted from the grant entitlements has been gradually increasing in the period 2003-2008. For FY 2008 the amount was set to NOK 65409,-

4. RESEARCH AND RESEARCH ANALYSIS

In this section studies that constitute the basis of the research analysis are presented. The research selected fall into two categories, the first category consists of studies concerning the financial situation of students and the second category consists of studies and publications that provide knowledge on the situation regarding equity within Norwegian higher education. Due to the comprehensiveness of the research performed in the studies only the main features of the studies can be presented.

4.1. The studies

4.1.1. Financial resources of students

Regarding the financial resources of students 3 reports are referred to. These were published by Aamodt (1997), Aamodt, Hovdhaugen & Opheim (2006) and Sæther & Løwe (2007).

In the report by Aamodt (1997) there are references to a study performed by NIFU Step in 1993. The study was performed with respondents of the age between 18-20 born in 1972 and 1974 and the purpose was to find out how and/or to what extent young people from different socio-economic background relied on various sources of income (Aamodt (1997: 31-32).

Another report with relevant information on the financial situation of students was published 10 years later. This report that made out a part of the evaluation of the quality reform performed by Aamodt, Hovdhaugen and Opheim (2006) at NIFU Step, assesses the conditions for the students after the Quality reform. The report discusses the students overall sources of income and the nature of the financial support provided by Lånekassen. The report is relevant to the problem statement because it refers to changes in the students sources of income over time. This provides a basis for a discussion on the Norwegian student support system. In the report the data is taken from three reports on the living conditions published by Statistics Norway in the 1990s (Gulløy, Opdahl and Øyangen 1998, Lyngstad og Øyangen 1999, Lyngstad 1999) and 2 reports on living conditions published after the Quality reform (Ugreninov & Vaage 2005 and Sæther & Løwe 2007).

The third report referred to concerning financial incentives of students was published by Sæther & Løwe (2007) and contains a survey providing information on the living conditions of students, their status and makeup as a social group and how they rank their sources of income in importance. The survey is used here as a source of data with special emphasis on two questions: 1) To what extent they receive support from their parents and 2) What is the relationship between parental contributions and socio-economic background? As the survey is of central importance for this study some methodological details are presented.

In the 2005 survey a representative sample of 4000 students was selected. The students that had passed the exam the previous year, exchange students and students who had studied less than 50 % where excluded from the sample (making up about 1046 persons). Among the remaining 2954, 692 did not respond to the survey. Still, this makes out a response rate of 77%. The net sample was 2262 respondents (Sæther & Løwe 2007:11) which made out about 1% of the Norwegian student population. The collection of the data was performed by 21% by phone and the rest by visiting (Sæther & Løwe 2007). The results of this survey have been compared to an earlier survey performed by Gulløy et al (1998). The differences between the surveys were that the sample size in the 1998 survey was slightly larger (2494) and involved respondents disproportionately from smaller higher education institutions. The students from the private colleges were not included. About 64 % of the interviews in 1998 were conducted by phone.

4.1.2. Access, drop-out and socio-economic background

One study and one report are referred to here providing data on the relation between drop out/student persistence and socio-economic background. The study was performed by Nordli Hansen and Mastekaasa (2005) and the report was performed by Aamodt & Hovdhaugen (2006).

In a study published by Statistics Norway, Nordli Hansen and Mastekaasa (2005) asked: *Is socio-economic background a critical factor regarding drop-out*[19] *from Higher*

[19] Here defined as first and foremost the changing of education type, with an exception made in the changing of education type as part of a Cand.mag degree. Another central feature of the definition settled by Mastekaasa and Nordli Hansen was the difference between break/interruption and drop-out. Dropping out hence meant at least 2 semesters without educational activity (Mastekaasa & Nordli Hansen 2005:101-102).

Education in Norway? This study is relevant to this problem statement because it provides a picture of the current situation with regard to the second national equity objective, equity within higher education. In this study, Nordli Hansen and Mastekaasa (2005) are looking at the participation patterns of 4 main groups of students. These are groups of students at:

1. Colleges (Professional training) (Høyskoleprofesjonene) involving programs such as nursery, teacher training and engineering.
2. Undergraduate programmes in the Universities (including Humanriora, the social sciences and the natural sciences).
3. Graduate programs (Høyeregradsstudier (hovedfag eller mastergrad i samme fag))
4. Higher Professional programs (Elite) (Høyere profesjonsutdanninger) such as medicine, law, dentristry and psychology.

In one of the reports evaluating the Quality the area of interest was drop-out and the student stability after the reform (Hovdhaugen & Aamodt 2006). The report is relevant to the problem statement because it may provide information of whether the Quality reform may have contributed to changes in students` effort to perform and whether it may have had en effect on the stability. Have any particular social groups benefited more from the Quality reform in terms of completion/graduation? It is of course impossible to know whether the changes taking place are results of the implementation of the reform or whether they are fluctuations that may be the result of other factors. Nevertheless, another assumption that may be tested is whether students from lower socio-economic backgrounds choose to work rather than study and whether this pattern changed after the implementation of the Quality reform.

The data is based on information in databases from SSB and the group in focus here are the students who where registered for the first time in higher education at two different points in time, in autumn 1999 and in autumn 2003. This is not the same as first year students as they may have been registered as students at other institutions previously.

4.2. Research analysis.

4.2.1. How can the situation regarding equity of access and outcome with respect to Norwegian higher education be interpreted?

This question is aiming to get a picture of the current situation regarding both equity of access and equity of outcome with respect to higher education. These perspectives are taken on grounds of the National equity objectives mentioned in 3.2.2. Data on equity of access with respect to Norwegian higher education is provided by referring to a report by Opheim (2004). The latter is assessed by looking at the correlation between drop-out rates and socio-economic background (Nordli Hansen & Mastekaasa 2005) and the correlations between drop-out, completion rates and socio-economic background (Hovdhaugen & Aamodt 2006).

Statistics on participation in Norwegian higher education indicate that students whose parents have an academic background are overrepresented in the higher education system (Opheim (2004). In 2002 the participation rate among students with parents having attained higher education was 40 % and in 1982 it was 26 % meaning that it had increased by 54 % over a 20 year period. The development in the group of students with parents with no academic background (no education beyond compulsory school) was 8 % in 2002 and 3 % in 1982, meaning that it had increased by 167 %. This may seem overwhelming, but measured in percentage points shows a different picture. The difference between 26 % and 40 % is 14 % while the difference between 3 % and 8 % is only 5 %. Hence, there is not much indicating that students whose parents have low levels of education are catching up with the students whose parents attained some form of higher education (Opheim 2004:37).

The second national equity objective refers to equity within higher education. This means that there ought to be no correlation between socio-economic background and the probability of completing a College or University degree during the time set for the nominal study period. In a study conducted by Mastekaasa & Nordli Hansen (2005) before the Quality reform, the relationship between drop-out and socio-economic background was studied. They found that there are differences in drop-out rates across 4 groups of programmes. Drop-out was shown to be greatest at a lower level of education (undergraduate level at the Universities and the professional training at the colleges)

than at a higher level ("Hovedfag" which is equivalent to the Master degree of today). Furthermore, there was a slightly lower degree of drop-out at the structured colleges than at undergraduate programmes at the Universities (the cand.mag studies). There were also clear differences generally between undergraduate- and graduate programs. At the undergraduate level (also in the elite program Law) students with parents with low level of educational attainment, generally had a higher level of drop-out. In the higher levels of the elite programs however (Cateory 4: Medicine, Psychology, Law and Dentristry), there was found no such correlation.

However, the point that the overall correlations were rather weak was stressed by the researchers (Mastekaasa & Nordli Hansen 2005). It was also interesting to note that the study indicated a connection between drop-ut and the education of the parents, while such a connection is *not* found between drop-out and the *income* of the parents. The fact that drop-out rates were higher in the university sector (especially in the cand.mag. programs) than in the more structured and job-oriented college sector could indicate that dropping out may stem from the flexibility of parts of the higher education system and difficulties in making a choice rather than (only) financial factors. Similar conclusions have been made by other researchers (Markussen & Aamodt 2003, Opheim 2004, Aamodt 2006).

The Quality reform was partly intended to represent a move towards equity in higher education (equality of outcome) (NIFU Step 2005). This means in short that more students were intended to complete their studys within the nominal period and the drop-out was to be reduced. But did it work?

After the quality reform there seems to be a lower degree of drop out across all sectors (Universities, State Colleges, Specialized University Colleges and Private Colleges). But research indicates a growth in completion rates first and foremost for the students whose parents went to higher education (Hovdhaugen & Aamodt 2006). The greatest difference can be spotted at the University of Oslo. Regarding socio-economic background there is a reduction in drop-out among all groups of student, but some signs of inequality can be spotted. It seems like the reduction of students dropping out after one year is proportionately larger for students whose parents have attained secondary education or higher. The proportion of students dropping out after one year has been reduced the most for students whose parents have higher education longer than 4 years.

For this group the probability of dropping out has been reduced by 50 % from 0.12 to 0.06 over the period 1999 to 2003 (Aamodt & Hovdhaugen 2006:50).

4.2.2. What are the main financial resources of Norwegian students?

Since the Quality reform Lånekassen has moved in direction of a more generous[20] student support system and the regulations have been changed somewhat by introducing progress dependent grants. The rationale for there changes was to provide the students with incentives to pass their exams and be less focused on financial aspects of studying. However, in the student support policies introduced since the Quality reform there are also indications of "hidden" cost-sharing policies as the students now are encouraged to work more. This is due to the increasing of the income limit (before students start losing parts of their grants entitlements) and also due to the lowering of the percentage used as a penalty for passing this income limit. Furthermore the basic grant remained (frozen at) NOK 8000, - from 2002/2003 through 2005/2006. Though the Quality reform and the changes in the student support system had the above mentioned objectives, it can not be ignored that all of these 3 factors (the lowering of the penalty for exceeding the income limit, the increasing maximum income amount and the freezing of the basic support) represent incentives to work rather than study. Besides from being "hidden" cost-sharing policies, the incentives in the student support system are universal, meaning that they affect *all* students. It is not surprising therefore that a part of the conclusion by Hovdhaugen, Aamodt (2006:65) goes like this: *"it may look like we are farther away than ever from achieving the objective of the fulltime student"*[21].

In a report on the changes and growth of the Norwegian student support system by Opheim (2005) a rather strong growth in the number of students receiving support from Lånekassen was noted. Between the academic years 2001/2002 and 2002/2003 the number of students receiving support increased from 207366 to 226746 (demonstrating an increase of 9.3 %) and between the academic years 2002/2003 and 2003/2004 the numbers went from 226746 to 246950 (demonstrating a growth of 8.9 %) Opheim 2005:35). Part of the conclusion of Opheim (2005:94) is that the growth in the number of students receiving financial support can be attributed several factors. Some of these

[20] The basic support increased dramatically from the academic year 2001/2002 to 2002/2003 representing a growth per month of NOK 1050, - (Opheim 2005)

[21] Translated by the author.

are the growth in the number of students eligible for support and a changing of the regulations of Lånekassen with regard to allowing the student to make more from work during the academic year without this affecting the grant entitlements negatively. Also, the Quality reform, with its pressure on the student to study harder (rather than work) also might have contributed to the growth in applicants and receivers (Opheim 2005:97).

The combination of the universal loan offered by Lånekassen, the policy of allowing students to use it for whatever they wish and the interest free loan during the time of study may be a source for inequity within the student support system if the loans are exploited. Do students really use the loan for educational purposes? In a report by Aamodt (1997) the term extraordinary repayment was mentioned. This means that students repay large amounts of the loan shortly after graduation. When considering the fact that the student support policies of Norway include an interest free loan (during the time of study) the students could take up the loan for the purpose of making small amounts of money by placing it in the bank while studying. Research by Aamodt, Hovdhaugen and Opheim (2006) however indicate that this is no longer a common practice and that the majority of students report that they use their loans. Even though the data provided are hypothetical, it still provides some strong indications of the loans being a useful financial source for students. Out of those who receive support from Lånekassen about 83.4 % report that they expect to use the whole amount while 11% report they expect to use parts of the amount and only 5.7 % report that they expect to use less than half of the amount borrowed. Comparing to the 1998 survey the numbers were 80 %, 11 % and 8 % respectively indicating that the proportion who report that they use their loans is on the rise. Students in 2005 also expect to have higher debt after finishing their studies compared to 1998 (Gulløy m.fl. 1998 i Aamodt, Hovdhaugen & Opheim 2006)). In 2005 the average expected debt was at about NOK 230 000, - (the median NOK 240 000,-). 10 % expected to complete their studies without debt. 80 % expected to have a debt of NOK 100 000, - or more. 38 % expected to have a debt of NOK 300 000, - or more.

In 1998 the expected average debt was at a little less than NOK 180 000, - (Gulløy et al. 1998). The growth from NOK 180000, - to 230000, - from 1998 to 2005 today represent an growth of expected debt at about 10 % (after making corrections for inflation)

(Aamodt Hovdhaugen & Opheim 2006:52). Both of the findings above may indicate a reduction of debt aversiveness among the students though the difference is marginal in the first case.

Regarding the importance of the parental role the most informative study was published recently by Sæther & Løwe (2007). The data from the survey indicate that more than half of the students below 25 years of age receive some form of parental support compared to only 16 % of the population over 29 years. Data indicate that students in the University sector more often recieve parental contributions than do the State University College students (the percentages being 51 % and 33 %) (Sæther & Løwe 2007:49). Students with low or modest income from own work more often receive support than students with high income from work. The proportion of receivers increases in accordance with the Socio-economic background of the parents (Sæther & Løwe 2007:48). The average received amount from the closest family for covering running expences (or other expenses) are a little less than NOK 10 000, - per year. About 10 % of all student households have received at least NOK 20 000, - per year. One interesting finding is that the amount received for covering running expenses has increased with age while the probability of receiving is reduced. In other words a relatively large number of younger students receive rather modest parental contributions and the older they get, the fewer receive contributions though the contributions in these cases tend to be larger per student (Sæther & Løwe 2007: 50).

As much as 22 % of the youngest students (19 - 22 years old) have reported their parents to be the most or second most important source of income. In comparison, among the oldest group, (30 and above), about 3 % have received parental support (Sæther & Løwe 2007:48).

Regarding the academic background of the parents it is used here as a proxy for socio-economic background. The study shows a clear correlation between the level of education of the parents and parental support provided, the more highly educated the parents are the more likely are they to contribute to their children`s investment in human capital (if one of the parents have have a degree they are more likely to contribute than of none of the parents have a degree and if both parents have a degree they are more likely to contribute than if one of the parents have a degree). However, the authors warn about jumping to conclusions regarding a causal relation. For example,

students lacking contributing parents usually are another "kind of students", and hence it is important to keep in mind the heterogenous nature of the Norwegian student population (Sæther & Løwe 2007:12). Over time it looks like frequency of parental contributions is growing. In 1998 about 33.8 % of the students reported having received parental support so far this to cover running expenses, other expenses or both. The average of this form of aid was at that point NOK 7155, - (the median 4500, - indicating that there was a tendency of a few of the sample getting larger amounts). The figures from 2005 show an increasing tendency as the percentage reporting having received parental support was 40.7 % and that the average for this group was about NOK 9800,- (the median being NOK 5000,-).

Data presented in the study by Hovdhaugen, Aamodt and Opheim (2006:53) show a tendency of parental contributions increasing proportionally with the level of education of the parents and that this tendency increases over time. In 1998 about 30 % of the students whose parents had no education beyond compulsory school reported that they had received parental support compared to about 39 % of the students whose both parents had attained some form of higher education. In 2005 the corresponding percentages were 36 % and 52 % respectively, hence the gap seems to be increasing over time. There are also reported differences in the size of the amounts received across socio-economic background. While students whose parents have attained lower levels of education receive about NOK 8100, - on average, students whose both parents have attained some form of higher education have received an average of about NOK 12 200, - in financial support so far this year[22] (Aamodt, Hovdhaugen & Opheim 2006:52).

Regarding work and wages, students do seem to work more than they did in 1999. Both the median income and the average income increased between 1999 and 2003. In 1999 the median the median income was at NOK 40 000, - while it in 2003 was raised to NOK 70000, -. The average income was at NOK 67 693, - in 1999 and NOK 100 370, - in 2003. As salaries have increased (22 %) more than the general price level in the given period (10 %), the conclusion is that students made significantly more in 2003 than they did in 1999 (Hovdhaugen & Aamodt 2006). Sæther & Løwe (2007) found that students in 2005 work more than they did in 1998. This means that a greater proportion of the students are working (56 % in 1998 and 62 % in 2005) (Sæther & Løwe 2007:30).

[22] The publication month is Desember 2006.

Furthermore, there is some data indicating that they even make more money (Lyngstad 1999 in Sæther & Løwe 2007:31). It should be noted that, the students were in 1998 on average 1.6 years younger than in 2005. This is a source of error and as it may affect the affordability of students in general since there are correlations between age and income (Sæther & Løwe 2007:31).

4.2.3. How is work influencing students` academic performance?

Are students whose parents have a low student attainment working more after the Quality reform compared to previously? Though it is hard to know what the cause is, there are observable changes in students working behaviour after the Quality reform. In the survey by Hovdhaugen, Aamodt and Opheim (2006), students were asked whether the changes in the student support system had had any impact on their working behavior. 81 % responded that it had no effect, 12 % resonded that they worked more than previously and about 7 % responded that they worked less than previously (Hovdhaugen, Aamodt & Opheim 2006:57). Out of the 12 % reporting that they worked more there was an overrepresentation of students whose both parents had low educational attainment. A common sense assumption is that hours spent working will force students to study less and hence too much time spent work may be regarded a deterrent to education quality. This assumption is the rationale behind the idea and the objective of *the fulltime student* and central to the argument of increased student support in terms of loans and/or grants. Is there any evidence that work is indeed a deterrent to educational quality?

Data from a report published by NIFU Step (Hovdhaugen, Aamodt & Opheim 2006) indicates that despite the intention of the Quality reform being that the student was to be more consentrated on the studies and work less, and that this was to contribute to increased output (more effective students), students work more today than previously (see above). Findings by Hovdhaugen Aamodt & Opheim (2006) indicate that students who are not working and students who are working less than 10 hours per week display no difference in hours spent studying and even when the 10 hours are exceeded the loss in studying time is limited. Working hours have no significant deterring effect on study time unless the students spend more than 20 hours of week working. Former studies

have shown similar results (Wiers-Jensen & Aamodt 2001 and Hovdhaugen 2004 in Hovdhaugen, Aamodt & Opheim 2006).

A multivariate analysis performed by Hovdhaugen & Aamodt (2006) shows a correlation between drop-out and the level of income of the student. The analysis indicates slightly increasing drop-out rates after NOK 50 000, - and an especially steep growth in drop out as students make more than NOK 200 000, - (Hovdhaugen & Aamodt 2006).

With regard to student stability, there seems to be practically no difference in the amount of time students spend studying over time. Between 1998 and 2005 the number of hours per week spent studying has remained at about 29.5 hours. The change taking place is the form in which students are studying, as the observations are a reduction in the number of teaching hours and an increase in the number of independent studies (Hovdhaugen & Aamodt 2006).

4.2.4. How do students assess their sources of income?

Two studies are referred to here in this respect. The first study was performed by Aamodt (1997). The second is the one performed by Sæther & Løwe (2007) already mentioned above. These studies are not directly comparable since different questions were posed and also since different response alternatives were used. Nevertheless, the studies may provide some idea of how students perceive and assess their sources of income over time. In the study by Aamodt (1997) students were asked what they rated as the most important source of income. The study was performed with two groups; the students with parents having some sort of higher education and students whose parents had lower level of education (primary or secondary). 69 % of the students whose parents had higher education mentioned Lånekassen as their most important source of funding, 10 % mentioned the parents and 8 % mentioned that the savings they had would make the most important source of funding. The students whose parents had a lower level of education to a lesser extent claimed to rely in Lånekassen. The corresponding numbers were 60 %, 12.5 % and 12 % indicating that they to a lesser extent would rely on Lånekassen and to a greater extent on their parents to finance the studys themselves (Aamodt 1997).

In the study by Sæther & Løwe (2007:46) students were asked about their most important source of income the current semester. The 5 alternatives were: 1) loan and grant from Lånekassen, 2) income from work, 3) money from spouse, 4) money from parents or 5) other sources. Students were also asked about their second most important source of income the current semester and the same alternatives applied. The report shows that very few students (less than 2 %) have named their parents the most important source of income in the current semester (Ugreninov & Vaage 2006 in Sæther & Løwe 2007). The State Educational Loan Fund is the main source of income for 2 out of 3 students (around 67 %) whilst income from work was found to be the most important source of income for 1 in 5 students. Besides from this students are partly supported by sources such as money from spouse, already obtained capital or welfare or some other form of public support (Sæther & Løwe 2007). Even though parents are not the most important source of income, contributions from parents are still important for many students as about 1 out of 10 students has mentioned parents as their second most important source of income. About 12 % of all students mention their parents as the main or next most important source of income. Less than 1 % of the students report that their parents are the only source of income (Sæther & Løwe 2007:48).

Some research suggests that the students` perceptions of the support from Lånekassen are relatively stable and that student support is a relatively important source of income for students. In 1998 about 67 % reported that they assessed Lånekassen as the most important source of income while 12 % reported Lånekassen as the second most important source of income (79 % added up). In 2005 the situation had not changed much and the numbers were 63.1 % and 15.6 % respectively, meaning that the added percentage also this year was about 79 % (Ugreninov & Vaage 2005, Gulløy, Opdahl & Øyangen 1998 in Hovdhaugen, Aamodt & Opheim 2006:51).

4.3. Summary

Regarding the current situation of equity in Norwegian higher education the research indicates inequity both in terms of access and outcome. Students whose parents went to higher education are overrepresented in Norwegian higher education and that there seems to be no signs of that students whose parents have a lower level of educational attainment are increasing relative to this group (Opheim 2004). The findings by Nordli

Hansen & Mastekaasa (2005) indicates that despite of indications of socio-economic factors correlating with drop-out it seems problematic to claim a causal relationship between income and drop-out. Drop-out seems to be the caused by the absence of structure as drop- out rates are larger in the flexible Cand. Mag. programmes than in the structured college education. Seleciveness does also seem to be a key factor. Earlier studies have come to similar conclusions (Tinto 1993 in Mastekaasa & Nordli Hansen 2005:99). The assumption that the support offered by Lånekassen is insufficient is backed up by two clear tendencies: As mentioned already above the extent to which students work has increased considerably and so has the extent to which students receive parental support. These tendencies may serve as evidence that a lot of students can not manage on the support from Lånekassen alone.

The research analysis served to test 3 other assumptions. These were; *a)* that students who do not receive contributions from their parents work more, *b)* that students who work more, generally study less and *c)* that there is a correlation between hours spent working and drop-out. The testing of these three assumptions added up will contribute to responding to whether informal parental contributions can be said to represent a threat to equity of outcome.

a) However intuitive, it seems hard to find direct indications of whether students who are not receiving parental contributions are working more than the students who do receive such contributions. There is a slight tendency towards students from lower socio-economic backgrounds working more as a consequence of the Quality reform, but whether these receive parental contributions or if these students work *because* they do not, is not known. Still, the finding by Hovdhaugen, Aamodt & Opheim (2006) was that among the about 12 % of the respondents reporting that they worked more after the Quality reform, there was a correlation with socio-economic background. The findings by Sæther & Løwe (2007) indicating both increasing frequency and degree of informal parental contributions that correlate with socio-economic background suggest indirectly that the dependency on other sources of income is on the rise for students from lower socio-economic backgrounds.

b) Do students who work more generally study less? Research by Hovdhaugen, Aamodt & Opheim (2006) indicated that working has little effect on hours spent studying per week. Research indicates that the amount of hours spent working seems to increase over

time although is seems to have little effect on the number of hours spent studying per week, as the average numbers of hours studied per week has been stable at about 29,5 hours over time (both in 1998 and 2005). It seems that working has an effect on studying only for students exceeding 20 hours of work a week (Hovdhaugen, Aamodt & Opheim 2006:46).

c) Research indicates some weak correlations between working and dropping out. According to Hovdhaugen & Aamodt (2006) drop-out increases with level of income and already at an income level at about NOK 50 000, -, there is a growth in drop out. However, the growth is modest and the greatest effect is indicated only when students make more than NOK 200 000, - per year. Taking this into account one might argue that working slightly affects academic quality, but that this is the case first and foremost for students who work full time or close to full time.

The overall impression provided by these indicators above is that work is related to drop- out. Still, these indicators are rather weak and hence it can be argued that the introduction of a targeted student support policy such as formal parental contributions would be likely to have a small effect on equality of outcome. Several findings noted above indicate that financial factors are not enough to explain the drop-out (Markussen & Aamodt 2003, Opheim 2004, Mastekaasa & Nordli Hansen 2005, Aamodt 2006). There seems to be no clear evidence that the policy concern for equity of outcome suffers significantly as a result of students working. This is not the same as saying of course that it is fair that some students have to work than others but in terms of drop-out and graduation significant causal relations have not been found. The parental contributions have been increasing both in degree and frequency and students working behaviour also has increased. This alone may represent an argument to at least discuss public policies introduced in order to compensate.

4.3.1. Implications for the study

When making studies within a country case there is always the possibility that results will be context dependent. Though data seems to be indicating that inequity can not be explained solely by financial factors it must be noted that these findings above have all been found within the Norwegian context without taking examples represented by international comparable cases into account. The opportunities to control for influences

may impact on the result and the implication for the study is that although financial factors are not found to be important here and the inefficiency is claimed to be resulting from other factors it may be wise to also take a different perspective before concluding. The results therefore, may be contested by observations made within another international comparable case. Thus, in the following the focus is on the Netherlands. The reason for taking a look at the student support policies of the Netherlands is that the Dutch governments have handled the challenges of equity with respect to higher education differently. The following part also brings the policy concern of efficiency into perspective and the implications this may or may not have for equitability both in terms of access and outcome.

5. INTRODUCING THE NETHERLANDS

5.1. Higher education in the Netherlands

5.1.1. The structure

The Dutch tertiary education system is a complex because of the diversity of funding mechanisms. It consists of 4 categories of institutes that are publicly funded: The Colleges (Hoger Beroeps Onderwijs (HBO)), the Universities (Wetenschappelijk Onderwijs (WO)), the Academic medical centers and the Research institutes. Regarding the funding mechanisms of the institutes, the typology of the institutes whether public or private is complex and cannot be described in depth here. Still, it must be noted that institutes budgets are relying on a mix between public and private funding (Berger & de Jonge 2006). The Dutch higher education system is a binary system and consists of the two upper categories in the public tertiary education system; the Colleges (HBOs) and the Universities (WOs). During the recent years there has been an increase in participation in the Dutch higher education sector. The number of students has increased from about 450 000 students in 1998 till about 500 000 students in 2002 which represents an increase of about 11 % in a 4 year period. The increase that has been taking place can be attributed slightly more to the college sector (11.8 % in the HBO) than to the University sector (9.6 % in the WO). Furthermore, the growth of the University sector can partly be attributed to the increase in the number of students that had a HBO diploma that went into the WO. Observations over a longer period of time indicate that the massification taking place in the Dutch system can be attributed largely to the expansion of the HBO sector. Between 1990 and 2002, the HBO sector has increased their numbers by 18.7 %. As of the year 2003/2004 about 43 % of the age cohort participated in higher education (Berger & de Jonge 2006). The higher education system consists of a three-tier system, conformed to the Bologna declaration. These are Bachelor, Master and PhD levels. This was officially introduced in the Netherlands in the beginning of the 2002/2003. Bachelor and Master Programmes are available at both WOs and HBOs. The Bachelor degree takes 3 years at a University and 4 years at a college. The Master degree takes 1 or 2 years and the time to complete a PhD is set to 4 years (Berger & de Jonge 2006:11-12).

5.1.2. Admission

In the Netherlands education is compulsory until age 16 (Vossensteyn 2007). To qualify for entering the Dutch higher education pupils must pass through a relatively selective secondary education system. It consists of the University preparatory education (vwo) (which mainly qualifies for the Universities (WO)), the Senior general secondary education (havo) (which mainly qualifies for the Colleges (HBOs) and the Intermediate level vocational educationat level 4 (mbo). To enter the vwo and the havo is a relatively competitive process, but for students who do not get in, all hope is not lost as the system seems flexible. It is possible for the students who have gotten into the vwo to apply for the HBOs and likewise it is possible for those who attend the havo to enter an HBO and then from there get into the WO at the bachelor level. For those who did not get into the havo or vwo there are also second chances. To get to the mbo it is necessary to pass through a Preparatory Vocational Secondary education of 4 years, but from there it is possible to enter havo and from havo it is possible also to enter the vwo (Berger & de Jonge 2006:9). In this sense it can be argued that the Dutch secondary education system is relatively selective, but still represent several "second chance" arrangements.

5.1.3. Funding

The higher education funding mechanisms are divided into the funding of higher education institutions and the funding of students (Canton & Venniker 2001). Regarding the funding of Higher Education Institutions, the funding arrangements are complex and are not presented in detail in this study. The focus is rather on the balance between public and private funding of higher education. The Netherlands are among the countries that have a moderate proportion of their higher education budgets financed by private sources. Still, the Netherlands have a long history of cost-sharing policies and the financial burden on students and families has been increasing over the latest years. As of 1995, 80.6 % of the expenditure on higher education came from public sources where as about 10 % came from households (students and families) and 9.3 % from other private entities. In 2003 the public investments had decreased a little to 78.6 %, but the public investment in the Netherlands is still higher than OECD average (76.4 %). The household expenditure had increased to 11.5 %. The proportion coming from other private entities in 2003 was 9.9 % (OECD 2006:220). The Dutch student support

system is organized by the *Informatie Beheer Groep.* This body is responsible for the execution of several acts and regulations including student support and information management, and the acts are commissioned by the Minister of Education, Culture and Science (www.IB-Groep.nl). The main regulations of the Dutch student support system are presented in a separate section below.

5.1.4. Participation and educational attainment

With about 8 percent having attained Pre-primary and primary education as their highest form of education and with 21 % percent having attained Lower secondary education (added 29 %) the Netherlands is close to OECD average of educational attainment of lower secondary and below which is 30 % (2004). About 38 % of the population has attained some form of Upper secondary as their highest form of education (OECD average 42 %) about 28 % have attained some form of tertiary education degree (OECD average 25 %) (2004) and about 4 % have attained post-secondary/non-tertiary education as their highest form of education. Considering that this adds up to roughly 71 % having at least attained upper secondary education, the Netherlands can be said to have a relatively highly educated population (OECD 2006:37).

5.2. Historical overview of student financial support in the Netherlands

Vossensteyn (1997) aims to present an explanation of why the Dutch student support system turned out the way it did.

Equality of opportunity has been central to the Dutch student support policies up through the years since the founding of the student support system in 1956 (Vossensteyn 1997). Other central factors that have been stable over time are meritocracy, the parental financial responsibility for their children`s higher education investments and the emphasis on efficiency due to the affordability of the government. In the 1970s student financing was scarce due to the affordability of the government. The oil crisis is one example of why student financial aid was not a hot issue. Despite of rather poor financial conditions for students` participation rates increased considerably during this period (Vossensteyn & de Jonge 2006). Politically the 1980s were characterized by turn towards the political right. According to Van Putten, this

happened due to Socio-economic problems arising in many industrialized nations (Van Putten 1990 in Vossensteyn 1997). There were limited resources available for public expenditure and this resulted in a changing of the concept of a *welfare state* to *caring society*. The change of concepts meant that the state was not the sole actor to take care of the people, but that people to a greater extent were to be regarded as responsible actors. The concept later in the 1980s turned into *responsible society*. This shift was partly manifested in the "*decentralization and privatization of governmental tasks*" (Vossensteyn 1997:9). One of the more important of these was the aim to increase the responsibility of individuals and organizations (Van Putten 1990 in Vossensteyn 1997:9). Still, there was strong political will to invest in the students and to create equal opportunities for all individuals. In 1986 a new act on student financing was passed (*Wet op de Studienfinanciering*) representing the most generous student support policies in the Netherlands this far. In the 1990s there was an emphasis on the responsibility of the student. The decade was otherwise marked politically by a reduced pace of economic growth compared to previous years and the student support policies were affected. However, some compensation was provided for students[23]. The main effects of the Reorientation of Student Financial Support (Heroriëntering Studienfinanciering) as of 1991 were that the entitlement to mixed student support (both grants and loans) was shortened by a year (in the past students could get mixed support for 6 years and this was now shortened to 5 years). Students could still get funding (only loan) for 2 additional years. The age limit for eligibility for student aid was reduced from 30 to 27 years, but students already enrolled in the system were still eligible for loans after turning 27. Students older than 26 *starting after 1991* were not entitled to student support (Vossensteyn 1997). In 1992 the Dutch government increased the interest rate on student loans and also abolished the interest free loan during the time of study. The students were offered in exchange to take out a lower amount than what they were maximum eligible for. In 1993 the Dutch government wanted to increase the output of the graduates and introduced the progress dependent grants (Tempobeurs). From then

[23] In 1991 a Public transport pass (OVSK Openbaar Vervoar Studenten Kaart) was provided to all students and from then on it replaced the system of travel compensations. All students could from then on travel for free using all forms of public transportation. The monthly basic grant was reduced by 62.50 NGL in exchange for this. In 1994 this pass was changed partly due to new negotiations with the public transport companies. As a consequence students now had to choose between one that was valid during the week (only on working days) and one that was valid during the weekend (Vossensteyn 1997).

on the basic and supplementary grants were both given on the condition that the student passed at least 25 % of the annual number of study credits. If they did not pass this amount of credits the grants would turn into loans. The rationale behind the introduction of the progress related grant was the observation that students used their financial aid for other purposes than studying and did not show up for examinations and classes. Since financial support has been considered an object oriented subsidy, it is fair to expect that it is used for the intended purpose. In introducing the progress related grant and the expectation that student use their time studying the policies introduced in the 1990s represent demands of individual responsibility of the students through expectations of effectiveness. In 1995 a law was introduced that made the student more independent of their parents and the degree of cost-sharing increased further. By introducing the "Student on his own" - Act (*Student op eigen benen* abbr. STOEB) grants were reduced both for students living at home and away. The reductions were compensated for in the supplementary grants so that the cuts would not affect the students from low socio-economic backgrounds. In addition the threshold for how much could be earned from work without losing any of the grant entitlements was raised. Also from 1995 on, all students could take out a loan regardless of the parental income (universal loans). Students were now also expected to pass more credits to be eligible for the progress related grant (the credit limit increased from 25 % of the annual credits to 50 %). However the success rate of credits acquired could be accumulated and used the following year (of one passed say 60 % of the credits one year, the redundant 10 % could be "saved" for next year).

In 1995 the parliament agreed to increase tuition fees by NLG 500, - in three stages in exchange for a guarantee for the quality and practicability of the study programmes. The students were already pressured to work hard and efficiently as a result of the progress related grant. The students however, pointed to practical obstacles to succeeding in working efficienctly and the Committee Wijnen (1992) was selected to guarantee the "practicability" of the programmes. The institutions had to make "Quality and management plans" that were to be examined by an independent committee (Vossensteyn 1997). In 1996 the progress related grants were changed into prestatiebeurs. The basic and additional grants were now first given as conditional loans and then later, if the student passed 50 % of his credits per annum, the loan could be

converted into a grant. The mixed student support could only be provided during the nominal duration of 4-5 years and after that the student can receive loan financing for a period of 3 years. In the year 2000 the new law in student financing (Wet Studiefinanciering) came into effect.This law had an emphasis on flexibility. The main features of the Wet studiefinanciering 2000 are mentioned in *Memorie Van Toelichting* from which this information is provided. This law replaced the law on student financing as of 1986 - *Wet op de studienfinanciering*. The changes have as an objective to offer the students in higher education more opportunities in terms of flexibility, but also include some policies that express further emphasis on effectiveness. The main features of the new act are:

1) The amount offered in terms of loans and grants will remain the same.

2) In the new structure students can take up loans in 48 months with possibilities for longer funding period if a longer education is chosen. After this period the student can take up a loan, but the amount can not exceed NGL 1500, -.

3) The student can now apply for a loan and grant on a monthly basis and not as previously when they had to apply once every semester.

4) The period of funding has to take place *within* a period of 10 years. Students under the age of 30 can apply for both loans and grants. These students also get the OV-studentenkaart.

5) Students older than 30 can apply for loans in a maximum period of 48 mnths and as long as they do not exceed the 10 year period between start and end.

6) Students younger than 30 years pay a lower fee than students older than 30 years.

7) The possibility of repeating exams has increased for the first years` prestatiebeurs.

8) The supplementary grants will be given regardless of the passing of the exam for the first-year students.

9) At degree completion the student is entitled to an amount converted from loan into a grant. This is converted depending on whether the student succeeded in completing the degree within the 10 years set as a total period between study start and end. The student can be older than 30 and still convert his loan into a grant as long as the 10 year period is not exceeded.

10) Students whose programs includes periods of work (*dual students* - not referring here to students with a part-time job) is in this law given the same rights for funding as other students. These students are in the new law treated equally as other students.

(Memorie van Toelichting)

As of autumn 2007 the major characteristics of the Dutch student support system are like this (www.IB-Groep.nl):

- A basic grant (basisbeurs) for all full time students. Students living with their parents received 90.77 Euro per month and students that lived away from home received 252.73 Euro per month (12 months a year).
- A means tested supplementary grant for a limited number of students (about 30 %), up to a maximum of 225.17 Euro per month.
- Students can loan up to 276.51 per month.
- Parental contributions. The size of the parental contributions is assessed in relation to the (parental) means-tested supplementary grants and loans. Parents are supposed, depending on their income, to contribute up to a maximum of 237.30 per month (as of 2004) (if they want to contribute more they are free to do so).
- Students can earn up to 10218.46 Euro per annum (as of 2004), before they start losing out of their grant entitlements.

- The system has an income contingent repayment design. Ex-students with low income can apply for lowering the monthly amounts during a repayment fase of 15 years. After the 15 years the ex student need not repay any of the remaining debt (Berger & Jonge 2006:64).
- All student support is based on results. As of (2006) if students do not finish within 10 years they have to pay back the total amount (including traveling costs) (Berger & de Jonge 2006:64).

5.2.1. Cost-sharing policies during the latest 21 years

Since the implementation of Wet op de Studiefinanciering in 1986, the student support and higher education funding mechanisms in the Netherlands have been affected by the drive for efficiency resulting partly from the massification of Dutch higher education, and partly from the economic downturn in the 1990s (Vossensteyn 1997). The observations during the two latest decades indicate that cost-sharing policies are gradually increasing. The Dutch case is unique in the sense that the burden of higher education costs has been borne increasingly by students and families over time. Below follow the main forms of cost-sharing policies that have taken place in this period: the reducing of basic grant entitlements, loans replacing grants, the imposition of performance requirements and an emphasis on means tested parental contributions and students own income (Vossensteyn & De Jonge 2006:218):

1) *Basic grants entitlements have been reduced.*

Because of affordability resulting from the increase in student numbers and the fact that a lot of students in the Netherlands exceed the nominal duration of study, the basic grant was reduced in exchange for a public transport pass provided to all students in 1991. Also, the period of which students are eligible for basic grants has been reduced in a two step process in 1991 and 1996. This means to a nominal course duration + 2 years. After the nominal duration of courses students are eligible for 3 more years of loan funding.

2) *A growing importance of student loans (as they have partly replaced grants) and the abolishing of interest subsidies (1992).*

Student loans have become more important in the Netherlands. The loans have been replacing the reductions in the basic grants and students have been allowed to replace the assumed parental contributions with loans since 1995. Still, a relatively small proportion of students do take up loans. This rate was further reduced when the Dutch government in 1992 abolished the interest subsidies (no interest running on student loans during the time of study) and introduced a market driven interest rate on student loans. Over a 6 year period (1992 - 1998) the number of students taking up loans declined from 40 % to about 15 % (De Vos & Fontein 1998 in Vossensteyn and De Jong 2006:219). Later the number of students taking up loans has increased considerably increasing to nearly 35%[24] in 2007 (www.IB-Groep.nl). The Dutch students` willingness to borrow can hence be said to be low, but increasing.

3) Imposition of performance requirements.

For the sake of efficiency performance requirements have been introduced. From 1993 on, students had to pass 25 % of the annual study credits or their grants would be converted into interest bearing loans, a policy called "Tempobeurs" (Hupe & Van Solm 1998 in Vossensteyn & De Jong 2006). Steps have been taken later to increase efficiency even further: The performance related grants (Prestatiebeurs) were introduced in 1996 which means that all grants are given initially as loans and only if the student passes 50 % of the exams in the first year and also complete their degree within the nominal time + 2 years they will get their initial loans turned into grants. Since grants are given initially as loans, the performace related grant represents an artificial budget saving for the government as they do not represent public transfers to students (the loans are to be repaid) and so it only becomes a public transfer when the student succeeds (Vossensteyn 1997 in Vossensteyn & De Jong 2006). From 2000 on, students get their performance grant transferred into a real gift if they complete a programme within 10 years after the initial start of their studies.

4) Parental contributions and students` own income.

It is likely that because the resources available to students in terms of student support have declined, students have increasingly started to provide income from part-time

[24] The percentage is based on statistics provided from www.IB-Groep.nl 25.11.2007. The number of borrowers was confronted with general student statistics (only full time students).

work or through support from their parents or both (Vossensteyn 1997 in Vossensteyn & De Jong 2006). Additionally, the decline in the loan rate (shown above) in the 1990s indicated a certain level of debt aversion among students or even among their parents who may rather choose to help their children more as a result of the abolishing of interest subsidies in 1992.

5) The increasing of tuition fees.

As of 2003 tuition fees made up about 17% of institutional revenue in the HBO-sector and about 5.5 % in the WO-sector which is about 15 % of the overall university teaching budget (TK 2003, in Vossensteyn & De Jong 2006). The tuition fees have been increasing gradually over the last 30-40 years. The real value of fees declined between 1945 till 1971. The level was set at about NGL 500 (227 €) between 1974 and 1980 and has later increased gradually up to € 1496, - in 2005/2006 (Berger & De Jonge 2006:63). The tuition fees have been increasing for mainly two reasons: to limit the public expenditure and to increase the output efficiency as some students were using to long time to complete their studies. The dramatic increasing of tuition fees in the mid 1990s was performed along with a "guarantee" of improved conditions for completion (Vossensteyn 1997).

5.3. Implications for the study

The Netherlands have a relatively selective secondary education system and a complex higher education system. The long history of cost-sharing policies makes the Netherlands an interesting case to look at regarding student price responsiveness. Despite of an intense pressure on the students and families during the last 21 years participation has increased in the Netherlands. Still, there have been some patterns of debt aversiveness in the beginning of the 1990s at the introduction an market driven interest rate on student loans. Students may have chosen to borrow (interest free loans) from the parents instead of using the student support offered by the government. It is maybe especially interesting to note that access for the proportion of students from disadvantaged backgrounds was not significantly affected by the increasing degree of cost-sharing during this period (Vossensteyn 2005). This represents an interesting perspective when considering the resistance against cost-sharing policies maintained in

the Nordic countries and the most frequently used arguments. In the following the Norwegian and the Dutch case are compared on several areas with respect to student financial support.

The parental role in the Netherlands has been stable over time despite of suggestions to change it. The policy concerns seem to be equity of output and equity of access. This has been maintained as supplementary grants have increased parallel with the increasing of cost-sharing policies during the given 21 year period.

6. THE NETHERLANDS AND NORWAY: AN HISTORICAL AND SYSTEMIC COMPARISON

The 5th and 6th research question of the study are addressed in this chapter. These are formulated in the following manner:

5) *How does the Netherlands compare to Norway with respect to policy concerns for efficiency and equity in higher education?*

6) *Considering the categories of equality elaborated by Hernes (1974): What type of (in)equality applies to Norwegian and Dutch higher education?*

The comparison between Norway and the Netherlands is performed by taking into account some historical observations and a systemic comparison consisting of two stages: 1) the main features of the higher education systems and 2) the main features of the countries` student support systems. In the latter part special attention is given to the model of student support and the student population.

6.1. An historical comparison

Historically the Norwegian and Dutch governments have emphasized the same objectives regarding equity with respect to higher education, meaning equity of both access and outcome. The difference lays in how they chose to cope with the challenges, like the transition from the elite to the mass higher education system taking place since the 1960s as a result of the growing demand for qualified labour. As mentioned above, during the 1980s the Netherlands changed profile from of a *welfare state* to a *caring society* and again to a *responsible society* (Vossensteyn 1997). In other words, the period in which Dutch governments aimed to reduce public expenditure seems to have contributed to the shaping of values that have later affected higher education funding mechanisms such as the student support system. As the increased financial pressure on Dutch students and families during the latest 21 years has made participation tougher for some students, supplementary grants (support means tested against parental income provided to the poorest 1/3 of the students) have several times been adjusted in order to compensate for this (Vossensteyn & De Jong 2006). Despite of some political

resistance, the tradition of the student as financially dependent of the parents has been maintained up through the years. Taking all of these aspects into consideration it is clear that despite of financial pressure the Dutch governments have, through the student support system, balanced the concern for equity against the concern for efficiency. The pressure for efficiency within the student support system can hardly be argued to have contributed to inequity within Dutch higher education and it seems like access to higher education is not heavily affected by the lack or scarcity of financial support for students. Participation rates have increased steadily even during times in which student support has been scarce: In the 1970s there was a growth in participation rates to higher education despite of relatively low level of student financial support and since 1986 (when Wet op de Studiefinanciering was implemented) participation rates have gradually increased despite the increasing degree of cost-sharing shown in 5.2.1 (Vossensteyn & De Jong 2006). Internationally there is only a small collection of studies indicating that developments toward a higher degree of cost-sharing harms access for students from disadvantaged backgrounds (McPherson & Shapiro 1998, Heller 2001 in Vossensteyn 2005).

In the history of the Norwegian student support system, student support was means tested against parental income until the late 60s. Between 1968 and 1972, the system gradually changed and from 1972, all students older than 20 years were considered financially independent of their parents. In 1987/1988 the limit was changed to 19 years (NOU 1999:33). Regarding the student support, the universal character of the student support system has been relatively stable despite indications of financial inefficiency. Both loans and grants were means tested against the students`own income prior to 2002/2003. As part of the changes performed at the implementation of the Quality reform, loans however, became universal. Today everybody, regardless of their level of income can get an interest free loan from Lånekassen (Opheim 2005). This policy encourages phantom students and students from affluent backgrounds to apply for loans. The paradox here is that the rationale behind the Quality reform was motivated partly by the lack of output efficiency, namely low graduation rates and high degree of delay for students in the University sector during the 1990s (Telhaug 2002). Universal, interest free loans are hence offered both to students who may have no intention of taking exams and students who may not be motivated, but who still can afford to stay in

the higher education system for a relatively long time partly because of parental support.

6.2. The Higher Education systems

Norway has remained a *welfare state* up through the 70s until today while the Netherlands gradually changed profile and took a turn towards the political right during the 1980s. The higher education systems of Norway and the Netherlands operate and have operated under different financial conditions which may have impacted on the student support system and the overall educational policies. Still, the higher education systems in Norway and the Netherlands can be argued to function under more or less similar conditions. Structurally, both the Netherlands and Norway have a binary system structures and both countries have conformed their systems to the standards stated in the Bologna declaration. However, there are also clear differences. The funding of Dutch tertiary education is getting very complex as there are different arrangements of public and private funding. This represents a challenge regarding the typology of the institutions and the Dutch higher education system seems to be in a process of heterogenization. The Norwegian case in contrast seems to be in a process of homogenization with a dominant public sector. When assessing the conditions for equity with respect to higher education in Norway and the Netherlands, it can be questioned whether comparing the two systems directly is possible at all when considering that the Dutch system seems to have a more selective secondary education sector. Policies affecting students already having entered higher education can still be discussed comparatively. Both countries have a relatively highly educated population and high participation rates. Regarding factors having to do with equity some relevant features should be mentioned. The selective nature of the secondary education system in the Netherlands secures a certain level of input quality as more motivated students might enter the higher education sector. Furthermore, Dutch students seem to make the choice relatively early after graduation (Berger & de Jonge 2006). Socio-economic background does play a role in the Netherlands. The students from higher socio-economic backgrounds are succeeding in the education system, but unlike in Norway the "selection" is made slightly earlier. According to the Dutch CBS about 42 % of students from higher socio-economic backgrounds enter the highest level of secondary

education and only 11 % of the lower socio-economic status groups enter tertiary education (CBS in Berger & de Jonge 2006:53).

Table 1.

HIGHER EDUCATION SYSTEMS		**Norway**	**The Netherlands**
State profile		Welfare State	Responsible society
Admission		Less selective secondary education system. Low entry barriers in some disciplines in HE. Relatively flexible system. Individuals can enter higher education without having completed secondary education (Realkompetanse).	Selective secondary ed. System and mostly open access in HE.
Emphasis on efficiency		Institutional level	Institutional level & Student support system
Cost-sharing policies		Tuition fees prohibited by law (some "hidden" cost-sharing). Universal loans. Average debt is high and increasing. Students engage in part time work.	Tuition fees, active parental role, active student loans and work.
Educational attainment		High	High
Participation		55% of relevant age cohort	43 % of relevant age cohort
Student age		Relatively old and getting older	Relatively young and stable

6.3. The Student support systems

6.3.1. The Models

Lånekassen seems to be based on the Social reproduction model given the universal features of the overall student support system (the universal loan, interest free loan during the time of study offered to all clients and generally low degrees of means testing and targeting). The fact that the student support is means tested against the clients´ own income and not the parents´ demonstrates the individualistic values at the base of the system. As mentioned above, this social reproduction theory posits a somewhat

pessimistic view that since inequalities are created at a lower level of the system there is little potential for a student support system to compensate for already established inequities.

This form of designing a student support system is, combined with Gratisprinsippet, believed to contribute to equity because participation is secured regardless of the student´s socio-economic background (amongst other factors). The model on which the Dutch student support system is based is the Functionalist model presented in chapter 2. This theory posits that since students enter higher education with different resources and capacities, compensations can be made in order to make the system within higher education fairer. The structure of the student support system therefore is adapted to the socio-economic pattern of the student population. Means tested parental contributions and supplementary grants provided to about 1/3 of the students (based on parental income) are the clearest indicators of this form of student support system.

Regarding the pressure for an efficient use of resources it seems to have affected the Dutch student support system slightly more than Lånekassen. Dutch students are under substantial financial pressure. Still, the willingness to borrow is rapidly increasing (Vossensteyn & De Jong 2006, www.IB-Groep.nl). In Norway the system may be argued to be more inefficient because of the low degree of means testing and targeting in addition to several universal features. Of course, it could be argued that the concept of student support does not exist for the purpose of efficiency, but rather to promote equality of opportunity in a society. However, an important point can be mentioned on the nature of this inefficiency when reflecting upon the rationale behind a student support system mentioned Barr (2001) above. If the objective was efficient use of resources the rational thing to do would be to fund only the best pupils in secondary education, but as these pupils may be too few relative to the demand for competence in the labour market higher education institutions simply can not be that selective. Barr (2001) argues that equality of opportunity is about offering educational opportunity to all who have interest and talent and that equality of opportunity therefore is about not letting factors that are regarded as irrelevant to educational choice (such as ethnicity, gender, sexual orientation or socio-economic background) stand in the way. The Norwegian higher education system has relatively low entry barriers with regard to some subjects and this may involve providing financial assistance (needed to gain the

educational opportunities) to high risk borrowers. Because a student support systems are established for welfare purposes student support systems a trade-off between efficiency and equity must be accepted. However, the inefficient use of resources observed in the Norwegian student support system (Lånekassen), can be argued to be inefficient for the "wrong" reasons. As mentioned in 3.1.2 the rationale for a student support system is that it acts as a *social insurance* for potential high risk borrowers (Barr 2001). Some inefficiency is accepted as a trade-off in order to achieve a higher level of fairness in terms of equality of opportunity. Benefits, such as entering without paying tuition fees, universal loans and the fact that the support can be used for whatever the student wishes are all benefits that also can be enjoyed by more affluent students, who may *in theory* receive parental contributions to live on and hence take advantage of the student support system by for example getting a head start on the real-estate market. In the Netherlands the financial support provided from the student support system has some strings attached to it as it must be used for educational purposes (Vossensteyn 1997). In Norway the absence of this principle makes the system inefficient, but as already mentioned, for the wrong reasons. This difference also represents a source to inequity.

Table 2.

STUDENT SUPPORT SYSTEMS		**Norwegian**	**Dutch**
Model of student support system		Social reproductivist model	Functionalist model
Progress dependent grants		Yes	Yes (Prestatiebeurs work in a slightly different way in the Netherlands, but the main point is that performance matters)
Universal grants		No	Yes (but not after age 30)
Supplementary grants		No	Yes (only for students with low income parents).
Parental role		Passive (after age 19)	Active (as long as the student is eligible for student support).
Repayment design		Mortgage type loan with some favourable welfare characteristics.	Mortgage type with some income contingent characteristics.
Students willingness to borrow (clients of the		Relatively high	Low (but increasing considerably)

Student support systems)			
Interest rate on student loan		No (hidden subsidies)	Yes (low)
Transport		Funding for 2 trips per semester (until age 26)	Transport pass
Time limit		Students eligible for 8 years of support.	Gifts only for the nominal duration, after 3 more years of borrowing. Students must finish within 10 years to get grants as gifts.

6.3.2. The students

The Norwegian student population is a rather heterogenous group. Students are on average relatively old which may be caused by the trend of taking a year or two off before entering higher education as well as some policies encouraging access to higher education at a relatively old age (Opheim 2004). The average age of the student in the sample of the study by Sæther & Løwe (2007) was 28, while about half were under 25. The Norwegian student population is also getting older over time. Studies indicate that the students were 1.6 years younger in 1998 compared to 2005 (Sæther & Løwe 2007). Note that this has happened despite of the Quality reform being implemented in 2003, including both policies of efficiency and the introduction of a new three-tier structure (BA+MA+PhD w/ 3+2+3 year duration). In comparison, the Dutch students usually enter higher education directly after having graduated from havo, vwo or mbo. When looking at figures from 1990 and 2003 the Dutch higher education graduates (both WO and HBO) seem to be getting slightly younger over the latest 12 years. This may have to do with the shortening of the study programme due to the implementation of the Quality reform or it may have something to do with the incentives for graduating mentioned above. In the overall Dutch student population however, student age seem unchanged for the latest 13 years. A slightly higher 40 + group compared to 15 years ago, may be attributed to life long learning promotion policies (Berger & de Jonge 2006:51).

Students already enrolled in higher education are in the Netherlands under substantial financial pressure and the willingness to borrow is low. However, statistics show that Dutch students` willingness to borrow is increasing rapidly in the Netherlands. Between 1998 and 2003 the rate of students taking up loans have increased from 15 % to 19%

(Vossensteyn & De Jong 2006) and today the rate is at about 35% (www.IB-Groep.nl). In Norway the conditions for taking up student loans are more universal and slightly more favourable considering the lower degree of means testing and targeting which may be the reason for the high willingness to borrow among Norwegian students.

7. PARENTAL CONTRIBUTIONS: POTENTIAL CHALLENGES AND BENEFITS

The symbol of the independent student in Norway is one of the areas of discussion in this study. Observations show a gap between principles and reality (the student is not financially independent) and to re-establish harmony there are two options. The first option is to make the student financially independent. This involves raising the level of support offered to the students making the student truly independent of the parents. This step may however have some undesired effects. It is doubtful whether financial factors have an influence on academic quality as the number of hours studied per week has been stable over time (see 4.3.5 on page 50). When considering that students could still work in addition to studying and parents could still continue with informal parental contributions such a policy is likely to be inefficient and expensive. Furthermore, students may not feel that they have any rush in completing the studies due to a financially comfortable situation. Given that no other changes are made the system would also be vulnerable to fraud. People could enrol for the sake of the benefits and not actually take exams (though this may be the case today as well, the incentive in such a case would be stronger). This is because the Norwegian student support system has a policy of not charging interest during the time of study, the fact that students can use the financial support for whatever they wish and enrolment in public HEIs is practically free of charge.

The second option is to step away from the financial independence of students and introduce *formal parental contributions.* This is where the 7th research question of the study comes in: *What are some of the potential benefits and challenges with formal parental contributions?* Below the assumed challenges and benefits of this policy are discussed. Note that although the intention could be to write from the perspective of the government, the benefits and challenges in fact are more far reaching and include the society as a whole. Benefits and challenges hence mean benefits and challenges *for the Norwegian society.*

7.1. Potential challenges of formal parental contributions

Some of the challenges associated with the introduction of formal parental contributions are the principle of student autonomy, equity, practical and legal barriers, traditions/cultural factors and student age.

It has been difficult to provide data on the rationale behind the principle of the financially independent student, but a central argument for the current passive parental role is that students should not need to rely on neither parental *willingness nor ability* to contribute financially to the costs of higher education. Additionally there is a chance that parents could pressure their children regarding their choice of programme or institution. In other words, not only financial independence, but also *autonomy* seems to be an argument. In the Netherlands formal parental contributions have been a part of the student support system since the establishment in 1956. However, some policies introduced during the last 15-20 years have stressed the flexibility and autonomy of the students. For example from 1995 on, Dutch students were permitted to take up a loan that could replace the (assumed) parental contribution (Vossensteyn & De Jong 2006). Considering the relatively low willingness to borrow in the Dutch student population, such policies may represent a threat to equity as parents refusing to contribute may indeed put an end to the educational ambitions of some students. The Norwegian students have demonstrated a higher willingness to borrow. According to Hovdhaugen, Aamodt & Opheim (2006:51) about 80% reported that Lånekassen was the most or the second most source of income which may be partly due to the interest free loans during the time of study. This indicates a certain potential for the functioning of formal parental contributions in Norway without representing a threat to the student autonomy as students whose parents refuse to pay their share can still invest in higher education, and given the favourable loaning conditions and the extent to which students use their loans it can be argued that this involves a low level or risk.

The *concern for equity* may represent an argument against cost-sharing policies such as formal parental contributions. It is a common sense assumption that formal parental contribution automatically means that every family contributes in the same way with the same amount. This would of course not be the case as the sole purpose of formal parental contributions would be to take control (to the extent it is possible) over tendencies that create social inequalities. The argument applied here rests on the fact

that one can not choose ones parents. If the state supports young people`s investments in higher education to a certain extent and then additionally some parents supplement the income for their children and some parents do not (regardless of the reason) this is unfair and state intervention may be necessary to secure equal conditions for all students. This can be done by formalizing parental contributions and by making them means tested against parental income. Those who do not get the formal parental support may receive financial aid from the student support system corresponding to this amount in order to make the financial conditions fairer. This may not eliminate all inequalities, but help take care of the some of the inequalities between the students whose parents are able and/or willing to contribute and those whos parents are not. In the Dutch case the students who do not have parents who contribute to their investments in higher education receive supplementary grants adjusted to the expenses represented by tuition fees. The intention is to create equal financial conditions for all students within higher education.

Practical and legal barriers and the *traditions* associated with Norwegian student support policies represent major challenges to the introduction of formal parental contributions. There are several principles of strong symbolic value dominating the Norwegian higher education policies. For example the mere questioning of the fairness of Gratisprinsippet seems to be a political taboo. This in spite of the fact that its function of promoting equity has never been backed up by research[25]. Likewise the financially independent status of the student is held highly in regard. A fundamental change in the system would require time and substantial political pressure. Furthermore, the fact that parents are not used to thinking in terms of having an obligation to contribute to their children`s education costs may in itself constitute a counter argument; are we willing to "sacrifise" the students that suffer under a "stage of transition"?

As the Norwegian society already has several welfare mechanisms aiming for social redistribution (see 3.2.2), and a low rate of return to higher education, another "policy of redistribution" may be provocative and in turn contribute to the public questioning of the benefits of participating in higher education. This is indeed a diffucult issue. If

[25] Of course, to find evidence of such a policy contributing to equity is problematic in either case as so many factors interact in student choice. A study by Aamodt & Stølen (2003) shows that it, in the end 1990s was a slight tendency to a more equal proportion of access to higher education. However, as Gratisprinsippet has remained stable over a much longer time it this fortunate fluctuation can hardly be said to be resulting from the Gratisprinsippet.

parents already pay high taxes as a result of a generally high income it can be argued that the introduction of formal parental contributions is unfair. A form of means tested policy such as this must hence be carefully balanced against other welfare arrangements and costs so that it does not make the system more unfair. Also, another hazard to equity may indeed be that means tested formal parental contributions may be complex both administratively and for the clients. Students and families from lower socio-economic backgrounds are generally less informed about opportunities and benefits and may miss out on vital information.

Regarding *student age* Opheim (2004) refers to the different intentions of recently implemented reforms. The Quality reform (which is partly promoting effectiveness) and the Competence reform (promoting life long learning) are "pulling in opposite directions" with respect to time. The Competence reform may have worked very well judging from the fact that observation of the students living conditions over time indicates that Norwegian students are getting older (Sæther & Løwe 2007:31). This constitutes a challenge to formal parental contributions because students at some point have to be regarded as financially independent individuals. A policy of formal parental contributions therefore would have to include an age limit. Furthermore, the Norwegian student population is a rather heterogeneous and complex group as students may change status during the time of study in several respects. Data from a report by Sæther & Løwe (2007) shows that students vary significantly when it comes to living conditions, debt, age, qualification and level of affordability. Regarding age, the age group 19-22 years makes up about 25 % of the student population[26], the age group 23-24 makes up 22 %, the 25-29 makes up about 27 % and about 26 % are above age 30. About 7% live with their parents.

If a potential age limit regarding the financial responsibility of the parents was to be set to say 24 years of age, the group targeted would, based on the percentages presented above, at the moment include about 47 % of the student population and an age limit of 29 would include about 74% of the students. Given that the trend of "the aging student" should continue, formal parental contributions would over time target an even smaller

[26] In the report published by Sæther & Løwe (2007) the "Ideal-Typical student" has been defined partly to demonstrate that the student population is heterogenous. This "ideal –typical student" is single, between 20 and 24 years old, does not live with his/her parents, is studying full time at the University of Oslo, Bergen Tromsø or Trondheim and makes up about 13% of the overall student population (Sæther & Løwe 2007:12).

group and its effect as an equity promoting policy would be limited (though due to natural fluctuation the trend would at some point probably turn around). It is also argued by Sæther & Løwe (2007) that students who are not receiving parental support and who have parents with a lower level of educational attainment often are "another kind of students". These students often have children, are on average 5 years older and working (Sæther & Løwe 2007:54).

In the Netherlands the situation regarding student age is somewhat different. While Norwegian students are relatively old, the Dutch students are relatively young and do not seem to "take a break" between upper secondary and tertiary education. According to Berger & de Jonge (2006) about 90 % of the students qualified from vwo and havo go into tertiary education directly and the majority of the remaining ten percent make the choice the year after. To look into the causes of this, one could speculate of course that this is the result of policies of efficiency observed in the 1990s such as the Student on his own-Act (Studenten op eigene benen - STOEB) and effects of the recently implemented Wet Studiefinanciering (2000) where students are encouraged to finish their degree within 10 years. There are other pressures that affect the students in completing their degrees. For example, after age 30, students are no longer eligible for grants, only for loans (Memorie Van Toelichting 2000). Anyway, the fact that the Netherlands have a relatively young student population strengthens the argument for formal parental contributions as students (given that the dependent role of the student is accepted) must be allowed to depend on their parents at a young age rather than when they are older. Given these facts the *student age-argument* perhaps represents the strongest argument against the introduction of formal parental contributions in Norway. At the moment, however, the students and families that would be targeted by a formal parental contributions policy seems to be large still, given that the age limit was set at 27 or 28 years. In the Netherlands, the parents are considered as financially responsible of their childrens investment in higher education as long as the students are eligible for student support. There are also limits to whether the parents are responsible with regard to work experience of the children and the income of the spouse is also taken into account (www.IB-Groep.nl).

7.2. Potential benefits of formal parental contributions

The assumed benefits of formal parental contributions are fairness, ideology (equality of opportunity) and efficiency (and its implications for equity), the growing tuition dependent private sector and the reduction of the gap between principles and reality. Some of the arguments also involve discussions of other forms of cost-sharing policies in combination with formal parental contributions.

An argument for state intervention through formally introducing parental contributions as part of the student support system is that informal parental contributions are taking place and are growing faster in size and frequency among students whose parents have a high level of educational attainment than among students whose parents have lower levels of educational attainment. Inequalities in parental contributions may lead to some students working more than others in order to achieve the same standards of living. Whether this gap represents a *direct threat* to equality of opportunity at the moment is however not certain. As shown in the analysis above work seems to have little effect on hours studied per week. This may be taken as evidence for the assumption that work probably does not represent a deterrent to academic quality. Still, findings by Hovdhaugen & Aamodt (2006) indicate that drop-out increases with wage and that this tendency is increasing even at low levels of income like NOK 50 000, - +. It seems tempting to argue therefore that even though working (which may be an important source of income for students whose parents can - or will not contribute) does not seem like a significant and direct threat to equity of outcome at the moment, it might become a problem in the future, given that the trend continues and nothing is done to counter its effects. Other authors have also pointed to how the increasing informal parental contributions may represent a threat to the objective of equality of opportunity (Hellevik 2005, Fekjær 2000, Løwe 1995 in Sæther and Løwe 2007:32). The benefit of means tested formal parental contributions therefore is simply fairness. Students whose parents have a lower level of educational attainment should not have to work more than students whose parents contribute. As there are clear tendencies towards students working more and some students receiving more from their parents it should clear that the students support received by Lånekassen is not sufficient for most students to live on. It may be argued by some, that most students still can afford to invest in higher education. Looking back at the forms of equity categorized in 2.1.1 one could ask

whether this poses a threat to equity of access. As stated by Hernes (1974:13), it is not only a matter of having the opportunity *in theory* to invest in higher education. The main difference across socio-economic background would be that "the upper class youth would get *both* a moped and an education while the working class youth would *have to choose* between the two". In other words, there is a question about the general standards of living.

A second argument is that as far as ideology goes, the current system threatens the objective of equality of opportunity. A student support system claiming to promote equality of opportunity cannot ignore fluctuations in trends such as informal parental contributions without worrying about this affecting the *function* of the student support system. The categories of Hernes (1974) can be applied to describe this function. The argument is simple: If resources were distributed evenly to all students and the increasing inequality resulting from informal parental contributions was ignored, the *function* of that system over time would *become Resource equality* and hence drift away from the original objective of equality of opportunity. Everybody gets a standard amount (so that they in theory can make educational investments, but some students become more well-off than others during the time of study since the parental role is not considered a part of the regulations. This seems to be the case with Lånekassen at the moment. The students are provided with a standard amount of funding, but the total amount students have to their disposal differs as some have parents able and willing to contribute and some do not. Of course, it is important to remember what was mentioned previously, that these students may be in a different stage in their life, as some have children and are hence "another kind of students", but these students may be eligible for other welfare arrangements and the importance of parental contributions still was shown to be considerable among the lowest age group (19-22) (Sæther & Løwe 2007). Inequality is of course to some degree unavoidable, but it may be asked whether it can be effectively reduced simply for the sake of fairness. This argument is valid regardless of whether it can be proved that it prevents students directly from starting or completing a degree. It should be stressed that although Norway is compared to The Netherlands, this is not saying that the Dutch case represent the ideal case with regard to equity in education. The Dutch case is interesting bearing the Hernesian categories of equality in mind. Regarding equity *within* higher education the Dutch student support system

seems to serve a redistributive function in order to achieve a certain level of fairness. Inequity in the Dutch higher education system has been argued to exist mainly in the selection prosesses earlier in the education system (Berger & de Jonge 2006). By having a selective secondary education sector and thus a smaller percentage of the relevant age cohort participating in higher education, the overall function of the system is closer to Competence equality, which posits that the ones who succeed in the education system are the ones who are taken into consideration when the funding for higher education is being distributed. Can this be said about the Norwegian case as well? In an OECD report on Equity in the Norwegian education system Opheim (2004) refers to what is called "the Norwegian paradox", namely that a country whose values are deeply founded in a socialist tradition, is experiencing great differences in learning outcome in the primary and secondary level of education. Taking this into consideration one could argue that there are traces of Competence equality function also in the Norwegian system, though the Competence reform may be intended to keep the doors open for adult learners at a later stage.

The third argument for introducing formal parental contribution in Lånekassen is that it represents a more efficient use of resources. A first point having to do with efficiency is not connected to formal parental contributions directly, but should be mentioned nevertheless. It has to do with the fact that introducing formal parental contributions means moving in the direction of the Functionalist model as such a policy represents targeting and compensation. The Dutch supplementary grants represent an example of such a policy. The Norwegian student support system on the other hand could in some respects be considered inefficient (even though most of the students use their student support and the numbers are increasing over time). Not all students report that they intend to use their funding. Where will they provide resources from? If they are not going to use the financial support, do they really need it? What could be saved by implementing more efficiency oriented policies? A finding by Hovdhaugen, Aamodt and Opheim (2006) indicating that about 11 % of the students asked reported that they expected to use only parts of their loans and 5.7 % reported that they intended to use less than half of their loans. A simple calculation can provide an estimation of the potential savings. The financial support provided by Lånekassen during an academic year (10 months) amounts to NOK 82 900, -. For the sake of the argument we assume

that the students in the sample applied for full financial support. It also should be mentioned that the percentages referred to in the example are based on hypothetical questions posed in the original study. It is here assumed that "only parts of the loan" means 75 %, that "less than half" means 45 % and that the students kept this pattern of spending for one year. Today Lånekassen has about 770 000 customers out of which 278 000 are currently studying. Not all of these are studying in higher education. In fact according to the website www.lanekassen.no, Lånekassen had 142 622 clients enrolled in higher education for the academic year 2005-2006, receiving financial support. Using this number at the base, the number of the students who claimed that they intended to use less than half of their loans were a little more than 8500 (5.7 % of 142 622 equals 8529) and the number of students reporting that they would use only parts of their loans were almost 15700 (11 % of 142 622 equals 15 688). The first group as mentioned above reported that they would use less than half of the financial support (here estimated to 45 % meaning that they would save 55 % (NOK 45 595,-.) The second group reported that they would use only parts of their loans here estimated to 75 % saving 25 % (NOK 20725, -).

The rationale behind this calculation is to see what can be saved by introducing efficiency oriented policies. It is here assumed that there is a reason why these students did not use the funding available and that this reason may have something to do with the parental role. The table below shows the potential amount saved if efficiency oriented policies were introduced to limit potential waste.

Table 3.

Percentage	Number of students	Amount not spent per student	Potential amount saved
5,70 %	8 529,4	45 595	370 662 455
11 %	15 688,42	20 725	325 133 800
		SUM NOK	695 796 255

With this amount (NOK 695 796 255, -) 8393 students could be funded for one year using the basic amounts in the regulations of today. For 5 years 1678 more students could be funded. Note that the calculation does not say anything about why the students did not spend all the money received from Lånekassen. What is central here is that the

Norwegian student support system is inefficient and that formal parental contributions could potentially contribute to reducing this inefficiency. It is also important to consider that some of the students receiving *and using* their financial support today (who are not part of this calculation) may not have needed the support from Lånekassen either *if* their parents were made legally obligated to contribute (some students may have parents that are able, but *not willing* to help their children financially).

Another example to illustrate the emphasis on efficiency and how it can have implications for equity can be taken from the 1990s. Efficiency in a broad sense is not only a policy concern benefiting the government by saving money. It is also to the benefit of the students as the may complete their studies and enter the labour market (output efficiency). Barr (2001) emphasises that the opportunity costs are the largest expense associated with studying. This is true also in the Norwegian case (Barth 2005). The following example then represents a large financial loss for students in the higher education system in the 1990s.

This example of output inefficiency was been referred to in 3.2.4 page 45: Out of the students who enrolled in higher education in 1992 about 1/3 (32 %) did not complete any degree, about 50 % completed a lower level degree and about 17 % completed a higher level degree within a period of 10 years (Raabe 2005:24). The poor output efficiency has been argued to stem from the flexible nature of programmes in higher education under the old system (the cand. mag + hovedfag structure) (Markussen & Aamodt 2003, Opheim 2004, Aamodt 2006). This explanation for the delay must be given some validity. However, when we take financial aspects into consideration the output inefficiency can stem from other factors of which two are mentioned below. The first aspect is the phenomenon of phantom students (students enrolling without the intention of taking the exam), and the second is students being unmotivated and undecisive.

Phantom students are in reality stealing from the public purse as Norwegian higher education is to a great extent publicly funded. These students may receive financial support for one year without passing any exams and may also enjoy benefits that are earmarked students such as cheap train tickets, meals and accommodation. Such exploitation represents inefficiency and forms of cost-sharing policies such as tuition fees and formal parental contributions may rid the system of phantom students as it is

no longer efficient for these students to enrol if they or their parents have to pay something more. Note that phantom students may in work full time and receive a full interest free student loan for one year plus enjoy numerous student benefits under the current system.

Moving to the other aspect of inefficiency, undecisiveness and lack of motivation are factors that have contributed to a great financial loss for students (especially of those not succeeding in completing a degree at all in the example above) in terms of foregone earnings through 10 years. It has been claimed that this poor output efficiency can not be explained solely by financial factors (Aamodt 2006). This may be true, but the point here is that it can be explained by referring to financial factors *also*. Turned around then, it can be argued that output inefficiency can not solely be explained by non-financial factors. One could ask: Were the students enrolling in the 1992 age cohort conscious about the financial loss they made resulting from the long period of study? If they were, were they aware of it from the start? If they were, then why did some of the students stay in the higher education system for such a long time? Since foregone earnings, the largest expense of studying is an "invisible" expense in the sense that students make no transaction when paying it, it can be assumed that some forms of more "visible" (but indeed cheaper) cost-sharing policies (tuition fees and/or formal parental contributions etc will make the students more aware that they are in a situation where staying for too long means losing money and that this consequently will contribute to an earlier decision. Following this line of thought, it could be argued that it was inequitable *not* to use financial sanctions to "encourage" these students to make a choice earlier, either to enter the labour market or regarding the study programme to attend. Several aspects mentioned above give the impression that one difference between the Dutch and Norwegian student support system is the degree of output efficiency (6.3.2 page 80).

An example that illustrates such financial pressure taking place by means of cost-sharing policies is the Dutch governments increasing of tuition fees in the mid 1990s (the tuition fees increased by NLG 500, - over 3 years). As compensation for the students the higher education institutions had to give the students a "guarantee" that they would not face any barriers in completing their courses within the nominal period (Vossensteyn 1997:14). Whether this worked or not, is debatable, but the information

from a report on the status on Dutch higher education shows that Dutch graduates (both at the WOs and the HBOs) have been getting younger over the latest 13 years as shown above (Berger & de Jonge 2006). Furthermore, Dutch higher education never experienced a crisis in the University sector as was observed in Norway, though there have been fluctuations with regard to output efficiency also there and it must be stressed that the conditions are still not satisfactory (Vossensteyn 2007).

Could it be that the output inefficiency in Norway in the 1990s was partly due to a lack of financial pressure in the student support policies? There is not a lot of evidence pointing in this direction. However, there is some evidence indicating that financial pressure contributes to increased output efficiency also in the Norwegian case. This particular case indicates that paying fees for higher education may lead to a higher conversion of loans to grants (this can be used as a proxy for efficiency due to the new progress dependent grants). For the academic year 2002/2003, the students at the largest private higher education institution in Norway, the Norwegian School of Management (BI) demonstrated a higher rate of conversion than did the students from the other institutions (mainly referring to the public institutions). The difference between BI and "the other institutions" were 83.5 % and 72.7 % respectively for the autumn semester 2002 and 82.7 % and 75.9 % for the spring semester 2003 (Opheim 2005:75). Due to the tuition fees paid by the students from the private colleges the possibility of phantom student is significantly smaller. However, the financial influence on output efficiency *still* may be argued to be influenced by the parental contributions that students at private colleges receive in order to pay for the tuition fee. One could ask whether these students feel that they made a financial sacrifice as their parents may have paid the fees. Nevertheless, the fact that there is such a significant difference between the students in terms of completion is interesting with regard to both the question of efficiency and equity. In the case of BI, students not succeeding on exams may face "sanctions" from within their family as parents may feel that they wasted their money. This intra-familiar financial pressure may have implications for efficiency and is pretty much a "lost" or absent "resource" considering the passive parental role manifested in the traditions of the government and hence Lånekassen. Students at the public higher education institutions may not experience the parental involvement as parents may feel less obligated to contribute to their children. The difference in conversion ratios *in itself* is

enough to question the efficiency of the public higher education institutions. Whether the cause of output inefficiency is phantom students or undedicated students is in a way irrelevant. The point here is that the observation by Opheim (2005) represents a case in which output efficiency has proven better at institutions with clear differences regarding the students` financial conditions.

A second example taken from the Norwegian School of Management (BI) represents yet another argument for formal parental contributions in the sense that the number of students enrolled at private colleges is growing in Norway. The student population at private higher education institutions in Norway makes out about almost 1/5 (17 %) of the total Norwegian student population. Students at private colleges receive significantly from their parents than to students at public institutions (Sæther & Løwe 2007:50). Still, these students, like all other students in higher education in Norway over the age of 19 are considered financially independent. To consider the student as financially independent under such circumstances definitely represents unfairness given the opportunities that may result in graduating from BI. The fact that parental contributions are larger within this sector and that there are no compensations for students whose parents are not able of willing to contribute is worthy of criticism. For this particular group of students it could even be argued, referring to Hernes (1974) again, that the category of equality represent a mild version of *formal equality* which is that student are considered equal *formally* (in the law), but they do not *in practice* have the same financial capacities. The gap between those who have and those who do not have in this respect is far greater than in the public higher education sector.

8. CONCLUDING REMARKS

How can formal parental contributions effectively contribute to reducing inequity with respect to Norwegian higher education?

The data and the findings in the study indicates that efficiency and equity are complex concepts that can of course be affected in many ways and it impossible to know what is the perfect solution as there are so many factors that are changing constantly. Regarding the role of efficiency and equity in Norway and the Netherlands these countries differ considerably in the handling of policies related to both concepts. The Norwegian student support system is rather universial in nature and comes close to the social reproduction model presented in chapter 2. The universal loans and the absence of formal parental role renders the system ineffiecient and under the present conditions unfair though it may not be inequitable. The pressure represented by cost-sharing in the Netherlands during the latest 21 years in the Netherlands may seem brutal. But it seems to have been targeting the more affluent families to a great extent and access for students from disadvantaged backgrounds has not been harmed significantly. However, it must be stressed that inequity in the Netherlands exists at lower levels of the system.

First and foremost the rationale behind the policy of formal parental contributions is to fill the gap between the idea of the financially independent student and reality which is that students are not financially independent today. Lånekassen is an important source of income to a lot of students, but is seldom *the only* source. At the moment it seems as though where you come from *does* play a role. It is true that students can compensate by working more and it is not much evidence indicating that work represents a deterrent to academic quality, but in fact the point here is that increasing inequalities are observed in a country where values such as universal rights and social welfare stand strong. Some have parents who contribute and some do not and there is a correlation between the contributions and socio-economic background, and the gap is increasing over time. This is the main rationale behind the suggested student support policy of formal parental contributions. This *principle of fairness* represents one way in which formal parental contributions can contribute to reducing inequity.

Secondly, one could ideologically argue that formal parental contributions represent a move towards equality of opportunity because it would make the total financial

resources will be more equally distributed. This means that the state intentionally discriminates in order for the result to be equal. At the moment it could be argued that holding on to the tradition of keeping treating the students as financially independent of the parents represents *everything but* equality of opportunity depending on the perspective taken. It is argued in the study that the most apparent function of the student support system (especially considering the students enrolled in the public system) is *Resource equality* because the wider student population is provided with a more or less the same amount (of course with some exceptions) which makes it possible to invest in higher education in theory. However, this may not be sufficient for students from lower socio-economic backgrounds who do not see the value of a degree and who also want the same standards of living as fellow students from more affluent backgrounds.

Thirdly, policies relevant to the funding of students may have implication for efficiency and hence for the equitability of the system. While efficiency clearly is a concern of the Norwegian government (demonstrated through the broad and hidden cost-sharing policies such as the freezing of grants and the incentives to work) there are still indications of inefficiency that could have been avoided. The problem represented by phantom students and unmotivated students could avoided or reduced by applying some forms of financial pressure. Such arrangements represented by forms of cost-sharing policies could prevent some individuals from exploiting the system (in the first case) and encourage some students to make an earlier decision in the latter. This is more equitable because resources can be used in order to fund the more motivated and less affluent students and unmotivated students will be "encouraged" to leave the system avoiding *academic malingering* (keeping students within higher education for too long) (Johnstone 2003). Opportunity costs also can be argued to be "invisible" or "hidden" compared to other forms of costs and it must also be stressed that this does represent the largest costs of studying. The dreaded tuition fees are, in this sense more "fortunate" costs (first of all because they are smaller and second of all as they are visible and hence may keep the student effective or provoke a choice made at an earlier stage whether this means graduating or dropping out of higher education). The way higher education in Norway is funded at the moment is inefficient and formal parental contributions represent a movement towards the functionalist model which may be a more efficient

and dynamic model of student support because it is not vulnerable to fluctuation in the socio-economic makeup of the population.

Fourthly, a change of parental policy is important because the current policies in Lånekassen could contribute to social differences over time. Informal parental contributions combined with interest free loans and freedom to spend it for whatever purpose (not for educational purposes as is the case in the Netherlands) provide students with the opportunity to live off the parents and to invest great parts of their student loan (and additional capital) in the real estate market or in other markets. Students with parents able and willing to contribute hence have a great advantage compared to students from less affluent backgrounds that has nothing to do with educational investments. It is claimed that there is no such thing as a perfect system. Still, this does not represent grounds for not seeking to improve both efficiency and equity of the already established system. Such social differences referred to could be reduced by a change of public policy.

Fifth, regarding the inefficiency observed in the higher education sector in the 1990s inefficiency can clearly be attributed to both the flexibility of programmes and financial policies as well as other non-financial policies. It must be kept in mind *why* inefficiency to a certain extent must be accepted as a trade-off within the concept of student support. To fund students who would not have the capacity to participate in higher education otherwise is efficient and equitable. It may be inefficient if the student is a poor student academically, but this is the risk taken by the state as private banks are not willing to take it. This is the rationale behind any student support system as argued by Barr (2001). Hence we have a case where there is potential inefficiency, but where the state is willing to make a sacrifise or a trade-off for the sake of equality of opportunity. However, to fund a student who is indeed supported financially by the parents is wasteful (given that this student would with a high degree of probability have participated in higher education in either case) and this form of inefficiency can not be defended by the principle of equality of opportunity. This is the difference in perception of efficiency between Norway and the Netherlands. Lånekassen is hence inefficient, but for the wrong reasons. Formal parental contributions could potentially reduce this inefficiency and the resources saved from this could potentially be used to fund more students.

It must be stressed that formal parental contributions can not be introduced isolated without being combined with other policies. Of course, a lot will depend on *how* this is done. Means testing of the parental contributions is a necessary additional feature and consequently the students that do not have affluent parents must be compensated financially. The supplementary grants observed in the Dutch system seems like a natural solution in this respect although the groups targeted must be adjusted balanced to the Norwegian case. To avoid fraud especially on behalf of the recipients of the supplementary grants it is important to introduce some other forms of broader cost-sharing such as smaller tuition fees. The abolishing of the interest subsidy is another form of cost-sharing that has been introduced in the Netherlands and that has had a great impact on the willingness to borrow in the 1990s. The fact that willingness to borrow in Norway is high and that is relatively low in the Netherlands may represent a warning of debt aversiveness and hence represents an argument against the abolishing of this policy. However, even though the willingness to borrow in the Netherlands is still low, it is increasing considerably during recent years which may indicate that Dutch students are getting used to the conditions offered by the student support system. Tuition fees may be another policy that could accompany formal parental contributions in order to increase efficiency.

The question is whether it is possible to even establish a public debate on this form of cost-sharing. The case of Germany however, represents an example of a process of change. In a publication by Ziegele (2006) the emergence of the tuition fee debate in Germany was described as passing through 4 phases. These phases were Dogmatic discussion, Irritating facts, Strategic and model-centered discussion and Political outcome. Especially the transitions between the stages 1 and 2 were triggered by research in higher education.

It seems as though some stakeholders of Norwegian higher education still are at the dogmatic phase regarding the tuition fee debate. This is demonstrated not only on the institutional level, but also at the political level and in the law. Although Gratisprinsippet represents a good intention, it function as an equity promoting principle has yet to be backed up by research. It is therefore clear that the mandate of Stjernø-

utvalget, which clearly states that certain forms of cost-sharing will not be discussed, is based on dogma rather than rationality. To stress that there shall be no discussion of changing the main structure of the funding mechamisms including sources of revenue for higher education for a period as long as 10-20 years represents an excellent illustration of the power of the existing dogma held by stakeholders dealing with Norwegian educational policies.

For the future more research is needed on how students respond to financial incentives and how forms of changes have affected the students` habits of studying. It should be stressed that reforms must find place at the institutional level along with changes of financial policies and that the government could provide more in detail incentives to follow up the individual students especially with regard to the completion of the master thesis. More knowledge is needed how students from different socio-economic backgrounds work individually, cooperation with their supervisor and other motivational factors. Academic malingering is a major threat to both equity and efficiency and must be taken seriously in order to reduce the gap between the students from different socio-economic backgrounds.

In order to reduce the magnitude of this phenomenon, policy and research may need to take place at several levels and areas related to the higher education sector. This policy and research needs to be innovative in order to make an impact. This may involve stepping away from traditional principles that no longer serves the desired function. A quote from a famous theoretical physicist and Nobel price winner may serve as a guiding principle also in educational policy:

> *"The problems we have today cannot be solved by thinking in the way we thought when we created them.*
>
> - Albert Einstein

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