

# Are Tuition Fees Inevitable in Expanding Higher Education Systems?

*An assessment of tuition fee regimes in the USA, the UK, the Nordic countries, and Scotland*

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*Kristen is a Master's student of Higher Education at St Anne's College. With a background in psychology, she is interested in the epistemological development of study abroad opportunities. This interest has also led her to explore global trends in fee structures and how variations between overseas and local student tuition fees factor into the dramatic increase in or an introduction of tuition fee structures seen in some countries, while others like Scotland have remained fee-free. This article discusses the rationale and conditions behind increases in tuition fees and the measures the UK and the USA have taken to collect fees. It contrasts this analysis with the political, economic, and societal national contexts of Nordic countries and Scotland that have allowed them to cope without the introduction of tuition fees. From there, the article weighs the pros and cons of various loan schemes and speculates which is most fair to students, universities, and national governments for further policy presentation.*

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Major leading nations in the economic world have placed a strong emphasis on widening access and increasing participation in higher education. Therefore, they have contributed to a worldwide phenomenon of mass higher education. As the system of higher educating expands, however, practical issues of financing have become problematic. The United States, at one end of the spectrum, has consistently relied heavily on its students to bear the burden of their own tuition costs. On the other side of the spectrum, some countries continue to provide free higher education despite a dramatic increase in participation rates in recent years. Which countries have the right idea? In a world of mass higher education, is it inevitable that the student has to pay or are there other options? Looking at the shifts in higher education

sectors and their funding systems in the US, Nordic countries, Scotland, and the UK will help to clarify whether student fees are inevitable and which methods of charging students are most efficient.

### **Reasons Behind the Increase in Student Tuition Fees**

The seemingly global change in favour of students paying for higher education is a response to many factors that have affected most industrialized nations in recent years. Firstly, higher education participation rates have climbed rapidly. Unprecedented growth in higher education has caused financial crises for national governments, as higher education competes for government funding with other worthwhile causes such as healthcare, primary education and etc. (Marcucci and Johnston 2007: 27). Secondly, most governments believe that having students pay tuition is fair. According to them, the private returns to students are higher than the social returns (Mayhew 2013). Research has shown that, in fact, college-educated individuals benefit economically from their education while higher education rates are not necessarily linked directly to a country's economic growth (Mayhew 2013). Thirdly, the introduction of tuition fees will, in theory, force universities to become more responsive to their students' needs (Marcucci and Johnston 2007: 27). Finally, it has been found that free higher education, despite being free, is used much more by middle and high socio-economic status students while the taxes that make that free education possible potentially burden low socio-economic families (Marcucci and Johnston 2007: 27). Such reasoning has encouraged the raising of student tuition fees in the UK, Australia, Germany, China, and many countries in Latin America and East Asia (Johnston 2004). "In fact, since 1995 more than half of the 25 OECD countries with available data on higher education have

overhauled their college tuition policies at public institutions, with many adding or raising fees” (Phillips 2013).

## **Tuition Fees in the United States and the United Kingdom**

Looking exclusively at the USA and the UK, the transition towards mass higher education has led to students being asked to cover more of their university tuition costs. In the USA, it is understood that students will bear the burden of their education. High interest loans taken out to pay significantly high up-front tuition fees coupled with the requirement to begin repayment immediately causes student debt right after graduation. The UK’s higher education funding system is easier on students than in the United States due to lower fees and loan schemes that are income-contingent with relatively lower interest rates. The UK’s income-contingent deferred loan scheme has vast benefits for students as opposed to the mortgage loan system that is used primarily in the USA. The fact that repayments do not begin until the student is making a salary of 21,000 pounds is fairer to the student because a return on education investment is necessary before repayment begins. This makes higher education less of a gamble.

The UK, which used to provide free higher education, is one of many examples of countries submitting to economic pressures and introducing tuition fees. However, its loan schemes seem far superior to those of the USA. With countries that still offer free higher education in existence, however, the question remains as to whether or not student fees really are inevitable. Will countries providing free higher education eventually introduce fees or have they found a way to sustain free higher education that the rest of the world is missing out on entirely?

## **Countries Where Tuition Fees Do Not Exist**

Denmark, Sweden, Norway, and Finland have succeeded in providing free higher education to their students despite economic pressures (Aamodt and Kyvik 2005: 123). In large part, these countries have been able to sustain free higher education through their record high taxation rates (OECD 2007). However, there have been some changes in the Nordic higher education funding systems that have caused debate. Denmark, Sweden, and Finland have all introduced tuition fees at their universities for international students (Grove 2013). The recent changes have caused much speculation about the future directions of higher education funding in Nordic countries now that they have broken their long-standing tradition of free higher education for all (Grove 2013). This development could be interpreted as a step towards the use of fees or as an effort by Denmark, Sweden, and Finland to protect themselves from an influx of international students exhausting the countries' resources. However, even for their own students, the Nordic higher education systems are also far from perfect. Despite the lack of tuition fees, students still graduate with hefty debts (Phillips 2013). Due to extremely high living costs and lack of student living cost support from the government and parents, students must take out loans anyway (Phillips 2013). Thus, even though higher education is free in these countries, a hidden price tag is still attached and students come out with debts comparable to the debts of some students in the US (Phillips 2013).

Scotland, as part of the UK, has also retained free tuition for their students and other EU students while slapping tuition fees onto their English neighbours and non-EU students. A portion of Scottish universities' funding comes from international fees, postgraduate tuition fees, lodging and catering (Bryce et al. 2013:

166). As in the Nordic system of higher education, while universities are free, there exist hidden student costs. Scottish universities and politicians are extremely dedicated to retaining their system of free higher education with almost all political parties campaigning against England's higher education reforms of 2012 (Bryce et al. 2013: 165). However, the economic climate might not allow these politicians to keep their word. "If there is no improvement in economic prospects, it is doubtful if the present position can be maintained without risk of Scottish institutions finding themselves at a serious disadvantage" (Bryce et al. 2013: 96). There are however, alternatives to re-introducing tuition fees in a poor economic climate (Finlay 2013). Surveys have shown that citizens would prefer higher taxation to the introduction of tuition fees (Finlay 2013). For Scotland, tuition fee policies will be tested very soon by how the country adapts to changing economic situations with UK-wide cuts in teaching funding and Scotland's potential independence from the UK (Finlay 2013). Scotland, Finland, Norway, Denmark, and Sweden are a few of the countries in the modern world that manage free higher education for their students, showing that perhaps student tuition fees are not inevitable after all. These countries are unique because they are capable of providing free education while in others it would be infeasible. This is largely due to their relatively small sizes, egalitarian attitudes towards socio-economic attainment, smaller wealth gaps among citizens, high rates of higher education participation, and commitment to the public sector. Because these countries have smaller populations relative to the USA or England, they are able to reach decisions with more ease and also have fewer students to fund. They are also able to increase taxation to fund higher education without causing massive revolts because such policy measures are more likely to help a majority of the

population in countries with small wealth gaps. Denmark and Norway are cited as enjoying the smallest wealth gaps (Deen 2011). In other words, introducing taxes in these countries will not necessarily impose on the poor while only benefitting the rich since citizens are more likely to have equal financial situations and there are higher rates of participation in higher education in the first place. If free higher education were to be introduced in the USA on the other hand, it would be completely impractical due to the sheer size of the nation, the massive wealth gap, and the general capitalistic ideology of the nation. So perhaps student fees in higher education are only inevitable in certain types of atmospheres and nations. It is clear, however, that even free higher education systems often depend on funding sources that can indirectly make the citizens pay through taxation, living costs, etc.

### **Fees Bound to National Contexts**

The inevitability of student fees in the mass higher education system is something that applies to large industrialized and diverse nations in the modern world. This description, however, could be used for a majority of countries in the world today, leading to a prevailing thought that tuition fees are unavoidable. In the USA, the UK, and many other countries, this certainly seems to be the case. However, in specific nations and economic scenarios, students may not necessarily have to pay for higher education. That being said, however, many countries that offer free higher education have hidden costs and enroll international students with overseas fees in an attempt to sustain themselves and survive in global competition. If economic conditions continue to worsen, especially for Scotland which faces difficulties ahead, it would not be surprising for fees to be introduced, but that is not seen as an upcoming issue in the Nordic

countries. One contributing factor towards the Nordic countries' resistance of fees is their attitude towards education. In these countries, education is seen as a public right and a social necessity and if fees were suddenly imposed, they would be completely incongruent with the values of the nation. Education is thought of very highly in the Nordic countries. In fact, in Finland even teachers of primary school must have a Master's degree in order to be considered as qualified to teach (Childs and Mender 2013: 113). For countries that charge students tuition fees, it seems clear that among the existing options, deferred income-contingent loans are a far superior option to mortgage loans for charging students tuition, though perhaps they might need to be altered in the future to be remain economically feasible for governments in the long-term.

### **How Should Students be Charged?**

With all of this in mind about the counties that succeed in achieving fee-free higher education, it is clear that a vast majority of modern industrialized nations are increasing and/or introducing fees. Most of these governments simply cannot afford to finance higher education with so many other competing demands for funding and the number of HE students increasing so rapidly. How, then, should students be charged?

In order to maintain equal access and keep up participation, means-tested grants and academic scholarships are necessary to attract low socio-economic status students into higher education despite its heavy price tag. Both the USA and the UK have such grants in place. Beyond simple grants and scholarships, however, the best system for students to pay their tuition fees is in deferred income-contingent loans. These loans are another way to keep higher education open to people of low socio-economic status and create a system where the economic returns that the

## KRISTEN GARTSIDE

students receive are directly related to how much they pay for their education. This is a fair arrangement for students and governments. After all, universities should be graduating students of the best academic quality who can contribute in substantial ways to the nation through their graduate jobs.

While this system of deferred income contingent loans is ideal for students, however, it has the potential to become an economic burden to the government if a majority of students avoid repayment of their loans. There are ways that governments can avoid this type of repayment avoidance by lowering the minimum income at which students begin repayment of their loans. In the UK specifically, a graduate must be earning £21,000 annually before repayment begins (Browne 2010). By lowering this standard of minimum annual income for repayment even slightly while also maintaining a low rate of repayment, the government would be able to get some of its money back more promptly. Also, the UK has a scheme currently wherein any debts still owed after thirty years would be written off (Browne 2010). Eliminating this would undoubtedly be upsetting for graduates who would have to pay off their debts in the long term, but would help the government collect its money while still holding true to the notion of income-contingent loans and fairness to students.

The system of direct, straightforward deferred income-contingent loans that have been established in the UK and many other European countries is vastly superior to the mortgage loan system in the USA that paralyzes students with debt in their early 20's and unrealistically expects immediate repayment. It is also superior to covert methods of raising student fees through actions such as increasing living and catering fees, making grants less available, or having a dual track tuition scheme. Income-contingent

loans are transparent and understandable, easily repaid as part of income tax, and fair to both students and universities.

Another possible manner in which governments might increase the long-term feasibility of income-contingent loans would be to create the options for students to pay tuition fees in a variety of ways. For example, Australia has a tuition payment scheme that allows for students to either opt for the deferred income-contingent loans or pay the tuition upfront at a slightly discounted rate (Marcucci and Johnston 2007: 31). This may be the most efficient system because it provides the most options and allows the government to get access to some funds immediately from those students who opt for upfront payment. It would allow students from low socio-economic status to be included in higher education through the income-contingent loan scheme and encourage better and more prompt funding flow to the government from higher socio-economic status students who can perhaps afford upfront tuition fees.

## **Conclusion**

As an interest in higher education enrollment sweeps the globe, national tuition fee schemes have been affected. While some national contexts such as the environment in the Nordic countries and Scotland have been resistant to international trends towards introduction of, and increases in, tuition fees, it has been possible largely due to their sizes, high rates of taxation, egalitarian ideals, and high national value of education. In larger countries with wider wealth gaps, capitalistic ideals, and mass student enrolments, free higher education quickly becomes economically infeasible. This is certainly true of the USA and has become true of the UK in recent years, the latter having slowly succumbed to the idea of high tuition fees. The UK has, however, in the introduction of high

fees, attempted to institute a fairer system of payment in a bid to avoid disadvantaging lower socio-economic status students and create a sustainable model for education delivery for both the nation and its students. At the same time, there will likely be more reforms in this system, as it currently slightly disadvantages the government in collecting back the finances necessary to sustain the higher education sector. Overall, however, the income-contingent loan scheme seems the best option for students and can also be beneficial to national governments with relatively easy adjustments to specific contexts.

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*Are Tuition Fees Inevitable in Expanding Higher Education Systems?*

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