

Public / private funding of higher education in the Czech Republic: Main results from micro-level analysis

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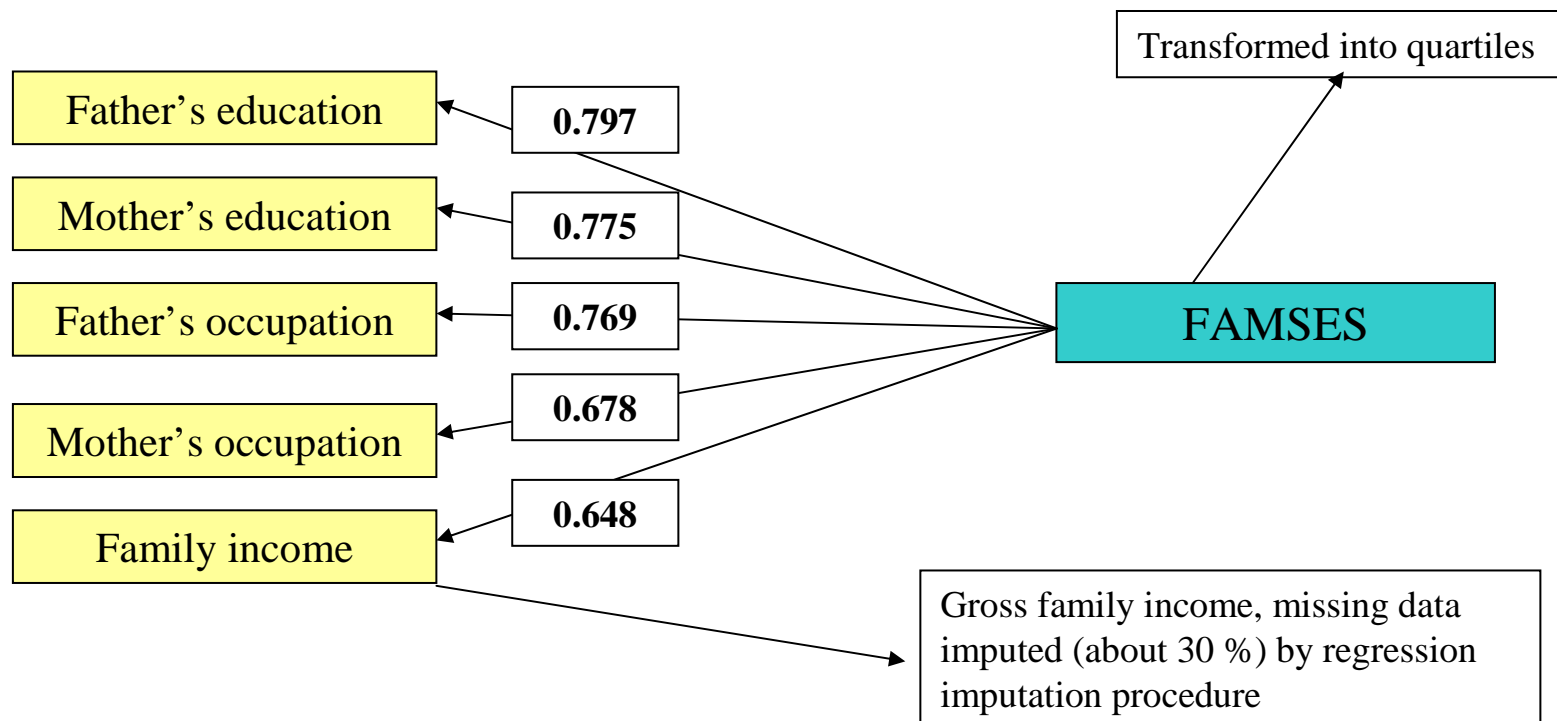


Topics

- Methodological & technical information (data, definition of variables, distributions)
- Basic comparative context for micro-level analysis
- Main results
- Consequences for equity
- Basic principles of the proposed reform

Data and variables

- Data used for micro-analysis:
EUROSTUDENT 2005 (data on income for 2004)
- Definition of FAMSES: (principal components analysis)

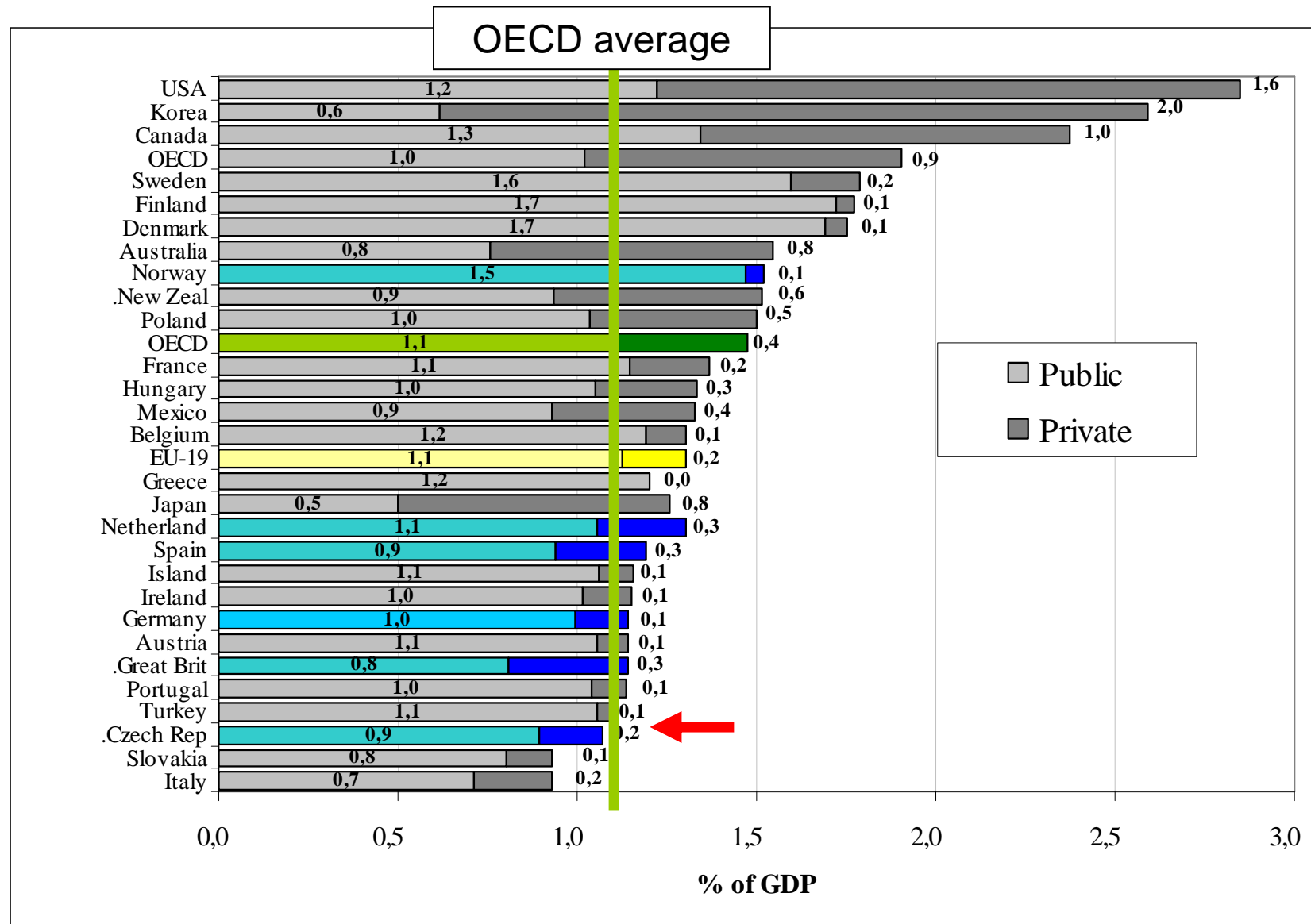


Data and variables

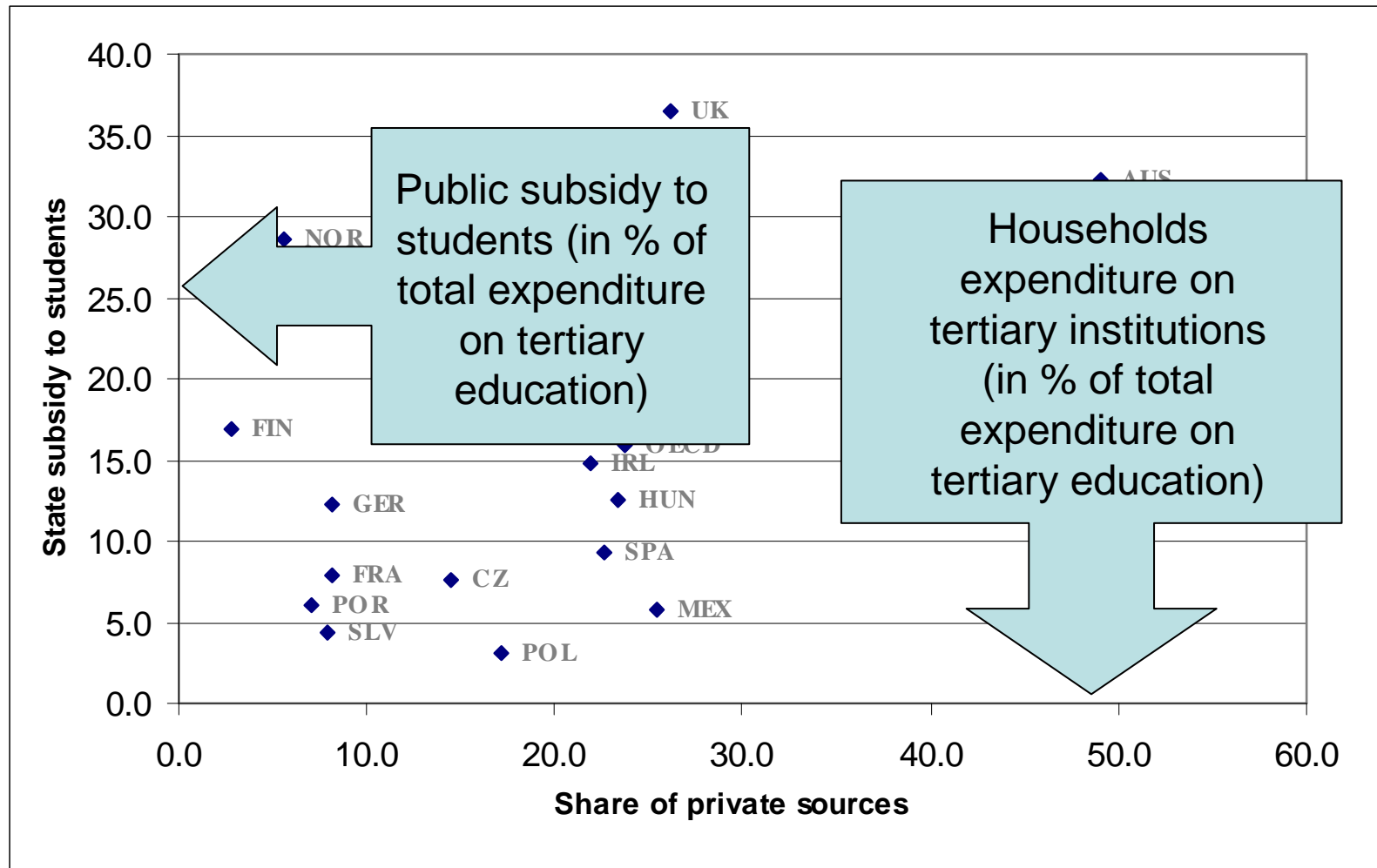
- **Analytical file** (selection criteria for PPB project)
 - age: 19 – 22 (typical age for “freshmen”).
 - undergraduates in bachelor or so called „long“ master degree programs
 - regular (full-time) students
 - public schools
 - **Selected: 1 112 out of 3 539 cases**
- **Housing status:**
 - 451 (**40.5 %**) at home
 - 662 (**59.5 %**) away from home

Comparative context

Public and private expenditure on tertiary education in 2004 (% of GDP)

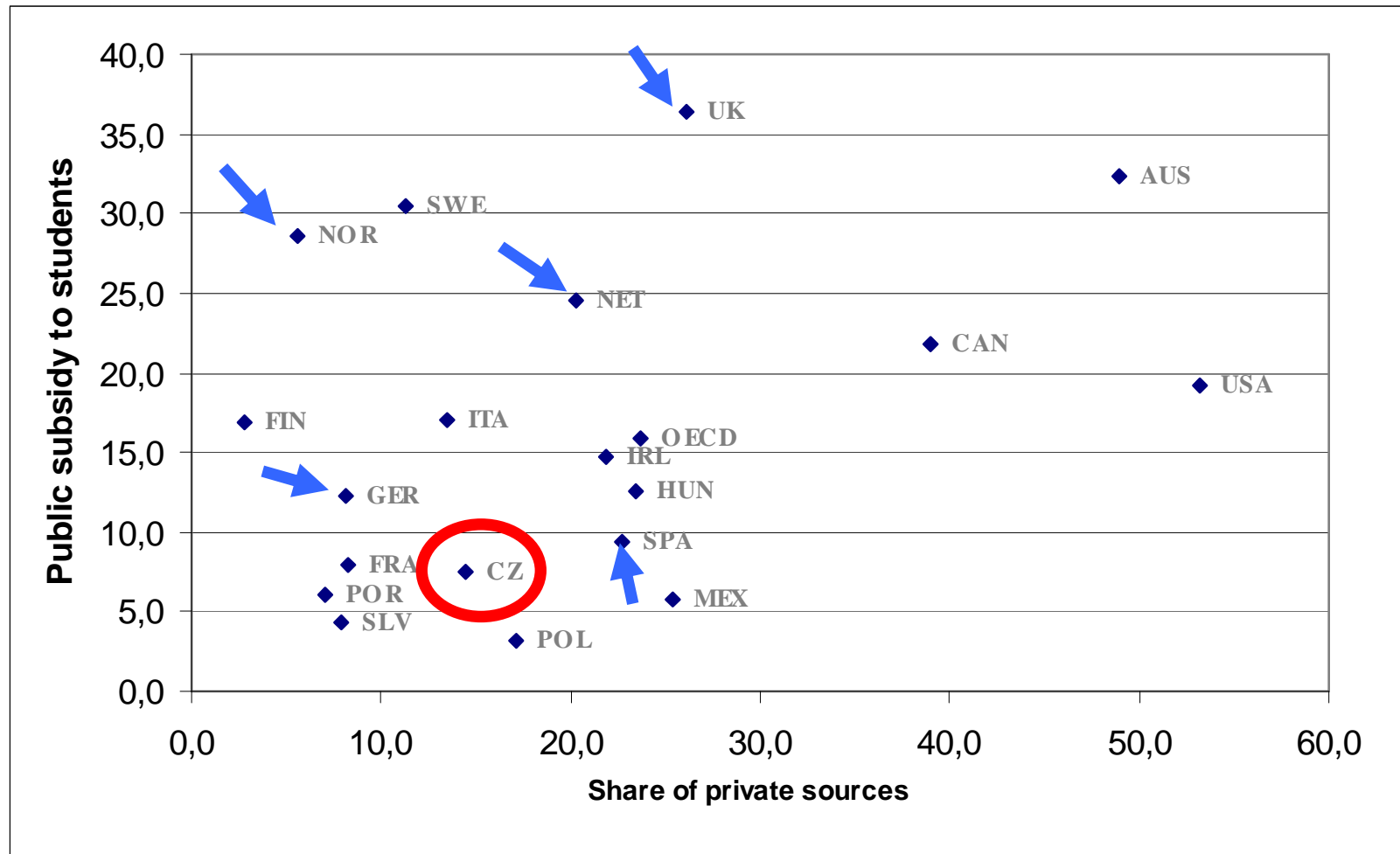


Private sources and financial subsidy to students in OECD countries (2004)



Source: OECD, Education at a Glance, 2006

Private sources and financial subsidy to students in OECD countries (2004)



Source: OECD, Education at a Glance, 2006

Main findings

- Both public and private expenditure on tertiary education in the Czech Republic are below the OECD average, the lowest among the six compared countries (CZ, DE, GB, NL, NO, SE)
- Public subsidy to students is very low in the Czech Republic (the lowest among the six compared countries)
- Cost-sharing plays a minor role in financing public tertiary education (no regular tuition fees, only penalty fee and “dual-track” fees)

Legislative context

- The underlying principle: **the student is viewed as a dependent child** → strong role and financial burden of parents
- Social subsidies and allowances allocated mostly through parents
- Means-tested grants (social stipends) available only for students from very poor families
- Absence of non-commercial type of loans designed specifically for university students
- Absence of basic study grant as a universal financial support for university students
- Very important role of student's earnings (despite legal obstacles to employ students under flexible work contracts, absence of a specific type of occasional or part-time work contracts for students)

Main results of the micro-level analysis

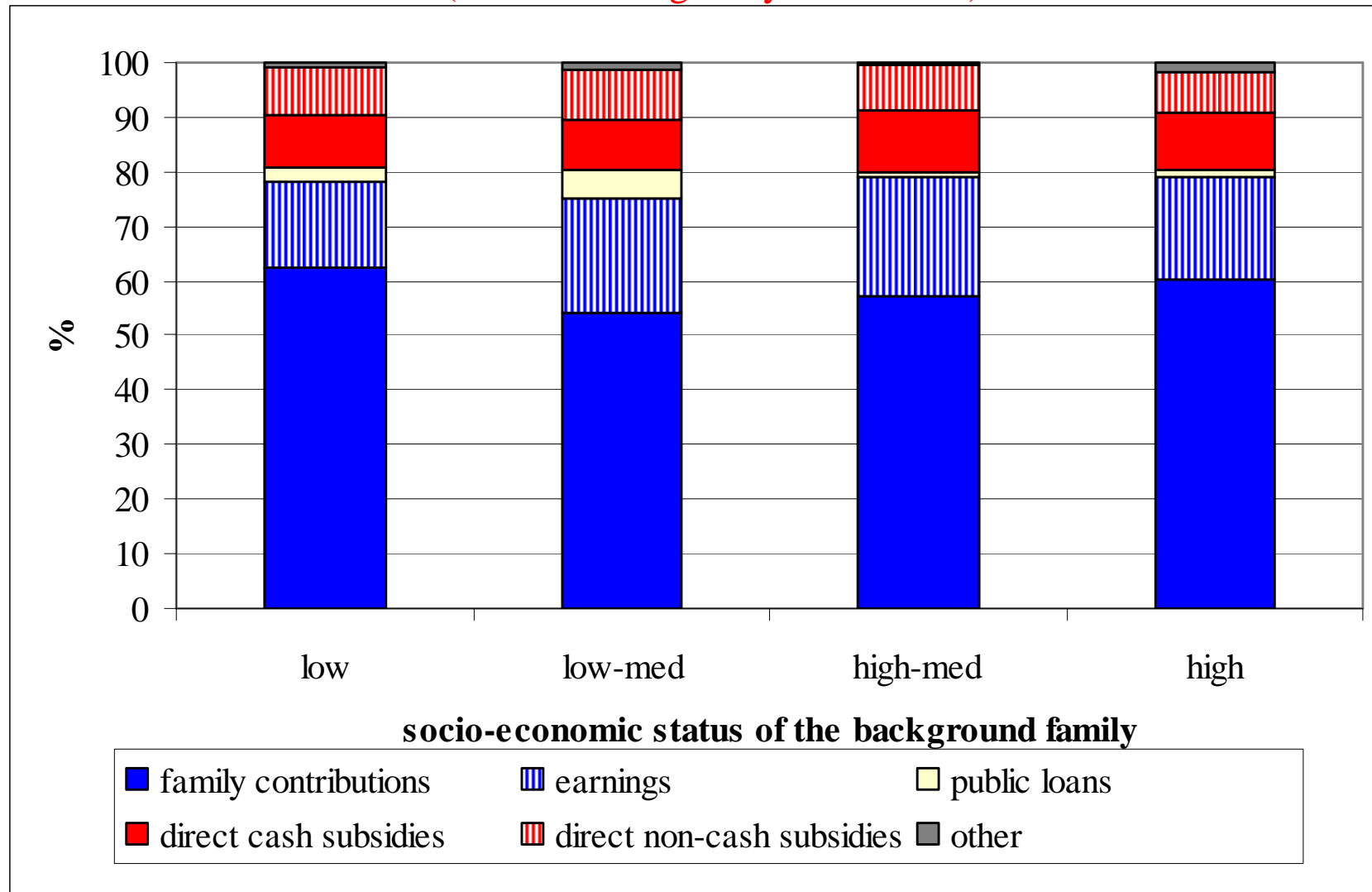
Determinants of student's income

Analysis of variance of total disposable income by socio-economic status of the back-ground family and housing status

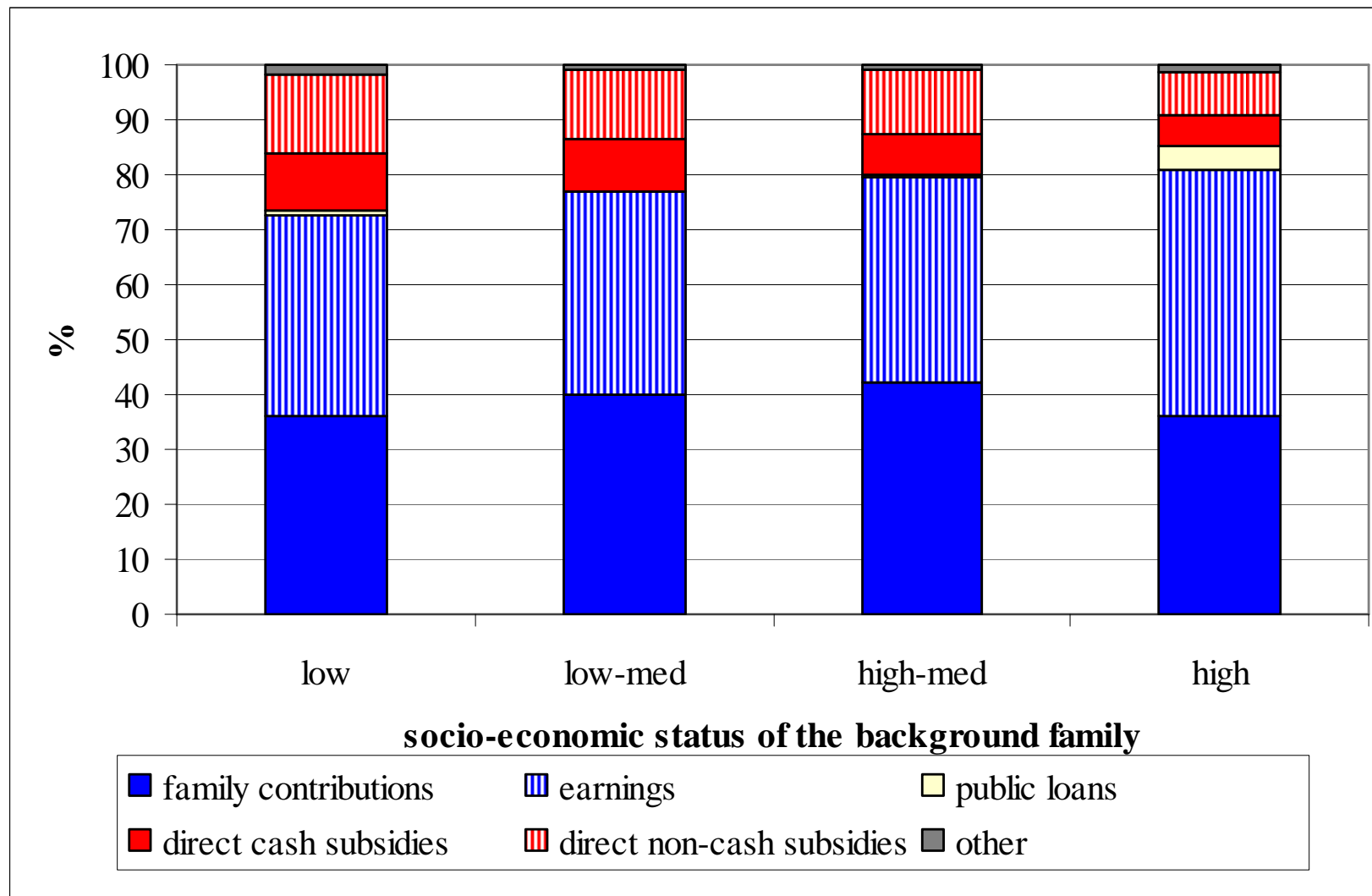
		Hierarchical Method				
		Sum of Squares (x10 ⁶)	df	Mean Square (x10 ⁶)	F	Sig.
Main Effects	(Combined)	365 367	4	91 341	7.213	0.000
	FAMILY SES	77 046	3	25 682	2.028	0.108
	HOUSING STATUS	288 321	1	288 321	22.769	0.000
2-Way Interactions		26 878	3	8 959	0.708	0.548
Model		392 246	7	56 035	4.425	0.000
Residual		12 833 909	1 014	12 662		
Total		13 226 156	1 021	12 960		

Sources of student's income by family SES

(students living away from home)



Sources of student's income by family SES (students at home)



Student expenditure coverage

(in CZK per year)

	Living at home			Living away from home			All		
	Covered by		total	Covered by		total	Covered by		total
	student	parents		student	parents		student	parents	
Maintenance	20,922	25,149	46,071	39,305	22,445	61,750	32,590	23,432	56,022
Study related	3,685	5,495	9,180	3,503	3,859	7,362	3,569	4,452	8,021
Total	24,608	30,644	55,251	42,808	26,304	69,112	36,159	27,884	64,044
	% covered by			% covered by			% covered by		
	student	parents	total	student	parents	total	student	parents	total
Maintenance	45.41	54.59	100.00	63.65	36.35	100.00	58.17	41.83	100.00
Study related	40.14	59.86	100.00	47.58	52.42	100.00	44.50	55.50	100.00
Total	44.54	55.46	100.00	61.94	38.06	100.00	56.46	43.54	100.00

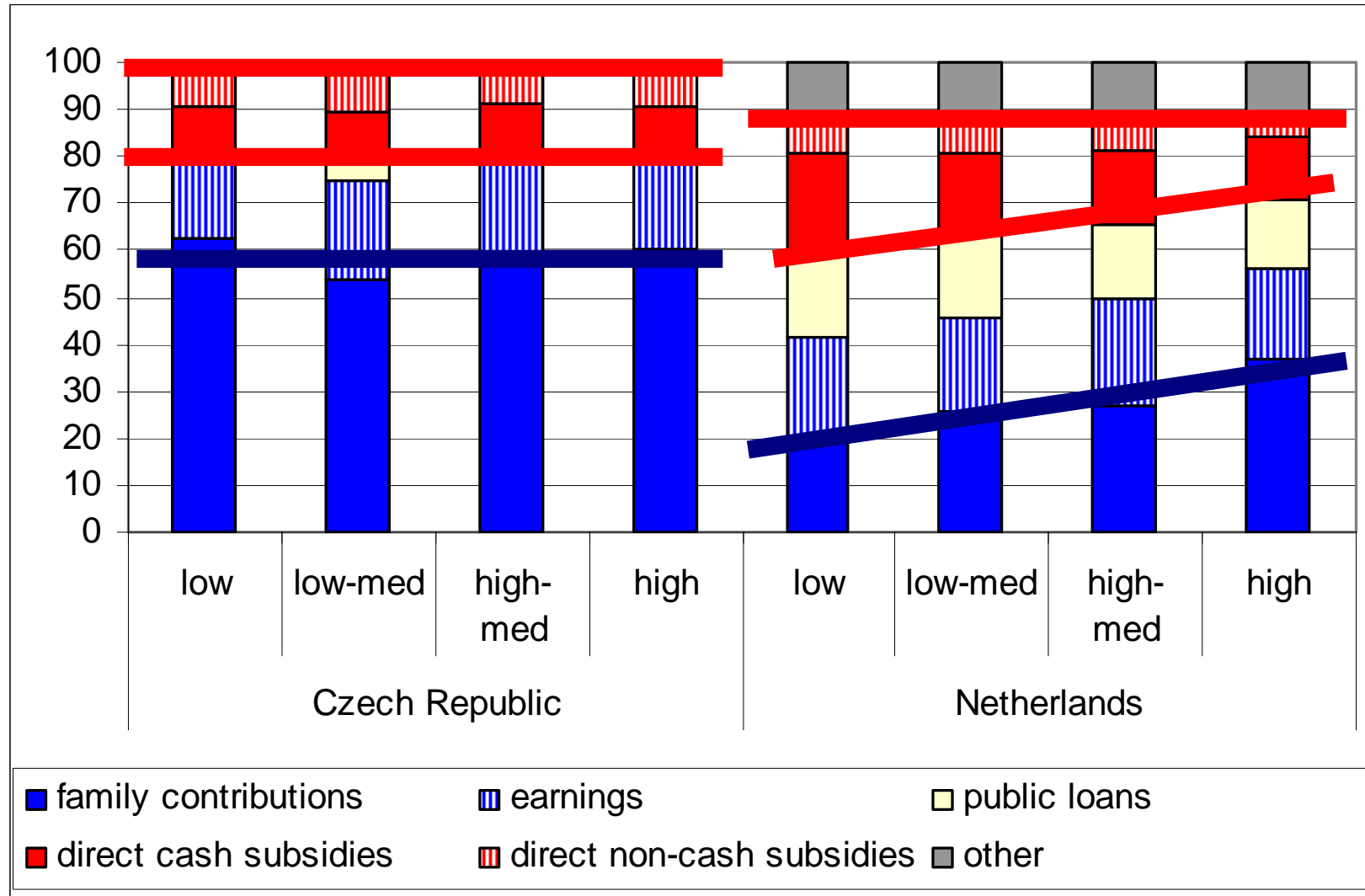
Source: EUROSTUDENT 2005

*** Both student's and parents coverage includes cash subsidies and allowances, non-cash support not included**

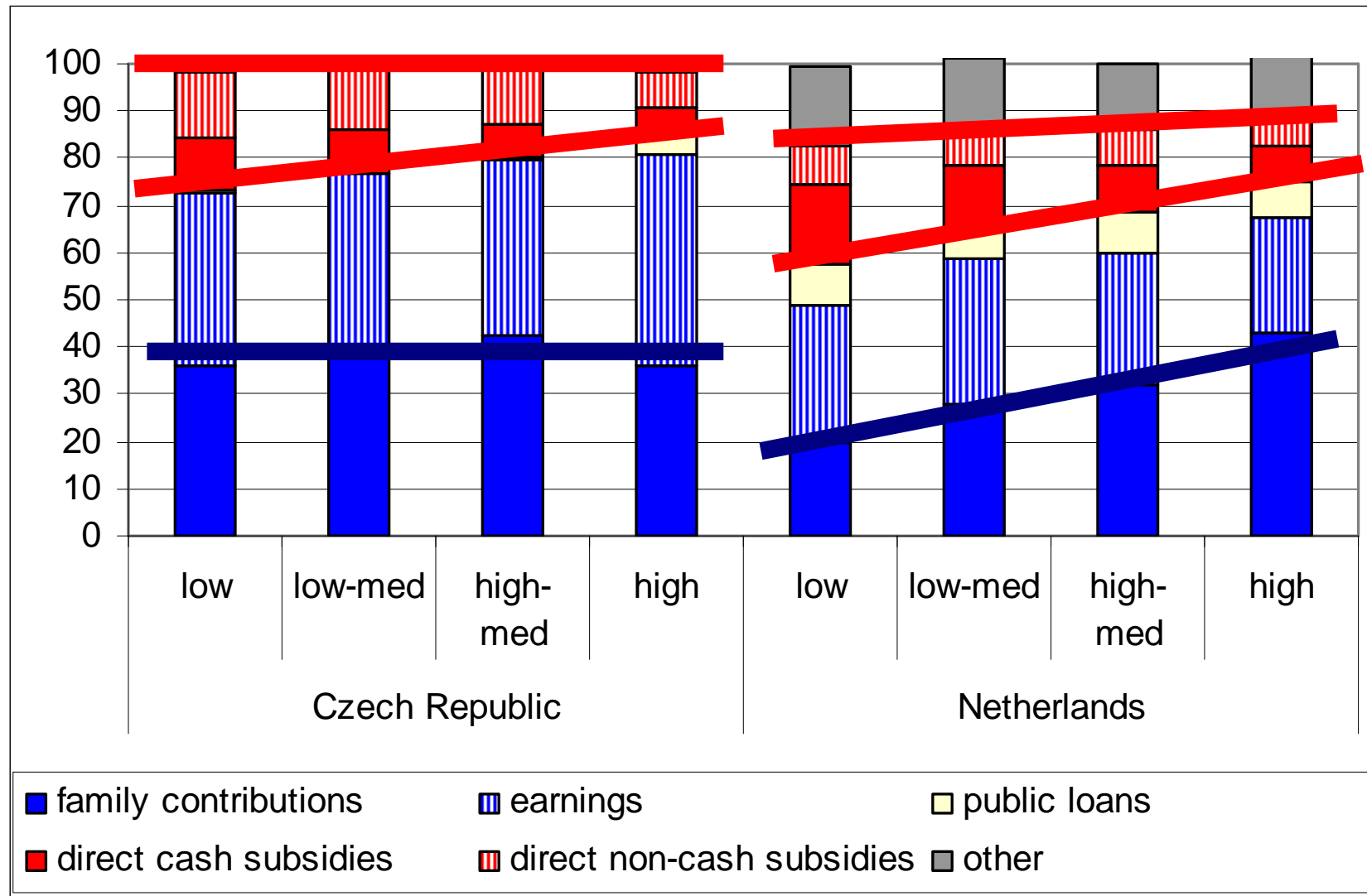
How specific is the situation
of Czech students?

Czech – Dutch comparison

Sources of student's income by family SES (students living away from home)



Sources of student's income by family SES (students at home)



Findings

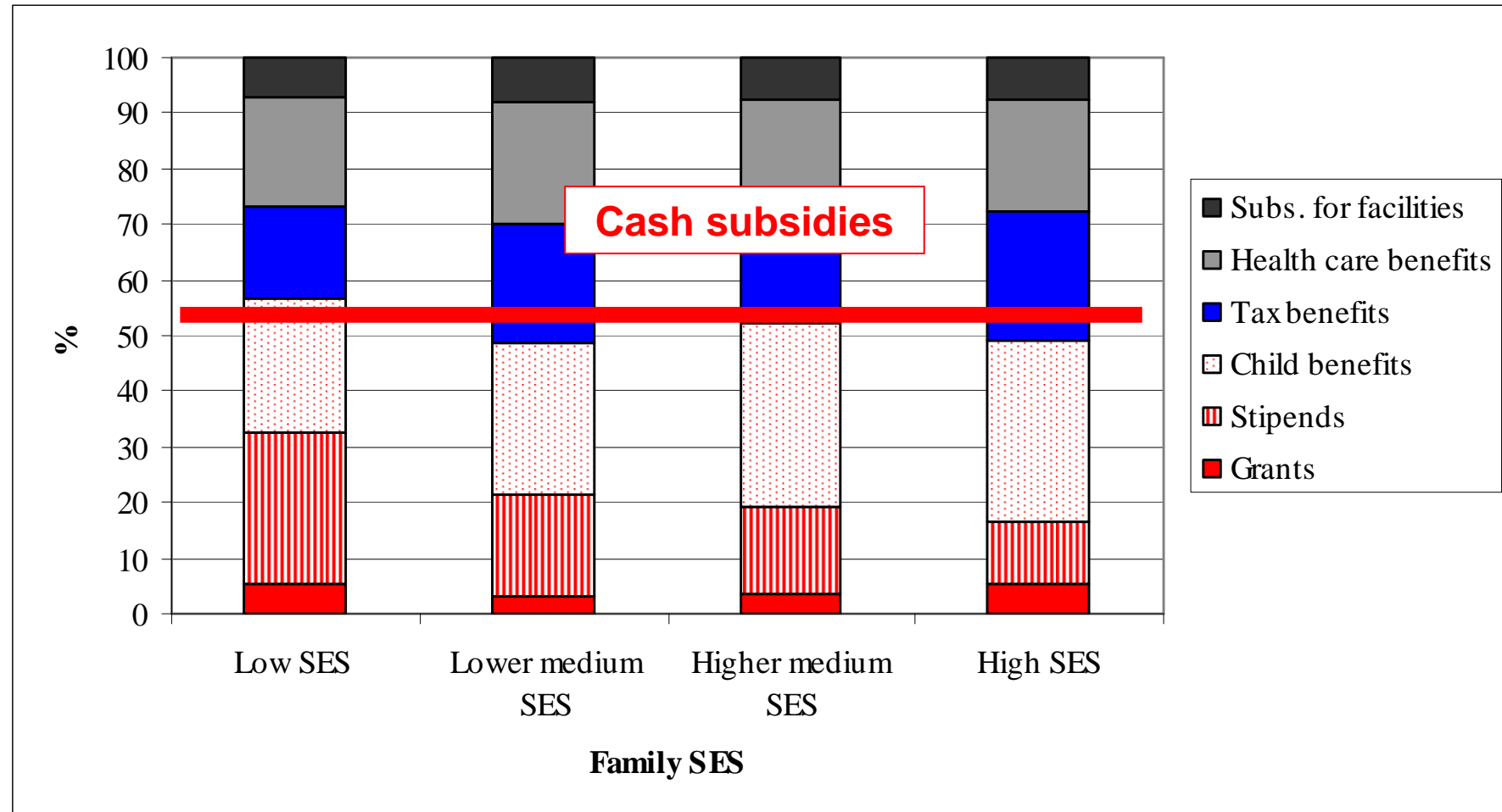
- Student's total income doesn't depend on SES of his/her family, but it is significantly affected by housing status
- Family contributions and student's earnings make about 80% of their total incomes (in the Netherlands family contributions and earnings make only about 45 % of student's budgets)
- The proportion of family contributions does not increase towards higher SES groups (in the Netherlands family contributions tend to increase towards higher SES groups)

Findings

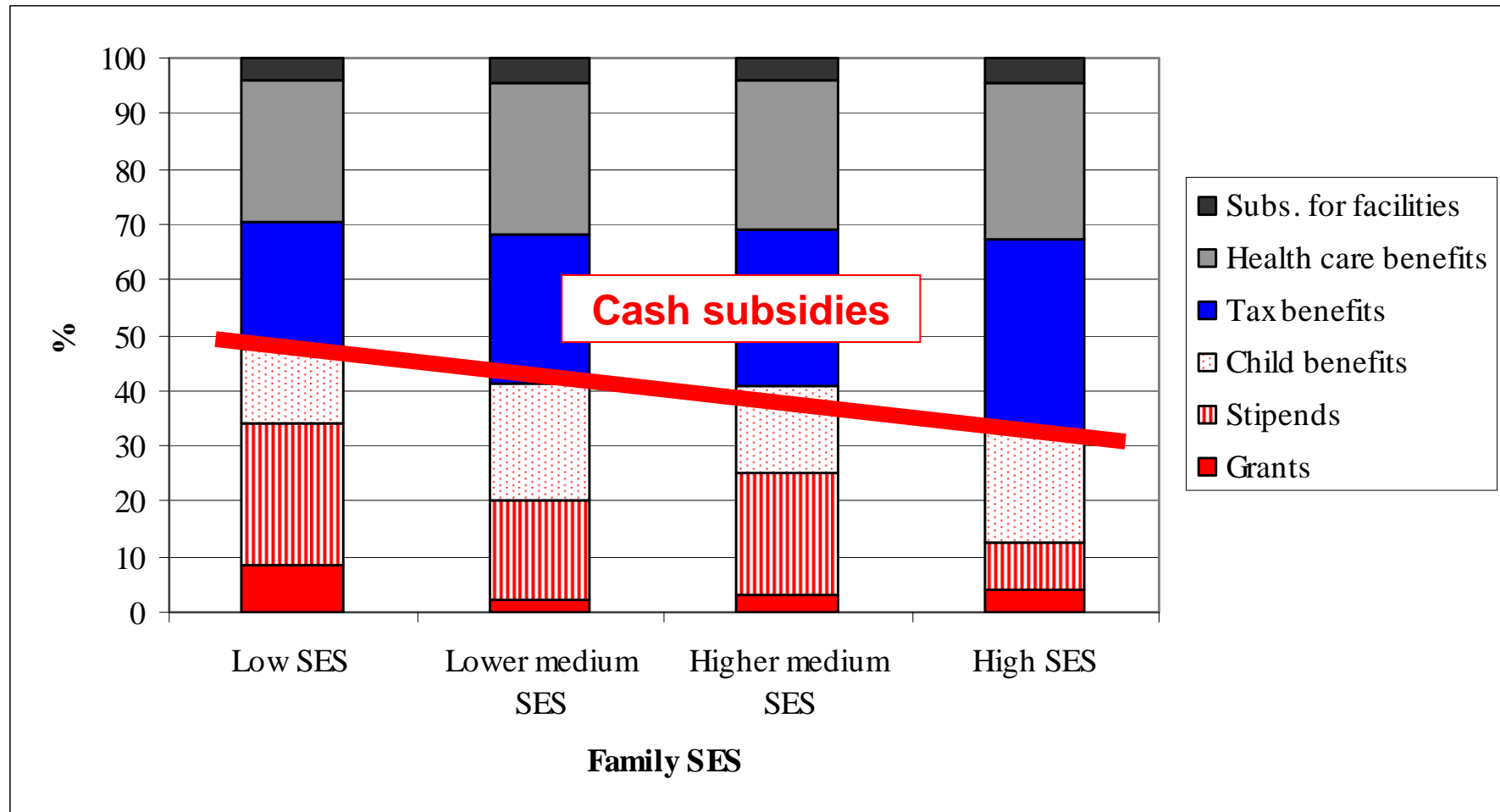
- Student loans are not available, commercial loans play negligible role in student finance
- Public subsidy is not sufficiently targeted to low SES students (the proportion of public subsidy in students' incomes is not sensitive to family SES)
- Czech students heavily depend on the background family or have largely rely on parents' contributions and their own earnings

Structure and targeting of public support?

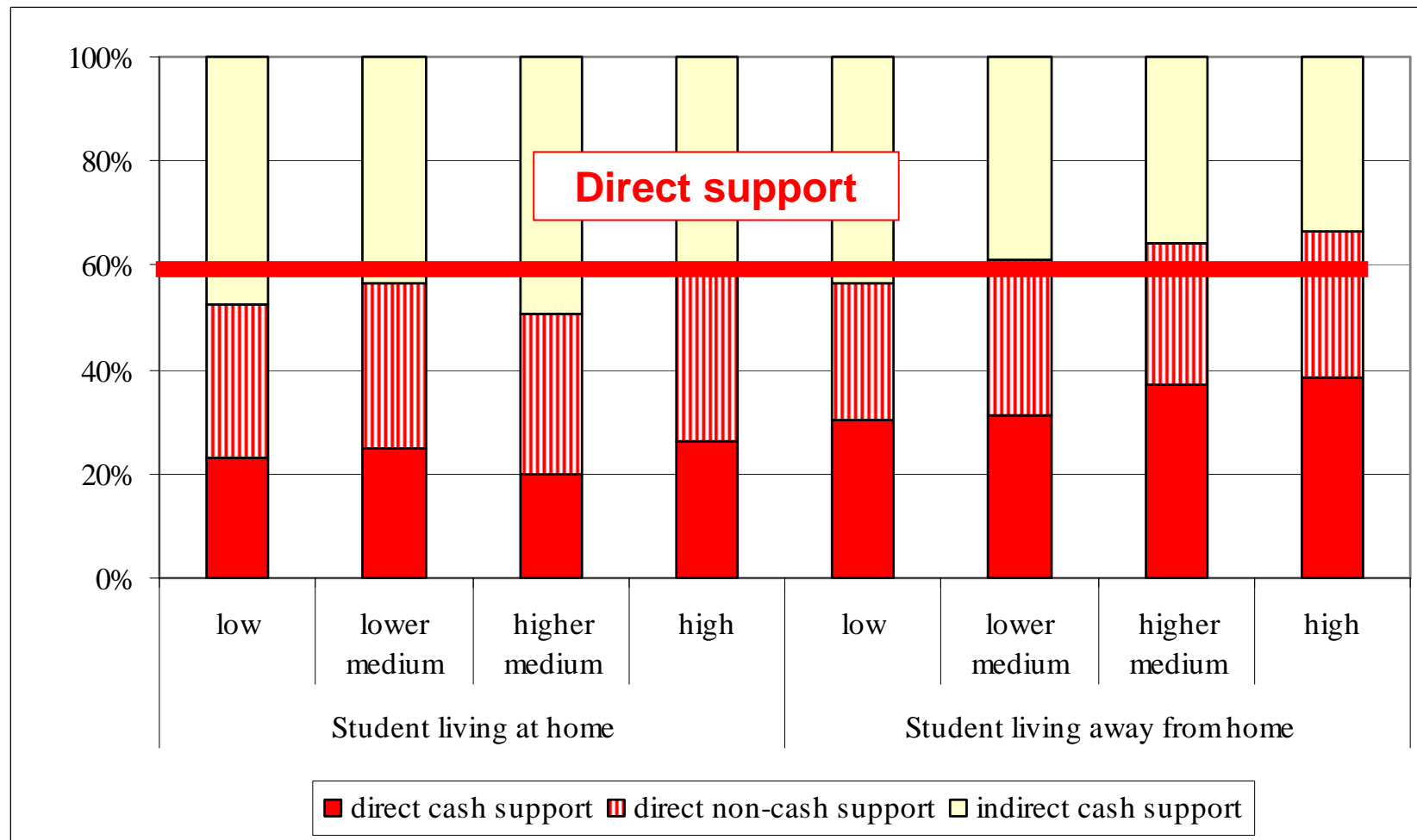
Structure of public subsidy by family SES (students away from home)



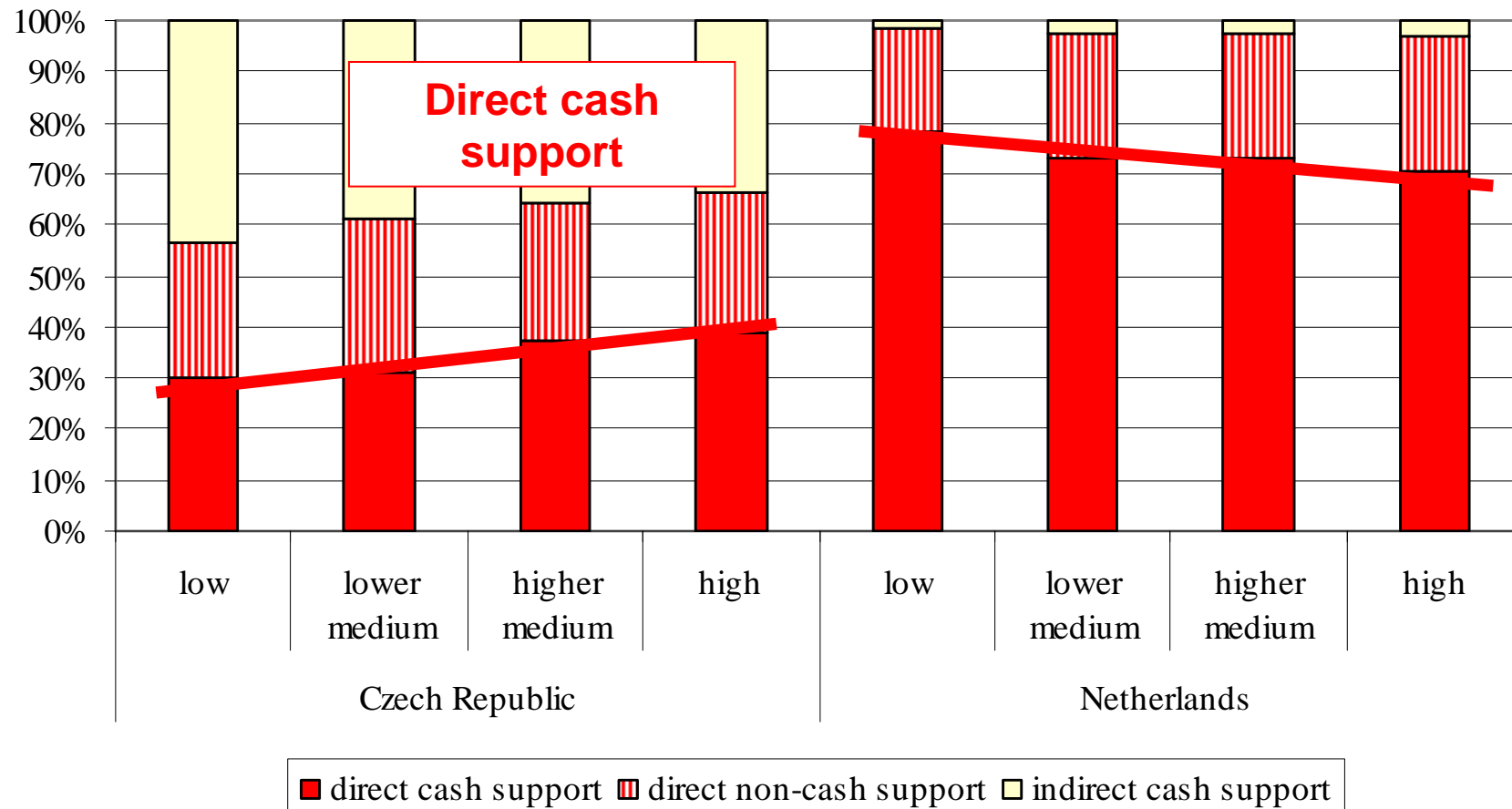
Structure of public subsidy by family SES (students at home)



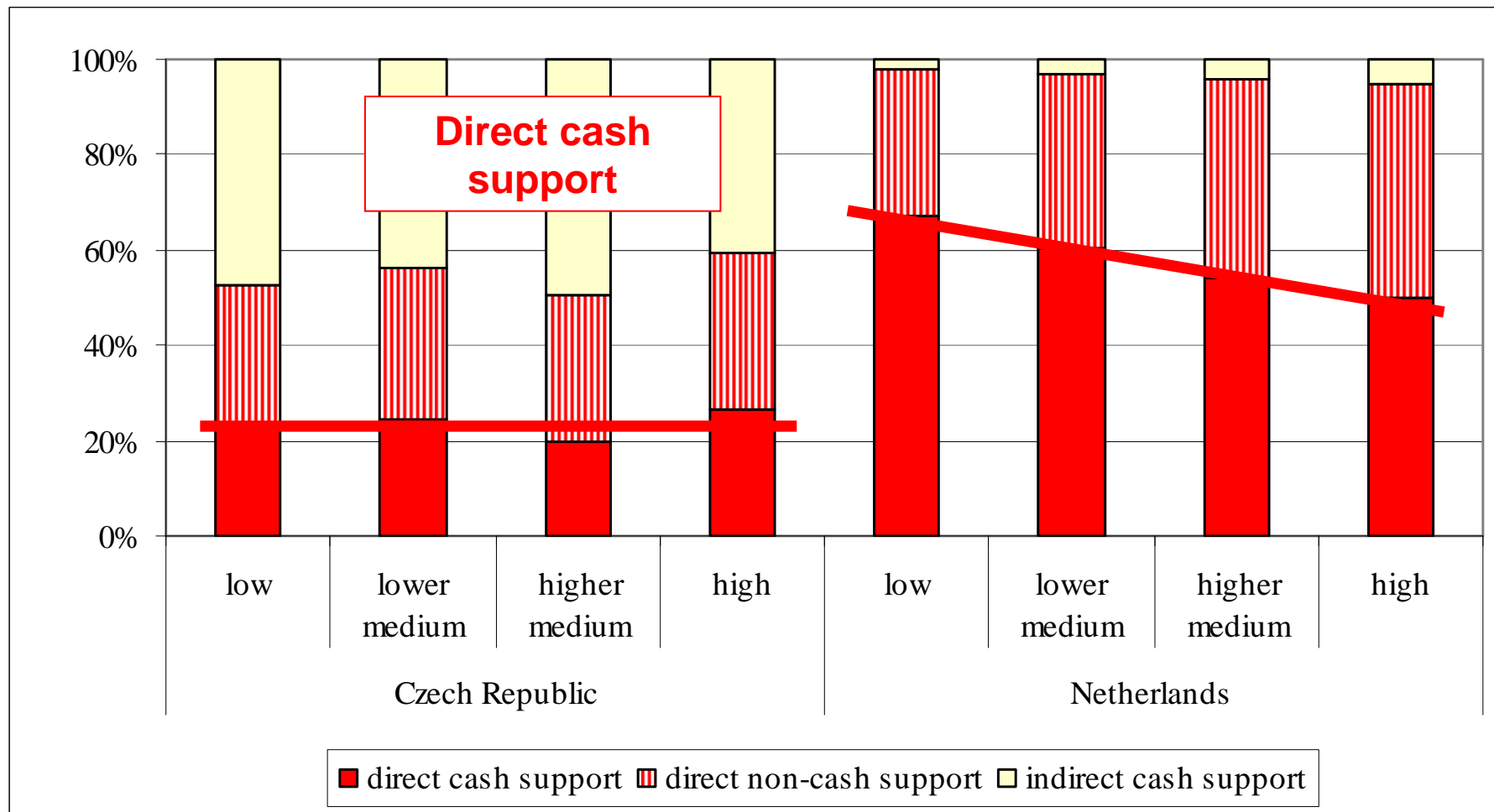
Structure of public subsidy by family SES



Structure of public subsidy by family SES (students away from home)



Structure of public subsidy by family SES (students at home)



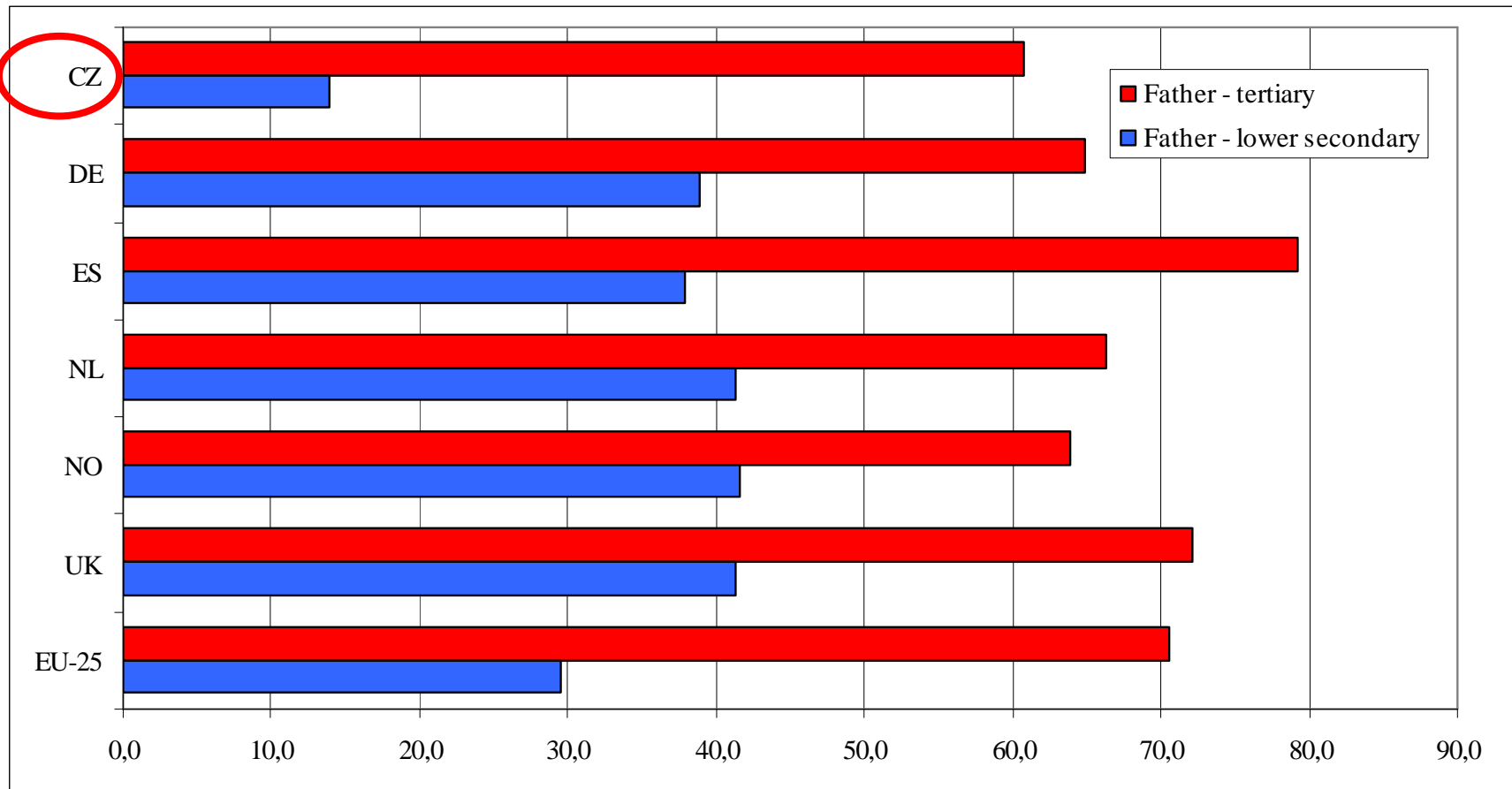
Findings

- Direct public subsidy makes up about 50% of the overall public subsidy and it is not sufficiently targeted to low SES students
- While tax benefits tend to be larger in higher SES groups, child allowances and stipends are slightly higher towards low SES groups, but the overall pattern is rather blurred

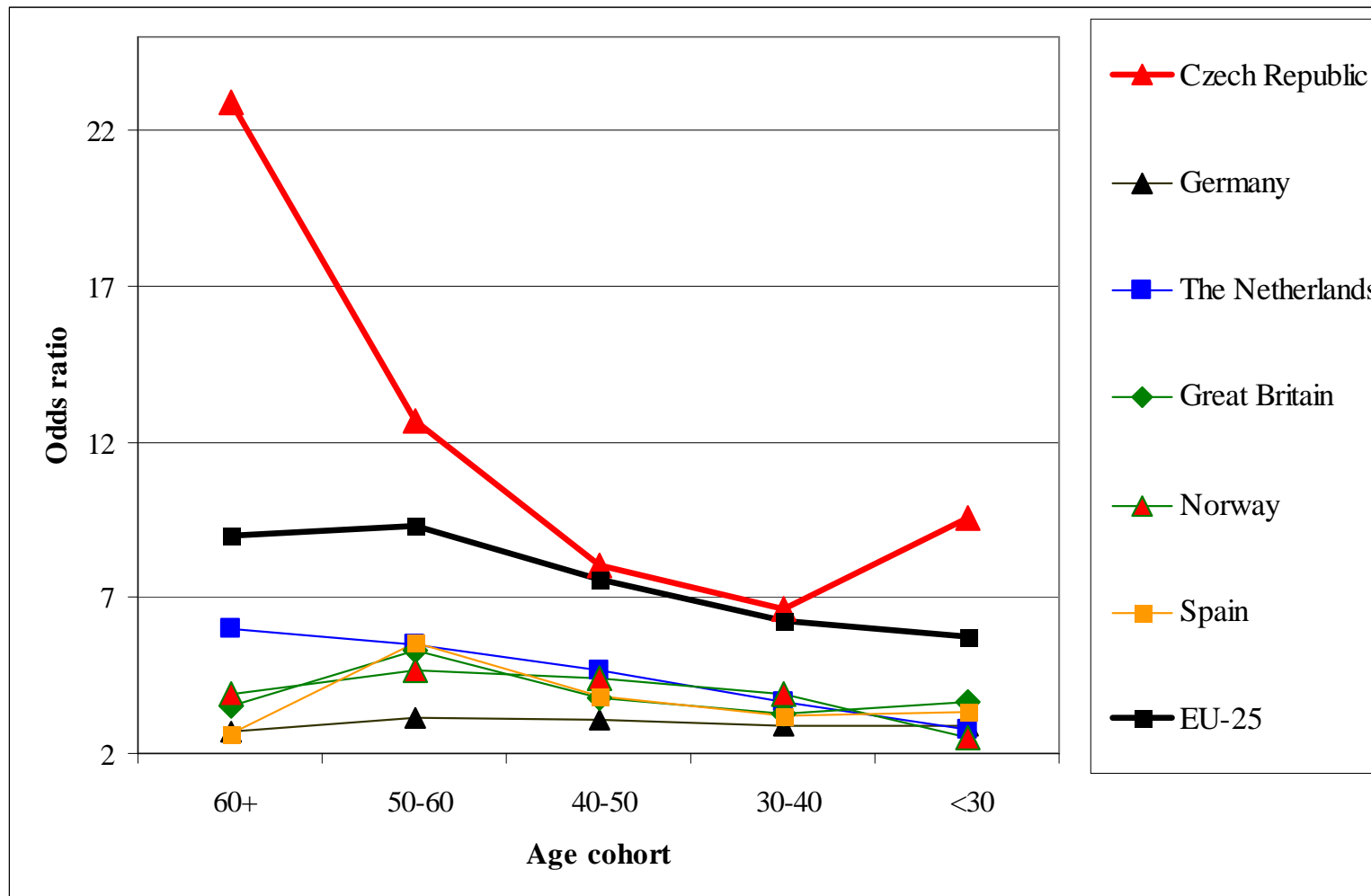
Consequences for inequality

Source: EU-SILC

Proportion of individuals under 30 years achieving or currently attending tertiary education by father's education



Odds ratios of attaining tertiary education between individuals whose father attained university education and those whose father attained at most lower secondary education



Findings

- Czech Republic is a country with high inequality in access to tertiary education (the highest among the six compared countries)
- Unlike in other EU countries, in the Czech Republic inequality has grown during the last decade

Findings

- **Model of funding tertiary education** (namely the lack of affordable loans and better designed and targeted financial assistance):
 - contributes to a strong dependence of students on their parents
 - strengthens the role of social background in the formation of educational aspirations, especially among adolescents from low SES strata.

Basic goals of the proposed reform

- Under the new system **students should be viewed as economically independent of their families;**
- To weaken the role of socio-economic background in the process of formation of educational aspirations, expectations, and study plans;
- To stimulate educational aspirations particularly among children from low SES families;
- To diminish the share of parents in student finance (costs of study, living costs);
- To target public subsidies and allowances directly to students
- To allow students to finance their studies and living expenses from their future incomes (loans, deferred tuition fees)

Main principles of the proposed reform

- Convert indirect financial support allocated through parents (tax relieves, child allowances, state social subsidy) to direct support of students (universal basic grants, means tested social stipends)
- Introduce affordable loans provided, guaranteed and collected by the state (contingent repayment)
- Introduce student's type of part-time work contracts (free of social and health insurance)
- Introduce deferred tuition fees (contingent repayments)

Thank you!

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