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Necessities and Future Challenges of Student Aid Systems

Necessities

Equal opportunities

Student support systems are normally designed to promote high participation in education. They are also intended to help realize the objectives of education policy by making studies possible regardless of social, financial and geographical background.

Equal educational opportunities are important both for the individual and for the democratic society. For the individual it is important that economic obstacles can be removed so that his or her dreams and expectations can be fulfilled. For the democratic society it is important with a well-educated population. Besides these obvious reasons education has other effects on society such as better health and less crime. In Sweden about half of the students that use study support say they wouldn't study without this financial support.

Education is important for growth and economic development

On average both the individual and society gain from education. Studies that measure the monetary benefits of education show substantial private and social rates of return to education investments. It is an economic waste if motivated and talented individuals are hindered from education due to lack of funds. This is one important reason why both society and the individual shall contribute in covering the costs of education. Cost sharing is mostly seen as a solution and study support systems are in general a way of cost sharing. State student loans are also a way to compensate for market failures, for example if banks hesitate to lend money to students without financial securities.

Future challenges

A study support system that removes economic obstacles

As a study support system is a way to promote higher participation in education, a support system that doesn't promote participation among potential students, is a failure. There may be different reasons for why a support system doesn't promote participation in education. One reason can be that the support is insufficient and doesn't cover living costs. The study support should be able to cover normal living costs, or near to. If not, potential students may find that the financial situation hinders them from studies, or the time in education will be prolonged due to work alongside studies (see also below).

There may also in some countries and among groups of students be a culture of avoiding debt. This may be an obstacle for a well-functioning student support since these debt averse individuals won't study even if the study support can cover living costs. A challenge is therefore to find a suitable balance in the cost sharing. A balance that is possible for the state budget to bear (see also below).

A study support that enhance efficient studies

Study support lowers the price of education and makes it economically rational for the individual to study longer. Not to encourage inefficient studies the study support system should contain incentives that encourage efficient studies. Such incentives may for example be time limits and performance criteria.

Another important criterion for efficient studies is the size of the support. If the study support is low in comparison to living costs, students may consequently work more, which can prolong studies. To prevent this, support systems may also contain income-limits.

Study support as a way to make the labor market work

Education is in today's society not only a need for youngsters. Lifelong education and learning is essential to make the labor market work. Therefore study support can not only be designed to meet the demands of younger students in higher education. Student support should also remove financial obstacles for older students in other family situations. Student support can and should be seen as a tool to help people avoiding "dead ends" in the labor market and in life. But this requires a well-designed support system that is perceived sufficient for persons in a variety of situations, and at the same time is perceived as fair. This is a major challenge.

Financing study support

Public funds are limited. Education is getting more expensive and a larger part of the population continues on to higher education. This is an equation often solved through tuition fees and a larger share of loan and a smaller share of grant. That is, students and their parents are asked to bear larger part of the costs of education. In Sweden we have no tuition for Swedish students or EU-students, but the loan share of the study support has been raised. This might be a way to keep a support system that promotes high participation in education at the same time as the budget is kept. The challenge is, however, to keep a balance between a balanced budget and at the same time keep the study support system attractive and usable for all within the population. Another effect of larger loan shares can be that we have to increase our efforts when it comes to the administration of repayment.

A sustainable student loan

In my opinion the price of education shall be clear for the student. Otherwise it is very hard for the potential student to make the right choice. A loan that may be written off in some distant future creates uncertainty about the price of education and can make the potential student come to wrong conclusions about education and debt. The loan therefore shall be treated as a loan – and shall be repaid in full. That makes a support system sustainable.

If we have loans that are supposed to be paid back, we need help from other countries, we need to help each other. International mobility increases. In Sweden we have problems to have correct address information for borrowers living abroad. In some countries it is also very difficult for us to collect debt from borrowers living abroad. A major challenge is to develop international cooperation when it comes to information about addresses and when it comes to facilitating collection.