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Policy Brief

IS FREE TUITION THE PANACEA TO IMPROVE EQUITY IN HIGHER EDUCATION?

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THE RATIONALE FOR FREE TUITION

In the past few years, growing concerns about the rising costs of university education and soaring levels of indebtedness among graduates have led to strong student protests in places as diverse as Berkeley, Bogota, Johannesburg, Juba, Khartoum, Lilongwe, London, Madrid, Montreal, Santiago and Seoul (Salmi, 2017). As a result, several governments have acceded to students' demands for free higher education, notably in Chile and South Africa, followed by initiatives to eliminate or reduce tuition fees in Italy, Japan, and South Korea. A few Canadian provinces and states in the United States have also considered or already implemented similar measures.

In this context, this short article looks at three nations, Mauritius, Mexico and the Philippines, that have recently joined the group of countries seeking to decrease the financial burden on students by eliminating fees for all or at least for those students coming from the lowest income groups. In each case, the article mentions the political economy conditions explaining the policy decision and attempts to assess the likely equity, quality and financial sustainability impact of the new tuition policy.

MAURITIUS

Mauritius, with a population of 1.3 million, has a tertiary enrollment ratio of about 40 percent, one of the highest in Africa. The public sector, representing 56 percent of total enrollment, comprises four universities and six institutes. It enrolls 22,000 students, 83 percent of whom are in the universities, with the University of Mauritius (UoM), the oldest and largest institution, enrolling 40 percent of all the students in the public institutions. All public institutions charge tuition fees, albeit subsidized, except for UoM, where undergraduate students are exempted from tuition. Recently, however, the government announced the abolishment of tuition in all public institutions, effective from the

2019-20 academic year, the given reason being to increase access to support the country's future development (Mohamedbhai, 2019). The announcement came as a total surprise, as there had been no public demands or demonstrations from any stakeholder groups for abolishing tuition.

Several questions arise. First, will access really increase as a result? There has been a slight decrease in enrollment over the past couple of years but there is no evidence that this is due to the prohibitive cost of tertiary education. The most likely reason is the reduction in the quantity and quality of students graduating from the secondary education sector. In any case, the majority of students at UoM are not paying tuition. A targeted approach aimed at providing support to those really in need would have been more effective. Also, the additional cost of the measure will result in an increase of 49 percent of the current public budget for tertiary education. Is this financially sustainable in the long term, especially as the aim is to significantly increase tertiary enrollment? And if the institutions are not provided with sufficient funds, will this not have a negative impact on their quality?

MEXICO

The Mexican higher education system has experienced spectacular growth. The gross enrollment rate for university-age students rose from 16 percent in 1991 to around 38 percent in 2016. Today, 4.5 million students are enrolled in the 3,152 Mexican universities, 65 percent in 928 public universities and 35 percent in 2,224 private universities. Because of the huge increase in the demand for higher education, private universities have emerged as an option of choice for students who can afford th em or who are able to obtain scholarships. The growing demand for public education is fueled by those students who cannot afford to pay fees. The fact that public universities charge no fees or very low fees, depending on the policy of each state university, has created a serious budget problem for the federal and state governments, resulting in tense relations with the public higher education institutions.

Against this background, Mexico elected a socialist president in July 2018 who promised that higher education would be free and universal. To accomplish this campaign promise, once in office, the president sent a bill to Congress that proposes to eliminate all fees and expand the network of public universities. The goal is to increase the current higher education enrollment by 1.3 million students by 2024. The bill is being reviewed by the Congress' relevant commissions, with a lot of discussions around the financial impact of the proposal. The Federation of Mexican Institutions of Higher Education (FIMPES), the association of private universities, and other stakeholder organizations are lobbying to reduce the scope of the bill, with a view to minimizing the potentially adverse financial and quality implications that the bill would have for all universities, including the public universities. The main concern is that the new public universities would be underfinanced, and therefore of poor quality, while also drawing away a significant share of students presently enrolled in private universities. The debates in Congress and in Mexican society more generally center around the fiscal viability of free higher education and measures to guarantee that the existing and new public institutions would be sufficiently funded to offer good quality programs. It is expected that political discussions will continue for the rest of 2019.

THE PHILIPPINES

With over 103 million people, the Philippines is the world's 12th most-populous country. It has 1,943 higher education institutions, of which 1,710 are private (88 percent) and 233 are public (12 percent). The gross tertiary enrollment rate increased from 27.5 percent in 2005 to 35.7 percent in 2014. Of the close to three million students enrolled in academic year 2017-18, 46 percent were enrolled in public universities while 54 percent were in private universities.

In 2017, President Duterte signed into law the Universal Access to Quality Tertiary Education Act which subsidizes the tuition of all students in public colleges and universities and technical-vocation education programs.

This landmark law also establishes the Tertiary Education Subsidy (grants for low-income students), the Student Loan Program and the Unified Financial Assistance System for Tertiary Education.

Crafting the law was met with intense political discussions from various groups who questioned the sustainability of the program. In academic year 2018-19, the government allocated a record-high budget to higher education, which covered the tuition fees of around 1.3 million students in public institutions. Three hundred thousand students in this group were also the beneficiaries of the Tertiary Education Subsidy.

While the higher budget allocation was hailed as a victory, some groups raised their objections to the negative impact the new policy had on private institutions, which suffered enormous losses in enrollment. Corollary to this is the issue of quality. If state institutions are overpopulated, quality is put at risk. It was also argued that it is unjust that all students in public institutions, whether rich or poor, benefit from free education. Subsidies were being given to students whose parents are otherwise capable of paying for their children's public tertiary education.

LESSONS FROM OTHER COUNTRIES

International experience reveals that few countries in the world—effectively only the Nordic countries and the Gulf nations—can afford to offer high-quality free tertiary education to all. Most other economies that do not charge tuition fees industrial and developing countries alike—struggle to expand enrollment and improve the performance of their universities with only public resources.

Countries that are experimenting nowadays with free tuition, such as Mauritius, Mexico and the Philippines, ought to bear in mind the lessons of experience from other parts of the world. Data from the Latin American region—which has the highest degree of inequality in the world—sheds light on the relative impact of various access and funding policies. Argentina has open access and free tuition policy; Brazil has restricted access and free tuition; until recently, Chile had both restricted access and high tuition fees; and Ecuador abolished tuition fees to improve access. The logical expectation would be that Chile would display the highest degree of inequality. But, in reality, Brazil is the most regressive country, followed by Argentina and Ecuador and then Chile (Salmi, 2018). This counter-intuitive result demonstrates that what matters most, in reality, is the net financial cost to students, not whether students must pay tuition fees. In countries such as Australia, Canada and New Zealand, where all low-income students receive generous scholarships, grants and/or income-contingent loans, access and success in tertiary education tend to be more equitable than in many countries that offer free tertiary education.

Targeted Free Tuition, as recently implemented in Chile and South Africa, seems to be a better option than free tuition for all. From an equity viewpoint, it aims to reach the most vulnerable students rather than offering subsidies to all students regardless of their parents' income. In terms of fiscal impact, it should be more financially sustainable than free tertiary education for all, which is likely to be a regressive policy and result in lower funding for tertiary education overall, at the expense of quality (Usher and Burroughs, 2018).

Concerns about the adverse equity consequences of tuition-free tertiary education are not new. Policy makers inclined to make populist decisions may reflect upon the prescient words of Karl Marx and Friedrich Engels, who wrote more than 140 years ago about the drawbacks of free tuition.

> If in some states [of the United States] higher education institutions are also "free," that only means in fact defraying the cost of education of the upper classes from the general tax receipts.[1]

[1] Critique of the Gotha Program, chapter IV (1875).

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