

CHANGES IN STUDENT FINANCIAL AID SYSTEM AND THE IMPACT ON STUDENTS' EMPLOYMENT & LIVING AT HOME DURING TERTIARY HIGHER EDUCATION

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Social Policy and Social Risks
Research note

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INTRODUCTION

Education has a critical role in the later outcomes of life and the formation of inequalities. Since 1999, 49 European countries have been trying to bring more coherence to the higher education systems in Europe through the Bologna process (European Commission, n.d.). These countries agreed to structure their education system according to common key values, with the main goal to increase staff and students' mobility and to facilitate employability (European Higher Education Area, n.d.). Apart from the Bologna Declaration, European countries still have their own educational systems and approaches based on the ideologies in their welfare state. These structural changes are very expensive which has led many countries to also change their student financial aid system.

This article aims to study how the student financial aid system has changed in two different welfare regimes in Europe: the Social-Democratic Finland and the Conservative-corporatist Netherlands. Both countries have been part of the Bologna agreement since the beginning and are considered to both have quality education but also rising student debt (European Higher Education Area, n.d.; OECD/PISA, 2018).

This article aims to study how the student financial aid system has changed in two different welfare regimes in Europe: the Social-Democratic Finland and the Conservative-corporatist Netherlands. Both countries have been part of the Bologna agreement since the beginning and are considered to both have quality education but also rising student debt (European Higher Education Area, n.d.; OECD/PISA, 2018). Using yearly reports from the European Commission on student fee and support systems, this article investigates the changes that happened in the last decade. This gives a more in-depth overview off the reforms than merely looking at expenditures. As student loans are still governmental expenditures, but they will have to be paid back and will increase personal debts. This study examines how students have reacted to these financial changes by using statistics on student employment and living at home.

INTRODUCTION

Parental background typically influences students' educational performance and opportunities (Casanova et al., 2005) together with governmental financial aid system for students. Without governmental financial aid, students often rely more on their parent's help. If parents are unable or unwilling to help financially, students often need to work besides their studies or take a study loan.

This paper is divided into three sections. First the educational system, financial aid reforms and the outcomes of both countries are discussed separately. It will then elaborate more on the different paths both countries have taken in regard to policy reforms from a welfare state perspective and how this has influenced the interest-group and their reaction to it. The research question of this paper is: How have the student financial aid reforms of the Netherlands and Finland affected students' employment during their tertiary level studies from 2010-2018?

"HOW HAVE THE STUDENT FINANCIAL AID REFORMS OF THE NETHERLANDS AND FINLAND AFFECTED STUDENTS' EMPLOYMENT DURING THEIR TERTIARY LEVEL STUDIES FROM 2010-2018?"

LITERATURE REVIEW

Finland

Education and the Finnish welfare state

Historically, Finland has had a welfare state strongly based on the principle of equality. Although Finland is considered a bit of an outlier, it is most often classified as a Nordic welfare state (Bonoli, 1997) or Social-Democratic welfare state (Esping-Anderson, 1990; De Beer & Willemse, 2012). In Finland, education is a part of social policy (West & Nikolai, 2013) which has influenced its equal and universal characteristics. These characteristics are one of the fundamental values of the Social-Democratic welfare state, and they are seen in the Finnish educational system in multiple ways.

Before going into tertiary education, the Finnish students go to a comprehensive school system without any streaming based on academic achievements. This has been demonstrated to decrease socioeconomic inequalities in learning opportunities for children (Contini & Cugnata, 2020). Besides that, all education - including tertiary education - is tuition free, which is based on the strong emphasis on lifelong learning, also in the political agenda. Everyone has equal access to higher education, as this is every citizen's right, rather than a privilege (European Commission, 2018; Ministry of Education and Culture, 2015). Access to students' financial aid is also universal, after fulfilling the general conditions (Kela, 2019). The amount of the aid is the same for all, but it can be reduced if a student's income level rises above a certain limit (Kela, 2019). Finland also has generous housing assistance for students, which can - together with the lifelong learning policies - be an explanation for the very small percentage of students still living at home, as can be seen in Figure B2.

The financial aid system

Finland's government has the main responsibility for funding the universities (European Commission, 2021), which reinforces the role of universities being part of the social policy and therefore citizens' universal right to education. Despite this, Finnish students are doing their higher education studies the longest compared to other OECD countries. Therefore, the government has in recent years changed the student aid system to be more generous aiming for full-time studies and faster transition to the labour market (European Commission, 2021).

As earlier mentioned, the Finnish student aid system is mainly universal and it is accessible for all Finland's citizens and, under certain conditions (for instance permanent residence), to citizens of other countries (Kela, 2019). The amount of aid is determined by the educational level and whether the student lives by his/her parents or independently (Kela, 2019). In Finland, the student financial aid for tertiary education students forms from study grant, housing supplement, student loan and interest assistance (for those who have a low income), student loan compensation for students who have graduated within the target time, and meal subsidy (Ministry of Education and Culture, n.d.)

Reforms and outcomes

Previous policy reforms in higher education in Finland were mainly based on the values of equality and lifelong learning. This has resulted in a higher average age of students in higher education and a longer study length. However, students used to finish their studies with relatively low debt, but this has experienced a change in recent years.

The 2014 reform aimed to encourage more university students to finish within the set time frame by compensating their loan. This can be a reason for the rising debt as it has become more attractive to take out a loan (Appendix 1; Yle, 2019; Finland's Bank, 2019).

Since 2017 the incentive to take out a loan has become even bigger, with the decrease of the student grant and increase of the amount of loan students can get. The government also set stricter limits to achieve more study points to be entitled to financial aid. There is a visible trend of increasing employment among students in Finland, although it is not clear whether they are due to the financial aid reforms or other contextual factors. Especially as the trend has been weakened since 2017 when they retrenched the student grant even more. Concerning the outcome of living at home, there are no changes visible. This is not that surprising since the percentage of people living at their parental home has always been very low in Finland (Table B2).

The Netherlands

Education and the Dutch welfare state

Even more than Finland, the Netherlands is seen as a big outlier when it comes to welfare regime classification. Still, they are often considered to be a Corporatist-conservative (Asping-Andersen, 1990) or Continental (Bonoli, 1997; De Beer & Willemsen, 2012) welfare regime. Dutch policies have a strong focus on labour market outcomes, and there has been a shift towards individual responsibility through many retrenching policy reforms in the last few decades (Van Oorschot, 2006). These values can also be seen in the Dutch higher education system, which is a strongly stratified system with many tracks.

The stratification starts from the age of 12, which will also determine what form of tertiary education one can follow.

The financial aid system

In the Netherlands, student finance applies to full-time students in tertiary education and over 18-year-old students in vocational education. First time students pay an annual tuition fee, which is half the amount for the first year. Doing a second bachelor will be about three times the annual fee per year (Appendix 1). An additional need-based grant is available for students, depending on parental income. This additional grant is at first awarded as a loan, however, when the student graduates within 10 years, this loan is converted into a non-repayable grant. This is also the case for the travel allowance that is available to everyone, independent of parental income (European Commission, 2019).

Reforms and outcomes

In the aftermath of the economic crisis of 2008, drastic cutbacks were made after the number of students kept rising, and money was needed to retain the education's top position internationally. In 2015 Dutch government presented a major retrenchment in the financial study aid system, namely "the social loan system" (van den Berg, 2020). Through the retrenchments of student aid policy, the aid system also became more selective and means-tested: the universal study grant was, for instance, abolished, which led to concerns of growing inequalities between different socio-economic groups (van den Berg, 2020).

In 2017, to encourage people to still pursue higher education, the government implemented a generous discount for the first year's tuition fee in the tertiary education programmes.

However, despite the retrenchment of student benefits, there has not been a significant decrease in the number of students enrolling in higher educational institutions (CBS, 2021). Reasons for this can be the relatively low costs of studying compared to the perceived benefits (Boarini & Strauss, 2010) together with parental and societal expectations to aim for high education (van den Berg, 2020). Even though there has barely been a change in students enrolling in tertiary education, there has been a decrease in students continuing their bachelor studies to master (van den Berg & van Gaalen, 2021).

This study also aimed to investigate the outcome of student employment as a potential compensation strategy for the higher financial burden. Besides the strong increase of student loan take-up (Centraal Bureau van Statistiek, 2019), there is indeed a clear trend visible starting after 2014 of an increase in student employment (Figure B1). Although there was no data available for living at home from before 2014, there has been an increase of student who do not leave the parental home, after 2015 when the big reform took place. The following section will elaborate on these outcomes and try to explain how both governments were able to retrench and why there was little resistance particularly in the Netherlands.

FINDINGS

A comparative perspective: interest groups, blame avoidance and welfare values

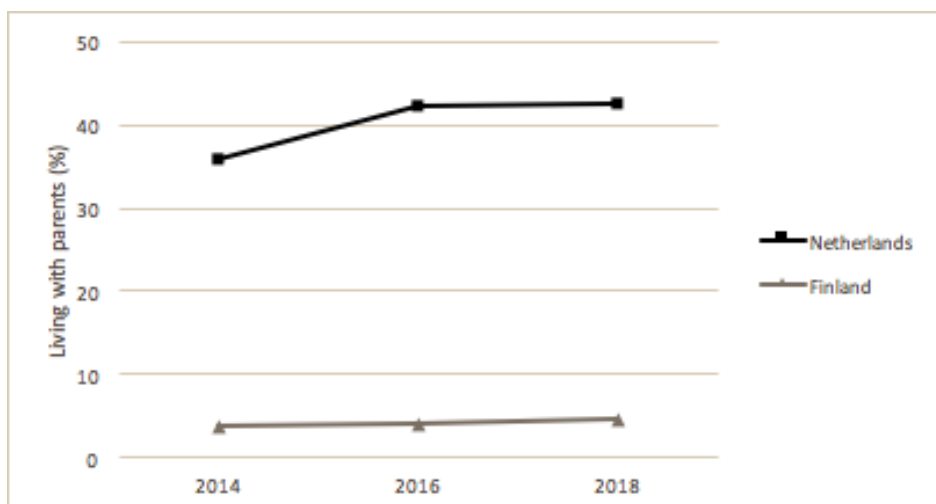
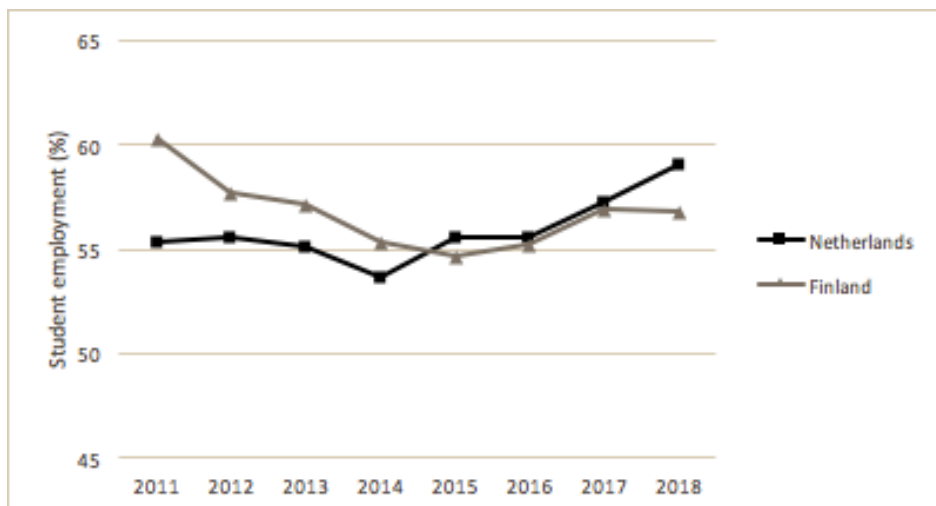
Although the student grant had been decreasing for quite a while, such a drastic retrenchment is not something that is easily implemented in the modern welfare state. The new politics of the welfare state (Pierson, 1996) argues that the created constituencies will act out of self-interest and will defend the policies that they benefit from against cutbacks. Retrenchment is then often a matter of blame avoidance through different mechanisms, and the student loan retrenchment of the Netherlands is no exception from this. Besides the obvious strategy of justification - that the abolishment of the student grant was necessary for the recovery of the economy - all political parties seem to have their reasoning for favouring student loans without even consulting the students. They were persuaded to favour the reform by framing the issue in a way that they could all get behind (Erdogan, 2021).

Some form of blame avoidance was also used in Finland. They used a monetary compensation strategy by retrenching the grants and expanding the loans to encourage students to graduate faster (European commission, 2021). However, the retrenchments have not been as drastic as in the Netherlands, which could be due to the political power of the interest group (Boloni, 2005).

As a result of the lifelong learning policy of Finland, the interest group of people benefiting from higher educational policies is relatively large, which might make it more difficult to implement drastic retrenchments. In the Netherlands, on the other hand, the interest group is smaller since students are on average younger and finish their education relatively fast compared to Finnish students (Eurostat, n.d.). According to Boloni (2006), policies targeted at younger people, are often not favoured by older-aged groups as they will not benefit from them. When Dutch students enter the labour market, they might not see the reason to fight for students' rights. Dutch students are generally also not seen as a vulnerable group that needs more support (Slaman, 2014), and are thus less deserving of social benefits.

FINDINGS

Besides that, the Netherlands had already been changing towards a welfare state that values market force, self-reliance and individual responsibility (Van Oorschot, 2006). Therefore, the change of a student loan system can easily be framed as a way to 'invest in yourself' (Lennartz & Ronald, 2017). Thus, finding alternative ways to finance the studies, such as having a side-job, postponing leaving the parental home, or taking a study loan (van den Berg, 2020), is all worth it with the prospect of a better future. The Finnish welfare state on the other hand still holds values that are close to the Social-Democratic regimes.



CONCLUSION & DISCUSSION

This research paper aimed to investigate how the student financial aid reforms of the Netherlands and Finland affected students' employment during their tertiary level studies from 2010-2018. Both Finland and the Netherlands have undergone several changes in their student financial aid system since 2010. The Netherlands have retrenched the benefits drastically by forcing students to rely more on private funding or taking a side-job or a loan. In Finland, the changes have been quite different since the student financial aid system has partly become even more generous, although the focus has drifted more towards study loans.

For the outcomes, in both the Netherlands and Finland changes in student employment are visible, following the student aid reforms. Overall, student employment seems to be going up and down in Finland in the past ten years, while in the Netherlands a clear increase is visible. Considering that not many Finnish students live at home, it becomes even more evident that the Finnish have relied less on other financial sources to finance their studies. This is not surprising, as their financial aid is still quite generous and the reforms have been gradual. These results indicate that students have adapted to these changes – especially in the Netherlands - by working more and not moving out of the parental home.

In Finland they took more of a compensatory approach for retrenching their student aid, while in the Netherlands it seems to be easier to retrench without making these financial compensations. This study argues that is due to the smaller political power of the interest group and the changing values of the Dutch welfare state that has a stronger focus on individual responsibility, compared to Finland. Overall, both welfare states and their citizens seem to be quite resilient as they find ways to adapt to the new situation. Although it is important to keep in mind that due to the interpreted data, it is not possible to make any causal assumptions; not all the possible explanations are studied which might get affected by the changes in the student financial aid system. Furthermore, since many of these reforms are rather recent, they may not yet be visible in the data. Hence, perhaps after some years the effects of the retrenchment in student financial aid will be more visible in the data. Future research can focus on other plausible consequences than student employment after the changes in student financial aid system. For instance, whether it has influenced people's decision on going to study abroad or pursuing another diploma.

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