

# A Trojan Horse

*Regulated university fees may seem attractive, but they have several Achilles' Heels.*

**By Norman LaRocque**

Tuition fees at Canadian post-secondary institutions remain, for the most part, tightly regulated. Only British Columbia has taken the bold step of fully deregulating tuition fees. As a result, average undergraduate fees in that province increased by approximately 60% between 2001 and 2003.

Increased tuition fees are often criticized, but the evidence from New Zealand suggests that the trend toward higher fees is justified and will be a positive move for the sector.

During the late 1980's and early 1990's, New Zealand pursued a number of post-secondary education reforms, including the introduction of tuition fees and an income-contingent student loan scheme. A flat, across-the-board tuition fee was introduced in 1990 and from 1992, tuition fees were deregulated, with the responsibility for fee-setting being transferred to post-secondary institutions.

As a result of these reforms, tuition fees in New Zealand increased from near-zero in the late 1980's to an average of around NZ \$3500 by the end of the 1990's.

The deregulation of tuition fees in New Zealand was controversial. Student union leaders argued that higher fees would act as a barrier to post-secondary education access, both for the population generally and for disadvantaged groups in particular.

They continue to do so more than 10 years on, calling these reforms the "failed policies of the past." Unfortunately for them, the facts do not back up their rhetoric.

Before 1990, at a time when New Zealand had only nominal tuition fees, participation in post-secondary education was low. From the late 1980's to 2000, at a time when tuition fees were increasing sharply, the number of full-time-equivalent students in post-secondary education almost doubled.

Maori, women, and graduate students — all saw big increases in participation during the 1990's. Today, rates of entry into post-secondary education in New Zealand are the highest among OECD countries.

What about the impact on disadvantaged students? A New Zealand University Students' Association study showed that between 1997 and 2000, the proportion of students from the poorest communities rose from 18% to 26%, while the proportion of students from low-income schools who went on to university rose from 6% to 9%.

While this evidence is only suggestive (since participation might have gone up by even more in the absence of fees), it is nonetheless consistent with the experience in Korea and the United States, where both tuition fees and participation are high.

It is also consistent with a range of international studies that show that post-secondary education participation is relatively insensitive to price.

Australia's experience is similar to New Zealand's. Australia introduced a combined tuition fee/income-contingent student loan scheme in 1989. While fees were not (and still are not) deregulated in Australia, they do differ across academic program areas and are generally higher than those charged in New Zealand.

The introduction of this new policy has been found to be associated with aggregate increases in higher education participation, with no decrease in the participation of prospective students from relatively poor families.

The evidence from New Zealand and elsewhere suggests that post-secondary education participation decisions are based on more than simply fees. Variables such as the expected rate of return, as well as factors such as motivation, culture, attitude, and high school academic performance are just as, if not more, important in de-

termining post-secondary education participation.

This suggests the real barriers to post-secondary education participation are best addressed at earlier levels of education. Trying to tackle these barriers at the post-secondary level is simply too late.

Tuition fees have many benefits. In particular, they provide an independent and distributed source of revenue for post-secondary institutions, thus insulating them from potential threats to academic freedom.

They also result in a more level competitive playing field between public and private education providers and impose discipline on institutions by raising student expectations of teaching performance.

In moving toward greater student financing of post-secondary education, countries such as New Zealand and Canada are not alone. Indeed, they are part of a wider global trend toward so-called "market-based" education policies.

Despite the opposition to deregulation by leaders of the Canadian Federation of Students and the Canadian Association of University Teachers, students and staff have much to gain from a less-regulated, more market-driven post-secondary system.

While regulated fees may seem attractive to students in the short term, they are not likely to be so in the longer term, given that constraints on fee-setting will, over time, affect an institution's ability to attract and retain high-performing teaching and research staff.

Is that any way to build a knowledge economy?

*(Adapted with permission from the Fraser Forum, September 2003, the magazine of the Fraser Institute. Mr. LaRocque is a policy advisor with the New Zealand Business Roundtable in Wellington, New Zealand.)*