



The effect of abolishing university tuition costs: Evidence from Ireland[☆]



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HIGHLIGHTS

- University tuition costs for undergraduates were abolished in Ireland in 1996.
- Those with low socio-economic status were unlikely to attend university.
- This SES gradient is due to differential performance in high school.
- The reform had no impact on the enrolment of low SES in university.

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ABSTRACT

University tuition fees for undergraduates were abolished in Ireland in 1996. This paper examines the effect of this reform on the socio-economic gradient to determine whether the reform was successful in achieving its objective of promoting educational equality that is improving the chances of low socio-economic status (SES) students progressing to university. It finds that the reform clearly did not have that effect. The results are consistent with recent findings for the UK which show that the socio-economic gradient in second level attainment largely explain the socio-economic gradient in higher education participation.

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1. Introduction

The transition from secondary to higher education is an important milestone for an individual and one that generally brings substantial financial and other benefits. Understanding the barriers to making this

transition is therefore important and has been widely studied by economists and others. The potential rôle of tuition costs is important because it is an instrument that governments can seek to manipulate.

This paper is concerned with one large reform to tuition costs in an economy, Ireland, where there has been a longstanding concern that people from a low socio-economic status (SES) background are heavily under-represented in higher education in general and universities in particular – a problem that is present to some extent in many countries. This has been well established in several official reports for example Clancy (1982, 2001) and most recently O'Connell et al. (2006). This generates a high inter-generational correlation in educational attainment and clearly constrains social mobility. Equity aside, it also implies an efficiency loss to the economy. The educational immobility between generations in Ireland is high relative to many other countries: in a cross-country study of inter-generational educational mobility using data on OECD countries Chevalier et al. (2009) find that the

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association between education levels of individuals and their parents was highest in Ireland.² While the scale of the problem is well known, there is a lack of research which establishes why low SES groups do not progress to higher education. There are some qualitative studies on the subject as well as numerous policy evaluations and reviews.³ However these cannot (nor do they claim to) establish what the causal mechanisms behind educational disadvantage are, still less to quantify them. Hence they are of limited assistance in the design of policy.

The government operates several programs to deal with educational disadvantage in schools under the heading “Delivering Equality of Opportunity in Schools” (DEIS). These programmes provide differential support to schools that have been designated as disadvantaged. The effects of these programs have not in general been studied using methods that would allow one to infer whether they have been effective or not.

This paper examines one of the most significant changes to higher education in Ireland in recent decades, the abolition of undergraduate university fees for Irish and EU students in 1996. It does this first by comparing the socio-economic in progressing to university and how it changes once one includes measures of attainment at second level – the gradient is reduced significantly by so doing. It then sees whether the abolition of university fees changed the gradient. At the time of the reform, fees for Arts/Law/Social Sciences were around IR£1780, for Science and Engineering IR£2400, and for Medicine, Dentistry, and Veterinary Medicine about IR£3200.⁴ To benefit from the full means tested grant, household income needed to be less than IR£17,051. On average, the salaries of managers were about IR£17,500 and professionals were around IR£25,000 and hence their children wouldn't qualify whereas children of those with routine white collar jobs and those with manual occupations typically would.⁵ However there was considerable variation of income within these social classes. So what the policy did was change the relative price of university in favour of higher income groups. The relative change would have been larger for the more expensive (and more difficult to access) subjects. Since there was no spare capacity in the system, this could have caused some crowding out of low SES students.

In the absence of previous comparable studies for Ireland, it is worthwhile looking at the international literature. The effects of SES on access for higher education and the impact of changes in educational financing are two of the most widely studied questions in the economics of education. One can usefully distinguish between several strands of research within this literature. Some studies are specifically concerned with the presence or otherwise of credit constraints. Others are concerned with tuition costs while others focus on financial aid to students. Some papers are concerned with enrolment rates while others are concerned with the socio-economic composition of those enrolling (as this paper is). Of course there is overlap between these different types of studies. Hence there is, not surprisingly, a wide range of findings which are difficult to summarize succinctly. In an influential study Carneiro and Heckman (2002) find that only a small proportion (around 8%) of US school leavers were credit constrained when it came to attending higher education. Applying the same methodology to UK data, Dearden et al. (2004) also find that credit constraints are comparatively unimportant. So these papers tend to suggest that it is long run factors that are important and hence changes in tuition costs are unlikely to be important. Using a different approach, a recent

study for the UK, Chowdry et al. (2010) find that most of the differences in participation in higher education across socio-economic groups can be explained by school attainment.

In a Canadian study, Levin (1990) finds that a policy of low tuition fees has not resulted in substantial changes in the composition of the university population. Two recent Canadian studies, Neill (2009) and Coelli (2009), find evidence of a negative effect of tuition costs on the level of enrolment. A study using Danish data found that student aid has a small effect on student enrolment (Nielsen et al., 2010). Hübner (2012) looks at state-wide differences in Germany and finds that a €1000 increase in tuition fees reduces enrolment by 2.7%. Hemelt and Marcotte (2011) look at 4-year public universities in the US and find a \$1000 increase reduces enrolment by about 2.5%. A review of US studies, by Deming and Dynarski (2009), finds that financial aid to students can be effective at increasing participation at (& retention in) university depending on how the programme is designed. England has very recently reintroduced university fees and at a significant level, typically £9000 per annum (≈€10,600 October 2013 exchange rates). While there is no peer reviewed research yet, the *Independent Commission on Fees* report large falls in the number applying for university.⁶

So it is far from clear, on the basis of the international evidence, what to expect from the abolition of university fees and it will, in general, depend on local circumstances and institutions. This paper differs from the bulk of the existing literature in considering a fall in tuition costs, one that is effectively applied to only part of the population and where supply constraints effectively preclude increases in aggregate enrolment.

2. Institutional background

The Irish educational system consists of six years of primary followed by five or six years of secondary school. After three years of secondary school students take the Junior Certificate, a nationwide exam. A fairly small proportion of students leave at this stage.⁷ The senior cycle of secondary school, leading the Leaving Certificate is usually completed in three years. It is a baccalaureate type exam. The students' grades on the best six subjects are summarized in a single points score with a maximum of 100 points per subject for a possible maximum of 600 points.

Application to universities in Ireland is through a centralized clearing house, the Central Applications Office (CAO). Students make one application on which they list their top ten choices of degree programme. This application is made in the final year of secondary school and before they take the LC. Offers for a place on a particular course at a particular university are made to the highest scoring students who applied for that course at that university as their first preference.⁸ Further offers are made on the basis of grades until all places have been filled – some students will turn down their initial offers. As the number of students applying for places generally exceeds the supply the system is characterized by a high level of excess demand and particularly for more prestigious courses. There was – and is – no spare capacity in the system.

Fig. 1 graphs the total number of applications made for higher education courses made via the CAO. From 1979 to 1990 (inclusive) only applications for degree courses in universities were made through the CAO. For these years one can see that the number of applicants is a multiple of the number of acceptances (which is essentially the number of places available). Not all students who apply will subsequently achieve

² Using a different methodology and different data, Asplund et al. (2008) also find that for a subset of OECD countries the association between higher education and parental education is highest in Ireland. Throughout the paper, references to Ireland exclude Northern Ireland which is part of the United Kingdom.

³ For example Lynch and O'Riordan (1996), Osborne and Leith (2000), and Department of Education and Science (2001, 2003).

⁴ See Clancy and Kehoe (1999). In October 2013 Euro prices, these are approximately €3380, €4570, and €6045 respectively. At the time of the reform one US dollar bought around 0.66 of an Irish pound (IR£) or “punt”.

⁵ Using the *Living In Ireland* survey, 1994, author's calculations.

⁶ See <http://www.independentcommissionfees.org.uk/> (accessed 16/10/2013).

⁷ The “retention rate”, the proportion of the cohort which starts secondary school and remains to take the Leaving Certificate, has risen steadily since the 1960s. In 1960 the rate was 20% and was about 75% in 1995. Thereafter, growth has leveled off at just over 80% (see Department of Education and Science, 2008, Figure F). See an earlier version of this paper (Denny et al. (2010)) for more institutional background.

⁸ Details of the scoring system are at www.cao.ie/index.php?page=scoring. As of 2009, entrance to medical schools depends on an aptitude test.

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