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Glossary

CPI	Consumer Price Index
ECC	Education and Culture Committee in Finland (Sivistysvaliokunta)
CLC	Constitutional Law Committee in Finland (Perustusoikeusvaliokunta)
CP	Finnish Centre Party (Keskustapuolue)
GDP	Gross Domestic Product
GA	Finnish Green Alliance (Vihreä Allianssi)
FIN	Finland
ITP	Institutions of Technology and Polytechnic (in New Zealand)
KD	Finnish Christian Democratic Party (Kristillisdemokraatit)
KELA	Finnish Student Financial Aid Centre (Kansaneläkelaitos)
LA	Finnish Left Alliance Party (Vasemmistoliitto)
MOE	Ministry of Education
MSF	Multiple Streams Framework
NCP	Finnish National Coalition Party (Kansallinen Kokoomus)
NZ	New Zealand
NZUSA	New Zealand Union of Students' Association (old: University Students' Association)
OECD	Organisation for Economic Cooperation and Development
RKP	The Swedish Party (Ruotsalainen Kansanpuolue)
SDP	Finnish Social Democratic Party (Sosiaalidemokraattinen Puolue)
SMP	Finnish Rural Party (Suomen Maaseudun Puolue)
SL	Student loans
STA	Student allowances
SYL	Finnish National Student Union (Suomen Ylioppilaskuntien Liitto)

TEI	Tertiary Education Institutions
TEAC	Tertiary Education Advisory Commission (in New Zealand)
WANANGA	Publicly owned tertiary institution that provide education in a Māori cultural context (in New Zealand)

Chapter 1 Introduction

> Also in the future we want to secure that Finns have the opportunity from all the way from pre-school level to the highest doctoral degrees to receive free education. This is the basis for our whole civil society. (Minister Virkkunen, 26.2.2009 in Eduskunta, 2009b, own translation)

> If New Zealand society is concerned about making access to post-compulsory education and training both equal and fair, and just as concerned about efficient use of the country's financial resources, then helping those who really need it will mean giving less help to those who can study or train under their own resources (Department of Education, 1987a, p. 23).

> In my opinion taking this policy [increased generosity in the students' grant based financial aid] further is a common duty to all of us, regardless who is in charge and responsible. For the future and for the wellbeing of Finnish society, it is necessary that students can study full time as long as is needed and necessary. (Minister Isohookana-Asunmaa 13.12.1991 in Eduskunta, 1991c, own translation)

> So the cost to the government of moving back to a system where students pay only a very small share of the costs of tertiary education is extremely significant. For this reason, the government recognises that individuals and the government both need to invest together in the cost of tertiary education (MoE, 2003, p. 9).

The lack of convincing research evidence on the impacts of higher education cost-sharing has turned cost-sharing policies into one of the most debated issues in the realm of tertiary education policy. The above quotations illustrate the discord that has been present when the Finnish and New Zealand governments have embarked on particular cost-sharing paths or justified their existing policy arrangements. In Finland the right to free tuition and increased generosity in grant based financial aid have been argued to be necessary for the general well-being of Finnish society while in New Zealand higher private responsibility in the form of tuition fees and targeted allowances has, for the same reasons, been framed as both necessary and fair. International evidence indicates that there has been a shift to a funding system where students or their families now have higher responsibility for course or living costs (Johnstone & Marcucci, 2010; Marcucci & Johnstone, 2007; Marcucci & Usher, 2012; OECD, 2008c). A common explanation for this increase in private responsibility derives from the dramatic growth in tertiary level enrollments. Mass participation has been a strategic policy goal in most developed countries (Trow, 1974, 2007). Yet, this expansion comes with a cost that needs to be met and raising taxation or transferring resources from other public policy sectors is not always the preferred policy choice (Johnstone & Marcucci, 2010; Marcucci & Usher, 2012; OECD, 2008c; Trow, 1974, 2007). For instance Johnstone argues that,

> ... the extraordinary need for, and general popularity of, higher education, plus the apparent limitation of public revenues and the ever more fierce competition for these scarce public revenues means that the goal of cost-sharing will continue to intrigue politicians and policy analysts, even in the face of inevitable political opposition (Johnstone, 2004, p. 410)

The above mentioned ideological premises assist in understanding the political interest in increased cost-sharing. In particular, the popularity of economic theories — principally the human capital theory — has affected the view of the nature of tertiary education since the late 1980s. This line of neoliberal argument advocates increased cost-sharing on the grounds of efficiency, accountability and fairness based on the acquired private benefits and middle class capture, indicating that those from the lowest socio-economic backgrounds are the least likely to participate in, and benefit from, tertiary education (Asplund, Oussama, & Skalli, 2007; Barr, 2004; Dill, 1997; Fitzsimons, 1997; Johnstone & Marcucci, 2010; Kivistö, 2009; Marcucci & Johnstone, 2007).

On the other hand, defenders of the state funded model and universal student allowances commonly question these neoliberal fairness and efficiency arguments and highlight tertiary education as a public good that should be funded with tax resources (these type of arguments have been outlined for instance by Johnstone & Marcucci, 2010; Marcucci & Johnstone, 2007). In particular, tuition fee free provision has been supported in some countries by the core values of equality and solidarity, explaining why fees initiatives attract considerable public controversy (Barr, 2004; Douglass & Keeling, 2008; Nyborg, 2011). Hence, besides considering the scope of budgetary pressures deriving from the state's economic situation and student numbers, the ideological premises of political parties and their sensitivity to public opinion may help to explain why governments reform student funding programs the way they do.

This research will investigate two intertwined questions that can contribute to both the academic debate and political decision making field where deeper knowledge of the direction and causes of higher education cost-sharing are warranted. First, I will examine from a state-student cost-sharing perspective how (tertiary) student funding programs have been reformed in two case countries, Finland and New Zealand. Second, I will attempt to identify the causes behind reforms that have resulted in either increased or decreased generosity in student financial aid or tuition fee programs.

In regard to the former objective, some insights are available through welfare state research. Here, where existing levels of welfare state spending have been increasingly challenged, retrenchment has been portrayed as the paramount direction in mature welfare states (Bose, 2005; Pierson, 2001, 1994). However, this claim of a linear development has been questioned: national trajectories or certain policy domains can indicate varying responses and trends, including stability or expansion (Clasen & Clegg, 2007; Gerven, 2008). For instance Pierson has argued that public popularity and interest group support can make particular programs highly resistant to contraction even though there might be good reasons to expect cutbacks (Pierson, 1994). Most studies contributing to the discussion on welfare states have focused on the main trends in the core welfare programs like unemployment and sickness benefits, and little attention has been placed on trends in the education domain (Bambra, 2007; Pierson, 1994; Seeleib-Kaiser, 2008; Vivekanandan & Kurian, 2005). Yet, a growing body of research has emphasised education as a salient part of the welfare state and has pointed out that education policies, including tertiary education cost-sharing models, closely follow traditional welfare state regime classifications (Ansell, 2008; Beblavý, Thum, & Veselkova, 2011; Hega & Hokenmaier, 2002; Hokenmaier, 1998; Pechar & Andres, 2011; Peter, Edgerton, & Roberts, 2010).

The above mentioned studies focusing on tertiary education cost-sharing within the welfare state tradition have been geared towards uncovering trends in macro-level regimes in a single year and thus provide little insight into more micro-level developments in students' private responsibility over time. A second body of literature that has been concerned with higher education cost-sharing trajectories consists of a number of studies conducted by the OECD, and other international organisations and research centres (European Commision, 2014; Marcucci & Usher, 2012, 2011; OECD, 2014, 2013, 2012, 2011, 2008c; Usher & Medow, 2010). These studies have focused on describing and comparing the main features of tuition fee and student financial aid schemes across countries. In addition, the International Comparative Higher Education Finance Project and its Director Bruce Johnstone have significantly contributed to this body of knowledge (Johnstone, 2014, 2004, 2003; Johnstone & Marcucci, 2010; Marcucci & Johnstone, 2007).

But, analogous to the welfare state literature, most of the aforementioned studies tell us little about the detailed generosity changes over a longer period of time. Nor were they designed to shed light on the causes behind the changes, for instance which actors were involved, how controversial the implemented reforms were and/or if other alternatives were seriously considered? For this reason the vast literature engaging in policy process analysis was also reviewed in this study. Even though there has been a growing interest in employing a policy process lens in the student funding policy domain, my conclusions align with other scholars in this field arguing that student funding policies — and other higher education policy areas — are yet to be extensively analysed through this lens (Bastedo, 2007; McLendon, 2003; Mclendon, Cohen-Vogel, & Wachen, 2015; Mclendon, Flores, & Mokher, 2011; Ness, 2010). In particular, the long-term national cost-sharing patterns remain under-researched. This thesis seeks to fill the aforementioned gaps by conducting a detailed analysis of what has happened in the student funding policy domain and the dynamics driving this development.

Research design and theoretical lens

A comparative case study design will be deployed to substantiate the above outlined research questions. I will investigate the development in the tuition fee and student financial aid schemes in two developed countries, Finland and New Zealand. These countries provide a fruitful platform for examining cost-sharing dynamics as they have both undergone significant reforms in the past 30 years and demonstrate a high variation in economic and political conditions. Also, at present Finland and New Zealand rank at the very top of the rates of tertiary participation but illustrate a significantly different approach to higher education cost-sharing (OECD, 2014).

Finland can be perceived as an international outlier as it continues to maintain both free provision and a near universal, grant based student financial aid scheme (Ifo, 2011; OECD, 2008c, 2014; Vossensteyn, Cremonini, Epping, Laudel, & Leisyte, 2013). This path was established in 1992 when the government invested in a grant based financial aid system which replaced the old scheme of government subsidised student loans (Autio, 1995; Blomster 2000). In contrast, New Zealand currently belongs to a group of countries that requires students to pay considerable course fees and restricts eligibility to grant based support based on parental income level (OECD, 2014, 2008c). Nevertheless, an extensive state provided student loan scheme is available to cover fees and living costs. The New Zealand policy path traces back to a number of reforms in 1989–1992, when the previous system of nominal fees and universal student allowances was replaced with a model emphasising higher private responsibility and the use of loans as a financing facility (Biggar &

Butterworth, 2002; Boston, 1999). These major reforms in the scheme in the late 1980s and early 1990s form the starting point for this examination[1].

The empirical analysis will be divided into two parts. First, the four student funding policy trajectories will be investigated. The focus will be on the micro level, examining how generosity in the student funding policy programs has changed. This will be conducted by tracing the relevant Finnish and New Zealand legislation. Changes in policy will be analysed and classified based on their direction, scope and affected rights and compared over time and across the countries. Next, the annual cost-sharing direction will be compared to some of the key variables presented in the academic literature as conditions or triggers of either increased or decreased cost-sharing.

In the second part of the thesis, the dynamics of expansion and contraction will be examined in chosen policy episodes indicating either significantly increased or decreased generosity in student financial aid and tuition fee programs. The data will consist of a comprehensive set of documentary materials which will be analysed by means of qualitative content analysis[2]. This stage will draw from the theoretical perspective of the multiple streams framework (MSF).

According to the MSF, favourability of conditions in three independent streams — problem, policy and political — and the existence of key policy entrepreneurs, increase the likelihood of significant policy change (Kingdon 1995; Zahariadis, 2003). MSF will be applied to student funding policy episodes in order to uncover the factors advancing and inhibiting significant expansion and contraction. MSF also has potential to shed light on the emergence and adoption of policy solutions, in other words why contraction and expansion were implemented the way they were (Kingdon, 1995). In order to enable a more systematic consideration of policy stasis and the differences between the two countries this research will incorporate an institutional lens (including formal legislative arrangements, national political systems and path dependence) in the theoretical framework (Mahoney & Thelen, 2010; Peters, 2012; Pierson, 2000). More specifically, this institutional perspective will be

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[1] For instance in the two case countries no studies were found attempting to explain the long term cost-sharing direction but a more limited body of literature concentrated on explaining the causes behind certain larger reforms. Examples of latter are in Finland the events preceding the 1992 financial aid reform and the 2010 introduction of international fees were examined by a few academics (e.g. Autio, 1995; Blomster, 2000; Weimer, 2013). Similarly in New Zealand, plenty of academic work focusing on the structural reforms in the higher education sector in the late 1980s and 1990s were identified, provided useful insights in some of the student funding policy episodes (e.g. Boston, 1990, 1999; Butterworth & Butterworth, 1998; Butterworth & Tarling, 1994; Stephens, 1997)

[2] The primary data includes a wide range of documents, for instance cabinet papers, parliamentary records, working group reports, interest group publication and newspaper articles. Also secondary data, i.e. prior academic literature is reviewed.

employed to investigate student funding policy episodes, which indicate a high level of continuity. The examination of the dynamics of change and stability will consist of a within-case analysis, followed by comparison of patterns across episodes and countries in order to identify differences and common trends in expansion, contraction and non-change.

Research questions and significance

Through this research endeavor I seek to offer both practical and academic contributions within and beyond the student funding policy domain. First, the wide political interest in cost-sharing policies means that an improved understanding of the dynamics of expansion and contraction merits in-depth analysis (Bastedo, 2007; Johnstone, 2004). There is a gap in this respect as few studies have examined from the proposed long-term, comparative perspective the dynamics of change in the student funding policy domain. Specifically, this dissertation will pose the following four research questions.

1. How have the student funding policy programs been reformed with regard to the direction, scope and the rights affected?
2. Under which circumstances can major changes, either expansion or contraction, be initiated in the student funding policy domain?
3. What explains the adoption of particular solutions as a means to implement either contraction or expansion?
4. Which reasons explain stability (or non-reforms) in the student funding policy trajectories?

By shedding light on how the student funding programs have been reformed and which causes explain these outputs, the foremost contribution of this research lies in the developing of a conceptual understanding of the process by which student funding policies undergo or avoid significant generosity changes and the identification of expansion and contraction patterns. Even though the findings cannot be directly generalised outside the two case countries, the analysis of the policy process from a comparative lens over a time period of two decades can challenge or support some propositions that have been presented as causes for expansion or contraction. Besides filling the gap in the academic literature, these findings will be useful for politicians, bureaucrats and other policy entrepreneurs involved in the student funding policy domain in Finland and New Zealand. Knowledge of how certain factors translate into policy outputs is valuable for those attempting to advocate or inhibit policy change.

Besides seeking to answer the four questions above, this thesis will engage in hypothesis testing and theory refinement. The empirical findings will be utilised to validate certain theoretical propositions outlined in Chapter 2. By comparing multiple streams framework predictions to real-life evidence, this thesis assesses the ability of the MSF lens to explain student funding policy development in a long term comparative context. It will also investigate the greater or lesser ability of the MSF lens to explain stability when compared to the institutional lens alternative. Also, by contrasting the theoretical propositions of retrenchment and gradualism to student funding policy trajectories, the findings can enrich our understanding of welfare state change and provide data that can be compared to trends in other policy domains. Hence this thesis will provide academic contributions both within and beyond the student funding policy domain.

Thesis outline

This study will be developed in nine chapters. Following this introductory chapter laying out the research questions, the second chapter will provide a brief contextual overview of the higher education student funding policy domain before engaging with the academic literature theorising on expansion, contraction and policy change. The common perspectives used to explain cost-sharing changes are reviewed before emphasis is placed on the potential of the multiple streams framework to provide additional insights into the causes and styles of expansion and contraction. The theoretical framework underpinning this thesis and an outline of the research hypotheses will be presented at the end of the second chapter. Chapter 3 is devoted to the research design. After a detailed description of how change has been operationalised and conceptualised, this chapter continues to discuss the case country selection, data, methods of analysis and the validity and reliability of this study.

Chapters 4–7 encompass the empirical case studies. Chapter 4 describes and discusses the findings from the Finnish and New Zealand student funding policy trajectories, including the direction, scope and rights affected across the examination period. After this discussion country specific indicators demonstrating each state's economic and political environment are compared to the observed annual changes in the policy trajectories. This is done in order to identify significant — theoretically likely and unlikely — policy episodes so as to provide a basis for the policy process analysis in the three subsequent chapters. In order to identify the main triggers and conditions for a particular cost-sharing direction Chapters 5 and 6 analyse the causes of expansion and contraction via the multiple streams lens. Chapter 7 examines further four policy episodes illustrating significant stability in the student funding trajectories, but applies an additional institutional lens in an attempt to find out if a consideration of formal legislative arrangements and path dependence can improve our understanding of stability. At the end of each chapter, a synthesis of common factors advancing or thwarting expansion, contraction and stability are presented.

Chapter 8 begins with a synthesis of the findings, evaluating if and how the MSF lens provided plausible explanations for the student funding policy episodes. The chapter continues by discussing how and if consideration of institutional features and availability of retrenchment strategies could have resulted in a better account of the development of policy. At the end of the Chapter 8 refinements to the applied theoretical frameworks are presented. Finally, Chapter 9 discusses the salience of the findings and their contribution to academic knowledge and their potential use to people involved in the policy process.

Chapter 2 Theoretical and Contextual Framework

What should private responsibility over tertiary education costs be? By how much should governments subsidise the learning or living costs associated with higher education? The introductory chapter showed how these policy questions have been actively debated in recent years. Although governments have various ways through which to affect the required level of private investment, but the main policies fall under two groups: the tuition fee and the student financial aid arrangements[3]. I will first discuss the former.

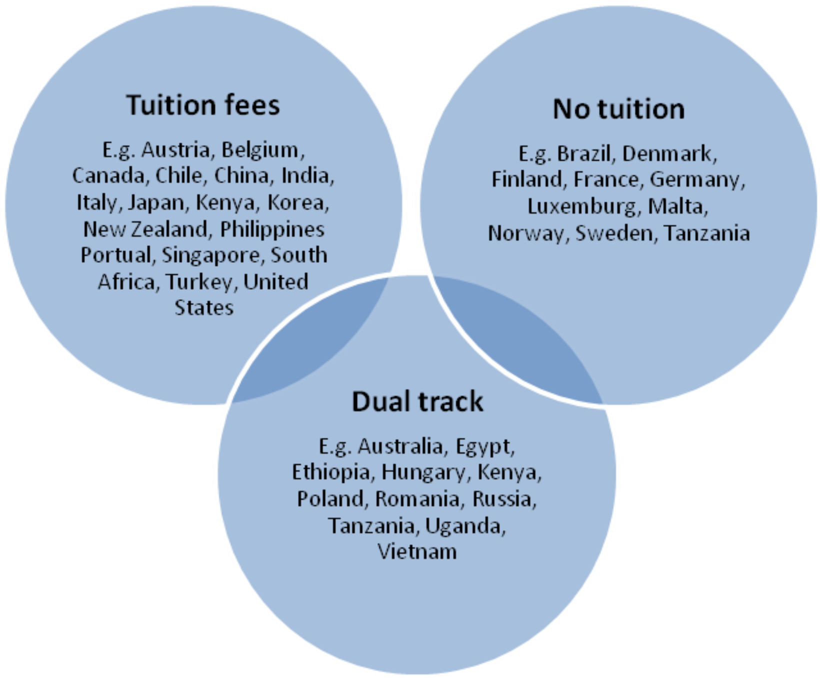

Figure 2.1 Examples of International Higher Education Tuition Fee Practices
Sources: (Johnstone & Marcucci, 2010; Marcucci & Usher, 2012; OECD, 2008c, 2014)

Figure 2.1 shows how a number of European states charge no fees while in many Anglo-American countries together with countries like Chile and Japan domestic students in public tertiary institutions are required to pay fees. A third option is a dual track system, where some students are not obliged to pay while others are charged substantial fees. This diversity is even more pronounced when additional features in fee configurations are considered: fees can be diversified between institutions, subject areas and level of study (Johnstone & Marcucci, 2010; OECD, 2008c). In other words, students may be required to pay higher fees when enrolled in certain subjects or higher fees may be charged in

[3] In this thesis, the term tuition fee refers to the cost of instruction that the student has to pay. Indirect costs, i.e. foregone earnings, form a large part of the overall costs but as these are not dependent on the state-student cost-sharing arrangements they are not included in the analysis (OECD, 2014; Paulsen, 2005).

universities than in vocationally oriented institutions. Similarly, the locus of discretion over fee levels varies between countries. Central governments or federal authorities may retain full authority or devolve it partly or fully to higher education institutions (Johnstone & Marcucci, 2010; OECD, 2008c). Where the fee-setting authority lies with tertiary institutions, governments can indirectly influence fee levels by amending per student subsidies or other funding arrangements. The payment time of fees can also vary: in the upfront model students pay fees whilst studying and in the deferred model fees are collected after graduation (Johnstone & Marcucci, 2010; OECD, 2008c). When all of these features are considered there seems to be little global convergence in the tuition fee models[4].

The second student funding policy component is student financial aid. Policy makers have to consider if and how financial support should be offered towards offsetting living costs, costs which form a major part of overall expenses for students (Paulsen, 2005). One OECD review shows how governments in developed countries have implemented various configurations in this area (OECD, 2008c). Twenty out of 23 countries provide some type of grant scheme of which most are means-tested while merit based and universal grant schemes exist in few countries (OECD, 2008c). Governments also exploit other eligibility criteria to minimise the number of recipients, these include residency requirements, minimum and maximum age limits, restricting support for students in certain programmes and first time tertiary students. Moreover, it is often the case that academic performance criteria to retain the grant are in place and the maximum time of support is restricted to the duration of the program. The value of grants can be either fixed or based on factors like financial need, living situation, marital status, having children or the year level of the program attended (OECD, 2008c).

Most countries also provide student loans, which are either state provided or run by commercial banks. The most common student loan types are the conventional type loan with fixed repayment instalments and payback time and an income related loan where debt repayments depend on future income level (OECD, 2008c)[5]. Examples of international student financial aid models can be divided into three main groups. First, including New Zealand, most countries fall under a targeted grant model and either a state or a commercial loan scheme. Other examples are Australia, Chile, China, Estonia, Poland and Portugal. Second, schemes that fully comprise of loan based support are in place in

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[4] International comparison is at times difficult as in some countries students pay registration or examination fees which do not fall under tuition fees but have a similar cost-sharing impact (Marcucci & Usher, 2012, 2011).
[5] Income related loan schemes can be further divided into four sub-categories: risk-sharing, risk-pooling, graduate tax and human capital contracts (Chapman, 2006a, pp. 1452–3).

Iceland, Norway, Japan and the Netherlands[6]. Third, a number of countries rely solely on means- or merit tested grants, examples of these are The Czech Republic, Spain, Germany, Greece, Mexico and Russia. International outliers seem to be those schemes that are in use in Sweden and Finland with near-universal grants and complementary loan models or the case of Croatia where no government support is available (Johnstone & Marcucci, 2010; OECD, 2014, 2008c). Table 2.1 compares a number of countries' approaches when the form of student financial aid is combined with the level of tuition fees.

Table 2.1 Student Funding Cost-Sharing Arrangements for Domestic Students

Tuition fee levels 1	Universal grants	Targeted grants (means/merit)	Student loan based	No grant or loan scheme
High		Australia, NZ, UK, Canada, US, Chile, Korea2	Japan	
Moderate	Netherlands3	Austria, China, Portugal, Spain		
No/nominal fees	Finland, Sweden	Hungary* Chech, Poland*, Russia*, Estonia* Germany	Norway4, Iceland	Croatia

1. Tuition fee levels are adjusted to purchasing power parities as in OECD (2013). The thresholds utilised are: High = USD 3000 or over; moderate = USD 500-2000; no/nominal fees = under USD 500
2: In Korean technical institutions eligibility or grants is universal
3. Initially granted as loans which are fully converted to grants after successful graduation
4. Can be partly converted into grants if the student meets particular academic requirements
* Moderate or high tuition fee costs for domestic fee paying students (e.g. within dual track)
Sources: Johnstone and Marcucci (2010); OECD (2013, 2008c)

It is evident from the table that countries vary greatly in their student funding policy configurations: in some countries grant based support is available for only few students and at the same time high tuition fees are charged, while other countries fully subsidise course costs and provide near universal grants.

The OECD concludes that the macro structures of most student funding cost-sharing paths have persisted for over two decades in most OECD member states (OECD, 2013, p. 229). This type of stability where policy makers build on past policies rather than initiate significant reforms has been suggested to be typical for policy trajectories within the tertiary education domain and elsewhere

[6] In Norway and The Netherlands support is initially provided as a loan but can be (partly or fully) converted into grants after certain academic requirements are met.

(Corrales, 1999; Lindblom, 1959; Sabatier, 1988; True, Jones, & Baumgartner, 1999). However, a more detailed review of student funding policy trajectories reveal that a number of major reforms have occurred at different points in time. In the tuition fee sphere, an example of this type of punctuation comes from Australia were tertiary fees were first abolished in 1974, then reintroduced in 1989 (Chapman & Nicholls, 2013). The Australian case also illustrates further structural reforms, like the implementation of a three-tier fee scheme in 1996 and partial de-regulation of fee levels in 2005 (Jackson, 2003; Johnstone & Marcucci, 2010). Additional instances of tuition fee punctuation are the 1996 reform which resulted in the abolishing of fees in Ireland and the German case, where fees were first introduced at the beginning of the 21st century and then subsequently abolished in 2014 (Denny, 2014; Welsh, 2009; Winter, 2015). Other examples of tuition fee reforms (or attempts of thereof) since the early 1990s include countries like New Zealand (1990), UK (1998), Russia (1992), Hungary (1995, 1997, 2008) and Austria (2000) (Johnstone, 2014, 2004; Johnstone & Marcucci, 2010; Wyness, 2010).

Likewise, the student financial aid domain demonstrates various examples of structural policy shifts. For instance between the 1950s and 1990s numerous countries established loan schemes towards living costs and/or tuition fees, these countries included the US, Sweden and Finland (Albrecht & Ziderman, 1993). Examples of more recent reforms are the introduction of student loan schemes in Australia (1989), New Zealand (1992), the UK (1998) or Japan (2004) or Sweden's decision to replace mortgage based loans with income related payments (1989) (Albrecht & Ziderman, 1993; Marcucci & Johnstone, 2007; Morris, 1989). Governments worldwide have also reformed their grant based schemes: since the 1960s significant reforms have occurred for example in Sweden (1965, 1989), the US (1965, 1980), Germany (1971), Finland (1992), Austria (2001/2002) and Canada (2009) (Autio, 1995; Bundesministerium für Bildung und Forschung, 2015; Johnstone & Marcucci, 2010; Morris, 1989; Mumper, 1996).

The above examples demonstrate how major changes in student funding configurations can occasionally occur. Nevertheless, this list of one-off reforms tells us little about the direction of international or national cost-sharing. A number of academics engaged in the study of the domain have suggested that the worldwide trend since the late 1980/ early 1990s has been towards contraction, pointing out to an increasing shift of costs from the government to the students (Johnstone, 2004; Johnstone & Marcucci, 2010; Marcucci & Johnstone, 2007; Marcucci & Usher, 2012; OECD, 2008c).

Pierson argues that in mature welfare states a similar contraction trend is also characteristic of governments' plans in other policy domains (Pierson 2001)[7]. Empirical evidence across the world has illustrated how since the 1990s social protection programs in a number of developed countries have been subject to fewer rights and more conditions (e.g. Clasen & Clegg, 2007; Gerven, 2008; Heikkilä & Uusitalo, 1997; ILO, 2014; Jensen, 2004; Kilkey, Ramia, & Farnsworth, 2012). However, others have pointed out that when overall social expenditure is considered there is minimal conclusive evidence that retrenchment is the dominant welfare state direction (Eurostat, 2011; Lindert, 2004; van Kersbegen, 2000). It has also been argued that particular policy sectors or countries have moved towards increased benefit generosity (Clasen & Clegg, 2007; Gerven, 2008; Scruggs, 2006). Hence, contraction cannot be perceived as the only possible path.

How do developments in the higher education student funding domain appear in the light of the empirical evidence? Most of the outlined tuition fee punctuations since the late 1980s seem to have been geared towards a significantly increased private responsibility. Moreover, countries can provide examples of considerable cost-sharing changes without structural reforms (Marcucci & Usher, 2012, 2011). For instance, in the United States the average level of tuition fee increased between 1984 and 2014 by 150 to 225 percent (The College Board, 2015). An example of a more radical, one-off reform is the 2012 decision in the UK to reduce state support for undergraduate teaching by 80 percent. This decision resulted in a number of tertiary institutions lifting their fees from the previous maxima of £3290 to £9000 per year (Callender, 2012, pp. 84–85). As shown in the abolishment of tuition fees in Ireland in 1996 and in Germany in 2014, history also provides examples of reduced private responsibility (Denny, 2014; Winter, 2015)[8]. Similarly, an international review of 38 countries concluded that between 2010 and 2011 the international (real) average tuition fee actually decreased slightly (Marcucci & Usher, 2012). Yet, as this examination included developing countries and did not cover a longer period of time, few conclusions can be drawn about the overall cost-sharing direction in mature welfare states.

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[7] Student funding policies can be situated in the larger context of welfare state policies even though traditionally welfare state research has focused on social transfers like pensions, sickness and unemployment benefits (e.g. Bambra, 2007; Esping-Andersen, 1990; Greve, 2013). A growing volume of academic work, though, perceives (tertiary or pre-tertiary) education as part of the public policy mix (e.g. Allmendinger & Leibfried, 2003; Ansell, 2008; Beblavý, Thum, & Veselkova, 2011; Hega & Hokenmaier, 2002; Kilkey, Ramia, & Farnsworth, 2012; Pechar & Andres, 2011; Peter, Edgerton, & Roberts, 2010).

[8] However, in Ireland the user-pay policy continued under the name of a 'registration fee' (Johnstone & Marcucci, 2010, p. 109).

Does the international evidence provide support for the proposition that contraction has been the dominant trend in the domain of student financial aid? Again, examples from New Zealand (1992), the UK (1998) and the US (2011) show significant, periodic contraction in grant based entitlements (Boston, 1999; Callender, 2012; Marcucci & Usher, 2012). Yet, in other countries grant based support has been made more generous, examples are reforms in Finland and Sweden in the late 1980s/early 1990s, in Austria (2001/2002) and in Canada (2009) (Autio, 1995; Johnstone & Marcucci, 2010; Morris, 1989). Similarly, a study by the Higher Education Strategy Associates' (HESA) of 38 countries in 2010–2011 and the OECD's review of 27 nations in 1998–2004 indicated a number of instances of slightly increased generosity (Marcucci & Usher, 2012; OECD, 2008c).

If the purpose was to illicit trends in generosity over time both the HESA and the OECD review have severe limitations. The OECD review is based on the ratio of public expenditure in grant based aid compared to overall expenditure on higher education. Hence, it does not account for changes in generosity as differences can be based solely on increased/decreased student number or budget cuts elsewhere in the higher education system. On the other hand, the weakness of the HESA review lies in its one-year time frame, and its decision not to distinguish between grant and loan based support and non-consideration of changes in eligibility rules. The difficulty of evaluating the real direction is further demonstrated by the US example: while the 1975–2010 time series shows an increase in the Pell grants' maximum nominal value and the number of recipients, both the actual average amount received and the purchasing power of the support seem to have periodically declined (The College Board, 2014; Center for Policy Research and Strategy, 2010).

To conclude, the empirical evidence highlighted both episodes of expansion and contraction in the student funding programs and hence provides contrasting evidence in terms of the research questions. In the tuition fee domain the cost-sharing path clearly points to higher private responsibility but in the student financial aid domain the international evidence only permits a partial picture of developments in cost-sharing. Hence, a more in-depth study at the program level is necessary to confirm if the proposition of increased cost-sharing holds true. The next section will move forward to investigate the causes that have been proposed as explanations for expansion and contraction in welfare state programs in general and student funding in particular.

Explaining expansion and contraction in the student funding domain

Which factors are likely to trigger expansion or contraction in the student funding domain? A review of the welfare state literature shows that a set of functional-type explanations has linked welfare state expansion with economic growth and industrialization. In other words, as the old, agrarian societies' support systems disappeared and the state took a significant role in maintaining the labour force, industrialization resulted in new demands for public spending (Kerr, 1962; Pierson, 1994). At the same time the economic growth provided resources for this extended social protection as it increased ‘countries' economic prosperity and therefore also make it possible to spend more money on welfare' (Greve, 2015, p. 203).

In contrast, it has been often argued that welfare state retrenchment is caused or at least enhanced by fiscal pressures, usually traced back to the impacts of globalization or changes in certain domestic circumstances such as an ageing population (Greve, 2015; Myles & Quadagno, 2002; Pierson, 1994, 2001; Timonen, 2003). For instance, in Finland economic constraints have been emphasised by Pekkarinen (2005) who argues that the Finnish 'system is subject to tight economic constraints, and welfare expenditure has been constrained to the dividend left over by economic growth' (p. 161) Financial pressures as a (at least partial) cause of welfare state contraction have also been highlighted by other academics (Kühner, 2012; Vis & Van Kersbergen, 2007). Recent examples of how fiscal pressures have triggered cuts in social welfare policies are apparent in countries like Greece, Spain and Ireland (Kilkey et al., 2012). At the same time national responses are important in explaining how and to what extent these economic pressures are translated into policy action (Jensen & Mortensen, 2014; Kilkey, 2012)

Similar arguments relating to financial pressures have been presented in the student funding domain. These financial pressures are often linked to expansion in participation: in many western welfare states there has been a shift from an elite higher education stage where less than 15 percent of the age group participates, to a mass or even universal phase where more than 50 percent of the age group is expected to enrol at tertiary level (OECD, 2014; Trow, 2007). For example Johnstone argues that

> Underlying many of the financial issues in higher education in all countries is the surging demand of the past three or four decades, driven by a belief in higher education as a principal engine of social and

> economic advancement, both for the individual and for the larger society and economy (Johnstone, 2008, p. 19).

So while the initial increase in student funding policies' generosity has been explained by governments' interest in expanding the tertiary sector and the availability of budgetary resources for this purpose, later the combination of high enrolment levels and public austerity have been offered as causes for cutbacks (Barr & Crawford, 2005; Chapman, 2006a; Doyle, 2010; EUA, 2011; Johnstone & Marcucci, 2010; Larocque, 2003; Marcucci & Johnstone, 2007; Mclendon, Tandberg, & Hillman, 2014; Tandberg, 2010). Alongside participation levels, financial pressures imposed by the above inflation have increased per-student costs. This is due to the capital and labour intensive nature of tertiary education provision (Johnstone & Marcucci, 2010). Providing students' financial responsibility remains stable, costs have to be covered by increasing the level of taxation, transferring resources from other public policy sectors, or by finding cost-side solutions. Similarly, even though healthy finances can be a key factor leading to expansion in student funding policies, increased generosity can be inhibited by priorities in other sectors or governments' goal to lower taxation (Ingle, Cohen-Vogel, & Hughes, 2007). Requests for additional expenditure for tertiary education are complicated by its relatively low priority:

> Competing demands on public resources are growing more intense as governments around the world face challenges across the board in providing more and better public services, including health care, housing, transportation, agriculture, and the full range of education. In this context, tertiary education is often far from the highest priority for public funding in both industrial and developing countries (Salmi & Hauptman, 2006, p. 3).

Unwillingness to raise taxation and the above mentioned compelling needs in other public policy sectors may complicate revenue side solutions and there is a lack of viable cost-side solutions (Johnstone and Marcucci 2010, 35-42.)[9]. Hence, increased cost-sharing can be framed as a necessity where:

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[9] Johnstone and Marcucci have elaborated on cost-side solutions (2010). The most efficient method is to limit enrolment levels, but this is often seen as politically unviable because of the argued importance of high participation in achieving economic growth and global competitiveness. Other methods include the use of junior or part-time faculty, higher class sizes and increased teaching requirements. Yet, these solutions can have negative effects on research outputs and quality of teaching. Also structural cost-side solutions are available, e.g. providing education at low-cost, vocationally oriented institutions, institutional mergers or virtual teaching arrangements. Yet, Johnstone and Marcucci (2010) argue that these cost-side solutions are not a viable option for funding mass participation but that revenue side solutions are necessary.

> In the face of continued increases in participation, demographic change and – in the West at least – profound fiscal crises, higher education institutions are increasingly being required to raise funds from students as opposed to relying on transfers from governments (Marcucci & Usher, 2012, p. 1)

Most contemporary scholars would agree on the importance of these functional factors as conditions for the initial welfare state expansion and later pressures for contraction. However, Myles and Quadango (2002) argue that any account of a strong functional determinism

> ...is contentious since it rests on the assumption that public policy is the product of large, impersonal, economic forces. Politics, if it matters at all, does not matter very much. Faced with comparable political demands (e.g. a growing number of old people) and a similar resource base (economic development), social programs develop independently of party politics, the preferences of political leaders, or the balance of power among the political forces they represent (Myles & Quadagno, 2002, p. 37).

The above statement about the eroding role of politics has been challenged by those academics who emphasise political and ideational factors in welfare state development. For instance power resource theory proposes that major differences in capitalist democracies' welfare state expenditure and entitlements can be explained by the success of left-wing parties, particularly social democratic parties backed by strong trade unions (Korpi, 1980, 1983). Similar views supporting the salience of the Left-Right wing dimension have been expressed by a number of other scholars (Amable, Gatti, & Schumacher, 2006; Esping-Andersen, 1990; Jensen & Mortensen, 2014; Korpi & Palme, 2003; Kühner, 2012). However, other scholars have noted either a declining impact of this Left-Right wing partisanship in the post-expansion stage or that its influence may be dependent on the particular policy domain or government's institutional arrangements (Huber, 2001; Jensen, 2011; Kwon & Pontusson, 2010; Pierson, 1996, 2001; Seeleib-Kaiser, 2008).

In the student funding policy domain the impact of partisan dynamics has been challenged by some academics. For instance Callander's study noted that since the 1990s the contraction in student funding in the UK has been an ongoing trend regardless of the party in power (Callender, 2012). Yet, the dominant view among academics involved in researching the student funding policy domain continues to emphasise the role of a partisan left-wing orientation in driving expansion or protecting student funding policies from retrenchment while right-wing governments are linked to more active promotion of increased cost-sharing (Ansell, 2008; Archibald & Feldman, 2006; Busemeyer, 2009, 2014; Kauder & Potrafke, 2013; Mclendon, Hearn, & Mokher, 2009; Schmidt, 2007; Tandberg, 2010). However, Ansell (2008) has argued that the influence of partisanship does not follow the standard theories of welfare spending because tertiary education is typically regressive, favouring participation from the most well-off groups. Hence, in an elite tertiary system right-wing parties are more supportive of increased public spending than left-wing parties and only after the mass participation stage are partisan preferences reversed (Ansell, 2008).

This thesis will draw from the above described functional and partisan incumbency accounts in order to explain expansion and contraction in national student funding trajectories. I will investigate how economic pressures (operationalised as state's budget balance) and political dimension (i.e. governments' left-right wing constellation) align with the observed cost-sharing development. The proposition is that contraction is more likely to take place during budget deficits and right-wing governments, while expansion is expected to occur during periods of budget surplus and left-wing governments. The policy trajectories in the two case countries will be utilised to examine if and to what extent these propositions can be validated.

The proposed approach has a few significant limitations. First, a macro level focus on economic conditions and partisan incumbency is inadequate in determining the relative explanatory power of these two variables. For instance if both variables align with the proposed cost-sharing direction, a more in-depth look into the policy process is necessary to find out a) if the link between both of the variables and the cost-sharing direction is genuine and b) their relative importance. Second, the proposed macro level examination ignores the role of other possible factors in curtailing policy process, like politicians, voter pressure and institutions (Goldfinch, 2000; Greve, 2015; Martin & Guiraudon, 2013; Pierson, 2004). These factors may be particularly useful in explaining contraction and expansion in cases where the observed development does not align with the economic and political propositions. Third, neither economic nor partisan incumbency accounts are geared towards answering the research question asking why and how expansion and contraction are actually implemented, i.e. the chosen policy solutions and configurations (Goldfinch, 2000, p. 11). In order to address these three issues, I turn to theories explaining the dynamics of the policy process.

Policy process theories and their application to the student funding policy domain

A number of academics have emphasised the use of multi-dimensional policy process theories in explaining higher education policy development (Bastedo, 2007; McLendon, 2003; Ness, 2010; Protopsaltis, 2008; Rexe, 2014; Tandberg, 2007). These approaches, the most popular ones being multiple streams (Kingdon), advocacy coalition (Sabatier) and punctuated equilibrium (Baumgartner), argue that there are a number of micro-level factors that need to be included in any explanatory framework (Sabatier, 2007, 1999). As such, these more complex and multi-layered approaches are likely to provide more accurate explanations of complex policy processes than theories building on one or a limited number of features only (Baumgartner & Jones, 1993; Capano, 2009; Sabatier, 2007; Schlager, 2007). Hence, the focus on the policy process itself can enrich our understanding of how and why certain student funding changes took place as a result of interaction of multiple factors. For instance several scholars have highlighted the benefits of utilising a policy process lens in explaining student funding policy development as it helped to uncover the importance of various variables, for instance right timing, policy entrepreneurs and institutions in shaping the policy episodes (McLendon, 2003; Ness, 2010; Protopsaltis, 2008; Rexe, 2014).

Among the most widely used policy process lenses is the multiple streams framework (MSF). First introduced in 1984 by John Kingdon to explain policy change at the agenda setting level in the US (Kingdon, 1984), it has since been employed in the whole policy formulation process in various contexts. In doing so it has provided 'great insights into and understanding of the workings of policy making across different countries and policy fields' (Zahariadis, 2007, p. 80). MSF focuses on the convergence of three streams, the opening of policy windows and actions of policy entrepreneurs and by doing so proposes the influence of multiple features not included under the previously identified determinants of governments' partisan constellation and economic climate.

These new elements, for instance the way problems emerge and the role played by policy communities, interest groups and individual actors were deemed to have potential in identifying favourable conditions or obstacles for student funding expansion and contraction (as explained later in this chapter). MSF allows a broad analysis and provides flexibility, both of which are necessary features in the proposed research design investigating two countries for a time period of more than two decades (Capano, 2009). Moreover, prior academic work has deemed MSF useful in explaining student funding policy development (Ness, 2008, 2010a; Protopsaltis, 2008; Rexe, 2014). For instance

Ness' research (2008) exploring how three theoretical frameworks—advocacy coalition, multiple streams and the electoral connection framework explained merit aid policy outcomes, concluded that MSF was the most relevant lens for understanding merit aid criteria determination as it highlighted the role played by policy actors, the need to couple the three streams (problem, policy and political), and the importance of right timing (2008, p. 57).

In the first of the MSF streams, the problem stream, the way conditions are identified and framed as problems affects their placement on the policy agenda which denotes to the salience of the issues among policy-makers. These problems can come to government's attention in a number of ways, for instance as a result of new indicators, feedback about existing policy programs or focusing events such as an economic crisis, war or environmental disaster. An existing condition only becomes a problem when government wants to pursue a change in it (Kingdon, 1995, p. 109). How conditions are defined as a problem can be influenced by dominant values and ideologies: for instance income inequality may be perceived as a problem by a more left leaning government while only perceived as a condition by a neoliberal regime. Problems can also arise in comparison between policy areas or between countries, for instance the number of children in poverty may be problematized after data from other countries shows a significantly lower ratio of child poverty. Focusing events, like a plane crash or a terrorist attack, are highly influential in attracting attention to a particular problem and can create a sense of urgency among politicians and the public at large (Kingdon, 1995, pp. 94–95).

In the higher education student funding policy domain, the previously presented functional arguments, i.e. the emphasis on the growing number of students and financial pressures fall under the problem category. In a number of countries the problematization of state funding levels has been fostered by focusing events in the form of financial crisis and economic austerity (EUA, 2011; Johnstone & Marcucci, 2010). Even though budget surpluses may provide more favourable conditions for student funding expansion, they can be less clearly perceived as focusing events and hence the problem of an (arguably) low level of funding is more likely to originate through other types of pressures. As an example a growing student loan burden or a falling participation ratio from students with low socio-economic backgrounds can be problematized when they pass certain thresholds. Existing conditions can be also questioned after feedback from other countries or policy domains points out to differences, e.g. in participation or student debt levels (Kingdon, 1995, p. 111).

The second MSF stream is the policy stream, focusing attention on policy communities and the 'policy primeval soup' where a number of ideas and solutions circulate (Kingdon, 1995, p. 117)[10]. Kingdon (1995, pp. 131–139) argues that the crucial criteria for advancement of any solution is its technical feasibility, value acceptability, tolerable costs, anticipated public acquiescence, and a reasonable chance of receptivity among decision makers. Policy communities that are well-integrated can maintain a particular perception of appropriateness and inhibit certain solutions from reaching the policy agenda (Kingdon, 1984; Zahariadis, 2003). Survival is thus not only dependent on the available mechanisms by which the idea can be translated into a program, but also on the proposals' value acceptability and budgetary impacts and on trade-offs between these criteria.

These feasibility considerations are central in the student funding policy domain. Particularly in the recent era of public austerity, policies with arguably positive (or marginal negative) implications on public budgets can be viewed as more feasible than high cost items. In the mass participation era policies affecting the whole student population have high costs and savings attached to them, and hence budgetary feasibility can either inhibit expansion or make retrenchment more attractive. However, opponents of increased cost-sharing question the financial rewards from cutbacks. For instance the real income derived from a low level of tuition fees may be negligible when administrative costs are accounted for or cuts in student support can be argued to lead to lower public benefits due to lower participation levels (Ferris, 1991; Helo, 1994). This indicates that the relativity of budgetary impacts depends upon the manner in which they are calculated (Kingdon, 1995, p. 108).

Second, student funding proposals entailing fewer implementation problems stand a better chance of survival (Kingdon, 1995). For instance deferred loan models may not be viable in countries which do not have efficient government machinery enabling accurate record keeping and re-payment collection (Chapman, 2006b). Similarly, adoption of means testing principles will require a system that allows accurate capturing and monitoring of students' and their families' income (Johnstone, 2004). Even though most developed countries have advanced systems in this regard, these and other policy options still differ in their administration and implementation costs which can influence support for them in the policy community.

[10] The policy communities, specialists in a particular policy domain, often consist of government officials but politicians, academics and interest group representatives can also be part of a policy community.

Finally, the last of the three feasibility criteria, value acceptability, is important for understanding obstacles and triggers for expansion and contraction in the student funding policy domain. In this respect value acceptability is closely linked to the question of what is regarded as constituting a fair policy among the policy community and how it aligns with the values of politicians and the public. Three main values are discussed in this respect: equality, social fairness and efficiency. Equality of opportunity is a widely shared fairness criterion in the student funding domain which defines particular disparities as unacceptable, emphasising that,

> ...equitable tertiary systems are those that ensure that access to, participation in and outcomes of tertiary education are based only on individuals' innate ability and study effort. They ensure that the achievement of educational potential at tertiary level is not the result of personal and social circumstances, including of factors such as socio-economic status, gender, ethnic origin,immigrant status, place of residence, age, or disability (OECD, 2008d, p. 14)

Many supporters of tuition fee free education and generous financial aid justify their views by emphasising how generosity secures equal opportunities regardless of financial resources (for this line of arguments see for instance Ferris, 1991; Helo, 1994; Johnstone & Marcucci, 2010). However, not all policy actors share this view and research findings on the link between participation and student funding policies are at best incomplete and contradictory (Asplund, Oussama et al. 2007). It is for instance difficult to distinguish the role played by individual's economic resources from cultural and social ones, the latter two having a strong influence on attitudes and the likelihood of benefiting from tertiary education (Boudon, 1974; Bourdieu & Passeron, 1977; Perna, 2006). Moreover, findings from one country are not directly applicable to other contexts and any empirical cost-sharing reform evidence is often challenged by the non-existence of counterfactual evidence[11].

The social fairness argument which is utilised by the advocators of greater cost-sharing, is based on tertiary education's acquired private benefits and middle class capture (Barr, 2001, 2004; Johnstone, 2006; Johnstone & Marcucci, 2010). A number of academics engaged with economic theories emphasise these private revenues and argue that public subsidisation leads to regressive redistribution: people from lower socio-economic groups support participation in tertiary education (via taxation) those from better off families (Barr, 2004, 2014; Chapman, 2006b; Greenaway & Haynes, 2003; Kivistö, 2009; Larocque, 2003). Following this line of argument, if the costs of tertiary

[11] For example if disparities had decreased more or less in the absence of increased/decreased cost-sharing

education are covered by the government, free education or universal student allowances can be seen as a ‘perverse redistribution of income and status from the poor or the middle class to the wealthy’ (Johnstone 2006, 55). However, not all researchers agree on the perverse redistribution effect or the parameters used to calculate it (for instance Asplund et al., 2007; Barbaro, 2003). Also the nature of higher education as a private good or how the ratio of private and public benefits can be reliably calculated has been frequently challenged[12] (Asplund et al., 2007; Blaug & Woodhall, 1978; Boston, 1988; Helo, 1994; Stephens & Boston, 1995).

Besides equality, the value acceptability in the policy stream can be also linked to efficiency. Some neo-liberally oriented advocates promote user-pays as a way of injecting the virtues of the market, like greater cost-consciousness (based on consumer behaviour theory) and institutions greater responsiveness to students', employers' and society's needs into the higher education system and other welfare state domains (Barr, 2004; Helo, 1994; Johnstone, 2003; OECD, 2008c). At the same time generous student support and low fees are argued to lead to abuse and inefficiencies by enabling students to remain in higher education longer than necessary (Davies, Weko, Lillemor, & Thulstrup, 2009; Johnstone, 2003; Helo, 1994). In similar fashion to equality and fairness, there is no conclusive evidence on the impacts of greater cost-sharing on efficiency or responsiveness and the related commercialisation is perceived by some groups as a negative development (for these arguments see for instance Helo, 1994; Johnstone, 2003; Kivistö & Hölttä, 2009). Ideas relating to equality, social fairness and efficiency can influence the student funding policy process depending on which values and perceptions the policy community holds. It is likely that these values are sometimes in conflict (Kingdon, 1995). For instance, when value acceptability is reviewed together with budgetary constraints, governments may decide to define 'an acceptable level of inequalities' as at the margin costs will be considerable (Johnstone, 2006, p. 74).

Finally, in the third stream, the political stream, three factors are said to affect a supportive climate: turnovers in government/administration, national mood, and interest groups (Kingdon, 1995, pp. 146–153). First, any changes in administration or government can open or close policy windows. This thesis will investigate governmental change in the context of election cycles which may prompt

[12] Education can also be defined as a basic right and as crucial for 'democratic, egalitarian societies because it provides the infrastructure for realising these ideals' (Gilbert, 2010, p. 19)

parties to promise appealing policies to its voters[13]. In this type of "election economy" parties promote policies that are believed to facilitate an election win by increasing, for instance, overall spending or shifting spending towards the items their voters prefer (Drazen & Eslava, 2010; Shahor, 2013). Post-election the adoption of these pre-election promises can be 'far more important and politically beneficial than actually solving any problems' (Zahariadis, 2003, p. 73).

Second, the public mood may play a role in advancing or inhibiting reforms. Sensitivity to public mood can be present within all policy communities but is more closely linked to politicians' self-interest in securing re-election. In this latter respect the direction of change appears to be salient. Pierson (1994) has argued that the politics of retrenchment differs fundamentally from the politics of expansion. In expansion politicians mainly need to address concerns about the possible implications on tax rates, but the retrenchment process 'is more treacherous, requiring the imposition of concrete losses on a concentrated group of voters in return for diffuse and uncertain gains' (Pierson, 1994, p. 8). Hence, retrenchment can be inhibited by its expected political costs and expansion by its expected monetary cost (Pierson, 1994; Weaver, 1986).

The role of a supportive national mood has been emphasised in both student financial aid and tuition fee policies (Kauder & Potrafke, 2013; Rounce, 2010). A powerful example of this salience is the fact that at times tuition fee initiatives have been described as 'political suicide' (Barr, 2004, p. 281; Douglass & Keeling, 2008, p. 11; Nyborg, 2011, p. 81). Similarly, the limitations of the national mood have been emphasised. For instance, low party competition may result in lower sensitivity to public mood (Kühner, 2012; Vis & Van Kersbergen, 2007). Moreover, in the student funding policy domain politicians can perceive economic constraints as a valid reason for non-responsiveness to public opinion (Rounce, 2010).

Finally, interest groups may be a source of inertia or change depending on their connections, size of constituency and negotiation skills (Kingdon, 1995, pp. 51–53, 150–152). In the student funding policy domain by far the most salient interest groups are the student representatives[14]. They play the role of 'political institutions through which collective student interests are aggregated and

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[13] Kingdon's model does not focus on partisan incumbencies but Zacharias (2003) has emphasised that partisan ideologies should be incorporated under the political stream when parliamentary systems are examined. In this thesis the impact of parties is investigated separately under the partisan left-right wing incumbency variable.

[14]Also other interest groups can participate in the student funding policy domain, e.g. tertiary institutions and their staff and business lobbyists (Kogan, 2000; Lampinen et al., 2003; Tandberg, 2010; Välimaa, 2005)

intermediated to other actors within the higher education or wider political context' (Klemenčič, 2014, p.396). Traditionally student unions oppose policies leading to increased cost-sharing and most governments understand the political potency of these student movements (Corrales, 1999; Klemenčič, 2014; Marcucci & Johnstone, 2007). An example of students' impact was the decision in Quebec to reverse tuition fee policy decisions following massive protests (Bégin-Caouette & Jones, 2014). However, student unions are not equal in influence, some enjoy extensive financial resources and play a powerful role in national politics while others are only able to play a more marginal role[15]. Governments can attempt to restrict or advance the power of student unions by deciding on their inclusion in the policy process or by changing membership rules which can have a direct impact on the amount of available resources for advocacy work (Klemenčič, 2014; Rochford, 2014).

MSF outlines that the likelihood of change is greatest when all three streams — problem, policy and political — come together through a policy window which is 'opened either by the appearance of compelling problems or by happenings in the political stream' (Kingdon, 1984, p. 21). Hence, significant expansion or contraction is more likely when conditions in all three streams are favourable. When policy windows emerge, the role of policy entrepreneurs, in other words powerful people or groups in or outside the government 'willing to invest their resources in pushing their pet proposals or problems' is central in receiving attention for a particular solution or a problem and coupling the streams (Kingdon, 1984, p. 21). A number of authors have highlighted the role of domestic policy entrepreneurs in promoting particular student funding policy reforms (Cohen-Vogel, Ingle, Levine, & Spence, 2008; Johnstone, 1998; Ness, 2008, 2010a; Rexe, 2014). Similarly, international organisations (or some of their representatives) like the OECD, the World Bank and European Commission have been known to advocate for increased cost-sharing (Davies et al., 2009; European Commission 2006; Johnstone, 2003).

The above account described the different features of the MSF model and how they might be applied to the student funding policy domain. Although the functional/political approaches are expected to help us to understand the overarching conditions for expansion and contraction, incorporating the MSF lens into the analysis facilitates a new layer that can explore how factors like the national mood, issue salience or policy entrepreneurs may also influence governments' cost-sharing decisions. This will be particularly important if the initial examination reveals episodes where the two main indicators

[15] For instance in Finland the the University of Helsinki Student Union is among the world's wealthiest student unions with ownership of a service group with an annual profit of almost 3 million euro (Klemenčič, 2012).

do not align with the observed cost-sharing direction. Moreover, MSF can uncover the relative weight of the functional and political conditions in all policy cases. Finally, the MSF lens will be particularly useful in answering the research question regarding contraction or expansion as it helps to explain why particular policy alternatives have increased in importance on the policy agenda and won ground.

The MSF lens has many advantages but it has also faced criticism, in particular the testability of the framework and the independence of the streams have been questioned (Mclendon et al., 2015; Sabatier, 1999; Zahariadis, 2007). However, it has been pointed out that the testability of the scheme is possible as MSF is not a completely random model but consists of considerable elements of patterns and structure, like budgetary cycles and the processes that structure coupling of the streams (Kingdon, 1995; Zahariadis, 2007, 1995). Moreover, stream independence can be thought of as a ‘conceptual device' and as a way to 'uncover rather than assume rationality; that is, one does not assume that solutions are always developed in response to clearly defined problems' (Zahariadis, 2007, p. 81) .

In this research, MSF's greatest weakness was perceived to lie in its limited capacity to explain stability and the lack or systematic focus on institutions and historical patterns. For instance Zacharias and Schlager have proposed further exploration of incrementalism and path dependence within the MSF (Schlager, 2007, 1999; Zahariadis, 2007, 1999). In the student funding policy domain the inclusion of an institutional lens has previously provided insights on the dynamics of change and stability as has been demonstrated by a number of authors, for instance Dodds (2012) (international student fee recovery policies), Tandberg (2010) (state appropriations), Ness (2008, 2010a) (merit aid) and McLendon (2003). The combination of the MSF lens with institutional arrangements has been for instance supported in Charles' (2011) doctoral research where the institutional lens helped to strengthen understanding of the higher education policy process. Similar views have been expressed by Ness (2008, 2010a) and McLendon (2003) emphasising that the inclusion of ’contextual conditions’ or 'policy mileu' in the MSF lens accounts better for the impact of institutional arrangements in the tertiary education domain.

In order to address the MSF lens' shortcoming in this respect and to follow the suggestion to pursue a 'more systematic exploration of the effect of constitutional and institutional arrangements' (Zahariadis, 1999, p. 89), insights from the institutional theories will be explored to see how they can best be incorporated into the theoretical framework. Two institutional perspectives are considered. First, the overarching institutional architectures (e.g. electoral systems, federal/national, legislative rules) are discussed to see what type of constraints they pose for the likelihood of change and how these country specific features can advance our understanding of the student funding cost-sharing process. Second, student funding policy programmes can be perceived as institutions that are affected by path dependent processes (Pierson, 2000). From this perspective it is argued that the choices made in the past can affect the student funding decisions at a later stage.

In the first more traditional institutional view, attention is placed on the formal-legal arrangements of government and the public sector as particular institutional structures can inhibit or advance policy change (Hall & Taylor, 1996; Peters, 2012; Peters, Pierre, & King, 2005; Pierson, 2000; Pierson & Skocpol, 2002). For example, in a system with dispersed power between executive and legislative arms of government radical change is less likely compared to systems with a high degree of integration (Bonoli, 2001; Pierson, 1994). It has been argued that these formal institutional explanations are well fitted to explain the broad historical differences in national policy trajectories (Peters, 2012; Thelen, 1999).

In this research design, only the institutional structure labelled 'government regime' provided a significant point of comparison between the two case countries (Bonoli, 2001; Lijphart, 1999; Peters, 2012)[16]. The Finnish system has been classified as part of 'extreme multiparty systems with a relative balance amongst the parties' (Siaroff, 2009). This model requires either the alliance of the two largest parties or three other large parties to achieve a majority government (Siaroff, 2009). In practice, since the late 1980s Finnish coalitions have not been built on simple majorities but have involved multiple parties and strong representation in parliament. Furthermore, it is not uncommon that parties from both the right and the left are part of the same coalition, leading Kumlin (2007) to conclude that in the Finnish system coalitions can be among the 'most complex and ideologically wide that Europe ha[s] to offer' (p. 105).

New Zealand on the other hand provides an example of within case variation as electoral reform in 1996 resulted in a change from the old first-past-the-post election system to a proportional MMP election system. Before the first MMP election, New Zealand used to be a classic example of a two-party system where the winning party was able to form a majority without support from other parties (Lijphart, 1999; Ware, 1996). Due to the lack of veto-points (e.g. second chamber, federal powers)

[16] Most featured formal structures were deemed of no or minor importance in comparing student funding policies in Finland and New Zealand, e.g.. the dual executive's and the president in the Finnish system have no control over higher education policies and both Finland and New Zealand are unitary national systems with unicameral parliaments.

power was concentrated in the cabinet, which was able to implement its preferred legislation (Kelsey, 1995; Starke, 2008). Since 1996 New Zealand is better characterised as a 'two-and-one-half-party system' where two dominant parties exist but usually need other parties to form a majority government (Ball, 2005). This type of system predicts less radical reforms (Starke, 2008, p. 114)

Second, the likelihood of reform can be restricted by legislative arrangements. Change may be impeded by the need to enact a law rather than to introduce by a regulation where parliamentary approval is not required. Constitutional provisions may also build barriers. For instance, if a free tertiary education provision has been granted a constitutional right, change towards a tuition fee practise may be impeded by these rules (for instance in Poland and Russia, see Johnstone & Marcucci, 2010, pp. 302–3). Finland and New Zealand have a few differences in this respect. In Finland, the majority of changes affecting student-state cost-sharing require parliamentary proceedings whereas in New Zealand most student funding policies can be enacted by regulations. In Finland student funding policies also enjoy protection by constitutional right provisions which do not exist in New Zealand. If changes can be interpreted to be against the constitutional right to receive education 'without being prevented by economic hardship' or to lead to different treatment of citizens they can be impeded by a so called abeyance practice (Suomen perustuslaki 731/1999)[17]. The above theoretical argument proposes that as coalition governments requires a higher degree of consensus, controversial policies are less likely to be placed on the agenda of governments with more coalition parties (Bonoli, 2001; Lijphart, 1999). Some level of protection can be also created by the above outlined legislative arrangements. Hence, radical student funding reforms would appear less likely in Finland than New Zealand. At the same time I would expect less radical contraction in New Zealand post-1996 and in Finland when it has been ruled by large coalition governments.

Third, insights from the neo-institutional tradition emphasise informal barriers that can be useful for understanding stability in the student funding policy domain (Peters, 2012)[18]. Historical institutionalism and the concept of path dependence have been popular among political scientists (Beland, 2005; Capano, 2009). Path dependence has been used to indicate that 'what happened at an earlier point in time will affect the possible outcomes of a sequence of events occurring at a later point in time' (Sewell, 1996, pp. 262–3). This type of broader account of 'history matters' can explain

[17] Abeyance means that the legislation will only be decided upon after the next general election, where the approval of 2/3 of the parliament is required. Abeyance can be only avoided if the bill is voted urgent with a 5/6 majority (Jyränki, 2000).
[18] New institutionalism is not a unified theory but consists of at least three main perspectives: historical, sociological and rational institutionalism (Hall & Taylor, 1996; Peters, 2012).

certain differences in student funding policy configurations, for instance by unfolding if particular policy solutions are historically favoured in some countries. Path dependence can be also operationalised as a process of ‘positive feedback’ which reinforces a particular — randomly chosen— path (Pierson, 2000). The 'stickiness' of arrangements is based on their ability to generate these ongoing benefits and the fact that the cost of switching from one path to another will increase over time (Pierson, 2001, p. 23). These arguments can be partly joined with Kingdon's stream models. For instance, the political and the policy stream are likely sources of path dependence. The initial adoption of a student allowance scheme can create a constituency that protects the scheme from contraction in the future. Also, an earlier decision to increase tertiary participation can affect the budgetary feasibility of student funding policies in the future. Similarly, introduction of tuition fees with an income related loan scheme is technically more feasible in countries which already in the past have implemented a loan scheme as a mechanism of financial aid. However, it is worth noting that even though paths are often presented as stable, they are not irreversible (Mahoney & Thelen, 2010; Pierson, 2000; Thelen, 1999; Walsh, 2000).

Value acceptability is also highly susceptible to having path dependent characteristics. Values can constitute 'armours' that protect existing policies (Baker, 2006; Cox, 2004; Hogan & Doyle, 2007). For instance Hogan and Doyle (2007, p. 894) argue that 'the greater the level of consensus encompassing an idea, the heavier the armour protecting the policies derived from it'. In the tertiary education context King and Nash (2001, p 206) emphasise the role of these types of institutionalised values as a source of stability as they 'structure choices taken at later periods'. For instance, the idea of higher education as a private good may be institutionalised by its frequent repetition in the policy discourse, making it difficult to propose reforms where all study related costs are paid by the state.

Pierson (1994, pp. 19–24) argues that in order to overcome some of the issues that are predominantly related to the politics of contraction after a particular policy has created a constituency, governments can utilise strategies that hide any negative consequences from the voters by the means of obfuscation (hiding negative consequences), division (pursuing contraction for smaller groups) or compensation (for 'victims' of the reform). These strategies have also been discussed in the context of tertiary education funding. For instance gradualism and pilot programs have been proposed as a way of incurring less controversy (Corrales, 1999; OECD, 2008d). Similarly, compensation tactics have been offered in order to garner the support of those stakeholders who are negatively affected by student funding changes (OECD, 2008d). Even though the main focus of this thesis is on the who’s and why's, how questions can also be considered salient in constraining government's likelihood of implementing contraction and will hence be included in the theoretical framework.

This section has emphasised how formal institutional arrangements and path dependence can contribute to a better understanding of national differences and stability in the student funding policy domain. First, radical retrenchment is expected to be less likely to rise on the student funding policy agenda when government coalitions are large and particular legislative barriers exist. Second, the path dependence discussion highlighted instances where policies are historically favoured and/or protected by institutionalised values. This approach can help reveal mechanisms of re-production and historical paths that would otherwise be ignored by the multiple streams lens. Finally, Pierson's retrenchment strategies may provide useful insights into the necessary conditions behind contraction initiatives.

Theoretical framework and research hypotheses

Drawing from the theoretical insights presented above, it becomes possible to make sense of expansion, contraction and stability in the student funding policy domain. In this research these theories are applied in the following way. First, partisan incumbency and economic condition variables are utilised to identify likely and unlikely policy episodes:

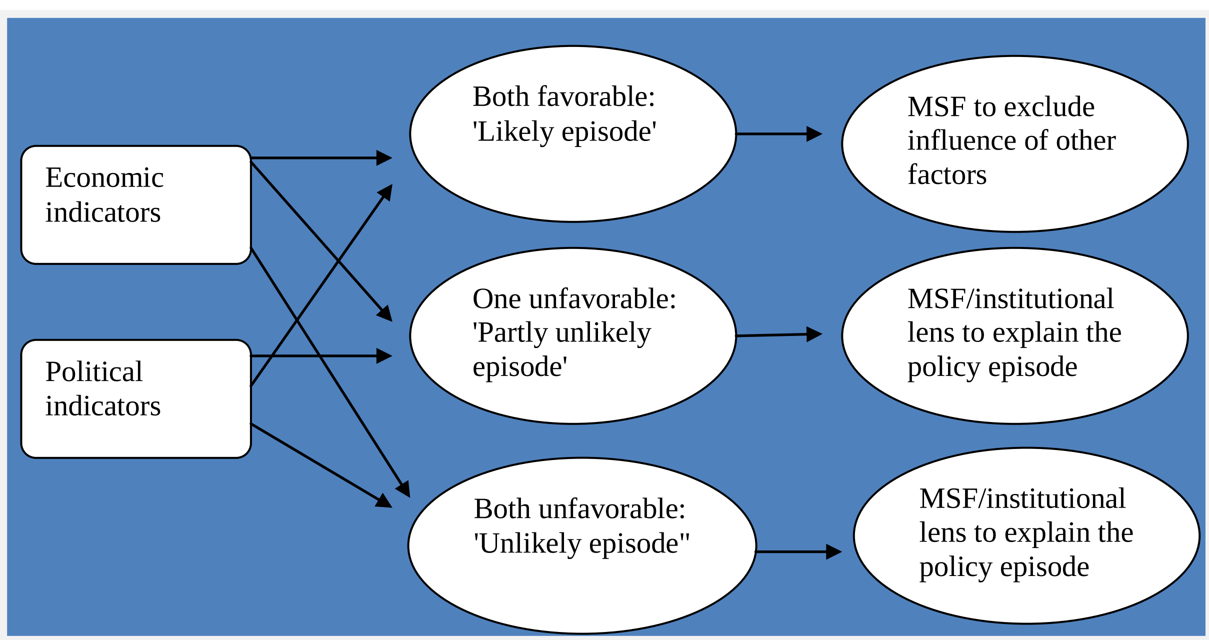

Figure 2.2 Identification of Likely and Unlikely Cases of Expansion, Contraction and Stability

Figure 2.2 shows how by comparing the partisan and economic variables with the student funding policy trajectories I identify theoretically likely, partly unlikely and unlikely policy episodes. Next, the policy episodes are investigated to see whether the link between the partisan/economic variables and the cost-sharing output (i.e. increased/decreased generosity) is genuine. This will be accomplished a) by assessing the relative weight of the economic and partisan variables in directing contraction and expansion in the policy episodes and b) by investigating the influence of other determinants (derived from the MSF lens and institutional perspectives) that were identified as possible sources of change and stability.

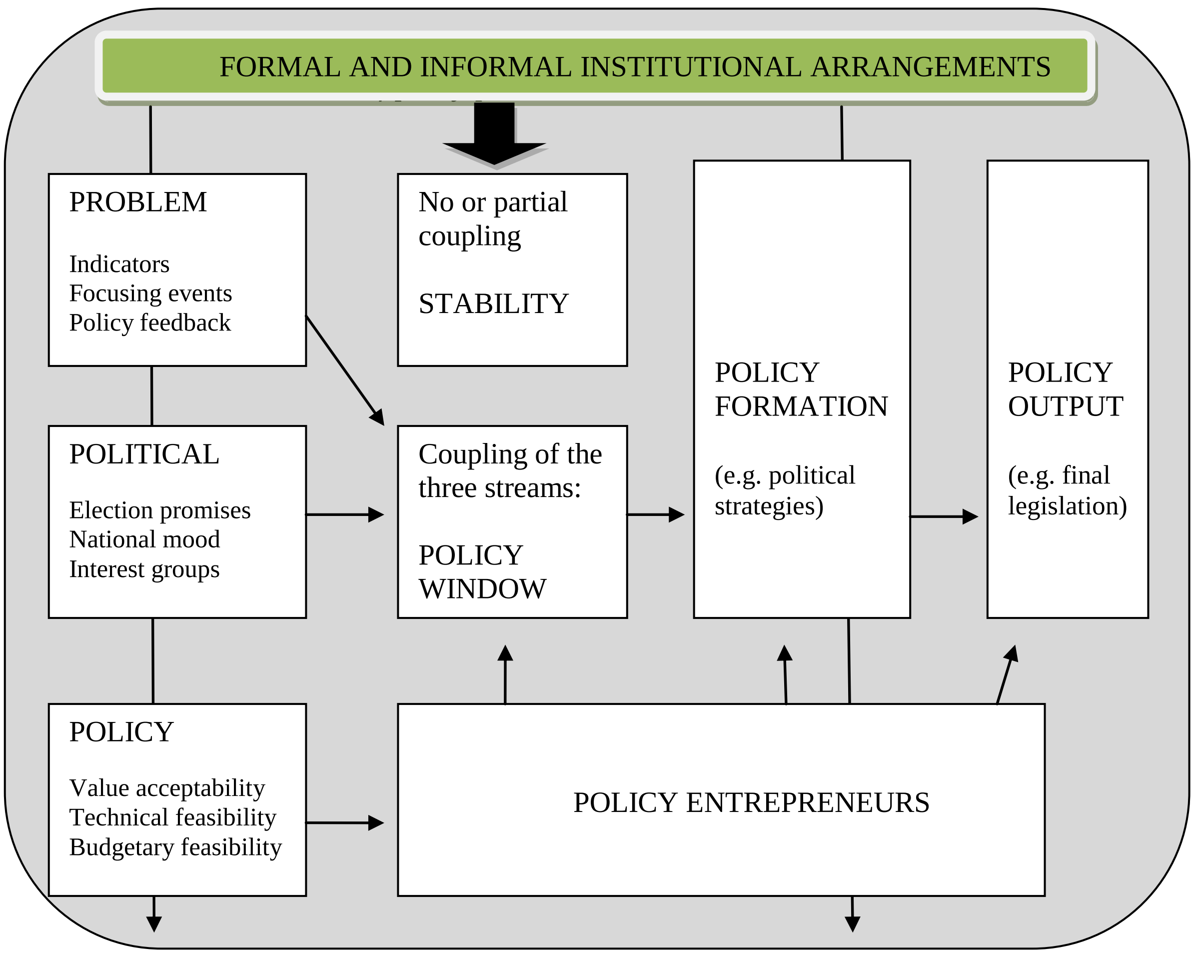

Figure 2.3 Framework for Explaining Expansion, Contraction and Stability in the Student Funding Policy Process

As illustrated in Figure 2.2 and Figure 2.3, the MSF lens is applied to all policy episodes from the agenda setting stage until the final policy adoption. The analysis will focus on the dynamics in the problem, political and policy streams, the role played by key entrepreneurs and the use of particular political strategies as determinants of the final policy output. Formal institutional factors, principally the government regime style and portfolio specific legislative arrangements are considered to penetrate all stages of the policy process but their influence together with path dependence processes is expected to be particularly important in the episodes illustrating a high degree of incrementalism. The key propositions derived from the theoretical frameworks and the higher education cost-sharing literature are listed below.

Proposition 1. The dominant view in the academic literature on student funding and welfare state benefit programs suggests that retrenchment is the paramount international trend. The academic literature also proposes that stasis and incremental development is more inherent than radical punctuations. This leads to the first hypothesis for the Finnish and New Zealand case studies

> *Decreased generosity and incrementalism characterise higher education student funding policies rather than increased generosity and large, radical changes.*

Proposition 2. The functional and political incumbency theories imply that retrenchment is more likely to occur when states are experiencing economic pressures and are governed by right-wing parties. Similarly, it can be hypothesised that budgetary surplus and left-wing governments are more likely to lead to expansion of student funding policies.

> *In the two case countries contraction in student funding policy trajectories is linked to states' budgetary pressures and governing coalition's right wing orientation. Expansion is linked to budgetary surpluses and left-wing governments.*

Proposition 3. The theoretical framework of multiple streams can refine our understanding of how and why expansion or contraction takes (or does not take) place in student funding policies, for instance why and how policy ideas with cost-sharing implications emerge, why policy solutions win ground or are rejected and which actors influence policy adoption. As suggested in the multiple streams framework, significant policy changes are expected to have evidence of open policy windows, the coupling of the three streams and the presence of powerful policy entrepreneurs.

> *A multiple streams lens improves understanding of student funding policy cost-sharing episodes and of the chosen policy instruments by focusing on the dynamics in the problem, policy and political streams, open policy windows and the role played by policy entrepreneurs.*

Proposition 4. In order to consider the influence of formal arrangements on the likelihood of student funding policy expansion and contraction insights from institutional theory were chosen to complement the multiple streams framework. On this basis it is expected that consensual governments with a higher number of ideologically diverse coalition parties and more significant legislative barriers are less likely to implement controversial cost-sharing changes, i.e. impose radical cuts, than majoritarian governments and systems with lower legislative barriers. These governmental and legislative factors are translated into the following hypothesis:

> *Contraction as a more controversial cost-sharing direction is less likely to occur in Finland than New Zealand due to higher legislative barriers and wider coalition governments. Similarly, it is expected that student funding policy episodes in New Zealand have been less radical since the year 1996 and that in Finland contraction is less likely to take place under small coalition constellations.*

Proposition 5. The theoretical insights propose that path dependence can be central for explaining stability in student funding policy trajectories. Focus on formal and informal institutional features, mechanisms of re-production, historically favoured solutions and institutionalised values can provide insights on the causes behind stasis and gradualism that are typically not covered by the multiple streams lens. This thesis will also investigate if particular policy strategies provide an improved understanding of contraction (or lack thereof) in the two countries.

> *The MSF explanations for periods of stability in the Finnish and New Zealand student funding policy trajectories can be improved by focusing on path dependent processes and unfolding how decisions in the past affect choices today. Availability of retrenchment strategies is a condition for any significant contraction in the student funding policy programs.*

In conclusion, it is evident that a synthesised analytical framework, drawing from the economic/ partisan variables, the MSF and institutionalism, provides a potentially fruitful lens through which to analyse key student funding policy reforms and inaction in Finland and New Zealand. The next chapter will discuss the methodological tool utilised to address the above outlined propositions.

Chapter 3 Research Design

This chapter elaborates on the methodological choices made to address the research questions and hypotheses presented in chapters 1 and 2. The overarching research design was built on a case study framework. Case studies commonly consist of in-depth analysis of complex phenomena in one or a limited number of cases (Yin, 2014; Miles, 1994). This approach is particularly suitable for the proposed research as it poses how or why questions about a 'contemporary set of events, over which [the] researcher has little or no control' (Yin, 2014, p. 14). Case studies can also provide an 'explanation of a sequence of events that produce a particular historical outcome in which key steps in the sequence are in turn explained with reference to theories or causal mechanisms' (Bennett, 2004, p. 21). Hence, the benefit of a case study design is its ability to unfold causal insights into the student funding policy domain in a small-N study setting.

The case study approach allows a choice between single or multiple cases (Gerring, 2007; Yin, 2014). In this research the initial interest was in Finland as an international outlier with its tuition fee free provision and near universal student allowances (Table 2.1). The cross-country design was chosen in order to see the topic from a wider context and to provide a platform for examining similarities and differences in the cost-sharing patterns and policy process. For example Hall (2008) emphasizes how 'increasing the number and diversity of the cases increases the investigator's confidence that the causal process observed is not idiosyncratic to one of them' (p. 315). Yet, there is a trade-off between the number of countries and the level of detail. This research aimed at providing an in-depth analysis of micro level developments over a twenty year time period in two policy programs and to explain the causes behind expansion, contraction and stability. Hence, drawing on two countries was deemed sufficient to keep the investigation feasible.

The choice of the second country was based on a strategic selection where the cases are chosen based on certain critical variables (Hillebrand, Kok, & Biemans, 2001). This kind of critical case selection is appropriate when the study does not aim at controlled comparisons between the countries but rather investigates casual processes or patterns in each case (George, 2005; Hall, 2003). In this research design 'the results of individual case studies, each of which employs within-case analysis, can be compared drawing them together within a common theoretical framework without having to find two or more cases that are similar in every respect but one' (George, 2005, p. 179). The selection of the second country was theoretically guided even though practical considerations were present[19]. The key requirement was a variation in the general state-student cost-sharing approach during the examination period, in other words a country where there was higher reliance on private responsibility than in the case of Finland. Moreover, a degree of control in three additional variables was important.

First, chapter 2 laid out how increased cost-sharing from state to students has been often explained by states' financial pressures deriving from high overall participation rates. Hence, comparable participation level was critical in order to minimise participation related cost-sharing pressures so that the reasons for expansion/ contraction were not only due to low or high student numbers[20]. Second, as this research aimed to investigate how changes in economic conditions and partisan incumbency affected the cost-sharing direction, case countries had to demonstrate a degree of variation in these variables. Third, in order to apply the policy change propositions to the empirical evidence certain cost-sharing activity (i.e. at least occasional significant reforms) was necessary. On the basis of these criteria, a review of OECD’s data, other literature and a country specific examination was carried out to identify a countries which fulfilled these criteria (Davies et al., 2009; OECD, 2008a, 2008b, 2008c; Johnstone, 2003). New Zealand was identified as such a country and was thus selected as the second country[21].

It was decided in this research to apply a long-term perspective, a perspective to which case studies are well fitted (e.g. Lawton, 2012; Skocpol, 2009). In its simplest form, the inclusion of a longer time period can help to overcome the issue of a too narrow perception and provide an explanation of how history matters. The long-term perspective is crucial for applying the theoretical perspective of path dependence, but a longer time frame has been also recommended for authors outside the historical institutionalism-tradition (Capano, 2009; Cashore & Howlett, 2007; Pierson, 1994; Sabatier & Cerych, 1986; True et al., 1999). For instance Capano (2009) argues that:

[19] For practical reasons most of the primary sources had to be available in languages where the researcher had a high level of competency, restricting the selection predominantly to English and German speaking countries.

[20] The choice was further supported by the small size and relatively remote geographical location of both Finland and New Zealand as they are likely to be subject to similar competitive pressures (Commonwealth Secretariat/World Bank Joint Task Force, 2003; Schwartz, 2000, 1994)

[21] The selection of New Zealand as the second case country took place before the candidate applied to pursue her PhD in New Zealand and hence, the choice of the study destination was guided by the case country selection, not vice versa. The identification of the theoretical suitability of New Zealand was an outcome of a research project at the School of Higher Education Management Department at the University of Tampere, Finland in 2008.

> History means that policies are contextualized in a place, that they come from a past, that they have taken up time. Those not entirely convinced by historical-institutionalism and by the PDF [*path dependence framework*] should bear in mind the influence that historical processes and sequences have had on the policy development and change in question. From this point of view, the ''configurational'' logic of the framework of policy change should include an historical perspective (p, 27).

For the purposes of this research a sufficient time period was necessary for distinguishing between gradual and slow transformative reforms and for seeing how useful the multiple streams framework is in explaining expansion and contraction over a longer time perspective. The final examination period was set as 1989–2013/2014 for New Zealand and 1992–2013/2014 for Finland[22]. These early years witnessed significant changes or of attempts to achieve them. Reforms in the late 1980s and early 1990s also formed structures which still exist at the end of the examination period in both Finland and New Zealand. The above years apply to the student policy trajectory, i.e. the policy outputs, but the analysis of the policy dynamics was extended to earlier decades in order to consider the wider historical context, to identify major prior policy changes and to see how long major policy ideas have remained on the policy agenda (Lampinen et al., 2003).

The decision to undertake a predominantly qualitative study was justified given that the research objective was to gain an in-depth understanding of policy development, rather than a more superficial description enabled by large samples and statistical analysis. However, a basic quantitative analysis was used to measure the magnitude of policy change. In this regard, the benefits of the case study design was that it allowed the employment of various methods and perspectives (Lin, 1998; Yin, 2014). Regarding ontological and epistemological views, the objective of this thesis was to systematically measure the reality of student funding trajectories and to shed light on significant student funding policy episodes. The positivist perspective was dominant: changes in student funding policies have taken place over the years and thus the policy trajectory constitutes a reality that can be observed objectively. Similarly, this thesis situates itself within the comparative historical analysis tradition which assumes that the reasons and causal patterns behind the observed development can be found out and objectively analysed by social scientific methods (Lange, 2013). The suitability of the positivist approach to the social and political sciences has been questioned among researchers in the post-positivist and interpretivist traditions (see for instance Della Porta & Keating, 2008; Guba & Lincoln, 1994). For example, from a postmodern perspective it has been argued that social laws

[22] Reforms decided on in 2013 or before, even though only coming in place in 2014, were included in the policy trajectory.

cannot be identified because of the complexity of social relations — hence its epistemological premises differ from those outlined within the historical comparative tradition (Lange, 2013). Interpretivists emphasize how the world is socially constructed and that researcher's values affect his/her perspectives, thus preventing research from being objective (e.g. Ritchie et al 2014; Della Porta & Keating, 2008). This criticism sometimes concludes that qualitative research cannot be positivist (Lin, 1998).

Nevertheless, as noted above the positivist approach need not be in conflict with qualitative research per se. In this research it was used to identify the dynamics that lead consistently to certain outputs or to reveal patterns that are typical of policy stasis, expansion or retrenchment (Lin, 1998). The argument from the interpretivist tradition claiming that explanations for certain historical events are always — to some extent — interpretations are acknowledged in the limitations of this thesis. Similarly, the interpretivist lens points out the importance of the context of the causalities and the process of how things happen, rather than just recording the causal paths (Della Porta & Keating, 2008; Lin, 1998) This type of approach which considers both process and context was part of the policy analysis process in this study.

Student funding policy output trajectory: conceptualisation of change

The first part of this thesis seeks to trace and analyse changes in the student funding programs' generosity and cost-sharing arrangements in Finland and New Zealand between 1989/1992 and 2014. For this purpose I asked how change could best be operationalised and measured. These questions have been avoided in some of the academic research literature reviewed: for instance policy process theories do not clearly define quantitative or qualitative boundaries for incremental and large change or address their measurement (Capano, 2009; Hayes, 2006; Howlett & Cashore, 2009; Peters, 2012). This is a short-coming as the operationalization of change can affect our conclusions and thus the object of change and other chosen dimensions should be clearly defined (Capano, 2009). In this research the aim is to measure changes in student funding policy outputs' (i.e. legislative changes) from the perspectives of generosity and state-student cost-sharing in the short-medium term context[23]. Both qualitative and quantitative methods can be used in investigating policy outputs (Green-

[23] An alternative perspective is an outcome approach, measuring the effects of policies on certain outcomes (Green-Pedersen, 2007). Examples of this approach could be research designs where cost-sharing changes' impact on inequality in participation or students' purchasing power is investigated. This study was more interested in the dynamics that lead to the enactment of particular policy configurations, and thus the output perspective was deemed more appropriate

Pedersen, 2007). A qualitative lens can distinguish between more and less important reforms or the nature of change. For instance Pierson (1994) identified two change dimensions: a) programmatic that stands for relatively common and often small adjustments in policies and b) systemic which portrays changes in the political and economic context, and which by doing so alter the likelihood of future program reforms. The latter can be 'as important for the welfare state as changes in spending or program structure ‘within’ the welfare state itself' (Pierson, 1994, p. 15). The difference between these two concepts is not the depth but the 'locus' of change (Van der Veen, Trommel, & De Vroom, 2000).

A frequently used reference in the welfare state literature is Peter Hall's 'Paradigms, Social Learning, and the State’ (1993), where Hall distinguishes between first-, second- and third-order reforms. First-order changes are simple adjustments in existing policy settings (e.g. adjustments in allowance rates), second-order changes denote to changes in policy instruments (e.g. funding mechanisms change from grants to loans) and third-level changes refers to paradigmatic changes that affect underlying goals and perceptions (e.g. the nature of education as a private or a public good) (Hall, 1993). Other frameworks for classifying the magnitude of change also exist, these include features like the tempo of change and making a distinction between 'evolutionary' and 'revolutionary' (Brown, 1983; i.e. Capano, 2009; Farnsworth & Irving, 2011; Hayes, 2006; Van De Ven & Poole, 1995)

The theory of incremental policy transformation — accounting for the speed, magnitude and mechanisms of policy change — has been advanced in particular by Kathleen Thelen in collaboration with her colleagues (e.g. Mahoney & Thelen, 2010; Streeck & Thelen, 2005; Thelen, 1999, 2000). For instance Mahoney and Thelen (2010) and Streeck, Thelen et al (2005) have emphasised how slow gradual change can lead to path breaking transformation by layering, drift, conversion or displacement. *Layering* denotes a process in which new features which have been added to existing arrangements, result in a significant alteration in the long run (Mahoney & Thelen, 2010, p. 16). For instance the adoption of minor changes in eligibility rules may result in a switch from a universal to a highly targeted financial aid scheme over time. The introduction of student loans as a complementary funding mechanisms can be an example of a new layer but also of *displacement* if eligibility for grants is at the same time gradually removed (Mahoney & Thelen, 2010; Streeck & Thelen, 2005). *Drift* can be defined as 'changes in the operation or effect of policies that occur without significant changes in those policies’ structure' (Hacker, 2004, p. 246). An example of these core features staying in place but their effect changing is the weakening purchasing power of student allowances if their rates are not adjusted to account for living costs. Lastly, in *conversion* actors try to use existing arrangements to achieve new purposes (Hacker, 2004; Streeck & Thelen, 2005). For instance, if the overall policy goal shifted from equal opportunities towards financial benefits to the state, the financial aid could be reformed to target support based on the acquired public benefits rather than students' financial need.

These frameworks provide a basis for thinking about qualitative differences in policy change. Pierson and Hall’s work is important in highlighting that changes beyond the policy setting level can have significant impacts on future student funding cost-sharing direction and Thelen and Capone point out to the importance of understanding the temporal dimension. Lastly, the mechanisms of gradual transformative change can be viewed as a conceptual tool for an improved description of incremental change processes in the student funding domain.

Changes can be also assessed quantitatively. Much of the quantitative assessment of welfare state change has been based on aggregate, national level spending data in large N-comparative studies[24]. This type of approach, which often consists of the level of national social spending as a percentage of the gross domestic product (GDP), has a number of limitations (Fernández, 2012; Kühner, 2007; Pierson, 2001, 1994; Starke 2008). Most importantly for our research design, the social expenditure lens cannot explain varying trends at a program level (Fernández, 2012; Green-Pedersen, 2004, 2007; Pierson, 1994, 2001). For instance Pierson (2001) argues that 'focusing on a single policy area over time makes it possible to investigate the processes and outcomes of welfare state reform in greater detail' (p. 11) Yet, similar problems are present when aggregate spending data are used in a single policy domain. For instance when pension spending is reviewed, the growing expenditure can reflect the population ageing rather than increased generosity (Esping-Andersen, 1990). Similarly, a comparison of student funding budgets can reveal which country has invested more as a percentage of their GDP, but rather than indicating increased/decreased generosity, changes may derive from growth in student numbers or a fall in GDP. Even though so called social right studies can account for these aspects by comparing fewer features across a large number of countries, they have been criticised for not addressing the generosity of programs or considering multi-directionality (Fernández, 2012; Green-Pedersen, 2004, 2007). For instance Kitschelt (2001) argues that any comparative study of social policy change would

[24] Examples of studies relying on national spending data design are for instance Castles (2004) and Huber et al. (2001).

> ...ideally rely on equivalent measures across a wide range of countries. Such measures would identify the extent of retrenchment in terms of the level of social policy programme expenditures per capita, criteria of eligibility for benefits, duration of benefits, and contributions necessary to qualify for entitlements (Kitschelt, 2001, p. 266).

Considering the research design, I chose a micro level 'output measure' approach which can capture multiple features of individual policy programs, e.g. the direction and magnitude of change and the affected rules (Clasen & Clegg, 2007; Green-Pedersen, 2007). For instance Gerven’s (2008) doctoral dissertation employed this approach when she examined the scope and direction of change in sickness, unemployment, disability and social assistance benefits in three European countries between 1980 and 2006. Her research showed that eligibility and entitlement rules have been constantly revised in all programs but that most reforms follow a certain national path (Gerven, 2008). Other examples of previous micro-level designs are Green-Pedersen’s (2002) research investigating changes in old-age pensions, unemployment benefits, and early retirement benefit/disability pensions in Denmark and The Netherlands between 1982 and 1998 and Classen and Clegg's (2007) analysis of changes between 1981 and 2004 in conditionality rules in unemployment benefits in four European countries.

To conclude, in this research the investigation uses a micro-level perspective which focuses on, in Hall's terms, first order changes affecting student funding programs' generosity and student-state cost-sharing[25]. The exact operationalisation of change is discussed next.

Data and operationalisation of program level change

Student funding policies were divided into two main groups: student financial aid and tuition fee policies. These were further sub-divided into policy programs (e.g. student allowances and loans). The specific rules affecting generosity in these policy programs were derived from the academic literature (Albrecht & Ziderman, 1993; BIS, 2010; Johnstone & Marcucci, 2010; OECD, 2008c; Van Waarden, 2003). In all benefit programs, including student financial aid schemes, entitlement and eligibility rules are the central features affecting program generosity (see Figure 3.1).

[25] However, second order changes were also recorded if they were deemed relevant to the cost-sharing direction. Not all institutional changes are equally relevant to the cost-sharing debate. For instance de-regulation of tuition fees may have a significant impact while moving authority of payments from the state to tertiary institutions is less likely to affect generosity if the entitlement and eligibility rules are controlled by the state, e.g. not affected by this change.

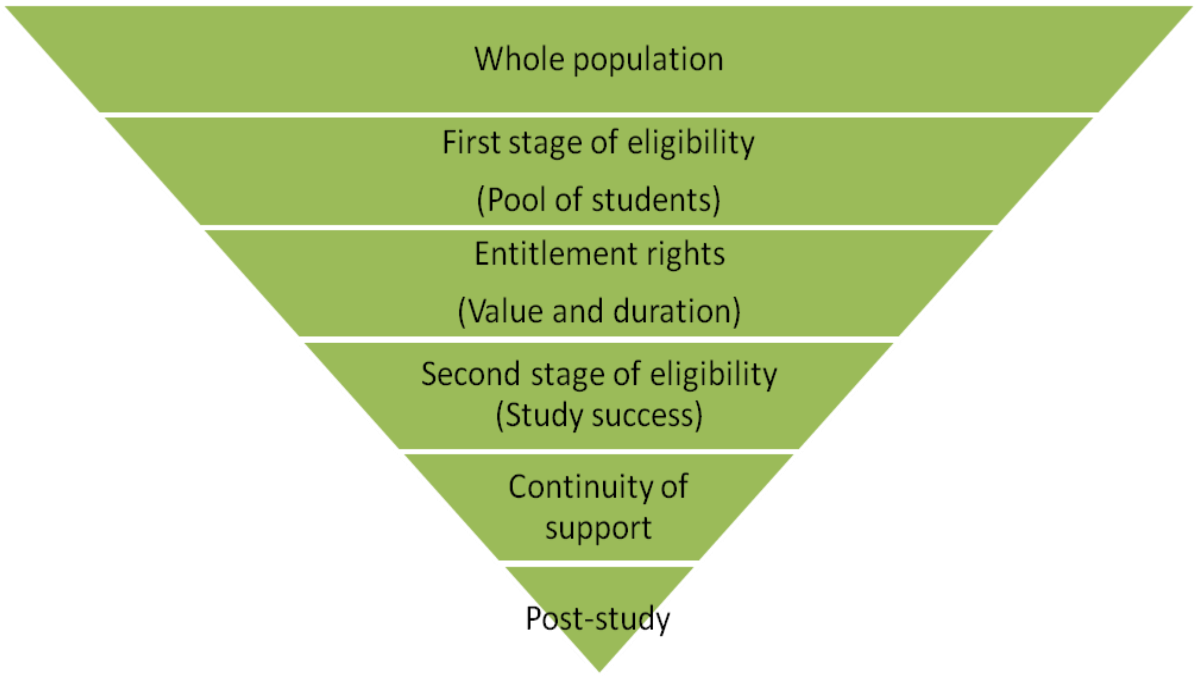

Figure 3.1 Eligibility and Entitlement Rules in Student Financial Aid Scheme

First, eligibility by category creates a pool of potential recipients, like the unemployed or students (Clasen & Clegg, 2007). In this research the first category includes the pool of students, the type of study selected (e.g. program, mode) and students' ascribed characteristics (e.g. age and gender) (BIS, 2013; OECD, 2008c). The second category includes eligibility rules based on students' financial need (e.g. own or parental income). After passing these eligibility criteria the next step consists of decisions on the value and maximum duration of entitlement. These can be the same for all recipients or depend on recipients' characteristics (e.g BIS, 2010; OECD, 2008c). Under entitlements I also consider particular obligations, e.g. changes in student loan interest rates if they are set by the government. After entitlement has been granted, the initial eligibility criteria usually continue, so for instance if student's parental income exceeds the threshold, the financial aid will be reduced or discontinued. Moreover, new requirements can be applied intervening with the established entitlements, such as particular behavioural requirements (Clasen & Clegg, 2007). For instance, a study success requirement can be a criterion for the continuity of support (OECD, 2008c). In addition, one needs to pay attention to changes that affect post-study rules, for instance through changes in student loan interest rate levels after graduation as these can have significant impacts on the final ratio of student-state cost-sharing (Barr, 2014; BIS, 2010; Johnstone & Marcucci, 2010; OECD, 2008c). The reviewed dimensions in the student financial aid are summarized below

Table 3.1 Reviewed Rules within the Student Financial Aid Policy Domain

Policy	Rule	Rule details and examples
GRANT BASED SUPPORT AND STUDENT LOANS (rules affecting generosity during and after studies)	ELIGIBILITY	Category I (e.g. student status, program, age, residency); Category II (e.g. own income, parental income)
	ENTITLEMENT	Maxima rates (flat/for different categories of students); Maximum duration (life-time and per degree) Obligations (e.g. the cost of borrowing reflected by the interest rate)
	CONDITIONS	Academic conditions (e.g. GPA requirements or study load)

The tuition fee domain requires a somewhat different approach and was only applicable in the New Zealand case. Even though direct support for students (e.g. per student subsidises) can be categorised with the above mentioned procedures, I decided that changes in financial responsibility are better described by tuition fee levels. In this respect, New Zealand's model since 1992 is complicated by its diversified fee scheme, with high variation in fee levels between study areas and institutions. Hence, it was not considered feasible to capture changes in individual responsibilities. In contrast, the approach chosen considered changes in average fees. This approach was complemented by tracking trends in few study areas. Moreover, as I defined changes in the tuition fee levels to be closely coupled with governments' per student funding, the main trends in course category/EFTS subsidies were analysed.

Table 3.2 Reviewed Rules within the Tuition Fee Policy Domain

Policy	Rules	Sub-Instruments
Fee levels	LEVEL	Average level of fees
Fee subsidies	ELIGIBILITY	Category I and II as in Table 3.1
	ENTITLEMENT	Dollar and % value related to the fee level (flat/for different groups); maximum duration
	CONDITIONS	As in Table 3.1
Government's per student subsidies to tertiary institutions (if fees are partly/ fully unregulated)	ELIGIBILITY	Category I and II as in Table 3.1
	ENTITLEMENT	Dollar value; maximum duration

Legislative changes that were technical or administrative in nature (e.g. definition of income) or involved only other groups of students than tertiary students were excluded from the in-depth analysis.

Even though the initial objective was to include all polices affecting domestic student's financial responsibility, the scope was narrowed down due to feasibility considerations. Most policies affecting changes outside the main student funding budget (e.g. Working for Families tax credits, adult education aid; meal subsidies) were excluded from the analysis. Similarly, I did not consider generosity changes in scholarships; changes that regulated penalty/repayment rules in case of overpayments/fraud; rules regulating eligibility in alignment with other benefits (e.g. if students are eligible for student financial aid or sickness benefit); regional housing allowance rate changes in New Zealand; regulations around overseas study or the after tax value of the benefits[26] . Furthermore, the treatment of students during holiday periods regarding access to unemployment benefits was not included in the Finnish case as this entitlement is not regulated at the national level. Similarly, any student discounts provided (e.g. subsidized housing, discounts in public transport or in purchasing services within or outside tertiary institutions) were not included. Also changes in registration fees, student union membership fees or in fees beyond the official degree seeking programs were excluded, e.g. fees in non-degree seeking study in Finnish open universities. Nevertheless, even with these exclusions, the trajectory is extensive and describes the main trends of student-state cost-sharing policy development in the two case countries.

The information required for creating the student funding policy trajectories was recorded using primary data, principally the student financial aid and tuition fee legislation. The main databases were the Finlex Data Bank, New Zealand legislation, Legal Information Institutes and the Parliamentary recordings. All legislative changes were read through and recorded in detail (e.g. the age limit or the dollar value of the income threshold) in an excel file which kept track of annual changes. Data required for assessing the scope of change was not always available through the legislative accounts and in these instances information was derived from budgets, working group calculations, and media accounts or by data requests to government agencies (for instance through the Official Information Act)[27]. In a few instances the required data, e.g. the exact size of the affected group of students, were

[26] Green-Pedersen has argued that calculation of the net effects is 'almost impossible' (2002, pp. 153–4). However, particular changes that were tightly related to reforms in the tax system were considered. For instance, in New Zealand certain movements in the student allowance gross rates were adopted in order to keep the net rate at the same level.

[27] For instance in New Zealand most of the Student Loan borrowing eligibility and entitlement rules are not set out in legislation. The student loan scheme is delivered as a contract between the crown (the lender) and the students (the borrower) and the terms are set in the Student Loan Contract following Cabinet's policy decisions.

not available through any of these sources and a rough estimation of the number of students affected had to be made[28].

Similar problems were present with regard to the estimated budgetary implications as these were not always broken down to the detailed level required[29]. For instance, most budgetary implications were calculated for all students (including those in secondary schools or vocational institutions). Also, in a number of instances only limited evidence on particular student loan policies' budgetary impact (in other than in capital terms) was available and some of these changes had to be excluded from the calculations. Moreover, when reviewing budgetary implications on the state, it has to be acknowledged that changes in the student funding programs can affect resource use in other social-security schemes or be offset by changes in taxation (Green-Pedersen, 2002). As consideration of all of these impacts was out of the scope of this research, the final budgetary implications have to be approached with caution.

Direction and scope of change

Following the main research question, the main changes in the student funding programs were analysed by their direction. Establishment of the cost-sharing direction is straightforward when it affects the entitlement rate, but changes in other rules can be more complex. For instance a decision to lower students' own income threshold may reduce students' working hours, rather than reduce the amount of support received. This problem has been noted by Green-Pedersen (2002, pp. 58–59). For the sake of simplicity and following the paths of Clasen and Clegg (2007) and Gerven (2008) I defined stricter rules as increased, and relaxation as decreased cost-sharing. In other words, contraction included all changes leading to increased private responsibility/decreased generosity and expansion all changes leading to decreased financial responsibility/increased generosity. Stability was situations where no changes occurred[30]. This conceptual framework allowed multi-directionality within a policy reform so that I was able to capture instances where generosity increased for one group while it decreased for other groups (Pierson, 1994; Starke, 2008). Furthermore, with the focus on student-state cost-sharing, I perceived it to be important to distinguish changes which had an

[28] This issue has been noted by Green-Pedersen (2007) and Starke (2008). Reasons for this can be manifold. Government or its officials may not perceive it important to break down the exact effects of the reforms or the number of people affected by the proposed policy change may not be reliably estimated.

[29] In this research I aimed at capturing the estimated level of budgetary consequences. If this figure was not available, the real budgetary impacts were used. Green-Pedersen (2002) has emphasised the difference between these two indicators which may, for instance, be based on the multiple uncertainties present in calculations based on student behaviour .

[30] For instance, non-adjustments can be considered as effective cuts (Starke, 2008, p. 14). In this research non-adjustments were treated as stability in the annual context but their impact on the real value were analysed over a longer time frame.

impact on state budgets from changes that affected student funding but had no (or indirect) implications on the state's budget (e.g. higher loan maxima when provided by private banks).

The scope of change included consideration of the size of the group of students affected and the magnitude of change. Both of these variables are important. For instance a 200 percent increase in the level of benefit for a marginal group differs significantly from a reform that provides a 200 percent increase for the entire student population (Starke, 2008, pp. 19–20). I also acknowledged that the combined effects of gradual adjustments can lead to big shifts over a longer period of time (Clasen, 2005; Mahoney & Thelen, 2010; Streeck & Thelen, 2005). Hence, after calculating the magnitude of year- to-year change on a nominal basis, I adjusted most changes for inflation over time (Gupta, 2011). The operationalisation of the variables, and the applied thresholds are presented in Table E1. Considering the artificiality of the thresholds and particular issues with the data and its assessment, all estimates should be understood as indicative, not as precise figures. It is also important to note that the data do not allow cross-country comparison in generosity as the data was not adjusted for living costs.

This section has outlined my plan to capture generosity and cost-sharing changes in the student funding policy domain. Few authors have addressed long-term changes in this detail in any qualitatively oriented policy change research: analysis has often focused on paradigm shifts or distinguished between adjustments and structural changes rather than attempting to measure the exact scope of change (Green-Pedersen, 2007; Mahoney & Thelen, 2010). For instance Green-Pedersen (2007) argues that many qualitative studies are 'lacking an operational definition that spells out how, and on the basis of which criteria, assessments were made, thereby diminishing their reliability significantly' (p. 16). Also, in previous applications of the output measure, assessments have been qualitative (less/more; structural/adjustment) and/or ignored certain important aspects of change e.g. size of the group and budgetary impacts (e.g. Clasen & Clegg, 2007; Gerven, 2008). The reasons for this non-calculation can be traced to the difficulty of providing measurement yardsticks and the time resources needed for analysing trends in longitudinal studies (Clasen & Clegg, 2007; Green-Pedersen, 2007). For the purposes of this thesis I suggest that quantification increases the power of description and by doing so produces a more reliable means to test the first hypothesis and allows a better comparison of similarities and differences over time.

The student funding policy process: data and its analysis

The objective of the second part of this research was to explain the observed changes and to identify patterns of expansion, contraction and stability in the student funding policy trajectories. The analysis began by utilising a pattern-matching technique where the student funding cost-sharing trends were matched against the hypothesised patterns as outlined under the second proposition (Mahoney & Rueschemeyer, 2003; Yin, 2014). In other words, the annual cost-sharing direction in each policy program was compared against the partisan incumbency and/or economic environment variables[31]. This allowed me to draw conclusions about the explanatory power of these two variables and categorise the policy episodes into likely, partly unlikely and unlikely. Finally, seventeen episodes indicating expansion, contraction and stability were selected for the policy process analysis phase[32].

The policy process analysis was undertaken using document sources. Policy texts contain government's and other actors' diagnosis of the main issues, desirable cost-sharing direction, triggers and constraints for change and policy ideas that have been discussed[33]. Documents are hence useful for gaining insights into the dynamics of the student funding policy making and have frequently been used in scholarly work either alongside interviews or as stand-alone data (for an example of the latter see for instance Mattila, 2011). Most primary texts relating to reform episodes were identified online through electronic search[34]. The technique of pyramiding citations was also utilized, in this case bibliographies within already collected policy documents and scholarly literature were examined to locate new sources (Gupta, 2011). The acquired material consisted of a wide range of texts, including bill proposals, cabinet papers, parliamentary recordings, select committee statements, ministry documents, working group publications and interest group papers. At a later stage newspaper articles were added to complement the data and they provided valuable insights on the unfolding of a few of the reforms. This inclusion of media sources has also been proposed as a way to provide better understanding of the public context in which politicians operate (George, 2005, p. 97).

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31 Data showing partisan incumbency were derived from parliamentary websites. Economic indicators were collected from Treasury, National Statistics, the OECD and the World Bank. See Table 4.3 for operationalisation of the variables.

32 The volume of data meant that all episodes could not be chosen for the policy process analysis. I prioritised medium and large scale reforms as I believed these to provide the most pivotal insights into the causes of generosity changes.

33 In this research the words 'text' and 'document' refer to any 'data consisting of words and images which have become recorded without the intervention of a researchers' (Silverman, 2013, p. 51).

34 For instance the following electronic databases were searched: Google scholar, university and parliament library databases, ministries' publication search, parliamentary recordings, national archives and interest group websites. Among the keywords utilised were for instance: 'student funding', 'tertiary fees', 'tuition fees', 'student financial aid', 'student allowance' , 'student loans' and in Finland 'opintotuki', 'opintoetuudet',' lukukausimaksut', 'opintolaina', 'asumislisä',

Moreover, the prior academic work reviewed here provided contextual and policy episode specific information and helped to address some gaps in the primary data[35]. Following George and Bennett's (2005, p. 99) recommendation that researchers should not 'automatically assume that these investigators properly weighed the evidentiary significance of documents and interviews', data from these secondary sources was regarded as interpretations of the policy events. The final set of data varied in a number of dimensions, including the level of detail, the purpose they served and the audience they were written for. The qualitative data analysis software program Nvivo was used to manage the vast body of data. Both countries were assigned their own folders, consisting of policy episode subfolders listed in chronological order. Either the whole text, or extracted parts or notes were imported into the relevant folder(s) depending on the online availability of the text. In reading the individual policy texts I applied a qualitative content analysis technique which is a basic text analysis method (Tuomi & Sarajärvi, 2009). It can be described as a 'qualitative data reduction and sense-making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings' (Patton, 2015, p. 541). The key objective in this approach is to code the raw data into conceptually congruent categories which help to organise and reduce data for analysis purposes (Elo & Kyngäs, 2008; Hsieh & Shannon, 2005). I used a deductive approach in creating the coding list where the theoretical framework directed the analysis (Table 3.3).

Some of the variables in the MSF were not easily measurable. For example, it is not clear what the 'national mood' concept in the political stream refers to (Zahariadis, 1995, p. 35, 1999, p. 98). Public polls may be indicative of this mood, but Kingdon warns that the national mood does not always 'reside in the mass public' (1995, p. 148). This thesis operationalised national mood as the perception of national mood, for instance policy actors' arguments stating that the national mood is supportive of certain reforms. Table 3.4 presents the operationalisation of the other MSF concepts. Similar issues were present in the operationalisation of the path dependence concept. This was due to its inconsistent use in the academic literature, referring to both its narrow and broad forms (Greener, 2005; Peters, 2012). For example Pierson (2000) and Mahoney (2000) support the narrow form where path dependence is distinguished from the more general ‘history matters’ explanations. For Mahoney (2000) path dependence requires a sequence that can be traced to 'certain contingent occurrences that cannot be explained on the basis of prior historical conditions' (p. 508). The presence of contingency suggests that more than one path was possible over time but that in the path creation feasible

[35] Examples from these secondary sources in New Zealand are for instance Butterworth and Tarling (1994), Eppel (2009) and in Finland the work produced by Autio (1995), Blomster (2000) and Weimer (2013).

alternative paths became unlikely (Mahoney, 2000). A well known example of a positive feedback process is the adoption of the QWERTY keyboard which was regarded as an inferior platform, but its initial standardisation resulted in sunk costs and ultimately, a path lock-in (i.e. in Pierson, 2001, 2004; David, 1985). Yet, the QWERTY example has been argued to be 'both too contingent and too deterministic' in the political sphere where the initial choices are rarely completely open and alternative paths do not always disappear after the path formation (Thelen, 1999, p. 385).

Table 3.3 List of the Independent Variables

Category	Sub-Category
Main variables	Economic conditions
	Partisan incumbency
Problem Stream	Indicators
	Feedback
	Focusing events
Policy Stream	Value acceptability
	Budgetary implications
	Technical feasibility
Political Stream	Election promises
	National mood
	Interest groups
Actors	Policy entrepreneurs
Institutional	National factors
	Legislative factors
	History matters/path dependence
Retrenchment strategies	Obfuscation
	Division
	Compensation

In this thesis the 25 year policy period as a historical snapshot enabled limited examination of formative moments and the temporal logic of causation in order to provide support for narrow path dependence claims in all of the policy episodes. Therefore, I decided to focus on examining these processes in only four episodes that showed a high degree of stability. I aimed at identifying the initial path creation moments and the way the particular path is reproduced (Mahoney, 2000; Peters, 2012). Nevertheless, examination of certain aspects of contingency in the formation process was not possible in the scope of this research. For instance initial choices in the first Finnish and New Zealand universities regarding tuition fees were not tracked down to the European medieval practises that ultimately influenced the tuition fee paths in the case countries.

Table 3.4 Operationalisation of the Main Theoretical Concepts

Category	Concept	Examples
Main variables	Partisan incumbency	Government's partisan constellation (e.g. Labour party as left-wing and National party as right-wing)
	Economic conditions	Government's net lending as % of GDP. Complementary: GDP growth, net borrowing, unemployment figures
Problem stream	Indicators	New statistics or research indicating that a social condition should be viewed as a problem
	Feedback	Experiences from existing policies or learning from overseas or from other policy domains
	Focusing events	Crisis/urgent events requiring a fast solution
Policy stream	Value feasibility	Values associated with the solution and how these align with the values of the policy community, politicians and the public
	Technical feasibility	Implementation issues related to the policy idea
	Budgetary feasibility	Budgetary consequences and their calculation
Political stream	Elections	Election cycles/partisan election platforms
	Interest groups	Interest groups advocating for policy change/stability
	National mood	Politicians', policy community's or media's statements of 'national mood' being favourable or against reform
Actors and policy windows	Policy entrepreneurs	Individuals or groups who pushed certain pet proposals or problems higher on the policy agenda/ or impeded them
	Policy windows	Location where policy window opened and favourability of conditions in all streams
Formal institutions	Government's constellation	Number of coalition partners in the government
	Student funding policy domain	Legislative arrangements impeding/advancing change
Criteria for distinguishing between path dependence versus history matters explanations	Path formation	Presence of alternative causal possibilities and contingency in the formation of the path
	Path reproduction and lock-ins	Evidence of mechanisms of re-production (positive feedback) or lock-in situations which are near irreversible

After the initial coding of the selected policy reforms, a number of analytical techniques were available for bringing insights to the policy process and analyzing causal complexities in small-N case study settings, the main ones included versions of pattern-matching, process-tracing and causal narratives (Bennett, 2004; Hall, 2003, 2008; Lange, 2013; Mahoney & Rueschemeyer, 2003; Yin, 2014). As was explained earlier, the first phase of pattern matching compared the economic and political conditions to the witnessed cost-sharing direction. This phase was complemented by process tracing where the intervening variables in the casual processes were explored (see for instance George, 2005, p. 206; Gerring, 2007, p. 216; Lange, 2013, p. 53; Mahoney & Rueschemeyer, 2003, p. 360; Yin, 2014, p. 147). The MSF lens was applied to all likely policy episodes to find evidence that the association which was revealed by the pattern matching was not spurious (Bennett & Checkel, 2014; Lange, 2013). Here, I assessed the relative importance of partisan incumbency and economic conditions versus the impact of other possible factors (e.g. problem pressure, interest groups). Each episode was analysed to build a narrative of the unfolding of the reform including a chronology of events indicating the main steps. This type of disaggregation of the historical trajectories was useful for considering multiple events and their interaction and providing a more holistic understanding of the causes behind the witnessed developments (Collier, 2011, p. 823; Hall, 2003, pp. 360–361).

In episodes where the initial pattern matching stage disconfirmed the theoretical propositions, an explanation building technique was applied. The literature review helped to identify certain factors that could advance a particular cost-sharing direction (e.g. the student unions' role in protecting the schemes against contraction). Similarly, I drew insights from the MSF and institutional lens literature on features that could affect the general likelihood of policy change. Each selected policy episode was investigated in order to induce theoretical explanations for the dependent variable (e.g. expansion or contraction) under unfavorable conditions. Identifying these significant determinants in unlikely policy episodes can help to generate more plausible explanations for student funding cost-sharing policy directions. Finally, pattern matching was applied to all the policy episodes to investigate how the MSF propositions matched the empirical evidence (Almutairi, Gardner, & Mccarthy, 2014; Lange, 2013; Mahoney & Rueschemeyer, 2003; Yin, 2014).

The within-case analysis (here: individual policy episodes) was followed by a comparative analysis where the identified causes and patterns of expansion, contraction and stability were systematically compared across countries in order to identify particular national patterns. Moreover, the process-oriented comparison was well suited for showing how 'the cases share key elements of the causal process and to highlight the factors that promote their similar outcomes' (Lange, 2013, p. 99). In this research I utilised this process-oriented comparison to identify similarities in the policy processes leading to either significant expansion or contraction. This approach was expected to result in a deeper understanding of the triggers and conditions behind student funding expansion and contraction.

Limitations of the study

Yin (2014) has identified four design tests that should be used to evaluate case studies: construct validity, internal validity, external validity and reliability. First, construct validity refers to the correct operational measures for the concept. Compared to large-N statistical methods, a case study design allows the researcher to account for contextual factors and identify and measure indicators that 'best represent the theoretical concepts the researcher intends to measure' (George, 2005, p. 19). Nevertheless, construct validity can pose significant challenges in case study settings (Yin, 2014, p. 44). The researcher should define the object of the research and how it can be best examined. In this study the dependent variable was the student funding policy outputs (i.e. legislation) cost-sharing implication. This phenomenon was approached by recording and measuring annual policy changes and by investigating the reasons and dynamics behind the witnessed policy direction.

The use of multiple sources can improve construct validity and thus one of the limitations requiring further discussion is this study's reliance on documentary evidence. A complementary strategy could have included interviews with politicians or other key informants as interviews can shed light on hidden policy actors or the prominence of particular policy ideas that may not be easily identified by reviewing policy documents (e.g. Kingdon, 1995, pp. 243–244). In this research interviews were excluded for two main reasons. First, the collection and analysis of the documentary evidence was time consuming due to the large-scale data set including two countries and four policy programs across a time period of 25 years. Hence, conducting a large number of additional interviews was not practically feasible. In contrast, a limited set of interviews would have resulted in a number of selection problems. For instance people at one level of the government hierarchy often hold an incomplete picture of the policy process, distorting the analysis towards certain interpretations (George, 2005, p. 103). Additional issues exist in conducting interviews relating to events that have occurred more than two decades ago. For instance, access to informants can be limited and there is a 'recall error' in informants' memory after time has been passed (Bernard, Killworth, Kronenfeld, & Sailer, 1984; Yin, 2014). To increase construct validity and to guard against the limitation of not conducting interviews, this research used a variety of sources, including prior scholarly work that was based on interviews with key informers (Yin, 2014).

Second, internal validity denotes the extent to which the findings accurately describe and interpret reality (Boyd, 2004, pp. 410–411). In this research the creation of the student funding trajectories was based on a careful reading and recording of the legislative data. Hence, the policy setting details and the direction of change accurately describe what happened within the time period. However, a number of data accuracy related issues were present in assessing the direction and scope of change and hence these findings have to be interpreted with caution. These problems and areas of potential bias were discussed earlier in this chapter. The question of internal validity is also important for the qualitative policy process analysis phase. In this research I used pattern matching technique and careful investigation of intervening factors in the data analysis phase which helped to increase internal validity (Yin, 2014, p. 47). For instance rival explanations were considered and negative examples were sought to challenge the theoretical propositions. Also, the application of more than one theoretical lens has been supported by a number of authors as complementary theories can lead to a better understanding of the complexity of the policy process and enhance reliability through theory triangulation (e.g. Denzin & Lincoln, 1994; Kingdon, 1995; Sabatier, 2007, 1999). The inclusion of even more theories was decided against for practical reasons as '... the analyst must find some way of simplifying the situation in order to have any chance of understanding it. One simply cannot look for, and see, everything' (Sabatier, 1999, p. 4). Lastly, in this research the constant comparative approach of within-case findings to each other and comparison across countries and policy directions helped to strengthen the analysis by forcing consideration of differences in the policy process (Lange, 2013, p. 99; Silverman, 2013, pp. 279–280).

Third, external validity addresses the questions of the generalization of the findings outside the case (Yin, 2014). Small N-studies are less capable of providing findings that can be generalised than large N-studies (Bennett, 2004; George, 2005; Gerring, 2007). Nonetheless, case studies can generalise their findings to a broader theory. This 'analytical generalisation' has been argued to be the most appropriate type of generalisation in small-N case studies (George, 2005; Yin, 2014). This is the objective in my study: the findings are expected to contribute to the academic discussion on higher education cost-sharing and the strengths and weaknesses of the theoretical models utilised.

Moreover, as the findings are based on an in-depth examination of the past 25 years, the patterns identified are expected to be relevant to future student funding policy trajectories in the two case countries. Our findings applicability to other policy domains in Finland and New Zealand is more limited but certain national patterns might be relevant outside the student funding domain. Similarly, the created benefit change measurement platform can easily be adjusted to measure changes in other programs. This study also emphasises the importance of national context in policy-making which is impossible to replicate and hence findings cannot be directly translated to other countries. Even though the findings point out to certain key dynamics in the student funding policy process, the relevance in other contexts would be need to be verified by further case studies.

The fourth and final criterion identified by Yin (2014) is reliability. Reliability refers to the way the research operation can be repeated with the same results. This can be done by providing a detailed account of how the data were collected and analysed. With regard to the student funding trajectory, the legislative details and statistics used are mainly available in the public domain and available for re-examination. Also the issues relating to measurement were clearly elaborated and measurement criteria made explicit as recommended for instance by Starke (2008, p. 20). Anyone following the same line of inquiry would come up with the same results. The same reliability criterion applied to the policy process analysis stage (Yin, 2014). Hence the process in which data was collected, coded and analysed has been carefully described so that the reader has the opportunity to see how conclusions have come about and to judge the validity and credibility of the analysis (Elo & Kyngäs, 2008).

Table 3.5 Validity and Reliability of the Research

Criteria	Examples of how the criteria were addressed
Construct Validity	Collection of texts from multiple sources (including prior research that has analysed interview data).
Internal Validity	Careful recording and analysis of policy outputs. Theoretical triangulation, rival explanations, constant comparative approach.
External Validity	No claim of generalisation outside the case countries as the objective was analytical generalisation.
Reliability	Detailed description of how the data was collected and analysed. Detailed narrative to give readers the opportunity to judge the validity and credibility of the analysis

To conclude, the empirical analysis in this research proceeded in the following way. First, following the output measure approach, detailed student funding policy trajectories were created through data derived from legislative and other documentary sources. These changes were measured and analysed in order to address the first hypothesis regarding the dominant cost-sharing direction and magnitude. Second, the student funding policy trajectories were compared to economic and partisan incumbency indicators to establish the link between these variables and changes in generosity. Third, a number of likely and unlikely policy episodes were investigated by qualitative content analysis. The dynamics in the policy episodes were analysed to establish repeated patterns within and across cases and to investigate whether the link between the economic/partisan variables and the cost-sharing direction was genuine or if more plausible explanations for the cost-sharing direction existed.

Chapter 4 Student Funding Cost-Sharing Trajectories

In this chapter I address the tertiary education cost-sharing debate by investigating whether incrementalism and contraction are the dominant trends in the student funding policy domain. Does the empirical evidence from the case countries support these propositions or how have the student funding programs been reformed? I begin by discussing macro-level trends before presenting a detailed account of the changes as proposed by the output measure approach. Second, I aim to validate the hypothesis that posits that the state's economic and political conditions are the main determinants behind a particular cost-sharing direction. This is accomplished by examining whether the variables hold true when compared to the data from the student funding policy trajectories. Finally, the empirical data are utilised to identify episodes for the policy process analysis undertaken in chapters 5–7.

Student financial aid policy paths in Finland and New Zealand

In Finland the overall trend in the student financial aid budget has been towards continuous growth in state expenses from the 1970s onwards and is particularly visible during the period 1991–2013 (Autio, 1995; Figure 4.1) when expenditure grew from 318 million Euro in 1991 to 781 million Euro in 2013. Out of the 22 years reviewed, reductions occurred in six years (1995, 2005, 2007, 2011–13).

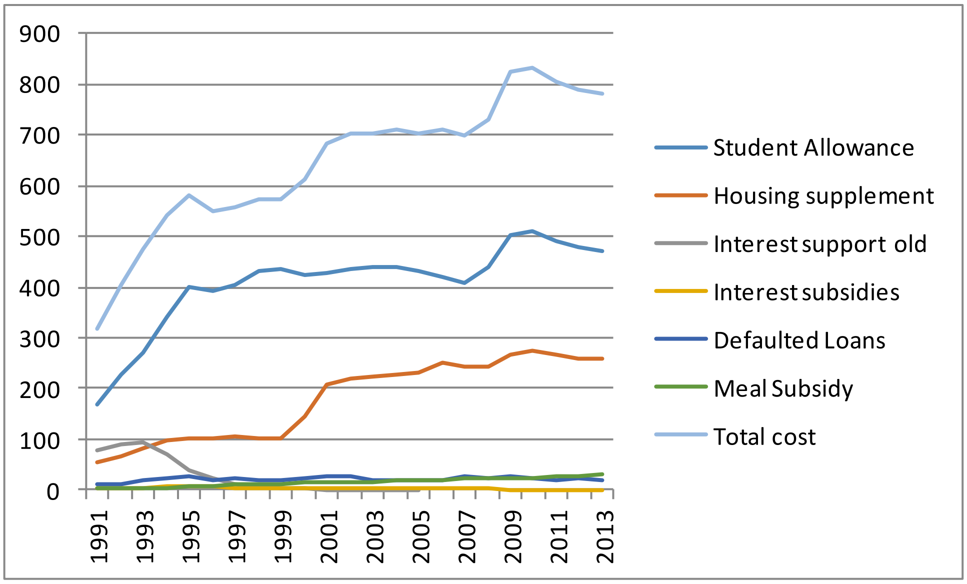


Figure 4.1 Cost of the Student Financial Aid Scheme in Finland, 1991-2013 (in constant million EUR)

Note: The expenditure includes secondary students. See Table D1 for detailed data. Source: KELA (2014).

Most annual changes in the level of expenditure have been either small (12) or medium scale (7) while larger reforms have taken place less frequently and predominantly fall in the first years of the new student financial aid scheme (Appendix E)[36]. It is notable that the Finnish scheme has witnessed no changes that fall under the large contraction category. Figure 4.1 also indicates the main trends in individual policy programs. It becomes evident that all major changes in overall student support expenditure have closely followed expansion or contraction in the grant support since the mid-1990s while the salience of loan based and other instruments has been relatively minor.

In New Zealand the student financial aid expenditure shows significant expansion over time (Figure 4.2). Whereas in 1988 government spending on student financial aid was around $140 million, in 2013 the expenditure covering allowances and student loan provisions reached more than a billion dollars. Out of the 25 years investigated, contraction took place in nine years, but large cutbacks only occurred once. Most expenditure changes were of small (11) or medium (9) magnitude[37].

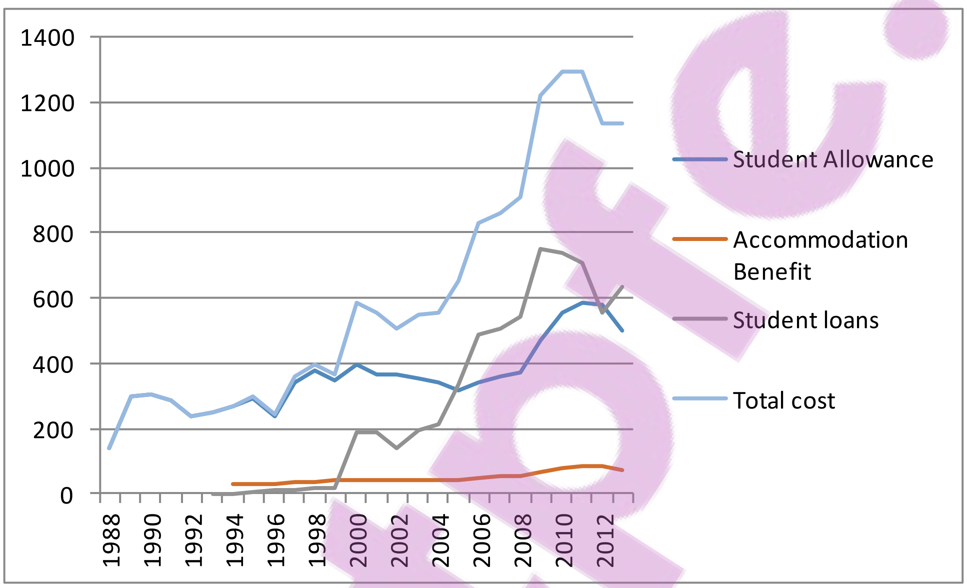


Figure 4.2: Cost of the Student Financial Aid Scheme in New Zealand, 1988–2013 (in constant million NZD)

Note: Student loans expenditure figures are a sum of the interest write-offs, defaulted loans, and voluntary repayment bonus minus the revenue gathered from administration fees. Due to changes in recording, the figures after 2004 are not directly comparable to earlier figures. See Table D2 for detailed data and additional notes.
Sources: MoE (2014d); Study Link (2014); SLASR (2000–2014)

[36] Small < 20 million; Medium: 20-70 million; Large > 70 million (in euro; nominal annual change).
[37] Small < 30 million; Medium: 30-120 million; Large > 120 million (in NZD; nominal annual change).

In New Zealand the individual program trends vary between a student loan and a student allowance program. The data shows major expansion in student allowances in 1989, 1993–1998 and 2005–2011. In contrast, significant contraction in the allowance based scheme took place in 1992, 1999, 2001–2005 and in 2011–2014. Since 2000, the major growth in overall financial aid scheme expenditure has occurred through student loan interest subsidy write-off policies, their value increased from only $20 million in 1999 to $192 million in 2000, reaching around $620 million in 2013 (the figures include the value of expected interest write-offs).

Chapter 3 emphasised that changes in these overall expenditure levels may be explained by changes in student numbers rather than by increased/decreased generosity. A review of enrolment patterns in Finland and New Zealand shows that while the growth in higher education participation was gradual for most of the 20th century, in the early 1990s student numbers increased rapidly.

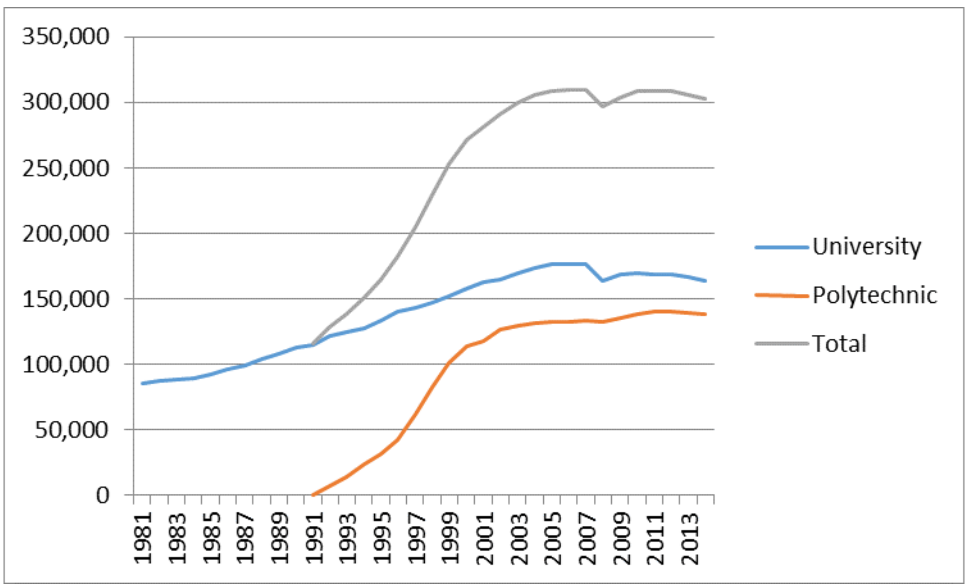


Figure 4.3 Students by Tertiary Sector in Finland 1981–2014

Source: Tilastokeskus (2015a)

In Finland the number of tertiary student skyrocketed from 100 000 in 1988 to more than 250 000 in 2000[38], exceeding 300 000 enrolled students in 2005. Since 2007 this growth has slowed down or even temporarily declined.

[38] This growth is partly explained by the establishment of a polytechnic sector which did not exist in 1988.

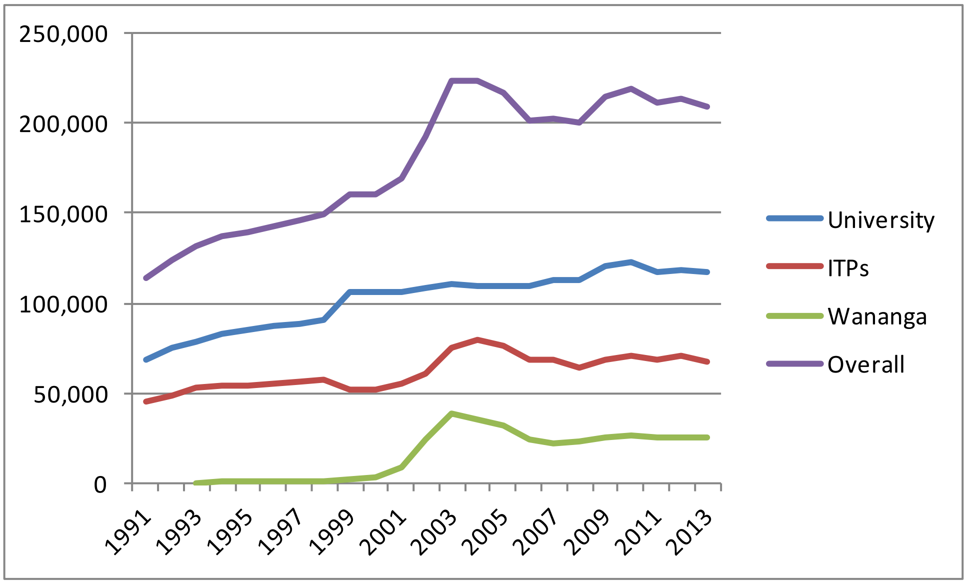


Figure 4.4 EFTS-Funded Students by Tertiary Sector in New Zealand, 1991–2013

Note: The EFTS-place figure is smaller than the actual student number as a) TEIs have enrolled a large number of unfunded students and b) the data does not contain students in private tertiary institutions. Figures after the year 2000 are not directly comparable to figures pre-2000 due to differences in the data sets utilised. Teacher training college students are included under the university sector. Changes between sectors may reflect changes in tertiary providers institutional status (e.g. AUT in year 2000). Sources: TEAC (2001); MoE (2014a)

Figure 4.4 shows how the number of EFTS-funded student places grew from around 110 000 to 160 000 in 2000. However, as tertiary institutions also enrolled unfunded students, the overall number of students almost doubled between 1985 and 2000 (from 120 000 to 280 000) (MoE, 2001; Statistics New Zealand, 1985, 2000). Between 2000 and 2013 government funded EFTS study places grew by 30 percent (from 160 000 to 209 000). Yet, as in the case of Finland, participation has witnessed periodic declines in the 21st century. In both countries the expenditure growth in the 1990s aligns with a sharp rise in enrolment levels. That said, in certain periods (e.g. FIN 2008; NZ 2004-2006) the number of students contracted while the student funding budget expanded. Similarly, particular years indicate a contraction in expenditure despite growth in participation (e.g. FIN 1995, NZ 1992). Yet, particularly in the Finnish case changes in pre-tertiary level enrolments may affect the overall budgetary changes and hence Figure 4.5 complements this account by showing the real number of financial aid recipients over time[39].

[39] Under the Finnish scheme also a vast number of pre-tertiary level students have been eligible for financial aid while in New Zealand only a small percentage of eligible students have been other than tertiary students (KELA, 2014; ESB, 1989-2009).

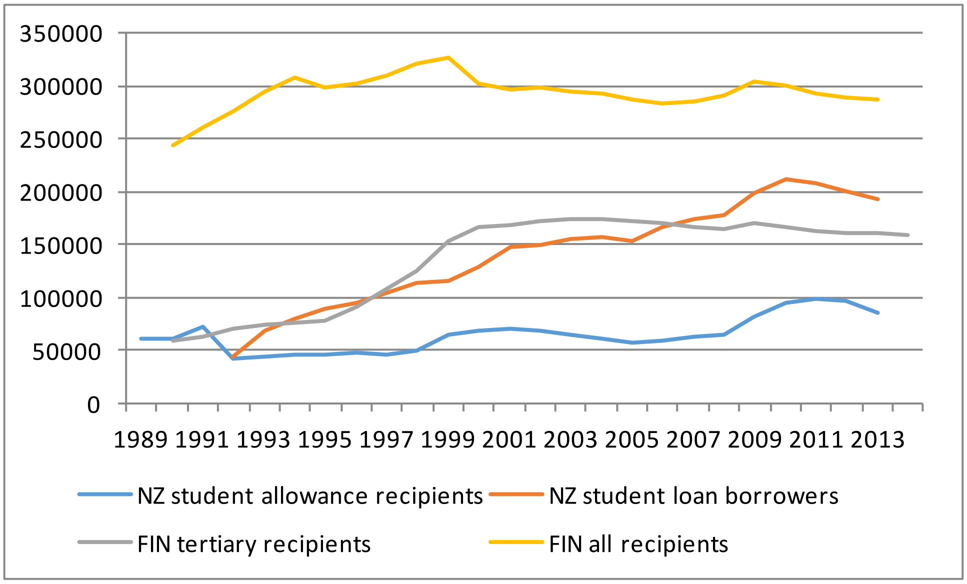


Figure 4.5 Student Financial Aid Recipients in Finland and New Zealand, 1989–2013

Note: The data show the number of total active borrowers in New Zealand. For Finland similar time series data on student loan borrowers were not available.

Sources: Study Link (2014); ESB (1989–2013); KELA (2014); SLSAR (2000–2014)

Figure 4.5 shows how in Finland the number of financial aid recipients grew in the 1990s but how after that the recipient levels have stabilised or even declined (total number of recipients declined in 2000–2006 and 2010–2013). Most changes in recipient numbers seem to align with the overall budgetary expansion/contraction trends (see Figure 4.1 and Figure 4.2), but during the 2000–2006 period the dominant trend was towards less recipients and increased spending, and may thus indicate that the per student generosity increased. In contrast, in New Zealand the number of allowance recipients has not followed the overall growth in student numbers, explaining why the budgetary spending remained relatively stable until 2008. Also, the cost of borrowing for the government staid modest in the 1990s despite the significant growth in loan recipients. However, the sharp increase in student loan related budgetary spending since 2000 without (as) significant increase in the number of borrowers may indicate increased generosity in the scheme.

Even with the inclusion of student and recipient numbers, the overall expenditure figures tell us little of what has happened to benefit entitlement and eligibility rights or how increased/decreased generosity has been implemented. Thus, in order to develop a deeper understanding of cost-sharing changes, a more detailed analysis of the direction and scope of the changes that have occurred is necessary. The output measure analysis shows how the student funding policies in Finland and New

Zealand have changed in generosity (see Appendix E). The data also reveal annual episodes of expansion and contraction in governments' financial aid budgets. These main trends are summarised in Table 4.1 and Table 4.2

First, the Finnish trajectory shows how the 1992 reform replaced the old scheme which mainly relied on government subsidised loans with a near universal student allowance program and market based student loans. The main expansion occurred through a significant increase in the allowance rates and through relaxation of the eligibility criteria. The 1992 reform also included cutbacks, for instance all interest subsidises for new loans were discontinued and allowances were made part of taxable income. This reform was expected to result in an approximate 11 percent rise in the financial aid budget.

After the 1992 reform a few years of incremental development took place in program generosity until in 1995 all grant based entitlements were cut, which resulted in a saving of 300 million marks in the financial aid budget. A housing support reform in 2000 also led to contraction by reducing the annual housing support entitlement of a group of students, but the main trend in 1996–2009 was towards gradual expansion, mainly carried out by relaxing the financial need eligibility criteria and by lifts in entitlement rates. Besides adjusting existing rules, expansion took place by adopting new instruments, e.g. student loan interest subsidies (1996) and a loan subvention scheme (2003). The 1996–2009 period of expansion came to an end in 2011 when slight contraction occurred. This direction was temporarily reversed in 2014 as when the government introduced indexation in allowance rates, a two tier structure with a higher level of support for new students and replacement of the loan subvention scheme with a more generous loan compensation program. Yet the long term implications of these reforms were expected to result in savings through the abolishment of student loan interest tax deductions and cuts in the maximum time limits.

Overall annual retrenchment in the Finnish government budget was restricted to three years, 1995, 2000 and 2011, but the long-term effects of the 2014 reforms also indicated a clear contraction. Most reforms leading to annual expansion included certain elements of contraction, indicating reduced generosity for particular groups of students (Table 4.1).

Table 4.1 Student Financial Aid Policy Changes in Finland, 1992–2014

Year	**Main Reform Content (Tertiary students)**	**Cost-Sharing Impact**	**Decreased Generosity**	**Increased Generosity**
1992	Higher student allowance rates. Abolishment of student loan interest subsidies	Expansion LT: Cost-neutral	Yes	**Yes**
1993	Adjustments in housing supplement and allowance supplement eligibility rules	(Expansion)	Yes	Yes
1994	Adjustments in allowance supplement rules	(Expansion)**	Yes	**Yes**
1995	Cuts in student allowance and housing supplement rates. Increased student loan rate.	Contraction	**Yes**	Yes
1996	Introduction of student loan interest subsidies	(Expansion)	No	**Yes**
1997	Relaxation of eligibility rules: e.g. lower age limit and longer maximum entitlement time	(Expansion)	No	**Yes**
1998	Lower age limit and changes in own income rules	(Expansion)	Yes	**Yes**
2000	Students' housing support reform by aligning two separate support schemes	(Contraction)	Yes	**Yes**
2002	Adjustments in student loan interest subsidy eligibility rules	(Expansion)	Yes	**Yes**
2002	Extended support entitlement time for students in particular study programs	(Expansion)	No	**Yes**
2005	Introduction of a loan subvention scheme and increase in housing supplement rates	Expansion	Yes	**Yes**
2006	Relaxation of allowance supplement eligibility	(Expansion)	No	**Yes**
2007	Relaxation of allowance supplement eligibility	(Expansion)	No	**Yes**
2008	Rise in the level of student allowances and students' income thresholds	Expansion	No	**Yes**
2009	Relaxation of housing supplement eligibility (removal of targeting on spousal income)	(Expansion)	No	**Yes**
2011	Tightening/loosening of eligibility criteria	(Contraction)	**Yes**	Yes
2014	Indexation of allowances, removal of student loan tax deductions, a two-tier scheme	(Expansion) LT: Contraction	Yes	Yes

Note: When the expected long-term impact varies significantly from the short-term impact it is outlined separately. Minor budgetary changes are marked with brackets. The generosity direction for the majority of students affected by the reforms is marked with a bold font if clearly identificable.
** However, major expansion at the pre-tertiary level took place.
Source: Table E2

Table 4.2 Student Financial Aid Policy Changes in New Zealand, 1989–2014

Year	Main Reform Content (Tertiary students)	Cost-Sharing Impact	Decreased Generosity	Increased Genrosity
1989	Significant rise in student allowance rates; stricter eligibility rules for young students	Expansion	Yes	**Yes**
1990-1991	CPI adjustments in rates and thresholds; minor changes in eligibility rules	(Expansion)*	No	**Yes**
1992	Eligibility to grant based support restricted; establishment of a new student loan scheme	Contraction	**Yes**	Yes
1993	CPI adjustments; removal of second chance and national importance provisions	(Expansion)	Yes	Yes
1994-1996	CPI adjustments; changes in student loan interest rates	(Expansion)	Yes	Yes
1997	New earning spouse thresholds; CPI adjustments; higher student loan entitlement rate	(Expansion)	Yes	**Yes**
1998	Eligibility to grant based support restricted; CPI adjustments	(Contraction)	Yes	Yes
1999	CPI adjustments; changes in student loan rules	(Expansion)	Yes	Yes
2000	Zero interest on student loans for students; CPI adjustments	Expansion	No	**Yes**
2001-2004	CPI adjustments; rise in sole parent housing benefit maxima (2003); age limit down to 16	(Expansion)	No	**Yes**
2005	Parental income threshold lifted, tightening of independence criteria; changes in targeting rules	Expansion	Yes	Yes
2006	Zero interest on student loans; parental, own and spousal income thresholds lifted, CPI adj.	Expansion	No	**Yes**
2007-2008	Minor changes in grant based eligibility criteria (2008); CPI adjustments	(Expansion)	Yes	Yes
2009	Independence age limit down; CPI adjustments	Expansion	No	**Yes**
2010	New student loan repayment bonus; CPI adj.	(Expansion)	No	**Yes**
2011	Student loan eligibility and conditions rules tightened; CPI adjustments	Contraction	Yes	Yes
2012	CPI adjustments	(Expansion)	No	**Yes**
2013	Eligibility to grant and loan based support restricted; repayment bonus removed; CPI adj.	Contraction	Yes	Yes
2014	Eligibility to grant based support restricted; CPI adjustments	(Contraction)	Yes	Yes

Note: CPI = Consumer Price Index. If the expected long-term impact varied significantly from the short-term budget impact it is outlined separately. Minor changes are marked with brackets. The generosity direction for the majority of students affected by the reforms is marked in a bold font (if clearly identifiable). Source: Table E3

In New Zealand 1989 was the starting point of the modern student allowance scheme. Even though grants had been widely available since 1975, the 1989 reform instituted a significant expansion as most students' entitlements were lifted and individual circumstances (e.g. spouse or dependent children) were considered in defining the entitlement level. Three years later in 1992 the independence age limit was lifted from 20 to 24, which meant that most students' eligibility became targeted based on their parental income. This removed eligibility from 41 percent of students and resulted in significant budget savings. At the same time a state run student loan scheme was introduced, providing funding towards living costs and tuition fees to all enrolled students.

Development of the New Zealand financial aid scheme between 1993 and 2014 was predominantly incremental, consisting of adjustment to entitlement rates and the introduction of minor changes in eligibility criteria. Retrenchment after the 1992 reform was restricted to the periods 1998–1999 and 2013–2014. Most expansion in the scheme was gradual, but significant changes towards a more generous system occurred in 2000–2006. Moreover, when considering the cumulative impact of gradual changes, the period 2005–2010 resulted in significant expansion as the relaxation in targeting rules considerably increased access to the scheme.

Table 4.1 and Table 4.2 reveal the generosity trends and the budgetary impacts of the cost-sharing reforms that were not evident from the expenditure figures. These data confirm the initial finding that expansion and increased generosity have been the dominant annual trends in both countries' student financial aid policies. It also outlines the need to emphasise multi-directionality: most reforms witnessed features of both increased and decreased generosity. Finally, findings support the initial hypothesis of gradualism. Most large movements in state expenditure appear to originate for reasons (e.g. changes in student numbers) other than generosity rules.

The shortcoming of the above account is its exclusion of silent retrenchment. Chapter 3 discussed how change can take place by inaction, for instance by not adjusting benefit rates to living costs which can, over time, lead to transformative erosion of the policy programs. An example of this type of erosion in Finland is the student allowance rate which was not adjusted for living costs in 1992–2013 (however, the rate was increased in 2008). This means that the real value of allowances dropped by around 24 percent in 1993–2008 and by 10 percent in 2008–2014. For the government the decision to maintain the 1992 rate for more than 15 years (1993–2008) and the 2008 rate in 2009–2013 led to extensive savings[40]. A similar trend was displayed in the student housing supplement scheme: the maximum rental threshold remained unchanged in 1994–2004 and 2005–2014, at a time when rents rose significantly (HE 116/2013; Raivola, Zechner & Vehviläinen, 2000). It can therefore be argued that many of the visible reforms leading to expansion were enabled by the impacts of the silent cuts. This silent saving tactic has been identified in other Finnish benefit programs as well (Timonen, 2003)

In New Zealand the value of student allowances was indexed, but the 1994–2004 non-adjustments in the parental income thresholds meant that eligibility for grants was considerably tightened. A similar silent saving development was re-initiated in 2011 with government's decision to freeze parental income thresholds. Moreover, in New Zealand the accommodation benefit maxima has remained at the same level since the commencement of the scheme in 1989 even though in all of the major cities this maxima was reached in the early 21st century. Hence, the value of the benefit has weakened compared to real rental levels (NZUSA, 2014).

In order to answer research question one, this thesis captures national patterns in how financial aid programs have been reformed. A better understanding of the means of expansion/contraction is produced by distinguishing whether changes have occurred in entitlements, eligibility rules or conditions. Table 4.4 indicates that in grant based schemes expansion has been most actively adopted by improving the entitlement rates. In addition, periodic improvements in eligibility (by adding new categories or by loosening targeting on some aspects of financial need) were frequent. At the same time contraction has been adopted by reducing the maximum time for which the support is available, describing a pattern where an adequate level of support is emphasised - but with tighter time limits.

In the Finnish trajectory a clear shift is visible after 2000, where behavioural conditions moved to the centre stage. This development aligns with the benefit change literature emphasising the rise of activation policies (e.g. Clasen & Clegg, 2007). However, a similar pattern is not present in New Zealand where contraction was implemented by tightening rules on financial need (e.g. parental income) or conditions of category (e.g. student's age , residency). The latter of these instruments was non-existent as a means of contraction in Finland.

[40] When the Finnish pension index is utilised, government saved at least 90 million euro in 1995-2008 and 45 million euro in 2009 -2014 by the non-indexation decision.

Table 4.3 Contraction and Expansion Trends in Grant Based Financial Aid Assistance

Contraction

Time Period	Entitlement Level	Entitlement Time	Eligibility CAT1	Eligibility CAT2	Conditions
FI 1992-1999	*	*		**	
FI 2000-2014		**			**
NZ 1989-1999	*	*	**	**	*
NZ 2000-2014		*	**	*	

Expansion

Time Period	Entitlement Level	Entitlement Time	Eligibility CAT1	Eligibility CAT2	Conditions
FI 1992-1999	*	*	**	**	
FI 2000-2014	**		*	**	
NZ 1989-1999	**		*	*	*
NZ 2000-2014	**		*	**	

* Some evidence of the use of the instrument. ** Clear evidence of the use of the instrument
CAT I= conditions of category (e.g. student status, choice of institution, program, study load, age, gender, residence)
CAT II = financial need (e.g. own income, parental income, spousal income, rental level)

Due to the significant differences in the Finnish and New Zealand student loan models, patterns in these schemes were more difficult to compare. New Zealand has a government run loan scheme and hence any changes in entitlement levels will have implications for capital requirements. Also, after the interest free policy was introduced in New Zealand (2000; 2006), all rule changes (e.g. eligibility and repayment) can incur significant costs to the state. In contrast, in the Finnish market based student loan scheme, most changes in the loan scheme have marginal, if any, impacts on state budgets.

The review of the loan schemes revealed that in both countries relatively minor adjustments took place after their initial establishment in 1992, all significant changes only took place after the turn of the century. In New Zealand contraction has occurred since 2011 by tighter eligibility and repayment rules, which have been specifically introduced in the loan scheme. In contrast, in Finland contraction followed the changes in the grant assistance scheme. In expansion both countries showed a clear trend towards increased rates and interest subsidies. Differences were visible in regard to loan repayments: in Finland the trend was towards increased generosity while in New Zealand rules were tightened.

Table 4.4 Contraction and Expansion Trends in Loan Based Financial Aid Assistance

Contraction

Time Period	Student Loan Entitlement	Student Loan Eligibility	Student Loan Conditions	Interest Subsidies	Repayment Rules
FI 1992-1999	*			*	
FI 2000-2014	**	*	**	*	*
NZ 1992-1999	*				
NZ 2000-2014		**	*		**

Expansion

Time Period	Student Loan Entitlement	Student Loan Eligibiilty	Student Loan Conditions	Interest Subsidies	Repayment Rules
FI 1992-1999	*	*		*	
FI 2000-2014	**			**	**
NZ 1989-1999	**		*	*	*
NZ 2000-2014	**	*		**	*

* Some evidence of the use of the instrument. ** Clear evidence of the use of the instrument
Entitlement = level and time; Eligibility = CAT I and CAT II; Conditions = study success; Interest = level and eligibility;
Note: Does not include changes that were geared towards the grant based assistance scheme

This section showed how the student financial aid programs were reformed in Finland and New Zealand between 1989/1992 and 2014. It appears that both countries have witnessed increased generosity and incrementalism, contraction and radical changes remaining more periodic. In the light of these findings, the validity of the hypothesis framing cutbacks as the dominant cost-sharing direction is questioned. The findings also emphasise the multi-directionality of reforms and the benefits of the output measure approach. Certain national patterns were uncovered through a detailed analysis of the affected rules, e.g. the shift towards increasing use of behavioral conditions in Finland, while New Zealand has continued using more traditional means of contraction.

Tuition fee policy paths in Finland and New Zealand

In Finland higher education study remained free of charge for all domestic degree seeking students during the investigation period.

Table 4.5 Tuition Fee Policy Changes in Finland in 1992–2014

Year	Main Reform Content	Domestic Students	International Students
1993	Domestic tuition fee reform initiative	No	-
1994	Free provision written in law (polytechnics)	No	-
1998	Free provision written in law (universities)	No	-
2007	Tuition fees allowed for international students in custom-made programs	No	Contraction
2010	Tuition fees allowed for international students in masters level education	No	Contraction

Source: Finnish legislation and Valtioneuvosto (1992)

Even though the free of charge provision was only written into law in the 1990s, the practise of free provision extends to the establishment of the first public universities. Even though tuition fees were charged in some private institutions, this practice was discontinued in the late 1970s/early 1980s when all privately run tertiary institutions were nationalised (Autio, 1994). However, the fee path has not remained in complete stasis. The years 2007 and 2010 witnessed international fee reforms and 1993's proposed domestic fee reform, had it been implemented, could have resulted in significant changes.

In contrast, in New Zealand students have been required to pay fees since the establishment of the first universities (Gardner, 1973). The size of these fees, and related government's subsidy funding varied in the 20th century, but private responsibility remained relatively low until 1990 when a $1250 standard tertiary fee was introduced. Two years later the fee scheme went through another significant reform when fees were deregulated and a new cost-category subsidy scheme was created. Subsequent reductions in the state's cost-category funding were followed by medium and large increases in tuition fee levels, leading to an average fee of $3562 in 2000 (Figure 4.5; Table D3; Table D4). Rapid growth lasted until the early 21st century when a series of fee stabilisation policies and additional investment in per student funding resulted in periodic decreases in fee levels (Table D3, Table D4; Table E4).

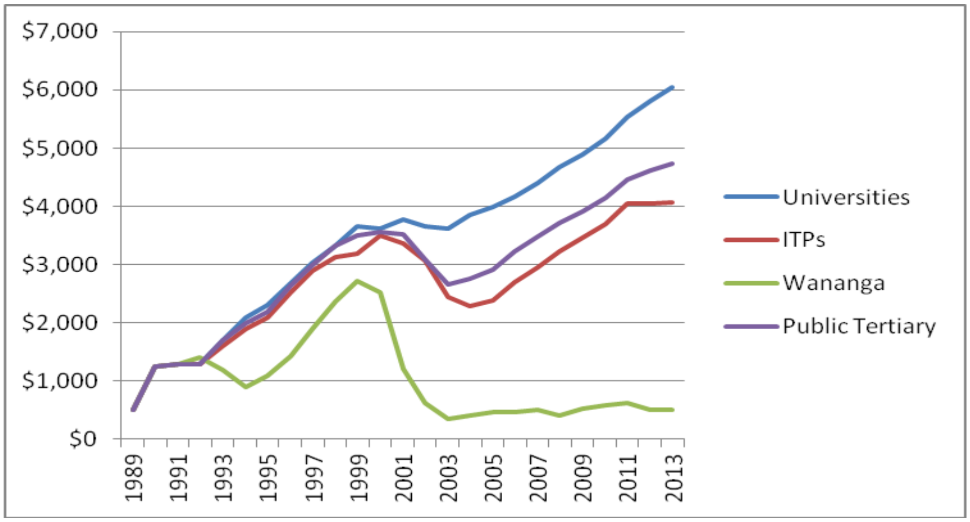


Figure 4.6 Average Domestic Tuition Fee Levels in New Zealand, 1989–2013

Note: Nominal level change (full-time equivalent fee levels). Data for 1988-1989 includes universities only and data for 1989-1991 excludes the impact of fee abatements/grants. Source: MoE (2014a) ; TEAC (2001); Profile and Trends (2014)

Figure 4.6 shows the rapid increase in average fee levels until 2000 when fee levels were stabilised or went into decline. The latter trend is particularly clear in Wananga and in ITPs. Since 2003 both the overall and sector specific average fee levels, have risen significantly apart from Wananga.

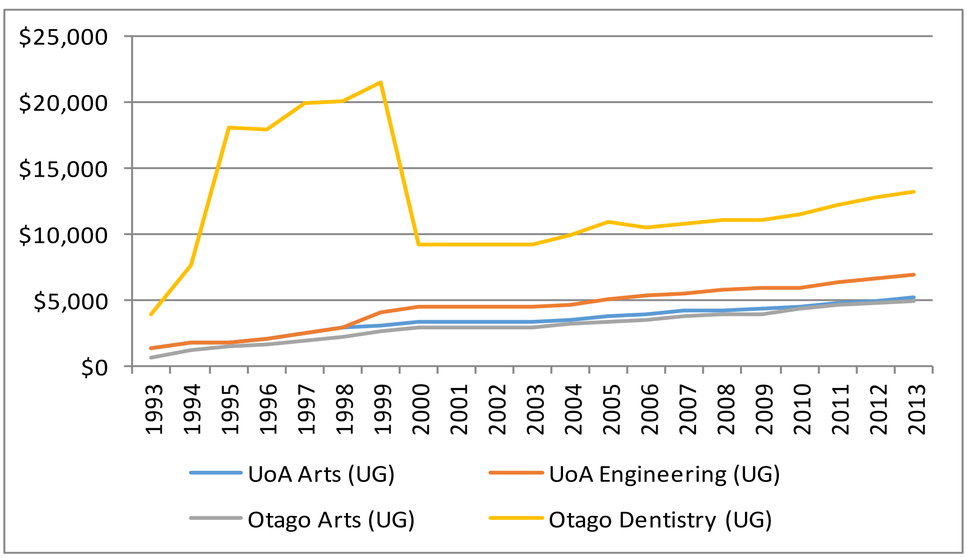


Figure 4.7 Tuition Fee Levels in Four Degree Programs in New Zealand

Note: UoA = The University of Auckland; Otago = The University of Otago; UG = undergraduate level. 1993 fees at Otago are Study Right rates. Nonstudy right fees were $1320 (arts) and $7800 (dentistry). Source: NZVCC (2014)

From Figure 4.7 it becomes clear that not all students have been affected in a similar way. The examples of four degree programs show that while fee levels in arts and engineering programs have been increasing gradually, dentistry fees have experienced sharp annual changes (1995, 2000). The main changes in the New Zealand tuition fee policy trajectory are presented in Table 4.6

Table 4.6 Tuition Fee Policy Changes in New Zealand, 1990–2014

Year	Main Reform Content (Tertiary students)	Per EFTS spending*	Tuition Fee Direction (average)
1990	A new Standard Tertiary Fee with a Fee Abatement Scheme	Reduced	Higher fees
1991	Rise in the Standard Tertiary Fee and abatements	N/A	Higher Fees
1992	Fee De-Regulation, abolishment of fee abatements, Study Right (SR) funding scheme with significant cuts for non-study right students and in certain cost-categories	Reduced	Higher fees
1993	Small cuts in SR rate and medium cuts in NSR rate, small increase in rate X	Reduced	Higher fees
1994	Small cuts in SR rates; large cuts in teaching and medium cuts in NSR rate.	Reduced	Higher fees
1995-99	Small/medium cuts in most rates; high cuts in dentistry rate	Reduced	Higher fees
2000	Universal Tertiary Tuition Allowance; SR categories phased out, medium increase in NSR and research rates, small cuts in other rates, new research top-ups	Reduced	Higher fees
2001-2003	Fee Freeze: increase in public funding in exchange for a fee freeze, new rate J	Increased	Lower fees
2004	Fee and Course Cost Maxima Policy restricting maxima fees and annual changes, small increases in most rates	Increased	Higher fees
2005	Fees above maxima obliged to reduce, small increases in most rates, new rates L, M, P and T	Increased	Higher fees
2006	Small increases in most rates	Increased	Higher fees
2007	Higher postgraduate student rates for universities, capping the number of funded enrolments	Increased	Higher fees
2008	Fees above maxima not required to decrease	Increased	Higher fees
2009	Small increases in most rates	Increased	Higher fees
2010	Rates aligned between institutions, small increases	Increased	Higher fees
2011	Annual Maxima Fee Movement: fees above maxima allowed to increase but lower annual movement	Increased	Higher fees
2012-13	Student component funding with fee stabilisation. Only new rates (V and N) received small increases	Stable/ increased	Higher fees

Note: Impact on government's per student spending Source: Table E4; Table E5

It becomes evident that the New Zealand tuition fee trajectory has contained drastic abrupt changes, but, when the average fee levels are considered, periods of incremental development are more common. Nevertheless, is also notable that some of the minor annual adjustments resulted in large changes when analysed over a longer time period: for instance the combined effect of annual cost-category cuts in the 1990s was around 17 percent in nominal terms and higher when adjusted for increased costs. Understanding of student-state cost-sharing dynamics in New Zealand requires further attention to the linkage between government's subsidies and tuition fee levels. Formally, most post-92 changes did not affect cost-sharing between the state and the student but consisted of more complex forms of cost-sharing. After government bestowed fee setting authority to tertiary providers, institutions were theoretically free to set fees at any level. In reality this liberty was constrained as tertiary institutions remained dependent on government's cost-category subsidies. Hence, the growing gap between government’s per student funding and the cost of delivery meant that tertiary institutions were under financial pressure to increase fee levels.

The situation of decreasing per student funding led to two main alternatives, tertiary institutions could either absorb cuts or charge higher tuition fees[41]. The first option denotes to cost-sharing between the state and the tertiary institution whereas the second option — as an intentional government policy — could be labelled as *consequential or indirect cost-sharing* between the state and the student. Moreover, policies restricting tertiary institutions' ability to increase fees combined with insufficient governmental funding represents *forced cost-sharing between the institution and the student*[42]. Also, any account of cost-sharing has to consider that not all policies may be imposed equally on all students for fee policies can target increased private responsibility on some groups only[43].

[41] Tertiary institutions can attract funding from other sources, i.e. research funding or international fees to fill gaps in per student subsidies. Hence, to find out the exact linkage between changes in course category changes and tuition fees, one should consider all funding and cost related changes. This approach was beyond the scope of this research.

[42] The New Zealand case illustrates how governments have other methods to regulate fee levels, e.g. by linking fee level to research funding (e.g. in the fee freeze deal) or restricting the maximum amount students can borrow against fees.

[43] Following the tertiary institutions cross-subsidisation practices in New Zealand, cuts in one cost-category may affect students other than the group targeted by the government, thus blurring the link between cost-categories and tuition fees.

Table 4.7 Cost-Sharing in the New Zealand Tuition Fee Policy Domain

Type of Cost-Sharing	Example of Policy	Examples from the NZ Case
Direct between state and the student	Increasing/decreasing the level of fees * Targeting (all students or certain groups)	1990 Standard Tuition Fee 1991 Fee adjustment * 1990–1991 Abatements
Indirect between state and the student	Changes in per student funding with consequential increases/decreases in institutions' tuition fee levels * Targeting to all or certain groups	1992–1999 Development * 1992 Study Right, 1995 cuts in dentistry subsidies
Direct between state and the tertiary institution	Changes in per student funding without consequential increases in fee levels	1992–1999 all fee rises were not as high as subsidy cuts
Forced between state and the tertiary institution	Setting fee maxima policies with cuts or inadequate adjustments for institutions' real costs in government funding * Targeting of funding to certain institutions/study areas	2012–2013 fee stabilisation without adjustments in general per student funding * 2012–2013 subsidy increases in priority areas

The New Zealand tuition fee path seems to support the first hypothesis as most identified changes resulted in gradually growing tuition fee levels. Yet, the detailed analysis uncovered various problems relating to the calculation of these cost-sharing changes for individual students. I also identified various types of cost-sharing models e.g. indirect cost-sharing, which appear more accurate in describing cost-sharing practises when the authority of fee levels is held by tertiary institutions.

The findings from this and the previous section point to the importance of a detailed analysis of expansion and contraction by considering the direction, scope, and means of the reforms and their effects on the state budget. This is necessary to capture what has changed and by how much, and uncovering certain national patterns of expansion and contraction. Employment of aggregate variables would have ignored these characteristics. In both countries the initial student funding scheme structures implemented in the late 1980s and early 1990s have survived for more than two decades and most development in the policy instrument level has been incremental. Similarly, only few large reforms involving increased or decreased generosity have occurred between the mid-1990s and 2014. Hence, the findings from the policy trajectories align with the hypothesis of gradualism.

Yet, the case studies challenged the hypothesis portraying contraction as the dominant trend. In the two Finnish policy trajectories only three out of 44 years of examination indicated contraction and also in the New Zealand financial aid trajectory increased generosity was more common. That said, increased cost-sharing from the state to students was typical in the New Zealand tuition fee path from 1990 onwards. Even after increased state funding towards fee subsidies in the 21st century, the overall tuition fee direction has continued towards higher private costs. Yet, the contrasting findings from the other policy trajectories mean that the contraction hypothesis cannot be validated.

Economic and partisan incumbency variables and the cost-sharing direction

I will now investigate whether the economic and partisan incumbency variables align with the student funding cost-sharing direction as proposed in Hypothesis 2. The first section examines whether the main contraction periods are connected to governments' economic pressures and whether expansion aligns with budget surpluses. Second, I will examine if governments' partisan representation has impinged on the student funding policy direction in the two case countries. Finally, I will discuss the combined effects of these politico-economic conditions and divide the policy episodes into three different groups based on their theoretical likelihood, i.e. how well they coincide with the economic and partisan incumbency variables.

<u>Economic context</u>

In chapter two I argued that the state's economic well-being is closely related to student funding policy decisions. More specifically, I proposed that increased generosity in student funding programs is likely to stem from favourable economic conditions while financial austerity provides avenues for contraction. Before turning to the economic indicators, I will briefly discuss the above presented tertiary enrolment patterns in the two countries as significant changes in participation can influence governments' economic pressures. In Figures 4.3 and 4.4 it was witnessed how tertiary level student numbers grew significantly in the 1990s in both Finland and New Zealand. This growth has been large in comparison to other countries, Finland and New Zealand ranking among the highest in the world in terms of participation and graduation rates (OECD, 2014).

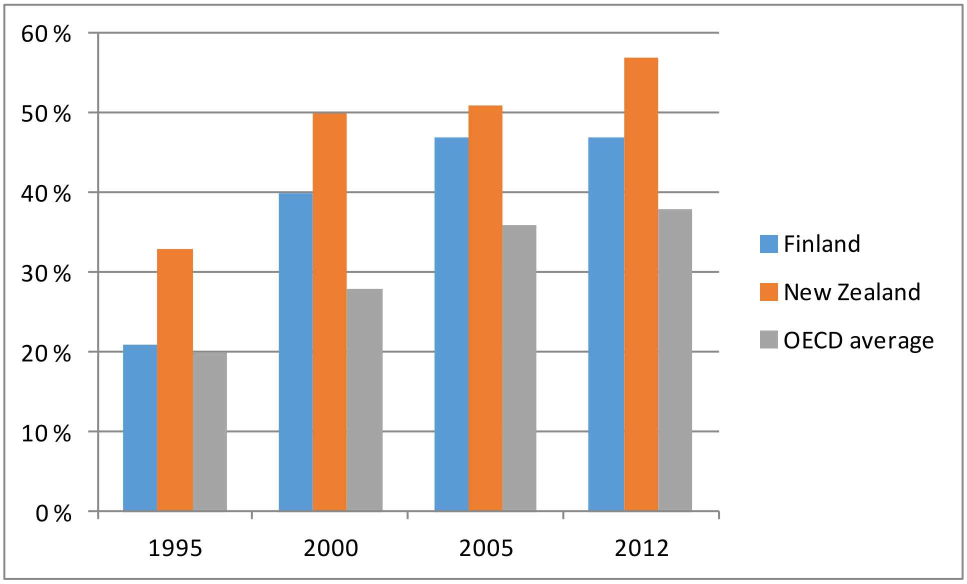


Figure 4.8 Trends in Tertiary Level Graduation Rates, 1995–2012

Note: Y-axis refers to the probablity of graduating from tertiary education over a person's lifte-time (first time graduates at tertiary-type ISCED 5A programs, i.e. Bachelor degrees or higher). Source: OECD (2014)

Even though international comparison of student numbers and related pressures on government budgets is complicated by a number of issues, it can be concluded that both countries have undergone a similar trajectory from relatively small tertiary sectors in the 1980s to a universal participation stage where more than half of the age group is expected to access tertiary education[44]. Thus, governments in both countries were faced with choices in the 1990s as to how this growth should be funded. Yet, the stabilisation of student numbers in the 21st century implies less cost pressures. Nevertheless, participation patterns are only a part of the indicator that forms the variable showing the level of economic pressures on governments. Major significance has to be placed on a state's general economic and financial health. In this respect, the late 1980s and early 1990s covers a period when both Finland and New Zealand encountered severe economic and financial crises.

In New Zealand economic problems were already present in the 1970s following the United Kingdom's decision to join the EEC, a decision which reduced New Zealand's access to its primary market and contributed to growing unemployment (Goldfinch, 2000). The economic situation in New Zealand deteriorated further as a result of the oil crisis in the late 1970s and drought related recession. In the early 1980s the economy contracted further and unemployment rates rose sharply, this was followed by a currency crisis resulting in a devaluation of the New Zealand dollar in 1984. Policies

[44] For instance Finland only counts students in full-time bachelor degree or above study while in New Zealand a wide range of programs are included under tertiary study.

around the mid and late 1980s were intended to solve structural problems in the economy: financial markets were de-regulated and subsidies to industries, e.g. tariff protection, were reduced (Kelsey, 1995). Nonetheless, most macro-economic indicators did not show prompt improvements: although New Zealand's economy grew by 4.7 percent between 1985 and the early 1990s, this was low in comparison to the average growth in OECD countries. In 1991 real GDP in New Zealand fell and unemployment rose to an all-time high of 11 percent. Finally, in 1993 New Zealand was able to deliver a budget surplus (Figure 4.9). The positive economic situation, e.g. surplus budgets, and lowering unemployment rates continued almost without interruption until the 2008 when the economy entered recession (Figure 4.9; Figure D1). The financial balance subsequently improved and was expected to be reached by 2014.

In contrast, for Finland the 1980s was a period of economic boom, many describing it as the 'Japan of the North' (Julkunen, 2001, p. 59). However, much of this economic wealth was artificial and based on stock and real estate bubbles after the liberalization of financial markets had resulted in a general overheating of the economy (Julkunen, 2001). Government attempted to control the situation by revaluating the currency in 1989 which slowed down exports and lead to a growing deficit in the current balance of payments (Julkunen, 2001). Financial concerns strengthened in 1990 when indicators showed a widening gap in the public revenue. In 1991 the economic situation appeared exceptionally difficult: unemployment and foreign debt levels grew dramatically and Finland lost a major part of its exports due to the fall of the Soviet Union and an over-appreciation of the Finnish mark which was devaluated later the same year. Figures 4.8 and 4.9 below show why Kosunen (1997a) concluded that 'the 1990 economic downturn in Finland was especially precipitous' (p. 29).

The downturn lasted until 1994 when the economy started to grow and in 1997 the first surplus budget was reached. After that economic growth was strong and for example in 2007 Finland ranked as the world’s eleventh strongest economy and had the highest budget surplus of all EU member states (Varjonen-Ollus & Sainio, 2008). However, in the aftermath of the global financial crisis in 2009, the GDP dropped significantly and the net lending balance turned negative. The budget deficit, high unemployment rates and growth in government's debt continued until 2013/2014 (Figure 4.9; Figure D1; Figure D2).

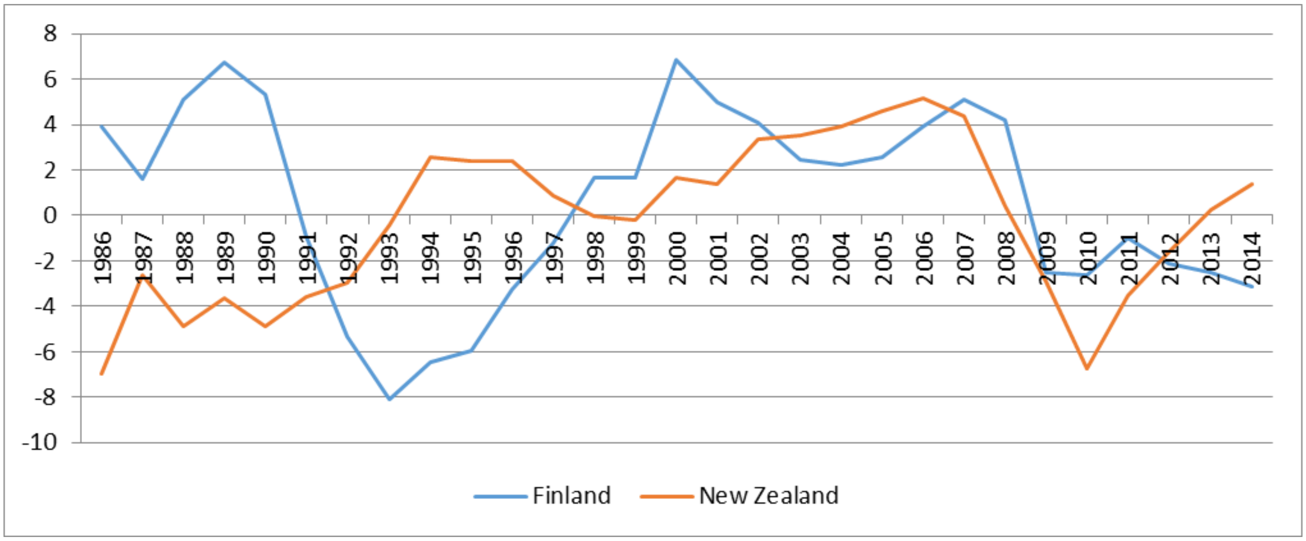


Figure 4.9 Governments' Net Lending in Finland and New Zealand (as % of GDP), 1986–2014

Source: OECD (2015)

Figure 4.9 shows how the Finnish government was faced with significant budget deficits in 1991–96 and after 2008. In contrast, 1998–2007 indicated strong public surpluses. In New Zealand budget deficits existed before 1993 and after 2009 and surplus budgets in 1994–96 and 2000–07.

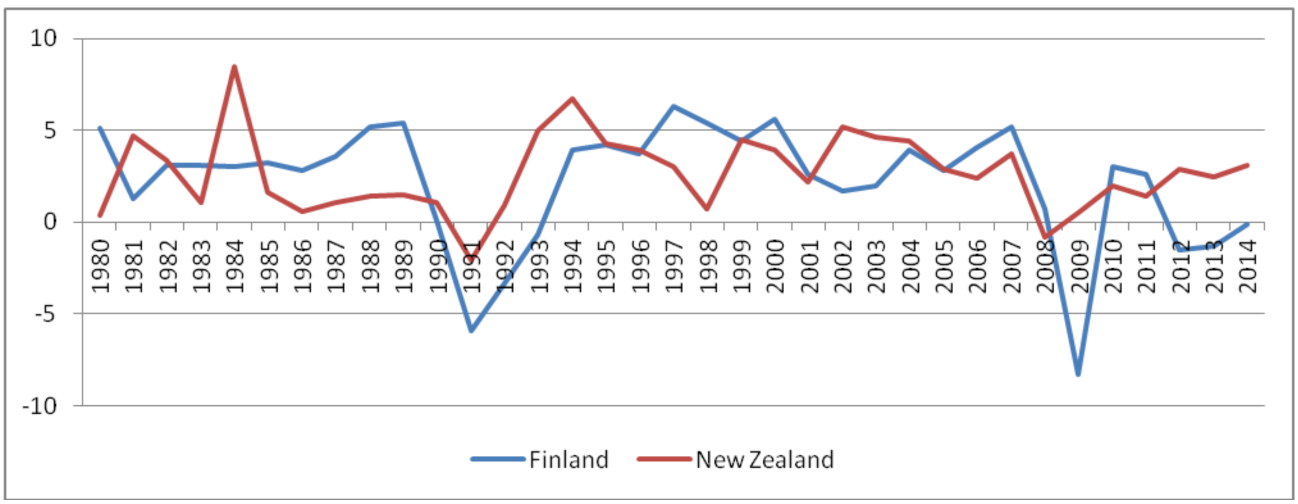


Figure 4.10 Economic (GDP) Growth in Finland and New Zealand, 1980–2014

Source: OECD (2015)

Figure 4.10 indicates that both countries have undergone periods of recession and medium to strong economic growth which suggests a high variance in both governments' economic environment. In particularly the early 1990s and the post 2008 contraction in both countries seem significant and align with the previously presented net lending figures[45]. Following these economic conditions I predict contraction in student funding policies in New Zealand in the late 1980s/early 1990s and in 2008–2014 and expansion during the periods of 1995–1997 and 2000–2007. Similarly, cutbacks in Finland would be expected to have taken place in 1992–1997 and 2009–2014 and expansion in 1998–2008.

Table 4.8 Economic Performance and Contraction/Expansion in Student Funding Policies

Finland Expected direction	**Student Financial Aid** Direction Annual (Overall)	**Domestic Tuition Fees** Direction
1992–1997 Contraction	Both (Expansion)	No change
1998–2008 Expansion	Both (Expansion)	No change
2009–2014 Contraction	Both (Expansion)	No change
New Zealand Expected direction	**Student Financial Aid** Direction Annual/(Overall)	**Tuition Fees** Direction Fees/EFTS subsidies
1989–1994 Contraction	Both (Contraction)	Higher fees/ Contraction
1995–1997 Expansion	Expansion	Higher fees/ Contraction
1998–1999 Contraction	Both (Contraction	Higher fees/ Contraction
2000–2007 Expansion	Both (Expansion)	Both/ Expansion
2008–2014 Contraction	Both (Contraction	Higher fees/ Expansion

Table 4.8 shows how the budgetary context aligns well with the overall cost-sharing direction in New Zealand but that the explanatory power of this variable is less convincing in Finland. When the analysis is focused on the annual level, the Finnish financial aid policy trajectory reveals that two of the three contraction years (1995, 2011) align with period of economic pressure on the state, thus providing some support to the role played by economic necessity in enhancing contraction. Similarly, while the Finnish tuition fee policy trajectory shows no change, the 1992 fee initiative and the 2010 overseas fee policy occurred during times of increased economic pressure. In New Zealand too, the tuition fee trajectory and major contraction in 1990 and 1992 align well with the economic pressures and a similar link is found with the favourable economic situation in 2000–2007 and increased generosity. However, it is notable that the schemes have experienced expansion and contraction that counter the proposed hypotheses. These discrepancies imply that economic conditions were not the only decisive factors behind the chosen cost-sharing direction in each of the two countries.

[45] Also other economic indicators were reviewed, e.g. unemployment rates and net debt rates but as their trends aligned predominantly with the two variable presented they are not included in this chapter (see Figure D1 and Figure D2)

Partisan incumbency

The link between economic pressures and student funding cost-sharing direction seems to be inconclusive. In order to elaborate the theoretical proposition that parties from the right are more inclined to propose contraction than parties with a left-wing orientation, this section examines the political compositions of governments (Table 4.9 and Table 4.10).

Table 4.9 New Zealand Government Coalitions in 1981–2014

Year	Government Parties	Seats in Parliament	Prime Minister	Minister with the Tertiary Education Portfolio
1981	National	51/92	Robert Muldoon (N)	Merv Wellington (N)
1984	Labour	56/95	David Lange (L)	Russel Marshall (L)
1987	Labour	57/97	David Lange; Geoffrey Palmer (Aug '89-); Mike Moore (Sep'90-)	Phil Goff (L)
1990	National	67/97	Jim Bolger (N)	Lockwood Smith (N)
1993	National	50/99	Jim Bolger (N)	Lockwood Smith; Wyatt Creech (Mar '96 -) (N)
1996	National and NZ First*	61/120	Jim Bolger (N); Jenny Shipley (N) (Dec'97-)	Wyatt Creech (N); Max Bradford (N) (Jan '99 -)
1999	Labour, Alliance, *Green*	66/120	Helen Clark (L)	Steve Maharey (L)
2002	Labour, Progressive, *United Future*	62/120	Helen Clark (L)	Steve Maharey (L) ; Trevor Mallard (L) (Dec'04-)
2005	Labour, Progressive, *United Future* *NZ First*	64/121	Helen Clark (L)	Michael Cullen (L); Chris Carter (L) (Oct '07-)
2008	National, *ACT, United Future, Maori*	68/122	John Key (N)	Anne Tolley (N); Steven Joyce (N) (Jan '10-)
2011	National, *ACT, United Future, Maori*	69/122	John Key (N)	Steven Joyce (N) (continuing)

Note: N (National) L (Labour). Parties in government are listed in descending order according to the number of seats held in parliament. Parties with confidence and supply agreements are in italic font and included in 'seats in parliament' (at the beginning of the term). * NZ First left the coalition in August 1998 after which government only held 53 seats out of 120 but was able to continue governing with the support of ACT and United Future MPs (Vowles, 1999, p. 476)
Source: (Electoral Commission, 2015; Stake, 2006)

Table 4.10 shows how New Zealand has been either governed by the Labour or by the National party. Since 1996 Labour and National have been required to form coalitions to ensure a majority in parliament. Labour has governed with the support of the left-wing oriented parties, while National has formed coalitions with the right-wing ACT or with smaller parties many of which have expressed their support for increased generosity in the student funding domain (Table B2).

Table 4.11 Finnish Government Coalitions during the Period 1987–2014

Election Year	Government Parties	Seats in Parliament	Prime Minister	Minister of Education	Minister of Culture (Student Financial Aid)
1987	SDP, NCP, RKP, SMP*	130/200 (* 121/200)	NCP Harri Holkeri	SDP Lars Taxell; Johan Norbacka (Jun '90-)	Until 1991 see Minister of Education
1991	CL, NCP, RKP, KD	114/200	CP Esko Aho	NCP Riitta Uosukainen;Olli-Pekka Heinonen (Feb '94-)	CP Tytti Iso-Hookana
1995	SDP, NCP, RKP/LA, GL	146/200	SDP Paavo Lipponen	NCP Olli-Pekka Heinonen	LA Claes Andersson; Suvi-A Siimes (Sep98-)
1999	SDP/NCP, RKP/LA, GP*	141/200 (*130/200)	SDP Paavo Lipponen	SDP Maija-Liisa Rask	NCP Suvi Linden; Ritva Dromberg (Jun'02)
2003	CP/ SDP, RKP	116/200	CP Anneli Jäätteenmäki; Jun 03: Matti Vanhanen	SDP Tuula Haatainen; Antti Kalliomäki (Sep'05-)	CP Tanja Saarela
2008	CP/NCP, GL/ RKP	125/200	CP Matti Vanhanen; Jun 10: Mari Kiviniemi	NCP Sari Sarkomaa; Henna Virkkunen (Dec'08-)	SP Stefan Wallin
2011	NCP,SDP, LA, GL, RKP, KD	125/200	NCP Jyrki Katainen	SDP Jukka Gustaffson; Krista Kiuru (May '13-)	LA Paavo Arhinmäki

Note: Parties (abbreviations in glossary) in government are listed in descending order according to the number of seats they held in the coalition. If parties held the same number of seats they are separated by a forward slash.
* SMP left the coalition in August 1990 and Green League in May 2002
Source: (Eduskunta 2014; Valtioneuvosto, 2014)

In contrast to the New Zealand model, the Finnish system has more than two major parties, the Centre Party (CP), the Social Democratic Party (SDP), the National Coalition Party (NCP) and the True Finns of which all have acquired at least the second greatest number of seats in parliament between 1991 and 2013. Table 4.11 above shows how most government coalitions include parties from the left and the right, thus making it difficult to distinguish between left and right wing governments. The division of parties into left and right according to their partisan platforms parties was also not possible because all of the major parties support a similar set of policies geared towards more generous financial aid and continuity of the tuition free provision. For instance the NCP, representing the most right-wing party in the Finnish system, has frequently outlined its support for increased generosity and free provision for domestic students (e.g. Kaarto, 2006; Liiten, 2007a, 2007b; Miettinen, 2003; POHTIVA). Due to the need to enter wide coalition governments and to similarities in party platforms, other academics have also highlighted the relatively minor role of political parties in policy making in Finland (Julkunen, 2001; Lampinen et al., 2003; Pekkarinen, 2005; Välimaa, 2005).

The partisan incumbency proposition was easily applied to the New Zealand case where a higher likelihood of contraction was predicted when the country was governed by the National party (1990–1999; 2008–2014). In the Finnish system the operationalisation of the partisan incumbency argument was complicated due to multi-party coalitions and the similarity of student funding policy platforms across the parties. Considering these two factors I decided that NCP's presence in government coalitions did not appear as an appropriate indicator for contraction. However, I did conclude that the presence of the Left Alliance in the government coalition could be regarded as a factor that could protect the student funding schemes from contraction. That said, the Left Alliance's minority status was not expected to allow it to implement expansion. Hence the refined Hypothesis 2 in the Finnish case reads: contraction in Finland is more likely under government coalitions with marginal left-wing representation, in other words during PM Aho's term in office between 1991 and 1995 and PM Vanhanen's two terms in office between 2003 and 2011. Table 4.12 below shows how the partisan incumbency variable aligns with the overall cost-sharing direction in student funding policies.

In New Zealand the influence of partisan incumbency was supported by the data: Labour led governments have been more inclined to increase generosity in the student funding domain compared to the National led governments. In particular, the 1990s contraction and the expansion of the early 21st century followed these propositions. Yet, the partisan incumbency variable appears incapable of explaining the 1990 tuition fee reform which was introduced by the Fourth Labour Government. In addition, the partisan incumbency hypothesis has limited support in Finland. Even though some main contraction initiatives in the tuition fee domain fell under PM Aho's and PM Katainen's governments, the student financial aid scheme overall went through expansion. Moreover, in contrast with the proposition, governments with a strong left wing representation and a wide coalition base (PM Lipponen/ PM Katainen) adopted annual contraction initiatives in the student financial aid scheme.

Table 4.11 Partisan Constellation and Contraction/Expansion in Student Funding Policies

Finland Likelihood of Contraction	**Student Financial Aid** Direction Annual/(Overall)	**Tuition Fee** Direction
PM Aho 1991-1995 more likely	Expansion	No change (fee initiative)
PM Lipponen 1995-03 unlikely	Both (Expansion)	No change
PM Vanh. 2003-07 more likely	Expansion	No change
PM Vanh. 2007-11 more likely	Both (Expansion)	No change (international fees)
PM Katainen 2011-15 unlikely	Both (Short-term expansion)	No change
New Zealand Expected direction	**Student Financial Aid** Direction Annual/(Overall)	**Tuition Fees** Direction /EFTS subsidies
Labour 1989-1990 Expansion	Expansion	Higher fees/ NA
National 1991-1996 Contraction	Both (Contraction)	Higher fees/ Contraction
National 1997-1999 Contraction	Both (Contraction)	Higher fees/ Contraction
Labour 2000-2008 Expansion	Expansion	Both/ Expansion
National 2009-14 Contraction	Both (Contraction)	Higher fees/ Expansion

The consideration of economic and political factors separately provided some support for the student funding policy cost-sharing direction. However, several discrepancies existed when economic conditions were compared with the policy trajectories. Moreover, even though the left-right orientation and the formation of coalition governments had validity in explaining most periods in New Zealand, they did not prove useful in accounting for developments in Finland. In the last phase, I will combine the partisan incumbency variable with the economic environment. Following previous findings, economic conditions are emphasised in the Finnish and partisan incumbency in the New Zealand case. In other words, in Finland the cost-sharing direction is expected to follow cyclical changes in the economy, but programs can be protected against contraction if governments have a left-wing representation. In New Zealand, partisan incumbency takes centre stage but its impact can be neutralised by an unfavourable economic climate.

Table 4.12 Combination of Partisan/Economic Variables and the Overall Cost-Sharing Direction

Finland Expected direction	**Student Financial Aid** Overall direction	**Tuition Fee** Overall direction
1991-1994 Contraction	Expansion	No change (1993 contraction initiative)
1995-97 Modest cont./stability	Contraction	No change
1998-2008 Expansion	Expansion	No change
2009-2011 Contraction	Modest contraction	No change (international fees)
2012-14 Modest cont./stability	Expansion (short-term); modest contraction (long-term)	No change
New Zealand Expected direction	**Student Financial Aid** Overall direction	**Tuition Fee** Overall direction fees/EFTS
1989-1990 Mod exp./stability	Expansion	Higher fees/ Contraction
1991-1994 Contraction	Contraction	Higher fees/ Contraction
1995-1997 Modest contraction	Modest expansion	Higher fees/ Contraction
1998-1999 Contraction	Modest contraction	Higher fees/ Contraction
2000-2008 Expansion	Expansion	Higher fees/ Expansion)
2009-2014 Contraction	Contraction	Higher fees/ Expansion)

It becomes evident that even the combination of political and economic factors does not give an adequate explanation for the observed cost-sharing direction in all time periods. In Finland these variables only coincide with expansion in 1998–2008 and periods of stability in the tuition fee path. In New Zealand the direction of cost-sharing is accurately predicted for most policy periods but a few remain unexplained. This raises questions about the causes behind expansion and contraction.

Analysing the theoretically unlikely episodes via the policy process lens can identify the causes influencing the cost-sharing direction. Moreover, in the theoretically likely episodes, the policy process analysis can provide supporting evidence for the causal relationship between partisan/ economic variables and the final cost-sharing direction. In order to rule out the possibility that this relationship is not spurious I need to analyse the influence of other variables. For this purpose, episodes illustrating significant annual contraction, expansion or stability were identified from the policy trajectories and categorised according to how they coincided with the partisan incumbency/ economic condition variables. Policy episodes where the witnessed cost-sharing direction aligned with neither of the variables were defined as 'unlikely'. Policy episodes where one indicator aligned with the cost-sharing direction were labeled as 'partly unlikely'. Policy episodes where the cost-sharing direction was predicted by both variables were categorised as 'likely'. Chosen examples of policy episodes are presented in Table 4.13, Table 4.14 and Table 4.15.

Table 4.13 Selected Expansion Episodes for the Policy Process Analysis Stage

	Episodes of Significantly Increased Generosity			
	Unlikely	**Partly unlikely** (economic)	**Partly unlikely** **(**partisan**)**	**Likely**
Finland	1992 SFA*			2005 SFA 2008 SFA
New Zealand		1989 SFA		2000–2007 SFA 2000–2003 TF

Note: SFA = Student financial aid scheme; TF = Tuition fee scheme
* The position of the 1992 SFA reform in the unlikely category is based on the revised hypothesis which did not define any partisan incumbency in the Finnish case to be more likely to adopt significantly increased generosity but emphasised economic cycles in determining the cost-sharing direction.

Within expansion the likely episodes comprise the 2005 and 2008 student financial aid reforms in Finland and the 2000–2008 student financial aid and the 2000–2003 tuition fee policy in New Zealand. Few unlikely examples were available. Two episodes indicated significant expansion under unfavorable economic conditions[46]. These are the 1992 student financial aid reform in Finland and the 1989 student allowance reform in New Zealand.

Table 4.14 Selected Contraction Episodes for the Policy Process Analysis Stage

	Episodes of Significantly Decreased Generosity			
	Unlikely	**Partly unlikely** (economic)	**Partly unlikely** (partisan)	**Likely** (both)
Finland	2000 SFA*		1995 SFA	2011 SFA
New Zealand		1995–1997 TF	1990 TF	1992 SFA 2011–13 SFA

Note: SFA = Student financial aid scheme; TF = Tuition fee scheme
* The final output resulted in minor contraction but this episode was selected as the government's initial proposal indicated significant contraction in the student financial aid scheme and the bill was only revised at the select committee stage

[46] A few episodes of increased generosity under unfavorable political conditions (i.e. during the National Government) did take place, but these were usually of minor magnitude (often as a result of CPI adjustments). A few significant expansion episodes were identified but in these instances the increased generosity originated from policy decisions taken by the previous Labour Governments which were not reversed by the successive National Government (e.g. the 2009 policy reducing the age limit from 25 to 24) and hence these episodes were not chosen to the policy process analysis stage

Within contraction a number of theoretically relevant policy episodes existed. First, the likely contraction episodes comprise of student financial aid reforms in Finland (2011) and New Zealand (1992 and 2011–2013). Three of the chosen episodes illustrate either unfavorable economic or political conditions and the Finnish housing supplement reform in year 2000 was the only contraction episode that indicated unlikely conditions in both variables.

Table 4.15 Selected Stability Episodes for the Policy Process Analysis Stage

Episodes of Stability/Incrementalism		
	Unlikely (variables predicting decreased generosity)	**Unlikely** (variables predicting increased generosity)
Finland	Tuition fee free provision (1992–1997; 2009–2013*)	Market based student loans (1998–2008)
New Zealand	Interest free student loans (2009–2013)	Tuition fee levels (2000–2008)

* In 1995–1997 and 2011–2013 stability was theoretically unlikely based on the economic variable only, i.e. the partisan variable did not predict decreased generosity

The final four policy episodes are examples of unlikely stasis/incrementalism. First, the continuity of the tuition fee free provision in Finland and interest free students loans in New Zealand were defined as unlikely as the theoretical propositions expected contraction. Second, the non-adoption of policies leading to significantly increased generosity within the Finnish student loan scheme or within the New Zealand tuition fee model was chosen as the other example.

This chapter addressed the first two theoretical propositions and elaborated on the choice of theoretically likely or unlikely policy episodes. The Hypothesis 1 stated that: *'Decreased generosity and incrementalism characterise higher education student funding policies rather than increased generosity and large, radical changes.'* By using the output measure I was able to reveal precisely the generosity changes that are not visible through macro-level budgetary data. The findings did support the incremental nature of policy change by indicating a high level of continuity since the early 1990's in the overarching student funding structures and by pointing to the relatively small generosity impacts of most of the reforms. However, the empirical data contradicted the contraction proposition. Decreased generosity was the dominant direction in the New Zealand tuition fee trajectory but the other three policy paths showed either long periods of increased generosity or stability.

The second hypothesis implied that '*contraction in student funding policy trajectories is linked to states' budgetary pressures and governing coalition's right wing orientation. Expansion is linked to budgetary surpluses and left-wing governments'.* The empirical data provided partial support for this hypothesis. In New Zealand most episodes seemed to align with the partisan incumbency variable but the findings from the Finnish case questioned the validity of the Left-Right wing variable. In terms of economic pressure a number of episodes in both countries countered the proposed hypotheses. Hence, hypothesis number 2 could not be validated. Finally, the data was utilised to identify seventeen theoretically unlikely and likely episodes of expansion, contraction and stability. The following three chapters will examine these episodes via the policy process lens to investigate whether and how the MSF (and institutional lens in episodes of stability) improve our understanding of the causes that affect the development of student funding cost-sharing.

Chapter 5 Increased Generosity in Student Funding Policy

In this chapter I ask whether the multiple streams framework can provide an improved account of student funding policy expansion in both theoretically unlikely and likely reforms. Drawing from the literature on higher education cost-sharing, I argued in Chapter 2 that expansion and contraction in student funding programs are likely to coincide with particular economic and partisan conditions. More specifically, less favourable economic conditions and right-wing governments were predicted to align with decreased generosity. Similarly, sound economic conditions and left-wing governments were assumed to result in either increased generosity or protection of the schemes from contraction. Yet, the examination of the policy trajectories indicated a few unlikely episodes where expansion periods did not follow the formulated hypotheses. In this chapter I consider both these unlikely and likely episodes in an attempt to improve understanding of student funding policy expansion by uncovering the determinants influencing the decision by governments to increase generosity. The findings will also allow us to assess the validity of the MSF lens in explaining cost-sharing change.

The first two episodes address the question of what triggers expansion when a government is under severe financial pressures. In chapter 4 I identified two significant examples of this type of development: the 1989 student allowance reform in New Zealand and the 1992 student financial aid reform in Finland. Are these policy outputs explained by the partisan incumbency variable? Or can the MSF lens contribute to our understanding of what happened? In Chapter 2 I identified a number of additional MSF variables, such as policy entrepreneurs, national mood, or interest group influence that may have potential to shed light on these two theoretically unlikely policy episodes.

Moreover, I analyse two time periods that align with the theoretical proposition. First, I discuss the 2005 and 2008 reforms in Finland where more generous rules within the grant based model and the student loan scheme were adopted. Second, I focus on the years 2000–2008 in New Zealand, a period during which there was a temporary halt in the increase of tuition fee levels (2000–2003) and significantly increased generosity within the student financial aid scheme as a result of relaxation of the eligibility criteria and a reduction in the cost of borrowing (2000–2008). In these likely episodes I attempt to evaluate the relative importance of the partisan and economic variables and assess whether the link between them and the final policy output is genuine. In addition, the possible influence of the variables presented within the MSF lens is considered.

Unlikely expansion: student financial aid reform in Finland in 1992

In Finland during the early 1990s the government's financial difficulties meant that increased generosity in the student funding policy domain was perceived to be unlikely. Yet, in 1992 a major expansion in student financial aid occurred when the Centre-Right (CP-NCP) government lifted almost all student allowance rates by more than 100 percent. Even though the reform was predicted to achieve cost-neutrality in the long-term, the short-term costs signalled an eleven percent (200 million mark) growth in the student financial aid budget. This magnitude of short-term expansion is notable when the overall context is considered: at the same time as the reform was initiated, government had announced savings of more than a billion marks and cuts to several welfare benefit programs were under way (Kosunen, 1997a, 1997c).

In order to understand the 1992 reform I have to consider the origins of the Finnish student financing scheme. For more than three decades the scheme relied on commercial bank operated student loans. These had been established in 1969 when the Finnish banking sector agreed to operate a government controlled and subsidised student loan scheme (*Laki korkeakouluissa ja eräissä muissa oppilaitoksissa opiskelevien henkilöiden opintolainojen valtiontakauksesta ja korkotuesta 69/1969*). The banking sector's decision to run the scheme has been attributed to banks' willingness to secure new customers and to inhibit the growth of the state's own loan programs (Autio, 1995, pp. 30–31; Heiskanen, 1977, p. 305). Yet, by the mid-70s the operation of the whole financial aid scheme had become heavily compromised when the consultative committee of the financial sector recommended that banks should restrict access to new student loans by 20-30 percent: this was in response to the unprofitable interest terms of student loans and the to the Finnish National Bank's decision to reduce overall loan quotas (Ala-Vähälä, 1988; Autio, 1995). At the time government alleviated the crisis by widening access to student allowances and by negotiating with the banking sector to improve loan availability (Ala-Vähälä, 1988; Autio, 1995)

However, these measures provided only temporary relief and a radical overhaul of the system became urgent in the late 1980s when liberalisation of the financial markets resulted in exceptionally high interest rates. These high rates made the government’s regulated loans increasingly unprofitable for banks which in 1988 started advocating an increase in student loan interest rates (Autio, 1995; Blomster, 2000). In order to secure loan availability, government was forced to lift its maximum allowed interest rate to an all time high at 9.75 percent in 1990, rising to 11 percent in 1991 (Blomster, 2000, pp. 92–93). However, none of the actors involved seemed content with the status quo: loans continued to be unprofitable for the banking sector, students complained about the inadequate level of support, government was concerned about the rising interest subsidy expenditure and parliament and the policy community highlighted the negative impacts of restricted financial aid on participation (Blomster, 2000; Eduskunta, 1990; Opintotukityöryhmä, 1990). Ultimately the drastic increase in interest rates and the banking sector's reluctance to continue with the existing terms as a focusing event opened a policy window.

The MSF lens reveals the high salience issue as the trigger for change, yet the focusing event only explains why change occurred, not what determined the type of change and why the final policy output resulted in increased generosity in grant based entitlements. For this purpose I need to turn the analysis to the dynamics in the policy and political streams and to the role played by policy entrepreneurs. Examination of the policy stream shows how the grant based solution had already reached the policy agenda in the early 1960s when no comprehensive financial aid scheme was yet in place (Autio, 1995; Blomster, 2000)[47]. The root cause for the government's interest in establishing a student financing facility was triggered by a similar reform in Sweden in 1965, but the idea of allowances was also closely attributed to the Finnish governments' objective of enhancing economic growth which was perceived to require a higher number of university level graduates (Autio, 1995, pp. 24–5; Blomster, 2000, pp. 45–7; Kivinen, Rinne, & Ketonen, 1993, p. 54). Yet, a 1968 committee proposal on an allowance based scheme failed to garner sufficient support due to its high budgetary requirements (Autio, 1995; Opintotukikomitea, 1968). Hence, together with an interest subsidy scheme, the government adopted the above described commercial loan scheme.

Even though the 1970s saw small steps towards improved grant based support, all grants continued to be tightly targeted on financial need, age and study progress (Blomster, 2000; Suominen & Kallio, 1975)[48]. With the above described dysfunctionalities in the loan scheme, grant based financial aid started to garner growing support from politicians and from the policy community (Autio, 1995, p. 58; Blomster, 2000; KM 1983:7, 1982). For instance, in 1986 the Finnish parliament outlined that student financial aid should be developed so that it at least secured a basic livelihood in the form of grants (Autio, 1995). This increasing support was also visible in the 1987 general election where two of the

[47] Before 1969 government granted a limited number of tertiary scholarships for talented, hard-working students with financial need. However, these schemes' importance was marginal as, for instance, in 1967 only seven percent of students were granted a scholarship (Autio, 1995; Suominen & Kallio, 1975).
[48] For instance the introduction of student allowances in 1972 and a students' housing supplement in 1977.

main parties, the Centre Party (CP) and the Social Democratic Party (SDP), emphasised grant based solutions in their campaigns (Keskustapuolue, 1987; SDP, 1987)

In 1987 the new PM Holkeri's (NCP) coalition outlined that the student financial aid scheme would be improved to better secure students' basic livelihood (Valtioneuvosto, 1987). At the same time the government emphasised that any changes would need to be financially feasible (Opintotukityöryhmä, 1990, Saatekirje). Ultimately, a working group of ministry and stakeholder representatives was appointed to propose a framework for the new scheme (Table C2). The 1990 working group report highlighted existing issues such as restricted loan availability, administrative complexity and the fact that for some students social security benefits were more appealing than student support (Opintotukityöryhmä, 1990, pp. 23–6, 32). The 1990 group's main proposal was a scheme with a level of support comparable to the national pension scheme, of which non-repayable and non-targeted allowances would form 50 percent for students aged 20 or over (Opintotukityöryhmä, 1990, p. 10). Student loans for the remaining part could be granted by the state or by commercial banks (Opintotukityöryhmä, 1990, pp. 33, 42–3, 58). From the working group members Treasury opposed this initiative as ‘unrealistic’, emphasising that the state's economic constraints were such that it was not able to provide significant additional expenditure for student funding (Opintotukityöryhmä, 1990, p. 63)

In August 1990 the Ministry of Education requested the former Director of the Financial Aid Centre Eero Kurri to formulate a final proposal for the new student financial aid scheme. Kurri’s model built on the 1990 working group’s review but he recommended higher allowance rates (70 percent of the pension level), complemented by market based student loans (Kurri, 1990, pp. 3–4). Kurri argued that besides solving the problems of loan accessibility, the new scheme would lead to a more equal system and better support for full time study (Kurri 1990, 1-3). No decisions were made before the general election in 1991. In the election campaign all of the main political parties showed consensus by advocating improved student allowance rates (Kansallinen Kokoomus, 1991; Keskustapuolue, 1989; SDP, 1990; Vasemmistoliitto, 1990; Vihreä Liitto, 1990).

The 1991 general election resulted in a new coalition, led by PM Aho (CP). Despite the worsening economic situation, the new government decided to continue the financial aid reform - a decision that was at least partly due to the fact that the economic downturn was expected to be temporary (Kosunen, 1997a; Valtioneuvosto, 1991). In July 1991 a committee of MoE and Student Financial Aid Centre representatives was assembled to draft a bill proposal based on Kurri's report. The committee added few new saving initiatives, e.g. the removal of dependent supplements and lower income thresholds (OPM, 1991). The final bill proposing a major increase in allowance rates was introduced into Parliament in November 1991 (HE 167/1991). The overall cost of the reform was reduced by adopting the various contraction measures proposed by the 1991 committee and Kurri (e.g. shorter time limits and discontinuation of interest subsidies). The bill also comprised of government's own measures to curb expenditure, such as non-adjustments in rates and discontinuation of meal subsidies. However, the overall impact resulted in increased generosity and significant budgetary expansion.

Student unions and opposition parties shared the government's view of the preferred direction of the financial aid scheme (i.e. increased generosity) but criticised the scope of the reform and some of the policy instruments (Eduskunta, 1991a, 1991b, 1991c; SiVM 12/1991). Criticism was directed towards all measures that were likely to result in contraction, i.e. the discontinuation of interest subsidies, non-indexation of allowances, the 20 year age limit, removal of meal subsidies and new tax rules (Eduskunta, 1991a, 1991b, 1991c; SiVM 12/1991). Coalition party MPs framed these contraction measures and the decision not to secure the indexation of allowance rates as a compromise in the existing financial situation, for instance NCP's Jouppila stating that, 'We know that there are some disappointments. Everything is due to the fact that state's economic situation is what it is' (ed. Jouppila in Eduskunta, 1991b, p. Section 3665, own translation).

The Education and Culture Committee (ECC) acknowledged these severe financial constraints as a reason for the compromise nature of the final policy but recommended that as soon as the economic situation improved, allowance rates should be indexed and the age limit lowered to 18 (SiVM 12/1991). ECC also proposed a continuation of the meal subsidy which was ultimately returned in the 1992 budget (SiVM 12/1991). After parliament's vote, the new scheme leading to expansion and significantly increased generosity in the grant based support went into effect on 1.7.1992 (*Laki korkeakouluopiskelijoiden opintotuesta 111/1992*).

Table 5.1. Multiple Streams Indicators in the 1992 Reform (Finland)

	Favourable for change	Favourable for expansion	Description
Problem	Yes	Neutral	Focusing event/policy feedback (rise in market interest rates; banking sector's decision to restrict access to student loans). Indicators (problem of students' livelihood in search of a solution)
Policy	Yes	Yes	Since the 1960s policy community had supported increased generosity in the grant based support but budgetary feasibility impeded this direction. In the final policy output budgetary constraints explained particular contraction measures
Political	Yes	Yes	No major opposition against increased generosity
Entrepreneurs	Yes	Yes	Eero Kurri (increased generosity; against state loans); banking sector (market loans); Student unions/parliament (emphasised the urgency of the reform and advocated improved generosity); Treasury (minor impact in emphasising financial constraints)

The policy process analysis confirms that in this particular episode partisan dynamics had only a minor effect. All political parties supported a similar set of policies and the PM Aho's coalition adopted the reform initiated and planned by the previous government. The MSF lens explains why increased generosity in the scheme occurred despite a grim economic outlook. The favourable conditions for expansion are summarized in Table 5.1. First, by examining the problem stream (i.e. the rise in interest rates and the banking sector's reluctance to continue the existing arrangements) it becomes clear how the focusing event opened a policy window for a significant reform. The MSF lens also reveals the softening up process in the grant based scheme, i.e. how it was ultimately able to garner wide support among the policy community and politicians. Moreover, the focus on policy entrepreneurs further improves our understanding of the reform: in particular the influence of Eero Kurri has to be considered as an important factor behind the choice of an allowance based model and for inhibiting the state run loan scheme's rise on the policy agenda. In other words, the combination of the focusing event requiring urgent action and favourable conditions in other streams explains why expansion took place despite a less favourable economic climate. Yet, the adoption of certain contraction measures as part of the reform can be attributed to the financial crisis. The final policy configuration, i.e. choice of the adopted policy solutions is mainly explained by the influence of various policy entrepreneurs, like Eero Kurri, the 1991 committee, the banking sector, and the ECC.

Unlikely expansion (economic): student allowance reform in New Zealand in 1989

The New Zealand Labour government introduced a Youth and Student Allowance scheme in 1989 which lifted allowance rates significantly for most students. Support was changed from a universal, flat rate benefit to a scheme where rates were paid depending on students' individual circumstances and age. The new scheme increased the average annual entitlements and the number of recipients, resulting in a significant rise in the government's budget allocation. This policy direction was defined as unlikely based on the economic situation in the 1980s but aligned with the partisan incumbency argument as the reform was introduced by the governing Labour Party. Hence, this section will investigate which factors triggered Labour's willingness to expand the student financial aid scheme when it was faced with a challenging budgetary situation.

Analysis of the events leading to the 1989 reform indicates that a policy window opened in the problem stream. In 1979 the National Government had replaced flat-rate bursaries with a Tertiary Assistance Grant policy. This was comprised of a universal component and a supplementary hardship grant targeted at financial need (Department of Education, 1979). Students actively highlighted issues with the new scheme and advocated substantial changes to it in order to improve the scheme's technical feasibility, increase full-time enrolment levels and lower students' in-term employment needs (e.g. NZUSA, 1981, 1983). Yet, the coupling of the streams did not occur until the advent of more favorable partisan conditions which were enabled by the 1984 general election. The fourth Labour Government adopted the students' problem statement, agreeing on the need to reform the financial aid scheme to better encourage tertiary level participation, improve access for disadvantaged groups and increase administrative feasibility (Tertiary Assistance Grant Review Group, 1986, p. 2). The need for reform was also affected by the wide-spread perception that compared to unemployment benefits, student support was not very generous, making studying less appealing thus contributing to the high youth unemployment rate (Department of Education, 1988; Kelsey, 1995; New Zealand Universities Review Committee, 1987; Tertiary Assistance Grant Review Group, 1986; Tertiary Review Project Team, 1988; Treasury, 1984). In order to solve these problems, the Labour Government appointed a Tertiary Assistance Grant Review Group to propose solutions (working group members are listed in Table C1).

Traditionally Labour's policies had been geared towards increased generosity for students, but in 1985 Labour did not promise any new expenditure. In contrast, in its instruction to the review committee, the new government emphasised that the review should propose, '... ways by which tertiary assistance grants can be targeted to students of greatest need and to determine to what extent and how this can be achieved by existing resources' (Tertiary Assistance Grant Review Group, 1986, p. 2). This idea of increased targeting had been actively advocated by Treasury, which criticised universal provision as a ‘wastage' on the grounds of efficiency and social justice (Treasury, 1984, pp. 259, 269)[49]. In addition a 1985 Cabinet committee with representatives from the Department of Education, Treasury and University Grants Committee stated that targeting was ‘an attractive social concept' but at that time it was defined as having low technical feasibility due to lack of data on students' or their parents' finances (Butterworth & Tarling, 1994, p. 80).

Nevertheless, the February 1986 Tertiary Grant Review Group report (1986) objected to both the increased targeting on parental income and to the use of loans as part of the scheme. Instead it proposed continuity of the existing model with both a universal and a supplementary part, the latter for under-represented groups and for students with exceptional financial need. The review group concluded that '...it is economically socially preferable wherever feasible to use government monies to sustain people in post-compulsory and tertiary education rather than to offer them unemployment benefits' (Tertiary Assistance Grant Review Group, 1986, p. 40). For this purpose the group proposed that the study grant rates had to be aligned with the unemployment benefits. This meant significantly increased generosity as not only did the weekly grant rate require a 45 percent rise but the group also proposed a relaxation in the eligibility criteria[50]. These change were calculated to cost $52 million, equaling a 60 percent rise in the budget (Tertiary Assistance Grant Review Group, 1986, p. 56)'

In other words, the MSF lens demonstrates how a consensus came to exist around the problem definition. Similarly, MSF draws attention to the high degree of controversy that was present in the policy stream, i.e. the variety of policies offered as the most appropriate solution to the problem of low participation. Government withheld making a decision prior to the 1987 election, but when Labour was returned to power the government released a student funding discussion document, arguing that targeting aid was both necessary (due to fiscal constraints) and fair[51]:

[49] Based on the arguments of the middle class capture and acquired private benefits
[50] For instance by increasing students' own and spousal income thresholds
[51] Fair based on acquired private benefits and disparities in participation (e.g. Department of Education, 1987a, pp. 12–15, 19–23, 26–30).

> If New Zealand society is concerned about making access to post-compulsory education and training both equal and fair, and just as concerned about efficient use of the country's financial resources, then helping those who really need it will mean giving less help to those who can study or train under their own resources. To be brief, we will from now on call this 'targeting assistance' -- getting the money to those who need it most. (Department of Education, 1987a, p. 23)

The government presented two alternatives that were allowance oriented, the first one consisted of a smaller universal part and a targeted part based on selected measures of disadvantage. The second option was a universal flat rate allowance scheme, adjusted to keep pace with the rise of living costs[52]. The second scheme was presented as inferior by the government as it did not allow for the provision of extra support for disadvantaged students. The most radical initiative was the third one, comprising of student loans which – if adequately organized – were argued to save public funds and neither threaten high participation nor equality of opportunity (Department of Education, 1987a)[53]

Amongst other policy actors, Treasury and the New Zealand Business Roundtable were supportive of student loans (NZBRT, 1988; Treasury, 1987). Also the universities commissioned Watts report suggested grants for students from disadvantaged backgrounds only, while other students could be granted loans (New Zealand Universities Review Committee, 1987, pp. 58–9, 104–5). Yet, the ideas of targeting and loans were not welcomed by the student unions, the public or most other educational stakeholders, denoting less favorable conditions in the political stream. For instance most public submissions to government's discussion document expressed disapproval of the proposed targeting measures and loan plans with a clear majority supporting higher allowance rates (Tertiary Review Project Team, 1988). The Student Union Association placed its own proposal on the public agenda in which universal taxable grants would be paid based on actual living costs with a supplement for students with dependents (NZUSA, 1987). The views of the government appointed Royal Committee on Social Policy report aligned with the students and educational stakeholders, recommending a higher level of income maintenance through taxable, non-income tested, grants (Royal Commission on Social Policy, 1988, pp. 751–2)

After consideration of the available solutions the government decided to adopt ideas from options A and B of the 1987 discussion document (Department of Education, 1987a). On this basis it announced

[52] In this model young people in training were to receive around 50 percent of the unemployment benefit rate.
[53] Adequately organised referred to long term loans with an insurance function and income related repayments.

in 1988 a new Youth and Student Support Scheme. Consequently, most students were offered a significant rise in their allowance rates and various payment categories were created based on individual circumstance. The loan policy was partially hindered by the technical requirements but it has been also argued that the government's choice was related to the simultaneous development in the tuition fee domain where increased private responsibility was sought after. Many Labour Party supporters and some Cabinet members felt unease about this development and hence increased generosity in the student financial aid scheme can be interpreted as a compromise (Butterworth & Butterworth, 1998, p. 164).

In parliament Ministers Goff and Lange argued that a unified system of youth support was necessary to remove the perverse effects where young people on unemployment benefit were granted more money than those participating in education (Parliament of New Zealand, 1988a, 1988b). However, as had been outlined in the 1987 discussion paper, targeting on parental income was adopted for students under the age of 20. This resulted in reduced rates for some of the younger students whose parental income exceeded the set thresholds. Government justified this targeting by referring to limited state resources and its objective to provide additional support for students from low income groups: the savings achieved by implementing targeting for younger students could be directed to the most disadvantaged students (e.g. Parliament of New Zealand, 1988b, 1988c, 1988d).

Table 5.2 Multiple Streams Indicators in the 1989 Reform

	Favourable for change	Favourable for expansion	Description
Problem	Yes	Neutral	Indicators and policy feedback (low participation in tertiary education; high youth unemployment rates)
Policy	Yes	Partial	Both directions were proposed. Contraction was inhibited by value acceptability and expansion by budgetary consequences
Political	Yes	Yes	Public mood and most educational stakeholder were in favour of increased generosity in grant based scheme. Labour's election platform did not predict a particular cost-sharing direction
Entrepreneurs	Yes	Partial	Educational stakeholders, Royal Committee and student unions (increased generosity; grant based support). Treasury, business organisations, i.e. NZBRT (contraction and loans)

Similar to the 1992 Finnish episode, the 1989 reform in New Zealand indicates that economic constraints do not pose an insurmountable obstacle to increased generosity if a significant policy problem exists. The MSF lens shows how in the 1989 reform the government and most education stakeholders agreed on the need to increase tertiary enrolments and problematised the high youth unemployment levels. Yet, compared to the Finnish reform, the New Zealand episode contained less agreement on the appropriate cost-sharing direction: in the policy stream both increased and decreased generosity were contemplated as possible alternatives. Similarly, the preferred solutions of the policy actors varied. Most educational stakeholders and the Royal Committee of Social Policy advocated the continuity of the grant based scheme while the Treasury and the New Zealand Business Roundtable advocated loans as a financing mechanism.

In other words, in this policy episode the MSF lens indicates an open policy window for reform but only partially favourable conditions for increased generosity (see Table 5.2). The alternatives offering decreased generosity had high support and a significant degree of contingency was present regarding the final policy output. Ultimately the fourth Labour Government's decision was restricted by the non-existence of a student loan scheme at the time and the simultaneous development in the tuition fee domain, which had already signaled higher private responsibility. Hence, the 1989 reform can be interpreted as a compromise between neo-liberal views, represented by the Treasury and Cabinet's 'technocrat' wing supporting increased targeting and loan based support on one side, and public opinion, educational stakeholders and the more traditional wing of the Labour party on the other side.

Likely expansion: Finnish student financial aid during 2005–2008

In Finland a period of likely expansion emerged during the early 21st century when indicators showed rapid economic growth and budget surpluses. Significantly increased generosity was implemented in the student financial aid budget in 2005 and 2008 in the form of a new loan subvention scheme and higher grant based entitlement rates. These reforms resulted in around 100 million euro of new spending in the short-term. This section will analyse the 2005 and 208 reform to identify whether the positive economic conditions, combined with the willingness of most political parties to increase generosity, are sufficient factors for understanding this episode or whether the MSF lens can provide additional insights such as the influence of individual policy actors or issue salience.

<u>Increased generosity in student loans and housing supplements in 2005</u>

In the 2005 episode the motivation to embark on student financial aid reform is attributed to the Finnish Governments' decision to shorten study times. In an attempt to lengthen work careers - argued to be necessary for improving the future dependency ratio[54], Lipponen's second Government in 1999 set a goal to encourage faster completions (OPM, 2000; Valtioneuvosto, 1999). For solutions outlining how study times could be shortened with the help of the student financial aid scheme, the government engaged in the standard practice of appointing MoE led working groups. The first report in 1998 supported gradual improvements in the student allowance rates which were argued to decrease the need for in term-employment (OPM, 1998). The second, 2002 working group report, suggested a 13 percent increase in allowance rates as well as upward adjustments in students' income thresholds and increased coverage of the accommodation supplement (OPM, 2002). The 2002 working group also reviewed various loan alternatives, but concluded that these were problematic from an equality perspective and were not likely to lead to faster completions (OPM, 2002) [55].

Treasury described the proposals to increase grant rates as 'unrealistic' and ‘unsustainable' and argued that any reform should be cost-neutral and carried out by locating cuts elsewhere in the system (OPM, 2002, eriävä lausuma). Minister of Culture Linden had previously expressed similar views by stating that improved generosity of the proposed magnitude was not financially realistic (KK 819/2001). That is, budgetary constraints were utilised as a reason to oppose increased generosity at a time when government's accounts indicated a clear public surplus. Moreover, even though the 2002 working group had rejected other than grant based options, other entrepreneurs, i.e. the Business and Policy Forum EVA and PM Lipponen’s appointed committee offered increased emphasis on student loans as a sound solution to slow study times (EVA, 2001; Ruokanen, 2004; Työllisyystyöryhmä, 2003). However, the rising importance of student loans on the policy agenda was impeded by the fact that none of the political parties were openly supportive of such a move. In contrast, during the 2003 election campaign higher grant entitlements were included in all main parties' platforms (Miettinen, 2003).

The new PM Vanhanen led coalition continued to draw on the previous government's discourse, emphasising efficient studying in order to compensate for the significant number of workers

[54] Dependency ratio refers to an age-population ratio of those typically in the labour force and those not in the labour force and is typically utilised to measure the pressure on the productive population.
[55] Equality concerns were related to loan aversion among students from low socioeconomic backgrounds and to differences between study areas, some allowing faster graduation that others (OPM, 2002, p. 50).

approaching retirement age (OPM, 2004a; Valtioneuvosto, 2003). To this end improvements in students' livelihood and new incentives were set as the main objectives (OPM, 2004a; Valtioneuvosto, 2003). In the election campaign the student unions and PM Vanhanen's Centre Party had advocated an all year round housing supplement as a way to improve students' livelihood (Miettinen, 2003). However, this policy could not be agreed on in the coalition negotiations and hence the exact policy configuration remained open (Eduskunta, 2003). Therefore, the government commissioned the former head of student financial aid Kurri to propose relevant solutions that could be introduced without imposing new budgetary pressures (Kurri, 2003)

In order to adjust for high rental costs Kurri, in his 2003 report, recommended an increase in the housing supplement scheme (Kurri, 2003). Kurri also emphasised loan instruments as he saw them as comprising on inbuilt incentive for faster completions. Drawing from this incentive he suggested a new loan subvention scheme which would be available for all borrowers graduating in the standard degree time plus two years. In order to reach cost-neutrality and fund these new initiatives, Kurri proposed that the maximum time for the financial aid support should be reduced (Kurri, 2003). Kurri's proposal of increased generosity in the housing supplement scheme gained support from students but his contraction initiatives were criticised (Mäkinen, 2003; SYL, 2003). Similar views were presented in parliament where the incentivising nature of the loan subvention model was questioned by both opposition and coalition party MPs (Eduskunta, 2003).

Despite this criticism, Kurri's report formed the basis for Cabinet's financial aid plan which was released in May 2004 (Valtioneuvosto, 2004). From the proposed incentives, Cabinet decided to exclude the housing supplement proposal and instead outlined a higher loan amount and stated that the loan subvention eligibility would need to be assessed on a more individual basis. Cabinet estimated that from 2010 onwards the increased efficiency and related higher tax income would exceed the tax loss from the loan subvention (Valtioneuvosto, 2004) . A loan subvention group appointed to finalise the policy proposal, suggested minor modifications, for instance a maximum limit on the subvention amount (OPM, 2004b, pp. 24–31)

The final government bill, introduced into parliament in February 2005 proposed tax subventions for all students who completed studies within the prescribed time limit for a period of 10 years (HE 11/2005). Moreover, student unions’ advocacy and parliamentary groups’ negotiations had succeeded in lifting the housing supplement back onto the agenda, leading government to propose increased generosity for students with high rental costs (HE 11/2005; Valtiovarainvaliokunta, 2004). The government argued that all the changes would improve students' livelihood, increase incentives and remove loan aversion. By incentivising more efficient studying, the reform would contribute to society's needs by facilitating longer work careers (Eduskunta, 2005; HE 11/2005).

The government's bill was actively debated. Most interest groups, parties and government agencies agreed on the goal of shortening study times, but disagreed about how to best achieve this objective. The Finnish Bankers' Association supported the new model but most actors (e.g. the National Tax Bureau, KELA, student unions and a number of MPs stated that a scholarship model (consisting of a one off payment) would have been less complicated to administer and would have provided clearer incentives than the proposed tax deduction scheme (Eduskunta, 2005; SiVM 5/2005). The new bill was passed unchanged but it was complemented by parliament's statement that in the future the financial aid scheme should be developed with an emphasis on grant based instruments (EV 57/2005).

Table 5.3 Multiple Streams Indicators in the 2005 Reform

	Favourable for change	Favourable for expansion	Description
Problem	Yes	Neutral	Indicators/feedback (long study times and dependency ratio)
Policy	Yes	Yes	Increased generosity as a solution for more efficient studying present in the policy soup since the 1960s. The loan subvention model had limited value and technical feasibility
Political	Yes	Yes	Supportive of improved generosity (particularly grant based)
Entrepreneurs	Yes	Partial	Eero Kurri (incentives, student loan subvention scheme, housing supplement) ; Treasury (impeding expansion), Cabinet (advocating for cost-neutrality and supporting loan incentives)

<u>Increased generosity in student allowance scheme in 2008</u>

The output of the 2005 reform neither fulfilled the expectations of student organisations nor many of the government (CP, GA, LA) and opposition party MPs who had advocated higher student allowance rates (TAA 580/2005; TAA 589/2005; TAA 949/2004; TAA 1141/2005). In parliament the Minister Karpela justified non-adjustments in rates by government's financial constraints and by emphasising tertiary education' investment nature (Eduskunta, 2005). This did not discourage students who in March 2006 launched a 'Nouse jo!' (Rise Already!) -campaign, advocating a 15 percent increase in the allowance rates (Peltonen, 2006). The students' campaign succeeded in gathering over 100 000 signatures, illustrating public support for increased generosity (Aitamurto, 2006; Marjasuo, 2006).

The Minister Karpela acknowledged the students' campaign but stated that an increase in allowance rates would need to be set as a priority by the next government as the existing government had not adopted this policy in its programme (Aitamurto, 2006; Marjasuo, 2006). In her first budget proposal Karpel only included minor upwards adjustments in the scheme but later the same month she changed her mind and supported an instant lift in the allowance rates (Aitamurto, 2006; Kaarto, 2006). However, at this point Karpela's proposal was rejected by the Treasury and Minister of Finance who argued that the initiative exceeded MoE's budget frames and could not be implemented without savings elsewhere (Kaarto, 2006).

Besides students, a number of MPs continued to advocate student allowance reform (SKT 134/2006). For instance the National Coalition Party leader Häkämies argued that:

> Students' situation must be improved. I believe that there is also will among the cabinet party MPs to fix this issue. It is a question of political will. The financial resources needed for the improvements in the student financial aid scheme are not of a significant size.
> (ed. Häkämies quoted in Kaarto, 2006, own translation)

When the budget was delivered in parliament in December 2006 numerous proposals for a 15 percent increase in allowance rates were presented by both opposition and coalition party MPs (TAA 231/2006; TAA 281/2006; TAA 613/2006.; TAA 793/2006.; TAA 1261/2006; TAA 1441/2006; TAA 1458/2006; TAA 1527/2006)[56]. Parliament's Finance Committee also pointed out that allowances had not been adjusted to take real costs into account and recommended instant improvements (Valtiovarainvaliokunta, 2006).

This growing pressure from within and outside the political parties reached an important threshold before the 2007 general election. With all major parties promising an increase in the allowance rates in their election campaigns, a policy window for expansion opened (Liiten, 2007a)[57]. The April 2007 election returned the Centre-National Coalition Party led to power. In the coalition negotiations it had

[56] From the opposition Left Alliance, NCP and True Finns and from the coalition parties, SDP, CP and Green Alliance
[57] Election promises also included an increase in the students' income threshold (e.g. NCP, CP), an all year round housing supplement (e.g. Left Alliance) and a more generous loan compensation program (NCP) (Liiten, 2007a)

been agreed that student allowance rates would be increased and that students own income thresholds would be lifted (OPM, 2008a; Valtioneuvosto, 2011)[58]. These changes, comprising a 15 percent rise in allowance rates and a 30 percent lift in income thresholds, were introduced into parliament in September 2007 (HE 64/2007). With the government arguing that the increased generosity would support more efficient studying and shorten study times and with ECC, student unions and all political parties being in support of the bill, its passage was straightforward (Eduskunta, 2007b, 2007c; SiVM 8/2007). The new rules, implementing increased generosity for all students went into effect in 2008 (*Laki opintotukilain muuttamisesta 1388/2007*).

Table 5.4 Multiple Streams Indicators in the 2008 Reform

	Favourable for change	Favourable for expansion	Description
Problem	Yes	Neutral	Policy indicators and feedback (students' livelihood as real level of allowances decreasing since 1992)
Policy	Yes	Yes	Softening up in the policy stream since the 1990s and advocated by a number of working groups since 2003. Value and technical feasibility but constrained by budgetary feasibility
Political	Yes	Yes	2007 election opening a policy window as a result of within party and student union advocacy
Entrepreneurs	Yes	Yes	Working groups and student unions (increased generosity in grant based entitlements); Treasury (against expansion, but minor impact after 2006)

This section discussed two expansion episodes that were categorised as theoretically likely in the Finnish policy trajectory. Policy process analysis of the 2005 and 2008 reforms showed how expansion was by no means straightforward even though economic conditions appeared favourable for additional government expenditure. In contrast, increased generosity in the grant based scheme was considered to be financially unrealistic. This provides support for the argument that even though expansion may be easier under favourable economic conditions, budget surpluses are not the reason for increased generosity. Partisan incumbency also appeared to have little to do with the increased generosity in the 2005 and 2008 reforms. Hence, a plausible account of why and how expansion took place in 2005 and 2008 requires consideration of the dynamics in the multiple streams.

[58] Other proposed changes included wider eligibility for student loan interest subsidies (by increasing the income limit) and removal of housing supplement targeting on spousal income.

As is evident in Table 5.3 and Table 5.4., there was a significant impetus for change within the streams. First, in both episodes a shared policy problem existed: slow study times were defined as problematic in the light of the worsening dependency ratio. This issue salience was acknowledged by all key actors, i.e. the cabinet, working groups, student unions and the treasury. Yet, the preferred solutions varied. Treasury and business organisations advocated higher private responsibility and loans while working groups, students and the majority of MP's in parliament emphasised increased generosity and grants. The working groups' reluctance to propose other than grant based incentives inhibited the rise of loan policies on the agenda. In order to overcome this barrier, PM Vanhanen's government appointed a well-known policy actor, Eero Kurri, to propose incentives for faster graduation and utilised the output, e.g. the proposal for a loan subvention scheme, as a basis for its reform. This highlights the importance of the working group practice of directing the cost-sharing direction and the policy solutions, but also illustrates how governments can manipulate the process in order to place new ideas on the agenda. Second, the two policy episodes were strongly influenced by events in the political stream. The student unions' role was important in advocating increased generosity. Particularly in the 2008 episode, student unions' advocacy and the electoral cycle (a higher allowance rate as an election item), opened a policy window for a reform requiring significant additional spending. The analysis of the policy episode also highlights the role of policy entrepreneurs behind the choice of certain policy solutions, for instance in the 2005 episode increased generosity in the housing supplement scheme can specifically be explained by the advocacy of Eero Kurri and the student unions as expansion could have been adopted by changes elsewhere in the scheme.

Likely expansion: student funding policies in New Zealand, 2000–2008

In New Zealand, favorable economic and partisan incumbency variables aligned with expansion in student financial aid and tuition fee policy schemes in 2000–2008. The most costly reforms were tuition fee subsidy policies and student loan interest write-off policies that were introduced in 2000 and extended in 2006, as well as relaxation in the grant based eligibility rules between 2005 and 2008. Here I will examine whether this expansion was dictated primarily by economic growth and partisan incumbency or whether other key features in policy process (such as policy entrepreneurs, election cycles, and interest groups) influenced the policy episode.

In the New Zealand policy trajectory, a major role leading to a change in the cost-sharing direction can be attributed to Labour's election win in November 1999, which opening a policy window for increased state responsibility in regard to tertiary education costs. The increased private responsibility that had been advanced by the National led governments during the 1990s and the related growth in student loan debt levels had been increasingly problematized by the public, Labour and most smaller parties (e.g. Edwards, 2009; Jellard, 1996; Martin, 1996; Peters, 1999a, 1999c). Even though the National party towards the end of the 1990s started acknowledging high student debt levels as a problem, it favoured gradual adjustments (Ministry of Commerce, 1999; Peters, 1999a, 1999c). Hence, Labour's election win was a necessary condition for significantly improved generosity, for instance the new Prime Minister Clark and the Minister for Tertiary Education Maharey arguing that improved affordability was necessary in order to enhance access, encourage studying and alleviate student debt (Government, 2002a; Parliament of New Zealand, 2000a, 2000b, 2000c, 2000d, 2000e).

In the tuition fee policy domain, the new Prime Minister Helen Clark called the tuition fee increases that had taken place during National's time as 'horrific' (Parliament of New Zealand, 2000b). Cabinet was in search of prompt, technically feasible solutions for restricting tuition fee level growth when it was well aware of the related budgetary costs and its limited direct authority over fee levels (Peters, 1999b). For this purpose the government offered increased per student funding for tertiary institutions in exchange for a fee freeze in 2001 (Parliament of New Zealand, 2000f). Even though the free freeze was supposed to be a one-off arrangement, a similar deal was reached for 2002 and 2003, resulting in stable or reduced fee levels across the tertiary sector (Table 4.5). This development was welcomed by students but government acknowledged the universities' and the Tertiary Education Advisory Commission's criticism of the adverse effects on institutional quality (Government, 2002a; NZUSA, 2002; Parliament of New Zealand, 2002d; TEAC, 2001). In particular the reluctance of the universities to accept further fee freeze deals, hampered government's abilities to negotiate on the continuity of that policy (Eames, 2002; Government, 2002a; Parliament of New Zealand, 2001a, 2001b, 2002d; Ross, 2002a, 2002b). Ultimately the cabinet decided to introduce ministerial powers over fee levels in the Education (Tertiary Reform) Amendment Act 2002 (050) after which a group of tertiary education and student representatives were appointed to propose the exact policy configuration (Government, 2002a; Parliament of New Zealand, 2002b)[59].

Aligning with the reference group's idea of a course category specific fee maxima scheme, the government in May 2003 released the initial fee maxima schedule (Government, 2003a). The

[59] The reference group presented four alternatives of which the preferred solutions were a small number of maxima varying by study area/ level and a provider based scheme. The group argued that the maxima should include most course related charges, but could exclude particular programmes (Fee Maxima Reference Group, 2003).

government received 59 submission, most of which were supportive of the philosophy behind the fee maxima policy, but proposed specific adjustments: for instance tertiary institutions expressed concerns relating to the high costs of delivering specific courses and what should be included under maxima (Government, 2003b). Students advocated stricter annual restrictions on fee rises — a policy that had been opposed by the Treasury (National Party, 2003b; NZUSA, 2003a). After imposing a series of changes proposed by stakeholders, the final policy details - including the absolute fee maxima and a new five percent annual movement limit - were announced in August 2003 (Government, 2003b).

Most stakeholders accepted the maxima policy as a compromise, but students criticised the continuing trend of increasing fees, and tertiary institutions were concerned about the government's decision to impose the annual fee movement limit (APNZ, 2003; Government, 2003b; National Party, 2003a; NZUSA, 2003b; NZVCC, 2003). Criticism was also heard in parliament where National and a few smaller parties (e.g. United Future, ACT and the Green Party) argued that the maxima policy would result in continuing underfunding of tertiary institutions and hence threaten the quality of teaching and research (Green Party, 2003; National Party, 2003a; Parliament of New Zealand, 2002a, 2002c).

After the fee stabilisation policy was enacted, the Labour Government continued to adjust the per student subsidies, but at the same time gradual increases in fee levels took place in 2003-2008 (Table D3; Table E5). Hence, this development cannot be interpreted as a traditional cost-sharing situation, where either government's or students' costs are decreased while the other parties' costs are increased. Due to the intermediate role played by tertiary institutions both the government's and (most) students' financial responsibility grew in this period.

During Labour's third term criticism of the fee maxima policy became more vocal. Students were dissatisfied that the policy had not managed to control fee levels and had effectively become the fee minima (NZUSA, 2008). On the other hand, the universities stated that the internationally low level of per student funding impeded high quality teaching and research (NZVCC, 2006). Despite disappearing stakeholder support, the fee maxima continued until the end of Labour's third term[60].

A cost-sharing sub-episode was exhibited by the dentistry fee policy. In 2000 the Labour Government followed its election promise to address the funding gap that had arisen in the dentistry rates since 1995 (NZPA, 1999b; Parliament of New Zealand, 2001c). This resulted in a halving of the tuition fees (Table 4.6). Yet, the dentistry cost-sharing episode continued when the University of Otago and

[60] The fee stabilisation policy was continued by the National Government in 2008-2014 with a few modifications.

former dentistry students sue the government claiming that the 1995 cutbacks had been unlawful. In April 2002 the High Court decided in favour of the plaintiffs describing Minister Smith's decision as ‘so erroneous that it could only be categorised as irrational’ (Government, 2002b). A total settlement of $13.6 million was agreed on to offset the overcharged fees and to upgrade the dentistry school’s equipment (Government, 2002c). In other words, with the compensation paid to former dentistry students the final cost-sharing ratio was changed retrospectively.

Table 5.5 Multiple Streams Indicators in the 2000–2003 Episode

	Favourable for change	Favourable for expansion	Description
Problem	Yes	Yes	Indicators/feedback (growth in tuition fees, student debt)
Policy	Partial	Partial	Rapid growth in tuition fee levels was perceived to be problematic but budgetary consequences inhibited radical expansion. The need for additional funding for tertiary institutions was supported in the policy community in order to secure quality. Before 2004 government did not hold fee authority and hence prompt output required negotiations with the tertiary institutions.
Political	Yes	Partial	Labour promised to restrict the tuition fee level increases in its election campaign. The national mood and students were supportive of fee stabilisation policies. However, tertiary institutions were critical of proposals restricting their ability to collect additional funding from in the form of fees
Entrepreneurs	Yes	Partial	Clarke/Labour (stable fees); tertiary institutions (against features of the fee stabilisation); students (lower fees/annual fee limits); former dentistry student/the University of Otago (dentistry case)

Besides the growth in the course category subsidies, increased generosity took place within the student financial aid scheme. First policies consisted of a student loan interest write off regulation for all enrolled students in July 2000. The interest write-off had been already proposed by the fourth Labour Government in the late 1980s and was adopted by Labour's leader Helen Clark as an election promise in the 1999 election campaign[61] (Department of Education, 1989a; Peters, 1999a). Students and many minor parties, i.e. Alliance and the Green Party, welcomed this as a step in the right

[61] The Labour Government also adopted more generous interest write-off policies for low income borrowers, and revoked National’s decision to increase repayment rates, froze the loan interest at seven percent, lifted the course-related borrowing rate and reinstated payment of student union fees (Profile & Trends, 2001; SLSAR, 2015)

direction but highlighted that other solutions would be needed to address the underlying problems leading to the high student debt (Parliament of New Zealand, 2000a, 2000e, 2000g).

In contrast, the opposition parties, National and ACT, and the Treasury warned that the new interest write off policy would create strong incentives for unnecessary borrowing, increase student debt and not target support to the most disadvantaged (Parliament of New Zealand, 2000a, 2000e, 2000g).The government appointed Tertiary Education Advisory Commission (TEAC) also stated that the interest write-off policy was neither in students' nor the government's best interest, leading to high overall debt, long repayment times and misuse of the system (TEAC, 2001, p. 78). Despite this criticism and growing student borrowing from 2001 onwards, the 2005 general election opened a policy window for increased generosity in the interest-write off policy. Labour announced, that if re-elected it would extend interest write-offs to all borrowers staying in New Zealand (Government, 2005a). There was significant controversy over the effects of this scheme (Government, 2005b; Green Party, 2005). National criticised Labour's assumption that the interest write off policy would not lead to growth in borrowing as ‘simply preposterous and defy belief’ (National Party, 2005b). Once Labour's third term in government was confirmed, the interest write off was extended to all borrowers from 2006 onwards (*Student Loan Scheme Amendment Act 2005*).

Changes in the student allowance scheme were also proposed as a solution to the student debt problem. However, at the beginning of Labour's first term, the Tertiary Education Advisory Committee (2001) had outlined that as significant moves in eligibility rules would be expensive, government should consider more gradual relaxation in parental income thresholds or targeting support to first year students only. In its 2002 election campaign Labour party adopted this strategy by promising to widen eligibility by gradually lifting parental income thresholds and introducing new provisions for non-custodial parents and parents with more than one child in tertiary study (Labour Pary, 2002)[62]. After the 2002 election win these policies were elaborated in the Labour Government's discussion document (MoE, 2003). Government justified a certain degree of targeting by emphasising the high costs of universities and budgetary constraints:

[62] These policies had previously been proposed in the Todd Task Force Report (1004) which had highlighted difficulties for families with more than one child and solo parents, and questioned the practise of applying same rules to all families.

> The government simply cannot afford to pay for all the costs of tertiary education. It would mean spending less in other areas (such as health, income support or policing), or limiting the number of students eligible for a funded place (MoE, 2003, p. 10).

Besides the financial constraints caused by needs in other policy sectors, the Labour Government argued that some degree of targeting was fair due to the acquired private benefits and hence new resources should be best invested in students in 'the most need' (MoE, 2003, p. 11). In May 2004, following the policies formulated in the discussion document, the government announced that parental income thresholds would be increased by 20 percent after which they would be adjusted annually for inflation (MoE, 2004). This was expected to result in a significant increase in the number of eligible students and an additional expenditure of $70 million. Yet, concurrent changes resulted in contraction worth $40 million (MoE, 2004). For example, access to independent circumstances grants was restricted, resulting in major cuts for a small group of students. The government justified this and other contraction measures by the need to comply with the Bill of Rights Act and to treat similar groups of students in a similar way (MoE, 2004, p. 5). Students, alongside some of the smaller parties, e.g. the United Future Party, were critical of these cutbacks and argued that all references to the Bills of Right were excuses for saving money (Parliament of New Zealand, 2005a; Regulations Review Committee, 2006). Despite this criticism, government introduced these changes under the student allowance regulations (SR 2004/299)[63].

During its third term the Labour Government continued to widen eligibility to grant based support, i.e. parental income thresholds were raised each year and, as had been outlined in the coalition agreement with the United Future Party, a lower independence age was announced in 2008 ("Confidence and Supply Agreement between United Future and Labour Party 17.8.2005"). This relaxation in eligibility rules resulted in budgetary expansion and increased generosity in 2005–2009.

[63] NZUSA filed an official complaint against the changes resulting in decreased generosity but the Regulations Review Committee decided against drawing the changes to parliament's attention (Regulations Review Committee, 2006)

Table 5.6 Multiple Streams Indicators in the 2000–2009 Episode

	Favourable for change	Favourable for expansion	Description
Problem	Yes	Yes	Indicators/feedback (student debt, affordability)
Policy	Partial	Partial	Changes in both grant and loan based schemes were offered as solutions to student debt/affordability. Mainly politically driven policy solutions (i.e. election items). Radical solutions leading to increased generosity limited by their budgetary feasibility
Political	Yes	Yes	Increased generosity outlined in Labour's election campaigns. Stakeholders predominantly supportive of improved generosity
Entrepreneurs	Yes	Yes	Labour party and student unions (increased generosity) Treasury/business organisations (minor impact: against expansion and critical of the interest write-off scheme)

This policy episode shows how the fifth Labour Government's three terms resulted in decreased cost-sharing between the state and students. Generosity was improved by relaxation of the targeting rules and by reducing the costs of borrowing. The fee freeze arrangement in 2001–2003 resulted in stable fees or reduced costs in particular tertiary institutions. The policy process lens confirms that favourable partisan incumbency played a central role in this development. The Labour Government was a prerequisite for these changes as this magnitude of generosity had been ruled out by the National Party (e.g. National, 2005; Ross, 2002a). At the same time surplus budgets provided a less contested platform for additional investment.

It appears that the key explanatory factor for the 2000–2009 expansion was the combination of favorable conditions in the economic and partisan incumbency variables. However, the employment of the MSF lens improves our understanding of this period as it draws attention to the high issue salience and favorable conditions within the political stream as important factors explaining how the policy window for increased generosity opened as outlined in Table 5.6. First, the problem stream shows how the existing condition of high debt levels was defined as a priority problem by the new Labour Government. Second, the national mood indicates high trans-generational support for solving the student debt problem through increased generosity. Even though the Treasury and the National Party highlighted the costs of these policies, the electorate did not appear to be highly concerned about the costs of alleviating the debt of their children and grand-children (Edwards, 2009; NZPA, 2008; Parliament of New Zealand, 2000e; Ross, 2002a). Finally, the election cycles appeared to trigger

Labour to promise increased generosity for students – even though some of the proposed election items had been defined as financially non-sustainable before the approach of the general election.

Explaining student funding policy expansion

In this chapter I analysed two theoretically unlikely and three theoretically likely policy episodes that resulted in significantly increased generosity in the student funding domain. The influence of different variables is summarized in Table 5.7 below. The evidence indicates that the party political factor has a somewhat stronger impact in New Zealand than in Finland. Nevertheless, in regard to the economic environment the countries look alike: the economic situation per se did not result in a particular cost-sharing direction. In other words, expansion was not inhibited by large budget deficits and a favorable economic situation did not automatically lead to increased generosity. This leads us to propose that economic factors play only a secondary role in student funding expansion. Yet, in the unlikely policy episodes financial pressures did partially explain the final policy configuration, e.g. governments' adoption of particular saving initiatives.

Table 5.7 Favourability of the Variables/Streams for Increased Generosity in the Policy Episodes

	1992 FIN	1989 NZ	2005/2008 FIN	2000–2008 NZ
Partisan incumbency	Low	Partial	Low	High
Economic conditions	Low	Low	Partial	Partial
Problem stream	(High)	(High)	(High)	High
Policy stream	High	Partial	High	Partial
Political stream	High	High	High	Partial
Entrepreneur	High	Partial	Partial	Partial

Marked with () if only opened a policy window for reform but did not provide clear support for increased generosity

The MSF lens resulted in an improved understanding of all five policy episodes. From Table 5.7 it becomes evident that the streams worked very similarly across the two countries, all of the streams had either partial or high influence in the reform episodes. When I investigated why expansion occurred I found out how most policy windows opened in the problem stream, usually triggered by certain dysfunctionalities in the existing policy programs. However, favourable conditions in the problem stream mainly explained change as an event, not its direction, nor content. For instance in

Finland the persisting problem of long study times did not necessarily mean increased generosity as contraction measures were also offered as sound solutions for shortening study times. Hence, dynamics in the policy and political streams were salient for the expansion decision. In this regard the political stream was of a high importance in the likely policy episodes and in the unlikely episodes the policy community (like government appointed working groups or committees) played a major role in pushing for more generous support. The importance of this policy community appeared to be more pronounced in Finland while in New Zealand a number of expansion ideas in the 21st century originated from partisan platforms. Also key entrepreneurs influenced the policy episodes by focusing attention on certain policy problems, advocating the choice of particular solutions and emphasising the need for increased generosity.

The evidence from the policy episodes supports the argument that economic and political factors are not sufficient for explaining increased generosity in the student funding domain. Expansion in the reform episodes could not have been fully understood without considering the policy process. The MSF lens proved capable of assessing the relative weight of political, economic and other variables and identifying the main triggers for increased generosity in all four episodes. The next chapter will examine whether the MSF lens is capable of providing similar insights into those student funding policy reforms where the final policy output results in contraction and decreased generosity.

Chapter 6 Decreased Generosity in Student Funding Policy

What drives contraction in the student funding domain? The findings in chapter 5 indicate that expansion cannot be explained fully by the partisan incumbency and economic condition variables. Does the same hold true for contraction? I will follow the same approach as the previous chapter, applying the MSF lens to seven episodes to find out if our findings in regard to the utility of the MSF lens are valid when the objective is to explain decreased generosity in the student funding domain.

First, I will examine two examples of contraction under unlikely political conditions. These episodes are the 1990 introduction of a flat tuition fee of $1250 under the Labour Government in New Zealand and the 1995 cuts in grant based student support under the Rainbow Government in Finland in 1995. Second, instances of contraction during surplus budgets are the 1995–1997 tuition fee subsidy cuts in New Zealand and the student housing scheme reform in Finland in 2000. Third, I will investigate three policy episodes in which decreased generosity was defined likely: the Finnish student financial aid scheme of 2011 and student financial aid in New Zealand in 1992 and 2011–2014

Unlikely contraction (partisan): tuition fee punctuation in New Zealand in 1990

In New Zealand in 1990 the fourth Labour Government introduced a Standard Tertiary Fee Policy. This reform ended the practise of nominal fees and near universal bursaries, significantly increasing the private responsibility for most students. At the same time the fee subsidy scheme was replaced with targeted abatements based on student's spousal and/or parental income level. Even though the economic situation was difficult, based the partisan incumbency variable radical contraction was defined unlikely as Labour's policies had traditionally been geared towards lower fees. The MSF lens will be applied to shed light on the causes of contraction.

The 1980s economic situation was favourable for policy entrepreneurs offering - what was come to be known as 'Rogernomics' - a package considered by the Treasury, cabinet's neoliberal wing and key business leaders to be necessary to address New Zealand's stagnating economy (Goldfinch, 2000; Kelsey, 1995)[64]. One of these solutions was directly related to tertiary education. Government set higher tertiary level participation as an important objective because it considered that the low number of qualified people impeded economic growth (Department of Education, 1987a, 1989a). In this regard the problem definition was shared by most stakeholders: the cabinet, students, tertiary

[64] Rogernomics was named after the Minister of Finance Roger Douglas. The neoliberal policies advocated included market led restructuring, privatisation, cuts in government subsidies and de-regulation (Goldfinch, 2000; Kelsey, 1995)

institutions; business think tanks and the National party agreed on the importance of advancing human capital (New Zealand Universities Review Committee, 1987; NZBRT, 1988; NZUSA, 1983, 1985; Parliament of New Zealand, 1990b). For example a New Zealand universities commissioned report stated that the low participation rate lead to 'serious handicaps on the economy and New Zealand society at large' (New Zealand Universities Review Committee, 1987, p. 15).

The Treasury took an active role in pushing for higher levels of private responsibility. In its 1984 briefing for the incoming government Treasury stated that ‘Significant immediate initiatives could include improving the pricing of tertiary services (for instance, more fully charging for the different costs of courses)’ (Treasury, 1984, p. 269). According to the Treasury the 'user-pays' policy was a necessity in the existing financial situation but was also justified by its positive impacts on efficiency and equity[65] (Treasury, 1984, pp. 259, 268–269). These arguments aligned with the views of the neoliberal wing of the Labour cabinet, e.g. Minister of Finance and his Associate Ministers (Butterworth & Tarling, 1994, p. 115). Yet, the Minister of Education Marshall, most of the policy community and educational stakeholders were opposed to the user-pays proposal (Butterworth & Tarling, 1994; NZUSA, 1985; Tertiary Assistance Grant Review Group, 1986; Tertiary Review Project Team, 1988). For example the Tertiary Assistance Review Group stated that fees should be abolished for the majority of students by lifting the tertiary fee grant to 100 percent (Tertiary Assistance Grant Review Group, 1986, pp. 16–18).

Even though the user-pays arguments were slowly winning ground within the Cabinet, the Labour Party in 1987 campaigned with the promise that students would not be required to pay higher fees if it was re-elected (Labour Party, 1987)[66]. Yet, soon after Labour’s election win the topic of tuition fees quickly returned to the agenda. Treasury committed a whole chapter to education in its briefing for the incoming government, continuing its discourse where a higher private share was framed as both necessary and fair (Treasury, 1987). The user-pays idea also gained support from a report commissioned by the New Zealand universities arguing that if no other additional funding was available, tuition fees could be used to provide new resources (New Zealand Universities Review Committee, 1987, pp. 104–5). The New Zealand Business Round Table was also vocal in its support for higher private responsibility and commissioned a report from an Australian professor Richard Bland who advocated higher fees based on acquired private benefits, middle-class capture, and

[65] Equity was based on a neoliberal argument, i.e. private benefits and middle class capture (Treasury, 1984., p. 268)
[66] For instance Minister Marshall was quoted in 1986 stating that higher cost-sharing could be justified based on acquired individual benefits (Butterworth & Tarling 1994, p. 88).

'tenuous' public benefits (NZBRT, 1988, pp. 31–3, 59). The role of the New Zealand Business Roundtable in influencing government's policies in the 1980s and early 1990s has been emphasised for instance by Goldfinch (2000, pp. 64, 76–77).

Despite this support, public opinion, most education stakeholders and students remained critical on the user-pay ideology (Tertiary Review Project Team, 1988). In this situation, government decided to setup its own working group to advise it on an appropriate balance between private and public costs (R. Butterworth & Tarling, 1994, p. 136; Department of Education, 1988)[67]. In July 1988 the so called Hawke's report was published which argued that tuition fees based on 20 percent private responsibility would be appropriate considering the acquired private benefits from tertiary education[68]. However, the fee model would require the setting up of an income related student loan scheme in order to secure high overall participation and equal access regardless of students' financial means (Department of Education, 1988). The concept of income related student loans was based on ideas outlined by the Wran committee in Australia a few months earlier (Chapman & Nicholls, 2013; Department of Education, 1988, p. 41). The cabinet considered that the 20 percent private responsibility level seemed appropriate even though Treasury was supportive of even higher cost-sharing (Butterworth & Butterworth, 1998, pp. 114–115). Yet, some of the proposals, for instance the diversified fee structure and the idea of using the tax system for loan repayment collection, were abandoned by the Labour caucus (Boston, 1990).

In 1989 the Labour Government published its Learning for Life policy statement, announcing the new tuition fee policy: the private share of course costs would be lifted to 20 percent but the government would secure loan assistance towards fees (Department of Education, 1989c). The tuition fees would be charged at a flat level meaning that the new funding mechanisms would pay higher subsidies for more expensive courses (Department of Education, 1989c). According to Minister Goff the proposed model provided attractive terms for students and the use of loans was fair as it allowed additional support for students from disadvantaged backgrounds (Parliament of New Zealand, 1989b).

After the Learning for Life announcement, the government appointed working groups to invite stakeholder feedback but emphasised that 'The response is not an opportunity to re-litigate

[67] See Table C1 for working group members.
[68] The working group was not able to reach a consensus: some of the members perceived that the balance had already shifted too far towards private funding or argued that increased cost-sharing should not be implemented as there was not enough information on costs and benefits (Department of Education, 1988, pp. 4, 28–29).

government policy but to indicate any practical difficulties and problems which might arise from the implementation outcomes and process'(Department of Education, 1989b, p. 7). Students were afraid that the initial introduction of loans would lead to future fee rises and thus preferred a system of upfront fees (NZUSAR, 1990). Hence they rejected the invitation to join the working groups and instead launched a campaign to undermine the banking sector's trust in the loan scheme (NZUSAR, 1989, 1990). To students' satisfaction, when policy details were published in August 1989 government was not able to announce fee details as negotiations with the Bankers Association had not been finalised (Department of Education, 1989c). Severe problems existed: high administration costs, the long term nature of the loans and government's refusal to offer full guarantees for defaulted loans were of significant concern to the banking sector (Butterworth & Butterworth, 1998, p. 165; Butterworth & Tarling, 1994, p. 203; NZUSAR, 1989). Confronted with this situation the government stated that if the loan scheme could not be introduced, a lower student contribution than originally proposed would be necessary together with additional support for low income groups (Department of Education, 1989c).

In September the government announced that no agreement with the banking sector had been reached and that an upfront flat fee of $1250 (10 percent of costs) would be introduced with an abatement scheme for young students from low income families, beneficiaries, those with dependent children and postgraduate students (Government, 1989). A similar scheme of coupling fee subsidies to certain disadvantages had been outlined in the 1987 discussion document (Department of Education, 1987b, pp. 19–20). However, this type of scheme had not been government's first choice and public submissions and the National party also criticised the proposal (Department of Education, 1987b; Parliament of New Zealand, 1989f, 1989g, 1989g; Tertiary Review Project Team, 1988) . Yet the unsuccessful negotiations with the banking sector left only a short policy window for the enactment, forcing Cabinet to act quickly. The suggested policy was technically easy to implement before the quickly approaching 1990 general election[69].

In October 1989 the Education Amendment Bill was introduced into Parliament including the new formulation of domestic tuition fees, legislating that institutions had the right to fix their fees with the minister's consent and that the minister could 'exempt people of any class or description from the payment of all or a specified proportion of fees' (Education Amendment Bill 1989, Version 1. Section No : 11.) The emphasis on severe financial restraints and the importance of widening participation

[69] Based on the sharp decline in its support there was little hope in Labour's re-election chances (Kelsey, 1995, pp. 37–38).

formed the basis of the government's justification for the reform (Parliament of New Zealand, 1989a, 1989c, 1989c, 1989e). Arguments from the neoliberal narrative were also adopted by highlighting private benefits and the fairness of charging fees as they allowed those previously excluded to participate by providing new study places and enabling more financial help to students from disadvantaged background or with ‘disproportionate needs’ (e.g. Parliament of New Zealand, 1989e, 1990a, 1990f). The select committee recommended that the Minister would be given complete control of fees to avoid any suspicions that the original formulation might allow tertiary institutions to charge higher fees than suggested by the government (Parliament of New Zealand, 1989c). This change was incorporated in the bill before it was passed in December 1989 (*Education Act 1989*). Minister Goff set the $1250 flat fee by notice in the Gazette (*The Tertiary Education Fees Exemption Notice 1990*).

Table 6.1 Multiple Streams Indicators in the 1990 Reform

	Favourable for change	Favourable for contraction	Description
Problem	Yes	Partial	Indicators/feedback/focusing event (low participation rates, economic indicators, re-framing of education as a private good)
Policy	Partial	Partial	In the early 1980s the policy community was against user-pays idea (low value acceptability) but later higher private share was perceived to be justified due to budgetary reasons and framed as fair and just by parts of the policy community (e.g. Treasury)
Political	No	No	Labour’s election promise in 1987 did not indicate higher private responsibility. Major opposition from students and most education stakeholders against user-pays.
Entrepreneurs	Yes	Partial	Treasury, Hawke's working group, NZBRT, Cabinet’s neoliberal wing (increased private responsibility); 1984 working group, NZUSA (against user-pay, NZUSA contributed to the final output: i.e. lower fees than initially proposed)

This section described how the New Zealand tuition fee path with low fees and near universal bursaries came to its end when the Standard Tertiary Fee policy was imposed in 1990. This higher private responsibility was defined unlikely based on the partisan incumbency argument. At the same time the economic climate supported contraction and was frequently utilised by the government as a justification for the tuition fee reform.

The MSF lens contributes to our understanding of why and how contraction occurred. First, the analysis points out an internal rift within the Labour party, emphasising how the neoliberal forces within the cabinet - led by the Minister of Finance Roger Douglas - were able to direct the reform episode. The 1990 tuition fee reform was not an isolated event, but part of the larger "New Right" reform program including cuts in subsidies, privatization and targeting schemes in a number of policy domains. The tuition fee proposal was driven by the neoliberal understanding of fairness and efficiency, but policy entrepreneurs succeeded in coupling the increased private responsibility with the commonly shared problem of low tertiary level participation. At the same time the power of the neoliberal wing of the cabinet was enforced by persistent negative issues in the New Zealand economy: greater cost-sharing was framed as a necessity.

The Table 6.1 shows how serious issues remained with the receptive political climate: national mood and traditional Labour supporters were against increased cost-sharing from the state to the students. In this context contraction was enabled by the fact that the Cabinet did not appear overly concerned about electoral consequences. Neither was the opposition from students and other education stakeholders, allowed to affect the reform process as, for the Cabinet, 'it was essential that change should not be impeded by interested parties' (Butterworth & Tarling, 1994, p. 74). This lack of regard for electoral prospects and stakeholder opinions has been emphasised by a number of academics and the former Minister of Finance himself (e.g. Douglas, 1993; Easton, 1994; Goldfinch, 2000; Kelsey, 1995). For instance NZUSA described government’s reviews as 'nothing more than a waste of time with decisions already made by other bodies' (NZUSA, 1985, p. 2). Yet, the 1990 episode was significantly affected by factors outside government's control. Principally, the reluctance of the banking sector to run the student loan scheme was a contingent event that resulted in the cancellation of the original policy and the adoption of a standard fee policy with targeted abatements and lower private responsibility than initially proposed.

In other words Kingdon’s model explains why contraction occurred when the partisan incumbency variable predicted expansion. The ideological shift within the Labour executive demonstrates the difficulty of determining cost-sharing direction based on parties' left-right wing orientation. The validity of the MSF was confirmed as the workings of the three streams and the role played by policy entrepreneurs were able to account for both the factors enabling the increased cost-sharing and the causes that affected the final policy configuration.

Unlikely contraction (partisan): cuts in Finnish student financial aid in 1995

Similar to the 1990 tuition fee episode in New Zealand, the 1995 reform in Finland is an example of contraction under unfavourable political conditions. The cuts in grants based assistance resulted in 300 million mark savings even though the left wing presence in the government composition was assumed to protect the student financial aid scheme from significant contraction. Yet, the economic conditions predicted this cost-sharing direction. Did the economic conditions overrule the influence of the partisan incumbency variable or did other factors contribute to the final policy configuration?

Through the policy process lens I was able to confirm the importance of the negative economic situation in the 1995 episode. As I described in Chapter 4, Finland entered depression in the early 1990s. The continuing economic difficulties resulted in an outbreak of a crisis mentality (Julkunen, 2001). By the mid-90s there was a wide acceptance of Treasury's 'there are no alternatives' discourse advocating the necessity of major savings in public expenditure (Julkunen, 2001; Kosunen, 1997a, 1997c). Treasury had already proposed cuts in the student financial aid scheme during PM Aho's Government but it had decided to keep basic security benefits outside saving initiatives (Eduskunta, 1995b; Heikkilä & Uusitalo, 1997; Kosunen, 1997b; Lehtonen & Aho, 2000).

Before the 1995 election most parties supported increased generosity in the student financial aid scheme, but after the coalition negotiations the new SDP/National Coalition Party led government announced cuts worth 300 million in the student financial aid budget (POHTIVA.; Valtioneuvosto, 1995a, 1995b). The proposed cuts were particularly difficult to accept to the Left Alliance, but were framed as a necessary compromise in the existing financial situation[70]. The exact means and locus of contraction in the student financial aid scheme were left for the MoE bureaucrats to propose. The final savings, a two percent cut in allowance rates and a seven percent cut in the housing supplements were introduced into parliament only a month after the new government started its term (HE 21/1995). The proposal was implemented in a similar way to cuts in other basic benefits by way of reducing entitlement values rather than restricting eligibility (Heikkilä & Uusitalo, 1997; Kosunen, 1997b, 1997c; Lehtonen & Aho, 2000; Opiskelija-asumistukityöryhmä, 1995).

In the bill and parliamentary proceedings the government outlined economic necessity as the main reason behind the reform (HE 21/1995). Cuts were framed as a necessary evil, for example MP

[70] For instance a few Left Alliance MPs voted against the student financial aid bill in parliament (HE21/1995).

Gustaffson supporting them but called them ‘repulsive, hurtful and unpleasant’ and MP Kekkonen argued that 'These decisions have been made with heavy heart. This is very cruel business, by no means making anybody happy' (ed. Kekkonen, Eduskunta, 1995b, own translation). In addition arguments about trade-offs and protecting the scheme by making cuts were used to justify the government's decision (Eduskunta, 1995a). For instance the 'saving by cutting' argument was typical in other reforms leading to cutbacks in the 1990s (Julkunen, 2001, p. 288). The parliamentary opposition accepted the need to save, but disagreed about targeting cuts on students (Eduskunta, 1995a, 1995b). The student unions also criticised the reform, stating that it would force students to work, increase inequality and lead to increased government expenditure when students became dependent on others benefits (SiVM 5/1995).

The ECC emphasised the importance of not changing the key philosophy of the scheme (i.e. universality) and that all savings should be temporary (SiVM 5/1995). Parliament's Constitutional Rights Commission (CLC) and ECC questioned one part of the bill’s formulation which involved higher proportional cuts to students from low socio-economic families (HE 21/1995; PeVL 4/1995; SiVM 5/1995). Following this criticism and the ECC’s proposal, the bill was revised to reduce cuts to the same level as that of other students (OPM, 1995). However, in order to compensate for the lost savings, a further one percent cut in the housing supplement rate and a lower entitlement rate for recipients of university awarded scholarships and student in paid internships were introduced (OPM, 1995). With the outlined changes the bill was approved and the new student financial aid act went into effect from August 1995 (*Laki opintotukilain muuttamisesta 940/1995*).

Table 6.2 Multiple Streams Indicators in the 1995 Reform

	Favourable for change	Favourable for contraction	Description
Problem	Yes	Yes	Focusing event (financial situation)
Policy	No	No	Contraction did not have strong support among the policy community but after the savings announcement, policy details were decided based on their technical and value acceptability
Political	No	No	No cuts predicted by election platforms. Depression reduced the controversy among student unions and the public
Entrepreneurs	Yes	Yes	Treasury (advocated cuts in the student financial aid scheme) EEC (decided the final policy configuration)

The 1995 reform in Finland was defined unlikely based on the partisan incumbency argument as the Left Alliance's presence in the government coalition was predicted to protect the scheme from a significant contraction. However, the economic depression Finland was facing supported the thesis that contraction would be likely to occur in the policy trajectory. The Table 6.2 shows how the economic crisis as a focusing event opened the policy window for a significant contraction, enabling Treasury as the key entrepreneur to legitimise controversial reforms even though the policy and political streams were not favourable for cutbacks. The cuts in the student financial aid were perceived as an unwanted necessity and were justified by their temporary nature and the ‘saving by cutting’ strategy. In other words, by employing the MSF lens it was possible to explain how the severe economic crisis legitimised cuts that would otherwise have been immensely difficult for some of the parties (particularly the Left Alliance), the public and student representatives to accept.

The 1995 policy episode also emphasised the policy community's and Parliament's role in drafting the final policy output, i.e. how and to which group of students the savings were targeted. After politicians had agreed on the value of the savings, MoE officials were engaged in deciding how best to implement the cuts. In this process the value acceptability (here: universality) and technical factors directed MoE's initial proposal. The ECC participated in the ‘black box’ between the initial decision and legislation, modifying the initial bill by transferring cuts between students to further increase their value acceptability.

Unlikely contraction (economic): tuition fee subsidies in New Zealand in 1995–1997

Based on the partisan incumbency argument the two previous sections examined policy episodes that were defined as unlikely. The next two sections focus on cuts in the student funding domain that were defined unlikely based on state's economic environment. First I will analyse the New Zealand National Government's decisions to cut tuition fee subsidies in the mid-90s, a decision which led to significantly higher tuition fees. Even though the partisan incumbency (National party) aligned with the theoretical propositions, the economic indicators did not as the mid-1990s showed a budget surplus. Hence, I will investigate whether and how the partisan incumbency triggered contraction despite the unfavourable economic situation or if the dynamics in the multiple steams are also necessary for understanding the episode.

The 1995–1997 contraction episode was preceded by policy decisions taken in 1991, 1994 and 1995. In 1992 the National Government had delegated authority over tuition fee levels to tertiary institutions. At the same time it had replaced the old fee subsidy scheme - that had enabled a flat fee structure - by a differentiated cost category funding which increased fee pressures in most programs. During its three terms in government the National party argued that growth in tertiary participation would need to be funded through higher tuition fees. This was because raising taxes and increasing borrowing were considered to be unsustainable and because the government had prioritised needs in other public sectors (e.g. MoE, 1991a, 1994, 1997). The first cuts in cost category rates were taken without consultation with stakeholders, attracting controversy in parliament and making front page news (e.g. Bell, 1993; Espinger, 1993; Lawson, 1993; Parliament of New Zealand, 1993)

In 1993 the National Government appointed a Ministerial Consultative Group - later called the Todd Task Force - to discuss how the growth in student numbers should be funded[71]. The Todd Task Force organised consultations with stakeholders and gathered public submissions. The result was a wide range of opinions: some advocated a return to nominal fees while others supported even higher private responsibility (Todd Task Force, 1994, pp. 42–45). This non-consensus was also present within the working group, which ultimately ended up presenting three alternatives in May 1994. The need to expand student numbers and limited financial resources were emphasised in options A and B. Yet while Option A suggested gradual upward adjustments in private responsibility (25 per cent by year 2000), option B supported a more drastic increase in student's fees of up to 50 percent of the costs. Option C maintained the view that any additional funding required should be derived from tax payers based on the notion of acquired public benefits[72]. Albeit differing in their conclusions, Option A and C highlighted public benefits, access for people from low socio-economic backgrounds, inter-generational equity, and growing student debt. Option B based its arguments on the under-representation of disadvantaged groups, private benefits, and the way reliance on taxation placed the burden to those who did not participate, stating that 'fairness requires individuals to contribute to the costs of their tertiary education in accordance with their ability to pay' (Todd Task Force, 1994, p. 110)

Treasury and some Ministry of Education officials supported option B and significantly higher private responsibility, but Minister Lockwood announced Cabinet's decision to follow the Todd report's

[71]The Todd Task Force consisted of academics, other tertiary education staff, student association representatives, employers and consulting firms (see Appendix B).
[72]Option C was neither presented under an official title nor outlined in the same detail as the two other options.

Option A, indicating an annual rise of around 100 dollars in the average tuition fee level - a change that would be imposed by small cuts in cost category rates between 1995 and 2000 (Matheson, 1995b). The National Government's decision to choose a less radical contraction alternative has been linked with Cabinet's concern of likely implications on participation rates but it may also have been influence by the 1993 general election result, which made the government more sensitive to electoral consequences (Matheson, 1995b; Starke, 2008)

The underlying justifications for increased cost-sharing were challenged by the student unions and the parliamentary opposition. For instance the Labour Party emphasised the government's budget surplus which, they argued, invalidated the need for increased private responsibility as expansion could be easily funded from the public purse (Matheson, 1995a; Parliament of New Zealand, 1994a, 1994b, 1994c, 1994d). However, Minister of Education Smith justified government's decision to cut cost-category rates by arguing that needs in other sectors meant that the budget surplus could not be translated to additional funding for tertiary education:

> Frankly, it is grossly irresponsible to start talking about extra spending in this area, which is already commanding an increasing proportion of education spending, and to ignore the needs of the early-childhood sector and of our school sector, in which currently teachers are claiming increased salaries and there is a demand for technology across our school system .
> (Hon. Lockwood Smith in Parliament of New Zealand, 1994b)

Few policy actors supported government's decision, among them the Business Roundtable which advocated even higher private responsibility through reduced course cost rates and tighter eligibility rules (NZBRT, 1994, 1997). Despite the lack of consensus on the appropriate cost-sharing direction, the government did not seem to be afraid of imposing significantly higher fees on minority groups. This was indicated by the drastic increase in dentistry fees in 1995 which was an outcome of the National Government's decision in 1994 to equalise dentistry funding with the medicine funding rate, a process which resulted in a 50 percent cut in dentistry subsidies (Parliament of New Zealand, 1994e). Government justified this change by arguing that the costs of organising dentistry teaching were much higher in New Zealand than in Australia and by emphasising that the high private premiums which could be derived from dentistry training supported an increase in dentistry students' private responsibility (Gleeson, 1994; Parliament of New Zealand, 1994f; Rivers, 1994).

The dentistry fee policy was strongly criticised by the parliamentary opposition, emphasising how the policy was developed without consulting the dentistry school and - arguably - driven by the need to find savings in the budget allocation:

> There had been no audits, no investigations, no indications, and no liaison. It was just that the Minister of Education at that time needed $2.7 million for the professional development of teachers, he was told by the Minister of Finance at that time that he could not have it, so he stole it from the dental school. (Hon. Pete Hodgson in Parliament of New Zealand, 1995)

Government's decision was also strongly criticised by the Otago medical school and students, who pointed out that the government had failed to take into account that medical students' clinical training was financed from the health budget while dentistry students' training was not ((i.e. Allison, 1994; NZPA, 1994; Otago Daily Times, 1994) . This criticism did not change the funding decision and the new course category rate went into effect in January 1995. This resulted in a 140 percent increase in dentistry tuition fees in 1995.

Table 6.3 Multiple Streams Indicators in the 1995–1997 Reform

	Favourable for change	Favourable for contraction	Description
Problem	Yes	Partial	Indicators/feedback: government's willingness to increase participation levels without additional expenditure and the need in 1997 to find savings to fund expansion in other programs
Policy	Partial	Partial	Policy community was divided, maintaining different views on the appropriate ratio of private responsibility
Political	Partial	Partial	Little support among educational stakeholders but business organisations supported increased cost-sharing
Entrepreneurs	Yes	Yes	Todd Task Force, Cabinet, MoE officials, Treasury (dominant view in favour of increased private responsibility); students and tertiary institutions (minor impact: criticising cuts in course category subsidies as they would lead to fee increases)

The 1995–1997 policy episode highlights how surplus budgets do not automatically translate into expansion in the student funding domain. The MSF analysis confirms that cuts in the fee subsidies were largely explained by the National executive's neo-liberally grounded perception that increased private responsibility was both appropriate and fair. The cutbacks in student subsidies were a technically easy option to introduce after the 1992 reform which had devolved authority over fees to tertiary institutions. The episode was also characterised by ideological disagreement about what constitutes a policy problem. Many educational stakeholders defined high fee increases as problematic, yet for the National executive this was an intentional policy outcome. However, government's higher sensitivity to electoral consequences after the 1993 general election may have contributed to its decision to adopt the less radical contraction option from those offered by the 1993 Todd Task Force.

In contrast, National's dentistry funding decision questions this sensitivity to public opinion. Nevertheless, dentistry cutbacks could be perceived as a division strategy where - by targeting cuts to a small and arguable privileged minority - government would not be faced with a major public outcry. The dentistry decision also illustrates how government implemented contraction even though it was advised that its policy was based on incorrect data (Government, 2002b; Mayston, 1999; NZPA, 1999a; Parliament of New Zealand, 1999). This highlights the importance of ideology in directing the policy process rather than neutral, evidence based policy making.

The analysis points to the partisan incumbency as the main force behind the unlikely contraction in 1995–1997. It also shows how economic conditions are always relative: surplus budgets can be translated into cutbacks by referring to competing needs in other policy domains. In this particular episode policy change is not explained by the emergence of a policy window as a result of coupling of the three streams. In contrast, as the Table 6.3 indicates, the policy and political streams appear to be only partially favourable for change or contraction. Nevertheless, the MSF lens uncovered dynamics in the streams that directed government's policy output, for instance key entrepreneurs and the alternatives presented by the Todd Task Force. Thus, in order to understand the final policy configurations, i.e. the locus of savings, consideration of the streams was necessary.

Unlikely contraction (economic): the Finnish student housing supplement reform in 2000

The last of the unlikely contraction episodes is the 2000 reform in Finland which implemented cuts by significantly decreasing generosity in housing support for a particular group of students[73]. In contrast to all the previous episodes, the 2000 reform was defined as unlikely based on both the economic and

[73] Even though the final outcome resulted in a relatively minor contraction (30 million FIM), this episode was chosen as the initial government bill outlined significant savings (130 million FIM) which were only reversed after the Education and Culture Committee requested changes in the proposal.

partisan incumbency variables. Hence, I will utilise the MSF lens to seek the causes that resulted in contraction in this policy episode.

Understanding of the reform requires consideration of the problem pressure that originated from the dual model of student housing support which had been in place since the 1970s (Opiskelija-asumistukityöryhmä, 1995, pp. 8–9). In the mid-90s around 84 000 students were eligible for the student housing supplement while 44 000 students were granted general housing support, the latter available for students living with a spouse or dependent children and students living in their own or parents property (Opiskelija-asumistukityöryhmä, 1995, pp. 12–3). The two schemes maintained different entitlement and eligibility rules e.g. the applied income limitations, asset rules and support granting processes varied (Opiskelija-asumistukityöryhmä, 1995, p. 14). Principally, the student housing supplement had a lower maximum rental threshold and did not allow payments during summer months which made the scheme less generous compared to the general housing support policy. This asymmetry became wider as a result of the 1995 cuts, lowering the housing supplement coverage level to 67 percent of the rent, compared to the 80 percent that was paid in the general housing support scheme (Opiskelija-asumistukityöryhmä, 1995, pp. 15–7).

This issue of different treatment of students in similar situations formed the main issue salience and ultimately opened a policy window. Co-ordination of student housing support schemes was first set as a goal by PM Lipponen's Government in 1995 (OPM, 1996; Valtioneuvosto, 1995a). The Ministry of Environment led working group offered a solution in August 1995, proposing that the schemes would be aligned so that all students would receive support all year round together with a lift in the housing supplement coverage (Opiskelija-asumistukityöryhmä, 1995, p. 33)[74]. However, as the economic climate in 1995 was highly unfavorable for any additional spending, the reform was postponed.

In 1998 a new MoE led OPAS-working group was appointed to report on how to 1) align the support percentages, 2) ensure all students were eligible for support and 3) transfer all students without dependent children to the housing supplement scheme (OPAS-työryhmä, 1998, p. appendix 1). The 1998 OPAS- report argued that a rise in the coverage level to 80 percent could be funded by transferring most students to the housing supplement scheme. This would involve cuts in annual rates for transferred students as they would lose their summer time eligibility (OPAS-työryhmä, 1998).

[74] A report from the Ministry of Social Affairs and Health questioned the rationale of restricting eligibility to a housing supplement as if students were not eligible, they could apply for social assistance instead (1995, p. 39).

Despite the reform’s claimed cost-neutrality, the Treasury and the Minister of Finance opposed this proposal, and this view was supported at a cabinet budget meeting where the 80 percent coverage was defined as financially unsustainable (Valtioneuvosto, 1999). However, the government took no decision on the housing support reform before the 1999 election where all main parties were campaigning to reform the housing support scheme so that students in similar living situations would be treated equally (POHTIVA).

After the 1999 election, Lipponen's second Government adopted the housing support reform in its programme but did not promise expansion (Valtioneuvosto, 1999). By the end of 1999 final details were announced. Government stated that due to financial constraints lifting the coverage to 80 percent was unsustainable and proposed a smaller, three percent increase, alongside the transferral of all students without dependent children to the supplement scheme (HE 73/1999). This reform was set to increase generosity for the majority of students who were part of the housing supplement scheme but meant significant cuts to those receiving housing allowances, indicating budget savings of 130 million marks.

The parliamentary opposition, some of government party MPs and student unions strongly criticised these cuts and the decision to leave support for students on a lower level compared to other groups (Eduskunta, 1999; SiVM 8/1999). Based on the parliamentary debate and committee review, ECC suggested lifting the housing supplement coverage to 80 per cent to all students but in order to make the reform less costly, eligibility rules could be tightened by adopting targeting on spousal income following the rules in the housing allowance scheme (SiVM 8/1999). Government accepted the ECC's proposal as otherwise the passing of the bill in parliament would have been unlikely, this resulted in 100 million marks in additional spending, reducing savings to 30 million a year. The revised bill was approved by the parliament and the new act went into force in May 2000.

Table 6.4 Multiple Streams Indicators in the 2000 Reform

	Favourable for change	Favourable for contraction	Description
Problem	Yes	Neutral	Policy feedback (existence of two schemes leading to different treatment of students in a similar situation)
Policy	Yes	No	The policy community had proposed increased generosity since the early 1990s in order to improve technical and value feasibility
Political	Yes	No	Election promises outlined reform but not expansion. Students objected decreased generosity and savings in the scheme
Entrepreneurs	Yes	Partial	Treasury/Minister of Finance (original bill proposing significant contraction.); working groups and EEC (supported expansion and EEC succeeded in reducing final savings)

The year 2000 policy episode was neither explained by the economic nor by the partisan incumbency variable. Even though the Left Alliance MPs strongly criticised the reform in parliament, the year 2000 policy episode was not impeded by the fact that the Left Alliance was part of the government (e.g. ed. Tennilä ja ed. Kuoppa in Eduskunta, 1999). In addition, the budget surpluses did not impede cutbacks. In this particular episode government's financial constraints were frequently utilised to justify the scope of the reform. This supports our conclusions from the previous section arguing that economic constraints are relative.

As is evident in Table 6.4 there was a significant impetus for change, but less consensus on the appropriate cost-sharing direction. The problem of the different treatment of students in similar situations formed the key policy problem in need of a solution. While increased generosity in the housing supplement scheme was the objective of student unions, working groups and many MPs, government's main motivation was the alignment of the two support schemes. By simply transferring all students to the housing supplement scheme, significant cuts would have been forthcoming and hence a level of alignment in either eligibility or entitlement rules was perceived to be necessary. The main alternatives in the policy soup included extension of support to a full year benefit and aligning the coverage percentages. Even though the former appeared to have more support among politician, its budgetary implications were higher and hence the working groups focused on lifting the coverage percentage. This solution was also adopted by the government, but it decided on a lower increase than proposed, which indicated significantly decreased generosity for all transferred students and an overall contraction.

The favorable conditions in the streams explained why the reform took place, but not the direction of the reform as the streams indicated only partial support for contraction (Table 6.4). Treasury's and the Minister of Finance's role in impeding expansion was central. The unlikely direction may have been also partially influenced by the ability to adopt contraction in a less visible way (here by aligning schemes and increasing generosity for the majority of students). The reform of 2000 also pointed out to a significant turn in the overall size of savings (from 130 to 30 million euro) that was only decided on after the bill had been introduced into parliament, highlighting the importance of the ECC and the parliamentary process in the Finnish student funding policy making.

Likely contraction: minor cutbacks in the Finnish student financial aid scheme in 2011

The 2011 minor contraction in the student financial aid scheme coincided with an economic downturn and a government coalition without strong left-wing representation. After a long period of strong economic growth and public surpluses, the Finnish GDP contracted in the aftermath of the 2008 global financial crisis. At the same time net borrowing grew and public budgets went into deficit. In addition, the government coalition - with no representation from the left-wing party - was not assumed to protect the student financial aid scheme from contraction. What was the relative weight of these two variables and did other factors also influence the policy episode?

The policy process analysis in Chapter 5 identified how the worsening dependency ratio had triggered an active advocacy for longer work careers in the late 1990s in the Finnish problem stream and how it continued as an important objective for all successive governments (Valtioneuvosto, 1999, 2003, 2011). The 2008 economic downturn contributed to PM Vanhanen's second Government's decision to re-tackle this problem: within the student financial aid this meant a structural reform to better support full time study as a means to encourage faster entry into job markets (Valtioneuvosto, 2009). To this end, PM Vanhanen's Government appointed a MoE led committee to review the existing arrangements from the perceptive of adding new incentives. However, the 2009 working group stated that it was unlikely that financial aid policies would significantly influence study times and that delayed incentives were inappropriate as the main objective of the scheme was to secure livelihood during studies (OPM, 2009). Hence, the working group report included various policies leading to increased generosity: i.e. the indexation of allowance rates. In order to reach cost-neutrality, the report outlined that the maximum time could be cut and student loan tax concessions abolished[75]. The proposals were calculated to require an additional 35 million investment by 2015 (OPM, 2009, p. 62). The Treasury, however, criticised the working group for ignoring policies that could have been efficient in shortening study times (i.e. loans) and emphasised that the state's economic situation meant that requirements for additional spending were unsustainable (OPM, 2009, pp. 66–67).

From the working group's proposals Minister of Culture Wallin argued that indexation of allowances should be a priority and 'a logical step' as the Cabinet had recently agreed on the indexation of other basic benefits (Elonen, 2010; Hannula, 2010). Despite support from smaller coalition parties, the Swedish Party and the Green Alliance, indexation was impeded by the two biggest parties (Hannula & Junkkari, 2010). Hence, only the 2009 working group's suggestions which involved low or decreased budgetary demands were introduced into Parliament in September 2010. Out of the policies introduced, those leading to increased generosity were argued to improve students' livelihood and the security of student loans (i.e. discontinuation of the separate means-testing practice on students' scholarship status and lifting the income threshold in loan interest subsidies) (HE 149/2010). Policies that were argued to encourage full time studying consisted of various contraction measures, i.e. a lift in the minimum study success rule, limiting PhD students' entitlement time and re-structuring the granting of support so that is followed a two-tier degree structure (HE 149/2010). The non-indexation of allowance rates was justified by economic realities, for instance Timo Heinonen (NCP) argued that:

> It is an unfortunate fact that the state's economic situation does not allow indexation of student allowance from next year onwards. Thus we still need to wait for it. But we are honest in saying that at the moment, unfortunately, we as a Finnish society cannot afford to improve the support in the beginning of next year, honorable students. But let's hope that when the economic situation improves and we can balance government's budget in the following years, we can then take care of the indexation for student allowances as well (ed. Heinonen in Eduskunta, 2010a, own translation)

All actors agreed on the need to support more efficient studying and hasten graduation times but there was no agreement on appropriate solutions. For instance students advocated increased generosity as the best solution and criticised all contraction measures (SiVM 8/2010). The government's bill, and

[75] Proposed contraction measures also included stricter targeting on study success and lower income limits while increased generosity was recommended for students with dependent children and for students whose rate had previously been reduced due to their scholarship or paid internship status (OPM, 2009).

particularly the decision not to adopt indexation and dependent supplements were criticised by various opposition and coalition party MPs (e.g.CP, NCP, GP) (Eduskunta, 2010a, 2010b). However, the bill was passed in parliament and the new policy went into force in 2011.

Table 6.5 Multiple Streams Indicators in the 2011 Reform Process

	Favourable for change	Favourable for contraction	Description
Problem	Yes	Neutral	Policy indicators and feedback (existing scheme not supportive of full time studying and fast graduation); focusing event (economic downturn and sustainability gap)
Policy	Partial	No	Working group supported expansion of the grant based support scheme. Supplementary contraction measures were proposed to achieve budgetary feasibility (cost-neutrality)
Political	Partial	No	Election platforms did not predict contraction. Students and most other stakeholders shared government's objective but advocated increased generosity as a solution.
Entrepreneurs	Yes	Partial	Treasury (emphasised contraction); main coalition parties (impeded expansion); 2009 working group and students (supported expansion; locus of change from 2009 report).

Some contraction in 2011 was expected based on the economic downturn experienced in Finland at that time and a government coalition that was not expected to protect the scheme against cutbacks. Yet, the MSF lens uncovered new variables that are important in understanding this episode (see Table 6.5). First, the analysis pointed out the growing pressure in the problem stream due to the concerns around the dependency ratio/sustainability gap and long study times. The former has been presented as among the key problems in Finland that might increase future pressure on cutbacks in welfare state provision (Pekkarinen, 2005). In particular the 2009 economic downturn contributed to heightened urgency about the sustainability gap and opened a policy window in regard to student funding policy reform - but not for contraction per se.

Second, following the Finnish tradition, a MoE led working group was appointed to suggest solutions that could be used to shorten study times. The working group favoured increased generosity, i.e. the indexation of allowance rates. In order to achieve cost-neutrally it also suggested a few contraction measures to find savings that would not threaten the basic principles of the existing scheme. The political stream also indicated restricted support for contraction, few actors advocated higher private responsibility. Principally with Treasury's emphasis on budgetary constraints, the two largest coalition parties rejected the main expansion idea (indexation of allowances) and instead adopted the minor proposals from the working group report. As is evident from Table 6.5 the streams were only partially favourable for cutbacks, thus contributing to the relatively minor degree of contraction.

In other words, the economic downturn was among the key determinants for contraction in the 2011 reform but the validity of the MSF lens was emphasised by the fact that an understanding of the workings of the streams helped to explain both the final (relatively minor) magnitude of contraction and the content of the policy reform, i.e. which cost-sharing rules were changed.

Likely contraction: retrenchment in New Zealand in 1992 and 2011–2014

Two significant reform episodes in the New Zealand trajectory aligned with our theoretical propositions suggesting contraction. In other words, both occurred when the National Government was in power and the economic situation was of deep concern. Cuts in 1992 were adopted by lifting the independence age limit that was applied to student allowances from 20 to 25 and by cutting maxima rates. This reform reduced the number of recipients by 40 percent and resulted in a 37 percent cut in allowance spending. That year also evidenced another large change with the setting up of a government student loan scheme. Even though changes in 2011–2014 were not as radical as in the 1992 episode, this reform period also resulted in significant cuts by adopting tighter rules in the loan scheme and removing access to grant based support for particular groups, like postgraduate and mature students. Similar to the previous section analysing the 2011 reform in Finland, I want to investigate the relative weight of the partisan and economic variables and examine whether focus on the streams will uncover other determinants for contraction.

<u>Student financial aid and a new student loan scheme in 1992</u>

The landslide election win of the National party in October 1990s resulted in the end of the fourth Labour Government. In its election campaign the National party had promised to reform the student allowance scheme towards increased generosity and removing all targeting based on age (Minister Smith in Parliament of New Zealand, 1990e). Similar promises were made within the tuition fee domain, where National's Tertiary Education spokesperson Lockwood Smith pledged to remove the standard tertiary fee introduced by the Labour Government, a pledge interpreted by many to mean reversal back to lower private responsibility (Reid, 1991). These promises started to be questioned soon after the National Party was sworn into office. This was because the new government was faced with a fiscal crisis and a deteriorating budget deficit which was expected to continue rising (Treasury, 1990). Two additional focusing events, the Bank of New Zealand's crisis requiring significant financial injection, and the degrading of New Zealand's credit rating, affected 'the sense of urgency' (Starke, 2008, p. 106) .

In April 1991 government employed a wide range of cuts to welfare benefits which reflected its principles emphasising increased targeting, greater self-reliance and efficiency in government spending (McKenzie, 2014; Prime Minister Bolger in Parliament of New Zealand, 1990c; Starke, 2008). At that point student allowances were left intact but Minister of Education Smith argued that National's pre-election promises needed to be re-considered:

> The great fiscal constraints the Government is under have meant that targeted welfare assistance has become essential. Therefore we must question whether removing means- testing for tertiary allowances is the most appropriate direction to take, and I have already announced publicly that in the circumstances I do not believe that it is. (Minister Smith in Parliament of New Zealand, 1991e)

National's pre-election policies were reviewed by a Tertiary Review Working Group, assigned to identify opportunities for savings and increased efficiency without harming accessibility as the National Government had adopted Labour's problematization of high youth unemployment and low tertiary participation rates as a major obstacle for productivity and economic growth (MoE, 1991b) In April 1991 the Tertiary Review Working Group report stated that there was a valid case for aligning student allowance rates with the level of unemployment benefits but that certain characteristics of higher education justified stricter targeting measures and the use of loans as part of student financial aid (MoE, 1991c, pp. 62–63)[76]. The review group suggested an increase in the student allowance independence age from 20 to 25 which was expected to result in savings worth 125 million, however, an alternative — loan based funding scheme — was framed as a condition in order to achieve government's accessibility goals (MoE, 1991c)[77].

[76] E.g. the investment nature of higher education as illustrated by acquired private benefits.

[77] The main solutions offered were a state guaranteed bank loan scheme and a tertiary tax scheme (income related repayments), the latter perceived to have greater political acceptability, but not achieving immediate savings (MoE, 1991c, pp. 42–44). Student loans had already risen high on the policy agenda during the fourth Labour Government but at that time the loan policy was aborted due to unsuccessful negotiations with the banking sector. Student loans were placed back on the policy agenda by the Treasury after the 1990 election (Treasury, 1990, pp. 136–137).

In the 1991 budget speech Minister of Finance Richardson announced that government would adopt the review group's suggestion of the 25 year independence age limit and reduce most student allowance maxima rates in order to align them with the new unemployment rates (MoE, 1991a). The new independence age was justified by the fairness of targeting resources to those in need, and using the savings to finance expansion in terms of both overall participation and that from disadvantaged groups (MoE, 1991a, pp. 13, 24–26). Government also announced that it would offer income related student loans towards living costs and tuition fees — either via a government loan scheme or as government guaranteed private bank loans (MoE, 1991a).

After six months spent considering available loan options, government announced that it would introduce a state loan scheme (Parliament of New Zealand, 1991c)[78]. It applied similar rules to that suggested in Hawke's report in 1988, with a real interest rate and income related repayments through the tax system (Department of Education, 1988). The choice of the income related loan scheme was argued to best meet government's educational objectives, of allowing universal access, by favourable interest rates and reasonable and generous repayment terms (Parliament of New Zealand, 1991c, 1991d). For instance Minister of Revenue Wyatt Creech stated that the new financial aid scheme with targeted allowances and universal loans would enable growth in tertiary participation and accessibility for people from all backgrounds (Parliament of New Zealand, 1992b).

The 1992 reform was highly controversial. The Labor party stated that the new means-testing age and emphasis on student loans was unfair and would lead to debt, discontinuation of studies and high administration costs (Parliament of New Zealand, 1991b, 1991f, 1991h). Students and the New Zealand Universities' Tertiary Study Grants Standing Committee also strongly criticised the use of loans towards payment of living costs and pointed out that the income threshold for loan repayments was set at a lower level than the minimal income thus not reflecting the private benefits tertiary education was supposed to bring (NZUSAR, 1991; NZVCCR, 1991, 1992; Reid, 1991). Yet, interest groups had a marginal role as the National Government saw them as vested interests that should not be allowed to influence decision making (Goldfinch, 2000; Starke, 2008).

In terms of the policy entrepreneurs, the Minister of Finance Ruth Richardson, the Minister of Social Welfare Jenny Shipley and Treasury were active in the early 1990s contraction period (Goldfinch,

[78] The Cabinet Student Loans Steering Committee contracted for instance consultants to help in developing the student loan scheme (Parliament of New Zealand, 1992a)

2000). These key entrepreneurs did not seem to be highly concerned about public opinion or National party supporters' preferences, which provided little support for any contraction measures in the education sphere (Starke, 2008, pp. 113–115). For instance Goldfinch (2000) argues that,

> ... the sense of crisis induced by the fiscal blowout gave the incoming National Government, at least in the minds of some of its ministers, a mandate to make drastic and rapid changes, and induced the sense of urgency necessary to drive these changes through in the face of less that total support from some members of Cabinet and the now very large National Caucus (p. 115).

One reason for this disregard may be traced back to the Labour party's low popularity and the related belief that even controversial policies would be likely to have relatively insignificant electoral consequences (Kühner, 2012; Starke, 2008) .

Table 6.6 Multiple Streams Indicators in the 1992 Reform

	Favourable for change	Favourable for contraction	Description
Problem	Yes	Partial	Indicators/feedback (low participation level, high private benefits) and focusing event (financial crisis)
Policy	Yes	Yes	The working group and Treasury supported the lifting of the independence age and implementation of student loans which meant significant contraction in grant based support
Political	Yes	No	National's election promises did not indicate contraction. Strong opposition from students and other educational stakeholders
Entrepreneurs	Yes	Yes	Cabinet ministers, 1991 working group, Treasury (advocating contraction, the use of loans and increased targeting of allowances); students/ educational stakeholders (minor impact: opposed decreased generosity)

<u>Contraction in the student financial aid scheme during 2011–2013</u>

The 2008 general election saw the end of the fifth Labour Government, and a new coalition government was formed by the National party with the support of three smaller parties, Maori, United Future and ACT. The election result was significant for the student financial aid cost-sharing direction as in its election campaign Labour had promised to move towards substantially improved generosity by announcing its plan to introduce universal student allowances (Gower, 2008; NZPA, 2008; Radio New Zealand, 2008). National's leader John Key and deputy leader Bill English labeled this type of budgetary expansion as unrealistic in the existing financial situation (Gower, 2008; Radio New Zealand, 2008). In the election campaign National did not directly advocate contraction in student funding, but in contrast pledged to continue Labour's interest write-off policy and to introduce a bonus to trigger faster student loan repayments (Trevett, 2008)

After being sworn into office, the new National Government and Treasury emphasised the global recession's negative impacts on New Zealand's economic performance (Government, 2009, 2010; Treasury, 2008, 2009). With continuing economic difficulties, the Government started to highlight the overall costs and inefficiency of the student financial aid scheme as urgent problems, referring to tough financial times and to the need to reprioritise investments (Government, 2011, 2012, 2013; Office of the Minister of Tertiary Education, 2010; Treasury, 2011).

In the policy stream various student loan instrument alternatives were actively discussed. Treasury has for instance suggested stricter repayment rules, tighter academic criteria and a limit on the number of years students could borrow for (Treasury, 2008, p. 21). Besides Treasury, a number of actors, e.g. the coalition partner ACT, and the government's Taskforce 2025 were critical of the interest write-off policy and advocated for re-introduction of interest on student loans (2025 Taskforce, 2009; The Dominion Post, 2011; Treasury, 2008, 2011, 2012a). However, due to National Party's 2008 and 2011 election pledge to continue the interest write-off policy, other policy alternatives were prioritised (Romanos, 2011; Treasury, 2013a; Trevett, 2008).

First, in April 2009 the National Government followed its pre-election promise and introduced the Student Loan Scheme Repayment Bonus Amendment Bill in parliament, providing a 10 percent bonus of all payments exceeding the borrower's compulsory repayment obligation. This was expected to result in additional state expenditure in the short-term, but Minister of Education Tolley and Minister of Revenue Dunne argued that the new policy would encourage borrowers to repay more than the compulsory minimum, speed up repayment and hence ultimately reduce the cost to the government of the student loan scheme (Parliament of New Zealand, 2009). The repayment bonus was criticised by the parliamentary opposition as it was perceived to result in financial rewards for the most well off and have a marginal impact on repayment time (e.g. Hon. Maryan Street and Trevor Mallar from the Labour Party in the Parliament of New Zealand, 2009). In addition the Treasury had pointed out that in the existing interest write-off context the discount did not encourage voluntary payments and therefore the impact of the policy was questionable (Treasury, 2008, p. 21). However, for the National

Government it was important to follow its pre-election promise and adopt the new bonus scheme which went into effect in 2010.

Yet, most policies adopted in the student financial aid domain, were recommended by the policy community and resulted in decreased generosity. For instance in 2010–2011 government adopted various policy proposals from the Treasury and the Ministry of Education which reduced the costs of the student loan scheme, including the new life-time entitlement and a performance requirement for student loan eligibility (Government, 2011; MoE, 2009; Treasury, 2008). After securing its second term, a set of new rules were introduced that restricted particular groups from borrowing, i.e. students over the age of 55 and part-time student, and higher repayment obligations were announced. Government also followed Treasury's proposal to repeal the voluntary repayment bonus as it had not resulted in the expected outcomes (Treasury, 2012b). Most of these changes leading to decreased generosity in the student loan scheme were justified on the basis of the need to locate savings in the unfavourable economic climate, to increase efficiency, to better reflection the private and public benefits and because the government saw it as appropriate to remove support from students who do not need it (Government, 2011, 2012, 2013).

Preceding the 2013 budget the Ministry of Education and the Treasury were asked, because of the tight financial constraints, to identify further savings (MoE, 2012; Treasury, 2013a). Treasury agreed that the current size of the allowance budget restricted government's ability to invest elsewhere in the tertiary sector and hence identified savings that could be gained by restricting access from post-graduate students, mature students and recent residents (Treasury, 2013a)[79]. For instance older people were evaluated as bringing less return on government’s investment and thus a new maximum age could be set together with a separate lifetime cap after a certain age (MoE, 2012; Treasury, 2013a).

However, both the Ministry of Education and the Treasury emphasised that the overall savings from age limits would likely be offset by higher intake of other forms of support (MoE, 2012; Treasury, 2013b). The Treasury also emphasised that the proposed policies could undermine the universal nature of the student support system and that 'Ministers should be aware that the incremental changes while generating small savings are likely to have large impacts on specific groups by limiting their access to tertiary education' (Treasury, 2013b, p. 3). Despite these warnings, government adopted most of the proposed policies. First, in order to achieve sustainability in the time of budget deficits

[79] Treasury had already suggested greater targeting towards younger students in 2011 (Treasury, 2011)

and the high private benefits acquire by this group of students in the future, it was announced that eligibility would be removed from postgraduate students (Parliament of New Zealand, 2012b, 2012c, 2013). Government also adopted a maximum age limit of 65, introduced a 120 week maximum entitlement for students over the age of 40 and increased the stand-down period for non-citizens by one year.

Of all the policy actors, business lobbyists seemed to be the most supportive of even higher cost-sharing between the state and students (Kerr, 2010; NZBRT, 2009). The political opposition, i.e. Labour, Green Party and New Zealand First, criticised National's policies for their negative impacts on general accessibility and for the barriers they placed in the way of low income groups (Parliament of New Zealand, 2012a, 2013). Students censured the government over the tightening of eligibility and the new student loan rules by describing them as unnecessary, discriminatory and unfair. Many of the policies were also claimed to be difficult to implement and to create barriers to participation when contributing to negligible, if any, savings (NZUSA, 2010, 2011, 2013). Tertiary institutions also expressed their concern that some of the new restrictions might have a negative impact on accessibility (NZVCC, 2013; TEU, 2013). Yet, the National Government succeeded in avoiding major public outrage by not proposing changes in the popular interest write-off policy and by mainly implementing contraction by division or by less controversial rules, for example restricting eligibility for marginal groups or by adopting performance criteria.

Table 6.7 Multiple Streams Indicators in the 2011–2013 Episode

	Favourable for change	Favourable for contraction	Description
Problem	Yes	Yes	High cost of the existing student financial aid scheme (i.e. indicators showing long student loan repayment times)
Policy	Yes	Yes	A number of alternatives were available and defined as feasible by the Treasury and MoE, mostly proposing contraction. However, certain solutions were argued to restrict access and hence have a limited value acceptability
Political	Yes	Partial	National's election promises did not indicate major changes. Student unions opposed all contraction measures and the national mood was perceived as protective of the interest write-off policy.
Entrepreneurs	Yes	Yes	Cabinet, Treasury, Minister of Education (contraction initiatives) students unions (minor impact: against contraction)

Contraction in the student financial aid scheme in 1992 and 2011–2013 was defined likely as these years aligned with periods of economic difficulties and National party led governments. Yet, the policy process lens allows us to refine the relative importance of these variables and consider the influence of other variables. In the 1992 episode - considering National's 1990 election platform promising increased generosity in the student allowance scheme - contraction did not seem as likely as suggested by the partisan incumbency variable. In that regard, the early 1990s financial downturn was a salient event, opening a policy window for key entrepreneurs within the National party executive to promote the urgency of savings. The final locus of contraction was explained by the 1991 working group report, offering a higher independence age limit as the most feasible solution. The working group also emphasised the need to set up a student loan scheme to secure government's educational objectives (i.e. high participation). This loan scheme also had high support from the Treasury and business organisations. The 1992 reform was not impeded by opposition from educational stakeholders or the public mood as government did not want 'vested interests' to influence its policy decisions and was not overly concerned about the electoral consequences due to Labour's weak position.

In the latter 2011–2013 episode National's election win in 2008 was a necessary condition for contraction, as Labour had indicated significantly increased generosity for students. The economic downturn supported National's problematisation of the high cost of the student financial aid scheme. For this purpose the Treasury and the MoE were invited to translate the saving imperative into concrete contraction measures. A number of changes within the student loan and allowance programs were proposed from which the government chose a number of the less controversial ones that could be justified with the need to target support for those most in need. The endeavour to avoid public outcry shaped the scope of contraction as the government avoided large cuts to a large student population. This policy strategy was also a way to gain the support of coalition partners, of which, the Maori Party and United Future, had traditionally supported increased generosity (Table B2). Similar to the 1992 episode interest groups had only marginal impact on the final 2011–2013 policy output.

To conclude, partisan incumbency and an economic downturn did have a major effect on these two likely contraction episodes. Yet, the MSF lens was necessary for confirming that this link was genuine and for uncovering certain important features that influenced the final policy direction, that is the influence of policy entrepreneurs, the policy community and the national mood.

Explaining student funding policy contraction

The salience of the economic and partisan variables and the multiple streams framework lens in opening a policy window for student funding contraction are presented below in Table 6.8

Table 6.8 Favourability of the Variables/Streams for Decreased Generosity in the Policy Episodes

	1990 NZ	1995 FIN	1995–97 NZ	2000 FIN	2011 FIN	1992 NZ	2011–13 NZ
Partisan incumbency	Low	Low	High	Low	Low	High	High
Economic conditions	High	High	Low	Low	High	High	Medium
Problem stream	Partial	High	Partial	(High)	(High)	Partial	High
Policy stream	Partial	Low	Partial	Low	Low	High	High
Political stream	Low	Low	Partial	Low	Low	Low	Partial
Entrepreneur	Partial	High	High	Partial	Partial	High	High

Marked with () if opened a policy window for reform but did not provide support for decreased generosity

An in-depth analysis of the policy episodes allowed an evaluation of how the partisan incumbency and economic condition variables operated. In Table 6.8 I can see that partisan incumbency plays a more central role in New Zealand than in Finland. This aligns with the findings presented in the previous chapter. In contrast, economic conditions seem to provide a similar degree of legitimacy in both countries. The economic constraints were utilised as a justification in all episodes, even those that occurred during surplus budgets.

However, the partisan incumbency and economic variables only offer a partial explanation for why and how contraction took place. By employing Kingdon's model I established that most of the streams work similarly across the two countries. For instance issue salience and key entrepreneurs had either medium or high influence on the decisions to implement contraction. Particularly in the unlikely episodes, the employment of the MSF lens was necessary to explain the witnessed cost-sharing direction. These causes differed between the episodes. For instance when the 1990 tuition fee reform in New Zealand was explained by an ideological shift within the Labour party, the 1995 contraction in Finland was triggered by the economic depression creating a consensus for the need to cut government's expenditure - even among parties that were defined as the most likely to inhibit contraction. In the two episodes where economic conditions were unfavourable (i.e. budget surplus), contraction was explained by the government's ideological premises (New Zealand) and by key entrepreneurs' influence (Finland). Furthermore, in the likely episodes, MSF offered new insights into the how's and why's of reform and the emergence of solutions, i.e. the means and locus of contraction.

Finally, in chapter 2 I presented retrenchment strategies as a condition for contraction. In three out of the seven policy episodes reviewed, certain obfuscation or division features were identified. For instance, in the 2000 reform in Finland the government allowed a small increase for most students while it conducted cuts outside the student financial aid budget, thus helping to hide savings from the public. Similarly, in New Zealand during the 1995–1997 period when course subsidy cuts took place, the government was able to hide at least part of its responsibility as the fee authority was held by tertiary institutions. Nevertheless, as the Universities' Vice-Chancellor's Committee was vocal about the linkage between cost category funding and fee levels, the efficiency of this blame avoidance strategy can be questioned (Gould, 1996; Matheson, 1995c; NZVCCR, 1992; Taiaroa, 1994). In addition National's 1993 decision to set a review group to propose an appropriate cost-sharing ratio could be interpreted as an intentional strategy to direct part of the blame away to an external body - particularly as the members had been hand-picked so that they were likely to provide support to government's objectives (Butterworth & Butterworth, 1998, p. 227; Stephens & Boston, 1995, p. 116). The 1995 cuts in dentistry subsidies on the other hand fell under the division strategy as the number of students affected was minor, and were presented as privileged by the government.

Yet, the implications of the 1990 tuition fee episode and 1992 reform removing eligibility to student allowances in New Zealand, and the 1995 cuts in grant based assistance in Finland were easy to understand and affected a large number of students[80]. In these reforms governments frequently referred to the difficult financial situation to justify the legitimacy of cutbacks. If tight financial conditions contribute to the general acceptability of contraction, retrenchment strategies may be more pivotal in episodes where cutbacks are implemented during periods when economic outlooks appear to be positive. Nevertheless, based on the empirical data these strategies should not be overemphasised as none of the episodes was directly explained by their presence: contraction was

[80] However, in the 1992 episode Government's decision to introduce student loans for students losing their eligibility to student allowances could be interpreted as a compensation strategy.

driven by problem pressure and policy entrepreneurs and would likely have occurred even if no blame avoidance tactics had been at the governments' disposal. Hence, retrenchment strategies may be better in explaining the content of the final policy configuration, i.e. the locus of contraction, than the overall cost-sharing direction.

The analysis in this and the previous chapter allows us to evaluate the applicability of the MSF lens' in explaining student funding policy change in general and its cost-sharing direction in particular. Furthermore, the findings provide insights into the relative importance of the partisan and economic variables in determining expansion and contraction in the student funding domain. Before discussing these findings, the next chapter will analyse four episodes of non-change to investigate whether the MSF lens is also able to account for observed stability in the student funding policy domain.

Chapter 7 Stability in Student Funding Policy

This last empirical chapter is concerned with episodes of stasis and continuity in the student funding policy paths. In chapter 2 I elaborated on the weakness of the MSF lens in accounting for policy stability and proposed that consideration of formal institutional factors and path dependence would likely produce a more sophisticated account of episodes illustrating stability or gradualism. This approach can for instance reveal if particular legislative arrangements impede reform initiatives or if certain policy choices made in the past affect student funding decisions at a later stage.

The four episodes I chose for further examination indicate significant continuity despite changes in the partisan incumbency or economic performance variables. These include two examples of student funding cost-sharing paths and two instances of continuity within a particular policy program. The former are the Finnish and New Zealand tuition fee paths. In Finland the tuition fee free provision has continued since the 1970s despite periodic economic challenges. Also in New Zealand the tuition fee path of increased private responsibility has been highly resilient since the early 1990s. Examples of stasis in particular policy programs are the continuity of student loan interest write-offs in New Zealand and the continuity of market based student loan arrangements in Finland[81].

By focusing on time periods when no reforms took place (despite at least occasional economic or political pressure), findings from this chapter allow me to assess if unfavourable conditions in the different streams can explain the continuity in particular cost-sharing arrangements and policy programs or whether certain institutional structures and path dependent processes provide a deeper understanding of this continuity.

Continuity in the Finnish tuition fee policy path: provision of free tuition

A prime example of stability is the Finnish tuition fee policy path which relies on public funding and has not witnessed the introduction of a user-pays principle despite the fact that during certain time periods the government faced significant financial pressure. This section will first discuss the determinants behind stability and assess the validity of the MSF lens in explaining the continuity of the free tuition path. After that, by drawing on the institutional/path dependence literature, the question of whether or not this perspective improves our understanding of continuity and non-reform within the free tuition policy will be examined.

[81] The Finnish tuition fee policy program was not discussed in the previous two empirical chapters, and hence the analysis provided in this chapter is more extensive than in the case of the other three episodes of stability which have been already partially addressed in chapters 5 and/or 6.

The Finnish tertiary education system has continued to rely on public resources instead of requiring students to pay tuition fees. Even though during the second part of the 20th century a few private universities charged fees, these payments ended in the 1970s when most private universities were nationalised (Autio, 1994; Jääskinen & Rantanen, 2007; Kivinen et al., 1993; Sipilä, 2010; Wacklin, 1995). Yet, the practice of free provision came into question when Prime Minister Aho's Centre-Right Government was faced with the economic crisis of the early 1990s. Minister of Finance Viinanen and Treasury's budget chief Sailas were granted a central role in balancing the public budget (Julkunen, 2001; Kosunen, 1997a). Sailas' list in September 1992 outlined savings worth 20 billion marks, and included the imposition of a thousand mark fee in tertiary institutions (Sailas, 1992).

Sailas' proposals were initially rejected as too radical by the government, but utlimately most of them were endorsed by either Aho's or successive governments (Julkunen, 2001; Valtioneuvosto, 1992; Vuoristo, 1996). This also applied to tuition fees: soon after Sailas' list was announced, the cabinet announced that a fee of 500 marks per semester would be introduced from 1993 onwards with a fee waiver scheme based on students' own and parents' income and assets (Valtioneuvosto, 1992). These fees were to be adopted by Ministerial notice under the new Act on Criteria for Charges Payable which had been introduced as a solution to the difficulties the government faced in passing savings laws in parliament (Ranki, 2000)[82]. Nonetheless, in November the cabinet accepted a revised proposal from the two Ministers of Education - Uosukainen and Isohookana-Asuinmaa - outlining that one free tertiary degree would be offered to all students. Hence, the annual fee of 1000 marks would only be charged after enrolment had exceeded 5.5 years or if the student had previously gained a tertiary degree (OPM, 1992)[83]. This policy was expected to reduced overall savings but still result in 60 million marks of additional income for the government (OPM, 1992)

The Minister of Education Uouskainen justified this fee initiative solely on the grounds of economic necessity (Eduskunta, 1992a, 1992b; KK 667/1992; KK 694/1992). She for instance stated that, 'My opinion has always been that tertiary education should not be a priority area where fees are introduced' (Eduskunta, 1992b) . Yet, Uosukainen argued that targeting part of the costs at students was also appropriate and that fees would lead to a more effective use of study places and increase public sector accountability. These outputs, however, were mainly framed as positive by-products, not as the primary reasons for carrying out the reform (Eduskunta, 1992a; KK 667/1992; KK 694/1992).

[82] Until 1993 all policies lowering the level of basic benefits could be left in abeyance until after the next election if at least one third of MPs voted against the bill (*Valtiopäiväjärjestys 7/1928*, 66 §, 7 mom)
[83] This included both bachelors and masters' degrees. Postgraduate research degrees would remain free of charge.

The tertiary fee suggestion faced heavy criticism both in and outside parliament. For example, the Education and Culture Committee recommended government to abolish its fee plans stating that high level of education was crucial for a small nations' success and the fee initiative could inhibit participation (SiVM 19/1992). The National Student Union (SYL) took an active role as a policy entrepreneur when it requested the Chancellor of Justice to review the policy initiative. SYL claimed that MoE's decision violated the principles of the Act on Criteria for Charges Payable to the State (as the suggested fee was not directly related to a certain output) and that the fee policy changed an already established contract between students and the state for the 1992–1993 academic year (SYL, 1992) [84].

The Chancellor of Justice responded only a few days before the fees were supposed to be introduced, stating that even though the Minister had the legal right to charge fees, introduction of them in the middle of the academic year was inappropriate (Oikeuskansleri, 1992). Consequently, the government announced that the implementation would be deferred until August 1993, granting opponents more time to advocate against the reform (KK 667/1992). Students received the support of a few universities, who together questioned the significance of the savings and highlighted the linkage between free of charge provision and equality (Liiten, 1993; Stenbäck, 1993)[85]. The advocacy paid off and at an April 1993 budget meeting Minister Uosukainen endorsed removal of the fee initiatives. However, because of opposition from Minister of Finance Viinanen, no decision was taken (Pentikäinen, 1993). With support for the fee proposal disappearing, Cabinet decided in June that fees would not start in 1993 and the fee proposal was excluded from the Ministry of Education's development plan (Mäenpää, 1993; OPM, 1993).

This decision did not yet mean the full abandonment of the user pays idea. The government continued to state that equality of opportunity could be achieved with measures other than free provision (HE 309/1993, perustelut IV/IV). One of the presented alternatives was a voucher scheme (OPM, 1993). For this purpose the MoE appointed the head of Finance at the Helsinki School of Economic, Esa Ahonen to review possible voucher models and to analyse how funding should be arranged after an individual voucher right expires (Ahonen, 1994; OPM, 1993). Ahonen's proposal that fees should be charged after students exceeded their individual entitlement was strongly criticised by students and

[84] SYL also argued that charging fees violated the principles of equality, United Nation's convention and the special autonomy granted to the University of Helsinki.

[85] For instance, additional administration costs and the overall impact if a significant number of students decided to discontinue studies and apply instead unemployment benefits.

failed to advance in the political arena as the mid-1990s saw growing partisan support for including the free provision in law (Ahonen, 1994; OPM, 2001; SiVM 9/1997)[86]. The first step towards institutionalisation of free tuition was taken in 1995 when PM Aho's Government legislated free of charge provision for polytechnic degrees (*Laki ammattikorkeakouluopinnoista 255/1995*). This was followed by PM Lipponen's Government's decision to write the free of charge provision into the university law (HE 263/1996; KM, 1996; *Yliopistolaki 645/1997*). This meant that tuition fees could be no longer be imposed by ministerial notice but would require parliament's approval.

After 1999 free provision has had strong support among the student unions and the public (Davies et al., 2009; Raivio, 2007). Moreover, tuition fee free provision had been adopted in the election manifests of all of the main parties and had been emphasised in all government programmes and education development plans in 1999–2011 (Liiten, 2007b; OPM, 2000, 2004a, 2008a, 2012a; POHTIVA; Valtioneuvosto, 1999, 2003, 2011). Both the Ministry and Ministers of Education framed free provision as the basis of educational security and as a cornerstone of the Finnish welfare society (e.g. Eduskunta, 2007a, 2009b; Haatainen, 2004; Jämsen, 2013; Liiten, 2005; Niemeläinen, 2007; OPM, 2000, 2008a, 2012a). Some MPs even described free provision as a holy principle (e.g. ed. Vähäsalo in Eduskunta, 2007a, ed. Katainen in 2009b).

Advocacy for tuition fees has been mainly left to business organizations and individual policy actors (e.g. University of Helsinki's Chancellor Kari Raivio) (EVA, 2001; Henttonen, 2008; OECD, 2002; OPM, 2008b; Raivio, 2007; Ruokanen, 2004; Sitra, 2005)[87]. With the country confronted by a worsening sustainability gap and slow economic growth, most of the pro-fee arguments have been justified by the need to decrease study times (e.g.. Henttonen, 2008; Raivio, 2007)[88]. It has also been argued that equality could be secured by deferred fee models, like voucher or graduate tax schemes (EVA, 2001; Henttonen, 2008; Raivio, 2007; Sitra, 2005). Yet, the majority of fee initiatives have been suggested for certain groups of students, e.g. those wanting to complete a second degree or students enrolled for longer than the normal degree time (EVA, 2001; Raivio, 2007; Ruokanen, 2004).

[86] For instance, in the 1994 constitutional rights bill committee process a number of MPs from the SDP, Left Alliance and Green Alliance signed proposals to expand the free of right provision to the tertiary sector and in 1995 the Left Alliance and the National Coalition Party included the free of charge tertiary education provision in their election manifests (PeVM 25/1994; POHTIVA; SiVL 3/1994).

[87] A Ministry of Education requested working group report in 2002 admitted that fees could lead to faster studying time, but these were not presented as a desirable alternative for other reason (OPM, 2002). More supportive views towards tuition fees were presented by the Jääskinen and Rantanen's committee (2006) and by a Cabinet appointed working group (Suomi maailmantaloudessa -ohjausryhmä, 2004)

[88] The two reports that examined the use of fees in greater detail utilized acquired private benefits and perverse distribution arguments to justifying increased cost-sharing (Henttonen, 2008, pp. 24–26, 62–66; Raivio, 2007, p. 17).

These initiatives were commonly objected to by invoking a 'thin end of the wedge' (or gateway theory) argumentation implying that charging fees for certain groups would eventually leads to fees for all students or that initially small fees would ultimately rise to a significant level (e.g. Eduskunta, 2009a, 2009b; Jämsen, 2013; Piirto, 2008). This type of discourse has also been also identified as a common feature in other Nordic countries (Oxford Reserach, 2013, p. 60).

However, as indicated by the international fee reform introduced in 2010, the tuition fee path had not been completely locked in (*Laki ammattikorkeakoululain muuttamisesta ja väliaikaisesta muuttamisesta 564/2009*; *Yliopistolaki 558/2009*)[89]. Fees for international students were also highly controversial but were ultimately agreed upon as a solution to the government's goal of doubling the number of overseas students (HE 7/2009; OPM, 2004a, 2005)[90]. Yet, in order to gain the necessary support, overseas fees were first only allowed to be charged as a trial in a limited number of study programs and with a compensatory scholarship scheme (Weimer, 2013).

In 2010 there was evidence of increasing support for the tuition fee advocacy groups as both the Ministry of Education and the Treasury started to (publically) consider charging domestic fees. In 2010 the media was circulating rumors that a MoE led working group was planning to suggest a 1000 euro fee to all domestic students as well (Liiten, 2010). Even though the final report did not propose fees, it advocated the need to discuss the social fairness of free provision (when considering private benefits and perverse distribution) and asked why a user pay concept in higher education was so unthinkable in Finland when fees were charged in child, elderly and health care (OPM, 2010). The report presented few policy alternatives, i.e. vouchers and income related loan models, which were described as having positive implications on social fairness, incentivise faster studying and provide additional income to tertiary institutions (OPM, 2010). Besides the MoE the Treasury also took a more proactive role in emphasising the costs of tertiary education and promoting the idea of fees after the standard degree time in order to increase students' cost-awareness and increase incentives for faster studying (OPM, 2012b, 2012c; VM, 2013). Despite this growing advocacy, none of the political parties adopted a domestic fee initiative and hence the free provision practice remained in at the end of 2013.

[89] International fees in this thesis refers to fees charged from students outside the EU/EAA area
[90] Additional funding through fees was perceived necessary for tertiary institutions to improve and develop new program taught in English and overseas

Table 7.1 Multiple Streams Indicators in the Tuition Fee Free Policy

	Favourable for change	Favourable for contraction	Description
Problem	Yes	Partial	Indicators/feedback (sustainability gap, long study times)
Policy	Yes	Partial	Feasible fee alternatives exist and have gained increasing support among the policy community since 2005 even though they were previously inhibited by their value acceptability.
Political	No	No	Election platforms have supported existing policy. Student unions and national mood opposed to domestic fees
Entrepreneurs	Yes	Partial	Student unions/ministers of education and parliament (against user-pays principle), Treasury/Sailas, 2010 MoE working group and business oganisations (proposals for increased cost-sharing but minor impact after 1993)

This policy episode demonstrates how the 1990s depression and the worsening economic situation in the aftermath of the 2008 financial crisis created favourable conditions for Treasury's Sailas to push tuition fees higher on the policy agenda. Yet, particularly since the late 1990s, there have been few political endeavours to introduce domestic fees. In contrast, all major parties have expressed their commitment to the existing free tuition arrangement.

Using the MSF lens I am able to argue that the partial coupling was mainly due to the unfavourable conditions in the political stream (see Table 7.1). Free provision was not been protected by lack of availability of solutions as a number of feasible alternatives had been presented. Similarly, a number of policy entrepreneurs advocated fees as a solution to slow study times which has been governments' priority problem for more than a half a century. With the existence of a salient problem, feasible solutions and policy entrepreneurs, the reasons for stability trace back to lack of support in the political stream. This is illustrated by the following statement by the OECD's review group:

> Whilst other systems have espoused tuition fees with varying degrees of enthusiasm and reluctance, our widespread discussions with parliamentarians, stakeholders, students and institutions suggested that few Finns believe that a larger private financing initiative through student tuition fees should be introduced into the system. (Davies et al., 2009, p. 68)

Does the institutional lens provide additional insights into the observed stability? First, by writing the free provision into law in 1995 and 1998 governments added significant new veto points to impede reform as even majority governments would have difficulty in passing controversial bills in the Finnish Parliament. However, the decision to exclude free provision from the constitutional right reforms of 1995, 1999 and 2010 left the door open for contraction for constitutional status would have locked in the free provision as any changes in constitutional rights are impeded by the need to reach a consensus in parliament[91].

Moreover, the growth in tertiary enrolments can be identified as a positive feedback mechanism. Higher student numbers result in more powerful student interest groups through increased funding and critical mass. Yet, as student unions were already powerful before the 1990s, the persistence of free tuition may better be explained by the term of path dependence of an idea (Cox, 2004). In Finland the free provision has been linked to the existence of the welfare state and the value of equality, both enjoying high public support. The repetition of the linkage between these values and free tuition has gradually transferred the free provision to a value itself (Henttonen, 2008, pp. 31–35). Fees have even been described as a political taboo in Finland (Henttonen, 2008; Liiten, 2009; Ruokanen, 2004; Weimer, 2013). This locking-in of the policy discourse builds obstacles for those supporting the use of tuition fees. For example one of the government appointed committees decided to leave out domestic fees from their proposal due to the expected controversy (Jääskinen & Rantanen, 2006).

Even though the continuity of free provision is protected by the political narrative, the overseas fee reform shows that path departure is possible. The international fee reform was commenced without acute financial pressures, but in the domestic fee domain a severe economic crisis may be necessary to gain legitimacy. In addition the ongoing problem of long study times and the implementation of tuition fees reform in other Nordic countries may lift fees higher on the policy agenda. It is also the case that as the tuition fee policy appears highly controversial, access to retrenchment strategies may increase governments' willingness to introduce fees. For instance in 2010, international fees were introduced as a trial in a limited number of degrees and with a requirement for the availability of scholarships. These features can be interpreted as strategies to lower public and political controversy. Similarly, in the 1992 episode the policy decision was left to an individual bureaucrat, an approach which can be interpreted as a tactic of blame avoidance, government appearing nervous about exercising policy leadership on the issue. Moreover, features of division are present in the 1992 fee proposal adjustments, e.g. abated fees for low income groups or for those studying for a first degree.

[91] Any changes in constitutional rights need a 5/6 majority in parliament or otherwise the legislation will only be decided upon after the next general election, where the approval of 2/3 of the parliament is still required (Jyränki, 2000)

MSF’s validity extends to explaining the 1993 non-reform and identifying the unfavorable conditions in the political stream, impeding reform in the existing free tuition path. However, consideration of institutional factors, i.e. legal barriers, path dependence and the availability of retrenchment strategies produces a more refined account of the Finnish free tuition path. Certain institutional features (enactment of the free provision) and the policy discourse have created armor that protects the current path. Exclusion of these features would have resulted in a more simplified account of this particular episode and hence supports the inclusion of the institutional lens when policy stasis is explained.

Continuity in the New Zealand tuition fee cost-sharing path

The New Zealand tuition fee cost-sharing path points to increasing private responsibility over course costs since 1990. In chapters 5 and 6 I concluded that the tuition fee changes introduced in 1990 and 1992 were comprehensive and far-reaching. Positive state finances in the mid 1990s did not reverse the chosen cost-sharing direction. Similarly, Labour’s election win in 1999, coupled with sound public budgets only changed the tuition fee path temporarily as, after 2004, average fees again started to increase. However, since 2004 fee rises have been restricted by government fee stabilisation policy. The investigation of the problem stream in the previous chapters showed how increasing tuition fee levels and related student debt had since the 1990s remained high on the policy agenda. However, in 2013 the problem stream appears only partially open to a reform. In Chapter 4 I unfolded how Labour's election win in 1999 - and the high issue salience related to student debt levels - opened a policy window for a radical overhaul. However, as Labour's focus shifted towards increased generosity within the student financial aid scheme, this policy window eventually closed after the fee stabilisation policy was introduced.

Moreover, even though a number of programmatic solutions were available in 2013, those denoting significantly lower tuition fee costs through additional government investment seem to have been restricted by their budgetary feasibility. In contrast, solutions requiring tertiary institutions to lower fees without simultaneous compensation from the government budget were inhibited by their value acceptability: lower funding is perceived to compromise the quality of teaching and research. Reform was also impeded by the fact that most key entrepreneurs advocating for significantly lower fees originated from smaller parties and student unions meaning that the zero-fee policy is still to garner the support of one of the main political parties.

Table 7.2 Multiple Streams Indicators in the Tuition Fee Cost-Sharing Policy

	Favourable for change	Favourable for expansion	Description
Problem	Partial	Partial	High student debt and accessibility were priority problems in the early 21st century but have since lost their salience
Policy	Partial	Partial	A number of solutions exist but those leading to expansion are restricted by their budgetary feasibility. Forcing cuts on tuition fees without additional funding to HEIs on the other hand is objected to by its value acceptability
Political	Partial	Partial	Election cycles are not likely to result in significant changes as neither one of the largest parties has adopted a policy proposing significantly decreased fee levels. From the interest groups, students and tertiary institutions hold opposite views
Entrepreneurs	Partial	No	Treasury, tertiary institutions and main parties (support either existing arrangement or increased tuition fees); minor parties and students union (minor impact: zero-fee advocacy)

Relatively minor changes towards decreased tuition fee levels have occurred since 1990. How can this increasing private responsibility over time best be explained? The economic conditions and partisan incumbency arguments provide few insights as neither surplus budgets nor Labour led governments have resulted in significantly decreased average fees. As identified by applying the MSF lens, Table 7.2 illustrates the only partially favourable conditions in the streams. After the 1999–2003 momentum passed, the streams have indicated little support for a radical overhaul in tuition fee practice.

Can the account produced by the MSF lens be complemented by focusing on institutional barriers and path dependent processes? First, when reviewing the institutional arrangements surrounding the semi-regulated tuition fee framework, it becomes clear that the New Zealand government holds the authority to restrict annual fee increases and can legislate that tertiary institutions stabilise - or even decrease - fee levels. Hence no absolute institutional barriers for lower tuition fee levels exist. Furthermore, the significant growth in tertiary participation since the 1990s can be interpreted as a positive feedback process which makes the return to a state funded model less likely. Charging tuition fees allowed the governments to increase the number of students, but at the same time this growth in participation meant that the economic implications of removing students' private responsibility in 2013 are significantly higher than in the early 1990s when the scheme was first established. The continuity of the cost-sharing practice is also strengthened by the growing body of former fee paying students who are likely to be less favourable to removing fees for future generations, gradually eroding public support for a zero fee model. However, the path is not fully locked in: minor parties, Green Party, United Future and the Mana Party have continued to advocate a zero fee model (see Table B2). Minor parties may play an important role in this regard if they set lower private responsibility as a condition for their confidence and supply agreement with (most likely) Labour led governments. Yet, due to the budgetary impacts, any significant expansion would be likely to be implemented over a longer time period rather than as a one-off reform.

In the New Zealand tuition fee policy path, the MSF lens was able to reveal the limited favorability for reform in general or increased generosity more specifically. However, consideration of path dependent features allowed us to demonstrate how growing student numbers and of fee paying alumni have reinforced the existing path. In other words, government's tuition fee policy choices in 2013 are dependent on decision made in the early 1990s.

Continuity of the student loan interest write-off policy in New Zealand

The first two sections discussed continuity in the tuition fee cost-sharing paths. In contrast, this and the next section analyse the causes of stability in particular policy programs. From the New Zealand policy trajectory I chose the case of interest free student loans which were introduced by the Labour government in 2000 (and extended in 2006). This section examines which factors explain the continuity of the interest write-off policy during the period of the National Government in 2008–2013 as the theoretical propositions expected contraction based on the partisan and economic variables.

I chapter 5 I analysed how the fifth Labour Government in 2000 introduced interest free student loans for full-time students and part-time students on low incomes. These were extended to all resident borrowers after Labour's election win in 2005. The parliamentary opposition, particularly the National and ACT parties were critical of both the 2000 and 2005 reforms. For instance the 2005 reform was labeled as irresponsible and it was argued would lead to unnecessary borrowing and growing student debt while not targeting the funding on those who are in most need (ACT, 2005; National Party, 2005a; Parliament of New Zealand, 2000e, 2000g). Moreover, the National Party claimed that the 2005 interest write off policy would incur significant costs to taxpayers and hence the leader of the party Jon Key argued that he and the other National MPs would be 'opposing this legislation with every bone in our bodies' (Parliament of New Zealand, 2005b, p. 205).

The interest write-off policy did indeed result in significant costs to the government in the form of unpaid interest and longer repayment times (SLSAR, 2015). Yet, the National Party ultimately accepted the public popularity of the interest write-off scheme and pledged in its 2008 election campaign to continue this policy (Trevett, 2008). After National's election win the need to keep this pledge has restricted feasible policy choices even though there has been increasing pressure for change. For instance the Government's Taskforce 2025 advocated re-introduction of interest and called the existing write-off policy 'totally indefensible' (2025 Taskforce, 2009, p. 95). Also Treasury and the coalition party ACT supported re-introduction of interest (The Dominion Post, 2011; Treasury, 2008, 2011, 2012a). However, government impeded this policy direction, for instance Treasury writing in its budget paper that 'Ministers have made it clear that certain measures (e.g. interest on student loans) will not be considered' (Treasury, 2013b, p. 3)

Prime Minister Key has so far rejected these proposals by arguing that, 'It may not be great economics, but it's great politics' (Satherley, 2012). This points to government's perception that the interest write-off policy has wide public support. In this situation, but recognising the cost of the student loan package, National Governments decided to follow Treasury's proposal to reduce the costs of the scheme by other means, e.g. by stricter eligibility criteria and repayment obligations.

Table 7.3 Multiple Streams Indicators in the New Zealand Interest-Write-off Policy

	Favourable for change	Favourable for contraction	Description
Problem	Yes	Yes	Growing public cost of student loans and increased borrowing
Policy	Yes	Yes	Feasible alternatives exist and parts of the policy community have offered decreased generosity in interest rules
Political	No	No	Election promises did not indicate decreased generosity. National mood perceived to be against interest re-introduction
Entrepreneurs	Yes	Yes	Treasury, ACT and Government's Taskforce 2025 (advocating for re-introduction of interest); Key/National Party, students (supporting existing policy)

This episode indicates that partisan incumbency and economic situation are not sufficient factors for explaining the cost-sharing direction at a policy program level. The MSF lens uncovers why the interest write-off policy was continued even though most streams supported contraction. Unfavourable conditions in the political stream, in particular the perceived public popularity, remained a sufficient factor for the interest write-off policy's survival throughout National's first and second terms. Hence, the National Government focused on lowering the cost of the student loan scheme by policies that were less controversial, for instance by restricting access to the scheme, implementing a life time limit for borrowing and increasing repayment obligations (see Chapter 6).

How does the institutional/path dependence literature explain continuity in this policy account? The institutional lens points to the National's Party's need to negotiate with its coalition partners in order to pass legislation to remove the interest write-off clause. Yet, with the support of ACT and the United Future' this legislative barrier should not have been impossible to overcome. However, continuity seems to be linked with the large constituency that was created overnight in 2006 when the interest write-off policy for all resident borrowers was adopted. This policy decision was a contingent event as a number of policy actors did not perceive interest write-offs to be the best solution to the student debt problem it sought to address. The positive feedback mechanisms also denotes to the growing borrowing since 2006 which can be linked to the more generous loan terms: the size of the constituency benefiting from interest write-offs grew from 10 percent of population in 2006 to 17 percent of population in 2013/2014 (SLSAR, 2015; Statistics New Zealand, 2013).

This episode questions the validity of the economic and partisan incumbency variables in explaining contraction in a specific student funding program as governments can relatively easily decide to implement cutback in other policy instruments instead. The MSF lens was able to unfold the main reasons for stability by identifying unfavourable conditions in the political stream. However, by focusing on path dependence processes I was able to refine this explanation by showing how the initial path formation in 2006 continued to affect National Governments' policy decisions in 2013.

Continuity of the market based, mortgage-type student loans in Finland

In Finland in 1992 a new student loan scheme was introduced. For all new students, loans were granted by commercial banks without government's interest subsidies and loan repayments were not related to borrowers' future income levels. The 1992 reform resulted in less favorable loan terms as previously government had regulated on the maximum interest rate and provided significant interest subsidies. This chapter will particularly focus on years 1997–2008 when the Finnish governments' economic environment proposed expansion, but significantly increased generosity did not extend to student loan interest rates or the above described repayment arrangements.

The continuity of the market based student loans without significant interest subsidies or an income related repayment model cannot be explained by lack of problem pressure or to the non-availability of an alternative solution. For instance in the early 1990s the SDP, the Left Alliance and the Director of the Centre of Financial Aid Numminen were supportive of income related loans and advocated setting up a government fund providing student loans with subsidized interest rates (Autio, 1995; POHTIVA). However, as I discussed in Chapter 5, the grant based alternative was able to garner more support at that time and the improved expenditure required as a result of the lifting of allowance rates resulted in government's need to adopt cutbacks elsewhere. This resulted in discontinuation of interest subsidies for new student loans.

After implementation of the 1992 reform policy feedback pointed to high interest rates and rapidly growing unemployment levels, both of which were perceived as the main reasons explaining significant loan aversion among new students. For example the ECC and a number of MPs in parliament asked the government to review how repayments could be made dependent on student's economic situation and future income levels or consider re-introducing interest subsidies (Eduskunta, 1995b; KK 85/1995; KK 348/1992; KK 1117/1997; SiVM 25/1993). From the largest parties, the SDP was the most supportive of significant changes, proposing state's own student loan scheme or its transferral from banks to funds where a maximum interest rate was set and repayments were dependent on borrowers' income level (KK 85/1995; KK 1117/1997; SDP, 1998)[92]. Income related loans were also advocated as a financing mechanisms in the tuition fee domain (Ahonen, 1994).

Yet, the coalition governments in the 1990s framed the existing loan aversion as an intentional policy outcome as governments did endeavour to lower reliance on student loans (KK 85/1995; KK 348/1992; KK 1117/1997). Similarly, as the tuition fee decision was withdrawn, there were no urgent pressures for new financing mechanisms. The problematization of loan aversion had to wait until PM Vanhanen's first government in 2003 when the low usage of the loan scheme was coupled with the problem of long study times. This was because students relied on in-term employment rather than on borrowing (Valtioneuvosto, 2003). To increase the use of loans, PM Vanhanen's government preferred the adoption of a loan subvention model over significant generosity changes in interest subsidies or repayment mechanisms (see Chapter 5).

In 2009 an OECD's review group argued that an income related loan system could be a sound solution for the loan aversion problem in Finland:

[92] However, SDP was not advocating for a complete shift to a loan based scheme, but in contrast, was supportive of a grant based scheme and of reducing the ratio of loans in overall student financial aid (SDP, 1998).

> Students with whom we met indicated that they were reluctant to borrow for fear of being unable to find work after completing their studies, and consequently being unable to meet their loan obligations. If in fact the low rate of take-up is due to the mortgage-style rather thanincome-contingent structure of lending, this has implications which the Ministry should pursue (Davies et al., 2009, p. 89).

However, loan based solutions have failed to gather the support of most of the domestic policy community as illustrated by preferences in working group reports (e.g. Kurri, 1990; OPM, 2002, 2009). The main reasons for the lack of support for state run loans with an income related payment scheme are twofold. Besides the concern that the expenditure requirements for the setting up of this scheme could have adverse effect on the generosity of student allowances, the technical feasibility of setting up the required structure and the related equity needs have been emphasised (Kurri, 1990; OPM, 2002, 2009; Raivola et al., 2000).

Also the political stream lacks enthusiasm for an overhaul in the student loan scheme: the 21st century has evidenced no significant advocacy from the main political parties, students, the banking sector or other key entrepreneurs. In addition low overall interest rates since 2008 have decreased pressure on the need to introduce interest subsidies (Suomen Pankki, 2014). The market based student loan scheme also provides an easy option for the government to increase the total value of financial aid support without direct budgetary consequences. Even though a radical change in the loan scheme appears unlikely, reform could rise on the policy agenda if major dysfunctionalities in the banking sector's operation emerge. Also a major punctuation in the tuition fee domain could trigger change: the introduction of fees could lead to the need to set up a new loan based financing mechanisms.

Table 7.4 Multiple Streams Indicators in the Finnish Student Loan Policy

	Favourable for change	Favourable for expansion	Description
Problem	Yes	Partial	Low interest rates decreasing pressure, but governments have increasingly problematised loan aversion among students.
Policy	Partial	Partial	Policy alternatives exist but have been impeded by their budgetary and technical feasibility. Policy community has preferred improvements in grant based assistance.
Political	No	No	Little pressure for change
Entrepreneurs	No	No	No visible domestic policy entrepreneurs advocating for interest write-offs or state run loan models since the late 1990s.

The analysis indicates that the generosity in the student loan interest and repayment terms was not closely coupled with the economic or the partisan incumbency variables. As illustrated in Table 7.4 the MSF lens reveals that the conditions in none of the streams have been favourable for a significant reform since the early 21st century. For example the significant decrease in interest rates has pushed interest subsidy proposals away from the political agenda and the wide spread support in the policy community for the existing grant based scheme has also impeded student loan scheme reforms.

Can institutional/path dependent features refine our explanation for this non-reform episode? The historical analysis shows that the initial path formation was a contingent event as in the 1960s state run loans were presented as the best loan alternative by a government appointed working group (Opintotukikomitea, 1968). Similarly, the banking sector's rejection to running a student loan scheme could have impeded the initial set up of the commercial student loan path. Yet, after the initial introduction of commercial bank run loans in 1969, it became less likely that a state run loan scheme would be introduced. Even major crises in the scheme in the 1970's did not lead to a radical reform (see Chapter 5). The second critical juncture existed in the early 1990s but again the state run loan scheme was unsuccessful in receiving adequate support compared to the allowance based option. After the 1992 reform the growing constituency of students relaying on allowances and the low number of students' borrowing has impeded policies proposing increased generosity in the loan scheme as this has been perceived as increasing pressures for concurrent cuts in the grant scheme.

Aligning with findings from the previous section, the student loan episode in Finland between 1997 and 2008 questioned the validity of the economic and partisan incumbency variables in explaining generosity changes. The MSF lens allowed us to identify those unfavorable conditions in most of the streams which impeded reform initiatives. The institutional perspective did identify the contingent nature of the initial student loan decision in 1969 and how this decision - arguably - reduced the likelihood of a state run loan scheme being adopted at a later point in time.

Explaining stability in the student funding policy domain

The salience of economic and partisan conditions, different streams and the institutional lens in explaining non-contraction or non-expansion in the four episodes of stability are summarized in Table 7.5 below:

Table 7.5 Favourability of the Variables/Streams for Cost-Sharing Change in the Policy Episodes

	FIN tuition fee path	NZ tuition fee path	NZ interest free student loans	FIN market based student loans
Partisan incumbency	Low	Low	Low	Low
Economic conditions	Partial	Partial	Low	Low
Problem stream	Partial	Partial	High	Partial
Policy stream	Partial	Partial	High	Partial
Political stream	Low	Partial	Low	Low
Entrepreneur	Partial	Low	High	Low
Formal legislative	Partial	Low	Low	Low
Path dependence	High	Partial	Partial	Partial

From Table 7.5 it becomes evident that the economic conditions and partisan incumbency variables had marginal explanatory power in accounting for stasis in the four episodes. In other words the two tuition fee cost-sharing paths have not changed despite changes in partisan incumbency or the state's economic environment. Similarly, and challenging the hypothesis presented in Chapter 2, the continuity of particular policy programs, here student loan interest write-offs and market based student loans, could not be explained by changes in the partisan/ economic variables. The policy episodes proved the utility of the MSF lens in uncovering the major determinants for stability by indicating barriers to change: in most episodes the unfavorable conditions in the streams explained why reforms were impeded. An exception was the New Zealand student loan interest write-off scheme where stability seems to rely on resistance in one stream only. These findings support MSF lens' applicability in explaining non-reforms and stability as it can indicate barriers by illustrating how many streams are unfavorable to reform.

However, in Chapter 2 I also argued that particular legislative arrangements can influence the likelihood of student funding policy reforms and that, '*The MSF explanations for periods of stability in the Finnish and New Zealand student funding policy trajectories can be improved by focusing on path dependent processes and unfolding how decisions in the past affect choices today*'.

The findings suggest that inclusion of the path dependence perspective would benefit the MSF lens when the analysis involves episodes of non-reform and stasis. The focus on formal institutional practices proved to play a minor role in constraining policy development in three of the policy episodes. Yet, in one of the episodes, legislative institutional barriers in protecting free tuition were significant and should thus not be completely ignored in the student funding policy analysis. Moreover, the path dependence lens provided a complementary perspective by describing why and how particular initial decisions constrain further policy choices and protect certain programs against expansion or contraction. For instance, the initial introduction of interest free student loans in New Zealand created a growing constituency that has protected the scheme. Similarly, path dependence can provide a more refined account of how the multiple streams indicators actually work. For instance policy discourse was defined as the reproduction mechanism behind the strong public support in the Finnish free tuition path as it linked free provision with important national values.

Chapter 8 Synthesis of the Findings

In the previous three chapters I examined the drivers and barriers behind expansion, contraction and stability in seventeen policy episodes. The differences and similarities that were present can advance our understanding of the causes behind governments' cost-sharing policy outputs. This chapter will start by presenting a synthesis of the findings and discussing to what degree they align with the hypotheses outlined in Chapter 2. I close the chapter by discussing the applicability of the different theoretical lenses to explaining the development of student funding policy.

Economic context and partisan incumbency

In the first hypothesis I proposed that the state's economic environment affects the cost-sharing direction of student funding policies. This hypothesis was challenged in the light of the empirical data from the two case countries. In a number of policy episodes the hypothesised cost-sharing direction did not coincide with the evidence from the policy trajectories. A closer look into the theoretically unlikely episodes uncovered the causes for the witnessed cost-sharing development. In expansion episodes high issue salience proved capable of opening a policy window regardless of public deficits. Similarly, contraction under positive state finances was enabled by a favourable partisan incumbency variable (New Zealand only) or by the influence of particular key entrepreneurs.

Also, in the likely policy episodes a deeper analysis of the policy process revealed that the link between the economic environment and the observed cost-sharing direction was at times spurious. Even though a positive economic situation did provide a better platform for reforms requiring additional spending, it did not cause increased generosity as such for this required issue salience, party politics/ideologies, election cycles/favourable public mood and/or interest group pressure. These findings strongly indicate that the economic situation per se does not directly result in a particular cost-sharing direction. In other words, expansion is not automatically inhibited by budget deficits and a favorable economic situation does not mean increased generosity. This leads me to propose that in most instances economic factors play a secondary role in the field of student funding policy. However, I also established that a particularly concerning economic situation can clearly trigger contraction. Yet, these financial pressures have to be translated into specific contraction measures and hence full understanding of the episodes required consideration of the three streams and/or partisan incumbency.

The partisan incumbency proposition had a lower degree of validity in Finland than in New Zealand. In Finland the right-left wing dimension was less useful in explaining the cost-sharing direction. This was due to two key factors. First, most government coalitions involved parties from both the Left and the Right. Second, all main parties appeared to have a similar stance on the appropriate cost-sharing direction, advocating improved generosity and support for free provision. Also the modified hypothesis arguing that the presence of the Left Alliance party in the government coalition would protect the scheme from contraction, had little explanatory power.

In contrast, in New Zealand the party politics dimension aligned well with the expected policy direction and the empirical case studies manifested that the ideologically coloured views of key government ministers were the primary triggers in almost all of the episodes that resulted in change. In the one unlikely episode (tuition fee reform in 1990), the MSF lens was necessary to tease out the causes for contraction under the fourth Labour Government. The MSF analysis pointed to a clear internal shift to the right within the Labour Party cabinet, which together with the high financial pressures explained the unlikely policy direction. In the non-reform episodes partisan incumbency seemed to be less valid in explaining the witnessed stasis in New Zealand. In these two episodes the positive feedback mechanisms highlighted the influence of budgetary implications and public mood/ large constituencies as major barriers for governments to drive changes in their preferred direction.

The partisan incumbency variable seemed to be relatively appropriate in explaining the cost-sharing direction in most episodes in New Zealand, but not in Finland. Hence, the findings do not provide support for its across-country validity, but seems to be more relevant in some national contexts.

MSF account of student funding expansion and contraction

First, in all episodes resulting in increased generosity in student funding policies, the policy outputs were strongly influenced by issue salience. Examples of problems that were coupled with policies resulting in expansion were low tertiary participation and high youth unemployment rates. Some of the problems remained high on the government agenda for decades, for instance the issue of long study times has been defined as a priority problem in the Finnish student funding scheme since the 1960s. New problems also emerged as a result of policy feedback, but sometimes the shift of an issue to a government's problem required a general election. An example from New Zealand included Labour Government's problematization of rapidly growing tuition fees and student debt which had been defined as intentional outcomes by the National Government. One instance where issue salience played an important role in explaining increased generosity was the 1992 reform in the Finnish student financial aid scheme. In this episode the banking sectors' operation and high interest levels were a focusing event which opened a policy window for expansion despite an exceptionally grim economic outlook.

In contraction episodes, issue salience was often related to governments' (perceived) need to curb expenditure due to an economic downturn. Cuts were also triggered by policy feedback showing for instance discrepancies in benefit rules, the high cost of particular programs or low participation. Importantly, in both expansion and contraction episodes issue salience did not always call for a particular cost-sharing direction. In other words, even though issue salience may have opened the policy windows for change, the underlying problem could have been solved with either increased or decreased generosity. Hence, in order to understand the final policy outputs, I turn the focus to the other streams.

Second, features in the policy stream indicated larger differences between the two countries than between expansion and contraction episodes. In Finland, somewhat contrary to Kingdon's thesis on the independence of streams, policy and problem streams were closely interdependent. A common procedure was to nominate a working group to solve the identified policy problem(s). The high frequency of these working groups combined with a small, tightly integrated policy community provided continuity in the policy stream. Reflecting particular value appropriateness principles among the policy community almost all working groups supported increased generosity and grant based entitlements. Yet, budgetary feasibility restricted the scope of most reform ideas. With an overarching government imposed cost-neutrality imperative working groups were obliged to present contraction measures in order to fund their expansion ideas. Technical feasibility affected the adoption of certain ideas adoption but was given less importance than value acceptability and budgetary feasibility in deciding the cost-sharing direction.

Even though Finnish governments are not legally obliged to follow the proposals of working groups, almost all of the proposals were eventually adopted, thus highlighting the role of these working groups as policy entrepreneurs. For this conclusion it was necessary to extend the analysis to a longer time period as often working groups' proposals were not introduced by the government who appointed the working group, but by successive governments. This factor further manifests the continuity in the Finnish student funding policy process regardless of partisan incumbency. In only two instances (the 1995 cuts and the 2014 two tier scheme) cabinet itself came up with policy ideas that had not been openly supported and reviewed by the policy community. Also in a few other episodes (the 1992 tuition fee proposal, the 1994 voucher review and the 2005 student loan subvention scheme) the policy process differed from the general practice as proposals were commissioned from individual policy actors rather than from a committee. This can be seen as a way for the government to manipulate the policy stream in an attempt to lift new ideas on the policy agenda.

In New Zealand the policy community manifested significantly less continuity. No individual actors participated in more than one of the reviewed working groups and neither students nor other educational stakeholders had a guaranteed place in the review groups (Table C1). For instance, during most of the 1990s the policy process was official driven, with low interest in engaging with educational stakeholders and their 'vested interests'. During the fifth Labour Government a more consensual approach was adopted and stakeholders were involved in parts of the policy planning process. Similar practice did not continue after 2008 when National led governments were in power. There was also no clear support for only one cost-sharing direction within the policy stream. In contrast, the policy community appeared to contain different notions of value appropriateness. In addition, while budgetary feasibility played a major role in constraining working groups' proposals, technical feasibility was more central when the final policy configuration (e.g. the applied rules) was decided on. Similar to the case in Finland, the New Zealand policy stream was characterized by incrementalism: many of the adopted policies were traced back to ideas presented a decade or longer before. However, certain policies emerged rapidly with little support from the policy community or stakeholders. An example of this is the 1995 episode which led to cuts in dentistry funding.

Both countries also illustrated instances of policy borrowing. In Finland, other Nordic countries' policies explained the final policy configuration in a number of episodes. In New Zealand, a major example of international borrowing was the late 1980s decision, following the Australian example, to implement an income related student loan scheme. New Zealand has devoted attention to other English speaking countries as well, particularly the United States. Yet, both countries have also continued certain policies that are exceptional to each of them, i.e. the fully market based loan scheme in Finland and the full interest write-off policy in New Zealand, indicating that policy borrowing practice does not mean international convergence in all policy programs/rules.

Third, in both countries election cycles were salient periodic events, explaining why either expansion in general or a particular policy solution was adopted after a general election. Elections triggered parties to suggest improved generosity even when this direction had been deemed as not financially viable by the same parties in pre-election time. Examples include interest free student loans (NZ 2000, 2006), universal student allowances (NZ 2008) and a rise in student allowance rates (FIN 2008; FIN 2014). A similar election effect was not present in contraction episodes, indicating that cutbacks in student funding programs were not perceived to have the support of the electorate.

As the main interest group, student unions in both countries advocated increased generosity and criticized contraction. However, the influence of students differed. In Finland student representatives were granted high salience in formal policy planning, i.e. as regular members in government appointed working groups and in bodies that were consulted by politicians and bureaucrats prior to proposing student funding policy changes. Some of the Finnish student unions also possessed significant financial resources which enabled extensive advocacy and campaigning[93]. Moreover, it can be hypothesised that the student unions possessed informal influence through their close linkages with politicians and a number of relevant state departments[94].

In sharp contrast, student unions in New Zealand have since the late 1980s been predominantly excluded from the formal policy planning process and do not benefit from a similar magnitude of financial resources. In most policy episodes the student unions tried to influence the policy direction of student funding by organising campaigns and protests. Some of these campaigns did prove successful, for instance students did partially influence a) the banking sector's decision to reject the introduction of a bank run loan scheme in 1989; b) universities call to water down government's study right subsidy scheme by introducing flat fees in 1992; and c) government's decision to add an annual fee movement limit in 2004. Particular legislation enacted during the National led governments also affected the ability of student unions to engage in the policy process. First, in 1999 the law required every tertiary institution to conduct a referendum on whether student union membership should be voluntary or compulsory (*Education (Tertiary Students Association Voluntary Membership) Amendment Act 1998*)[95]. For instance the largest of New Zealand universities, the University of Auckland voted against compulsory membership after which membership numbers collapsed from

[93] For instance the Student Union of the University of Helsinki (HYY) ranks among the richest student unions in the world, (Klemenčič, 2014). HYY owns multiple businesses and properties, for instance in 2014 HYY's business profit was around 5 million euros and the estimated value of its properties was around 190 million euros (HYY Yhtymä, 2014)

[94] A number of politicians had been involved in student politics, and were known for advocating increased generosity in the student financial aid scheme (i.e. former ministers Stefan Wallin, Sari Sarkomaa and Tarja Halonen ("Suomen Eduskunta," n.d.). The background of staff in the Ministry of Education/Centre of Student Financial Aid also shows how student unions have been frequent sources of recruitment. This may have resulted in continuity of student unions' values and the objective of supporting increased generosity in these organisations (Autio, 1995).

[95] In 1999 the National Party Government also abolished the right to borrow towards the student union memberships fees in 1999, however, this right was revoked by the Labour Government in 2000.

30000 to 3000 and the Auckland University Students’ Association had to significantly downsize its staff (AUSA). Second, despite student union protests and criticism by the parliamentary oppositions , the government legislated in 2011 that student union membership in all tertiary institutions would to be voluntarily from 2012 onwards (Hartevelt, 2010; Radio New Zealand, 2011). These changes led to lower membership rates of student unions and to lower income from membership fees and thus constrained the financial resources available for advocacy work even though a number of student unions managed to secure part of their operation by collaborating with tertiary institutions to organise student services (VUWSA, 2013; Wadsworth, 2012). For instance the income of the Victoria University Student Association was reduced from over $2 million in 2011 to less than $0.7 million in 2013 (VUWSA, 2013). A related phenomenon was that a number of student organisations left the National Student Union Association in the early 21st century, eroding its influence at the national level (Gerritsen, 2015).

The degree of influence tertiary institutions possessed in the student funding domain also varied between the countries. In Finland the tertiary sector remained relatively passive, only periodically participating in the tuition fee discussion where they commonly supported the existing practice of free tuition for domestic degree seeking students. In New Zealand particular universities were active in their advocacy and until the early 21st century their goals aligned well with those promoted by students. However, more recently universities' interests have started to divert as increased generosity for students has been perceived to be in conflict with additional government funding to tertiary institutions. In regard to other relevant stakeholders, the commercial banking sector played a significant role in a few of the critical junctures in both countries, deciding on the destiny of private sector student loans.

The salience of policy entrepreneurs manifested in a number of the policy episodes[96]. In both countries the Treasury and the Ministers of Finance advocated the need to curb government's expenditure and triggered a number of contraction episodes. In reforms that ultimately resulted in increased generosity the Treasury often managed to reduce the magnitude of expansion or postponed the rise of certain policy ideas on the policy agenda by emphasizing the financial constraints facing the government. These findings align with previous academic accounts from Finland, New Zealand and elsewhere, where the Treasury was labeled as the key initiator behind numerous initiatives leading to welfare state contraction (Goldfinch, 2000; Marginson, 2001; Ranki, 2000; Starke, 2008;

[96] Policy entrepreneurs were defined as individuals or groups that succeeded in coupling the streams or to have significantly affected the cost-sharing direction or the final policy configuration, e.g. the choice of a particular solution.

Välimaa, 2005). Other ministries, principally the Ministry of Education affected the policy direction by offering policy solutions and by bringing problems to the cabinet's attention. Ministers responsible for student funding policies played a more ad-hoc role and often focused on pushing the policy community's proposals higher on the policy agenda rather than presenting their own ideas. The frequent changes in these minister positions due to election cycles, cabinet re-shuffles and other reasons did not strengthen the ability of these ministers to be more proactive in the student funding policy domain (Table 4.10 and Table 4.11). Their low influence was particularly pronounced in the Finnish case, supporting the proposal that in terms of education policy ministers are often left 'at the mercy of bureaucrats' (Kivinen, Rinne, & Mäntyvaara, 1990, pp. 21–22).

Often government appointed working groups acted as policy entrepreneurs, coupling persistent issues with particular cost-feasible policy solutions. Examples from New Zealand are the Hawke's report in 1988, the Todd report in 1994 and the 2004 Fee Maxima Reference Group. The working group feature was more central in Finland: between 1990 and 2013 nineteen working group were appointed to review student funding arrangements[97]. These groups demonstrated a high degree of continuity. Individuals with long-term influence through the working group process were for instance Leena Koskela, Arto Merimaa, Seppo Naumanen and Eero Kurri (see Table C2).

In addition, student unions succeeded in shaping the policy agenda by identifying conditions as problems, advocating for solutions and building pressure for more generous arrangements. Moreover, student representatives contributed to the withdrawal of particular contraction initiatives by involving new policy venues. Examples of these type of episode were the official complaint over government's tuition fee policy to the Finnish Ombudsman in 1992 and the New Zealand court case on dentistry tuition fees in 2000. Also, as was stated earlier, the commercial banking sector, parliamentary committees (FIN) and tertiary institutions (NZ) affected the cost-sharing direction in particular policy episodes. For instance, in Finland in 1992 the student financial aid reform banking sector was the key entrepreneur advocating market based student loans and forcing government to reform the existing scheme. Similarly in New Zealand, the banking sector's reluctance to implement student loans in the late 1980s resulted in lower tuition fees than had hitherto been proposed. From other interest groups, those not directly affected by governments' student funding decisions, the most vocal role was played

[97] A number of other government/cabinet commissioned reports discussing some student funding arrangements were also published during this time period, e.g. MoE commissioned external report reviewing the student funding scheme (Raivola, Zechner, & Vehviläinen, 2000), a committee set up to review university and administrative reform (Jääskinen & Rantanen, 2006); PM Lipponen appointed a committee to address general issues in the Finnish economy (Suomi maailmantaloudessa -ohjausryhmä, 2004) and reports reviewing international tuition fees, for instance MoE (2005).

by business think thanks, like the Business Roundtable in New Zealand and the Business and Policy Forum in Finland. In both countries business promoted increased cost-sharing from state to the students, for instance through media statements, by releasing their own policy reports, and by keeping certain contraction initiatives and policy ideas in public discussion.

The interplay of the streams, the economic conditions and/or partisan incumbency determined when policy windows opened. A coupling of all of the streams appeared to be more a characteristics of expansion episodes, while many of the contraction episodes showed less favourable conditions (i.e. low support at least in the political stream but often also in the policy stream), highlighting the role played by issue salience and policy entrepreneurs. However, often the streams were interwoven which meant that the relative importance of individual variables was less clear cut. The dynamics in the streams also explained why change did not always take the form expected in terms of the theoretical propositions. The policy episodes showed how favourable conditions in the economic and partisan conditions could be nullified by barriers in one or more of the streams. For instance the example of non-contraction in the New Zealand student loan interest write off policy after 2009 indicated how, despite favourable partisan and economic variables and the existence of convincing policy problems, feasible solutions and key entrepreneur reform was inhibited due to unfavourable conditions in the political stream.

Despite a high number of differences across the countries, some similarities were present. All expansion episodes were united by high issue salience. Yet, the issue definition per se did not always suggest a particular cost-sharing direction, but the expansion decision was more closely related to the dynamics in the political stream. In this regard the advocacy of student organisations for increased funding was salient, but often the open policy window waited until the increased generosity was perceived as a good election item by at least one of the leading parties. The four policy trajectories revealed few instances of significant expansion under unlikely partisan incumbency, emphasising the role played by favourable partisan ideologies as a pre-requisite for increased generosity. In the contraction episodes economic downturn created pressures for cuts in both countries and opened a policy window for those key entrepreneurs who advocated increased private responsibility. Often the magnitude of cuts was affected by the political stream, i.e. the perception of forthcoming public and political controversy.

Finally, focus in the policy stream helped to explain the means and locus of change in most reforms. Here the main similarity, as suggested by Kingdon (1984), was incrementalism. Yet, important differences existed. In Finland most solutions emerged from the policy community, while in New Zealand a number of policies originated from partisan platforms. In Finland the availability of policy options was more constrained due to the salience of the working group practise that created continuity in the policy stream and supported increased generosity. In New Zealand the policy stream was overruled by partisan objectives and illustrated significantly less influence on the ultimate cost-sharing direction or the choice of policy solutions.

To conclude, the detailed analysis of the policy episodes contributed to a better understanding of the key determinants behind expansion and contraction and revealed certain country-specific features in the policy process. Particularly in the theoretically unlikely policy episodes focus on the dynamics in the multiple streams was necessary in order to explain why contraction or expansion took place. In the likely policy episodes the MSF lens allowed us to weight the importance of the different factors and to evaluate if the link between the theoretical propositions and the policy direction was genuine. In each of these episodes the MSF lens revealed additional factors that influenced either the cost-sharing direction or the choice of a particular policy solution. Hence, the empirical studies provided support for Hypothesis 3 and indicated how useful MSF is in explaining student funding policy change.

The MSF lens also accounted for non-reform/stability by uncovering unfavourable conditions in the streams: i.e. the non-availability of feasible solutions, the lack of urgent policy problems, or missing entrepreneurs or low public support. Yet, in Chapter 7 I argued that an institutional lens could have provided new insights by uncovering particular legislative arrangements and positive feedback processes. The following section will discuss these findings.

Institutional structures and path dependence in the student funding policy process

In Chapter 2 it was suggested that institutional characteristics can affect student funding policy development. The main difference in the national institutional structures of Finland and New Zealand was the majoritarian/consensual government dimension. This was expected to allow larger scale contraction in New Zealand. Second, in New Zealand the election system reform was expected to lead to less radical cutbacks after 1996 as there was need after that year to build agreements with smaller parties to pass legislation (Goldfinch, 2000; Starke, 2008). Third, in Finland, larger coalitions were expected to protect the student funding scheme from cutbacks.

The first of the hypotheses outlined above was supported by the policy trajectories, evidencing more radical policy episodes in the period 1992–2014 in New Zealand than in Finland. In particular, single party governments in the 1980s and early 1990s seemed to facilitate controversial cuts in New Zealand. This impact was strengthened by the large size of the cabinets relative to the caucus which meant that 'a relatively small group could in fact decide the direction New Zealand would take' (Butterworth & Tarling, 1994, p. 75). The lack of veto-points together with strict party discipline have been pointed out as factors that granted the executive the power to determine policy direction without having to pay too much attention to conflicting views within or outside the party (Goldfinch, 2000; Starke, 2008).

In addition the post-96 developments in New Zealand aligned with the theoretical propositions: the contraction that occurred during National led governments in 1996–1999 and 2008–2013 was of a less radical nature than the pre-96 episodes. This was a result of the need by the bigger parties to secure the support of the minor parties in order to pass legislation in parliament. For instance in 2008–2013 two out of the three parties National relied on to govern had traditionally supported more generous student support arrangements (Table B2). The last proposition on the size of Finnish governments had little explanatory power as the most significant contraction took place under one of the largest coalitions in 1995.

Similarly, the impact of legislative barriers was considered. Both in Finland and New Zealand the unicameral system meant that the passage of bills in parliament was expected to be relatively straightforward after the government has agreed on a particular policy. That said, certain national features influenced the legislative process. In New Zealand many policies leading to generosity changes in the student funding programs could be implemented by regulations, containing lower institutional barriers particularly under post 1996 arrangements where the largest party needed the support of smaller parties to pass legislation[98].

In contrast, in Finland most changes affecting generosity in student funding programs required a parliamentary process[99]. This is particularly important in the Finnish context where the parliamentary

[98] In the student funding domain examples of policies where the authority has been delegated from the parliament to the executive were for instance rules related to abatements under the flat fee scheme in 1990–1991, the government's cost-category funding rates and most student allowance scheme rules. The Regulations Review Committee reviews all regulations to ensure that the delegated law-making powers are not exceeded (LDAC, 2014)

[99] During the examination period a growing number of rules that the government had been able to introduce through decrees were moved to the principal legislation e.g. allowance rates and most eligibility rules (1992), housing supplement coverage and eligibility rules (1994), tuition fee free provision (1995/1998); study success requirements (2014)

committee stage can influence legislation. The Education and Culture Committee's comments resulted in frequent and significant changes in student funding bill proposals in favour of increased generosity. For instance the MSF account of the 1992 tuition fee initiative episode could have been improved by emphasising government’s ability to implement fees by Ministerial decision as a high level of resistance could have been expected at the parliamentary committee stage. Hence, the select committee feature appeared to be more pivotal in Finland than in New Zealand[100].

The Finnish legislative system also differs from the one in New Zealand in terms of its constitutional rights legislation and other special provisions protecting programmes from contraction. For instance until 1995 all policies lowering the level of basic benefits, like student allowances, could be left in abeyance until after the next election or the next parliamentary year (the latter was valid in 1993–1995) if at least one third of MPs voted against the bill (HE 234/1991; *Valtiopäiväjärjestys 7/1928*, 66 §, 7 mom). This provision could have impeded or delayed contraction in the 1995 reform as the constitutional rights committee concluded that the proposed cuts in student financial aid exceeded the level that could be defined as minor (PeVL 4/1995). However, government's two-third majority in parliament secured instant approval.

After this special provision was abolished in 1995, student funding programs have been protected by constitutional rights amendments which are set to secure tertiary level participation for students with limited financial resources and to apply equal treatment regardless of ascribed features such as nationality, gender and age (*Suomen perustuslaki 731/1999*). Any changes in constitutional rights during the term of the sitting government requires 5/6 of parliament's approval, impeding controversial policies (Jyränki, 2000). For instance in the 2010 international tuition fee reform the government had to amend its bill following the Constitutional Right Committee's statement that foreigners living in Finland on a permanent basis should be excluded from the law as otherwise the bill could be interpreted as contravening the equal treatment principle (*Laki ammattikorkeakoululain muuttamisesta ja väliaikaisesta muuttamisesta 564/2009*; *Yliopistolaki 558/2009*; PeVL 11/2009).

Also, in chapter 7 I emphasised path dependence in policy episodes illustrating a high degree of stability/continuity as it appeared that earlier contingent decisions shaped and constrained policy decisions at a later point of time (in three episodes more than 20 years later). I was able to identify the

[100] Many bills were passed in urgency or introduced at a later stage in supplementary papers, thus not allowing submissions or a thorough select committee process, examples being the 1992 Student Loan Scheme Bill, the 2005 Student Loan Scheme Amendment Bill and the 2002 Tertiary Education Reform Bill

particular mechanisms, such as growing constituencies and student numbers and the political narrative that re-produced the link between certain policy solutions and salient national values.

To conclude, the focus on formal institutional-legislative arrangements would have brought insights into differences between the two case countries and improved the MSF account in individual policy episodes. However, as the legislative requirements appeared mainly to restrict the scope and style of contraction, they should not be over-emphasised in explaining the final cost-sharing direction as such. Finally, the path dependent features contributed to a deeper understanding of stability and hence support the chosen theoretical framework where the institutional perspective was incorporated alongside the MSF lens.

Politics of expansion versus politics of contraction

Drawing on the welfare state literature it was argued in Hypothesis five that political strategies are a necessary condition for cut-backs in student funding policy programs. A number of contraction episodes did indeed contain features that could be interpreted as instances of these strategies. First, obfuscation occurred in various ways. For instance in both countries governments' non-indexation decisions resulted in reduced generosity over time without visible direct cuts and in New Zealand cuts in the course category subsidies in the 1990s broke the causal chain between policy and the output as the fee authority was officially held by tertiary institutions. Second, features of division were present. Cuts, for instance, were targeted at particular groups of students, and at times introduced simultaneously with increased generosity to another group of students. Finally, compensation strategies included reforms where cuts in the maximum time were introduced together with higher rates or cuts in the student financial aid were compensated by changes in other policy programs.

Previous research has also identified 'adoption by trial' as a Finnish political strategy. For instance in the international fee reform this tactic was utilised in solving the non-consensus between the political parties (see also Weimer, 2013). However, the empirical evidence provided only partial support for the proposition that political strategies are a necessary condition for cutbacks. Some of the episodes that led to significant contraction did not contain these features. For instance, in the 1995 reform in Finland and in the 1992 reform in New Zealand changes were clearly spelled out by the government and contraction was not introduced in a hidden/complex way or were targeted at only a small group of students. Hence the empirical evidence stands in contrast to the hypothesis. For instance Starke (2008) produced similar findings, questioning the need for blame avoidance.

Table 8.1 Retrenchment Strategies and Examples from the Policy Episodes

Strategy	Examples from Pierson (1994)	Examples from Policy Episodes
Obfuscation by 1) Hiding negative consequences 2) Breaking the causal chain (policy-outcome) 3) Altering traceability	 1) Diffusing policy over time i.e. freezing inflation adjustments 2) Cutting funding, forcing service providers to charge higher fees 3) Delaying implementation e.g. applied to new recipients or automatic cutbacks	 1) Yes (NZ/FIN) freezing inflation adjustments 2) Yes (NZ/FIN) Cutting per student subsidies, de-regulation of student loans 3) Yes (NZ/FIN) Altering post-study rights, e.g. student loan re-payment rules for new students or discontinuing interest subsidies for new student loans
Division	Cuts applied to certain sub-groups i.e. by changes in eligibility rules	Yes (NZ/FIN) Targeting cutbacks to a minority group of students
Compensation	Providing another service or benefit to compensate 'victims' of contraction	Yes (NZ/FIN) Cuts in the maximum time but higher rates; cuts in child supplements within the student financial aid scheme compensated in the family benefit scheme; government's requirement to set up a scholarship scheme in exchange for the right to charge international fees

Moreover, I argue that similar political strategies may be useful in introducing increased generosity in the student funding programs. After all, policies leading to significant expansion and particularly those criticised by the opposition or other actors, may require government to justify additional spending (Pierson, 1994). In these situations obfuscation strategies, for instance the under-estimation of costs (either short-term or long-term) and over-estimation of benefits, can be useful for the government (Kingdon, 1995). For instance an indexation decision may appear as a low cost item in its first year but have more significant costs in the long run. Also, costs and benefits can either be calculated in a narrow or wide framework, only including costs/benefits within the student funding budget or considering dynamic implications on other policy domains (i.e. increasing use of other benefits as a result of cuts in student funding programs or externalities like economic and social well-being). The latter are particularly difficult to calculate and hence are well suited for obfuscation.

Indeed, features of the above outlined political strategies were identified in the expansion episodes. In Finland increased generosity was commonly justified with the argument that additional funding would either be compensated in the long run by shorter study times or by spending reductions outside the student funding portfolio (e.g. in unemployment benefits). For example, government appointed working groups frequently claimed that higher allowance rates promote more efficient studying but little empirical evidence was provided to support these arguments (e.g. Kurri, 1990, 2003; OPM, 2002, 2009). Insecurity of student behaviour was also present in the 2005 episode when the new loan subvention scheme was introduced and a number of stakeholders and politicians questioned Cabinet's claims that the proposed model would lead to shorter study times (Chapter 5). This criticism was later confirmed in an evaluation report where it was established that the adopted loan subvention had marginal - if any - impact on study times (OPM, 2012b). Moreover, in the 1992 reform process, the final committee invited to provide the details of the proposed underestimated the long-term costs by excluding the price of indexation in the calculations (OPM, 1991).

In New Zealand disagreement on program costs was strongly present in the 2006 reform which extended student loan interest write-offs to all resident borrowers. The estimated short-term cost of the program varied depending upon who was calculating them. The Labour party's estimation of $100 million a year was significantly smaller than the Treasury's estimate of $300 million and even larger differences were present in the long-term cost calculations (Government, 2005c). The variation in these calculations was the result of different assumptions about students' behaviour and the modelling of the costs was argued to be extremely complex (Government, 2005c).

The above examples illustrate how obfuscation can be used to downplay the costs and to over-estimate the benefits. All calculations related to student behavior and dynamic implications allow manipulation as they contain numerous uncertainties. Even though blame avoidance features may not be a condition for increased generosity, their existence certainly can provide greater legitimacy for initiatives proposing significant expansion. In Figure 8.1 I present the main dynamics in a typical student funding episode after a government has arrived at a particular policy idea and how the proceedings differ depending on the related budgetary implications. First, the ideas incurring low costs and enabling increased generosity for students provide marginal space for political strategies ('Low cost: Leading to Increased Generosity').

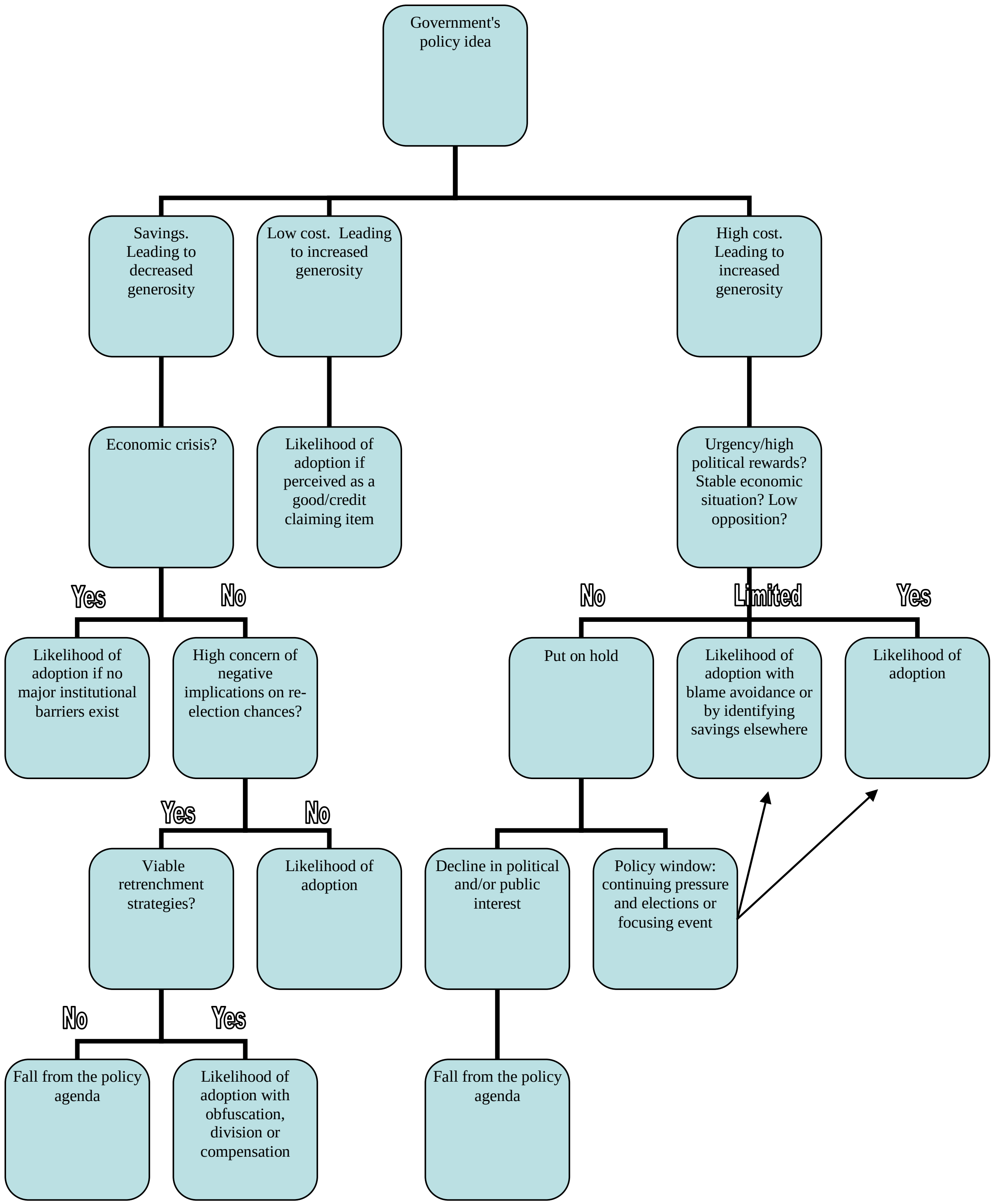


Figure 8.1 Budgetary Impacts and Government's Student Funding Policy Making

Second, policies leading to increased generosity and requiring significant additional investment depend on the existing economic environment, the related political rewards and the urgency of the reform. When a stable economic situation is coupled with high issue salience and/or a central election promise, the reform is likely to occur. In situations with high political urgency/ significant credit claiming opportunities but a less favorable economic situation and/or loud opposition questioning the costs or the benefits of the proposal, governments will often need to identify ways to reduce the overall expenditure (i.e. gradual adoption or savings elsewhere) or adopt political strategies that obfuscate the costs and/or benefits. If the policy option in question presents less favorable opportunities, it is likely to be put on hold and ultimately disappear. However, continuing public/ political pressure, focusing events or electoral cycles can place the item back to the policy agenda.

The progress of the third option, indicating cutback and budgetary savings will predominantly depend on the economic situation. Government's economic difficulties provide legitimacy for retrenchment and, if no major institutional barriers exist (i.e. free tuition in the constitution), the reform can be adopted. In a more positive economic environment, government's sensitivity to public opinion and the likely electoral consequences will affect the solutions advancement. Various retrenchment strategies seem most pivotal in a context where government accounts demonstrate budget surpluses and there is significant concern as to how the proposed policy will affect the government's reputation.

Figure 8.1 demonstrates that it is possible to refine situations where political strategies are most likely to occur in the student funding policy domain. I propose two main adjustments. First, as the economic crisis already provides legitimacy for contraction, the need for obfuscation, division and compensation strategies is more likely to be present when cutbacks are launched during times when there is a budget surplus. Second, I propose that the political strategies can be also useful for understanding of the reform when the output results in expansion. This appears particularly true when the economic situation does not favor increased generosity and the government's proposal faces significant public or political dispute.

Conclusions

The usefulness of the reviewed theoretical perspectives in explaining the observed cost-sharing direction are presented in Table 8.2. The chosen theoretical lenses provided a means to understand higher education cost-sharing change and stability. First, Table 8.2 illustrates how the economic environment and partisan incumbency were significant factors in a number of episodes. The economic situation either allowed expansion or triggered and justified contraction. However, in expansion episodes economic conditions as such did not explain why increased generosity took place. Similarly, in stability episodes economic pressures did not explain why contraction did not occur. In these episodes the understanding of how budget surpluses or financial constraints were translated into policy outputs required a focus on the variables emphasised in the multiple streams framework. Moreover, the number of theoretically unlikely episodes exemplifies how a state's economic situation is never an absolute barrier for cost-sharing change or stability. Previous research on welfare program reforms has resulted in similar findings emphasising the limitations of economic conditions as the primary explanatory factors behind a particular policy direction (Goldfinch, 2000; Starke, 2008).

Table 8.2 Importance of the Theoretical Lenses in Explaining the Cost-Sharing Policy Episodes

Policy Episode	Economic situation	Partisan incumbency	MSF lens	Retrenchment strategies	Legislative barriers	Path dependence
Expansion						
NZ 1989[x]		Medium	**			
FIN 1992[x]			**			
FIN 2005/08	Medium		**			
NZ 2000–08	Medium	Strong	**			
Contraction						
NZ 1990[x]	Strong		**			
FIN 1995[x]	Strong		**			
NZ 1995-97[x]		Strong	*	*		
FIN 2000[x]			*	*		
FIN 2011	Strong		**			
NZ 1992	Strong	Strong	*			
NZ 2011–13	Medium	Strong	**	*		
Stability						
FIN TF[x]	Medium		**		*	**
NZ TF[x]	Medium	Medium	**			**
NZ SL[x]			*			*
FIN SL[x]			**			*

x = unlikely policy episodes; TF = tuition fees; SL = student loans
Note: A systematic review of retrenchment strategies, institutional arrangements and path dependence was only applied in particular episodes (episodes where these lenses were not applied are marked in grey).
The economic and partisan incumbency variables were divided into three categories of influence: no/low (not marked); medium (created favourable conditions for the policy direction) and strong (variable triggered the policy direction).
Other frameworks were divided into three categories: no/low explanatory power (not marked); * = improved understanding of the policy episode; ** = significantly improved understanding of the policy episode (i.e. all streams at least partially favourable and one or more of the streams strongly favourable)

Table 8.2 also shows how partisan incumbency explained the cost-sharing direction in New Zealand while it had little explanatory power in Finland. However, this conclusion does not mean that partisan ideologies are unimportant in Finland: in contrast, the far-reaching consensus on the appropriate cost-sharing direction (e.g. increased generosity) among the political parties was a salient determinant protecting the scheme from contraction. Yet, the Finnish case demonstrates that the applicability of the Left-Right wing variable would need to be validated on a case-by-case basis.

The findings support the applicability of the MSF lens in uncovering the factors triggering and conditioning expansion and stability in both the theoretically unlikely and likely student funding policy episodes. A high issue salience was as a condition for all significant reforms, and particularly in the few unlikely episodes the problem stream strongly shaped the final policy outputs. However, the problem stream often explained why the reform took place but did not account for the specific cost-sharing direction or the content of the reform. For instance, in Finland the problem of long study times could have been addressed by either increased or decreased generosity. This feature in the problem stream should be emphasised in any research work where the direction of the reforms is considered. Hence, the dynamics in the other streams combined with the partisan/economic variables appeared to provide the best explanation for the actual cost-sharing direction.

The focus on the policy streams made it possible to trace the origin of the policy ideas and the underlying values attached to them. The practice of politics was also important. In a number of episodes soon to be held elections acted as a triggering event, opening a policy window for increased generosity, while retrenchment appeared to have little credit claiming properties. Hence, the perception of the national mood affected the likelihood of reform. In some episodes interest group activity shaped the political stream but this impact was not a necessary condition as interest group criticism did not inhibit reforms in all instances. Lastly, the influence exerted by particular key entrepreneurs was salient in accounting for the policy direction and content of the reforms. Treasury and business organisations played a major role in supporting contraction or cost-containment. Within expansion, the identified key entrepreneurs included working groups, political parties and student unions. The influence of international organisations, for instance EU, OECD, World Bank, appeared relatively minor in both countries' student funding policy episodes.

The empirical data did not align with all MSF propositions. The main deviation was the fact that contraction at times took place after unfavourable conditions in the political and/or policy streams.

Hence, full coupling does not appear to be a necessary condition for contraction as long as there is significant issue salience and the presence of a key entrepreneur.

Moreover, the empirical evidence provided limited support for the necessity of retrenchment strategies. In three out of the seven contraction instances these strategies were useful in describing how the governments' implemented contraction (Table 8.2). Yet as these strategies did not explain when and why cuts took place, they should rather be thought of as a complementary approach alongside other theoretical lenses. This thesis contributed to the blame avoidance discussion by identifying particular situations where retrenchment strategies are most likely to occur and by outlining how political strategies can be useful in understanding the politics of expansion. For instance reforms leading to significant new pressures on government budgets are susceptible to attacks concerning affordability and hence political strategies can be utilised to undermine calculation of the costs or to over-calculate the benefits.

Table 8.2 also shows how formal legislative requirements played a minor role in most episodes. However, in particular student funding policy programs (for instance free tuition provision as a constitutional right) they can impose significant barriers and should hence not be ignored completely. Moreover, the characteristics of national institutions, here the government's majoritarian/consensual dimension, advanced our understanding of cross-country differences but are not included in the table above as they were not utilised to explain individual policy episodes.

Finally, even though the empirical data provided significant support for the MSF lens' ability to explain stability by identifying unfavorable conditions in the streams, the lens could benefit from including a path dependence perspective. An improved focus on how policies today can be constrained by contingent choices in the past and/or the exact re-production mechanisms is likely to result in a more accurate description of the reasons behind policy stasis/incrementalism. For instance, in New Zealand the post 1992 growth in participation made an abrupt reversal to a fully state funded scheme unlikely as the costs would be considerably higher than at the beginning of the contingent cost-sharing path. In Finland the free provision status quo seems to be reproduced and protected by the policy discourse that has over time fostered a shift of free provision from an instrumental to an intrinsic value. In other words, free tuition was initially seen as a means to reach equality of opportunity but has more recently been framed as a value for its own sake. Similarly in the individual policy programs, the positive feedback mechanisms advanced our understanding of how and why continuity is constrained by the choices made at an earlier point in time. The MSF analysis of the student funding policy soup also indicated that incrementalism in the policy stream can support path-dependence: for instance policy communities in both countries have been more inclined to consider adjustments to the existing structures than to propose more radical alternatives.

This chapter presented a synthesis of the empirical findings and contributed to theory refinement by assessing the usefulness of the different theoretical lenses. These findings will be utilised in the following chapter where I will propose an improved model for conceptualising higher education cost-sharing and discuss the practical and theoretical applicability of the findings.

Chapter 9 Towards an Improved Understanding of Higher Education Cost-Sharing

This research emerged from the higher education cost-sharing debate and the acknowledgement that there is a need for greater knowledge of what is actually happening in the student funding policy domain and of the major causes behind expansion and contraction. Considering the importance attached to student funding policies by many politicians, stakeholders and the general public, surprisingly little research has focused on examining the triggers for contraction and expansion by drawing upon theories of policy process. More specifically, few insights into the Finnish and New Zealand student funding policy processes over a longer time period were available. This final chapter discusses how the main findings address these gaps and idenitfies the wider, methodological and theoretical implications of this research.

Conceptualising and explaining higher education cost-sharing

In the first part of this thesis I disaggregated the empirical analysis of tertiary education cost-sharing into a detailed examination of generosity changes in student financial aid and tuition fee schemes. By comparing the empirical findings to the theoretical propositions of incrementalism and contraction, I was able to contribute to the discussion on the direction and magnitude of welfare program change. The data supported the proposition that policy development is predominantly incremental: most changes in the level of generosity were of a relatively minor magnitude and the main student funding policy architectures have remained stable since the early 1990s. Yet, the empirical evidence cast serious doubt on the second hypothesis which pictured contraction as the dominant cost-sharing direction. Even though the claim of higher private responsibility was supported by the evidence from the New Zealand tuition fee policy domain, three of the policy trajectories revealed either long periods of stability or increased generosity in student's rights. These findings contribute to the prior body of welfare state research that has disputed the claim that contraction is the only possible path in mature welfare states.

In the light of the empirical evidence, the traditional portrayal of student-state cost-sharing as a zero-sum game requires modification. By comparing changes in generosity and the impact on state budgets, it is possible to discern nine, rather than two types of cost-sharing[101].

[101] Actually eight categories as the neutral-neutral category does not have cost-sharing implications.

Table 9.1 Improved Model of Student-State Cost-Sharing within Higher Education

Impact on the State Budget	Increased generosity for students	Decreased generosity for students	No generosity effect for students
Decreased costs	Win-Win	Win-Lose	Win-Neutral
Increased costs	Lose-Win	Lose-Lose	Lose-neutral
No cost effect	Neutral-Win	Lose-Neutral	(Neutral-neutral)

Note: This table pictures the ideal types of cost-sharing and does not account for instances of cost-sharing between students, for example when entitlements for some students are increased at the same time as another group faces a cut.

Whereas the win-lose and lose-win categories have been well explored in the higher education cost-sharing literature, they do not depict the complexity of cost-sharing that was present in the policy episodes investigated in this study. Win-win situation may emerge when wider effects on the state budget are considered. For instance, in the short-term, widening eligibility for financial aid can lead to reduced spending on other benefits. Similarly, government's investment in interest subsidies can result in decreasing the number of loan defaults and smaller overall costs. The lose-lose situation denotes a reverse situation where cuts in eligibility may lead to higher costs elsewhere. Finally, the neutral categories refer to changes in student support that have no direct effect on state budgets or generosity. An example of increased costs for the government and neutral effects for students could be a situation where government's costs grow due to higher per student subsidies without affected tuition fee levels when the fee authority is held by tertiary institutions.

In addition, in trying to answer the first research question about how generosity changes have occurred, Chapter 4 captured reform trends by distinguishing between changes in entitlements, eligibility and conditions. The detailed analysis of reform patterns provided a better understanding of how governments typically implement student funding policy changes. Few similarities existed but in most aspects countries seemed to follow national paths, e.g. in Finland contraction has been increasingly adopted by tightening behavioural conditions and time restrictions while New Zealand has been more likely to restrict access to the scheme by modifying the overall eligibility rules.

To conclude, the empirical findings in the first part of this research questioned the notion of a one linear cost-sharing path. National features result in a different response, and both increased and decreased generosity are possible outputs. The findings also pointed to the importance of considering the scope, affected rights and effects on the state's budget. This micro level analysis is a requirement for capturing the nature of change and particular national patterns as employment of aggregate variables would ignore these features.

The second part of this thesis aimed at explaining the observed cost-sharing development. Hypothesis two linked the student funding cost-sharing direction with particular economic and political conditions. Testing of this hypothesis was undertaken by comparing developments in the student funding trajectories with economic and partisan incumbency indicators. The findings questioned the international applicability of the Right-Left wing argument. Similarly, economic indicators did not provide sufficient explanation as in a number of instances theoretically unlikely outputs were identified. Hence, in order to fully understand student funding policy expansion and contraction I had to employ a policy process lens and consider the interplay of multiple variables.

This policy process analysis highlighted the weaknesses of the economic conditions and partisan incumbency variables in explaining the cost-sharing direction and emphasised the validity of the MSF lens in unpacking the drivers and favourable conditions for student funding reforms. As an analytical tool it proved useful in examining how the different streams came together to support a particular policy output. However, based on the empirical evidence, a few adjustments in the MSF model were suggested, for instance by pointing out how the workings of the streams may depend on the cost-sharing direction.

The empirical data provided some support for Hypotheses 4 and 5 which assumed that contraction is less likely to occur in systems with high legislative barriers/wider coalition governments, and that path dependent processes may impede policy change. With regard to the formal institutional arrangements, my conclusions align with the views presented by Bonoli (2001) where 'Political institutions do matter, but in interaction with other factors' (p. 264). Similarly, the path dependence perspective seemed capable of advancing our understanding of policy stability by demonstrating how and why cost-sharing changes are constrained by the choices made at an earlier point in time. Finally, the findings pointed out that in particular circumstances retrenchment strategies may enhance the acceptability of contraction, for instance.during periods of economic growth and when government is highly sensitive to public opinion. However, these political strategies were not a necessary condition for contraction. I also contributed to the blame avoidance discussion by highlighting how political strategies can be linked to the politics of expansion.

Comparative conclusions

> Each country has its own story to tell in the context of its own historical background, the state of its economic development and the level of its people's social and political consciousness.
> (Bose, 2005, p. 14)

In this research I dealt with the national student funding stories in both Finland and New Zealand. Certain similarities were identified in the periodic high importance of public mood, election cycles and policy entrepreneurs. In contrast, the greatest variation between the countries derived from the different degree of ideological endeavor required to implement increased cost-sharing within the political parties/party executive's (Table 9.1). In Finland I identified missing support among all political parties for significantly increased private responsibility while in New Zealand there was partisan support for the fairness and appropriateness of this policy direction. For instance in the translation of economic pressures into policy outputs, these partisan ideologies appeared salient in shaping the policy responses.

Even though the differences were moderate the general importance of the streams varied between the countries. In Finland the policy and political streams were markedly more favourable for expansion. This was particularly pronounced in the policy stream where a small, tightly integrated policy community of ministry and interest group representatives advocated increased generosity/grant based solutions and maintained a high influence in the chosen policy direction across the examination period. In contrast, in New Zealand the impact of working groups on the final policy direction was more periodic and no individuals or stakeholders had a long-term influence throughout the process. In the political stream student unions had a higher influence in Finland due to their institutionalised role in the policy process, a role which provided some protection against significant contraction. In New Zealand the influence of student unions was considerably more restricted.

Table 9.1. Importance of Variables in a Typical Student Funding Policy Episode

Variables	**Finland**	**New Zealand**
Economic situation	Medium	Medium
Partisan incumbency	Low	High
Problem stream	High	Medium/High
Policy stream	High	Medium
Political stream	High	Medium
Policy entrepreneurs	High	Medium
Formal legislative barriers	Low*	Low*
Path dependence	Medium*	Medium*
Retrenchment strategies	Low**	Low**

* in episodes of stability; ** in episodes of contraction

Formal institutional features appear to have had a minor impact on a typical policy episode. However, in Finland the political consensus approach forced by the multi-party coalition format and particular legislative features (i.e. the abeyance practice providing special protection against cuts) do contribute to the understanding of why radical contraction did not occur during the early 1990s when similar reforms were successfully introduced in New Zealand where few veto-points existed at the time. In addition, the policy episodes exemplified how path dependence processes were present in both countries, thus explaining the difficulty of path departure after initial policy adoption and providing insights into the continuity of the national paths. Yet, contingency and right timing also influenced the cost-sharing paths. For instance in the 1992 reform initiative in Finland the output could have resulted in a tuition fee path without student unions' decisions to file a complaint to the Chancellor of Justice. The continuing presence of contingency in the policy process makes it difficult to offer deterministic accounts of future policy responses.

Limitations and contributions

The findings and contributions of this dissertation should be considered in the light of a number of limitations. In this section I focus on highlighting the main limitations that are related to the applicability of the findings and propose future research efforts that could address these limitations[102]. First, this thesis raised questions about the direction and determinants of higher education cost-sharing. The student funding policies in Finland and New Zealand provided examples of what has occurred in terms of policy generosity and the causes behind the witnessed cost-sharing direction. However, these observations have limited applicability outside the two countries. Hence further investigation of student funding generosity changes in other countries, preferably through the same output measure approach - policy process lens, would advance our understanding of global trends. More specifically, do findings from other countries dispute the claim of contraction as the dominant cost-sharing direction? What is the relative influence of partisan incumbency and economic conditions in other national contexts? How do different institutional arrangements and past decisions impede or advance expansion and contraction?

Second, the findings have limited applicability in other welfare state sectors because these are likely to involve a different logic. Hence the research design prevents from theorising on the direction or scope of change in welfare states. However, a repetition of this research in other policy domains in Finland and New Zealand would allow for a comparison of the dynamics of expansion and contraction in an identical economic-partisan and cultural context to be made. Such a comparison could point to important national patterns and program specific features advancing or impeding a particular cost-sharing direction and, by doing so advance the wider discussion on the dynamics of welfare state contraction and expansion.

The main contributions of this research derive from theory testing/refinement and the policy domain specific findings. First, I improve general understanding of the direction and means of expansion and contraction that have occurred in the two case countries' student funding domain. The findings support the view that retrenchment is not the only available path and that one has to consider particular national patterns, such as the locus of contraction/expansion, in order to fully understand what has changed. By drawing attention to the dynamics of change within the student funding domain, this research emphasises the importance of micro level analysis in uncovering the complexity of changes in individual programs, for instance its multi-directionality. For this purpose I offered a framework

[102] The main limitations of the chosen quantitative and qualitative methods are outlined in Chapter 3.

which will be a useful starting point for all researchers interested in capturing the detailed nuances of welfare program change.

Second, this analysis can contribute to the development of the MSF lens. The successful application of MSF over a longer period of time and across two countries provided support for its flexibility in explaining policy reforms in the student funding domain. Moreover, the MSF lens was able to account for the major reasons behind stability by identifying unfavourable conditions in the streams. I also argue that the applicability of the MSF lens would be further increased by taking into consideration the direction of reform, national institutional features, formal legislative arrangements and the mechanisms of path dependence.

Finally, I provided insights into the causes of changes in the generosity of student funding policies and investigated which factors explain the divergent cost-sharing paths in Finland and New Zealand. I concluded that even though economic difficulties pose challenges to the sustainability of student funding programs, economic factors do not determine policies. Similarly, surplus budgets and economic growth do not directly result in increased generosity. Moreover, I illustrated the salience of the multiple streams framework lens and institutional features as triggers or barriers for policy change. These findings will be useful for policy actors who attempt to influence the future cost-sharing direction in Finland or New Zealand. More specifically, the findings help to identify the most favorable conditions for either expansion or contraction but also emphasise that even unfavorable economic or partisan conditions can be trumped by high issue salience and active policy entrepreneurship. Understanding institutional and legislative barriers and the existence of political strategies can provide avenues for government and other policy actors in situations where change seems to be impeded by particularly unfavorable conditions.

Appendix A Original Text of the Quotes

Chapter 1

Jatkossakin halutaan tämä turvata, että suomalaisilla on mahdollisuus aivan sieltä esiopetuksesta saakka korkeimpaan tohtorin tutkintoon saakka maksuttomaan opetukseen. Se on meidän koko sivistysyhteiskuntamme perusta. (Virkkunen, 2009)

Tämän asian eteenpäinvieminen on meidän kaikkien yhteinen asia riippumatta sitä, kuka kulloinkin tällä paikalla on ja vastuuta kantaa. Tulevaisuutta ja Suomen kansakunnan hyvinvointia ajatellen on ehdottoman välttämätöntä, että meilla opiskelijat kykenevät päätoimisesti opiskelemaan sen ajan mikä heille on tarpeellista ja välttämätöntä. (Iso-Hookana-Asunmaa, 1991)

Chapter 5

Joka tapauksessa tiedämme, että tässä on pettymyksiä. Kaikki johtuu siitä, etta valtion taloudellinen tilanne on se mikä on (Jouppila, 1991) .

Opiskelijoiden asemaan on saatava parannus. Uskon, että myös hallituspuolueiden kansan-edustajien piiristä löytyy halua hoitaa tämä asia kuntoon. Kysymys on poliittisesta tahdosta. Opintotuen kehittämiseen tarvittavat rahasummat eivät ole järin suuria (Häkämies, 2007).

Chapter 6

Kyllä tämä on raskassydämistä hommaa. Kyllä tämä on raakaa touhua, joka ei suinkaan tee ketään iloiseksi (Kekkonen, 1995).

Se on valitettava tosiasia, että tällä hetkellä valtiontalous ei anna periksi siinä, että olisimme voineet tehdä tuon indeksiinsitomispäätöksen myös opintotuesta jo ensi vuoden alusta. Näin ollen joudumme vielä sitä odottamaan. Mutta me olemme siinä rehellisiä, että me toteamme samaan aikaan, että tällä hetkellä valitettavasti, arvon opiskelijat, meillä ei ole suomalaisena yhteiskuntana varaa tehdä sitä korjausta ensi vuoden alussa. Mutta toivotaan, että kun talous tästä nyt elpyy ja saamme talouden ja valtion budjetin tasapainoon tulevina vuosina, voimme hoitaa seuraavan hallituskauden aikana niin, että myös tuo opintotuki sidotaan indeksiin. (Heinonen, 2010.)

Appendix B Party Standpoints in Finland and New Zealand

Table B1 Student Funding Policies of Political Parties in Finland, 1991–2011

Party	Student Financial Aid	Tuition Fees
National Coalition Party (NCP)	Has supported the existing model or gradually increased generosity in the scheme. Since 2003 advocated a model where a higher grant is paid at the beginning of the study period after which loan based support is emphasised	Free tuition
Social Democratic Party (SDP)	Has supported the existing model or increased generosity in grant based entitlements. In the 1990's advocated change in the loan model (i.e. transferal from banks to funds)	Free tuition
True Finns 1999 -	Has supported the existing model or increased generosity in grant based entitlements.	Free tuition
Centre Party (CP)	Has supported the existing model or increased generosity in grant based entitlements.	Free tuition
Left Alliance	Has supported the existing model or increased generosity in grant based entitlements.	Free tuition
Green League	Has supported the existing model or increased generosity in grant based entitlements.	Free tuition
Swedish Party	Has supported the existing model or increased generosity in grant based entitlements.	Free tuition
Chirstian Democrats	Has supported the existing model or increased generosity in grant based entitlements.	Free tuition

Sources: Partisan election platforms 1991-2011 and own analysis of parliamentary debates

Table B2 Student Funding Policies of Political Parties in New Zealand, 1991–2011

Party	Student Financial Aid	Tuition Fees
National Party	In the 1990s sought tighter eligibility for grant based assistance and emphasised loans as part of the financial aid. Was initially opposed to the interest write-off policy but has supported its continuity since 2008. Has emphasised the need for faster loan re-payments.	In the 1990s was inclined towards contraction in government funding (e.g. cuts in tuition fee subsidies) and emphasised increased private responsibility. Since 2008 has supported the existing fee stabilisation policy.
Labour Party	In the 1990s and since 2008 supportive of universal student allowances. Supports student loan interest subsidies and debt write-off schemes	Since late 1980s supportive of some cost-sharing between state and students but has emphasised government's control over the magnitude of tuition fees increases.
Green Party 1999- *	Has supported universal student allowances and debt write-off schemes for those working in New Zealand	Free tuition
NZ First 1993-2008 2011-	Has supported universal student allowances and more generous student loan terms for those graduates choosing to remain in NZ	Lower fees (gradually moving towards free tuition)
Maori 2005-	Has supported universal student allowances	Lower fees
Mana 2011-2014	Has supported universal student allowances	Free tuition
United Future 2002-	Until 2008 supported universal allowances, but after that time has sought removal of allowances in order to fund a zero fee scheme	Critical of tuition fee maxima policies. Since 2008 has advocated a zero fee scheme
ACT 1996-	Has emphasised student loans which should be charged at market interest rates	Has supported existing tuition fee practise but opposses the existing fee gaps
Other major parties with seats in parliament before 2011		
Progressive 2002-2011	Supported universal student allowances	Free tuition
Alliance 1991-2002	Supported universal student allowances	Free tuition

Sources: Partisan election platforms 1993-2011 and own analysis of parliamentary debates

Appendix C List of the Main Working Group Reports

Table C1 New Zealand Working Group Reports and their Members, 1986–2004

	MOE	TREASURY	STUDENTS	OTHER GOV	TEIs	OTHER
1986 Ed. Dep	Hoffman, Wilcox		Wilson (NZUSA), Bisman (TISSA), Petersen (NATISA), Tyles (TTA)	McLymont (DoH). Barnes (DoL) Martin (DoMA); Brown (DoSW), Fenwick (MoWA)	Tarling (NZVC), French (NA), Harris (TIA) Goldershaw (ATCC),	Wills (UGC)
1988 Hawke	Young, Hood	Prebble		Welch (DoL) Weri (DoMA) Pepe (PIA) Gibbons (PMO) Robinson (SSC) Wylie (MoWA)	Hawke (DIPS)	
1991 MOE	Douglas, Barclay, Corban, Doig, Hutson, Wiremu, Lynch, Preddey, Wood	Greid, Marais		Jaskson (PMO) Bargh (MoWA) Brucker (SSC)		Kingsbury, (Consultant)
1993 Todd			Graham (NZUSA), Hemopo (PSA)		Armstrong (Unitec), Knight CCO), MacCormic (UOA), Scobe (UOW), Waters (MU)	Toff (PWH); Mclead (AA) Meo (NZEF)
2001 TEAC					Kingsbury (NZQA) Marshall (VUW), Boston (VUW) Butterfield (OP); Snook (MU); Smith (UOA); Hall (AG) Sissons (HVP)	Harris (AGR), Fletcher & Ruru (consultants)
2004	Munro		Campbell (NZUSA) Pettett (ATSA)		Scott (AoSTE) Doig (AoP) Kelly (AUS) Blakeman (UoA); Carlsson (ACE) Knox (BCNZ) McElroy (UCL) McLeod (CCE); Sharp (VUW); Smith (TWR); Vercoe (TWWA)	

Abbreviations:

AA	Arthur Anderson (consulting firm)
AVE	Auckland College of Education
AG	Academy Group (private training establishment)
AGR	AgReserach (Crown research institute)
ATCC	Association of Teachers College Councils
ATSA	Aotearoa Tertiary Students' Association
AUS	Association of University Staff
ASTE	Association of Staff in Tertiary Education
APNZ	Association of Polytechnics in New Zealand

ATCC	Association of Teachers College Councils
BCNZ	Bible Colleges of New Zealand
CCE	Christchurch College of Education
DIPS	Director of Institute of Policy Studies (Victoria University of Wellington)
DoH	Department of Health
DoL	Department of Labour
DoMA	Department of Maori Affaires
DoSW	Department of Social Welfare
HVP	Hutt Valley Polytechnic
MoE	Ministry of Education/ Department of Education
MoWA	Ministry of Women's Affaires
MU	Massey University
NATISA	Non-Affiliated Technical Instititute Students' Association
NA	Nurses Association
NZEF	New Zealand's Employers Federation
NZQA	New Zealand Qualification Authority
NZUSA	New Zealand Universities' Student Association
NZVC	New Zealand Vice-Chancellors Committee
OP	Open Polytechnic
PIA	Pacific Island Affairs
PMO	Prime Minister's Office
PWC	PricewaterhouseCoopers (Consulting Firm)
SSC	State Services Commission
TEIs	Tertiary Education Institutions (academics, unions or other sector representatives)
TIA	Technical Institutes Association
TISSA	Technical Institute Students Services Association
TTA	Teacher Trainees' Association
TWR	Te Wänanga-o-Raukawa
TWWA	Te Whare Wänanga o Awanuiärangi
UCL	Universal College of Learning
UGC	University Grants' Committee
UOA	University of Auckland
UOW	University of Waikato
UNITEC	Unitec Institute of Technology
VUW	Victoria University of Wellington

Table C2 Finnish Working Group Reports and their Members, 1990–2013

	OPM	TREASURY	SYL/ SAMOK	KELA	TEIs	FK (BANKS)	OTHER
1990 OPM	Lång	Merimaa	Kuronen *Lahtinen	Naumanen		Vanhanen	STOL
1990 Kurri				Kurri[1]			
1991 OPM	Numminen, Linna, Melametsä, Mattlin			(Naumanen)			
1994 Ahonen	(Jäppinen, Savola)		(Tuunainen, SYL)	(Kurri)[1]	(Hilska, Pulliainen, Virtanen)		Ahonen[2] (KL)
1995 STM	Koskinen	Niinivaara		Valpola			STM (3) , TM, KL
1995 YTM	Koskinen		Hakamäki	(Ahonen, Voutilainen)			YM, SOA
1996 OPM	Koskinen, Lång, Mäntyvaara *Arhimäki		Hartojoki	Tschernij, Naumanen			VATT, NNK
1998 OPM	Koskinen, Hiltunen		Metsähuone	Viljala, Vormala			YM (2), TM
1998b OPM	Koskinen, Hermunen, Lehikoinen		Linna		Mustajoki, Lonka, Paronen, Paloheimo, Jalasto, Mäkelä		
2001 OPM	Koskinen, Lahti	Merimaa		Naumanen, Laukkanen		Kallonen	STM, OPH, SAKKI
2002 OPM	Koskinen, Lehikoinen, Huttula, Hiltunen	Merimaa	Pajarinen, Mäkilä	Kettunen	Sipilä, Niemelä		
2003 Kurri	(Linna, Koskinen, Hiltunen)	(Merimaa)	(Hokkanen, Parkkonen)	Kurri[1] (Naumanen)			(SAKKI, LL)
2003 OPM	Koskinen, Hiltunen	Merimaa, Pykönen (Laantera)	(Karjalinen, Parkkonen)	Viljanen (Laukkanen)	(Sipilä, Käyhkö)	(Kallonen, Portala)	(VERO)
2007 OPM	Koskinen, Karjalainen, Lehikoinen	Merimaa	Laavi, Parkkonen	Viljanen, Pesälä, Neimala	Rauhala	Erjanti	STM, TM, SAKKI, LL, SAM
2009 OPM	Haglund *Rantala, Koskinen *Suorsa-Aarnio, Hansen, Hiltunen	Merimaa	Pihlajamäki, Hallia	Neimala, Lahtinen			LL, SAKKI, OSKU, FSS
2009b OPM	Koskinen, Hiltunen		Nuorteva *Marttinen, Hallia	Lahtinen, Vainola			LL, OSKU SAKKI, SSF
2010 OPM	Lehikoinen, Blom, Palonen, Virne *Riihimäki, Saarinen		Check syl (Taskila)	Neimala, Lahtinen	Pirttilä, Mikkilä Varantola		TM, OPH, VNK, EK, KJY, KL STTK, SY, AKAVA, YOTL; SLL
2012b OPM	Hiltunen, Väinölä, Saarinen, Suorsa-Aarnio, Blom	Luoma-Aho *Jussila	Impiö *Koriseva, Hallia				SLL, OSKU SAKKI, PARTIES
2012c OPM	Hiltunen, Väinölä, Hansen, Kelhä	Luoma-Aho *Jussila, Annala	Hallia, Huovila *Koriseva	Lahtinen		Halonen	VERO

[1] Former head of the State's Student Financial Aid Centre (Valtion Opintotukikeskus)
[2] Head of Finance (taloustoimen päällikkö) at the Helsinki School of Economics
Note: Participants who were not full members but who were appointed as permanent experts are marked in brackets. The number after an abbreviation indicates the number of participants from a particular organisation if more than one.

Abbreviations

AKAVA	(Confederation of Unions for Professional and Managerial Staff in Finland)
EK	Elinkeinoelämän keskusliitto (Confederation of Finnish Industries)
ETLA	Elinkeinoelämän tutkimuslaitos (Research Institute of the Finnish Economy)
FK	Finanssialan keskuslitto (Federation of Financial Services)
FSS	Finlands Svenska Skolungdomsförbund (Swedish Youth Association)
KELA	Kansaneläkelaitos (The Social Insurance Institution)
KJY	Koulutuksen Järjestäjien Yhdistys (service organisation for vocational education providers)
KL	Kuntaliitto (Association of Finnish Local and Regional Authorities)
NUORA	Nuorisoasian neuvottelukunta (Advisory Council for Youth Affairs)
OPH	Opetushallitu s (National Board of Education)
OPM	Opetus- ja kulttuuriministerö (Ministry of Education and Culture)
OSKU	Opiskelija-allianssi (Union of Vocational School Students)
POL	Representatives appointed by the following political parties: Green League, Social-Democratic Party, Left Alliance, Swedish Party, National Coalition Party and Christian Democrats
SAKKI	Suomen Ammattin Opiskelevien Liitto (Union of Upper Secondary Vocational Students)
SAM	Satakunnan ammatti-instituutti (Regional Vocational Level Institution)
SAMOK	Suomen Ammattikorkeakouluopiskelijoiden liitto (Union of Students in Universities of Applied Sciences)
SITRA	Suomen Itsenäisyyden Juhlarahasto (The Finnish Innovation Fund)
SLL	Suomen Lukiolaisten Liitto (Union of Upper Secondary School Students)
SOA	Suomen Opiskelija-Asunnot RY (Student Housing Foundation)
STM	Sosiaali- ja terveysministeriö (Ministry for Social Affairs and Health)
STOL	Suomen Tekniikan Opiskelijoiden Liitto (Union of Finnish Students of Technology)
STTK	Suomen Toimihenkilökeskusjärjestö (Confederation of Salaried Employees)
SY	Suomen Yrittäjät (Business Federation)
SYL	Suomen Ylioppilaskuntien Liitto (National Union of University Students)
TEIs	Tertiary Education Institutions (academics, unions or other sector representatives)
TM	Työministeriö/Työ- ja elinkeinoministeriö (Ministry of Employment and the Economy)
VATT	Valtion Taloudellinen Tutkimuskeskus (Government Institute for Economic Research)
VERO	Verohallinto (Tax Administration)
VNK	Valtioneuvoston kanslia (Prime Minister's Office)
YM	Ympäristöministeriö (Ministry for Environment)
YOTL	Ylioppilastutkintolautakunta (Matriculation Examination Board)

Appendix D Additional Tables on Student Funding Expenditure, Average Fees, Course Category Subsidies and Government Economic Indicators

Table D1 Student Financial Aid Expenditure in Finland, 1991–2013 (in constant million EUR)

Year	Student allowance	Housing supplement	SL interest support old	SL interest subsidies	SL defaulted loans	Meal subsidies	Total
1991	169.1	54.5	77.8	1.8	9.7	4.8	317.7
1992	228.8	64.3	91.2	3.2	12.7	4.8	405
1993	271.3	83.4	93.1	4.6	18.1	4.9	475.4
1994	342.5	97.3	70.3	5.6	21.2	4.5	541.4
1995	401.5	102.4	38	6.7	25.7	6.5	580.8
1996	391.9	101.6	21.8	5.9	19.9	7.6	548.7
1997	404.9	104.3	10.4	4.8	21.9	9.4	555.7
1998	430	103.4	5.6	3.8	18.8	10.6	572.2
1999	434.5	101.4	3.4	3.1	20.7	11.6	574.7
2000	423.8	146.1	2.1	3.1	24.2	13.5	612.8
2001	428.3	209.2	1.3	3.1	26.3	14	682.2
2002	434.1	219.6	0.8	3.2	26.7	16.7	701.1
2003	440.2	224.8	0.5	2.7	19	16.6	703.8
2004	439.6	227.8	0.2	2.1	19.8	19.6	709.1
2005	432	231.7	0.1	1.5	18.2	20.2	703.7
2006	419	250.6		1.4	18.1	20.6	709.7
2007	406.1	242.7		1.6	25.2	23.7	699.3
2008	440.7	241.9		1.7	23	24.1	731.4
2009	503.8	266.6		1.3	26.6	24.5	822.8
2010	510.3	274.4		0.5	21.8	24.6	831.6
2011	491.6	267.2		0.4	18.6	27.1	804.9
2012	478.8	259.7		0.5	22	27.8	788.8
2013	472.6	259.2		0.3	19.3	29.6	781

Note: The expenditure includes all students, but costs related specifically to adult education or pre-tertiary levels (e.g. travel subsidies) were removed from the overall budget total.

Source: KELA (2014)

Table D2 Student Financial Aid Expenditure in New Zealand, 1988–2013 (in constant million NZD)

Year	Student allowance	Accommod. benefit	SL interest write-offs	SL defaulted loans	SL repaym. bonus	SL admin. fee (income)	Total
1988	138.0						138.0
1989	297.5						297.5
1990	304.9						304.9
1991	286.8						286.8
1992	238.6						238.6
1993	247.0		0.5				247.5
1994	265.2	27.0	4.3			4.5	265.0
1995	292.6	28.0	5.5	2.3		4.6	295.8
1996	236.7	29.0	12.6	0.7		5.0	245.0
1997	343.5	35.0	16.9	2.3		5.5	357.2
1998	378.0	37.0	20.3	4.6		5.6	397.3
1999	347.1	39.0	20.3	4.4		6.6	365.2
2000	397.2	42.0	192.1	5.2		7.1	587.4
2001	367.5	43.0	192.1	5.8		7.4	558.0
2002	366.7	42.0	141.4	5.8		7.6	506.3
2003	350.6	42.0	198.1	5.8		7.6	546.9
2004	341.1	43.0	208.0	13.0		7.8	554.3
2005	318.0	44.0	328.0	15.0		8.0	653.0
2006	341.4	49.0	488.0	11.0		9.0	831.4
2007	357.7	51.0	487.0	26.0		9.0	861.7
2008	370.3	53.0	532.0	20.0		10.0	912.3
2009	472.2	68.0	728.0	26.0	5.0	11.0	1220.2
2010	556.8	81.0	713.0	19.0	17.0	12.0	1293.8
2011	585.3	84.0	702.0	22.0	16.0	32.0	1293.3
2012	577.9	82.0	536.0	22.0	32.0	32.0	1135.9
2013	501.4	71.0	629.0	24.0	14.0	33.0	1135.4

Note: Data includes secondary students. Year is the start of the financial year (e.g. 1988 refers to the period of May 1988 – April 1989). Student allowance data in all years includes accommodation benefit expenditure. The separated accommodation benefit expenditure data was not available from the Ministry of Education prior to 1994. Interest write-off expenditure consists of the costs of foregone interest payments, i.e. base interest write-offs. Due to changes in recording, the data after 2004 are not directly comparable with the earlier data. The data before 2004 is the value of interest write-offs and the data after 2004 describes the initial-write down on new borrowing. Defaulted loans include defaults due to bankruptcy or death and SL admin fee income included revenue from the student loan establishment fee and from annual administration fee payments (since 2010). The total cost is a combination of the student allowance expenditure, interest write-offs, defaulted loans, and voluntary repayment bonus costs minus the amount gathered from administration costs. Due to a number of limitations, this data is only indicative of government expenditure and should be interpreted with caution. Student loan expenditure does not include capital costs (amount borrowed) or the costs of administering the student loan scheme. The income side does not include penalty payments or interest received.

Sources: Vote Education (1988–2013); StudyLink (2014); MoE (2014d); SLSAR (2000–2014)

Table D3 Average Domestic Fees in Public Tertiary Education in New Zealand, 1988–2013 (in constant NZD)

Subsector	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
University	$288	$516	$1,250	$1,300	$1,300	$1,700	$2,100	$2,300	$2,689	$3,038	$3,331	$3,661	$3,622
ITPs	N/A	N/A	$1,250	$1,300	$1,300	$1,600	$1,900	$2,100	$2,529	$2,888	$3,127	$3,179	$3,497
Wānanga	N/A	N/A	$1,250	$1,300	$1,400	$1,200	$900	$1,100	$1,431	$1,900	$2,360	$2,724	$2,514
Average	$288	$516	$1,250	$1,300	$1,300	$1,700	$2,000	$2,200	$2,631	$3,001	$3,319	$3,507	$3,562
Subsector	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
University	$3,767	$3,654	$3,618	$3,848	$3,996	$4,168	$4,402	$4,673	$4,899	$5,155	$5,530	$5,815	$6,040
ITPs	$3,366	$3,071	$2,446	$2,283	$2,393	$2,690	$2,950	$3,235	$3,459	$3,700	$4,047	$4,048	$4,073
Wānanga	$1,218	$618	$347	$405	$468	$464	$508	$414	$524	$582	$623	$516	$507
Average	$3,513	$3,093	$2,664	$2,759	$2,920	$3,224	$3,486	$3,723	$3,917	$4,138	$4,464	$4,609	$4,737

Note 1: The average fee for 1988–1989 is the average fee at universities

Note 2: Data for 1988–1989, 1990–1999 and 2000–2013 were derived from separate sources and due to different calculation methods does not allow direct comparison between these time periods.

Source: MOE (2014c); TEAC (2001), Profile and Trends (1988–2013)

Table D4 Average Government Funding per EFTS, 1991–2013 (in constant NZD)

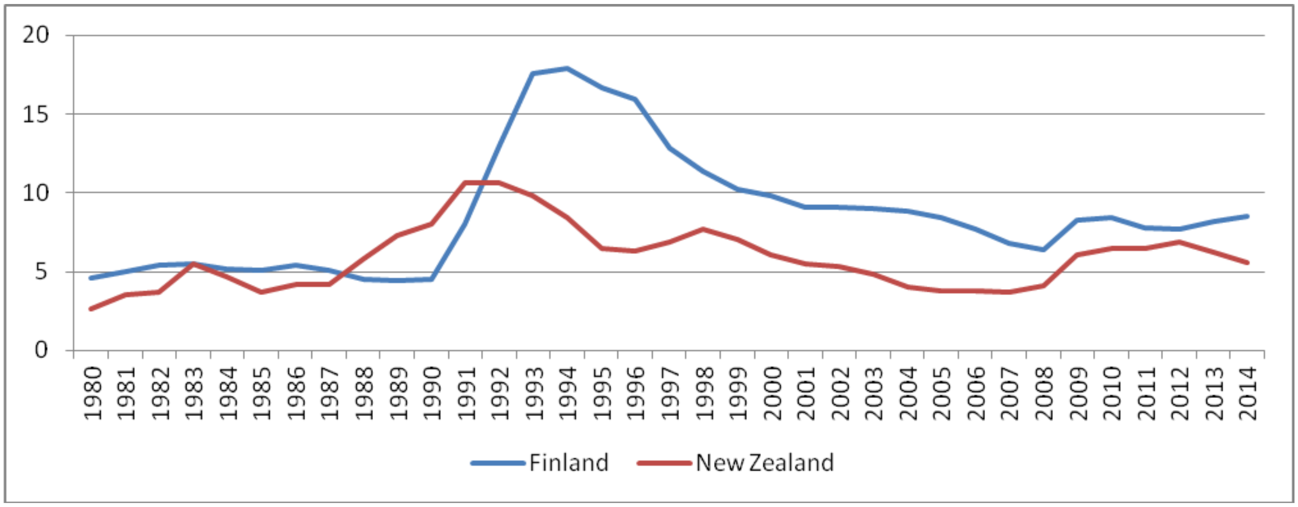
Subsector	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000				
University	$9,043	$8,989	$8,833	$8,480	$8,406	$8,286	$8,206	$8,181	$7,781	$7,750				
ITPs	$8,150	$7,856	$7,656	$7,416	$7,389	$7,224	$7,116	$7,042	$6,587	$6,624				
Wānanga			$6,788	$7,721	$7,187	$6,465	$6,728	$6,743	$6,242	$5,681				
Col. Ed	$9,336	$8,971	$8,446	$7,774	$7,673	$7,480	$7,312	$7,322	$6,839	$7,020				
PTEs		$5,234	$1,882	$1,813	$2,498	$2,555	$3,297	$3,214	$1,829	$5,812				
Total	$8,704	$8,525	$8,272	$7,902	$7,879	$7,775	$7,672	$7,628	$6,966	$7,165				
Subsector	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
University	$6,855	$7,038	$7,269	$7,487	$7,982	$8,393	$9,023	$9,895	$10,518	$10,228	$10,650	$11,494	$11,536	$11,997
ITPs	$5,970	$5,897	$5,945	$6,174	$6,062	$6,236	$6,932	$7,366	$7,482	$7,723	$8,292	$8,458	$8,384	$8,586
Wānanga	$5,068	$4,930	$5,028	$5,192	$5,266	$5,438	$5,508	$5,645	$6,090	$5,941	$6,088	$6,550	$6,601	$6,550
Total	$6,538	$6,566	$6,574	$6,653	$6,879	$7,205	$7,894	$8,578	$9,038	$8,917	$9,343	$9,919	$9,917	$10,243

Note 1: Data for 1990–2000 and 2000–2013 were derived from two separate sources and due to different calculation methods does not allow direct comparison between these time periods.

Note 2: Government funding for 2000–2013 includes the Student Achievement Component, the Public Provider Base Grant, adult and community education funding, Vote Health tuition subsidies and Performance-Based Research Fund.

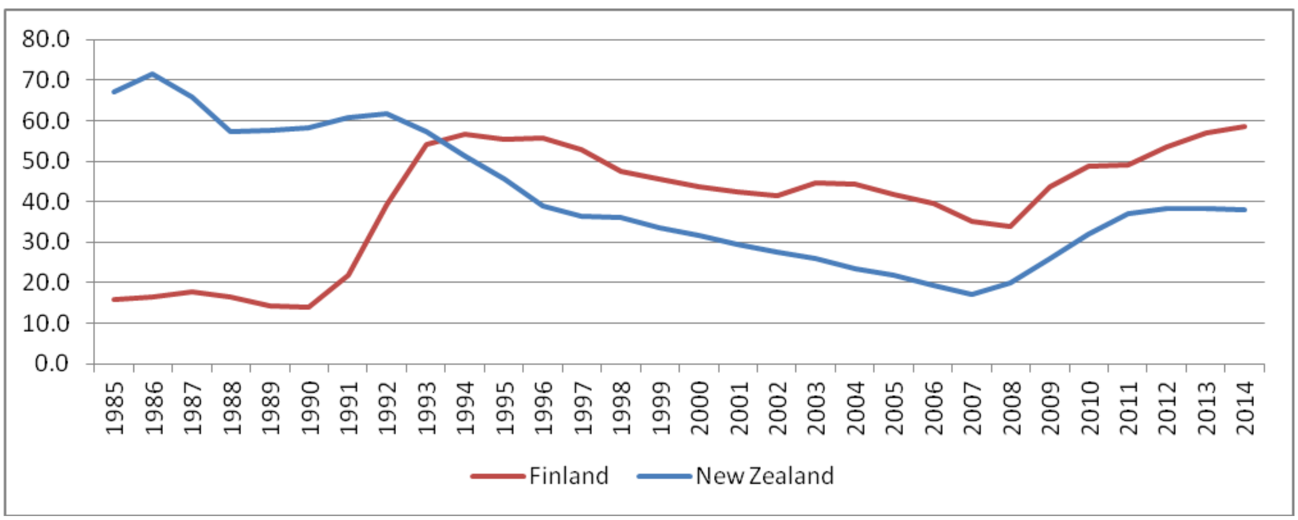
Source: MOE (2014a) and TEAC (2001)

Figure D1 Unemployment Rates in Finland and New Zealand, 1980–2014



Source: OECD (2015)

Figure D2 General Government Gross Debt in Finland and New Zealand (as % of GDP), 1985–2014



Note: figures since 2011 are estimates

Source: IMF (2014)

Appendix E Student Funding Policy Trajectories

Table E1 Operationalisation of Measurement of Student Funding Policy Changes

Programs

Student allowances (STA)

Student allowance supplement (STAS)

Housing supplement/Accommodation Benefit (HS)

Student loans (SL)

Student loan interest subsidies (SLIS)

Tuition fees

Government's course category funding

Other abbreviations:

Entitlement (ENT) (e.g.. value of support/maximum time)

Eligibility category I (ELI) (e.g. study program and ascribed characteristics)

Eligibility category II (ELI2) (financial need)

Behavioral conditions (COND) (e.g. academic success)

Parental income level (PIL); Spousal income level (SIL); Year old (YO)

Equivalent Full-Time Student (EFTS)

Per annum (pa) (budgetary impact per year when tables include more than one year)

* Figure is an estimation # Changes are not included in the budgetary implications

<u>GENEROSITY</u>

DIRECTION

\+ increased generosity or lower tuition fees

\- decreased generosity or higher tuition fees

(+) (-) increased or decreased generosity/changes in fees without a direct impact on state's budget (has not been included under financial implications for government)

SCOPE

a) Magnitude: change in entitlement rates or eligibility and condition rules

b) Group size: ratio of students affected by the policy change

Applied thresholds:

Low (L) = Less than 10 percent

Medium (M) = 10-49 percent

Large (L) = 50 percent or more or the introduction/abolishment of a rule

S-L = Impact varies between students

FINANCIAL IMPLICATIONS FOR THE GOVERNMENT

DIRECTION

Expansion = increased budgetary funding

Savings= decreased budgetary funding

MAGNITUDE

Small = 0–20 million Euro/ 0–30 million NZD

Medium = 20–70 million Euro /30–120 million NZD

Large = More than 70 million Euro/more than 120 million NZD

Note1: The tables show the nominal budgetary impacts but all figures were converted to 2014 values when the magnitude of changes was compared over the examination time period (Reserve Bank of New Zealand, 2015; Tilastokeskus, 2015b). For the NZD-EURO conversion the 3.1.2014 conversion rate was utilised (Reserve Bank 2015).

Limitations:

The Tables in this appendix allow the identification of frequency and direction of changes but do not allow comparing the degree of generousness between the two countries, i.e. if the system in Finland in a particular year was stricter than the system in New Zealand. Moreover, the main policies excluded from the analysis and other limitations are:

* Most changes outside the main student funding budgets (e.g. working for families tax credits, adult education aid; meal subsidies)
* Scholarships and bursaries (e.g. STEP-up and bonded scholarships and A and B bursaries)
* Penalty/repayment rules in case of overpayment/fraud
* Rules regulating eligibility in alignment with other benefits (e.g. if students are eligible for student financial aid or sickness benefit)
* Changes in regional housing allowance rates in New Zealand
* Regulations around overseas study
* Rules for non-residents (e.g. international students or in New Zealand non-resident student loan repayment rules, including repayment holidays)
* Rules affecting course or course material related borrowing in the New Zealand financial aid scheme
* The after tax value of the benefits (however, particular student funding policy changes that were tightly related to reforms in the tax system were considered, e.g. in New Zealand certain movements in the student allowance gross rates were adopted in order to keep the net rate at the same level)
* Treatment of students during holiday periods regarding access to unemployment benefits in Finland
* Any student discounts provided (e.g. subsidized housing, discounts in public transport or in purchasing services within or outside tertiary institutions)
* Changes in registration fees, student union membership fees or fees in non-degree seeking programs in

Finland
* Special supplementary grants that have been paid to TEIs for providing support for students with disabilities or from certain ethnicity groups (Maori, Pacifica).
no penalty for overdue payments, of penalties if students being overpaid (e.g. for reporting wrong details)
interest rates are not calculated (as they are in most cases set to follow market interest rates)
no caclulcation of how often payments are made etc
* In New Zealand changes in rates and crtiteria occurred at times more than once a year, but the changes illustrated in Table E3 only indicate annual changes (i.e difference in rates between January 1991 and January 1992). If not stated otherwise the annual rates/rules utilised were: for 1989–1992: those valid in January each year and for 1993–2014: those valid in April each year
* The Finnish student financial aid trajectory does not consider changes for students in the early 1990s established temporary polytechnics until these institutions were defined as part of the tertiary education sector (i.e. when they were granted a permanent status between 1996 and 2000)
* Changes for tertiary students under the age of 18 were excluded from the Finnish policy trajctory (their number has been marginal, e.g. less than 10 a year) (KELA 2000–2014.; Opintotukikeskus 1991–1997).
* A certain magnitude of change in eligibility/condition rules does not translate into the same magnitude of change in entitlement rates and these changes are marked in brackets
* The size of group affected reflects the percentage of students affected in the short-term compared to the number of all students. However, in the student financial aid program it is compared to the number of students receiving student financial aid. It has to be acknowldeged that some changes affecting a particular number of students may not have direct cost-sharing impacts to as many students and these changes are marked in brackets, e.g. an increase in the maximum loan amount when most students do not borrow. It should also be noted that some of the changes that initially affected only a small number of students may have impacted on a large number of students in the long run.
* The New Zealand budgetary data did not allow reliable calculation of all budgetary impacts (e.g. the direct impact of student loan repayment rules). The Finnish data did not always allow a distinction between costs related to tertiary students only, and some of the overall budgetary changes include changes made in regard to secondary students. Generosity changes marked in brackets are not considered under budgetary implications.

For these limitations the data should only be considered as indicative of the generosity/budgetary changes.

Table E2 Student Financial Aid Scheme Trajectory in Finland, 1992–2014

1992 **Student Financial Aid Reform** (*Laki Korkeakouluopiskelijoiden Opintotuesta 111/1992*; *VNP 488/1992*; *VNP 349/1992*)[1]

Multidirectional. Significantly increased generosity for most students with significant budgetary expansion.
Overview of the new scheme and main changes (all values in marks per month if not stated otherwise):
* Increase in the monthly allowance rates: students aged 20 or older living independently from 640 to 1570; student aged 20 living with parents from 640 to 750; students under the age 20 living alone from 320 to 750 and students under the age of 20 living at home from 320 to 350.
* New allowance supplement for students living with low income parents (PIL under 80 000/pa for a full supplement doubling the basic rate; until 152000/year for partial supplement, assets over 290000 considered)
* Additional support for students with children (380 per child; maximum of 1140) discontinued
* Student allowance and student loan eligibility criteria relaxed by removing most targeting on parental/ spousal income, leading to around 3700 new students becoming eligible
* New maximum time limits (10 months after standard degree time or by MoE's decision); life-time limit from seven years to 70 months. Own income limit (exc. housing supplement) lowered from 2300 to 1700
* Student loan maximum rate decreased from 1800 to 1200. Government's interest regulation and subsidies discontinued for all new student loans. The interest payable by students increased from 4.25 in 1991 to an average of 11 percent in 1992. Repayments were mortgage style (i.e. not income related).
* Tertiary institutions' regulated on the continuity of support (e.g. required number of credits)

Program generosity e.g.	Direction	Magnitude	Group
Entitlements:			
STA: rate for students aged 20 and living independently	+	Large	Large
STA: rate for students under the age of 20 or older living with parents (eligible under the 1991 scheme)	+	Small	Medium
STAS: introduction of an allowance supplement	+	Large	Small
Dependent supplement discontinued	-	(Large)	Small
SL: maximum rate	(-)	S-M	(Large)
SL: discontinuation of interest subsidies (new loans)	-	(Large)	(Large)
New maximum time (per degree support)	-	(Large)	(Large)
HS: maximum rate (through higher rental cap)	+	Medium	Medium*
HS: removal of targeting on spousal income for students living in a different region than their spouse	+	(Large)	Small*
Eligibility:			
ELI: STA: doctoral students eligible[2]	+	(Large)	Small
ELI2: STA: targeting on SIL/PIL removed	+	Large	Small
ELI2: STA: lower own income threshold	-	(Medium)	(Large)

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Medium
Long term (2003)	Cost-neutral	

[1] Changes implemented in tax law are not included under the 1992 changes (i.e. the impacts of making allowances taxable income and simultaneous deductions in the communal tax system) (Tuloverolaki 1535/1992).
[2] Previously financial support for research degrees had been available through the Adult Financial Aid Scheme

1993 **Housing Supplement and Student Allowance Supplement Reform** (*VNP 312/199*; Valtioneuvosto 1993)

Multidirectional. Increased generosity for most students with minor budgetary expansion.
* Changes in housing supplement rules and adjustments in income thresholds (student allowance supplement)

Program generosity e.g.	Direction	Magnitude	Group
ENT: HS: maximum rate (rental threshold)	+	Small	Medium*
ENT: HS: lower coverage percentage	-	Small	Large
ELI2: HS: new minimum rental threshold	-	(Large)	Small*
ELI2: STAS: adjustments in PIL and assets	+	Small	Small

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Small*

1994 **Student Financial Aid Reform** (*Opintotukilaki 65/1994*)1

Increased generosity with minor budgetary expansion, e.g. changes in student allowance supplement rules

Program generosity e.g.	Direction	Magnitude	Group
ELI2: STAS: new sibling increase in PIL	+	(Large)	Small
ELI2 STAS: targeting on parental assets removed	+	(Large)	Small
ELI2 :STAS: PIL upper threshold	-	Small	Small

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Small

1 The 1994 reform resulted in significant overall expansion but generosity was only increased at pre-tertiary level

1995 **Student Financial Aid Reform** (*Laki Opintotukilain Muuttamisesta 940/1995*)

Multidirectional. Decreased generosity for most students with significant budgetary savings.
* Cuts in student allowance and housing supplement rates, increased student loan rate and own income

Program generosity e.g.	Direction	Magnitude	Group
Entitlements:			
STA rate for students aged 20 and living independently	-	Small	Large
STA rate for student living with parents	-	Medium	Small
STA rate for scholarship recipients/during paid internships if the payment exceeds certain income limit	-	Large	Small
SL maximum rate	(+)	Small	Medium
HS rate through lower coverage percentage	-	Small	Large
Eligibility:			
ELI2: STA/SL: own income threshold	-	Small	(Large)
ELI2: HS: own income threshold	-	(Medium)	Small
ELI2: STAS: removal of sibling provision	-	Large)	Small
ELI2: Inclusion of PIL from overseas	-	(Large)	Small

Financial implications for the government	Direction	Magnitude
Short-term	Savings	Medium

1996 Student Loan Interest Subsidy Reform (*VNP 33/1996*; *Laki Opintotukilain Muuttamisesta 1318/1995*)

Increased generosity with minor budgetary expansion.
* New student loan interest subsidy scheme during parental leave, unemployment and military/civil service

Program generosity e.g.	Direction	Magnitude	Group
ENT: SLIS introduction of interest subsidies	+	(Large)	Small

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Small
Dynamic imp. (lower number of defaulted loans)	Savings	N/A

1997 Student Financial Aid Reform (*Laki Opintotukilain Muuttamisesta 49/1997*)

Increased generosity with minor budgetary expansion.
* Lower independence age for students living independently, extended length of aid in certain study programs

Program generosity e.g.	Direction	Magnitude	Group
ELI: age limit from 20 to 19 (if living independently)	+	Large	Small
ENT: time extension in certain circumstances	+	Medium	Small
ENT: time extension in long programs	+	Medium	Small

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Small

1998 Student Financial Aid Reform (*Laki Opintotukilain Muuttamisesta 1117/1997*; VN*A 971/1997*; *Laki Opintotukilain Muuttamisesta 920/1997*)

Multidirectional. Increased generosity for most students with medium level budgetary expansion.
* Lower independence age limit, changes in own income rules and housing supplement eligibility

Program generosity e.g.	Direction	Magnitude	Group
ELI: age limit from 19 to 18 (if living independently)	+	Large	Small
ELI2: own monthly income threshold	+	Medium	(Large)
ELI2: new own annual income threshold	-	(Large)	(Large)
ELI2: STAS PIL threshold	+	Small	Small
ENT: HS rate for students living in parental owned flats[1]	-	(Large)	Small

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Small

1Through a loophole some of these students living in the same property as their parents were eligible for the general housing allowance support which, in many cases, was significantly higher than the students' housing supplement

2000 Housing Support Reform (*Laki Opintotukilain Muuttamisesta 41/2000*; *Laki Opintotukilain Muuttamisesta 42/2000*)

Multidirectional. Increased generosity for most students with minor budgetary savings.
* All students without dependennts transferred to students' housing supplement scheme. For transferred students, the overall annual entitlement contracted by three months
* Increase from 67 % to 60 % in the housing supplement coverage percent for majority of students

Program generosity e.g.	Direction	Magnitude	Group
ENT: HS maximum rate through coverage percent	+	Medium	Large
ENT: HS annual rate for transferred students	-	Medium	Medium
ENT: HS rate in parental owned flats (same property)	-	(Large)	Small
ELI: minimum program length support payable	+	(Large)	Small

Financial implications for the government	Direction	Magnitude
Short-term	Contraction	Small

2002 **Student Loan Reform** (*Laki Opintotukilain Muuttamisesta 1427/2001*)

Multidirectional. Minor budgetary expansion, e.g. student loan income subsidy eligibility rules changed

Program generosity e.g.	Direction	Magnitude	Group
ELI: SLIS: graduation status eligibility rule removed	+	(Large)	Small
ELI2: SLIS: new income restriction during parental	-	(Large)	Small
leave	-	(Large)	Small
ENT: SLIS new maximum entitlement limit	(-)	(Large)	Small
ELI1: SL access restricted for students in default	(-)	Small	Medium
ENT: SL one percent interest payable during studies			

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Low
Long-term (inc. dynamic implications)	Savings	Low

2003 **Student Financial Aid Reform** (257/2003)

Increased generosity with minor budgetary expansion, e.g. extended support time for students in certain

Program generosity e.g.	Direction	Magnitude	Group
ENT: time extension in certain programs	+	Small	Small

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Small

2005 **Student Financial Aid Reform** (*VNA 1192/2004*; *Laki Opintotukilain Muuttamisesta 408/2005*)

Multidirectional. Increased generosity for most student with medium budgetary expansion.
* New student loan subvention scheme, increase in the housing supplement maximum threshold, introduction of a new minimum study requirement and wider eligibility for foreigners living in Finland

Program generosity e.g.	Direction	Magnitude	Group
ENT: HS maximum rate (through increase in the cap)	+	Medium	Large
ENT (DEF) SL new subvention scheme1	+	(Large)	(Medium)
ENT: SL maximum rate	(+)	Small	(Medium)
ENT: maximum degree time for polytechnic students	-	(Large)	(Medium)
ELI: polytechnic students eligible for time extensions	+	(Large)	(Medium)
CON: new study progress criterion2	-	(Large)	(Large)
ELI1: removal of a two year stand down for foreigners3	+	Large	Small *

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Medium
Long-term (by 2010/2015)	Expansion	Medium-High

1 Paid to new borrowers graduating in the standard degree time plus two years period (minus an excess of 2500 euros).
2 Prior to 2005 studying had to be regular and full-time, but the exact definition was left to tertiary institutions' Financial Aid Committees, many requiring less credits than the criterion introduced in 2005.
3 Removed for persons arriving for other reasons than studying and whose stay in Finland was defined as permanent.

2006 **Student Allowance Supplement** (*Laki Opintotukilain Muuttamisesta 399/2006*)

Increased generosity with minor budgetary expansion through adjustments in allowance supplement eligibility

Program generosity e.g.	Direction	Magnitude	Group
ELI2: STAS parental income threshold	+	(Medium)	Small

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Small

2007 **Student Allowance Supplement** (*Laki Opintotukilain 16 E §:n Muuttamisesta 1456/2007*)

Increased generosity with minor budgetary expansion through adjustments in allowance supplement eligibility

Program generosity	Direction	Magnitude	Group
ELI2: STAS parental income threshold	+	(Medium)	Small

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Small

2008 **Student Financial Aid Reform** (*Laki Opintotukilain Muuttamisesta 1388/2007*)

Increased generosity with significant budgetary expansion.
** Increase in student allowance rates and relaxation of own income rules thresholds*

Program generosity	Direction	Magnitude	Group
ENT: STA rates	+	Medium	Large
ELI2: Rise in student's own income thresholds	+	Medium	(Large)

Financial implications for the government	Direction	Magnitude
Short-term (2009)	Expansion	Large

2009 **Housing Supplement Reform** (*Laki Opintotukilain Muuttamisesta 706/2008*)

Increased generosity with minor budgetary implications, i.e. relaxation in targeting in the housing supplement

Financial implications for students	Direction	Magnitude	Group
ELI2: HS targeting on spousal income removed	+	(Large)	Small

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Small

2011 **Student Financial Aid Reform** (*Laki Opintotukilain Muuttamisesta 52/2011*)

Multidirectional. Decreased generosity for most students with minor budgetary savings.
* Changes in eligibility rules and conditions, e.g. new maximum time restrictions and study success requirements

Program Generosity	Direction	Magnitude	Group
ENT: STA rate during scholarship/paid internships	+	Large	Small
ELI2: SLIS income threshold	+	(Large)	Small
ELI: Support granted separately for UG/PG degrees	-	(Large)	(Large)
ENT: New maximum time restriction for PhD students	-	(Large)	Small
ENT: HS defined as an used support month	-	(Large)	Small
CON: Tightening of study success requirements	-	Small	(Large)

Financial implications for the government	Direction	Magnitude
Short-term	Contraction	Small

2014 Student Financial Aid Reform (*Laki Opintotukilain Muuttamisesta 1243/2013*)

Multidirectional. Minor short-term expansion and medium level long-term contraction.
** Indexation of student allowances, removal of student loan interest tax deductions, new loan subvention model, reduction in the overall maximum time and introduction of a two-tier scheme (new/old students).*

Program Generosity	Direction	Magnitude	Group
Entitlements:			
STA indexation of rates	+	Small	Large
SL maximum rate	(+)	Medium	(Medium)
SL (DEF) compensation maximum rate	+	Medium	(Medium)
Maximum time limit reduced	-	Small	(Large)
SL (DEF) removal of the tax deduction right	-	(Large)	Medium
STA rate for new students	+	Medium	Medium
Maximum per degree time for new students	-	Small	(Medium)
Eligibility:			
ELI2: SLIS indexation of thresholds	+	Small	Small
ELI1: Support extended to foundation studies	+	Large	Small
Conditions:			
Annual minimum study requirement introduced	-	Large	(Large)
SLIS: time limit for eligibility tightened	-	Large	(Medium)

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Small
Long-term (by 2022)	Contraction	Medium

Main sources: student financial aid legislation, related bills and parliamentary committee reports 1991–2013. Additional sources e.g. Opintotukikeskus (1994); KELA (2014a; 2014b); KOTA (2011); OPM (1991); Tilastokeskus (2014, 2015a).

Table E3 Student Financial Aid Scheme Trajectory in New Zealand, 1989–2014

1989 Student Financial Aid Reform (Youth and Student Support Scheme) (*SR 1988*)

Mutlidirectional. Increased generosity for most students with significant budgetary expansion.
Overview of the the new scheme and main changes (all values in NZD if not stated otherwise):
* The new allowance scheme replaced the flat rate (41pw) paid under the Tertiary Assistance Grant scheme. The new rates varied by student's age and individual circumstances: 18-19 yo/older living with parents (44/86pw); 18-19 yo/older living alone (66/109pw); earning spouse at home/away (44/66pw); couple, no children (202/101/109 pw); single parent (209pw); couple with children (both students, but only one eligibile/both eligible students (134/116pw); dependent spouse and child (233pw).
* New rule implemented targeting on age and parental income level (PIL) for students under 20 years of age, e.g. 18-19 year old students were eligible for the 20 yo rate if their PIL was under 26207/pa and to a partial increase in the grant rate until the PIL reached 34944/pa. For students under the age of 18 all support was targeted on parental income (maximum rate 80pw if PIL under 18927pa and partial rate until PIL reached 35360/pa). 17-18 yo were also eligibile for either transport (11pw) or housing supplements (22pw)
* New accommodation benefit based on regional costs replacing a flat rate accommodation grant
* Students' summer time unemployment benefit targeting on parental income removed for students aged 20
* Most other criteria remained similar, e.g. own/combined spousal income limit (4000/8000 pa excluding vacation earnings and certain ther payments, e.g. bursaries and scholarship); minimum program duration: 12 weeks; overall support duration: standard degree time/life-time limit of five years (but extension in long study programs or in particular circumstances); and academic requirements: passing half of the study load (exceptions allowed in particular circumstances, e.g. sickness and second change provisions).

Program generosity e.g.	Direction	Magnitude	Group
Entitlements:			
STA rate: students aged 20yo or older, 18-19 yo (low PIL), earning spouse (away rate), 'with children' rates	+	Large	Large
STA rate: 18-19 yo living with parents (high PIL) and students living with earning spouses	+	Small	Medium*
STA rate: 16-17 yo (low PIL)	+	S-L	Small
STA rate: 16-17 yo (high PIL)	-	S-L	Small
Removal of hardship grants1	-	(Large)	N/A
Accommodation benefit regional rates2	-	S-L	(Large)
Eligibility:			
ELI2: new eligibilty criteria implementing targeting on PIL for students under 20 years of age	-	(Large)	(Medium)
ELI2: summer unemployment benefit: relaxed targeting	+	(Large)	(Large)

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Large

Note 1: Under the Tertiary Assistance Grant scheme students had been eligibilefor additional hardship grants (paid at a maximum level of 58pw). Hardship grants were targeted on financial need (e.g. considering personal and spousal income and assets, number of dependent children and parental income for those younger than 20 years old)
Note 2: Under the Accommodation Grant the standard rate had been $38 pw. The new scheme set an accommodation benefit maxima ($40 pw) but the actual support was based on regional rates which were lower than the old flat rate.

1990 **Student Financial Aid Reform** (SR 1988/086)

Increased generosity with minor budgetary expansion.
* Inflation adjustments, a new rate for sole parent students with more than one child and a $2200 adjustement in parental income level if more than one child aged 16-19 undertaking post-compulsory education

Program generosity e.g.	Direction	Magnitude	Group
ENT: STA rates	+	Small	Large
ELI1: STA rate for sole parents (more than one child)	+	Small	Small
ELI2: own, parental and spousal income thresholds	+	Small	(Large)
ELI2: new adjustment in PIL in families with more than one child (16-19yo) in post-compulsory education	+	(Large)	Small*

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Small*

1991 **Student Financial Aid Reform** (SR *1990/113 Amendement NO. 3*)

Increased generosity with minor budgetary expansion.
* Inflation adjustments in rates and thresholds. Allowances extended to students in private tertiary institutions

Program generosity e.g.	Direction	Magnitude	Group
ENT: STA rates	+	Small	Large
ELI: Own, parental and spousal income thresholds	+	Small	(Large)
ENT: STA eligibility for students at private institutions	+	Large	Small

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Small *

1992 **Student Financial Aid Reform** (Profile & Trends 2010; SR 1991/295; SR 1991/301; *Student Loan Scheme Act 1992*)

Multidirectional. Reduced generosity for most sudents with significant budgetary savings.
* Eligibility to student allowances restricted by targeting all grant based support on parental income for students under the age of 25 (full rate if PIL under 28079 pa and partial rates until PIL 45968 pa if living at home and 50544 pa if living alone). This resulted in a significant cut in the number of recipients (from 71604 to 42209).
* Changes in student allowance maxima rates, and a new rate for students couples with more than one child
* New student loan scheme towards living and tuition fee costs (principal not included in financial implications)

Program generosity e.g.	Direction	Magnitude	Group
ENT: STA maxima rate for students under 25yo, couples with no children (both eligible for STA) and students with dependent spouse and dependent children	-	Small	Large
ENT: STA rates for sole parents and student couples with children (both eligible for STA)	-	Medium	Small
ENT: STA rate for couples (no children, dep. spouse)	+	Small	Small
ENT: STA rate for students aged 25 and student couples (with children, only one eligibile)	+	Medium	Medium
ENT: STA rate (actual) for under 25 yo (high PIL)	-	S-L	Large
ELI1/2: Change to full targeting on parental income for all students under the age of 25	-	Large	Large

Financial implications for the government	Direction	Magnitude
Short-term	Savings	Large

Overview of the 1992 Student Loan Scheme *(Rules as of in January 1, 1992)*
Government operated loan scheme with a deferred re-payment scheme (via taxation) and universal access
* Living cost component (122 pw) (loan component deducted by the STA rate received), full amount of tuition fees (max 4500 in private institutions) and course related costs (max 1000 pa)
* Adequate academic progress (passing at least half of the study load in two preceding years as a condition)
* Interest 8.2 added to the loan sum consisting of a base interest (6) and an inflation adjustment ratio (2.2)
* Repayment threshold after study 12670 pa. Base interest write-offs were available for residents not borrowing and with an income less than the set repayment threshold. If the compulsory repayment was smaller than the base interest incurred, the difference would be written off. Borrowers moving overseas had a mortgage style loan with fixed payments depending on the size of the loan and with a repayment time of 15

1993 **Reforms in Grant Based Support** (SR 1991/336; SR 1993/050)

Multidirectional. Increased generosity for most students and minor budgetary savings.
** Higher STA rates and income thresholds but second chance provision revoked (had allowed continuity of support despite insufficient academic success) and courses of national importance provision abolished*

Program generosity e.g.	Direction	Magnitude	Group
ELI2: most income thresholds	+	Small	(Large)
ENT: STA rates	+	Small	Medium
ELI: second chance provision revoked	-	(Large)	(Large)
ENT: national importance provision revoked	-	(Large)	Small *

Financial implications for the government	Direction	Magnitude
Short-term	Savings	Small

1993 **Reforms in Student Loans** (SLSAR, 2010; SR 1993/008)

Increased generosity through removal of the study progress condition and lower student loan interest rate

Program generosity e.g.	Direction	Magnitude	Group
COND: SL study progress condition removed	(+)	(Large)	(Large)
SL interest rate from 8.2 to 7.2	(+)	(Medium)	Large

Financial implications for the government	Direction	Magnitude
Short-term	No direct #	

1994–1996 **Reforms in Grant Based Support** (SR 1994/052.; SR 1995/070.; SR 1996/056).

Increased generosity through inflation adjustments in allowance rates with minor budgetary expansion

Program generosity e.g.	Direction	Magnitude	Group
ENT: STA rates	+	Small	Medium

Financial implications for the government	Direction	Magnitude
Short-term (for each year separately)	Expansion	Small

1994–1996 **Reforms in Student Loans** (SR 1993/419; SR 1994/004; SR 1995/007; SR 1995/040; SR 1995/318; SR 1996/370)

1994-1995 increased generosity through higher interest subsidy thresholds and lower student loan interest rates. 1995 decreased generosity for most students through higher student loan interest rates

Program generosity e.g.	Direction	Magnitude	Group
ELI2: SLIS income	+	Small	Small*
ELI2/DEF: SL repayment thresholds	(+)	Small	Small*
1994 SL interest rate (from 7.2 to 7)	(+)	(Small)	Large
1995 SL interest rate (from 7 to 9)	(-)	(Medium)	Large
1996 SL interest rate (from 9 to 8.4)	(+)	(Small)	Large

Financial implications for the government	Direction	Magnitude
1994 -1996 short-term pa	Expansion #	Small*

1997–1999 **Reforms in Grant Based Support** (SR 1988/277; SR 1997/051; SR 1998/051; SR 1999/059)

Multidirectional. Increased generosity for most student, but decreased generosity for a group of students.
* Higher allowance rates but decreased generosity in 1997-1998 through tighter eligibility rules (age limit from 16 to 18, stand-down period for new residents from one to two years and access to summer time unemployment

Program generosity e.g.	Direction	Magnitude	Group
ENT: STA rates	+	Small	Medium
1997 ELI2: New earning spouse cut off income treshold	-	(Large)	Small
1998 ELI2: Unemployment support eligibility rules	-	(Large)	Medium
1998 ELI1: New minimum eligibility age limit (18) for non married students with no dependent children	-	(Large)	Small
1998 ELI1: Stand down period for new residents	-	(Large)	Small

Financial implications for the government	Direction	Magnitude
1997 short-term	Expansion	Small
1998 short-term	Savings	Medium
1999 short-term	Expansion	Small

1997–1999 **Reforms in Student Loans** (SR 1996/371; SR 1997/339; SR 1997/340; SR 1999/035)

Multidirectional but increased generosity for most student with minor direct budgetary expansion.
* Adjustments in interest levels, interest subsidy thresholds and changes in the maximum entitlement rates

Program generosity e.g.	Direction	Magnitude	Group
ELI2 :SLIS income thresholds	+	Small	Small*
ELI2/DEF: SL repayment thresholds	(+)	Small	Medium*
SL interest rate (from 8.4 to 8.2 and 8)	(+)	Small	Large
1997 ENT living cost maximum	(+)	(Medium)	M-L*

Financial implications for the government	Direction	Magnitude
1997–1999 short-term (pa)	Expansion #	Small*

2000 **Reforms in Grant Based Support** (SR 2000/042)

Increased generosity with minor budgetary expansion through CPI adjustments in allowance rates

Program generosity e.g.	Direction	Magnitude	Group
ENT: STA rates	+	Small	Medium

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Small

2000 **Reforms in Student Loans** (SR 1999/421; SR 2000/012; SR 2000/278; *Student Loan Scheme Amendment Act (No 2) 2000*)

Increased generosity with significant budgetary expansion.
* Abolition of interest for full-time/full year students and part-time students on low incomes, interest reduction for borrowers whose base interest exceeds 50 % and increase in the interest subsidy income thresholds

Program generosity e.g.	Direction	Magnitude	Group
ENT: SL interest write-off for students	+	(Large)	Large
Interest rate from 8 to 7	(+)	Medium	Large*
ELI2: SLIS thresholds	+	Medium	Small
ELI2/DEF: SL repayment threshold	(+)	Small	Large

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Medium

2001–2005 **Reforms in Grant Based Support** (SR 2001/025; SR 2002/054; SR 2002/257; SR 2003/045; SR 2003/251; SR 2004/051; SR 2004/299; SR 2005/045; SR 2005/062)

Multidirectional. Increased generosity for most students with small-medium size annual budgetary expansion.
* Higher sole parent accommodation benefit rates and age limit lowered to 16 for students fulfilling certain academic criteria.
* Relaxation in parental income thresholds (first adjustment since 1993). Eligibility to independence circumstances tightened (work criteria removed) and targeting changed from spousal income to parental income for young scouples without children.

Program generosity e.g.	Direction	Magnitude	Group
ENT: STA rates	(+)	Small	Medium
2003 ENT: HS rate for sole parents	+	Medium	Small
2004 ELI2: Age limit down to 16 (academic criteria)	+	Large	Small
2005 ELI2: PIL threshold increased	+	(Medium)	Medium
2005 ELI 2: inflation adjustments in PIL thresholds	+	Small	Medium
2005 ELI1/2: STA eligibility to independent circumstances through work criteria removed	-	(Large)	Small
2005 ELI2: Targeting on PIL instead of SIL for married students under 25 without dependants	-/+	(Large)	Small

Financial implications for the government	Direction	Magnitude
2001-2004 short-term (pa)	Expansion	Small
2005 short-term	Expansion	Medium

Note: In 2005 the components of student allowances that were paid for dependent children were removed as part of the Working for Families (WFF) reform aligning child assistance for all low income groups (CAB min, 2004). As a result some student allowance rates reduced but as these were compensated via WFF policy, these changes were not included in the trajectory.

2001–2005 **Reforms in Student Loans** (SR 2000/278; SR 2001/404; SR 2002/408; SR 2003/366; SR 2004/462)

Increased generosity with minor budgetary expansion (inflation adjustments in income thresholds)

Program generosity e.g.	Direction	Magnitude	Group
ELI2: SLIS income threshold	+	Small	Small
ELI2/DEF: SL repayment threshold	(+)	Small	(Large)

Financial implications for the government	Direction	Magnitude
2001-2005 short-term (pa)	Expansion #	Small*

2006 **Reforms in Grant Based Support** (SR 2005/254; SR 2006/049; SR 2006/270)

Increased generosity with significant budgetary expansion.
* Relaxation of targeting by increases in own, spousal and parental income thresholds, changes in own income abatement rules, and higher parental income level for students whose parents have separated.

Program generosity e.g.	Direction	Magnitude	Group
ENT: STA rates	+	Small	Medium
ELI2: increase in PIL threshold	+	(Medium)	Medium
ELI2: students with separated parents/siblings	+		Small
ELI2: Own income thresholds and abatement rules	+	(Large)	(Large)
ELI 2: Spousal income thresholds	+	Small	Small*

Financial implications for the government	Direction	Magnitude
Short-term	Expansion	Medium

2006 **Reforms in Student Loans** (*Student Loan Scheme Amendment Act 2005 No 122*)

Increased generosity with significant budgetary expansion through full interest write-offs for resident borrowers

Program generosity e.g.	Direction	Magnitude	Group
ENT: interest write-off for resident borrowers	+	Large	Large
ELI2/DEF SL repayment thresholds	(+)	Small	Large

Financial implications for the government	Direction	Magnitude
Short-term	-	Large

Note: Only overseas borrowers were liable for interest after 2006 and these changes were excluded from the policy trajectory

2007–2011 Reforms in Grant Based Support (SR 2006/356; SR 2006/379; SR 2007/057; SR 2007/253; SR 2008/55; SR 2008/282; SR 2009/22; SR 2010/29; SR 2010/291; SR 2011/18; SR 2011/288)

Increased generosity for most students with small or medium budgetary expansion. In 2007 multidirectional.
** 2007 PhD students eligibile to students allowance but students undertaking qualifications not receiving government's student component funding no longer eligible*
** 2009 Independence age limit lowered from 25 to 24*

Program generosity e.g.	Direction	Magnitude	Group
2007-2011 ENT: STA rates	+	Small	Large
2007- 2009 ELI2: PIL thresholds	+	Medium	Medium*
2010 ELI 2: PIL thresholds	+	Small	Small
2008 - 2011 ELI2: own income thresholds	+	Small	(Large)
2007 ELI1: PhD student's eligible	+	(Large)	Small
2007 ELI1: access removed from students in programs not receiving SCF	-	(Large)	Small*
2009 ELI1: independence age limit from 25 to 24	+	(Medium)	Medium

Financial implications for the government	Direction	Magnitude
2007, 2008, 2010, 2011 short-term (pa)	Expansion	Small
2009 short-term	Expansion	Medium

2007–2011 Reforms in Student Loans (SR 2006/383; SR 2007/389; SR 2008/450; *Student Loan Scheme Act 2011* ; *Student Loan Scheme (Repayment Bonus) Amendment Act 2009*)

Increased generosity in 2009-2010 for most students with minor direct budgetary expansion. Multidirectional in 2007 and 2011, of which the latter resulted in significant budgetary savings.
* Living component increased (indexed) and introduction of a new student loan repayment bonus
* Increases in administration fees and new eligibility restrictions, e.g. study progress, life-time entitlement
Repayment thresholds frozen after after 2009 (not anymore in 2010)

Program generosity e.g.	Direction	Magnitude	Group
2007 ELI1: access removed from students in programs not receiving SCF	-	(Large)	S-M*
2009-2011 ENT: living component rate	(+)	Small	(Large)
2010 ENT: new student loan repayment bonus	+	(Large)	(Large)
2010 ELI2/DEF: feezing repayment thresholds	(-)	Small	N/A
2011 ENT: increase in student loan administration fees	-	(Medium)	Large
2011 ENT: new life time limit	-	(Large)	(Large)
2011 ELI1: restricting eligibility for overdue borrowers	-	(Large)	Small*
2011 COND: new study progress condition	-	(Large)	(Large)
2011 ELI2: stand off period time for new residents	-	(Large)	Small
2011 ELI2: DEF: New pay period repayment scheme	(-)	(Large)	(Small)

Financial implications for the government	Direction	Magnitude
2007 short-term	Savings	Small
2010 short-term	Expansion	Small
2011 short-term	Savings	Medium

2012–2014 Reforms in Grant Based Support (LI 2014/41.; SR 2012/23.; SR 2012/212.; SR 2013/324)

Increased generosity with minor budgetary expansion in 2012. Multidirectionali in 2013-2014, with reduced generosity for minority groups and significant budgetary savings.
* Eligibility restricted (e.g. postgraduate students, students over 65yo and recent residents)
* Maximum time limited to 120 weeks for students over 40 yo. Income thresholds frozen after 2012.

Program generosity e.g.	Direction	Magnitude	Group
2012-2014 ENT: STA rates	+	Small	Medium
2012 ELI2: own and PIL thresholds	+	Small	Medium
2013 ELI 1: access removed from postgraduate students and students in long programmes	-	(Large)	Medium
2013 ELI2: income thresholds frozen	N/A	Small	N/A
2014 ELI1: access removed for students over 65 yo	-	(Large)	Small
2014 ENT: new maximum time for students over 40 yo	-	(Large)	Small
2014 ELI1: residents stand off period	-	(Large)	Small

Financial implications for the government	Direction	Magnitude	
2012 short-term	Expansion	Small	
2013 short-term	Savings	Medium	
2014 short-term	Savings	Small	

2012–2014 Reforms in Student Loans (SR 2012/192; *Student Loan Scheme (Budget Measures) Amendment Act 2012*.)

Multidirectionality (higher rate?) Decreased generosity for most students with significant budgetary savings.
* Student loan repayment bonus discontinued and eligibility to living cost borrowing restricted from over 55 yo

Program generosity e.g.	Direction	Magnitude	Group
2012-2014 Living component rate #	+	Small	Large
2013 ENT/DEF repeal of student loan repayment bonus	-	(Large)	Medium
2013 ELI1: access removed from over 55 yo	-	(Large)	Small
2014 ENT/DEF repayment rate increased	(-)	(Medium)	Large
2014 ELI1: residents stand off-period from 2 to 3 years	-	(Large)	Small

Financial implications for the government	Direction	Magnitude
2013 short-term	Savings	Small
2014 short-term	Savings	Small

Main sources: student financial aid legislation; Vote Education (1988- 2013); Vote Social Development (2000-2013); MoE budget releases and related budget related advice (e.g. Government of New Zealand, 2011, 2012, 2013; MoE, 2009, 2010; Office of the Minister of Tertiary Education, 2010; Treasury, 2012b, 2013b); (ESB, 1989-2009); (SLSAR, 2000-2014)

Table E4 Tuition Fee Policy Trajectory in New Zealand, 1990–2013

1990 **Standard Tuition Fee Policy** (*Education Act 1989*, *The Tertiary Education Fees Exemption Notice 1990*)

Multidirectional, but higher private responsibility for most students and budgetary savings.
* Introduction of a standard tertiary fee (flat fee and ministerial power over fee levels)
* Most students' annual private responsibility grew from $129 to $1250 as a result of an increase in tuition fee levels (from $516 to $1250) and abolishment of government's fee grants (75 % of the fee)
* A new fee abatement scheme introduced. Band 1 (10 % of the fee if a) under 20 yo and PIL less than $26832 pa or b) has dependent children and under the income own/spousal income limits); Band 2 (40 % of the fee if a) under 20 yo and PIL 28832-31199 p or b) postgraduate reserach student); Band 3 (70 % of the fee if a) under 20 yo and PIL 31200-35567pa). $2200 disregarded for parents for every additional dependent child (under age limit) in post-compulsory education.
* Old fee grant eligibility criteria were revoked, e.g. in the old scheme fee grants had been available for a maximum of five years (except in recognised long courses) and study progress (passing more than 50 % of the study load) and income limits ($4000 pa excluding holiday earnings) had applied. This may have resulted in increased generosity for few students.

Financial implications for students:	DIRECTION	MAGNITUDE	GROUP
A) Students that had been eligible for 1989 fee grants			
Fee level for those eligible for 10 % abated fees ($125)	+	Low	Small
Fee levels for those eligible for 40 % abated fees ($500)	-	High	Small
Fee levels for those eligible for 70 ^ abated fees ($875)	-	High	Small
Fee levels for those not eligible for abated fees ($1250)	-	High	M-L
B) Students that had not been eligible for 1989 fee grants			
Fee level for those eligible for 10 % abated fees ($125)	+	High	Small
Fee levels for those eligible for 40 % abated fees ($500)	+	Low	Small
Fee levels for those eligible for 70 ^ abated fees ($875	-	High	Small
Fee levels for those not eligible for abated fees ($1250)	-	High	M-L
Financial implications for the government	Savings	High 75 mil (˜ ˜8 % of EFTS)	

The number of students in the A and B category and group of students affected are estimations exact data were not available

1991 **Standard Tuition Fee** (*The Tertiary Education Fees (Exemptions) Notice 1990, Amendment No. 3*)

Financial implication for students	DIRECTION	MAGNITUDE	GROUP
Fee levels (inflation adjustment)	(-)	Low	Large
Inflation adjustment in abatement income thresholds	(+)	Low	Large
Financial implications for the government	Savings*	Low*	

1992 - 1999 **De-Regulation and New Funding Scheme** (*Education Amendment Act (No. 4) 1991*; MoE, 2014b; TEAC, 2001)

Multidirectional, but higher private responsibility for most students.
* 1992: abolishment of the standard tertiary fee, the fee abatement scheme and authority over fee levels de-regulated to tertiary institutions. Introduction of a new 'Study Right' - subsidy scheme
* 1992: minor average changes for most students, but more significant changes for a particular group of students, e.g. significant increase in fee levels for students loosing eligibility to abatements and lower privat responsibility for some young students not previously eligible for abatements
* 1992–1999 tuition fee level charged at different rates depending on the tertiary institution, study program and the 'study right' status of the students.
* 1992–1999 changes in the annual average fee levels indicated increased private responsibility for most students and annual changes varied from small to large

Financial implication for students, 1992–1999	DIRECTION	MAGNITUDE	GROUP
Annual changes in average tuition fees	-	S-M	Large
Change in average fees between 1992–1999 in			
--Public Tertiary Education (from $1300 to $3507)	-	Large	Large
--Universities (from $1300 to $3661)	-	Large	Large
--ITPs (from $1300 to $3179)	-	Large	Large
--Wananga (from $1300 to $2724)	-	Large	Small
Study program examples (University of Otago):			
--1992-1999 UG dentistry tuition fees (from $1300 to $21590)	-	Large	
--1992-1999 UG arts tuition fees (from $1300 to $2650)	-	Large	

Examples of 1992/1993 fee changes at Otago University		
--Study Right students formerly eligible for the 10 percent fee band		
UG Arts (from $130 to $660)	-	Large
UG Dentistry (from $130 to $3900)	-	Large
--- Study Rigth students not formerly eligible for fee bands		
UG Arts (from $1300 to $660)	+	Medium
UG Dentistry (from $1300 to $3900)	-	Large
--Non-Study Right students formerly eligible for the 10 percent fee band		
UG Arts (from $130 to $1320)	-	Large
UG Dentistry (from $130 to $7800)	-	Large
--- Non-Study Right students not formerly eligible for fee bands		
UG Arts (from $1300 to $1320)	+	Small
UG Dentistry (from $1300 to $7800)	-	Large

Financial implications for the government — See subsidy policies in Table E5

1999-2001 **Abolishment of the Study Right Subsidy Scheme** (MoE, 1998)

Lower fees for non-study right students but higher fees for study right students in tertiary institutions where differentiated study right fees had been charged

Financial implication for students — DIRECTION — MAGNITUDE

Compared to fee levels at Waikato university*

Fee Category A (inc. Arts, Social Sciences)

	Fees in $		Change in %		DIRECTION	MAGNITUDE
	SR	NSR	SR	NSR		
1999	2900	3510				
2000	3389	3694	17	5	-	S-M
2001	3590	3590	6	- 3	+/-	Small

* the only university applying diversified fees between Study Right and Non-Study Right students

Financial implications for the government — See subsidy policies in Table E5

2001-2003 **Fee Freeze Policy**

Decreased tuition fee levels as a result of an agreement between the government and tertiary institutions providing additional government funding for institutions freezing or decreasing their fee levels

Financial implications for students	DIRECTION	MAGNITUDE	GROUP
Change in the average annual tuition fee			
--2000–2001	+	Small	Large
--2001–2002	+	Medium	Large
--2002–2003	+	Medium	Large
Change in average fees in 2000–2003			
--Public tertiary education (from $3562 to $2664)	+	Medium	Large
--Universities (from $3622 to $3618)	+	Small	Large
--ITPs (from $3497to $2446)	+	Medium	Large
--Wananga (from $2514 to $347)	+	Large	Small

Financial implications for the government:

2001: $32 million	-	Medium 2.3 percent increase
2002: $37 million	-	Medium 2.6 percent increase
2003 $65 million	-	Medium 4.5 % percent increase
Change between 2000–2003 ($134 million)	-	High (10 % change)

2002: tgovernment also established a $35 million Strategic Change Fund following universities criticism that the suggested funding increase was not adequate. This is not included in the financial implications www.beehive.govt.nz/node/12076

2004 - 2013 **Fee Stabilisation Policies** (*The Education (Tertiary Tuition Fee Maxima) Notice 2003*, *The Education (2008 Fee and Course Costs Maxima) Notice 2007*, *The Education (2009 Fee and Course Costs Maxima) Notice 2008*., *The Education (2010 Fee and Course Costs Maxima) Notice 2009*, *The Education (2011 Annual Maximum Fee Movement)Notice 2010*., *The Education (2012 Annual Maximum Fee Movement) Notice 2011*, *The Education (2013 Annual Maximum Fee Movement) Notice 2012*, *The Education (2014 Annual Maximum Fee Movement) Notice 2013*)

:
2004: Government's new fee and course cost maxima policy regulating fee maxima levels and annual movements limits in different cost-categories.Fee maxima for undergraduate courses. Five percent annual increase limit for fees below maxima. Annual postgraduate fee increase limit (PFIL) of $500/EFTS
2005 Programs above maxima obliged to reduce fees by 5 percent annually
2008 Five percent reductions for courses exceeding maxima discontinued
2011 Removal of the Fee Maxima and introduction of a new Annula Maximum Fee Movement Policy

Implications of fee stablisation policy changes

2004 Students enrolled at courses with fees at/above maxima	Stable fees
2004 Students enrolled at courses with fee below maxima	No or small annual fee increases
2005 Students enrolled at courses with fees at/above maxima	Small fee reductions
2008 Students enrolled at courses with fees at/above maxima	Stable fees
2011 Students enrolled at courses with fees at/above maxima	Small fee increases allowed
2011 Students in programs increasing fees with the annual maximum	Increases reduced by one percent

Financial implications for students	DIRECTION	MAGNITUDE	GROUP
Annual changes in average tuition fees in 2004-2013	-	Small-Medium	Large
Changes in average tuition fees in 2004-2013			
--Public tertiary education (from 2759 to 4737)	-	Large	Large
--Universities	-	Large	Large
--ITPs	+	Large	Large
--Wananga	+	Medium	Small

Financial implications for the government: No direct costs

Main sources: New Zealand legislation;: New Zealand Statistical Yearbook (OYB, 1985–2014); New Zealand Education Statistics 1989–2013 (ESB, 2009); NZVCC (2014), Goverment (1989), TEAC (2001), Parliamentary Recordings (e.g. Parliament of New Zealand, 1989d, 1990d, 1991a, 1991g)

Table E5 EFTS Funding and Cost-Category Rates in New Zealand, 1992–2013

1992	**EFTS Funding and Cost-Category Subsidies**	**Direction**	**Magnitude**	**Group**
	Average government funding per EFTS	-	Small	Large
	Study Right rate	-	Small	Large
	Non Study Right rate	-	Medium	Medium
1993	**EFTS Funding and Cost-Category Subsidies**	**Direction**	**Magnitude**	**Group**
	Average government funding per EFTS	-	Small	Large
	All rates (exc. Study Right rate X)	-	Small	Large
	Study Right Rate X	+	Small	Small
1994	**EFTS Funding and Cost-Category Subsidies**	**Direction**	**Magnitude**	**Group**
	New category I for Teaching			
	Average government funding per EFTS	-	Small	Large
	All rates (exc. rate I)	-	Small	Large
	Rate I for students transferring from CAT C	-	Medium	Small
1995 -1997	**EFTS Funding and Cost-Category Subsidies**	**Direction**	**Magnitude**	**Group**
	Merging of Categories F and G			
	Average government funding per EFTS	-	Small	Large
	All rates (exc. rate F) (pa)	-	Small	Large
	Rate F (pa)	-	Medium	Small
1998 -1999	**EFTS Funding and Cost-Category Subsidies**	**Direction**	**Magnitude**	**Group**
	Average government funding per EFTS	-	Small	Large
	All rates (pa)	-	S-M	Large

1991-1999	**EFTS Funding and Cost-Category Subsidies**	**Direction**	**Magnitude**	**Group**
	Average government funding per EFTS 1991–1999 (current value)			
	-Tertiary Education Sector (inc. PTEs)	-	Medium	Large
	- Universities	-	Medium	Large
	- ITPs	-	Medium	Large
	- Wananga (since 1993)	-	Small	Small
	-Colleges of Education	-	Medium	Small
	Cost-Category rates 1991–1999			
	Study Right rates (exc. rate F and I)	-	Medium	Large
	Non Study Right rates and Rates F and I	-	M-L	Medium

2000	**EFTS Funding and Cost-Category Subsidies**	**Direction**	**Magnitude**	**Group**
	Phasing out Study Right scheme and introduction of new research top-ups			
	Average government funding per EFTS*	+	Small	Large
	Study Right rates in subcat 1 and 2	-	Small	Large
	Non Study Right rates in subcat 1 and 2			
	Study Right rates in CAT A, B, C subcat 4	+	Medium	Small
	Non Study Right rates in CAT A, B, C subcat 4	+	Medium	Small
2001	**EFTS Funding and Cost-Category Subsidies**	**Direction**	**Magnitude**	**Group**
	Average government funding per EFTS*	+	Small	Large
	Study Right rates	-	Small	Large
	Non Study Right rates	+	S-M	Large

* Excluding additional fee stabilisation funding

2002-2006	**EFTS Funding and Cost-Category Subsidies**	**Direction**	**Magnitude**	**Group**
	I*n 2006: new rates L, M and P (also a new non-degree T1 rate in 2006 for private providers)*			
	Average government funding per EFTS (PTE) (pa)	+	S-M	Large
	Most rates (pa)	+	Small	Large
	Rates L and P (in 2006)	-	Small	Small
	Postgraduate rates in 2004-2006 (pa)*	-	S-M	Medium
`	** Research top-ups were transferred to a separate Performance-Based Research Fund between 2004 and 2007*			
2007-2008	**EFTS Funding and Cost-Category Subsidies**	**Direction**	**Magnitude**	**Group**
	New rates O, P, Q, R, S, T, U. Higher postgraduate subsidies for universities in 2007			
	Average government funding per EFTS (pa)	+	Small	Large
	Most rates annual change (exc. pg degrees)	+	Small	Large
	Postgraduate rates universities 2007	-	S-M	Small
	Postgraduate rates universities 2008	+	Medium	Small
2009	**EFTS Funding and Cost-Category Subsidies**	**Direction**	**Magnitude**	**Group**
	Average government funding per EFTS (PTE)	+	Small	Large
	All rates	+	Small	Large
2010-2011	**EFTS Funding and Cost Category Subsidies**			
	Average government funding per EFTS (PTE) annual	+	Small	Large
	All rates (annual)	+	Small	Large
2012	**EFTS Funding and Cost-Category Subsidies**	**Direction**	**Magnitude**	**Group**
	Postgraduate rate in ITPs and Wananga lifted to the same level with universities			
	Average government funding per EFTS (pa)	No change	No change	Large
	All degree rates	+	Small	Large
2013	**EFTS Funding and Cost-Category Subsidies**	**Direction**	**Magnitude**	**Group**
	New rate V			
	Average government funding per EFTS (pa)	+	Small	Large
	Most rates (exc. Rate V)	No change	No change	Large
	Rate V	+	Small	Small

2000-2013	**EFTS Funding and Cost Category Subsidies**	**Direction**	**Magnitude**	**Group**
	Average Government funding per EFTS 2000–2013		current value	
	-Tertiary Education Sector (inc. PTEs)	+	Large	Large
	- Universities	+	Medium	Large
	- ITPs	+	Medium	Large
	- Wananga	+	Large	Small
	Cost-Category rates 2002–2013 (exc. research degrees)**			
	--Rates A, B and C, H, I and J	+	Medium	Large
	Examples of cost-category funding in study areas:			
	--Science (until 2013 under rate B, then rate V)	+	Medium	Small
	--Agriculture (until 2006 under rates B/C, then rate M/N	+	M-L	Small
	--Dentistry undergraduate (1999 G rate, from 2007 rate R)	+	Large	Small
	**Research degrees were excluded because of the PBRF reform which was phased in between 2004-2007. Even though the PBRF reform also affected some of the other cost-categories, their impact was relatively minor			

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