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Tuition Fees in Sweden in Relation to Political Aims

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International Students in Swedish Higher Education

- Tradition of free education.
- Universal meritocratic admission.
- Reasons have shifted in emphasis over time:
 - 1970s – Foreign aid, cultural understanding and global challenges.
 - 1990s – Quality through diversity of backgrounds/perspectives.
 - 2000s – Demand for skilled migration.
- Overall aim has remained: Increase number of incoming students.

The Swedish Tuition Fee Reform

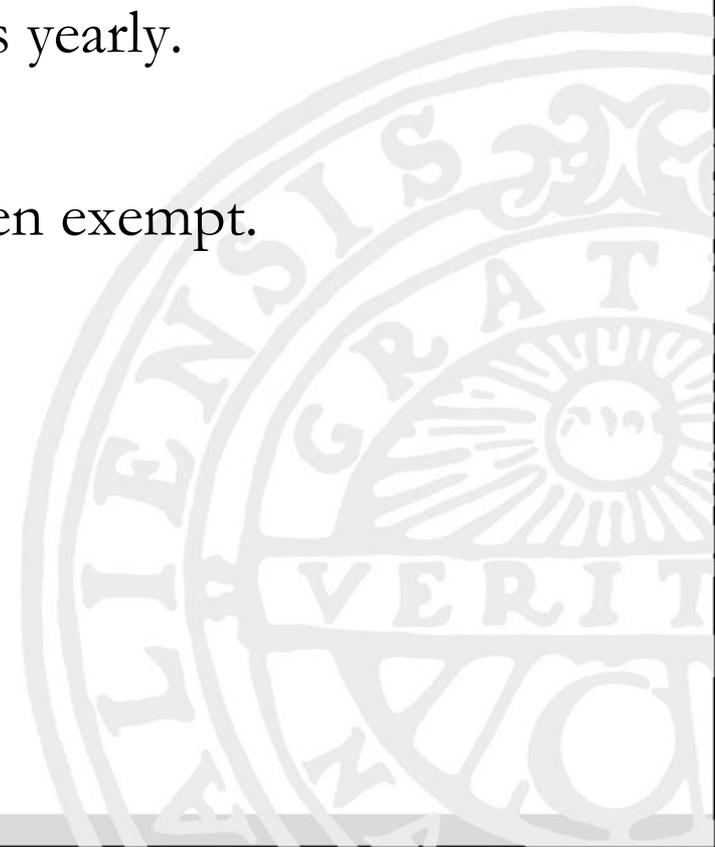
- Dramatic increase of Asian freemover students from 2000.
- Increased share of public HE expenditure for third country students seen as problematic for tax payers.
- Tuition Fee Bill:

Full cost fees to enable growth in numbers without burdening Swedish tax payers (Bill 2009/10:65, p. 7).

Also thought to improve quality through tougher international competition.

Current Regulation

- Fees apply to freemover students from non-EU/EEA countries.
€90 application fee.
€5 000 - €25 000 cost-based tuition fees yearly.
- Exchange students and EU/EEA-citizen exempt.



Part I: Flows of International Students

- Part I excluded since it is not yet published.





Part II: Critical Economic Discussion of Swedish Tuition Fees





Three Arguments

- Mainly an argumentation on a theoretical level. There is a lack of empirical data and economic analyses available in Sweden.
- Starting point: Aim was to maintain high level of incoming students, but neutralise costs for Swedish tax payers of providing education.
- My three arguments or points of critique:
Costs could be calculated based on other principles.
Short-term tax revenue could be taken into account.
Long-term tax revenue could be taken into account.
- Conclusion: Discrepancy between means and end. Fees may in fact reduce revenue for Swedish tax payers.

Argument 1: The Cost Calculus

- Cost calculations today include fixed costs (buildings, equipment, basic administration).
- What if we instead calculated the additional cost of receiving international students?
- The *average cost* (yearly) is today between €5.000 and 10.000 per student.
- In Finland, CIMO (2015) estimated the *marginal cost* for the country's international students at about €2.800.

Argument 2: Short-Term Revenue

- Fees are today based on the universities' costs.
- However, international students also generate tax revenue for Swedish tax payers through accommodation and subsistence.
- Estimates (Voltaire, 2016) indicate that this revenue is around €2.400/student and year (cf. Finnish marginal cost of €2.800)
- The short-term net effect for Swedish tax payers may thus potentially only be marginally negative.



Argument 3: Long-Term Revenue

- Recent numbers indicate that 20 % of the international students remain in Sweden, both when measure 2 and 5 years after graduation (Wadell, 2018). Same before/after fees.
- Little doubt that tax revenue from those who stay to work far exceeds costs associated with the provision of free education for the group as a whole (c.f. Voltaire, 2016).

Summary of Arguments

- Overestimations of cost.
- No consideration of tax revenue, short- nor long-term.
- Little doubt that incoming students have a positive net economic effect for Swedish tax payers in the long-term, even if they do not pay for tuition.
- The fee system thus fails in its aim to neutralise HE-costs for Swedish tax payers.
- Could in worst case be counterproductive by reducing number of revenue-generating incoming students.
- **Most efficient way to increase positive net economic effect seems to be to increase the retention rate rather than to charge fees.**

Retention of Students

- Retention contrary to Swedish foreign aid tradition.
- Stance has softened but debate/division remains.
- Until 2014, only possible to stay for 10 days.
- Currently 6 months (EU directive yet to be implemented).
- Even students from wealthier backgrounds often transfer funds temporarily from family members to display required €800/month. Filters out less privileged.
- Allowed to work unlimited during studies.
- Need for Swedish language often not obvious until after studies.
- Around 75 % of students would like to stay (Voltaire, 2016).
- Likely possible to increase retention rate well above current 20 %.



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Conclusions I

- Fees initially resulted in an 80 % drop in number of students in the targeted group, and a less diverse student body.
- Reduced diversity problematic from the perspective that views diversity as a way to improve quality in education and research.
- Reduced number of students positive from competition perspective, puts pressure on HEIs to improve quality and attractiveness.



Conclusions II

- Current fee system too inflexible to allow quality centred competition. Fees are tied to costs rather than determined by market mechanisms.
- Uneven playing field for HEIs. A few would attract more and better students with higher fees, many would from lower.
- Fees that reduce inflow of students significantly seem to be economically counterproductive for Swedish tax payers. Also lost many STEM-students.
- Increased retention of students seems more economically beneficial. Tuition fee market is uneven playing field for countries.

Selection of References

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The Economic Logic of the Swedish Tuition Fee System

To obtain English translation of report,
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