

STUDENTS DROPPING OUT:

How to design student financing to support school attendance

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Executive Summary

The rates of student dropout are a significant concern throughout Europe. Most often students abandon their studies due to impediments encountered during their schooling and intensity of holding a paid job while also studying. Public financial support, such as need-based or universal subsidies for students, is a policy measure that reduces dropout rates as it decreases the intensity of working and studying at the same time, and thereby lowers the probability of work becoming a barrier for continuing education.

Key Messages and Recommendations

Challenge: High involuntary student dropout rates in Europe deteriorate levels of skills and harm labour market outlooks for young adults.

Key Messages: Public financial student support plays a significant role in lowering students' intentions to abandon their studies. The effect of this support works mainly via its diminishing effect on the intensity of paid work. The degree to which public financial student support buffers social disadvantages in mitigating student dropout varies across countries' higher education and tuition-subsidy systems, as illustrated in research, coined as 'the four worlds of student finance'.

Recommendation 1: Governments must provide students with financial support, regardless of wider context of their tuition-subsidy system of higher education.

Recommendation 2: Public financial student support has to be in accordance with countries' living costs to diminish students' paid work intensity and related dropout.

Recommendation 3: The design of the student support system has to be well-aligned with the wider context of the higher education tuition-subsidy system to be able to help the most vulnerable students in diminishing their dropout.



Student dropout varies in 'the four worlds of student finance'

OECD estimates have shown that more than a third of students do not complete their studies in Europe.

Figure 1 illustrates that in surveys students largely underestimate their probability of dropping out of higher education. Approximately 4% of students in the Netherlands, 6% in Estonia and Finland and 10% in Lithuania agree or totally agree with the statement, *"I am seriously thinking of completely abandoning my higher education studies"*.

Given the importance of high-level skills in a successful transition to a knowledge economy, it is important to understand what policy interventions mitigate students' tendency to abandon their studies. Literature has revealed that in addition to study-motivation related dropouts, financial hardship and paid work related obligations play a crucial role in students' decision to abandon their studies. Therefore, it is important to understand how countries' policies on student finance, for example policies on tuition fees and public support, can buffer various barriers students encounter during studies.

Figure 1: Intention to abandon studies.

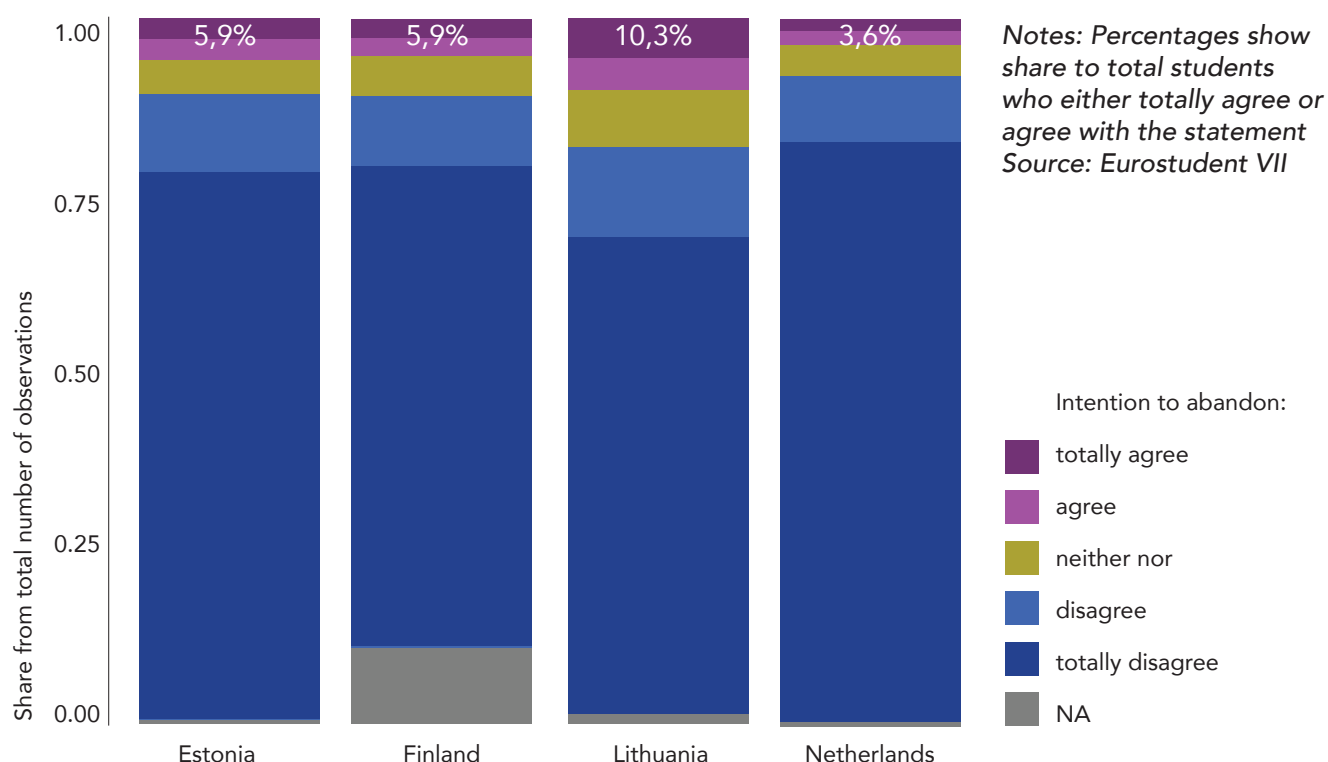


Figure 2: Cases on two-dimensional space of student finance: x-axis - study costs, y-axis – public support

Source: (a) OECD 2021 registry data; (b) Eurostudent VII survey data

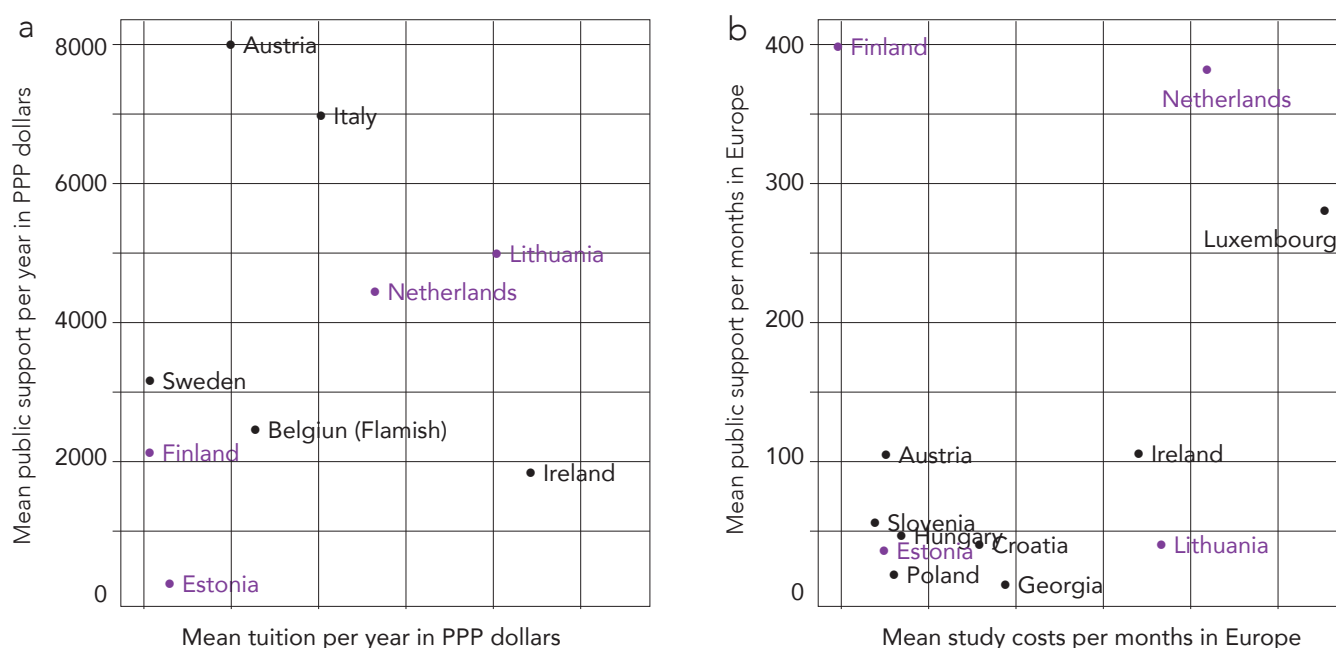


Figure 2 visualises ‘the four worlds of student finance’, based on mean tuition fees and public support. The case selection (countries in red) enables this research to compare countries with (Lithuania, the Netherlands) and without (Estonia, Finland) tuition fees. Furthermore, it captures the variety of public support systems in terms of their level and design of public student support. Figures 1 and 2 reveal that both the lowest and highest dropout rates are in countries where there are tuition fees, but with varying levels of student support.

“Student dropout is a big waste in more ways than one, especially when it is caused by students’ financial difficulties. With regard to the further exploration of the problem, the EUROSTUDENT data set allows a comprehensive analysis in an international comparison for a large number of countries in the European Higher Education Area.”

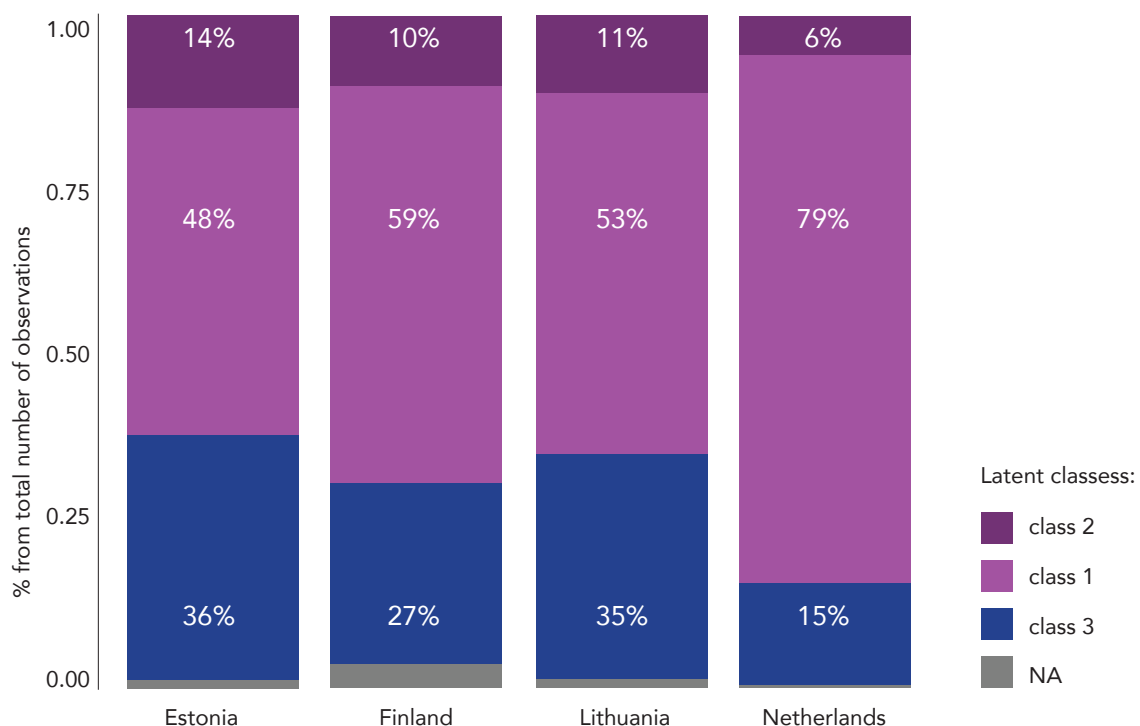
[Christoph Gwosc, German Centre for Higher Education Research and Science Studies (DZHW)]

New study “The student support system in mediating work-related dropout: a comparative analysis of four worlds of student finance”

This research aims at investigating the role of countries’ student finance policies such as the form of tuition fees and public support, in mitigating students’ intentions to abandon their studies. The literature distinguishes economic and sociological determinants to explain student dropout rates. This research utilizes the Eurostudent data to investigate economic determinants behind decisions to abandon studies, and concentrates on four cases – Estonia, Finland, Lithuania and the Netherlands, countries representing each of ‘the four worlds of student finance’ (Figure 2).

Figure 3: Country differences by latent classes and their relative proportions as % of observations

Source: Eurostudent VII



To investigate how student funding affects intentions to abandon studies, the research distinguishes four groups of variables: 1) study conditions related impediments (difficulties encountered during studies and intensity of work); 2) financial independence; 3) family background characteristics; and 4) policy measures (tuition and support).

Based on different types of difficulties students have encountered during their studies, analysis revealed three distinguishable classes

of impediments:

First, Class 1, ‘No problems’ (57% of students with minor or no difficulties);

Class 2, ‘Rather work is the impediment’ (13%); and

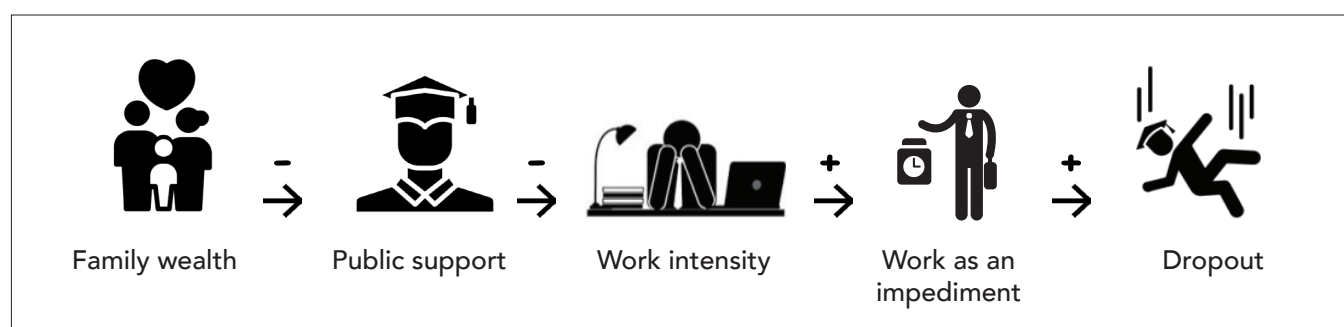
Class 3 ‘Rather study itself is the impediment’ (33%).

Country differences are revealed in Figure 3. We see that work-related impediments (Class 2), a class most relevant to our study, are most prevalent in Estonia and Lithuania.

The analysis reveals that public financial student support, for example the need-based grants, is a solution to decrease student dropout rates (Figure 4). Even though countries have slightly different effect sizes related to the main mechanism on how public support diminishes student dropouts, the signs of the effect are the same: public need-based grants decrease work intensity and thereby reduce the work related impediments encountered during studies. The lower the work related impediments, the lower the dropout rates.

Figure 4: Path analysis: The path of public support in diminishing intention to abandon studies

Source: Kalalahti et al. 2023



While some country specificities exist, Figure 4 visualises the most prevalent path on how public support diminishes dropouts (present in Estonia, Finland and the Netherlands). In addition to revealed public-support-work intensity link, targeted public financial support can diminish dropout rates also via mitigating financial hardship: need-based student support diminishes intention to abandon studies for students with disadvantaged family backgrounds.

Recommendations

Recommendation 1:

Public financial student support is critical in the policy solution to diminish student dropout rates.

Governments must provide students with public financial support, regardless of wider context of their tuition-subsidy system of higher education.

Recommendation 2:

Public financial student support has to be in accordance with countries' living costs to diminish students' paid work intensity and related dropout.

Public financial student support can trigger positive effects inversely, such that the higher the support the lower the paid work intensity for students. As the work intensity decreases, it is more likely that it would cease to be an impediment against continuing education and diminish intentions to abandon studies. Scarce subsidies or subsidies with low coverage are not proven to have any effects on student dropout rates.

Recommendation 3:

The public financial student support has to be need based to help the most vulnerable students in diminishing their dropout rates.

Public support systems should target students with no family support or from disadvantaged backgrounds to lower their dropout rates. In other words, if the size of public support depends on families' financial situation, it reduces work intensity and thereby diminishes intentions to abandon studies.

More information

This policy brief is based on the research article Kalalahti et al. (forthcoming) to be published here: https://www.mdpi.com/journal/higheredu/special_issues/5H3BCVVKP6

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