

借貸渡學 ——
青年的生活需要與財政壓力研究
The Daily Needs and Financial Pressures of
Young People with Government Loans

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The Daily Needs and Financial Pressures of Young People with Government Loans

Summary Report

In the 2012/13 academic year, Hong Kong had over 164,000 tertiary students studying in full-time degree or sub-degree programmes, including both publicly funded and self-financing programmes. More than half of these students were studying in self-financing programmes.

Whether they are in publicly funded programmes or locally accredited self-financing programmes, tertiary students who are in financial need can apply for government grants and loans in order to pay tuition, academic expenses, and living expenses. In the 2012/13 academic year, a total of 46,099 loans were given to students.¹ Adding on the number of graduates who are repaying loans after completing their programmes, the number of accounts with student loan debt amounted to over 204,493.

Full-time tertiary students may apply for grants and loans from the HKSAR government's five current financial assistance schemes or non-means-tested loan schemes of the according to their type of study programme and family background. There are two categories of loans: "means tested" and "non-means tested". Though the repayment terms of non-means-tested loans are more stringent, the number of cases of such loans was higher than means-tested loans, and the average amount of non-means-tested loans was higher than means-tested loans. This reflects the great demand for loans from tertiary students.

However, student loans put financial pressure on students and graduates. It is worth considering whether long-term debt and financial pressures will affect young people's development.

Why do tertiary students actually need loans? Can the existing student financial assistance and loan schemes help people who are genuinely in need? What are the daily needs and financial pressures of tertiary students who get through their college lives with loans? What impacts do loans have on their career and life

¹ If a student received both a means-tested loan and a non-means-tested loan, this would count as two loans.

developments after graduation? This study focuses on people under age 30 who have taken student loans from the government. It explores their daily needs and financial pressures, and it makes recommendations on financial assistance policies for tertiary students.

To further explore these concerns, this study uses an online survey to investigate the daily needs and financial pressures of tertiary students who have taken government student loans. Data were also gathered through case interviews with tertiary students and graduates in order to understand the considerations they make when taking loans, their financial pressures, and how having debt impacts their development. In addition, experts and scholars were interviewed in order to understand stakeholders' views on how public money should be spent on tertiary education, as well as the advantages and disadvantages of current tertiary student financial assistance policies.

The online survey was conducted between August 27th and September 15th 2013 among tertiary students studying full time in different tertiary institutions in Hong Kong in the 2012/13 academic year. Respondents had taken loans from at least one type of tertiary student loan scheme provided by the Student Financial Assistance Agency (SFAA) in that year or before. The student affairs offices of different tertiary institutions were invited to help by sending emails or posting notices inviting students to complete the questionnaire online. A total of 727 eligible students were successfully polled with a standard error of $\pm 1.9\%$.

The case interviews were conducted between August 27th and September 18th 2013. A total of 20 tertiary students and graduates below age 30 who have taken government student loans were interviewed individually through arrangements with the service units of The Hong Kong Federation of Youth Groups and snowball sampling. The case interviewees ranged from 20 to 29 years old, with 11 males and nine females. Five were full-time tertiary students, and 15 were graduates. Eighteen were studying or had completed degree programmes, while two had completed sub-degree programmes. Half studied in self-financing programmes, and half studied in publicly funded programmes.

The interviews with experts and scholars were conducted between September 11th and 19th 2013. A total of five experts and scholars were successfully interviewed. They came from a tertiary student organization, a professional teacher organization, the office of admissions and financial aid of a University Grants

Committee-funded institution, the management team of a self-financing tertiary institution, and the Community Care Fund Task Force of the Commission on Poverty of HKSAR Government.

The following section summarizes the major findings and the analysis of the online survey and interviews. The findings are followed by a discussion and recommendations.

Discussion

1. Tertiary students take student loans because of real daily needs. Though many tertiary students benefit from grants and means-tested loans, many needy cases failed to obtain this kind of assistance from the student financial assistance schemes, meaning they can only take loans of Non-means-tested Loan Scheme (NLS loans). They face more stringent repayment terms and usually accumulate higher debt.

Tertiary students take student loans because of real daily needs. The survey revealed that respondents spent a lot of their money on daily needs. Expenses for studies (including tuition and academic expenses) were around \$45,000-\$60,000. Expenses for basic necessities (including clothing, food, and transportation) were around \$11,000-\$43,000 per year excluding accommodation or \$23,000-\$67,000 including accommodation. Expenses for social activities and communication were around \$3,600-\$19,000 per year. Total expenditure on daily needs ranged from \$60,000 to \$146,000 per year, depending mainly on the tuition of the programme and whether extra accommodation was needed. Interviews also showed that money from student loans—regardless of whether they were means-tested loans or NLS loans—was mainly spent on necessary expenses such as tuition, food, and transportation.

Though many tertiary students benefit from grants and means-tested loans, the survey and the case interviews both reflected the fact that many needy cases failed to obtain enough assistance from these student financial assistance schemes. As a first step, they must take loans to cover the necessary expenses if they are not offered a grant or if they are offered insufficient grants. As a second step, they must

take NLS loans with more stringent repayment terms if the means-tested loans are insufficient. This forces them to pay a higher interest rate once the loan was drawn down. In addition, the loans can accumulate to as much as \$100,000-\$200,000, resulting in financial pressure that is hard to bear.

The situations of needy cases included: insufficient supporting income documents for grant applications from families with unstable income; families unable to pay for necessary expenses of the needy students; the need for students to become independent; and insufficient amount of the means-tested loan offer. Therefore, even if students take NLS loans, it did not mean that the borrowers had no real need, only that their situations could not meet the approval conditions needed to obtain sufficient financial assistance.

2. The application procedures for grants and means-tested loan schemes are too complicated, and the approval conditions are so stringent that they failed to consider some actual situations of the needy families, such as casual work or the fact that certain possessions cannot be sold. This has excluded some students in need from the financial assistance schemes.

If students need to apply for any of the two grant and means-tested loan schemes of the SFAA, they must provide detailed supporting documents of family income and assets so that the SFAA can assess whether they are qualified.

The purpose of the complicated application procedures and detailed documents is to ensure the effective use of public money. However, some interviewees argued that the procedures for government grants and means-tested loans were too complicated, especially for families whose members had casual employment. The reason for their limited economic ability was unstable income, such as doing casual work, doing construction work, and undertaking minor renovation projects. Since their jobs differed from day to day, and they worked for different employers, it is rather difficult for them to provide supporting documents for every tiny item of income.

Though applicants may submit a list of their various incomes or a self-prepared profit-and-loss account as proof, one interviewee said that the SFAA did not accept his explanation of the income from renovation projects shown on the bank account, which resulted in failure to obtain any financial assistance. Another interviewee

calculated the expected amount of grant she could receive based on her family members' casual employment income with the SFAA's online calculator. But the offered grant amount turned out to be 40% less than the expected amount, which suddenly ruined her budget. These cases showed that the present application procedures are too complicated and that they fail to consider the actual situations of some families, leaving those in need without help.

In addition, the conditions for obtaining assistance are too stringent. For instance, the method for calculating assets was not designed to take into consideration the fact that some assets are tools that cannot be sold, such as taxi licenses and vans for personal use. The eligibility guidelines also do not cover pre-associate degree students, who have not been able to successfully enrol in associate degree programmes. In addition, the eligibility guidelines do not take into account the actual situation of different family patterns. One interviewee was required to submit information on his father's income even though his parents are separated (though not formally divorced) and his father has not actually contributed any of his income for family expenses. Another case said that, because he was not living with his parents, he was afraid that the application procedures were too complicated, so he decided in the end to take an NLS loan instead of applying for financial assistance. These problems excluded needy students from grants provided through the financial assistance schemes.

3. Students who had taken loans were still facing considerable financial pressure. Many respondents tried to alleviate their financial difficulties through long hours of part-time work, frugal living, and reducing social and other learning activities, which excludes students from normal student life.

Tertiary students do not completely resolve their financial problems by taking student loans. Many borrowers still face considerable financial pressure. The survey results showed that tertiary students with government loans on average rated their financial pressures as 7.3 on a scale of 0 to 10.

To alleviate their financial pressures, many respondents worked long hours in part-time jobs, lived frugally, and reduced social and other learning activities. A total of 65.5% of survey respondents worked part-time during the semester in the past year, for an average of 33.8 hours per month (approximately more than 1 day per

week). Another 56.4% of respondents said they had to do summer jobs, of which 25.9% lasted 3 months or more. To cut costs, the respondents said they had reduced their daily meal expenses (86.0%), other learning activities (75.8%), exchange activities (73.6%), buying books and making photocopies (73.2%), social activities (72.6%), and activities organized by student groups (66.0%).

The case interviews reflected similar problems. One interviewee needed to work as a part-time customer service officer for 20 hours per week and occasionally as a temporary shop assistant to eke out enough money for tuition and living expenses. Another interviewee reported sometimes having one meal less or even just one meal per day in order to save money. Other interviewees avoided organizing activities, enrolling in extra courses, or participating in exchange activities to avoid additional expenses. These situations inevitably interfere with student life. The most obvious impact is that study time decreases, while the opportunities for building up personal networks, broadening horizons, and other learning experiences is reduced.

4. Since students in self-financing programmes face high tuition and grants that have a ceiling, even the students most in need may not be offered grants that are sufficient to pay tuition. They have no choice but to work long hours in part-time jobs or to take NLS loans, so their grievances are particularly strong.

Student loans depend on the type of study programme students are in. Since the self-financing programmes are operated without government subsidies, the tuition is usually 1.5 times that of publicly funded universities or more. Students in these programmes therefore have higher educational expenses. In general, the tuition of self-financing sub-degree programmes is around \$50,000 per year, and that of self-financing degree programmes is above \$60,000 per year, compared to around \$30,000 and \$42,100 per year tuition fees of publicly funded sub-degree and degree programmes respectively.

Students in self-financing programmes who are in need may apply to the Financial Assistance Scheme for Post-secondary Students and obtain grants and loans if they can meet the qualifications of family income and assets. However, there are ceilings on the grants for tuition and academic expenses (2013/14 tuition fee ceiling: \$68,110; academic expenses ceiling: \$4,700). If tuition exceeds the

grant ceiling, even the students most in need can only be offered the ceiling amount.

But even if tuition does not exceed the grant ceiling, the tuition of self-financing programmes is usually 1.5 times the tuition of publicly funded programmes or even more. Under the same economic conditions, a student in a self-financing programme who gets the same percentage of grant as a student in a publicly funded programme will need to pay a greater amount of money in tuition not covered by the grant. Therefore, students in self-financing programmes have a stronger need to take on part-time work or NLS loans.

For instance, in the 2012/13 academic year, the number of persons obtaining loans from the Non-means-tested Loan Scheme for Post-secondary Students (a scheme for students in self-financing programmes) was 11,567.² This number was higher than that of the Non-means-tested Loan Scheme for Full-time Tertiary Students (a scheme for students in publicly funded programmes), which was 8,508. The average amount of loans paid to the former was \$50,996, while that paid to the latter was \$38,099. Though the proportion of students in degree programmes (and top-up degree programmes) was only about 30% in self-financing programmes and about 90% in publicly funded programmes in that year, students in self-financing programmes needed to take larger NLS loans on average in order to pay the high tuition, reflecting the greater financial pressure they must face. With the rising number of spots in self-financing degree and top-up degree programme, it is likely that the financial pressures faced by students in self-financing programmes will be more and more apparent in the future.

The survey found that students in self-financing programmes gave higher overall ratings of financial pressure, reported working a higher number of hours in part-time jobs, and were more likely to report working a summer job than students in publicly funded programmes. The qualitative cases have also showed that students in self-financing programmes face particularly great financial pressures in raising money for tuition and living expenses. Without direct government subsidies to the programme, many students in self-financing programmes pay higher tuition, but they feel they get fewer learning resources, such as scholarships and campus facilities. Thus their grievances are particularly strong, and they feel more pessimistic about the future.

² See Chapter 2 for details.

5. The path for students in self-financing programmes to pursue study is tortuous. Most graduates of associate degree programmes are not able to enrol in publicly funded programmes. They can only continue to enrol in self-financing top-up degree programmes, thus racking up debt.

Since some students in self-financing programmes could not obtain satisfactory scores on public examinations, many of them can only obtain sub-degree or degree qualifications through bridge programmes of different levels. The path for pursuing study is tortuous. Some students even need to bridge three or four programmes before obtaining degree qualifications, thereby accumulating a great amount of debt. This is another reason why students in self-financing programmes usually have greater financial pressure.

One interview case began in a pre-associate degree programme and eventually graduated from a self-financing top-up degree programme. Since he failed to get any grants or means-tested loans, he needed to take NSL loans totalling \$190,000 after financial assistance from his family and relatives. Another case had completed 2 years of a self-financing associate degree programme and 1 year of a self-financing top-up degree programme. By then, a publicly funded programme was willing to admit her as a year-one student. Therefore, she completed another 3 years of a publicly funded degree programme. In total, she took 6 years to obtain a degree. Though she was able to get a grant, she had still taken a total of \$70,000 in means-tested loans. But she did not want to accumulate so much debt, so she still worked long hours part-time jobs in order to earn a living. She was constantly short of money during her studies.

6. Students from non-professional disciplines do not dare to take loans because they are uncertain about their future. This has put much pressure on their lives as students.

The study found that students from different disciplines differ much in their attitudes towards taking loans. Professional discipline interviewees with majors such as accounting, engineering, and social work were more willing to take student loans in order to solve academic and daily needs. Some such interviewees thought that they would be able to repay even \$100,000 in student loans because they could foresee that their future salary is rather secure.

The situation for students in non-professional disciplines is different. Some interviewees who were students in non-professional disciplines felt very worried about the future. They thought that they could only find jobs with ordinary salaries after graduation, and therefore they did not dare to take enough loans to pay for tuition and daily expenses, forcing them to face even greater pressure in their study life. In fact, there were interviewees that were non-professional discipline graduates who felt that their salaries were so low that they were facing a rather great pressure in repayment.

Therefore, after assessing their own future salary and ability to repay, students in professional and non-professional disciplines have different attitudes towards taking student loans. Students in non-professional disciplines were less willing to take student loans, so they face greater pressures in their student life.

7. Due to the insufficient number of places in publicly funded programmes, a substantial number of students need to enrol in self-financing programmes and face high tuition fees and great financial pressure. Discontent then accumulates. The government needs to consider the problem from the viewpoint of young people and increase the number of spots in publicly funded programmes to meet the demand.

The number of spots in publicly funded programmes is around 15,000 per year for degree programmes and around 5,500 for sub-degree programmes. The numbers cannot meet the demand or expectations of young people. Because there is a shortage of spots in publicly funded programmes and a large supply of spots in self-financing programmes, many senior secondary graduates look for alternate paths in the self-financing market. This is the reason why a substantial number of students in self-financing programmes are forced to face high tuition.

Some expert interviewees thought that, since tertiary education policy has been focusing on developing self-financing institutions and self-financing programmes over the past decade, it would be difficult to reverse the policy and substantially increase the number of spots in publicly funded programmes, even though many students still hope to enrol in publicly funded programmes. Rapidly expanding the number of publicly funded spots would cause a surplus of spots in self-financing programmes.

Another expert believed that the government's plan to increase senior-year spots to 4,000 could alleviate part of the demand of young people. The government can further increase these publicly funded senior-year spots as a compromise to meet more young people's expectations.

This study finds that quite a number of students in self-financing programmes face great financial problems in terms of tuition and living expenses. This financial problem has caused negative impacts on their student lives such that they cannot make use of their college life effectively, thereby increasing their discontentment with society.

In fact, in addition to the continuity of policy and the situations of self-financing institutions, it is also necessary to consider matters from the viewpoint and demand of young people when deciding on the number of spots in publicly funded programmes. Young people who can meet the university entry requirements should be able to enrol in publicly funded degree programmes. In 2010 for instance, the degree programme entry rate of young people in OECD countries before age 25 was 49% on average. On average, 68.2% of them were studying at public institutions.³ Roughly speaking, around one-third of young people in OECD countries can study at degree programmes in public institutions. Though Hong Kong is a developed region, less than 20% of young people can study in publicly funded degree programmes. This rate is obviously too low.

Therefore, the government should consider various factors in deciding the number of spots in publicly funded degree programmes. In addition to increasing the number of publicly funded spots in senior year degree programmes for self-financing sub-degree graduates, it should also increase the number of publicly funded first-year degree places. This is a commitment of the whole society for the next generation.

³ Source: OECD. 2012. *Education at a glance 2012: OECD indicators*. OECD Publishing.

Recommendations

Based on the above findings and discussion, we make the following recommendations to alleviate the financial pressures of young people with student loans:

- 1. Simplify the application procedures of financial assistance schemes for tertiary students and relax the approval conditions by discretion.**

The application procedures of the financial assistance schemes for tertiary students (including grants and means-tested loans) need to be simplified. The actual situations of needy families should be considered, especially the problems in submitting documents faced by those who do not have stable income. The barriers caused by the application procedures should be reduced. Through career-counselling teachers, the Student Financial Assistance Agency may also communicate to senior secondary school students that they should prepare income-supporting documents in advance for the application.

In addition, the approval conditions need to be relaxed, including the exemption of assets that cannot be sold in the calculation of assets, such as taxi licenses and vans for personal use. The actual situation of different family patterns should also be taken into account. For example, the income of a separated parent not living with the family should not be included as family income.

- 2. The interest for NLS loans should be waived during the study period, and students should have the option of fixing the interest rate. The overall loan repayment arrangements should be more flexible.**

Many students take NLS loans because they cannot obtain enough money in grants and means-tested loans, which is particularly true for students in self-financing programmes. At present, NLS loans have been capped. Borrowers tend to use

the loan money on necessary items such as academic and living expenses. Therefore, the interest for the NLS loans should be waived during the study period. The interest rate can also be fixed so that those who need the loans may plan their budgets ahead of time.

The overall loan repayment arrangements should also be more flexible. For example, the repayment period and the amount of each instalment can be calculated according to the income level of the borrower after graduation. This arrangement can encourage needy students to make use of the loans to ease their financial pressures during the study period.

3. Incorporate programmes above secondary level and below sub-degree level into the regular financial assistance mechanism.

At present, the tertiary foundation programmes such as pre-associate degree programmes and foundation diploma programmes are not covered by the tertiary student financial assistance schemes that offer grants and means-tested loans. Students who enrol in such programmes can only take NLS loans; they are not able to obtain financial assistance.

The Community Care Fund had announced earlier that it would establish a tuition reimbursement scheme and provide a flat-rate academic expense grant for students from low-income families enrolling in courses below the sub-degree level. The schemes will be implemented for one year. The estimated numbers of beneficiaries will be about 3,600 for the tuition reimbursement scheme and 7,500 for the grants.

Such study programmes fall between secondary and tertiary levels and therefore have been a missing part in the student financial assistance mechanism. We recommend incorporating the programmes above secondary level and below sub-degree level into the regular financial assistance mechanisms so that

needy students may obtain assistance in the form of grants and means-tested loans.

- 4. The number of spots in publicly funded first-year degree programmes should be increased to 25% of each age cohort. The number of spots in publicly funded senior-year degree programmes should also be increased further.**

The number of spots in publicly funded tertiary programmes cannot meet the demand of young people. A substantial number of students need to enrol in self-financing programmes. On the one hand, they need to pay high tuition, but they enjoy far fewer resources than students in publicly funded programmes. On the other hand, they feel that they do not have good future prospects. Thus they feel discontented toward society.

People often complain about the number of spots in publicly funded degree programmes. The government should gradually increase the number of publicly funded sports in order to increase young people's opportunity to enrol in these programmes. First, the number of spots in publicly funded first-year degree programmes should be increased to 25% of the age cohort. Second, the number of spots in publicly funded senior year degree programmes should be further increased so that students who have enhanced their education level through self-financing sub-degree programmes will have a greater opportunity to get government subsidies.

- 5. Increase the number of beneficiaries of "The Self-financing Post-secondary Scholarship Scheme" and extend the scheme to all self-financing students in full-time tertiary programmes.**

The number of scholarships that self-financing institutions can offer is generally less than publicly funded institutions with a long history. The government is currently offering four types of

scholarships to outstanding local and non-local students pursuing full-time locally accredited self-financing sub-degree or degree programmes at non-profit education institutions. In 2012, a total of 1,290 students in self-financing programmes were awarded scholarships.⁴

We recommend that the government increase the number of beneficiaries of “The Self-financing Post-secondary Scholarship Scheme” and extend the scheme to all self-financing students in full-time tertiary programmes. In addition, the government may provide incentives to encourage the community and enterprises to donate scholarships to students in self-financing programmes.

6. Provide one-time exchange and experience allowances to go abroad for students who pass means tests of family income.

Exchange activities in other places can widen students’ horizons and enrich their learning experience. But for needy students, it is already difficult to pay for tuition and living expenses. They simply cannot afford the cost of exchange activities.

We recommend that the government provide one-time exchange and experience allowances for students to go abroad during their tertiary study period. This should be for students who can pass means tests of family income. This can help students with limited financial resources gain an exchange or experience opportunity in other places.

⁴ Source: Education Bureau. 2013. “Information portal for accredited post-secondary programmes.” Retrieved October 20th, 2013, from <http://www.ipass.gov.hk/>