

Building Caribbean Human Capital Through Cost Sharing in Higher Education

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Education and Economic Growth in Developing Countries

- ▶ TLE stimulates the stock of knowledge an economy has at its disposal and this in turn can favourably influence the economy's trade and level of competitiveness (Ozturk, 2001).
- ▶ Human capital accumulation is the engine of growth as it facilitates the creation of new ideas and technological advances.
- ▶ TLE and innovation, as facilitated by the correct mix of government policies, are inextricably linked.

Funding TLE In Trinidad & Tobago: An Overview

3

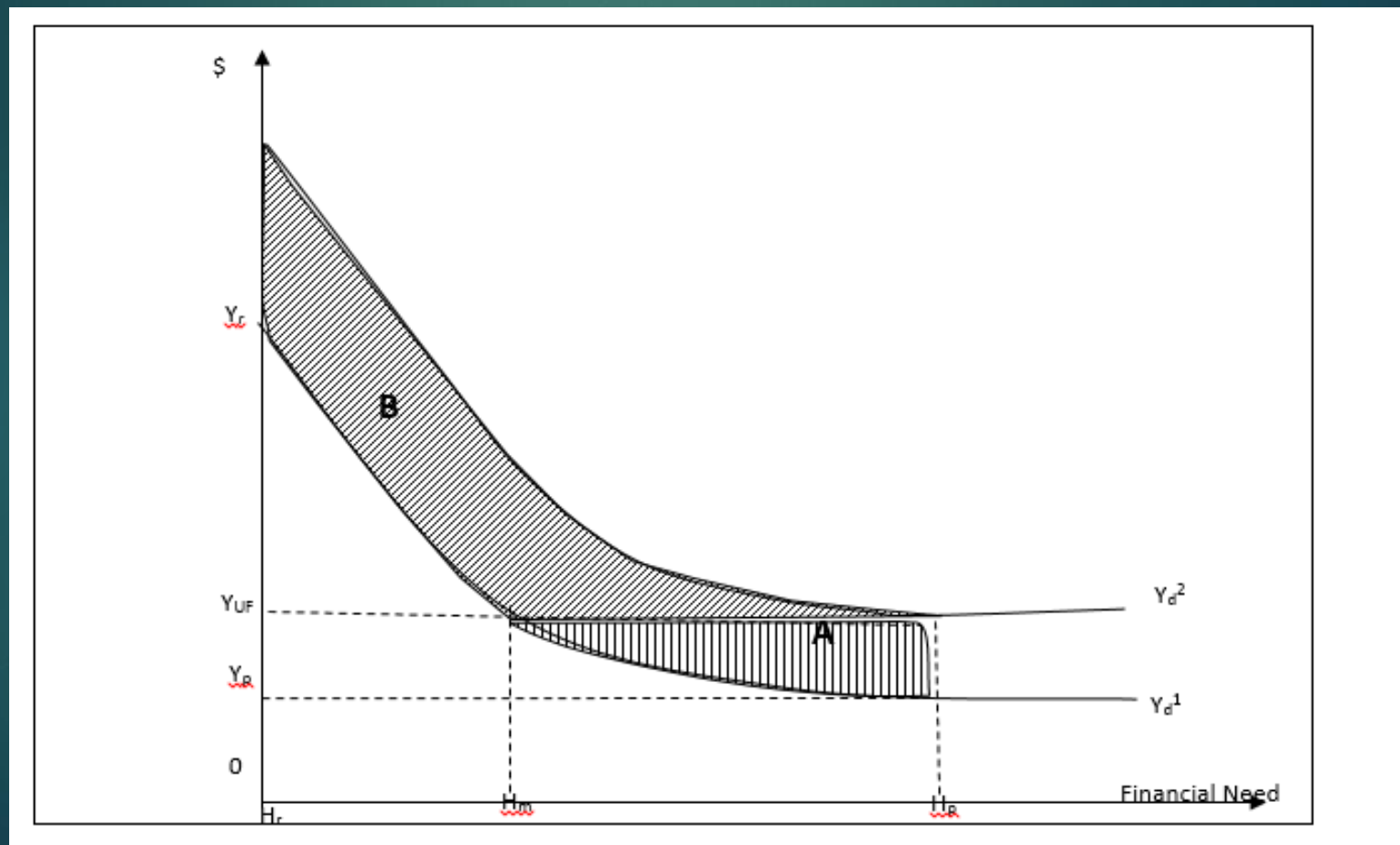
TLE Funding Strategies in Trinidad and Tobago

1973	Student Revolving Loan Fund (SRLF)
1989	CESS
1994	University Student Guarantee Loan Fund (USGLF)
2001	Dollar for Dollar (DfD)
2004	Government Assistance for Tuition Expenses (GATE)
2006	Higher Education Loan Programme (HELP)

NOTE: This study focuses on one of the most recent strategies: GATE

Effect of “Oil Windfall” GATE on Income of Households Pursuing TLE

4



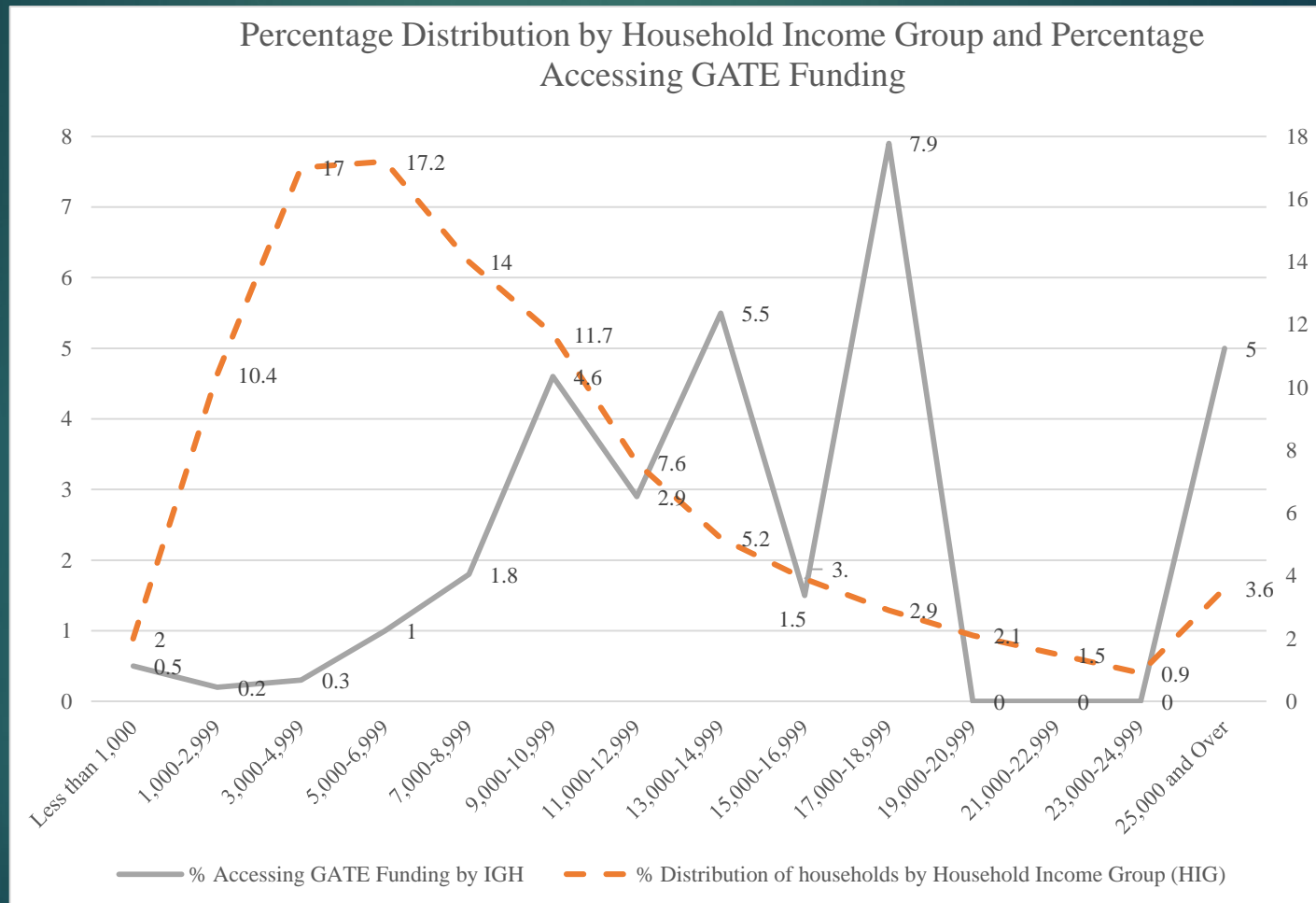
Is GATE Sustainable?

5

FY	GATE expenses (TT\$mn)	Government energy revenues (TT\$mn)
2000/01	-	4,583.80
2001/02	-	3,249.40
2002/03	-	6,182.50
2003/04	-	7,641.70
2004/05	102.2	13,961.30
2005/06	250	21,416.00
2006/07	458	20,025.90
2007/08	450	32,463.20
2008/09	633.5	18,219.00
2009/10	625	22,700.60
2010/11	624.9	20,795.00
2011/12	750.3	26,626.00
2012/13	726.1	26,603.00
2013/14	650.3	28,111.00
2014/15	712	18,336.30
2015/16		

Source: ROTE various years, CBTT Data Centre

Who accesses GATE funding?



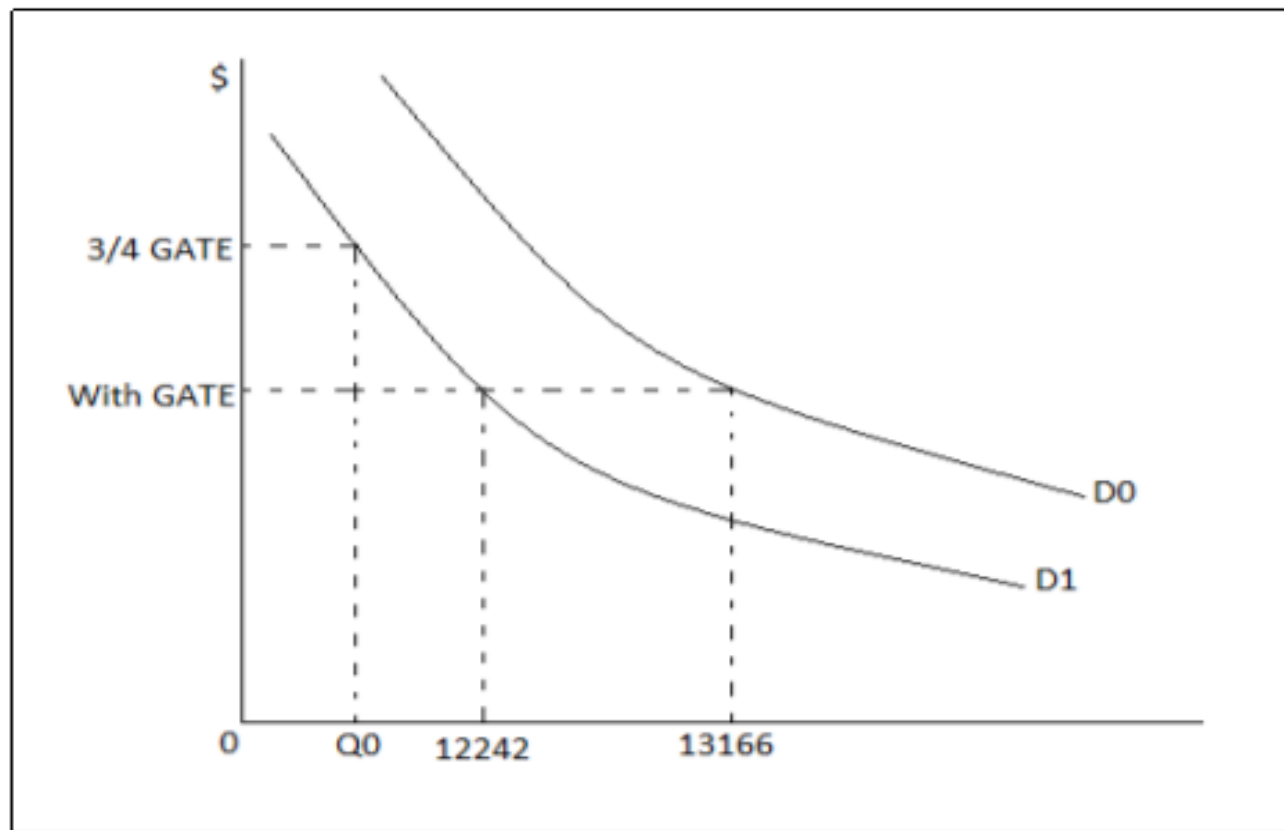
GATE Modifications

Subsequent to the recommendations of the task force, the GORTT agreed to implement a number of measures to reform the GATE Programme. A few of the major changes coming out of the report (which are to be implemented in 2017 and beyond) are as follows:

- ▶ Where the household income falls below TTD10,000 per month, students would be eligible for 100% funding;
- ▶ Where the household income is above TTD10,000 per month, students would be eligible for 25% funding;
- ▶ Where the household income is above TTD30,000 per month, students would be required to pay 50% of tuition and fees; and
- ▶ Funding for post graduate degrees would be available for students whose programmes are in alignment with the country's developmental needs.

Effect of “Oil Windfall” GATE on the Demand for TLE

8



What do these changes mean?

9

The data on the HHBS 2008/2009 shows that around 70% of all households earn less than \$10,000. In this context, it means that for the majority of households (assuming the distribution of income has not been significantly altered) that TLE will remain free at the point of utilization.

	Per cent Change in the Index of Retail Prices - End of Period (%)	GDP at Market Prices (TT\$ Mn)	Average All Industries (excl. Oil & Sugar)	weekly wages (1995 = 100) All Industries (incl. Oil & Sugar)
2005	7.2	100,682.00	201.1	201.0
2006	9.1	115,951.00	221.9	217.2
2007	7.6	136,952.00	231.4	223.0
2008	14.5	175,287.00	256.1	249.2
2009	1.3	121,281.00	260.9	270.4
2010	13.4	141,268.00	277.6	299.7
2011	5.3	163,008.00	272.3	282.1
2012	7.2	165,203.00	282.0	294.6
2013	5.6	170,371.00	326.3	321.9
2014	8.5	174,757.00	311.3	317.0
2015	1.5	165,286.00	347.9	339.6

Who should pay for TLE – State or Student?

10

<u>Type:</u>	Public	Private
Economic	<ul style="list-style-type: none">■ Increased tax revenues■ Greater productivity■ Increased consumption■ Decreased reliance on government financial support	<ul style="list-style-type: none">■ Higher salaries & benefits■ Increased employment■ Improved working conditions■ Personal mobility
Social	<ul style="list-style-type: none">■ Reduced crime rates■ Increased charitable giving■ Increased community service■ Increased appreciation for diversity	<ul style="list-style-type: none">■ Improved health■ Improved quality of life for offspring■ Better consumer decision making■ More hobbies and leisure activities

Rate of Return on Investment in Education

11

Rate of return on investment in education

Region	Social			Private		
	Primary	Secondary	Higher	Primary	Secondary	Higher
Asia	16.2	11.1	11.0	20.0	15.8	18.2
Europe/Middle East/North Africa	15.6	9.7	9.9	13.8	13.6	18.8
Latin America	17.4	12.9	12.3	26.6	17.0	19.5
OECD	8.5	9.4	8.5	13.4	11.3	11.6
Sub-Saharan Africa	25.4	18.4	11.3	37.6	24.6	27.8
World	18.9	13.1	10.8	26.6	17.0	19.0

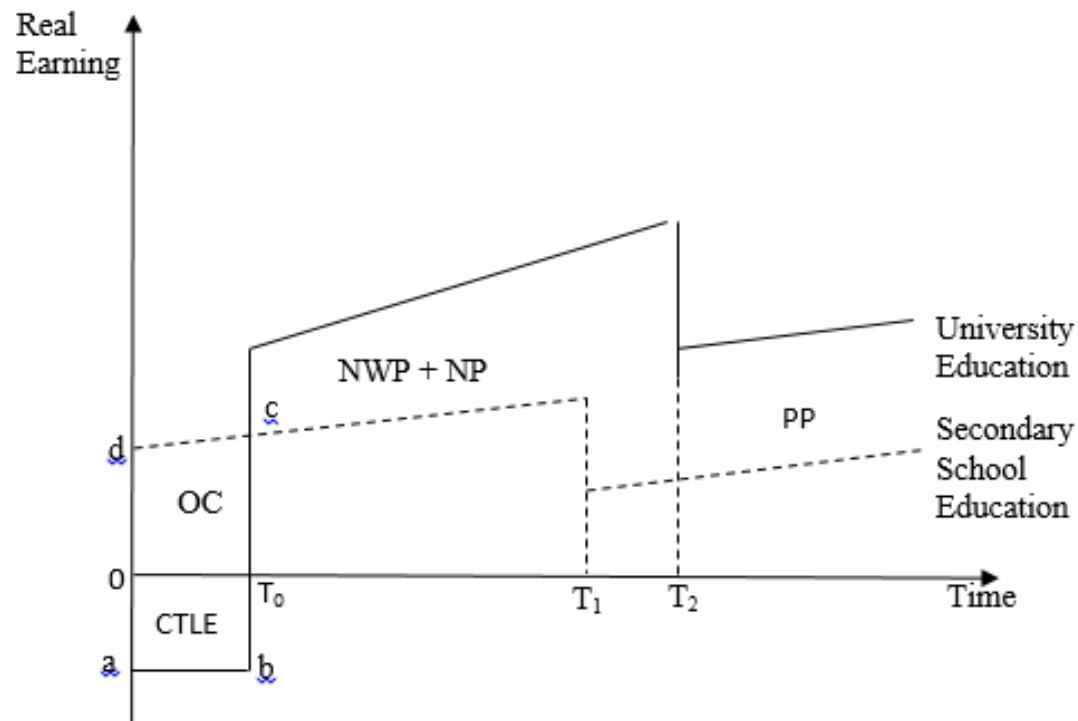
Source: Psacharopoulos & Patrinos (2004: 114)

Who should pay for TLE – State or Student?

- ▶ In many countries, TLE funded from general tax-payers dollars are regressive and mainly the wealthy benefit (Garritzmann, 2016).
- ▶ A 1% increase in the proportion of college educated workers raises the wage of high school dropouts, high school graduates, workers with some college, and college graduate (Moretti, 2004).
- ▶ One additional year of schooling is associated with 30% higher GDP but only associated with 10% higher wages (Heckman and Klenow (1997)).

Who are the direct beneficiaries of TLE?

13



Source: [Boarini and Strauss \(2010\)](#) and own additions.

Flow of the ICL Model

14

Step 1

- After enrollment, students should choose either upfront payment or a loan for tuition and living expenses.

Step 2

- Student will be assigned a specific tracking number by the University.

Step 3

- Higher education debt record will be set up and the size of each student's debt should be recorded through their unique tracking number.

Step 4

- After graduation, at the point of employment, student will submit tracking number to employer.

Step 5

- Terms of repayment would be contingent on the employee's annual income and other parameters.

Step 6

- Repayments will be required when the graduate has secured employment and terms of repayment are kept to a level where they are not burdensome

Step 7

- After debtor has made payment, tax authority will remit toe amount to the higher education unit.

Step 8

- When debt has been repaid, Ministry will notify employer and employee can then repay their full salary.

Benefits of ICL as a strategy to help fund TLE at The UWI, St. Augustine

- ▶ With an ICL, low earners make no repayment and people with low lifetime earnings pay only part of the cost of educating them. Monthly repayments depend on the income of the borrower. ICLs have both efficiency and equity aspects.
- ▶ ICLs protect borrowers from taking too much risk.
- ▶ With ICL's the repayment burden issue is addressed by a pre-specified repayment rate e.g. 8% and this minimizes the repayment burden.

Concluding Remarks

16

- ▶ Unlike GATE, the ICL loan is a payment scheme that requires students to pay after they graduate. This means that an effective ICL allows TLE to remain free at the point of utilization and graduates repay after their inherent capital assets have appreciated, with the training that they have received.
- ▶ An ICL protects the individual against the case where the investment in tertiary level education does not generate an appropriate augmentation of income.
- ▶ ICL can have a repayment rate that is progressive so that those on a higher earning can repay quicker, providing some degree of cross subsidization for those on a lower income.

Thank You