

FREE HIGHER EDUCATION: THE MOST VULNERABLE ARE EXCLUDED

- In her speech of May 21st, President Michelle Bachelet announced who will be the first beneficiaries of tuition-free higher education in 2016.
- We believe that the choice is unfair, since it arbitrarily discriminates vulnerable students with equal needs, according to the institution in which they study, and it is neither based on quality nor economic indicators.
- The argument is that the reform will start by the most vulnerable students, but we believe that, due to the imposed restrictions, only 34.7% of the students belonging to the lower income 60% will benefit from this. A fact that demolishes the government's egalitarian discourse.
- It is also maintained that CRUCH universities were chosen for being the best, but considering indicators such as accreditation years, we confirm that their average is lower than that of eight private universities which are not members of the CRUCH.

One of the most emblematic campaign promises of President Bachelet was to advance towards universal fee-free higher education. According to the government program, the goal of her 4-year period is to reach 70% of the students coming from the country's lower income sector, and further on (in 2020) to achieve 100%. Although the mechanism to be used remains uncertain, there is no doubt that it will contain some small print, since universal free education would require an additional spending of at least US\$4.5 billion per year; this figure is far too significant for a country like ours, which still has pending matters related to poverty, health, housing, preschool education, etc.

But part of this small print was already anticipated during the past May 21st speech, when the President announced that as of 2016, students having access to "complete and actual fee-free higher education, without scholarship nor loan" will be those belonging to the most vulnerable 60% attending a Center of Technical Training (CFT, in Spanish) or Professional Institute (IP, in Spanish) with accreditation and non-profit, or to any of the so-called traditional universities that are members of the Council of Rectors of Chilean Universities (CRUCH, in Spanish).

Although it seems positive to focus spending on students who require more economical support, we believe that the way to approach them should be direct and equitable, without arbitrary discriminations involved. In this context, we do not support the idea of excluding students who attend institutions that currently comply with all legal requirements, as it will occur according to the announcements made.

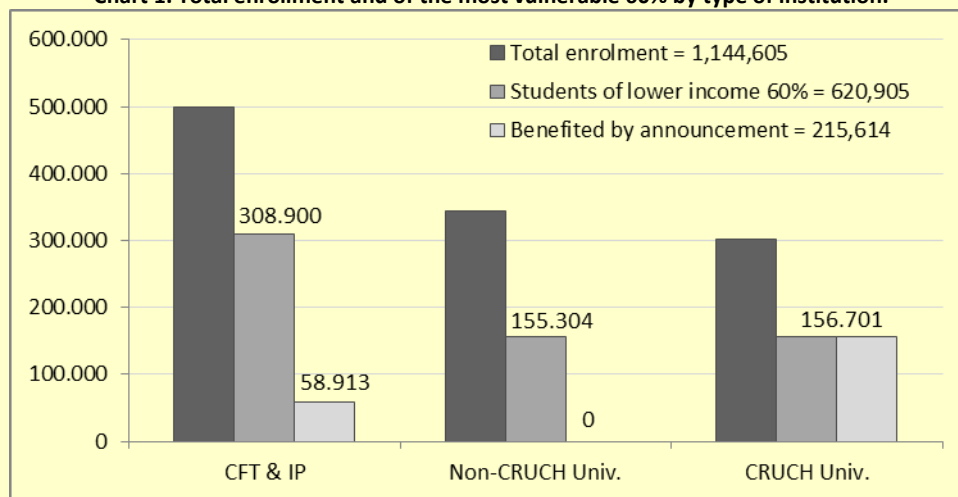
In the following lines we analyze the arguments given by the Minister of Education Nicolás Eyzaguirre in order to justify the chosen discrimination, and we explain, based on actual data, why they cannot cope with reality.

ARGUMENT No. 1. THE REFORM WILL BEGIN WITH THE MOST VULNERABLE STUDENTS

Although the President declared that the first beneficiaries will be students from the most vulnerable 60%, the truth is that the restrictions imposed to them based on the type of higher education institution (IES, in Spanish) which they can attend, will end up excluding most students belonging to that segment. In fact, and as shown in Chart 1, only 34.7% (215.6 thousand) of the 621 thousand higher education students coming from the lower income 60% of the population will have access to fee-free education, as a consequence of the required criteria set by the government. They represent 18.8% of the total higher education enrollment.

BARELY 34.7% OF THE STUDENTS OF THE LOWER INCOME 60% WILL BENEFIT FROM THE PRESIDENT'S ANNOUNCEMENT

Chart 1. Total enrollment and of the most vulnerable 60% by type of institution.



Source: Prepared by L&D based on 2014 Enrollment and SIES Financial Statements and Accreditation by 2015.¹

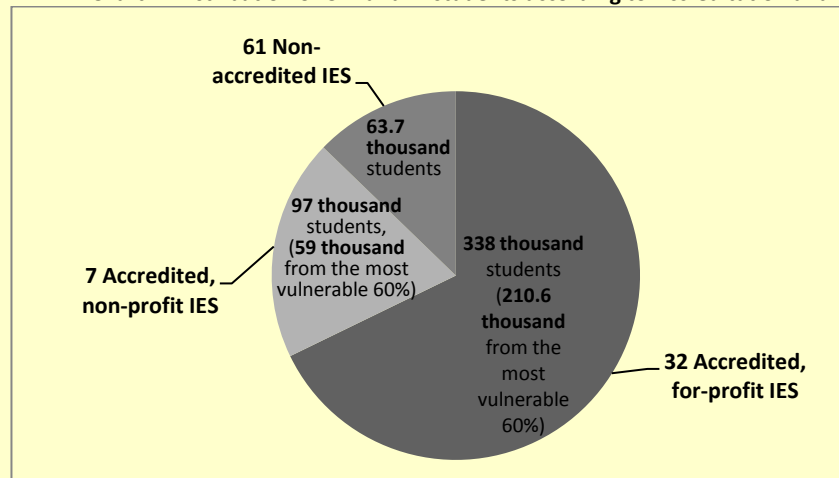
When analyzing these figures in detail, we observe that more than 155 thousand students of the lower income 60% who attend a non-CRUCH university were clearly excluded from the announcements.

As for the 308,900 students of the most vulnerable 60% who attend Technical-Professional Higher Education (ESTP, in Spanish), only 58,913 (11.8%) will have access to the benefit, while the remaining 250,000 will not, since the CFT and IP will be required to be established as non-profit juridical persons, when almost none of them meets this criteria, because the statutory decree does not require it (DFL 2 2010, art.53).

It is worth delving into the above calculation, in order to demonstrate how the “non-profit” requirement, ideological and contrary to the law, is responsible for the exclusion of the majority of ESTP students. From the 100 IP and CFT registered in the Higher Education Information System (SIES, in Spanish), 61 lack accreditation, but receive barely 12.8% of the students of the sector. Among the 39 higher education institutions (IES) with accreditation, which take care of 87.2% of ESTP students, only 7 fulfill the criterion of being a non-profit foundationⁱⁱ. Among the latter, Duoc (CFT & IP) represents 91% of the total number of ESTP students. This fact is shown in Chart 2.

BARELY 7 INSTITUTIONS AND 19% OF THE STUDENTS OF THE MOST VULNERABLE 60% IN TECHNICAL-PROFESSIONAL HIGHER EDUCATION (ESTP) COMPLY WITH THE IMPOSED REQUIREMENTS

Chart 2. Distribution of CFT and IP students according to Accreditation and Legal Status.



Source: Prepared by L&D based on 2014 Enrollment and Financial Statements of SIES and Accreditation by 2015.

ARGUMENT No. 2. CRUCH UNIVERSITIES WERE CHOSEN BECAUSE THEY ARE BETTER

According to Minister Eyzaguirre, the election of a limited number of institutions is due to a quality issue; he indicated that the government was starting by giving free education in the more prestigious institutions. However, if we revise the available indicators, we observe that the Minister’s explanation has no support. For example, when analyzing the accreditation years, we realize that there is a high heterogeneity within the CRUCH: while Universidad Católica and Universidad de Chile have 7 years of accreditation, the UTEM, Universidad de Los Lagos and Arturo Prat have only 3 years. Consequently, the average accreditation for the 25 CRUCH universities is 4.8, versus an average of 5-year accreditation for 8 private universities not belonging to the CRUCH, which are incorporated to the PSU university selection test (Table 1).

Furthermore, if we take a look at the publications by type of institution –an indicator regarding the generation of public assets- we also find heterogeneity within the CRUCH: Universidad Católica and Universidad de Chile stand out, but the rest has quite similar figures as the non-CRUCH universities that are incorporated into the PSU admission system. The fact that public universities of the CRUCH have indicators below those of private universities, deserves special attention.

GREAT HETEROGENEITY IN QUALITY INDICATORS OF CRUCH UNIVERSITIES

Table 1. Average accreditation and publications by type of institution.

University Type	Number of IES	Average Accreditation Years	Publications WOS* / No. of full-time PHD
CRUCH	25	4.8	0.95
1) Public CRUCH	16	4.4	0.88
U. Chile	1	7.0	1.30
Other public	15	4.3	0.85
2) Private CRUCH	9	5.6	1.07
U. Católica (PUC)	1	7.0	1.60
Other private	8	5.4	1.00
CRUCH w/o U. Chile nor PUC	23	4.7	0.90
Non-CRUCH PSU Private	8	5	0.88

Source: Prepared by L&D with data of the National Council of Education (CNEI): Accreditation 2015 and Publications 2013.

* WOS Publications = *Web of Science* (former ISI).

Thus, these data allow refuting the Minister in relation to the discrimination under the argument of quality. If this were the criterion, certain CRUCH universities should have been excluded, but they are not, in favor of other institutions that were excluded for the only reason of not belonging to this conglomerate.

ARGUMENT No. 3. THE GAP BETWEEN THE ACTUAL FEE AND THE REFERENCE FEE IS HIGHER IN PRIVATE UNIVERSITIES THAT ARE NOT CRUCH MEMBERS

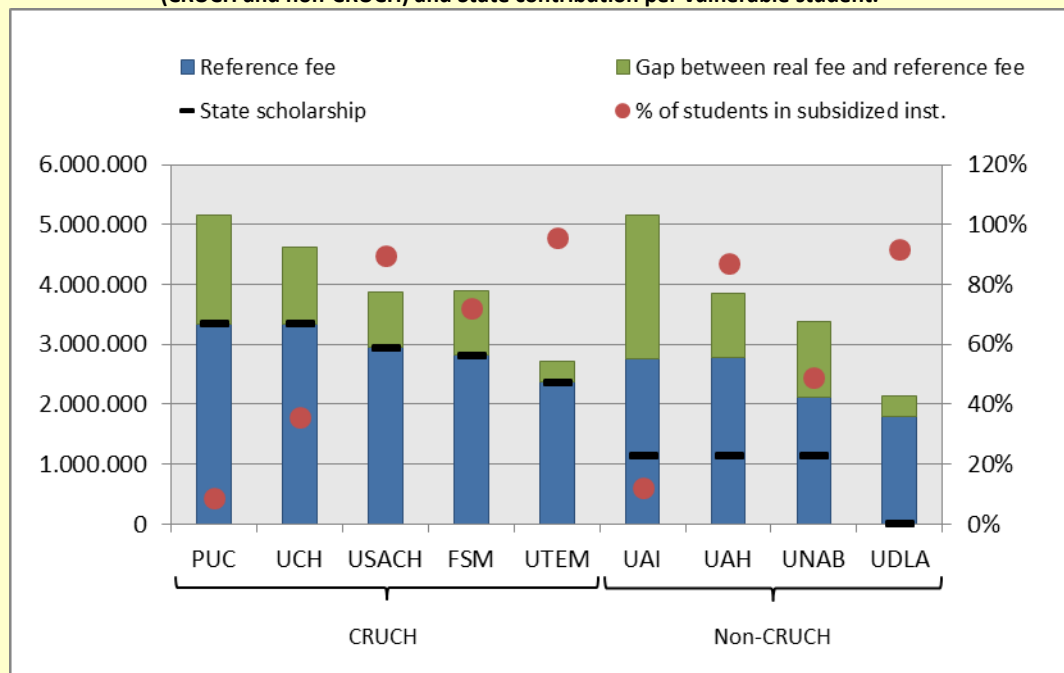
The third argument of the Minister regards the financing possibility: “in the CRUCH universities, the actual fees are closer to the reference fees (defined by the Ministry of Education (MINEDUC) to grant scholarships and loans), while in the private universities, the actual fee is, on average, CLP\$1.5 million more than the reference fee”. Under this logic, and if there are limited resources, his criterion indicates that we should start by the first ones, “where it is easier to cover that gap”.

The truth is that this gap is not as the Minister points out. In Chart 3, we use the example of the Commercial Engineering career: the fee charged by universities is not necessarily related to being a member of the CRUCH or not. Likewise, the gap between the actual fee and the reference fee, which by the way is defined by the MINEDUC itself, is similar between institutions inside and outside the CRUCH. The great difference lies in the contribution of the State to each one of these institutions: the

scholarships granted by the State today to CRUCH students cover 100% of the reference fee, while students of universities not belonging to the CRUCH and ESTP students receive scholarships with a ceiling that, in general, is lower than the reference fee (the Juan Gómez Millas scholarship has a ceiling of CLP\$1,150,000 and the Nuevo Milenio, of CLP\$600,000).

THE GAP BETWEEN THE ACTUAL FEE AND THE REFERENCE FEE IS ORIGINATED BY THE DISCRIMINATION OF THE STATE AGAINST STUDENTS OF NON-CRUCH UNIVERSITIES

Chart 3. Gap between actual fee and reference fee for Commercial Engineering in different universities (CRUCH and non-CRUCH) and State contribution per vulnerable student.

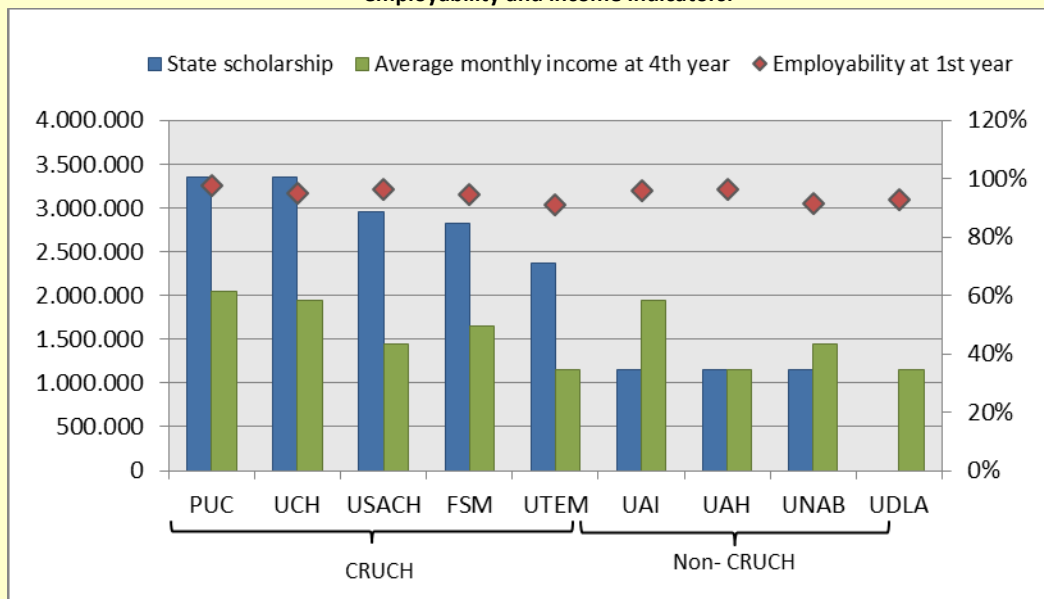


Source: Prepared by L&D based on 2015 Fees of *Comisión Ingresos*. Only campuses in Santiago are considered (in case of more than one campus, fees were averaged)ⁱⁱⁱ.

This differentiated treatment corresponds to the nature of the institution, and not to the needs of the students. As we can see in the same Chart above (secondary axis), there are universities that, even while having a relevant portion of students coming from subsidized schools (municipal and private), do not receive much help from the State in the form of tuition scholarships. Furthermore, Chart 4 does neither show a relationship between the amount of the scholarship and variables related to the success of graduated students (as employability after the first year and average income after the fourth year). It is evident that the State support in the form of scholarships has nothing to do with the student's need nor his/her future profitability. From our point of view, these are the factors that an efficient and fair scholarship system should take into account. Instead, in the scope of student financing, the CRUCH's historical privileges will continue to prevail over the rest of the institutions.

THERE IS NO RELATIONSHIP BETWEEN THE AMOUNT OF THE SCHOLARSHIP AND THE WORKING SUCCESS OF GRADUATED STUDENTS

Chart 4. Tuition scholarship for Commercial Engineering in different universities (CRUCH and non-CRUCH), and employability and income indicators.



Source: Prepared by L&D based on SIES Statistics.

In conclusion, if it is cheaper for the State to close the financing gap for CRUCH university students it is due to the arbitrary discrimination against those who study in IES, which are not members thereof, and not because there is a difference in the fees actually charged. But, according to the announcements, instead of correcting this injustice, the government will emphasize it even further.

CONSEQUENCES OF AN IMPROVISED ANNOUNCEMENT

We have seen that the explanations of the Minister are at least questionable, and the offer of fee-free education for students of the lower income 60% is just a front, because in practice most of them will be excluded. Still worse, there is yet no clarity regarding the exact mechanism. During the week, it became known that the institutions that wish to incorporate to this benefit shall define their fees according to those set by an expert committee. This means that, just considering the institutions that received the blessing of the President following May 21st, more than 3 thousand fees would have to be defined for each one of their programs and campuses. Will this committee be capable of defining them correctly, so as not to *subfinance* some and *overfinance* others? Will this committee be autonomous, or will it depend from the ruling government? Can we trust it?

The fees' definition will go along with a definition of the number of students per institution. This means that if the State actually believes that the chosen ones are the best in the system: Why limit their natural growth? Are we in condition (with a higher education net coverage of 37%) of restraining the entry of new students in order to give free education to those that are already in it?

Moreover, this mechanism will distort the higher education system, since students will have to choose between institutions of similar quality, but under different fee-free conditions. Which one will be favored and receive the best students? Here lies the importance of the chosen criteria, which in this case is irrelevant.

All in all, this announcement reflects the improvisation in dealing with this matter, and what is still worse, a government that has repeatedly called for equality to justify their reform, today it is discriminating the most vulnerable students of the country in an arbitrary and unfair manner, by excluding them from a policy that, if it had any consensus at all, it was that they had to be included. Furthermore, by committing itself with mechanisms that have not yet been duly studied, whose consequences for the future organization of the higher education system will be considerable.

ⁱ In order to estimate these values, the student percentages per quintile and type of higher education institution, obtained from the 2013 CASEN Survey (*depen* variable), were applied to the undergraduate enrollment of each institution reported by the Higher Education Information System (SIES). In order to define if technical-professional institutions are established or not as for-profit juridical persons, we revised the audited financial statements available at the SIES, which specify what kind of organization they have.

ⁱⁱ **The higher education institutions (IES) that meet the requirements are:** the IP and CFT Duoc UC, the CFT CEDUC (Universidad del Norte), the IP Agrario Adolfo Matthei, CFT of ENAC (belonging to Caritas), the Instituto de Estudios Bancarios Guillermo Subercaseaux (operating under the wings of the Central Bank), and the CFT Fontanar.

ⁱⁱⁱ **CRUCH Public Universities:** UCH= Universidad de Chile. USACH = Universidad de Santiago. UTEM = Universidad Tecnológica Metropolitana.

CRUCH Private Universities: PUC= Universidad Católica. FSM =Federico Santa María.

Non-CRUCH Private Accredited Universities: UA = Universidad Adolfo Ibáñez. UAH = Universidad Alberto Hurtado. UNAB = Universidad Andrés Bello.

Non-CRUCH Private Non-Accredited University: UDLA= Universidad de las Américas.