

# EVALUATION OF THE GENERAL SYSTEM OF EDUCATIONAL GRANTS

## INITIAL EVALUATION: DIAGNOSIS OF THE PRESENT SITUATION AND MAIN OPTIONS TO IMPROVE EFFECTIVENESS



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This is the second AEVAL Work Plan since the institution was set up on January 2007, and its main objective is checking how policy initiative results contribute to encourage transparency in public management, efficiency in use of resources and continuous improvement of public services quality.

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Initial evaluation: Diagnosis of the present situation and main options to improve effectiveness.

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## GLOSSARY OF ABBREVIATIONS

AEAT	Agencia Estatal de Administración Tributaria – the Spanish central tax authority
AEP	Abandono Escolar Prematuro – Early School-Leaving, “ESL”
AEVAL	Agencia Estatal de Evaluación de las Políticas Públicas y la Calidad de los Servicios – Spanish Agency for the Evaluation of Public Policy and Quality of Services
CCAA	Comunidades Autónomas – the devolved regions of Spain
CFGM	Ciclos Formativos de Grado Medio – secondary vocational training
CFGS	Ciclos Formativos de Grado Medio – tertiary vocational training
ISCED	International Standard Classification of Education
ECV	Encuesta de Condiciones de Vida - Survey of Living Conditions
EPA	Encuesta de Población Activa – Labour Force Survey
ESO	Educación Secundaria Obligatoria – compulsory secondary education
ETEFIL	Encuesta de Transición Educativo-Formativa e Inserción Laboral – Survey on Education and Training Transition and Labour Market Entry
INE	Instituto Nacional de Estadística – the Spanish national statistical institute
LOE	Ley Orgánica de Educación – the Education Act 2006
MEPSYD	Spanish Ministry of Education, Social Policy and Sport
MICINN	Ministry of Science and Innovation
OECD	Organization for Economic Cooperation and Development
GDP	Gross Domestic Product
PISA	Programme for International Student Assessment
PNR	Programa Nacional de Reformas – National Reform Programme
EU	European Union



## Country codes in graphs 1 and 2

Belgium	BE	Malta	MT
Bulgaria	BG	Netherlands	NL
Czech Republic	CZ	Austria	AT
Denmark	DK	Poland	PL
Germany	DE	Portugal	PT
Estonia	EE	Romania	RO
Ireland	IE	Slovenia	SI
Greece	EL	Slovakia	SK
Spain	ES	Finland	FI
France	FR	Sweden	SE
Italy	IT	United Kingdom	UK
Cyprus	CY	Croatia	HR
Latvia	LV	Turkey	TR
Lithuania	LT	Iceland	IS
Luxembourg	LU	Norway	NO
Hungary	HU		



## EXECUTIVE SUMMARY

The Council of Ministers resolved to commission an evaluation in two stages of the general system of educational grants. The first stage is concerned to produce a diagnosis and to put forward alternatives, which are then to be considered in depth at the second stage.

The general system of educational and study grants and aid is primarily calculated to assure fair access to education. This evaluation seeks to gauge the extent to which the general system of grants, and of post-compulsory education grants in particular, is fulfilling that primary aim, and to determine whether the system ought to be modified the better to promote equality of opportunity and respond to the new challenges that education now faces – to help prevent early school-leaving and thus increase and enhance human capital, this being one of the core objectives of the National Reform Programme.

Education and learning are fundamental to social and economic development. The competencies that a citizen acquires, and the extent to which she develops her aptitudes, determine her ability to participate in society and the economy. The value of education in today's societies draws force from the growing importance of human capital as a factor of competitiveness in the global economy. Schools play a central role in the passing-on of values and knowledge in the face of new social, cultural and technological developments. But the continuing prevalence of early school-leaving and other obstacles to equality of opportunity call for a reappraisal of the instruments with which those issues are being addressed, such as the system of grants.

This initial report on the general system of grants relies on a range of documents and secondary sources, particular use having been made of the key surveys (the Spanish Survey on Living Conditions 2006; the Spanish Survey on Education and Training Transition and Labour Market Entry 2005<sup>1</sup>), and on an international benchmarking exercise. The authors have developed explanatory probabilistic models, have conducted interviews with education experts, social actors and grant managers at the Spanish education and science ministries (MEPSYD and MICINN) and devolved regional governments, and have carried on a panel discussion with experts and the major Spanish educational institutions.

A number of indicators in the PISA Report produced by the OECD suggest that the Spanish education system has attained to a high standard of fairness in access to education. The contribution of the grants system to this favourable outcome is discussed below.

The role of grants has garnered significant improvement in the safeguarding of education rights and in widening the target group, but a number of dysfunctions persist: in particular, some of the lowest-income population are not receiving study grants and aid, and this affects both potential and actual students.

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<sup>1</sup> Latest information available at the time of the evaluation, which accordingly does not reflect later variations as to the dimensions explored by the two instruments.



The dysfunction may be a consequence of underfunding for grants aimed at the lowest-income population segment, of unsuitable academic requirements, or of the problems involved in making studies compatible with work. But no conclusive inference can be drawn on this point without an examination of the grant recipient records held by MEPSYD, the Spanish education ministry, to which the authors of this report have not been allowed access. The final impact of the grants system is further obscured by poor follow-up procedures: the education ministry itself has no way of telling if a grant recipient stays within the system until successfully completing her studies, nor of tracking the path that such studies might take.

The recently begun process of decentralization of grants management makes it all the more urgent to put in place a follow-up mechanism providing shared information. It is vital that MEPSYD take the lead, hold centralized data and conduct follow-up studies. In addition, grants management must be decentralized in a manner that takes especial care to ensure that the devolution of powers to the regions remains consistent with the upholding of the principle of fairness.

The grants budget, for its part, has risen considerably in recent years, but remains far below the OECD average proportion of public spending (3% for Spain, as against 5.6% for the OECD). However, it is to be borne in mind that this datum is determined not only by the amount of grants, but also by more wide-ranging decisions on education funding – which in Spain primarily comprises fee subsidies – and by funds channelled into the education system in the form of loans.

As regards the broader category of financial support for education, of which grants constitute only a subset, Spain has done less to develop the more flexible instruments that fit present requirements – grants to help make studies compatible with work, or aid targeting special personal and family needs. MEPSYD has recently indicated that it plans to introduce reforms in this direction, however.

Moreover, a far more widespread approach in most other OECD countries is to operate a hybrid system where grants – often means-tested – are supplemented by loans, for which any student may apply. Spain has only recently seen the introduction of loans extended in the form of income, and so far only for master's degrees, with the grants system remaining in place. Soft loans for higher education could, without detriment to a grants policy operating alongside, round out the grants extended to poorer students and help ease matters for students ineligible for grants by reason of their higher income.

Most of the budget earmarked for post-compulsory education grants goes towards university studies. But the rate of early school-leaving and the shortage of students pursuing secondary vocational training suggest that the increase in recent years in the budget for post-compulsory secondary education grants should be taken still further.

A number of research papers show that income exerts a lesser influence on a young person's decision whether or not to continue her studies than other factors, such as her parents' level of educational attainment. However, the disadvantaged social classes are burdened with a mass of prior socio-economic and cultural disadvantages that go to the root of their worse educational outcomes and higher rate of early school-leaving. It is here that grants could widen their role in combating early



school-leaving; this use of grants would call for applying the principle of fairness beyond the issue of access to the further considerations of maintenance and performance within the education system.

The role of grants and student aid in the prevention of early school-leaving must in any event operate as an accessory to more powerful measures. Grants cannot overcome these difficulties alone, and must act in concert with non-financial efforts.

The inquiry into the various causes of early school-leaving – to identify those which grants may help to remove – must first distinguish between the at-risk population still within the education system, thus needing preventive action, and the relevant population that has already left the system, which requires wider flexibility and interventions that encourage a return to study. It is increasingly necessary, furthermore, for action to combine educational and occupational aspects.

Early school-leaving is usually the outturn of an interrelated sum of causes. A proper characterization of the problem should first look at the reasons given by students themselves as being decisive. Almost 50% cite reasons relating to studies (loss of motivation, poor results) and to entry into the labour market (searching for or getting a job). Study-related reasons carry greater weight for school-leavers who have failed to attain compulsory education grades and for those leaving during post-compulsory secondary education. Job-related reasons are more important for those leaving school straight after completing compulsory education and those leaving during secondary vocational training. The third factor by order of importance is family-related and personal reasons.

Causes relating mainly to studies may be best addressed by actions involving school-based support and personalized help. Financial support in the form of grants or student aid would be appropriate only if so indicated by an assessment of the results of the recently introduced non-financial measures.

Personal and family-related reasons for school-leaving are likely to be susceptible of useful intervention by grants, but marking out the field of action will require more detailed research on the variety of cases and the significance of the various factors.

The opportunities in the Spanish labour market for unqualified workers have until recently proved an attractive alternative to continued study. Grants have not so far been designed to afford sufficient cover for this opportunity cost, nor do they relate to the job market in such a way as to encourage a higher proportion of young people to stay in the education system. These cases call for non-financial measures that reinforce the perceived benefits of education; but an effort should also be made to adapt grants to this group, particularly at a time like the present, when the least qualified population is bearing the brunt of the economic downturn.

Based on these conclusions and on a review of international experience – the highlight being the wide range of grant and student aid programmes in the United Kingdom, which may be fruitfully considered for the case of Spain – the following main recommendations are presented, to be further explored at the second stage of evaluation of the general system of grants, to be conducted next year:



### Recommendation 1

To improve state regulation, it is essential to improve the follow-up of the grants system by making more use of MEPSYD's records of grant recipients. Specifically, the data should be processed systematically, whether internally or by a third party furnished with the data in anonymized form, so as the better to characterize the group of persons actually attracting grants and identify the reasons why the grants may not be reaching a sector of the target group. Moreover, mechanisms should be created to get information from education providers on grant recipients' performance and trajectory. Better information on the outcomes and effects brought about by grants would allow for an assessment of whether the amount of grant funding is appropriate at the lower income levels, whether current academic requirements are reasonable, and whether there are difficulties in the way of making study compatible with work. The recently begun process of devolving grant management accentuates the need to ensure that the devolved regions supply the information to enable centralized follow-up of results.

### Recommendation 2

It appears necessary to raise the amount of compensatory grants and to bring grant amounts into line with the real burden of the direct and indirect costs of education at each level. Moving towards "wage-grants" would be a further step towards compensating the opportunity cost incurred by the lower-income population.

Priority should be accorded to increased funding for grants in post-compulsory secondary education, particularly in secondary vocational training, having regard to the impact on early school-leaving and human capital of intervention at this level.

At the level of higher education, financial support for students could be rapidly increased – without detriment to the grants policy, but, rather, as a reinforcement of that policy – at a relatively low budgetary cost by extending to the degree level a form of income-loan to operate alongside and in harmony with the grants system; this would follow the model already in place for postgraduate studies – likewise compatible with grants – and would be in line with common practice in other OECD countries. The possibility might be considered of supplementing grants with loans that would be wholly or partly condoned on a means-tested basis upon achievement of the given qualification within the specified time limit.

### Recommendation 3

The reform of the grant system should take account of the core goals of both education policy and the National Reform Programme – to expand and enhance human capital by combating early school-leaving. Grants and financial support should accordingly be designed to address that problem.



Two groups merit attention. First, early school-leaving should be prevented in the at-risk population still in education; secondly, a return to study should be encouraged among the population that has already left school, particularly those without a job. This necessitates an approach that combines educational and work-related considerations – recruiting the collaboration of the Spanish ministry of labour – and that conceives of grants as a supplement to other measures, financial and otherwise, set forth in the *Plan para reducir el Abandono Escolar* [School-Leaving Reduction Plan].

The features of the population targeted by such support suggest a greater emphasis on student aid, rather than on grants the eligibility requirements of which are academic. Such student aid should carry attendance requirements and a number of other terms, but the academic demands should be lowered.

#### Recommendation 4

For the group of school-leavers whose reasons are chiefly related to the studies themselves, a prior evaluation should be undertaken of the recent non-financial measures under the School-Leaving Reduction Plan, which reaches its midpoint in 2012, so as to judge whether they should be supplemented with economic incentives in the form of grants or financial support.

If it were found that those measures on their own are not enough, consideration could be given to personalized financial aid as part of reinforcement programmes for persons desiring to continue in education but underperforming, while “staying-on grants” for lower-income students at a higher risk of leaving, and a range of small economic incentives, may help to deal with those personal reasons that relate to a desire for recognition and a measure of financial independence.

#### Recommendation 5

For the group of school-leavers whose reasons are personal and family-related, the paucity of available data suggests that a more in-depth study should be conducted of the main factors and the range of cases. In other countries, young people with family responsibilities receive specific aid to continue their studies.

### Recommendation 6

As regards the group of school-leavers whose reasons relate mainly to the job market, the present economic juncture has diminished the attractions of leaving, and, conversely, is apt to favour efforts to encourage a return to education.

It is essential to offer attractive alternatives to bring about that return to education. Joblessness can be turned around with flexible training, bolstered by subsidies, that enables a return to study and offers personalized guidance to improve specific job prospects. Subsidies and aid in this ambit lie within the remit of the Spanish ministry of labour.

As to prevention of early school-leaving, MEPSYD's recently announced measures to create training options that make a better fit with the world of employment and to open up different routes to continued study are moves that have already enjoyed success in other countries. Student aid calculated to make study compatible with work could operate as a bolster to apprenticeship and vocational training programmes; here, the trainee does paid work for an employer, and, in respect of the training component of the arrangement, the state supplements that pay with a grant. Student aid might also be used in support of programmes fostering skills and techniques geared towards continued study or towards apprenticeship training.

In line with these recommendations, the following alternatives are suggested as suitable topics for the second assessment stage, to be conducted next year:

- Assessment of the MEPSYD system of grant follow-up, with reference to the use made of available data, possible improvements, and suggested ways of creating a shared system with the devolved regions.
- Assessment of the early results of the main measures under the School-Leaving Reduction Plan directed at primarily study-related causes. Possible role of grants and student aid.
- Assessment of the possibility of grants targeting personal and family-related causes for early school-leaving.
- Assessment of various grant and aid models to act on job market-related causes of early school-leaving.



## 1. INTRODUCTION

### Mandate

The Spanish Council of Ministers, by a resolution of 1 August 2008, gave the Public Policy and Service Quality Evaluation Agency a formal brief to undertake an evaluation, in two parts, of the general system of educational grants.

This report, filed in December 2008, concerns the first part of the evaluation: a diagnosis of the present state of the general system of educational grants and a proposal as to the main alternatives to make the system more effective. A number of such proposed alternatives will be selected for ex ante appraisal. That will be the purpose of the second part of the evaluation, to be conducted in 2009.

The Council of Ministers' resolution expressly requires that the evaluation gauge the extent to which the grants system could help reduce early school-leaving, in consonance with the Lisbon Strategy objectives reflected in Spain's National Reform Programme, Axis 3 of which pursues the overall goal of increasing and enhancing human capital.

In a speech made in the lower house of the Spanish national parliament on 29 May 2008, the education minister touched on the Agency's request that it be briefed to conduct an evaluation of the grants system, "in order to gauge the effectiveness of our general system of grants and student aid and its fit with the country's present reality, so that we may take steps to improve it accordingly. We are going to evaluate the system to safeguard equality of opportunity and meet students' new requirements."

### Subject matter and scope of the evaluation

The subject matter to be evaluated, then, is the general system of grants and student aid (referred to in this report from now on as "the grants system"). The chief purpose of the grants system is to safeguard fair access to education<sup>2</sup>. The Spanish National Reform Programme mentions the further goal of helping to reduce early school-leaving.

This evaluation sets out to answer the following questions:

- 1) To what extent is the grants system fulfilling its main purpose of safeguarding fair access to education?
- 2) To what extent is the grants system contributing, or capable of contributing, to the attainment of another key goal of education policy, the reduction of early school-

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<sup>2</sup> Article 3 of the Education Act 2006, and article 45 of the Universities Act 2001, as amended by the *Ley Orgánica 4/2007*, command the state to create, using funds appropriated from the national budget, a general system of grants and student aid, so that all persons, regardless of their place of residence, may exercise their right to education on an equal footing.



leaving, as part of the overarching objective of increasing and enhancing human capital?

For the purposes of this evaluation<sup>3</sup>, a “grant” is an amount of money or an economic benefit granted for the purpose of beginning or continuing studies towards the attainment of an official qualification or certificate that is valid throughout Spain, having regard to the applicant’s social and economic circumstances and to his or her academic merit.

For the purposes of this evaluation<sup>4</sup>, “student aid” is an amount of money or an economic benefit granted for the purpose of beginning or continuing studies that are valid throughout Spain, having regard to the applicant’s social and economic circumstances alone.

In this report, “fairness”<sup>5</sup> designates the concept used in the *Ley Orgánica 2/2006, de 3 de mayo, de Educación* [Education Act 2006]<sup>6</sup>: “... Fairness, so as to safeguard equality of opportunity, educational inclusiveness and non-discrimination, and to act as an element that compensates for personal, cultural, economic and social inequalities, with especial attention to those arising from disability.”

“Early school-leaving” (ESL) means withdrawal from study after completion of no more than the compulsory stage of secondary education. The rate of ESL is calculated as the percentage of young people aged 18 to 24 who have completed no more than the compulsory stage of secondary education and do not continue into any further studies or training.<sup>7</sup>

The questions with which this evaluation is concerned to answer, and the time available for that answer to be put forth, urge a focus on the general grants given for post-compulsory secondary education and for higher education, at university and elsewhere.

This report is structured as follows:

- First, the report presents the main elements of education policy relating to the grants system, its rationale, and its domestic and international context.
- An overview is then provided of the Spanish grants system and of the latest reforms.
- Next, the report addresses the extent of attainment of the fairness objectives, with reference to the sufficiency, coverage, consistency and relevance of the

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<sup>3</sup> Pursuant to chapter I, article 1, “Definitions”, paragraph 1, Royal Decree 1721/2007.

<sup>4</sup> Pursuant to chapter I, article 2, “Definitions”, paragraph 2, Royal Decree 1721/2007.

<sup>5</sup> The concept of fairness is susceptible of multiple interpretations and dimensions. Review of different conceptions is provided by Sánchez Campillo (1999) and Bayes *et al* (2006). The European Commission views “equity” as “the extent to which individuals can take advantage of education and training, in terms of opportunities, access, treatment and outcomes.” Communication from the Commission to the Council and to the European Parliament. Efficiency and equity in European education and training systems COM (2006) 481.

<sup>6</sup> Article 1(b), *Principles and purposes of education*, chapter I, preliminary title, Education Act 2006.

<sup>7</sup> Indicator used in the NRP and by Eurostat. This definition is regarded as the starting-point for comparison across EU countries. It nonetheless leaves room for improvement, and the Commission has made recommendations on how to move forward.



grants system for the purposes of fair access to education. Consideration is also given to the potential support that might be found in other funding instruments, and to the possible effects of decentralization.

- The report then turns to the issue of whether the grants system does, or could, help reduce early school-leaving. The relationship is analyzed between the concern to reduce early school-leaving and the goal of increasing and enhancing human capital; the report then inquires into the kinds of cases where grants may prove useful. The report also looks at the types of grant being used in this field in other countries.
- Finally, a number of recommendations are put forward for more detailed scrutiny at the planned second stage of evaluation of the grants system.



## 2. THE GRANTS SYSTEM IN CONTEXT

### 2.1 THE EDUCATIONAL CONTEXT OF THE GRANTS SYSTEM

#### 2.1.1 The role of government in education

**Education** and learning are fundamental to social and economic development. The competencies that a citizen acquires, and the extent to which she develops her aptitudes, determine her ability to participate in society and the economy.

The value of education in today's societies draws force from the growing importance of human capital as a factor of competitiveness in the global economy. Schools play a central role in the passing-on of values and knowledge in the face of new social, cultural and technological developments.

The **role of government** in education is guided by the demands of fairness – with a view to safeguarding equality of opportunity, given the value of education in levelling inequalities – and of efficiency, particularly enhanced productivity, economic growth and other external effects, such as political and social stability. The main arguments urging government intervention look to those demands of fairness, to effects that go beyond the individual (externalities), to information issues, and to restrictions on citizens' ability to fund their studies. The design of government intervention should heed the evidence that suggests that a better outturn is to be had from taking early action to deal with the problems associated with students from disadvantaged socio-economic backgrounds.<sup>8</sup>

The state can intervene in the education system in a variety of ways. It may regulate education by law – such as by making elementary education compulsory; it may give its backing to the provision of education, by providing it directly, or by supporting it with direct funding or with student aid (this determines that part of the cost that households are called on to pay in the form of fees); and it may help fund the demand side of education, through grants, student aid, school vouchers and student loans. These instruments are used to varying degrees in all developed countries.

Grants are designed to affect demand for education by affording cover – for a given class of beneficiaries – to all or some of the direct costs (tuition fees), the indirect costs (travel, books, living expenses) and the opportunity costs (loss of earnings through choosing study over paid work).

#### 2.1.2 The European context of education policy

Education policy in Europe today is framed by the **Lisbon Strategy** for Growth and Jobs. The Lisbon Strategy has signified a major encouragement to the modernization of European systems of education and training in response to the demands of a knowledge-based economy and to the social, economic and demographic challenges faced by the European Union in a globalized world.

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<sup>8</sup> See *Efficiency and Equity in European Education and Training Systems* issued by the European Expert Network on Economics of Education for a recent compilation of results.

- Education and training are structural resources in the fight against social exclusion and the struggle for equality of opportunity.
- Rapid change in the nature of work and in the skills that workers are required to offer accentuates the need to anticipate the future and develop lifelong learning.
- Changes in the structure of the population and migratory movements call for changes in education and training systems.

To move forward in this direction, the European Council adopted the work programme *Education and Training 2010*<sup>9</sup>, directed at three strategic objectives:

- improving the quality and effectiveness of education and training systems;
- facilitating the access of all to education and training systems; and
- opening up education and training systems to the wider world.

The programme proposes twenty key monitoring indicators, and sets out five benchmarks to be achieved by 2010 with respect to 2000<sup>10</sup>:

- the rate of early school-leaving should be under 10%;
- 85% of the population under 22 should have completed post-compulsory secondary education;
- the percentage of 15-year-old pupils underachieving in reading proficiency should be at least 20% lower<sup>11</sup>;
- the total number of graduates in mathematics, science and technology should be at least 15% higher, and gender imbalances should be less;
- average participation in lifelong learning should be 12.5% of the population aged 25 to 64.

The work programme stipulates procedures to support joint progress. The Commission and the Council write joint biennial reports to identify achievements and direct efforts towards the more problematic issues.<sup>12</sup>

The last joint report made the following diagnosis of Spain's comparative position as measured by the five benchmarks and three additional indicators:

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<sup>9</sup> These objectives embrace thirteen specific goals. See Report from the Education Council to the European Council "The concrete future objectives of education and training systems", 14 February 2001. Document 5680/01 EDUC 18.

<sup>10</sup> Communication from the Commission of 21 February 2007 - "A coherent framework of indicators and benchmarks for monitoring progress towards the Lisbon objectives in education and training".

<sup>11</sup> Current wording. The previous target was to halve the percentage of 15-year-old pupils underachieving in reading proficiency, mathematics and science.

<sup>12</sup> The third joint report of the Council and the Commission was issued in February 2008: Document 5585/01 EDUC 24 SOC 46. For follow-up data, see [http://ec.europa.eu/education/policies/2010/progressreport\\_en.html](http://ec.europa.eu/education/policies/2010/progressreport_en.html).

		Spain		EU average		Benchmarks and targets
		2000	2007	2000	2007	2010
Low reading proficiency		16.3%	25.7% <sup>6</sup>	21.3%	24.1% <sup>6</sup>	17.0%
Early school-leaving (18-24 years)		29.1%	31.0%(a)	17.6%	14.8%	10%
Upper secondary attainment (20-24 years)		66.0%	61.1%	76.6%	78.1%	85%
Tertiary graduates in mathematics, science and technology	Increase since 2000	:	+16.6% <sup>6</sup>	:	+26.0% <sup>6</sup>	+15%
	Percentage of female graduates	31.5%	30.0% <sup>6</sup>	30.8%	31.3% <sup>6</sup>	Gender balance improvement
Percentage of adults in lifelong learning (25-64 years)		4.1%	10.4%(a)	7.1%(e)	9.7%(e)	12.5%
Participation in pre-primary education (4 years)		99.0%	97.1% <sup>6</sup>	82.8%	86.8% <sup>5</sup>	90%
Population with tertiary attainment (15-64 years)		21.0%	27.0%	17%	20.6%	
Public spending on education (% GDP)		4.28%	4.23%	4.94% <sup>1</sup> (s)	5.03% <sup>5</sup> (s)	Significant increase

1: (2001)  
5: (2005)  
6: (2006)

(a): break in time series  
(s): Eurostat estimate  
(e): estimated value

Table 1. Source: European Commission

### 2.1.3 The Spanish context of education policy. The issue of early school-leaving

MEPSYD, the Spanish education ministry, in the latest report on 2010 Education Targets and Benchmarks produced by the Conferencia de Educación [a body coordinating national and regional education policies], stated that, "Spain has made a firm commitment to take part in this process of improvement of education and educational policy. The European Union's objectives for 2010 are consistent with the purpose of the Education Act 2006, to improve the education now offered and the educational outcomes of all students. In this framework of the Lisbon Strategy and of the creation of Spain's National Reform Programme, the targets and benchmarks for the Spanish education system have been addressed in alignment with those agreed on by the countries of the European Union for 2010."<sup>13</sup>

To the five EU benchmarks and the objective of increasing public spending on education as a proportion of GDP, Spain has framed a further four national benchmarks of its own<sup>14</sup>:

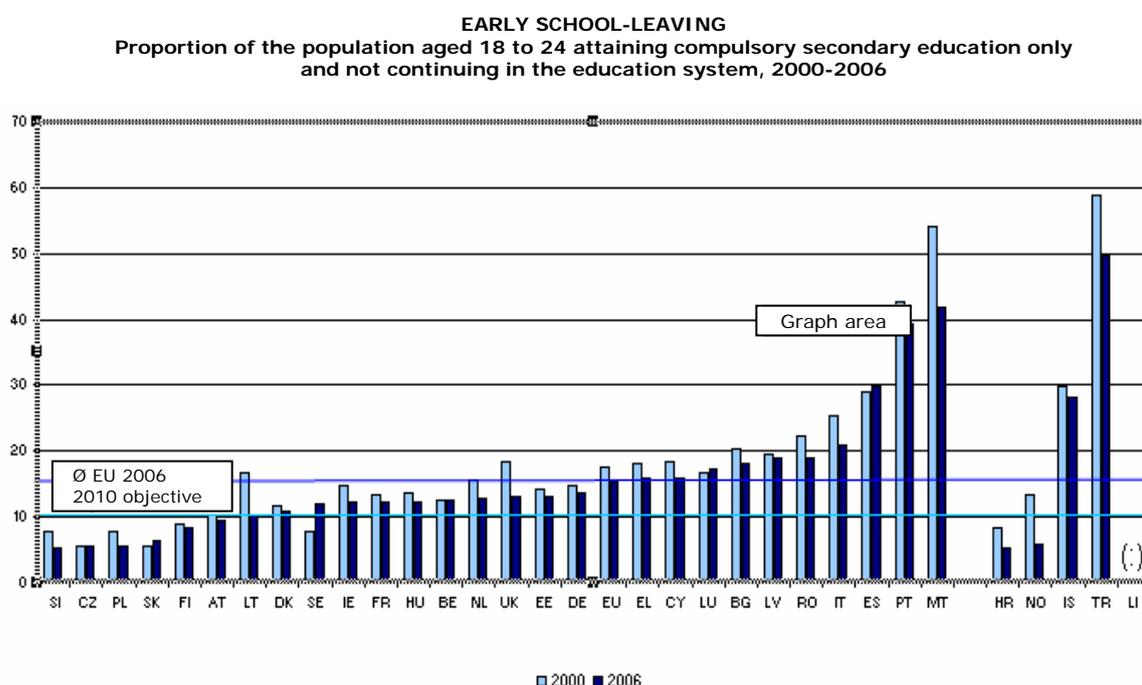
- increasing the rate of participation in pre-primary education;
- increasing the rate of compulsory secondary education attainment;
- increasing the gross rate of males completing the post-compulsory stage of secondary education;
- raising the percentage of tertiary vocational training graduates.

<sup>13</sup> 2007 Report on Education Objectives. Spanish Benchmarks 2010, Education Conference, 11 June 2008. Spanish Ministry of Education, Social Policy and Sport, MEPSYD. Secretariat of State for Education and Training.

<sup>14</sup> See previous note.

Among the challenges faced nationally and at the European level in relation to the subject matter of this evaluation, the following problems are especially prevalent in Spain:

- Spain is one of the EU countries that performs worst as regards **early school-leaving**, which over the past decade was in the range of 29.1 to 31.7%. Virtually one in three persons aged 18 to 24 leaves the education system having completed only compulsory secondary education: this clearly stands in the way of the development of a knowledge-based society and of closer social cohesion. Given its worse baseline, and since measures adopted in this sphere yield returns mostly over the medium and long term, Spain has set itself a less ambitious – but more realistic – target than the EU-wide objective. In Spain, the target is to lower the ESL rate to 15% by 2012.

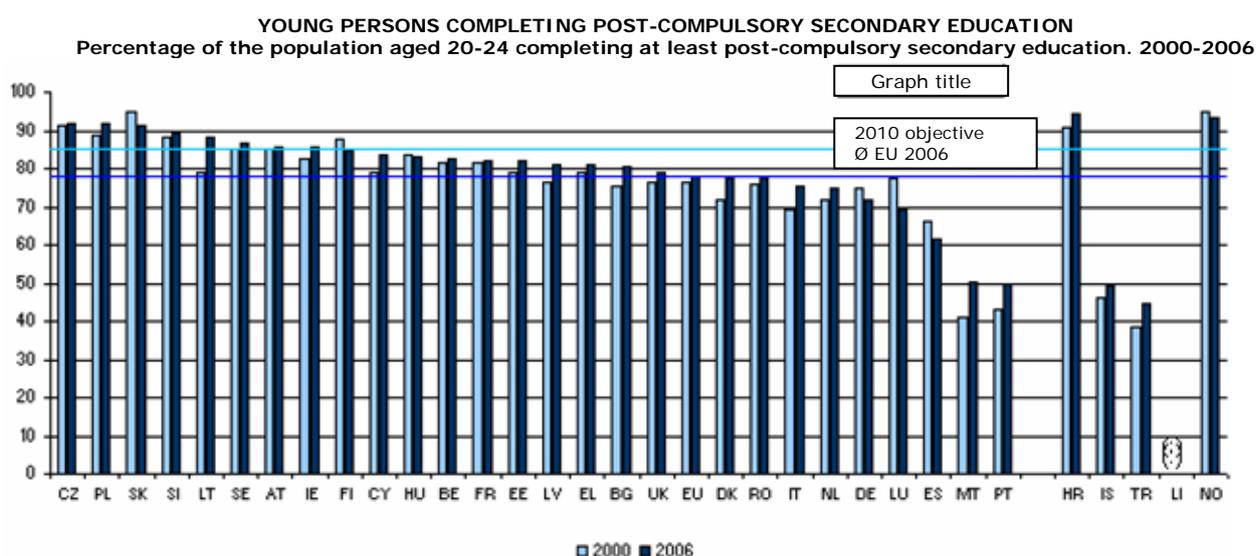


Graph 1. Source: European Commission

- A connected issue is that only 61.1% of the population aged 20 to 24 **has attained post-compulsory secondary education**, as against an EU average of 78.1%. The problem relates to vocational training particularly. The rate of graduation in general academic programmes (Spanish *bachillerato*) in 2005 out of the “total population at the notional age of attainment” (crude rate of graduates) was 44.3% in Spain, compared to an OECD average of 45%.<sup>15</sup> But the rate of graduation in pre-occupational and occupational programmes in 2005 out of the

<sup>15</sup> OECD data also collected by the State System of Education Indicators. 2007 Priorities. The crude graduation rate calculated by the national methodology as regards the concept “technical”, including secondary and tertiary vocational training graduates and visual arts and design graduates, level II occupational modules and FPI and applied arts and artistic professions, makes for a much lower figure for that same year - 16.4%. This datum appears in that same publication.

total population at the notional age of attainment was only 36.4% in Spain, compared to an OECD average of 48%. This datum should be viewed in the light of the fact that the crude graduation rate does not designate the percentage of passes out of total students enrolled, but of graduates out of the entire population at the notional age of attainment of that qualification. In Spain, a major cause of the problem is the small number of students enrolled in occupational programmes at the secondary level (in 2005-2006, there were 640,028 students enrolled in the academic *bachillerato*, as against only 232,149 enrolled in the vocational CFGM).<sup>16</sup>



Graph 2. Source: European Commission

These problems, to be discussed in greater depth later in this paper, constitute one of the main challenges now faced by Spanish education policy. The grants system must engage with this challenge, albeit as only one among a wide complement of different measures.

### 2.1.4 Grants and student aid in the National Reform Programme

The Spanish National Reform Programme stipulates that the grants system must be used to help reduce early school-leaving by encouraging young people to continue into post-compulsory study. This specific goal is thus superadded to the conventional general goal of fair access to education. The goals are related, but there are of course differences between the two.

The latest National Reform Programme Progress Report (2008), setting out the progress made and newly adopted commitments, refers to a specific category of

<sup>16</sup> This is not to say that the number of students enrolled in secondary vocational training should increase at the expense of secondary academic education students. Rather, a proportion of those who would otherwise leave school could find secondary vocational training suited to their interests. Although reference is chiefly made to secondary vocational training (CFGM), Annex IV points out further options.

measures termed “increasing the amount and use of grants and student aid”. This category includes:

- Grants for non-university post-compulsory studies, to encourage students to stay on in the education system and increase their options for education and training.
- Basic grants, to offset adverse socio-economic inequalities.<sup>17</sup>
- Grants for a range of programmes and courses to improve foreign language training.

Grants also figure as measures within other categories:

- Among measures to reduce early school-leaving, grants are intended to enable young people under 24 to leave work so as to continue their studies.
- Among measures towards adaptation to the European Space for Higher Education and in support of student mobility, university grants are increased so as to reach 30% more students and are made “portable”, while loans are extended to university graduates on the basis of expected income.

The effectiveness of these measures within the grants system as a whole is evaluated later in this paper. It is to be noted that the National Reform Programme and its Progress Reports cite no performance indicator that specifically tracks grant-related outcomes.

### **2.1.5 Grants against the background of public spending on education in Spain**

A number of general public spending indicators are discussed below so as to place grants in their budgetary context.<sup>18</sup>

In 2005, **public spending** on education in Spain stood at 4.23% of GDP, below the OECD average of 5.4% and the EU-19 average of 5.3%. As a percentage of GDP, Spain's public spending on education declined from 1995 to 2001, and has since risen, but still remains below the 4.6% mark of 1995. In 2008, the latest estimates predicted a proportion of 4.51%.<sup>19</sup> As shown in the table below, the gap with the OECD and EU-19<sup>20</sup> averages is wider in primary and secondary education than in tertiary education.

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<sup>17</sup> The NRP 2008 Progress Report indicates that this is a new form of grant available to students of initial occupational qualification programmes.

<sup>18</sup> More information on spending efficiency is available in OECD, *Education at a Glance 2008*.

<sup>19</sup> The data should be interpreted in the light of Spain's positive growth differential for the period.

<sup>20</sup> EU-15 plus Hungary, Czech Republic, Poland and Slovakia.

### Public spending on education as a percentage of GDP (1995, 2005)

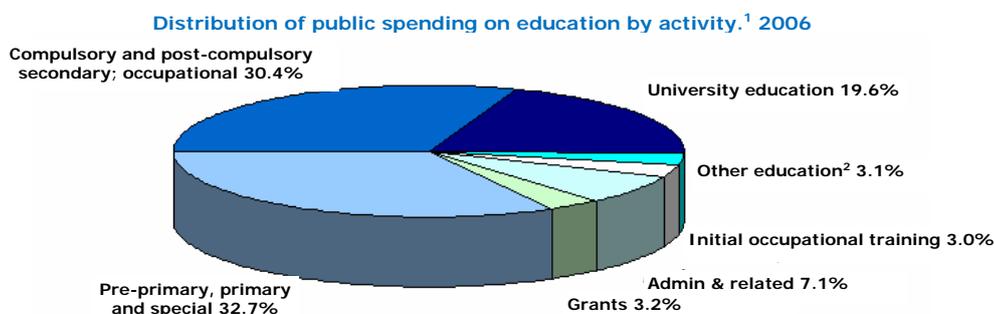
Annual direct public spending on educational institutions and government aid for households (including for maintenance expenses) and to other private recipients, as a percentage of GDP, by country, for all educational levels

	Public spending on education as a percentage of GDP			
	1995	2005		
	All educational levels	All educational levels	Primary, secondary and non-tertiary post-secondary	Tertiary
<b>SPAIN</b>	<b>4.6</b>	<b>4.2</b>	<b>2.8</b>	<b>0.9</b>
OECD	5.3	5.4	3.6	1.3
EU-19	5.3	5.3	3.6	1.3

Table 2. Source: *Education at a Glance*. OECD, 2008. Report on Spain

Performance was better for the **expenditure per student** indicator. Expenditure per student in current prices rose from €2,537 in 1995 to €5,189 in 2005, while as a proportion of GDP per capita the indicator moved from 22.9% in 1997 to 24.8% in 2005. As regards both figures, Spain is very close to the European Union average.<sup>21</sup> These movements are explained by both increasing expenditure and a drop in the number of students for demographic reasons.

The following graph of the distribution of education spending by activity reveals that in 2006 **grants** accounted for only 3.2% of the aggregate.



Graph 3. Source: *Datos y Cifras. Curso escolar 2008/2009*. MEPSYD

Although this percentage is lower than the 5.6% of public spending on education allocated in 2005 by EU-15 countries (5.9% for EU-27) to student financial aid<sup>22</sup>, the following must be borne in mind:

- The figures also include student loans, which Spain introduced as late as 2007 and for master's degrees only.

<sup>21</sup> State System of Education Indicators. 2007 Priorities. MEPSYD. EU-27 data, having regard to purchasing power parity in comparison of euro expenditure.

<sup>22</sup> Eurostat data. The comparable percentage for Spain in 2005 in those same statistics is 3%.

- The Spanish education funding model is distinctive for heavily subsidizing costs. Tuition fees are accordingly relatively low when compared to international averages.<sup>23</sup>

Leaving to one side the general question of how much a government must spend on education, the specific issue of the role of grants in an education budget ties in with a wider debate on how best to fund education. In Spain, grants are accorded only a small role, but that role has been growing consistently in the past few years, as will be set out in more detail later in this paper.

## **2.2 THE STRUCTURE AND IMPLEMENTATION OF THE SPANISH GRANTS SYSTEM**

### **2.2.1 Legal framework**

Article 27 of the **Spanish Constitution** provides that "all are entitled to education", and that "the public authorities assure the entitlement of all to education by means of a general programming that effectively involves all the sectors concerned and creates centres of learning."

The Education **Act 2006**, and the **Ley Orgánica 6/2001, de Universidades** [Universities Act 2001], as amended by the **Ley Orgánica 4/2007**, command the state to create, using funds appropriated from the national budget, a general system of grants and student aid, so that all persons, regardless of their place of residence, may exercise their right to education on an equal footing.<sup>24</sup>

The regulatory framework implementing the Education Act 2006 as regards the subject matter here evaluated is the province of **Real Decreto 1721/2007** [Royal Decree 1721/2007], which enacted the regime of individual grants and student aid. The Royal Decree covers both those grants regulated in basic form by the national government and implemented by the devolved regions, and those controlled by the national government alone.<sup>25</sup>

The Royal Decree modifies the former centrally managed regime, and makes basic provision for the parameters needed to assure equality in access to grants and student aid, without detriment to the regulatory and executive powers of the devolved regions.

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<sup>23</sup> See OECD. *Education at a Glance 2008*.

<sup>24</sup> Also relevant is the **Ley 38/2003, de 17 de noviembre, General de Subvenciones** [Subsidies Act 2003].

<sup>25</sup> Territory-linked grants and student aid are those funded out of credits appropriated to the *Grants and student aid programme* of the national budget. Their basic rules are set by the national government, in accordance with article 45 of the Universities Act 2001, as amended by the **Ley Orgánica 4/2007** and the Education Act 2006. Non-territory-linked grants and student aid are those awarded to persons intending to undertake study in a devolved region other than that of her family household, to students of the national distance education university (UNED) and of the distance education research and development centre (CIDED), to students resident in Ceuta, Melilla or studying at Spanish institutions overseas. Such grants are funded out of credits appropriated to the *Grants and student aid programme* of the national budget. The amagement and ward of such grants is in the hands of the national government.

The Royal Decree sets forth the general rules on both regionally and nationally managed grants, on the various kinds of grant, and on means-testing for grant eligibility – for which purpose the statutory instrument specifies who counts as a household member, the amount, composition and deductions from household income that apply for eligibility purposes, and the effects of family property. The enactment further specifies the academic requirements of grant eligibility in the various fields of study, sets the principles and terms of revocation and repayment, and prescribes the incompatibility of grants with other forms of state aid. Finally, as part of the regime of regionally managed grants, the Royal Decree distinguishes between grants declared for a specified number of beneficiaries and grants not subject to any such constraint.

Since some of the key parameters provided for in Royal Decree 1721/2007 are quantitative, they must be regularly updated so as not to fall out of step with present needs or with the strong growth of this budget item. The national government is accordingly given powers to set these variable parameters anew for each academic year. For the 2008-2009 academic year, those quantitative parameters are fixed in **Royal Decree 675/2008**, setting household income and property **ceilings** and the **amounts** of grants and student aid managed by MEPSYD.

In addition, Royal Decree 1183/2008, which makes provision for the organizational structure of **MCINN**, the Spanish **ministry of science and innovation**, establishes that from academic year 2009-2010 onwards it will fall to MCINN to manage grants and student aid aimed specifically at university education. The science ministry's grant-related powers was so far confined to aid for training, educational mobility, and knowledge extension and updating at the postgraduate and postdoctoral levels and for university teaching and research staff; the rest of university and non-university grants all fell within the remit of MEPSYD, the education ministry.

### **2.2.2 The devolved regions' new grant-related powers**

While the Spanish education system is highly decentralized, the overall direction and basic regulation of the grants system rests with the national government, in accordance with its prime purpose of supporting fair access to education. However, the devolved regions do have powers in the regulatory implementation and executive management of grants.

At first, the only devolved region with grant-related powers was the Basque Country. This region alone ran its own grants policy, subject to the generally applicable requirements and minima prescribed by the national government. However, in the wake of Spanish constitutional court decisions 188/2001 and 212/2005, the former centralized regime of individual grants and student aid fell to be brought into line with the principles of distribution of powers therein laid down. This adaptation was accordingly brought about by Royal Decree 1721/2007.

The new enactment gave the devolved regions powers to issue implementing regulations on grants and student aid, and to request applications for, administer, dispose of, award, pay out and hear appeals on grants.

In addition, the national government entered into an agreement with the Generalitat of Catalonia that enables the Generalitat, as regards beneficiaries resident in Catalonia, to manage, award and pay out nationally funded grants and student aid.

But, decentralization notwithstanding, the Education Act 2006 provides that the general system of grants and student aid must enable all persons, regardless of their place of residence, to exercise their right to education on an equal footing. In order to articulate an effective mechanism of monitoring and control of awarded grants, therefore, the necessary reporting, coordination and cooperation procedures should be put in place as among the different education authorities.

### 2.2.3 Latest reforms

The relevant statutes, though enacted recently, have made no major reforms to a grants system that remains broadly unchanged since 1983. There are, however, a few significant new features. **Any person satisfying the requirements set out in the official request for applications for a grant** is now given an absolute entitlement to be awarded such grant.<sup>26</sup> In addition, as already pointed out above, a devolved **region** may seek to have powers devolved to it **to manage the grants system** within its territory.<sup>27</sup>

For the period 2004 to 2008, the main new measures can be classified as follows:<sup>28</sup>

1. New types of grants and student aid have been created in line with new needs and changes in the education system. For instance, in response to a widely felt need in Spanish society, more aid is now provided in the form of free school textbooks. On the other hand, aid for the latter stage of pre-primary education has gradually been scaled back, and was suppressed entirely for the school year 2007-2008, insofar as that level of education has been given direct funding so as to be provided free.

Other changes include the reforms incidental to Spain's joining the European Space for Higher Education (ESHE), and the reforms attending the need to improve young people's command of foreign languages, English in particular.

2. Qualitative measures have been introduced the better to meet students' needs. Two actions deserve mention here. First, some of the requirements formerly regarded as high-priority for compensatory aid eligibility have now been dropped: in short, compensatory aid is now conditional on household income alone. Secondly, an applicant satisfying the requirements of an official request for applications for a

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<sup>26</sup> Additional provision 9 of the *Ley 24/2005, de 18 de noviembre, para el Impulso a la productividad* [Productivity Act 2005] prescribed that grants and aid not restricted to a set number of beneficiaries be awarded direct. They were formerly paid out under a competitive scheme until the available budget ran out. Whether or not one was awarded a grant was hence often dependent on the number of competing applicants. However, now that grant award is assured by an absolute entitlement, if a person satisfies the requirements then laid down by law, he is certain to be awarded a grant.

<sup>27</sup> To comply with the Constitutional Court decisions mentioned earlier.

<sup>28</sup> For further detail, see Tiana, *La Política de becas del Estado: un balance del periodo 2004-2008. Presupuesto y Gasto Público 50/2008*.

general grant or an educational mobility grant now enjoys a statutory entitlement to it; so an applicant passing the means test cannot now be denied a grant on the ground that the allocated budget has run out.

3. Steps have been taken to raise the amount of grants. In quantitative terms, recent years have seen a sustained rise in the amount of grants and student aid, and in the household income and property ceilings that apply for means-testing. The goal of these quantitative improvements is that a larger number of students should benefit from the grants system.

Average rise in grant amounts and means-testing ceilings stipulated in requests for grant applications. 2004-2008

Academic year	Year-on-year increase in average grant amount	Year-on-year increase in average means-test ceilings
2004-2005	7%	3%
2005-2006	4%	5%
2006-2007	3%	6,5%
2007-2008	5%	13,5%

Table 3. Source: Tiana, *La Política de becas del Estado: un balance del periodo 2004-2008*<sup>29</sup>

4. Changes have been made to the grants system to make it more effective and to fit it in with the distribution of devolved powers in education. The highlight here is that grant payout dates have been brought forward.

Finally, in 2008 MEPSYD has announced that the national budget is to allocate €1.28 billion to grants and student aid in 2009. Of that amount, €647 million will go to non-university grants.<sup>30</sup>

#### 2.2.4 Overview of the grants system

The nationally funded grants system now in force in Spain offers various forms of grants and student aid. The main types are:<sup>31</sup>

- grants for post-compulsory study;
- aid for *Programas de Cualificación Profesional Inicial* [initial vocational qualification programmes] and preparation courses for vocational training and university entrance examinations;
- aid for students with special educational needs;
- aid for buying textbooks in compulsory education;

<sup>29</sup> See previous note.

<sup>30</sup> Both references at [www.mepsyd.es](http://www.mepsyd.es).

<sup>31</sup> Aid for the latter stage of pre-primary education was suppressed entirely for the school year 2007-2008, insofar as that level of education has gradually been given direct funding so as to be provided free. Large families (three children and above) are entitled to aid in the form of university tuition waivers. This exemption does not fit the updated concept of grant or student aid, however. The ministry of science and innovation, MCINN, manages a range of other national grants, such as those for research staff and university teaching staff, which are geared toward research and development.

- assistantships, whereby as a condition of a grant a student in her final year at university must provide assistance in a university department;
- aid for foreign language learning;
- Seneca mobility and residence grants, aimed at university students desiring to earn some of the credit towards their degree at a university other than their own;
- Erasmus grants, aimed at university and tertiary vocational training students desiring to spend a semester or academic year at a university in another European country.

Other education authorities also award grants and aid. In the academic year 2005-2006, MEPSYD grants accounted for 74% of the aggregate value of grants and student aid awarded by all Spanish education authorities combined.

From 2000-2001 to 2005-2006, the number of grant recipients and the value of grants and student aid awarded by all Spanish education authorities developed as follows:

Grants and student aid awarded by all Spanish education authorities†								
Courses	Grant recipients				Amount (€ thousands)			
	Total	Compulsory, pre-primary, and special	Non-uni post-compulsory	University	Total	Compulsory, pre-primary, and special	Non-uni post-compulsory	University
2000-2001	1.574.059	1.101.565	208.758	263.736	771.822	162.305	146.378	460.139
2001-2002	1.758.780	1.275.895	220.600	262.285	831.496	185.079	159.638	497.369
2002-2003	1.941.725	1.492.281	209.335	240.109	855.097	217.191	159.334	498.561
2003-2004	2.122.888	1.675.224	208.940	238.724	917.291	262.752	161.467	493.071
2004-2005	2.249.225	1.797.197	210.686	241.342	1.015.884	272.822	191.132	548.940
2005-2006	2.561.520	1.090.785	212.436	258.299	1.119.389	346.350	193.505	578.533

†Not including aid in the form of tuition waivers for households with 3 children and above, or textbook lending schemes.

Source: Grants and student aid statistics. Statistical office. Technical secretariat general. MEPSYD

Table 4. Source: *Datos y Cifras. Curso escolar 2008/2009*. MEPSYD

In addition, academic year 2007-2008 saw the launch of 'income loans' for taking postgraduate master's degrees in any country of the European Space for Higher Education, the United States or Canada.<sup>32</sup> The loans are interest-free, and the terms of repayment are tied to the beneficiary's future income.

This evaluation will focus on grants for post-compulsory study. These grants are aimed at persons who are currently in, or intend to take up, post-compulsory secondary education (*bachillerato*), post-compulsory or tertiary vocational training, training in the arts, languages or sports, or university studies.<sup>33</sup> The grants are awarded subject to means-testing and to a range of academic requirements specific to the education or training in question. There are two classes of award procedure: 'general' grants, for applicants intending to study within their devolved region of residence, and mobility grants, for applicants intending to move to another devolved

<sup>32</sup> These last two countries were included from the second award procedure onwards. These loans are compatible with grants.

<sup>33</sup> University studies attracting grant funding may lead to the degrees of *grado* [bachelor's degree], *licenciado*, *ingeniero*, *arquitecto*, *diplomado*, *maestro*, *ingeniero técnico*, *arquitecto técnico*, officially recognized master's degrees, qualifications in the arts and other higher learning certificates.



region. The grants awarded by each procedure comprises a different selection of components, such as travel costs, costs of living away from the family home, books and materials, university or non-university tuition fees if the student is to enrol with an institution not maintained by public funds, and, for lower-income households,<sup>34</sup> compensatory aid designed to make up for the loss of earnings attendant on continued education. The grants under each procedure are also of different amount, and subject to different income and property ceilings. This evaluation will also examine the general range of grants and student aid now available, or being considered, to help reduce early school-leaving.<sup>35</sup>

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<sup>34</sup> See Annex I for more detail on beneficiary requirements, components, means-testing ceilings and amounts for these grants.

<sup>35</sup> For instance, aid for Initial Occupational Qualification Programmes, which came into force in 2007-2008, for the purpose of offering students aged 16 and above who have not attained compulsory secondary education the opportunity of completing their training in technical and occupational fields, thus bringing them a qualification that supports their finding a job.

### **3. EVALUATIVE APPROACH AND ANALYSIS**

#### **3.1 EVALUATION METHODOLOGY: AIMS AND TOOLS**

In accordance with the brief given by the Council of Ministers, this evaluation sets out to answer the following questions:<sup>36</sup>

- 1) To what extent is the grants system fulfilling its main purpose of safeguarding fair access to education?
  
- 2) To what extent is the grants system contributing, or capable of contributing, to the attainment of another key goal of education policy, the reduction of early school-leaving, as part of the overarching objective of increasing and enhancing human capital?

These questions have been addressed in terms of the following criteria:

- Coverage: Are grants reaching the target population?
- Relevance: Are grants an appropriate instrument to achieve the intended goals, fair access and reduction of ESL?
- Effectiveness: Are grants achieving their intended purposes?
- Coherence: Are grants properly designed to achieve their purposes?
- Contextual actions: What other measures should be considered in order to attain the best possible outcomes?

In order to evaluate the grants system by these criteria, achievement of the goal of fair access to education has been evaluated on the basis of outcomes, whereas the potential role of grants in the reduction of early school-leaving has been evaluated on the basis of suitability of design.

The evaluation takes a twofold approach – theoretical on one hand, practical on the other. Academic research has been reviewed in conjunction with studies on policy and on national and Community law, with a view to providing solid grounds for policy decision-making.

Taking an integrated approach, this paper views the grants system as a component of the education system, and as an instrument serving the wider strategies of education policy, helping to increase enhance human capital.

The tools used range over a combination of techniques, such as reviewing documentary sources (relevant law and literature), processing survey data – mainly the Survey on Living Conditions [Spanish “ECV”], and the Survey on Education and Training Transition and Labour Market Entry [Spanish “ETEFIL”] – and secondary sources such as statistics produced by MEPSYD, Eurostat, the OECD and others, benchmarking with respect to other countries, analyzing the features of the Finnish education system and reviewing the experiences of the Netherlands, the United Kingdom and Sweden in a specific paper, developing probabilistic models (a specific

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<sup>36</sup> Annex II include a matrix of more detailed questions to which answers have been attempted.

paper was commissioned from a university researcher specializing in education system funding), conducting interviews, and organizing a panel of experts. An attempt was made suitably to capture the viewpoints of all stakeholders in some way connected with the grants system by conducting individual interviews with education experts, other stakeholders, and grant managers at MEPSYD, MCINN and the devolved regions.

To arrive at a final diagnosis of the Spanish grants system, a discussion forum was created with education experts and representatives of the key institutions. The annex to this paper provides further details on the methodology and sources used.

### **Evaluation team**

This evaluation has been conducted by Inés Pérez-Durántez Bayona, who acted as evaluation project leader, and Marisa Merino, a specialist evaluator, with the assistance of Xavier Fontcuberta, an intern at the Agency, and of María Cruz del Cerro and Rafael Pinilla, Agency evaluators.

## **3.2 DIAGNOSIS OF THE GRANTS SYSTEM AS REGARDS FAIR ACCESS TO EDUCATION**

The Education Act 2006 recognizes the right of socio-economically disadvantaged students to obtain grants and student aid so as to safeguard equality among all citizens in the exercise of the right to education. So statute law determines that the essential purpose of grants is to assure fair access to education. How well is the grants system currently performing this role?

To answer that question, this report will now examine the sufficiency of grants and how they are distributed by educational level. A point to be noted here will be the extent to which the system reaches the target group – socio-economically disadvantaged students. An inquiry will be made into the question whether grants in their present form are the best way to address the various issues that may be restricting this group's access to education, or whether alternative measures might be more suitable. Finally, consideration will be given to the issues surrounding the devolved regions' newly assumed role in grant management.

### **3.2.1 Grant sufficiency. Distribution of grants by educational level**

The **total value** of grants and student aid awarded in academic year 2005-2006 by all Spanish education authorities combined, as seen above, was €1,118,839,000<sup>37</sup>. The grants budget has risen considerably in recent years in both nominal and real terms.

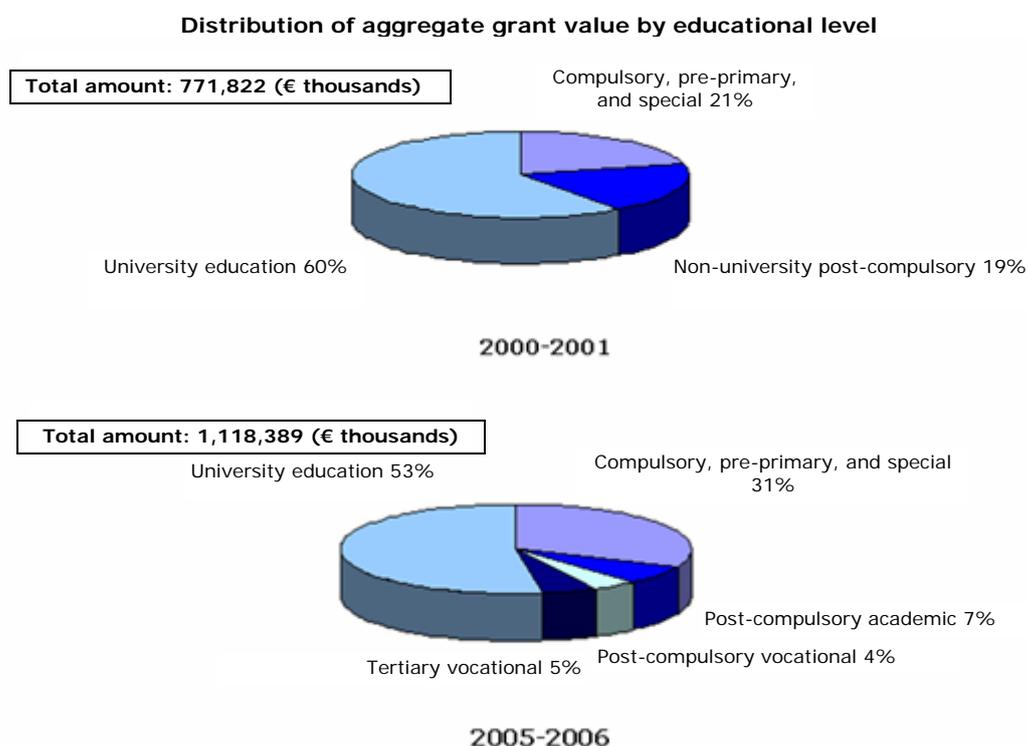
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<sup>37</sup> Last year in which data were available for all education authorities.

Nevertheless, Spain's expenditure on educational grants is still low compared with most other OECD countries.<sup>38</sup> In 2005, Spain allocated 3% of total public spending on education to student financial support, as against an EU-15 average of 5.6%.<sup>39</sup>

The **proportion of grant recipients to total enrolled students** has increased strongly, from 17% in academic year 2000-2001 to 27% in academic year 2005-2006. It is to be noted, however, that this increase in the proportion of grant recipients is partly an artefact of the increase in the number of smaller awards: the average grant value throughout the system declined from €490 in 2000-2001 to €437 in 2005-2006.<sup>40</sup>

As to **distribution of the aggregate value of grants by educational level**, university education attracts the largest amount, followed by the set comprising compulsory, pre-primary and special education. But, as the following graphs show, the trend is for distribution to shift in the direction of pre-university levels.



Graph 4. Source: Prepared by the authors on the basis of MEPSYD data.

<sup>38</sup> International comparisons must be viewed against the background of the fact that the funding model for education differs widely from one country to another. For instance, Spanish students are called on to pay a much smaller proportion of university tuition fees than do students in most OECD countries.

<sup>39</sup> These data also include loans.

<sup>40</sup> Calculated on the basis of MEPSYD data.

The **proportion of grant recipients and the average value of a grant** in academic years 2002-2003<sup>41</sup> and 2005-2006, for all Spanish education authorities, by educational level, developed as follows:

2002-03	Compulsory, pre-primary, special	Post-compulsory vocational	Post-compulsory secondary academic	Post-compulsory vocational	University
Percent grant recipients	26%	17%	13%	21%	16%
Average grant value	146	732	619	989	2035

2005-06	Compulsory, pre-primary, special	Post-compulsory vocational	Post-compulsory secondary academic	Post-compulsory vocational	University
Percent grant recipients	36%	17%	15%	21%	18%
Average grant value	166	1003	819	1273	2240

Table 5. Source: Prepared by the authors on the basis of MEPSYD data. Average nominal value

Marked improvement is visible in the proportion of grant recipients in compulsory, pre-primary and special education (major items being subsidized textbooks in compulsory education and aid for special-needs education). Elsewhere, the proportion remains the same (vocational training) or improves slightly (post-compulsory secondary academic – *bachillerato* – and university).

Average grant values in real terms<sup>42</sup> rose the most in post-compulsory secondary education (both vocational and academic) and in tertiary vocational education (26.8%, 22.1% and 18.5%, respectively). Average real grant values grew 3.4% in compulsory, pre-primary and special education, whereas in university education the average grant remained virtually constant in real terms.

These figures suggest that, in order to foster educational inclusion at the point where compulsory education breaks off, it is a priority to continue increasing the grant and aid effort targeting disadvantaged groups in post-compulsory secondary education. This argument gains further credence if regard is had to early school-leaving, because the phenomenon hits hardest at the post-compulsory secondary education stage, and the percentage of persons completing this level is well below the European average. On the other hand, as widely practised in most OECD countries, funds directed at higher education could be rounded out with soft loans. These questions will be considered in more depth later in this report.

<sup>41</sup> First academic year for which directly comparable data are publicly available.

<sup>42</sup> Based in annual CPI data for 2003 and 2006, which rose over the period by 10.25% (Spanish national statistical institute, INE).

### 3.2.2 Grants system coverage

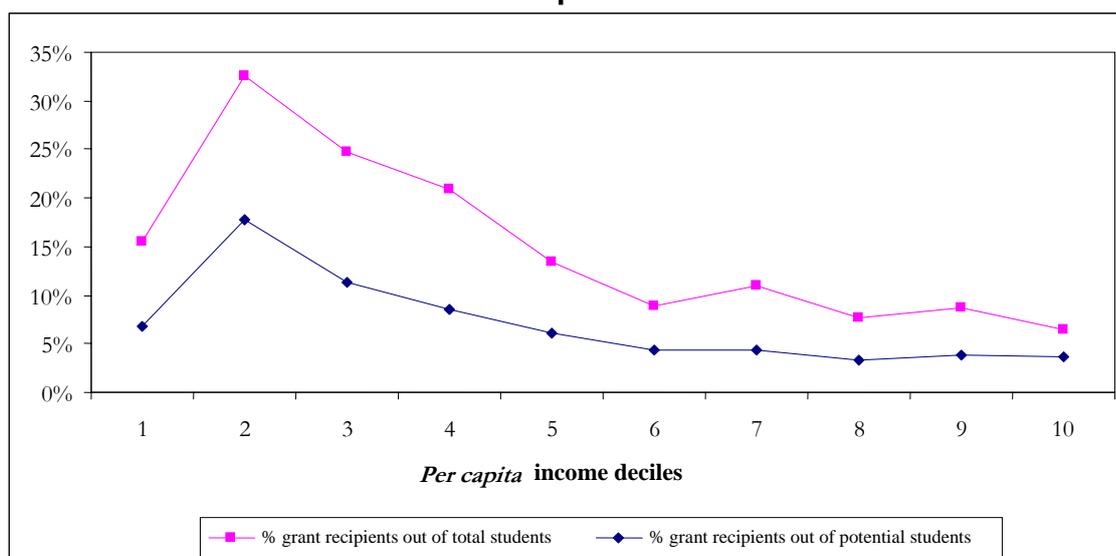
Are grants reaching the people who need such support to continue in education?

This question will be addressed here from the standpoints of law and of effectiveness of coverage of the target population.

Review of the Survey on Living Conditions 2006 suggests, based on a probit model of the probability of being in receipt of a grant, that the legal requirements specified in the terms and conditions of grant award procedures are complied with.<sup>43</sup>

However, review of those data also prompts doubt as to whether grants are consistently reaching the groups defined as the target population. In particular, **the results suggest that grants are not reaching a considerable proportion of the population in the lowest income bands.** The following graph discloses that, in the lowest income decile, the percentage of students and potential students in receipt of grants is lower than might be expected.<sup>44</sup>

#### Percentage of grant recipients in post-compulsory secondary and tertiary education out of all students and potential students



Graph 5. Source: Study by M Gil, based on ECV 2006 data.

The problem is visible in both tertiary and post-compulsory secondary education, although sample size difficulties preclude suitably representative results at a finer level of detail.

<sup>43</sup> See Annex III for further details of the study.

<sup>44</sup> The greater percentage of grant recipients in the second decile as compared to the first decile is not accounted for by any substantially greater number of students (more students, more grant recipients) in that decile. The first decile in fact encompasses 7% of all students, while the second decile contains 10.4%.

A more accurate picture of the causes of this predicament could be gained from processing grant recipient records held at MEPSYD. That information has not been available for the writing of this report. Accordingly, only tentative theories can be advanced as to why some students whose low income would in the normal course of events attract grant entitlement are not in fact receiving awards. The following hypotheses will later be discussed in more detail:

- **Grants are too small for low-income students.** Leaving school to get a job may be a more attractive or an unavoidable option. Continued study would be subject to the necessity of fitting studies around work.
- **The academic requirements are too stringent.** The socio-economic environment of a low-income student, or the need to make studies compatible with work, might stand in the way of satisfying the academic requirements (usually, completing the academic year with an overall pass, for post-compulsory secondary education; passing 80% of modules enrolled for (a minimum of 500 teaching hours) for tertiary vocational training; and 80% of credit enrolled for at university level – 60% for technical degrees – enrolment for 60 credits being the permissible floor).
- **Deficient information.** Unawareness of grant availability may explain some cases at the post-compulsory secondary education level, but it appears unlikely to be a major factor at the university level.

The above graph also reveals that some grant recipients are in the higher income deciles. This may reflect the fact that some awards, such as disability and Erasmus grants, are not means-tested. But the reason may be a certain prevalence of fraud.<sup>45</sup> Again, a more precise characterization of this higher-income group may be forthcoming from suitable use of MEPSYD's grant recipient records. In any event, the general impression among interviewees **is that fraud** has declined considerably since the expedient was introduced of checking means-test statements against data held by the tax authority. Any remaining grant fraud, on this view, is marginal, reflecting only such part of the population as commits tax fraud undetected by the authorities and, in addition, applies for education grants.

Review of the available data suggests that grants are not reaching a proportion of the population in the lowest income bands that rightfully lie within the target group. Tentative explanations include the possibility that grants are too small for low-income students, that the academic requirements are too stringent, or that potential applicants are unaware of the grants available to them. It would be necessary to examine the grant recipient records held by MEPSYD in order to arrive at more definite conclusions.

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<sup>45</sup> Insofar as the percentage of grant recipients out of total students in income deciles 9 and 10 is close to 10%.

### **3.2.3 Coherent design of the grants system towards enabling disadvantaged groups to access post-compulsory education**

Is the grants system internally consistent with its purpose of safeguarding fair access to education? In particular, to what extent might the design of the system explain the fact that grants are not reaching a proportion of the target population?

As seen above, grants are structured into a range of components that cover the various costs of education; and grant eligibility is subject to means-testing and to certain academic requirements.

To evaluate the appropriateness of grant amounts, means-testing ceilings and academic requirements, it is essential to have at hand **a way** to monitor the characteristics of grant recipients and track their subsequent educational development. Some of this information is now available to MEPSYD in the raw, but the data are unprocessed and are not being used to appraise the extent to which the purposes of the grants system are served by actual grant outcomes. The standard of monitoring of results falls far below the standard of control exerted beforehand as regards grant eligibility.

In attempt to make up for this limitation, recourse was had to data provided by a number of surveys, chiefly the Survey on Living Conditions [Spanish "ECV"] 2006, and the Survey on Education and Training Transition and Labour Market Entry [Spanish "ETEFIL"] 2005. These sources, it is emphasized, are no substitute for the explanatory value to be got from direct use of grant recipient records.

In particular, an inquiry was pursued as to why grants are not reaching a part of the target group, with reference to two types of individual:

- individuals who, though eligible for a grant by reason of low income, have decided not to continue in education, and therefore do not apply;
- individuals who are eligible for a grant by reason of low income but are not in receipt of one, despite continuing in education.

The first group – **individuals who have left education** – can be further divided into two sub-groups:

- Individuals whose leaving education satisfies the definition of "early school-leaving", ie, they leave school without attaining post-compulsory secondary education. This is of course one of the main, or perhaps *the* main, problem faced by education policy today.

- Individuals who have completed post-compulsory secondary education and do not continue their studies. Here, again, two sub-divisions can be made:<sup>46</sup>
  - o Individuals who have completed post-compulsory secondary vocational training – *CFGM*. Most leave education because they intend to seek work (20.8%), have already found work (41.5%) or have attained their desired level of education (21%).
  - o Individuals who have completed post-compulsory secondary academic education. The reasons given for discontinuing education are in this case more widely varied, a highlight being that 50% report “changes in personal or family situation”.<sup>47</sup>

Motivating people to continue in education beyond post-compulsory secondary school calls for sensitivity to the differences in the particular reasons for leaving study. In addition, ETEFIL provides interesting data on other distinctive traits that may serve as a guide to framing appropriate measures. Given the time constraints on this evaluation, this report simply mentions these issues before focusing on the narrower ambit of early school-leaving, to be dealt with specifically in the following chapter. As regards the issue raised here, grants are not, nor, as shown later in this paper, have they been designed to be, the main instrument to address this problem; however, they could be made to play a major role.

As to the second group, **individuals in education and eligible by reason of income for a grant, but not in receipt of a grant**, it is first to be noted that these individuals were reported as being in education at the time of the survey, but it is not known whether, given those circumstances, they manage to complete their studies or not. It would be necessary to analyze grant recipient records and improve follow-up in order to ascertain how many people who at some stage receive a grant subsequently lose it, and whether such people complete their studies or not. This datum would be of value for appraisal of the grants system’s performance, even leaving aside the matter of such grants finding justification in the greater economic effort made by those individuals as compared to higher-income individuals.

Returning to the hypotheses put forward in the preceding section as to the reasons why such individuals might not be receiving grants, an inquiry is now undertaken into the extent to which this may be the outcome of the way grants are currently designed.

- **Grants are too small for low-income students.** If a grant is too small to cover living costs while studying, the grant recipient may have to fit her studies around a job. This in turn may detract from her academic performance. Given this predicament, the options are two: either increase the value of the grant, so that the recipient can devote herself to full-time study; or tie the grant award to less stringent academic and time-frame

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<sup>46</sup> ETEFIL data. Data relate to individuals attaining those educational levels in 2001 and leaving study from 2001 to 2005, without attaining subsequent qualifications.

<sup>47</sup> “Changes in personal or family situation” is the only response option in the ETEFIL survey that refers to external constraints.

requirements, so that the beneficiary can balance study with work, if she so wishes.

- **Academic requirements.** If present academic requirements are too stringent or inflexible, such that a grant is denied to someone who might complete his studies with grant support but not otherwise, this may constitute inefficient use of public funds. The available data on the academic performance of all students (both grant recipients and the rest) are suggestive of the standard of additional effort over the average performance that might reasonably be demanded of grant recipients:
  - o Among grant recipients undertaking post-compulsory secondary academic education (*bachillerato*), 76.5% pass the first year and 72.5% pass the second year.<sup>48</sup>
  - o At university, the proportion of successfully earned credits by all students enrolled in public universities in the academic year 2006-2007 out of total credits enrolled for that year was 61.57%. There were wide differences between the various types of degree, ranging from 54.3% in technical degrees to 75.1% in health science degrees.<sup>49</sup> The grant award threshold is successful completion of 80% of credits enrolled for, or 60% in technical degrees.
- **Combining study with work.** Present grant award requirements do not appear to make sufficient allowance for individuals who, owing to low income or for personal reasons, decide to combine study with work. Specific alternatives are in fact available for distance education and adult education. But neither these nor the part-subsidy for non-university tuition fees seem applicable to the more general classes of grant candidate.
- **Deficient information** may be a plausible cause at the post-compulsory secondary education level. The question ought to be considered whether the information could reach the target groups by more direct means (campaigns conducted through schools, more direct web-based information,<sup>50</sup> notices inserted in draft tax return forms, and others).

Follow-up of outcomes is essential to making sure that the various elements of a grant - its amount and its conditions of award especially - function as intended. The proposal is submitted that it is of vital importance to process and improve the data held by MEPSYD, or to have publicly available a certain quantum of anonymized data susceptible of appropriate research. Such follow-up is needed especially in order to find out why grants are not reaching a part of the target group and to evaluate the effectiveness of the grants system in enabling grant recipients to complete their studies.

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<sup>48</sup> MEPSYD data.

<sup>49</sup> Data from CRUE. *La Universidad Española en Cifras* (2008). If the percentage is calculated out of total credits examined, as opposed to credits enrolled for, the rates rise to 76.7% of the total (ranging from 64.6% in technical degrees to 85.4% in health science degrees).

<sup>50</sup> It is interesting to consider the approach to potential students adopted in the United Kingdom, described on the following website: <http://www.direct.gov.uk/en/EducationAndLearning/index.htm>

### **3.2.4 Appropriateness of grants for safeguarding fair access to post-compulsory education**

The above sections looked at the extent to which grants are reaching the target group, and the influence exerted on those outcomes by the way grants are designed. A further step in evaluating whether grants are achieving their purposes is to examine their capacity to influence the decision whether or not to continue in education, and to judge whether in this respect grants are the best instrument.

Grants exert an influence mainly by affording cover for all<sup>51</sup> or some of the direct costs (tuition fees), the indirect costs (travel, materials, living expenses) and the opportunity costs (loss of earnings through choosing study over paid work).

First, consideration should be given to the extent to which an **individual's decision to undertake post-compulsory study** depends on her level of income.

Ample international and Spanish **research** suggests that the greatest influence exerted on that decision is the educational attainment of the individual's parents. That **parental level of educational attainment** is usually related to income level; but a number of papers – and, for Spain in particular, the latest **domestic research** – show that income level is not now a decisive obstacle to undertaking higher education.<sup>52</sup>

This issue was also addressed by a paper commissioned specially for this evaluation.<sup>53</sup> The following factors were found to bear upon the probability of continuance into post-compulsory education: as positive factors, the individual's mother's level of educational attainment, and the individual's being female; as negative factors, the percentage of family members who were jobless, and having siblings under the age of 16. Those negative factors do of course put pressure on household income, but the paper concluded that income in itself was not a significant determinant of demand for post-compulsory secondary education. It did become significant, though still in a minor way, as regards demand for higher education.<sup>54</sup>

These results support the conclusion that the Spanish education system has attained to a high standard of fairness in access to education. The OECD has found that Spain is the OECD country where the highest percentage of manual workers' offspring enters higher education – 40%. In addition, in Spain, the percentage of higher education students whose parents are manual workers is similar to the percentage of manual workers in the population aged 40 to 60.<sup>55</sup>

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<sup>51</sup> The economic effect may also affect students' independence, motivation and self-esteem.

<sup>52</sup> For a review of the latest Spanish research on access to higher education, see De Pablos and Gil (2007) "Análisis de los condicionantes socioeconómicos del acceso a la educación superior", in *Presupuesto y Gasto Público*, 48.

<sup>53</sup> Study by María Gil. See Annex III.

<sup>54</sup> This result may be conditioned by the profile of students in the specific year of the survey.

<sup>55</sup> OCDE. *Education at a Glance 2008*.

So, if income does not now appear to be a key determinant of an individual's decision to continue in education, why might government intervention in the form of grants still be appropriate?

- Grants may be justified on grounds of fairness, looking to the relatively greater **economic effort** demanded of lower-income households, particularly as to the socially desirable acquisition of post-compulsory secondary education.
- Grants may also still be a way to influence the decision to continue one's studies if, **upon weighing up the benefits and costs**, a grant is seen as significantly defraying the costs. But the following points should nonetheless be appreciated:
  - o **Non-financial measures** – including measures calculated to enhance the perceived value of education – may be more effective than grants, or at least supplement them. Making the system more flexible, lending specific, early support to groups at risk of ESL, and encouraging a shift in the socially perceived value of education are some of the instruments now beginning to be used in Spain. Research suggests that they are having an effect on continuance in education.<sup>56</sup>
  - o The power of grants – as presently designed – to influence an individual's decision to continue in education has been severely restricted in recent years by the rising opportunity cost of education. The opportunities in the Spanish labour market for unqualified workers have been highly attractive. Signals proffered by the market may have proved more enticing than the risks, costs and uncertain deferred benefits of continued education. Now that the economic juncture has changed considerably, grants may become more effective, provided that they are adapted so as sufficiently to allow for opportunity costs. This issue will be considered in more depth later in this report.
  - o Other finance-based measures may be effective and lead to fair outcomes. Specifically, in higher education, **grants could be supplemented by soft loans**. Again, this issue will be considered in more detail later on.
- Finally, the concept of fairness that grants are purported to serve should be reconsidered. The Education Act 2006 and the European Commission<sup>57</sup> both use **a broad conception of fairness**, which goes beyond fairness of access to education for lower-income citizens who are willing and able to undertake further study. That conception of fairness extends also to access to outcomes. Therefore, as regards individuals who decide to leave education early, the question of fairness must embrace the keeping within the system of those groups whose academic performance is constrained by socio-economic

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<sup>56</sup> See a review in this regard in the Executive Summary of the early school-leaving paper commissioned by the European Commission from GHK and published in *Revista de Educación*.

<sup>57</sup> See discussion of the fairness concept in the introductory section and notes 4 and 5.

disadvantages with which they are burdened from the outset. This point ties in with the second question which this evaluation is concerned to answer, and discussed specifically later on: to ascertain the role that grants could play with regard to the various population groups that leave school before completing compulsory education or at some point during post-compulsory secondary education.

Given that income now only exerts a minor influence on an individual's decision to continue in education, the role of grants must focus on compensating for greater relative economic effort, offsetting opportunity cost, and the considerations surrounding fairness of outcomes. This opens up a perspective that goes beyond fair access and finds a link with the problem of early school-leaving, itself closely related to baseline socio-economic and cultural disadvantages. And the foregoing is to be considered against the background that the causes of a specific problem may be more effectively dealt with, or necessarily call for, the concurrence of non-grant measures, both financial and otherwise.

### 3.2.5 Soft loans as a supplement to higher education grants

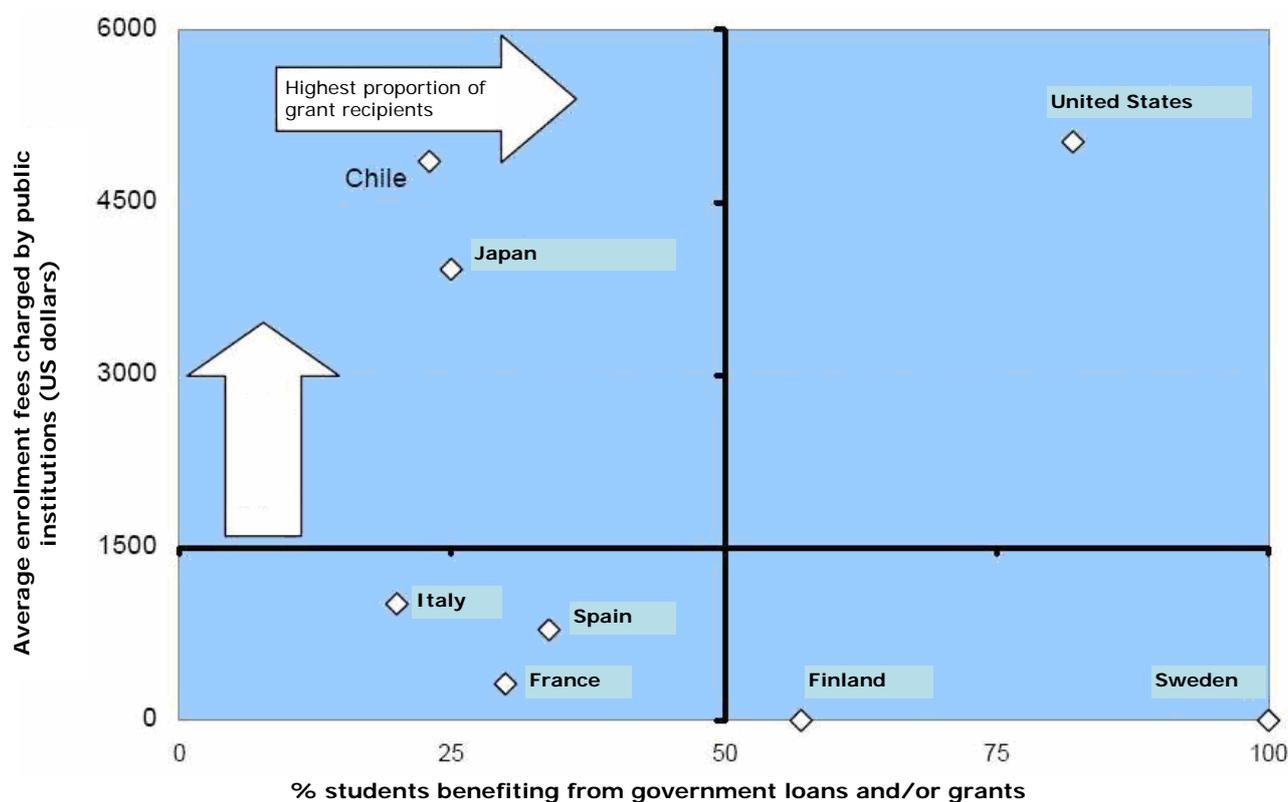
Spain's expenditure on financial support for higher education is still low compared with most other OECD countries. In 2005, it accounted for 0.08% of GDP, as compared with the 0.25% OECD average.<sup>58</sup>

This datum must be viewed in the context of the following two points:

- The **funding model for higher** education differs widely from one country to another. In Spain, most funds go towards subsidizing university fees; a far lesser percentage is allocated to direct support for households. The graph below reveals that, as compared to the various higher education funding patterns practised internationally, in Spain only some university students are in receipt of grant money (34%), but, on the other hand, tuition fees are low – the average annual enrolment fees being \$795 for academic year 2005-2006.

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<sup>58</sup> See OECD. *Education at a Glance 2008*, which provides further information on the kinds of loan being offered in various countries. <http://ocde.p4.siteinternet.com/publications/doifiles/962008041P1G015.xls>



Graph 6. Source: *Education at a Glance*. OECD, 2008. Report on Spain

- In most OECD countries **soft loan funding** is widely prevalent in higher education. As an OECD average, public aid in the form of loans in 2005 accounted for 7.8% of higher education aid, as against 0% in Spain. In this country, loans were introduced only in academic year 2007-2008, confined to master's degrees.

Financial support in the form of loans falls out of a recognition that, although the availability of credit for access to higher education may be restricted, funding higher education on the basis of the existing tax system may have a regressive redistributive effect, insofar as the beneficiary population is or will accede to an income level above the mean of the population ultimately paying for the benefit.<sup>59 60</sup>

In most countries, grant support for lower-income students is not replaced by loans, only supplemented by loans. In addition, loans offer a general funding recourse for students from higher-income households. Loan repayment terms, moreover, often take account of the borrower's economic situation. In Spain, in fact, the 'income loans' recently introduced for master's degrees only begin to fall due once the

<sup>59</sup> A number of studies (Psacharopoulos, OECD, De la Fuente) suggest that the rate of private return to investment in higher education in most developed countries, and in Spain in particular, exceeds the rate of social return.

<sup>60</sup> As to Spain's comparative position in higher education, the gross graduation rate (percentage of individuals graduating at the typical age of graduation) for university education was 33% in 2006, as against an EU average of 35% and an OECD average of 37%. In tertiary vocational training, the rates were 15% for Spain as against 8% for EU-19 and 9% for the OECD.

### 3. EVALUATIVE APPROACH AND ANALYSIS

borrower earns an income of €22,000, and only in a measure proportionate to such income.<sup>61</sup>

The Funding Commission Report issued by the University Coordination Board says in this respect that, "Grant recipients should be given funds to defray the indirect costs of education; and income loans should be used to provide temporary cover for the opportunity cost of earnings forgone by reason of a university student's deferring entry into the world of work."

As **regards international practices**, the **United Kingdom**, for example, offers students a range of different loans. Enrolment fees can be financed by applying for a loan of up to €3,850 in academic year 2007-2008, whereas living costs can be the purpose of a loan of up to €7,916. In the latter instance, any student is eligible for 75% of that ceiling irrespective of his income, whereas the remaining 25% is means-tested with reference to household income.

Loan repayments start to fall due only once a graduate earns in excess of €18,800 per annum. Repayment of the loan is assessed at 9% of income in excess of that threshold; instalments are deducted automatically from the graduate's pay packets. A recent graduate earning €23,000 (the average pay for a new graduate in the UK) accordingly pays down her loan at the rate of €6.65 a week.<sup>62</sup>

In **the Netherlands**, the system of financial support for higher education comprises universal basic grants, supplemental aid for low-income students, grants for other priority groups (such as the brightest students), and loans.

*Amount of monthly aid, academic year 2007-2008, Netherlands*

	Monthly amount living away from place of residence	Monthly amount living in place of residence
<b>Basic grant</b>	255,64 €	91,81 €
<b>Supplemental aid</b>	227,76 €	208,63 €
<b>Loans</b>	407,86 €	407,86 €

*Table 6. Source: IBGROEP, 2008*

Supplemental aid is unrelated to performance and is payable from the outset as a non-returnable grant. The basic grant is tied to performance, however. It starts life as a loan, and becomes a non-returnable grant if the student achieves a licentiate or a master's degree within ten years. The loan converts into a grant automatically

<sup>61</sup> Payable after a grace period of 5 years, over a period of no more than 15 years. Thereafter the debt is extinguished. The interest rate is zero, and the maximum amounts range from €22,800 to €35,800. Grants are held in place, and loans and grants can be combined.

<sup>62</sup> If a former student's income falls below the €18,800 pa threshold, repayments are interrupted until that threshold is again exceeded. If the former student is self-employed, he is responsible for calculating and making repayments. If he lives overseas, he must enter into a repayment agreement with the Student Loans Company. More details at [http://www.direct.gov.uk/en/EducationAndLearning/UniversityAndHigherEducation/StudentFinance/FinanceForNewStudents/DG\\_069896](http://www.direct.gov.uk/en/EducationAndLearning/UniversityAndHigherEducation/StudentFinance/FinanceForNewStudents/DG_069896).

when the student earns a master's degree. If a student does not intend to go on to read for a master's degree, she may elect to convert her loan into a grant on the strength of a *Licenciatura* degree [c 300 ECTS], but thereafter is barred from further education aid. The threshold qualification for converting a loan into a grant is a tertiary vocational training qualification. An OECD report estimates that over 90% of such hybrid grant/loans are converted into non-returnable grants.

The time limit for achieving a tertiary qualification was originally 6 to 7 years, but in 2000 was extended to 10 years the better to accommodate part-time work into the academic year.

Higher education students are eligible for performance-related grants for no more than four years (48 months). Thereafter only the loan system is available.

Conventional student loans (non-convertible into grants) are of two kinds – one for general costs, and another specifically for enrolment fees. A student's access to such loans is subject to his being aged 18 to 30. The loan amount and approval criteria are unrelated to the students' parents' income or to the kind of studies undertaken. Loans are repayable after completion of studies, on favourable terms and interest rates. In 2008, student loans bore interest of 4.7%. The minimum monthly repayment is €45.41; this may be lowered in special cases where the former student is unable to pay.<sup>63</sup>

In Spain, 'income loans' were introduced recently for officially recognized master's degrees only. Grants for master's degrees are still available. But in most OECD countries higher education is funded by hybrid schemes that combine grants – some means-tested, some universal – and loans for which any student may apply. Using loans as a supplement need not undermine grants policy and would allow for increasing the financial support available to address liquidity restrictions in higher education in Spain. Expenditure under this head remains low in comparison to the OECD average. Since the extension of university grants to higher income levels may have regressive redistributive effects, a more suitable instrument may prove to be loans.

### **3.2.6 Commentary on the potential effects on fairness and monitoring of the new distribution of powers**

The newly begun process of decentralizing grants and the devolved regions' assumption of wider powers – albeit within the guidelines laid down by national government – opens a new chapter in grants management. The precedent is the Basque Country. This region was given powers some time ago to run its own grants policy, subject to the generally applicable requirements and minima prescribed by the national government.

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<sup>63</sup> See

[http://www.ib-groep.nl/International\\_visitors/student\\_grant/performance-related\\_grants.asp](http://www.ib-groep.nl/International_visitors/student_grant/performance-related_grants.asp)

The development brings new opportunities for bringing administration closer to citizen concerns. In addition, pilot experiences can be undertaken at lower cost in just a selection of regions: the results can then be evaluated by the rest of regions.

During this new stage, the effects of decentralization in other administrative realms and other spheres of education policy should serve to direct special attention to two special concerns - the upholding of the principle of fairness, and the creation of shared system of monitoring.

As to fairness, Royal Decree 1721/2007 makes provision for the parameters, means-testing conditions and other elements needed to assure equality in access to grants and student aid throughout the country, without detriment to the regulatory and executive powers of the devolved regions.

The Royal Decree allows that some means-test ceilings be stipulated as a range. In that case, MEPSYD funds grants means-tested at the lower bound, and amounts awarded further up within the range are co-funded by MEPSYD and the respective devolved region.<sup>64</sup> Attention will have to be paid to how fairness throughout the country can be kept consistent with the circumstances and policies of the various regions.

The gains made through decentralized management in terms of bringing grants closer to beneficiaries must be coupled with follow-up duties, so as to build a central register enabling more accurate evaluation of results and shared learning from experience.

The decentralization of grants and the devolved regions' assumption of wider powers – within the guidelines laid down by national government – must entail especial vigilance as to the effects on the principle of fairness and as to devolved regions' reporting of data for the purposes of centralized monitoring.

### **3.3 THE GRANTS SYSTEM AND THE REDUCTION OF EARLY SCHOOL-LEAVING**

Early school-leaving has become a key concern of the Lisbon Strategy since its inception in 2000 and its further development in the form of National Reform Programmes set in motion from 2004 onwards. ESL lies at the heart of the 2010<sup>65</sup> Education and Training Programme, and attracts priority attention in all European education systems.

In harmony with the new challenges faced by education and the present context of education policy, this evaluation seeks to ascertain the extent to which grants may help reduce early school-leaving.

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<sup>64</sup> Additional provision 1 of Royal Decree 1721/2007 enacting the regime of individual grants and student aid.

<sup>65</sup> Based on the Report from the Education Council to the European Council "The concrete future objectives of education and training systems", 14 February 2001, in March 2002 the European Council session held in Barcelona adopted a work programme towards those objectives. (DOC 142 dated 14.06.2002)

### **3.3.1 Early School-Leaving**

#### **3.3.1.1 Concepts and approach of European and Spanish policy**

A complex phenomenon, early school-leaving was initially construed in psychological terms as springing from a student's individual shortcomings, such as maladjustment or phobic aversion to school. Later, the issue was dealt as a problem in the educational ambit. The steps taken were intended to reinforce students' cognitive abilities and act on factors affecting their performance, such as the quality and design of curricula, the organizational scheme and atmosphere of schools, student control and discipline, the socially perceived value of education, student-perceived value of education, and so forth. In recent times, many other factors started to be taken into account in relation to social and economic conditions, and heightened interest was shown in building up human capital and on its effects on the production process.

Early school-leaving has attracted a wide range of general research efforts and specific approaches directed at particular aspects, but systematic and rigorous analysis from an integrated standpoint is still scarce. A recent highlight was the *Study on Access to Education and Training, Basic Skills and Early School Leavers* commissioned in 2005 by the European Commission Directorate General for Education and Culture from the consultancy firm GHK. The conclusions of that report have guided many European interventions in the field.<sup>66</sup>

The GHK *Study* lends backing to a number of approaches adopted by many countries and also informing Spanish education policy as framed in the Education Act 2006. Such approaches include:

- Reinforcing pre-primary education. Evidence drawn from multiple countries points to a correlation between receiving pre-primary education and improved school performance, particularly in disadvantaged groups.
- Supporting students at risk of failure through individualized support and aid programmes.
- Introducing flexibility mechanisms fostering return to the system. The availability and ease of returning to the education system for a "second chance" has proved effective in reducing school-leaving in countries where this approach has been attempted, particularly if the obtainment is facilitated of specific certificates.

At the European level, political efforts have intensified and resources have increased towards reduction of early school-leaving. Progress remains very slow, however. As compared to the EU benchmark target for 2010 that the average rate of early school-leavers not exceed 10%, in 2007 the average ESL rate for the EU as a whole was 14.8%, just 2.8 points below the 2000 rate.

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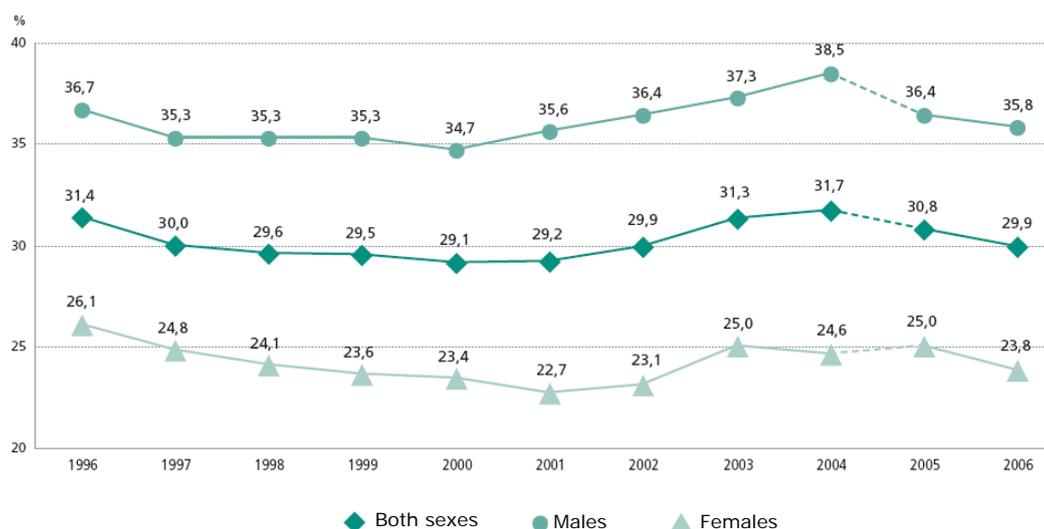
<sup>66</sup> Study on Access to Education and Training, Basic Skills and Early School Leavers (Ref. DG EAC 38/04). The Spanish-language version of the executive summary of that Communication is available in *Revista de Educación*, 341, Sept-Dec 2006.

In view of this, in 2008 European ministers further insisted on measures to step up the fight against school-leaving, including:<sup>67</sup>

- Identifying at-risk students early.
- Reinforcing recently arrived students' proficiency in the language of instruction and in other skills to enable them to catch up with their classmates' standard.
- Encouraging cooperation between parents and teachers.
- Facilitating extracurricular learning activities.
- Improving the continuity of aid in the transition from one school level to the next.
- Supporting "second chance schools".

As seen earlier, Spain's ESL rate remains among the worst in the European Union. The rate has held steady at around 30% since 2000; the figure for male students is especially disheartening.

*Percentage of the population aged 18 to 24 leaving the Spanish education system early, by sex, over time*



Graph 7. Source: Instituto de Evaluación. MEPSYD

In the past few years, the approach to this issue has been brought within the framework of the Lisbon Strategy, and the targets and benchmarks for the Spanish education system have been addressed in alignment with those agreed on by the countries of the European Union for 2010.

In the awareness that reducing early school-leaving calls for a combined effort of the national government and the devolved regions, one of the latest actions has been the Conferencia Sectorial de Educación held on 20 November 2008. The conference adopted a *Plan para reducir el Abandono Escolar* [School-Leaving Reduction Plan], aiming to reduce ESL by a half by 2012. Comprising a set of twelve measures, the

<sup>67</sup> COM (2008) 425 Final, Brussels, 3 July 2008. *Improving competences for the 21st Century: An Agenda for European Cooperation on Schools*

Plan will command a budget of €121 million in 2009. The measures decided on include: reinforcing initial occupational qualification programmes; assuring a sufficient offer of places in post-compulsory secondary vocational training, visual arts, design and sports; strengthen educational reinforcement programmes such as PROAs; promoting guidance and follow-up departments for young people both at school and with reference to those who have already left the education system; providing teachers with more supporting resources; encouraging closer involvement by parents; and generally fomenting a change in educational and labour-related culture such as to raise the perceived value of education.<sup>68</sup>

### 3.3.1.2 The ESL indicator and the various target groups

Early school-leaving has multiple definitions. For the purposes of this evaluation, the Eurostat definition and indicator will apply:

“Percentage of the population aged 18-24 with at most lower secondary education (ISCED 0, 1 and 2) and not in further education or training.”

This definition embraces a broad age range, from 18 to 24 years, to focus on persons outside the education system who are regarded as not having attained the qualifications best suited to their personal and occupational development.

It is to be borne in mind, however, that the problem as a whole will prove intractable unless due regard is had to persons still in education, and to the critical junctures at each educational level. Most government interventions, in fact, and most early school-leaving research, target students who are still within the system, with a view to prevent school-leaving at the various levels.

This evaluation accordingly contemplates two meta-populations within the population of persons without post-compulsory education:

- Students still within the education system who are at risk of early school-leaving. Though not computed by the ESL rate, these persons are the target of most ESL-related interventions. This – the population regarded by the standard literature as “at-risk students” – has been the subject-matter of the classic papers on education.

The aim is that the highest possible proportion successfully complete and qualify from the given educational level. Interventions in support of this objective are calculated to keep such persons within the system by shoring up their aptitudes vis à vis curricular requirements and reviving their desire to learn. This is the line followed by personal reinforcement and support programmes.

The question whether this population ought to attract grant funding lies wholly within the ambit of the education system; it relates to the reinforcement of the

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<sup>68</sup> [www.mepsyd.es](http://www.mepsyd.es)

values of education, and to the system's ability to offer alternatives and retain those individuals most at risk of leaving.

- Young people who have left education early and are already outside the system.

Interventions directed at this group seek to provide the flexibility for a return to education and to improve the target individuals' qualifications through ongoing training programmes.

Here, the option of funding in the form of grants and student aid would require closer synergy between the education system and the world of work; this is the direction taken by MEPSYD's recently announced measures.

In both the above groups, a further distinction can be made between individuals leaving school:

- without successfully completing compulsory education;<sup>69</sup>
- without successfully completing post-compulsory education.

In 2006, a majority (79%) of the population aged 18 to 24 who left school early had completed compulsory education, while 21% had not.<sup>70</sup> As discussed later, those holding a compulsory education certificate included a number who left school unqualified but attained the certificate subsequently.

An inquiry into the potential role of grants and student aid requires that these various groups be characterized. An attempt has accordingly been made to get more accurate data on the causes driving students to leave the education system and on the paths taken by those already outside it – labour market conditions, taking up of jobs, return to education, etc. It is to be noted that leaving school is not an act fixed for all time: it is a fluid phenomenon with a number of exits, re-entries, and structural and short-term changes.

An objective closely related to, and still more ambitious than, reducing early school-leaving is to raise the proportion of people aged 20 to 24 who have not only continued into post-compulsory secondary education but have also successfully completed it. As indicated above, this too is one of the EU benchmarks.

Early school-leaving is a complex issue that has drawn priority attention in all European education systems. Spain has garnered especially poor results. Grants and student aid may help reduce early school-leaving in two ways: by preventing it in the first place, and by encouraging past early school-leavers to return to study. In either event, the initial diagnosis calls for a characterization of the target groups – those with at least compulsory education and those without – and of the various causes and ages of early school-leaving. Each group merits different interventions, whether within the education system or relating to the labour market.

<sup>69</sup> This is the group classified as "school failure" under the Spanish NRP.

<sup>70</sup> State System of Education Indicators. 2007 Priorities.

### **3.3.2 Assessment of the causes of early school-leaving with a view to identifying those susceptible of intervention by grants**

Having established that ESL is a complex issue arising from a multiplicity of frequently inter-related causes, the report turns in this section to identifying those causes susceptible of intervention by grants. It is to be borne in mind that grants are in any event not the main instrument in the fight against ESL; in most cases, they will need to be deployed in conjunction with non-financial measures.

The analysis of the main causes driving ESL at the various levels drew on data provided by ETEFIL,<sup>71</sup> **the Survey on Education and Training Transition and Labour Market Entry**. The following results stand out:

- Among individuals leaving school without attaining compulsory education, the reasons "tired of studying", "disliked studies I was engaged in", and "studies were too hard/results were poor", combined, accounted for 49% of reasons given. 29% said they had got a job (8%) or intended to look for work (21%).
- Compulsory education graduates not attaining any post-compulsory education comprised 37% who cited reasons relating to loss of motivation or poor performance, 34% who said they had got a job (21%) or were looking for a job (13%), and 17% pointed to changes in their personal or family situation. These groups can be further characterized by type of studies being engaged in at the time of leaving school:
  - o Individuals leaving immediately after completing compulsory education reported job-related reasons 44% of the time (23.3% had found jobs, 20.8% were looking for jobs). Losing heart over studies accounted for 21.8%; changes in personal or family situation made for 9.2%.
  - o Individuals leaving in the course of undertaking post-compulsory secondary vocational training: 44% labour-related reasons (29.3% had got a job, 15.2% intended to get one); loss of motivation/poor performance accounted for 29.8%; changes in personal or family situation made for 14.6%.
  - o Individuals leaving in the course of undertaking post-compulsory secondary academic education: Here, the leading reason was loss of motivation or poor performance, 41.8%; a further 30.7% left for job-related reasons (17.4% were looking for, 13.2% had found a job); and 17.4% reported changes in their personal or family situation.

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<sup>71</sup> See Annex II ETEFIL survey references.

ESL by educational level	Labour market-related reasons (getting or looking for a job)	Study-related reasons (tired of studying; disliked subjects studied; studies too hard/poor performance)	Reasons relating to personal and family situation (economic and other reasons)
Prior to attaining compulsory	29%	49%	3,5%*
Immediately after attaining compulsory	44%	22%	9%
In the course of post-compulsory secondary vocational	44%	30%	15%
In the course of post-compulsory secondary academic	31%	42%	17%

\* Here, the response explicitly points to “economic reasons”.

Table 7. Source: Prepared by the authors on the basis of ETEFIL data.

The leading reported reasons for leaving school divide up in broadly equal halves into study-related (loss of motivation, poor performance) and job market-related (looking for or getting a job). Study-related reasons are more important for those leaving before attaining compulsory education and those leaving in the course of post-compulsory secondary academic education. Job-related reasons are more important for those leaving immediately after attaining compulsory education and those leaving in the course of post-compulsory secondary vocational training. The third factor in importance is “reasons relating to personal or family situation”.<sup>72</sup>

A properly accurate description of the various groups necessitates more in-depth research. Some conclusions are nonetheless advanced below as regards the potential role of grants. Any such role should be supplemental to measures acting on the perceived value of education and on the range of educational opportunities tailored to individuals’ varying traits. Next, a number of relevant experiences in other countries will be presented that may serve as a benchmark for any reforms made to the Spanish system.

### 3.3.2.1 Early school-leaving for specifically study-related reasons

Early school-leavers in this category can be sub-divided into those evincing aversion to or weariness of study – whose loss of motivation poses more difficult problems – and those leaving in the face of underperformance and difficulty with the studies themselves.

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<sup>72</sup> This broad class of reasons may include economic circumstances among others. This is the only response option in the ETEFIL survey that refers to external constraints on an individual’s ability to continue in education.

ETEFIL data show that study-related reasons are of higher relative importance for those leaving before attaining compulsory education and those leaving in the course of post-compulsory secondary academic education.

Among individuals leaving school without having attained compulsory education, 92% left in year 3 (32.5%) or year 4 (59.7%) of ESO [*Enseñanza Secundaria Obligatoria*], the vast majority being 15 to 17 years of age. Moreover, the OECD's PISA survey on the knowledge and skills of 15-year-old students in literacy, mathematics and science show that in Spain underperformance (<1 and 1) affects 25.7%, 24.7% and 19.6% of students, respectively. This sector of the student population, together with the student population required to repeat a school year – 18.6% of all year 3 ESO students in school year 2005-2006 – is at risk of early school-leaving.<sup>73</sup>

These data suggest that, for individuals leaving compulsory education unqualified for mainly study-related reasons, the causes are better dealt with by personalized assistance and school-based support programmes, such as PROA.

An evaluation of the early results of the PROA programme and other actions under the School-Leaving Reduction Plan would generate more information for the purposes of deciding whether incentives should be reinforced with grants and student aid.

### 3.3.2.2 Early school-leaving for personal and family-related reasons

The population of early school leavers reporting changes in their personal or family situation (personal or economic) encompasses a broad range of causes, each of which merits separate consideration.

The Survey on Living Conditions,<sup>74</sup> for instance, found that 6% of people aged 17 to 25 who left education reported being married. 50% of individuals in that age range who had left education without completing post-compulsory studies lived on their own or with a partner, indicating that they had left their household of origin.

Personal and family reasons count for more among individuals leaving school during post-compulsory secondary academic education (*bachillerato*). Among the very wide range of potential factors, a few – such as pregnancy, economic hardship – might be usefully addressed by grants and student aid. Possibilities of balancing study with work may also encourage continued education.

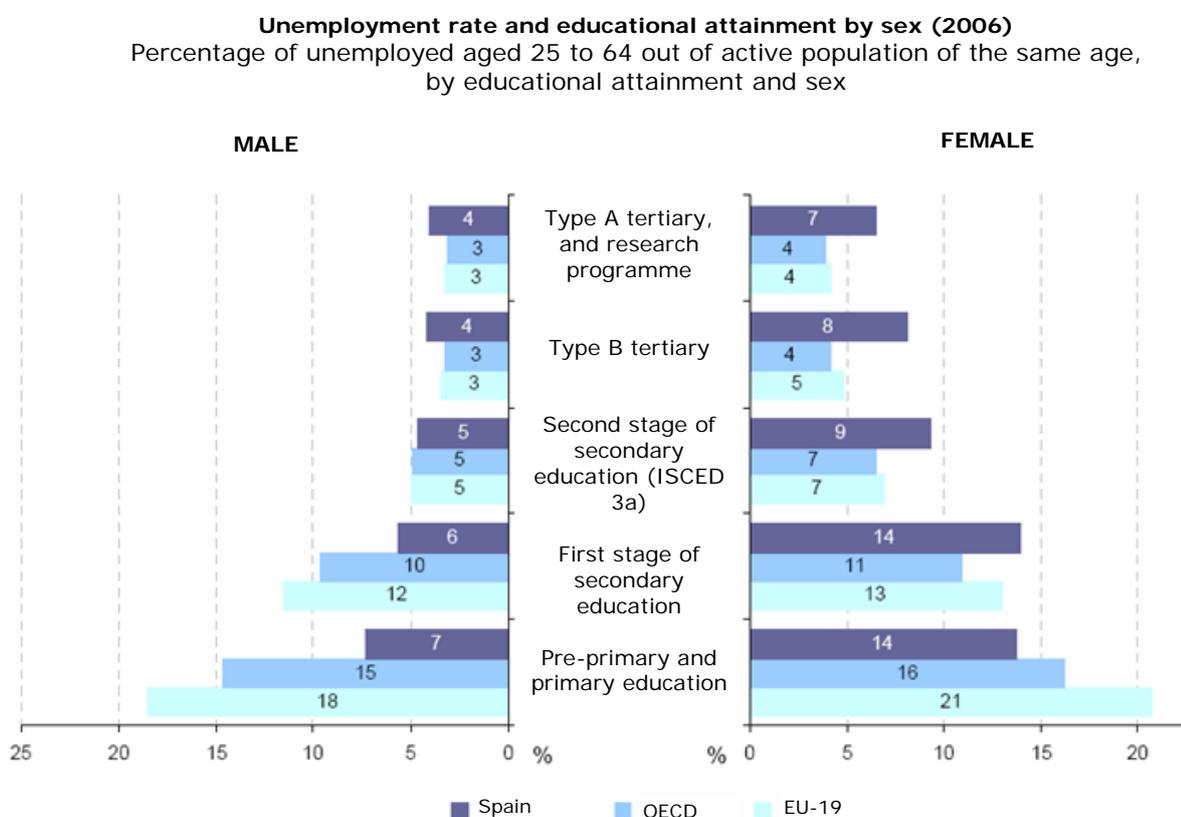
<sup>73</sup> More detailed analysis and data in the State System of Education Indicators. 2007 Priorities. Instituto de Evaluación. MEPSYD.

<sup>74</sup> See study by M Gil, Annex III, based on ECV data.

### 3.3.2.3 Early school-leaving for labour market-related reasons. Job supply as an opportunity cost of education

The opportunities in the Spanish labour market for unqualified workers have until recently proved a highly attractive alternative to continued study.

- International comparison reveals that the “cost” of not studying, in terms of higher unemployment and lower wages, is much lower in Spain than in other OECD countries, and particularly affects the male population. Men without secondary education showed an unemployment rate in 2006 of 7%, a difference of only 3 points from university graduates. Across the OECD, by contrast, the difference was 12 points, and 15 points across the EU-15.

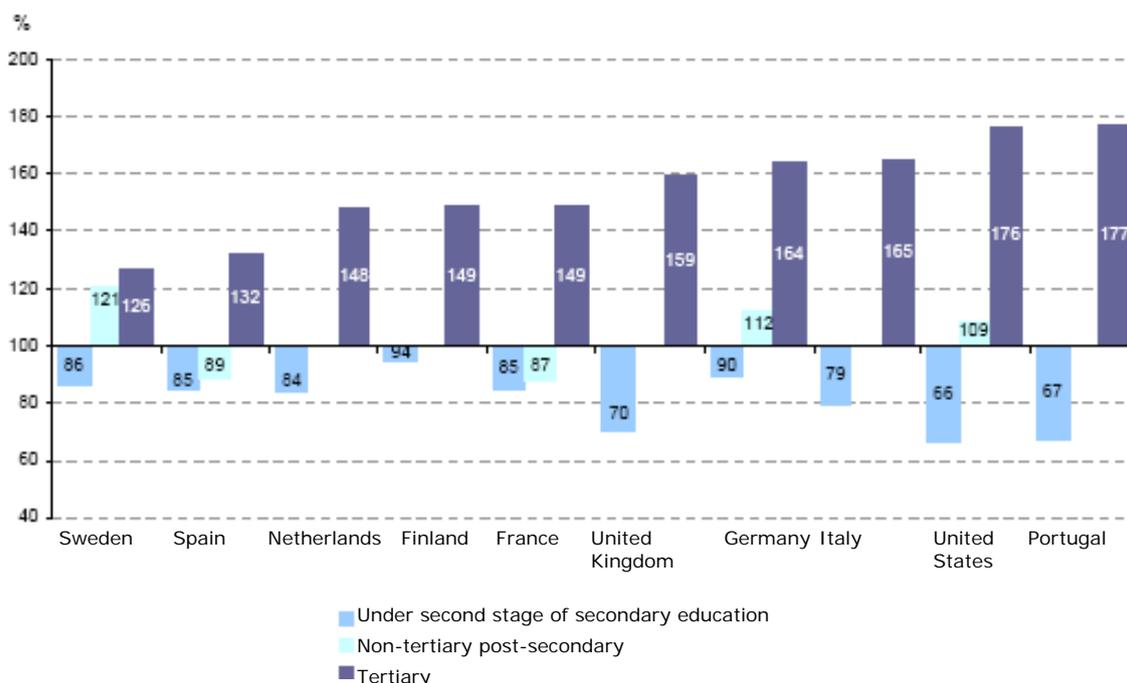


Graph 8. Source: *Education at a Glance*. OECD, 2008. Report on Spain

- In wage terms, the income gap between unqualified workers and individuals with higher education in 2006 was 47 points. In other countries, such as France or Germany, the gap is far wider. From 1997 to 2006, what is more, the pay gap between educational attainment strata narrowed from 73 to 47 points.

### Relative work earnings (2006 or latest available year)

By educational attainment and sex, population aged 25 to 64  
(second stage of secondary education = 100)



Graph 9. Source: *Education at a Glance*. OECD, 2008. Report on Spain

- Moreover, ETEFIL discloses that, even for the least qualified workers, the job market was (formerly) offering attractive opportunities. 78% of people leaving compulsory secondary education in 2001 found a significant first job in the period 2001-2005, 39% within three months of leaving school and a further 27% in less than a year. 43% of those getting a job earned a first-job monthly wage of €434 to €749, while 29% earned €750 to €1,000.
- ECV 2006 data can be processed to reveal that 67% of the population aged 17 to 25 leaving school without attaining any post-compulsory qualification was working in 2006 – 59% full-time, 8% part-time – and earned an average monthly wage of €1,009 (the standard deviation being €388).

These data show that until recently the signals sent out by the Spanish labour market were discouraging continued study.

Today, however, the economic climate has changed drastically, and the least qualified workers have borne the brunt. On a comparison by educational attainment between the second quarter of 2006 and the second quarter of 2008, joblessness in the population aged 16 to 19 with primary education only is found to have risen by 11.4 points. In the same age range, unemployment among higher education graduates rose only 3.2 points. In the 20 to 24 age range, unemployment went up 11.2 points among individuals with primary education only, but only 2.3 points

among those with post-compulsory secondary qualifications; and joblessness went down 0.5 points among higher education graduates.<sup>75</sup>

Two reflections suggest themselves:

- It is to be expected that this shift is not short-term but structural; the unqualified population is likely to remain in a parlous situation.<sup>76</sup>
- The present time offers up the opportunity to keep young people within the education system, provided that it moves to offer attractive alternatives and that the socially perceived value of education is reinforced.

Grants do not currently seem to be designed adequately to cover opportunity costs, nor do they relate to the job market in such a way as effectively to retain a larger proportion of young people within the education system. However, grants are capable of influencing the cost-related element (as to direct, indirect and opportunity costs) of a decision whether to continue one's studies. In addition, the present situation may bolster grants as an effective means to retain within the system a larger proportion of those individuals for whom the job-market alternative is especially important.

#### 3.3.2.4 Returning to the education system

Grants may be made to act not only on individuals at risk of ESL, but on those who have already left school. As discussed above, the specific causes of ESL will be especially relevant here, as will the time elapsed since leaving school. Once an individual has left school, the probability of her returning to school declines over time. The approach to this target group must also be sensitive to the features of people who have been in work for longer and are hence more likely to have family responsibilities.

The following are particularly relevant facts about people returning to study. A distinction should be drawn between those leaving school before attaining compulsory secondary education, and those who left having attained the certificate.

- Of those leaving compulsory secondary education unqualified in 2001, 32% returned to their studies within the four years following (and mostly within the first two years). In addition, of all those school-leavers, 26.3% had by 2005 attained some qualification or other (although most - 17.6% of the aggregate - continue to count as ESL, because the qualification they did obtain is not higher than compulsory secondary education). However, 8.7% of those leaving

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<sup>75</sup> EPA [labour force survey] data. Published indicators are as yet unavailable, but 2008-2009 enrolment figures may point to the extent to which the new state of the job market is driving more young people to stay in education.

<sup>76</sup> It is to be expected that to remain competitive the Spanish economy must undergo structural change towards higher value-added outputs, which in turn will require more highly qualified labour. As the Spanish economy comes closer to the pattern of the leading OECD countries, the cost of being unqualified can be assumed to rise.

compulsory secondary education eventually attained a qualification in post-compulsory secondary vocational training (7.9%), tertiary vocational training (0.3%) or post-compulsory secondary academic education (0.5%).

- Out of students with compulsory secondary education who left the education system in the period 2001-2005, 13.2% returned to education within that same period. Of these, at least half (5.61% of total ESL) managed to attain a post-compulsory level of education or training.

The group of persons who leave school and later return to it offers interesting potential for action. The most suitable measures would seem to be to make such return easier to accomplish and to lend specific support for those returning. More accurate knowledge of the factors influencing the success or otherwise of school-leavers who later return to school may lead to an understanding of whether grants or student aid could play a reinforcing role.

### **3.3.3 International experiences in relation to grants and student aid for the reduction of early school-leaving**

This section discusses a range of grant and student aid<sup>77</sup> types that may be models worth considering. It is to be noted that the effectiveness of such grants and aid crucially depends on concurrent measures and the framework of programmes in which they operate.

Of the various countries analyzed, the United Kingdom is highlighted as offering a number of possibilities that may be of interest in Spain.

In the United Kingdom, both compulsory and post-compulsory education is free up to age 18, and, in some cases, beyond that age. The information about education and its related financial aid<sup>78</sup> is available on a website<sup>79</sup> with a simple, user-friendly format. Continuous reference is made to the option of getting personal advice ("Connexions Direct", offering specific advice on education for young people aged 13 to 19), and simple documents are provided about the main benefits of continuing in education.

The main programmes include:<sup>80</sup>

#### Education Maintenance Allowances

Education Maintenance Allowances are aimed at students from socially disadvantaged backgrounds (annual household income under €38,650) for the purpose that they

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<sup>77</sup> On translation, the distinction between grants and student aid becomes blurred. Some of the instruments termed "grants" are in fact closer to being straight subsidies, in that, other than certain attendance and assignment compliance requirements, the academic demands are very diluted.

<sup>78</sup> See [http://www.support4learning.org.uk/money/costs\\_of\\_studying.cfm](http://www.support4learning.org.uk/money/costs_of_studying.cfm)

<sup>79</sup> See <http://www.direct.gov.uk/en/EducationAndLearning/index.htm>

<sup>80</sup> More information on the various kinds of grant and aid available at:

[http://www.support4learning.org.uk/money/grants\\_awards\\_funds\\_and\\_post\\_16.cfm](http://www.support4learning.org.uk/money/grants_awards_funds_and_post_16.cfm)



stay in post-compulsory education from age 16 to 18. The aid consists of a weekly benefit of up to €37<sup>81</sup> paid direct into the student's account. It is subject to a range of requirements, such as going to class, displaying good behaviour, and completing course assignments. Beneficiaries can get extra payments if they make good academic progress and when they apply for entry to higher education. The Maintenance Allowance does not clash with other government aid or benefits. If a student takes up part-time or summer work, his pay does not count for the purposes of means-testing annual household income. The scheme had a positive impact, and was recently extended to students in a further two vocational programmes.

### Apprenticeship grants

Vocational training in the United Kingdom lets participants combine conventional training with on-the-job training. There are several apprenticeship and vocational training programmes where students get paid for their work (via a government subsidy) or receive a government grant. A student on an apprenticeship scheme makes a minimum wage of at least €100 a week, and there are more than 180 apprenticeship programmes across 80 industries. The average duration of a scheme is 1 to 2 years. The qualification resulting from apprenticeships can lead to higher education by a variety of routes.

Various target groups are offered a range of options. Some programmes are designed as orientation for a student before she starts working as an apprentice in a firm; students aged 14 to 16 are eligible for 10-50-day work experience stints.

Students on vocational programmes who come from disadvantaged backgrounds can, since 2006, combine their apprenticeship pay with an Educational Maintenance Allowance.

### Entry to Employment (e2e) grants

This scheme targets people aged 16 to 18 who are not involved in any other programme. The aim is to develop skills and techniques for continued study, apprenticeship training or finding a job.

The overall duration and weekly contact hours vary from case to case, depending on learning ability, aspirations and needs. It is normally compulsory to attend courses 30 hours a week, though a student can start out with just 16 hours a week. Participants are entitled to the maximum EMA (€37 a week) regardless of income band.

### Aid for young students with dependent children

The "Care to Learn" programme offers up to €196 per child per week to cover childcare and travel costs for young people under 20 while they study at school, entry to employment programmes or specific learning programmes. There are also

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<sup>81</sup> Exchange rate applied: 1 pound sterling = 1.23 euro



aid schemes available for students aged over 20 and those intending to go into higher education.<sup>82</sup>

#### Grants in support of a return to study by the unemployed

The New Deal for Young People, aimed at individuals aged 18 to 24 who have been out of work for six months or more (though people who have been jobless for less can in some cases also benefit) offers guidance – through a personal advisor – about job-finding, including about training and specific preparation for a given job. For four months the beneficiary's advisor lends support in looking for work and provides access to a range of services that help prepare the beneficiary for the job market. If the beneficiary still fails to find work, the following options become available:

- a subsidized job;
- work and training in a voluntary or environmental organization;
- a full-time training programme.

The government partially subsidizes the cost of employment or training in all cases.

#### Programmes to encourage a change in attitude

The Aim Higher programme is intended to change attitudes towards higher education and arouse interest in getting there among 13 to 19-year-olds from disadvantaged areas and households with no graduate members. The scheme includes summer schools, residential courses at university, university open days, mentoring schemes and special courses. This framework programme embraces the Student Associates initiative, which offers university students an annual grant of €755 to work as associate teachers at secondary schools in disadvantaged areas. The idea is both to offer secondary-school pupils a role model and to encourage graduates to go into teaching. Begun as a pilot programme in 2003, there are now over 7,500 Student Associates. In 2008, a pilot has been started of a version of Student Associates built around university students who went to secondary schools that hosted a Student Associate or who took part in other Aim Higher activities.<sup>83</sup>

In the Netherlands, for its part, the highlights include a number of programmes that allow for combining work and post-compulsory vocational secondary training:

#### Work-training combination grants

The BBL scheme is over 60% practical training. A student has a job contract with an employer, but also receives education and training in a conventional classroom for the remaining programme time. He is paid for his work for the employer, and the employer receives tax benefits. Another programme, BOL, has a more theory-laden

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<sup>82</sup> More details at

[http://www.direct.gov.uk/en/EducationAndLearning/14To19/MoneyToLearn/Caretolearn/DG\\_066973](http://www.direct.gov.uk/en/EducationAndLearning/14To19/MoneyToLearn/Caretolearn/DG_066973)

<sup>83</sup> Student Associates web page:

<http://www.tda.gov.uk/partners/recruiting/careerexploration/studentassociates.aspx>

format, with on-the-job training accounting for 20 to 60% of total time<sup>84</sup> (CEDEFOP, 2004).

Programmes offering more practice-based training or striking a balance between training and work may be suitable options for young people who would otherwise leave the education system. Here, the grants and aid subsidize and supplement the work done.

Maintenance allowances are intended as a further incentive bolstering the schemes targeting these groups.

Other forms of aid are designed for specific classes of individuals with certain family or personal circumstances, such as young parents who are still in education.

For individuals who have already left education, joblessness can be turned around with flexible training, bolstered by subsidies, that enables a return to study and offers guidance to improve specific job prospects.

Finally, thought should be given to programmes designed to change attitudes. Here, grants might be aimed at other groups and operate so as to reconcile different objectives, such as the Student Associates scheme.

### **3.3.4 Appropriateness of grants and aid for reducing early school-leaving and their effect on the improvement of human capital**

In harmony with the new challenges faced by education and the present context of education policy, grants may in some cases help reduce early school-leaving.

An analysis is in order of the costs and benefits bearing on an individual's decision to leave education, supplementing the empirical data presented with a theoretical discussion. The following factors must be highlighted:

- Prior shortcomings in education may restrict a person's ability to acquire further knowledge. Subsequent capacity-building then carries a higher personal and social cost.
- Continued study may be precluded by a shortage of money.
- Until recently the signals sent out by the Spanish labour market were discouraging continued study.
- Some young people may ascribe a far higher value to present than to future benefits (sharp discounting).
- The perceived benefits of education may be influenced by family or peer-promoted attitudes that place little value on education.

These circumstances, furthermore, more usually affect young people from disadvantaged social<sup>85</sup> backgrounds, and particularly those from households in which the mother has a low level of educational attainment.<sup>86</sup>

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<sup>84</sup> CEDEFOP 2004. Vocational Education and Training in the Netherlands.

Some of these factors are best dealt with by non-financial measures, especially those designed suitably to convey the future benefits of higher educational attainment in terms of less unemployment and higher pay – inter alia – and of the costs and risks of being under-qualified. Steps should also be taken to adapt the education system to accommodate individuals with different characteristics and sources of motivation.

Grants exert an influence mainly by affording cover for all or some of the direct costs (tuition fees), the indirect costs (travel, materials, living expenses) and the opportunity costs (loss of earnings through choosing study over paid work). The economic effect may also act upon the individual's independence, motivation and self-esteem. Grants and student aid are not the main instrument for attaining these goals, but may be useful insofar as their design takes account of the economic factors underlying early school-leaving.

The features of the population targeted by such support suggest a greater emphasis on student aid, rather than on grants the eligibility requirements of which are academic. Such student aid should carry attendance requirements and a number of other terms, but the academic demands should be lowered.

The significance of using grants and student aid – within the bounds of their possibilities – to help reduce early school-leaving ties in with a conception of fairness that goes beyond initial access to the system to look to final outcomes. In addition, such use directs grants towards the new challenges of education in the present context of education policy. All of the which is in consonance with the Lisbon Strategy objectives reflected in Spain's National Reform Programme, Axis 3 of which pursues the overall goal of increasing and enhancing human capital.

In connection with this last point, the following are some of the ways in which reducing early school-leaving helps improve human capital, which in turn enhances productivity and economic growth:<sup>87</sup>

First, reducing ESL has a direct effect on the **human capital endowment in Spain**. Though now improving considerably, human capital in this country remains clearly behind that of its peers,<sup>88</sup> particularly given the insufficient proportion of the population that has completed compulsory education – only 50% of persons aged 25 to 64.<sup>89</sup>

In addition, ESL bears on the **employment rate** of human capital, which is affected by both the rate of activity and the unemployment rate. Enhancing the educational attainment of a population positively affects both the decision to enter the labour

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<sup>85</sup> See, for instance, the relationship between academic performance and educational attainment of parents and socio-economic status in the State System of Education Indicators. 2007 Priorities.

<sup>86</sup> Students whose mother had attained higher education accounted in 2006 for only 4.4% of early school-leavers. State System of Education Indicators.

<sup>87</sup> Various growth models address the issue of the impact on growth of education. Among others, see Barro 1991 and 2001, Mankiw 1992, De la Fuente. 2003.

<sup>88</sup> A recent review of these issues is provided by Pastor *et al*, *El rendimiento del capital humano en España*. IVIE 2006.

<sup>89</sup> *Education at a Glance 2008*. OECD Indicators 2008. Report on Spain

market and the probability of finding work. Education thus raises the rate of activity and lowers the unemployment rate.<sup>90</sup>

Finally, research following the life cycle skill formation model (James J Heckman) shows that a person's education and training exhibits recursive productivity (knowledge learned at a given time constitutes an input for subsequent learning) and self-reinforcement (the return on investment in education depends on the level of knowledge acquired previously). Investment in the early stages of education accordingly yields high returns, and under-investment at those stages is difficult and very expensive to offset later. So early intervention – particularly in the case of children from disadvantaged backgrounds – is an especially good investment, insofar as it not only develops skills but also lays the foundations for the effectiveness of all subsequent education.<sup>91</sup> These arguments, cited by the European Commission in its Communication on Efficiency and Equity in European Education and Training Systems, draw attention to the importance of primary education and to the close relationship between fairness and efficiency of interventions at the early stages of education and of early corrective actions. These are further arguments, then, relevant to action addressing ESL.

An individual's decision to leave school is the outcome of a faulty appraisal of the costs of not gaining qualifications; it is best countered by non-financial measures in the immediate social environment of at-risk students that help to raise the perceived value of education and provide attractive alternatives within the education system.

However, grants and student aid could operate as supplemental measures, particularly to deal with the difficulties surrounding the opportunity cost of continued study and to furnish an incentive to staying in education.

The significance of using grants and student aid – within the bounds of their possibilities – to help reduce early school-leaving ties in with a conception of fairness that goes beyond initial access to look to final outcomes. All of the which is in consonance with the Lisbon Strategy objectives reflected in Spain's National Reform Programme, in which increasing and enhancing human capital is a key goal.

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<sup>90</sup> See footnote 85.

<sup>91</sup> As pointed out earlier, Spain is above the European average as to participation in pre-primary education, and this stage continues to be a priority of education policy.

#### 4. CONCLUSIONS AND RECOMMENDATIONS

Based on the analysis undertaken in this paper, the following main conclusions are set, classified with reference to the two questions addressed by this evaluation.

*Diagnosis of the grants system primarily as regards its conventional objective of fair access to education*

- 1- The grants system is primarily geared to **safeguard equality of opportunity** in access to education. There is a broad social consensus that a grants system should exist for this end, and that, even after the major improvement achieved in the past few years, Spain's grants system is still behind the efforts made in other European countries.
- 2- The effectiveness of the **grant award procedure** has notably improved in terms of accuracy and expeditiousness. The cross-checking of grant applications against data held by the tax authorities has significantly driven down grant **fraud**. However, some fraud may persist in the system, to the extent that there may still remain a prior residue of fraudulent tax return data.
- 3- The benefit of grants broadly reaches the target population, but a considerable part of that **target population appears not to be in receipt of grants**, especially at the lowest income levels; this problem affects both potential and actual students. Further investigation is warranted to ascertain the causes of this effect. One tentative hypothesis is that grants are too small to cover the indirect and opportunity costs these students bear, and that such students are unable to comply with the academic requirements - among other reasons, perhaps, because of their efforts to fit studies around work. There may also be an issue with deficient information.
- 4- The **amounts** offered by the present grants system are often insufficient to cover the sum of the direct and indirect costs of education. Compensatory grants directed at the lowest-income students fail to cover the opportunity cost of forgoing the alternative – getting a low-skilled job.
- 5- The greater part of the grants budget for post-compulsory education is allocated to **university** study. The budget for **post-compulsory** secondary education is relatively small. However, the educational stages hardest-hit by early school-leaving and Spain's shortage of students undertaking secondary vocational training argue for a need to reinforce effort in these areas. The experience of other European countries shows that economic aid in secondary education is more effective when supplemented by measures specifically calculated to prevent early school-leaving and to increase and enhance the education and training of human capital.
- 6- MEPSYD exerts reasonable control of conditions of access to grants, but **follow-up of grant effectiveness** is inadequate. No processed information is available that might help adapt grant features (means-testing ceilings, academic requirements, incentives) so as to make these efforts more effective

in catering to the target population. No processed information is available on grant recipients' trajectory within the education system until successfully completing their studies or otherwise.

- 7- Given that the research literature shows that income now only exerts a minor influence on an individual's decision to continue in education, **the role of grants must focus on compensating for greater relative economic effort, offsetting opportunity cost**, and the considerations surrounding fairness of outcomes. This opens up a perspective that goes beyond fair access and finds a link with the problem of early school-leaving, itself closely related to baseline socio-economic and cultural disadvantages. And the foregoing is to be considered against the background that the causes of a specific problem may be more effectively dealt with, or necessarily call for, the concurrence of non-grant measures, both financial and otherwise.
- 8- The Spanish system of financial support for higher education students is exclusively grant-based, except the 'income loans' introduced recently for officially recognized master's degrees only. Grants for master's degrees are still available. But in most EU and OECD countries higher education is funded by hybrid schemes that combine grants – some means-tested – and loans for which any student may apply. Using loans as a supplement need not undermine **grants policy and would allow for increasing the financial support** available to address liquidity restrictions. In addition, such use may serve to counteract the fact that the extension of higher education grants to higher income levels may have regressive redistributive effects, given that the high internal rate of return at this education level has been found by some studies to exceed the rate of social return.
- 9- The management of the grants system is in the process of being **decentralized** to the devolved regions. Against this background, especial vigilance must be exercised as to the effects on the principle of fairness, and procedures must be introduced to assure devolved regions' reporting of data for the purposes of centralized monitoring of grant outcomes.

#### *The potential role of grants in the reduction of early school-leaving*

- 10- Further to its conventional purpose, the grants system could contribute to the **reduction of early school-leaving**, as part of the overarching objective of **increasing and enhancing human capital**, one of the key goals of the National Reform Programme. Any reform to the grants system should accordingly take account of these additional objectives, particularly to deal with the increasing importance in Spain of the opportunity cost of continued study and to furnish an incentive to staying within the education system. However, **grants cannot overcome these difficulties alone**, and should be regarded as supplemental to other measures.
- 11- **Early school-leaving** is a complex issue arising from a multiplicity of causes; its incidence in Spain is severe. Grants may prove useful in some cases. In order properly to determine those cases where grants may be appropriate, it is necessary accurately to characterize the various ESL groups - **both the at-**

**risk population and individuals who have already left school.** Research in this area is still insufficient, but the analysis undertaken here suggests that the leading reported reasons for leaving school divide up in broadly equal halves into study-related (loss of motivation, poor performance) and job market-related (looking for or getting a job). Study-related reasons are more important for those leaving before attaining compulsory education and those leaving in the course of post-compulsory secondary academic education. Job-related reasons are more important for those leaving immediately after attaining compulsory education and those leaving in the course of post-compulsory secondary vocational training. The third factor in importance is “reasons relating to personal or family situation”.

- 12- Causes relating mainly **to studies may be best addressed by actions involving school-based** support and personalized help. Financial support in the form of grants or student aid would be appropriate only if so indicated by an assessment of the results of the recently introduced non-financial measures. This category can be further sub-divided into students who would prefer to continue in education but encounter academic under-performance difficulties, and students who, for a variety of reasons – socio-economic and cultural background being crucial – are at a high risk of ESL. As regards this latter case, international experiences could be considered in the award of small grants acting as supplemental incentives to continue in education. Such is the case of Education Maintenance Allowances in the United Kingdom, aimed at lower-income students aged 16 to 18 so that they continue in post-compulsory education. The grant consists of a weekly benefit of up to €37, subject to satisfying a range of requirements as to attendance, good conduct, and assignment compliance.
- 13- **As to personal and family-related reasons for ESL**, among the very wide range of potential factors, a few – such as pregnancy, economic hardship – might be usefully addressed by grants and student aid. An example of a relevant scheme is the UK’s “Care to Learn”, which offers up to €196 per child per week to parents under 20 who continue in education. More in-depth inquiry into the causes that may be most operative in the category will aid the design of appropriate grants and aid. In some cases, options would have to be provided to enable study to be combined with work.
- 14- **As to job market-related reasons**, the opportunities in the Spanish labour market for unqualified workers have until recently proved a highly attractive alternative to continued study. Grants do not currently seem to be designed adequately to cover opportunity costs, nor do they relate to the job market in such a way as effectively to retain a larger proportion of young people within the education system. Non-financial measures to enhance the perceived benefits of education would be appropriate here, but grants could also be adapted to act on this target group. A conception of fairness that looks beyond access to final outcomes must lead to the issue of keeping within the system of those groups whose academic performance is constrained by socio-economic disadvantages with which they are burdened from the outset, finally driving them to early school-leaving. As to the kind of financial aid that might be effective here, consideration should be given to the wide range of



programmes in the United Kingdom offering students aid and grants towards receiving more closely job-related training or balancing study and work.

**Recommendations** (related conclusions referenced in brackets). These recommendations set out the general shape that reform should take. A selection of these recommendations should be assessed at the second stage of the evaluation.

#### *Fair access to education*

- 1- It appears necessary to raise the amount of **compensatory grants** and to **bring grant amounts** into line with the real burden of the direct and indirect costs of education at each level. Moving towards “wage-grants” would be a further step towards compensating the opportunity cost incurred by the lower-income population (1, 3, 4).
- 2- The mechanisms should be improved for providing **information** on grant entitlement to potential beneficiaries (target population). For instance, AEAT, the national tax agency, could send, attached to draft tax returns, information on grant entitlement to households satisfying the means-testing criteria and having children of an age to apply for study grants. Information should also be provided and application procedures suitably facilitated at post-compulsory secondary centres themselves (3).
- 3- To improve state regulation, it is essential to **improve the follow-up** of the grants system by making more use of MEPSYD’s records of grant recipients. Specifically, the data should be processed systematically, whether internally or by a third party furnished with the data in anonymized form, so as the better to characterize the group of persons actually attracting grants and identify the reasons why the grants may not be reaching a sector of the target group. Moreover, mechanisms should be created to get information from education providers on grant recipients’ performance and trajectory. Better information on the outcomes and effects brought about by grants would allow for an assessment of whether the amount of grant funding is appropriate at the lower income levels, whether current academic requirements are reasonable, and whether there are difficulties in the way of making study compatible with work (3, 6).
- 4- Priority should be accorded to increased funding for grants in **post-compulsory secondary education**, particularly for secondary vocational training, having regard to the impact on early school-leaving and human capital of intervention at this level (5).
- 5- At the level of higher education, financial support for students could be rapidly increased – without detriment to the grants policy, but, rather, as a reinforcement of that policy – at a relatively low budgetary cost by extending to the degree level a form of **income-loan** to operate alongside and in harmony with the grants system; this would follow the model already in place for postgraduate studies, likewise compatible with grants. The possibility might be considered of supplementing grants with loans that would be wholly or

partly **condoned** on a **means-tested** basis upon achievement of the given qualification within the specified time limit (8).

- 6- Given that the grants system must safeguard fairness throughout the entire territory of Spain, it is important that progress towards wider autonomy in grants management in the devolved regions does not **undermine fairness in the system**. The devolved regions' exercise of new powers offers up an interesting opportunity for trying out innovative reforms at lower budgetary risk, thus generating experiences from which the entire system can learn. The process of devolving grant management accentuates the need to ensure that the devolved regions supply the information to enable **centralized follow-up of results**, in accordance with additional provision 3 of Royal Decree 1721/2007 (9).

#### *Prevention of early school-leaving and improvement of human capital*

- 7- The reform of the grant system should take account of the core goals of both education policy and the National Reform Programme – **to expand and enhance human capital by combating early school-leaving**. Two groups merit attention. First, early school-leaving should be prevented in the at-risk population still in education; secondly, a return to study should be encouraged among the population that has already left school, particularly those without a job. This necessitates an approach that combines educational and work-related considerations and a wide range of measures, financial and otherwise. The features of the population targeted by such support suggest a greater emphasis on student aid, rather than on grants the eligibility requirements of which are academic. Such student aid should carry attendance requirements and a number of other terms, but the academic demands should be lowered. (7,10)
- 8- For the group of school-leavers whose reasons are related to the studies themselves, a prior evaluation should be undertaken of the non-financial measures under the School-Leaving Reduction Plan, which reaches its midpoint in 2012, so as to judge whether they should be supplemented with economic incentives in the form of grants or financial support. If it were found that those measures on their own are not enough, consideration could be given to personalized financial aid as part of reinforcement programmes for persons desiring to continue in education but underperforming, while “staying-on grants” for lower-income students at a higher risk of leaving, and a range of small economic incentives, may help to deal with those personal reasons that relate to a desire for recognition and a measure of financial independence. (12)
- 9- For the group of school-leavers whose reasons are personal and family-related, the paucity of available data suggests that a more in-depth study should be conducted of the main factors and the range of cases. (13)
- 10-As regards the group of school-leavers whose reasons relate to the job market, the present economic juncture has diminished the attractions of leaving, and, conversely, is apt to favour efforts to encourage a return to education. It is essential to offer attractive alternatives to bring about that return to education.



Joblessness can be turned around with flexible training, bolstered by subsidies, that enables a return to study and offers personalized guidance to improve specific job prospects. Subsidies and aid in this ambit lie within the remit of the Spanish ministry of labour. As to prevention of early school-leaving, MEPSYD's recently announced measures to create training options that make a better fit with the world of employment and to open up different routes to continued study are moves that have already enjoyed success in other countries. Student aid calculated to make study compatible with work could operate as a bolster to apprenticeship and vocational training programmes; here, the trainee does paid work for an employer, and, in respect of the training component of the arrangement, the state supplements that pay with a grant. Student aid might also be used in support of programmes fostering skills and techniques geared towards continued study or towards apprenticeship training. (14)

In line with these recommendations, the following alternatives are suggested as suitable – and not necessarily exclusive – topics for the second assessment stage, to be conducted next year:

- Assessment of the MEPSYD system of grant follow-up, with reference to the use made of available data, possible improvements, and suggested ways of creating a shared system with the devolved regions.
- Assessment of the early results of the main measures under the School-Leaving Reduction Plan directed at primarily study-related causes. Possible role of grants and student aid.
- Assessment of the possibility of grants targeting personal and family-related causes for early school-leaving.
- Assessment of various grant and aid models to act on job market-related causes of early school-leaving.



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