

EDUCATION

FINANCE

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EFP Takeaways

Effects of Student Aid Reform Policies on Graduate Student Behavior

Background

Both time-to-degree and degree completion rates are critical policy concerns. Many countries have enacted policy efforts designed to reduce total time spent in higher education and to increase overall completion rates of students. A new study in *EFP* volume 15, issue 3 by Susanna Sten-Gahmberg of the Norwegian School of Economics examines the effects of student aid reform in Norway to determine how various student groups respond to financial incentives.

The Study

This study examines the effects of student aid reform implemented in Norway in the 1990s. The policy provided financial incentives to graduate students to encourage on-time graduation rates through providing a reduction in student loans if students graduated at the stipulated time. This robust analysis examined individual-level data from those students expected to graduate after 1983. In total, educational outcomes and behaviors for over 52,000 graduate students were included in the analysis, which focused on shifts in overall outcomes and how those varied by student sub-group.

For more details:

- View the [full issue](#).
- See the [full article in Education Finance and Policy](#).
- [Sign up here to receive future EFP Takeaways](#).
- Summary of:
Sten-Gahmberg, S. (2020). Student heterogeneity and financial incentives in graduate education: Evidence from a student aid reform. *Education Finance & Policy*, 15(3), 543-580.

Findings

Overall, results show that there were significant shifts in student behavior following the introduction of the student aid reforms. Across all students, there was a 1.5 percentage point increase in the likelihood of graduating on time for each year under the new financial reform. This translated to an 80% increase in the likelihood of graduating on time for the students who were in graduate school under the reform for

6 years. There was a sharp decrease in employment rates and earnings in the reform period, though little observed effect on the take up of loans. There was also considerable variation in responses to the reform by student group:

- Male students were more likely to reduce hours worked; whereas female students were more likely to exit employment altogether. Male students were more likely to graduate on time in comparison to their female counterparts.
- Students with dependent children were highly responsive to the reform through increased take-up of student loans.
- Students from low-SES reduced hours worked, though not to the same extent as their peers. These findings suggest that low-SES students were more reliant on labor for financial means.

This study improves our understanding of students' behavioral responses to financial aid reforms. Through further examination, countries can design effective policies to better encourage on-time student graduation and completion rates of graduate, postsecondary higher education.