Comparing tertiary graduates with and without student loans in Latvia

Ali Ait Si Mhamed¹, Rita Kaša²

Abstract

Using a nationally representative sample, this paper describes the profile of student borrowing in Latvia. The paper, more specifically, explores whether higher education graduates with student loans are significantly different from graduates without student loans in Latvia. We compare two groups of university graduates in terms of their demographic and household characteristics, income, and activity in the labor market in terms of the rank of appointment in the company and supplementary income job. Using data from the survey Professional Activity of Graduates of Institutions of Higher and Vocational Education conducted in 2006, differences are observed in the characteristics of their households, ethnicity, and age. We conclude that, on average, student debt holders and higher education graduates without student loans are rather similar in terms of gender, employment pattern, and income.

Keywords: Higher education, graduates, student loans, student debt, Latvia

JEL classification: I22

1. Introduction

The shift of higher education costs from taxpayers to students has increased indebtedness of tertiary graduates in Latvia just like in many other countries. Especially in countries where student loans constitute the lion’s share of the financial assistance system, student debts are said to have a significant impact on university graduates’ well-being, careers, and life plans such as marriage, and property investment decisions (Baum & Saunders, 1998).

Since Latvia regained its independence from the Soviet Union in the early 1990s, the introduction of student loans has been a major trend in student aid policy changes in the country. Student loans have been available for more than a decade from governmentally subsidized student loan programs to private sector loans, even though private lending to students began more recently. Since 1997, when the first major governmental student loans program was launched, the variety of student loan programs has grown considerably.³ Not only has the governmental student loan program been broadened, but all major commercial banks also offer loans to students with the purpose of covering higher education expenses.

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³ Here and further in this text the term “student loans” is used to denote any form of student borrowing, unless a distinction is made between study loans for covering tuition fees and student loans for covering student living expenses.
At the same time, there have been nearly no studies on the characteristics of the student population who accumulate debt in order to achieve higher levels of education. Given the limited knowledge accumulated on student debt in Latvia, the purpose of this paper is to describe the profile of student borrowers and to measure it against graduates without student loans. Such a comparison is crucial in order to evaluate whether graduates with debt are better or worse off in the job market compared to the general population of university graduates. This exploratory paper aims to contribute to filling this gap. It attempts to answer the question whether higher education graduates with student loans are significantly different from graduates without student loans in terms of their demographic and household characteristics, income, and position in the labor market?

Data in this paper come from the *Professional Activity of Graduates of Institutions of Higher and Vocational Education Survey*, a study of alumni of vocational schools and college and university graduates conducted in 2006 and commissioned by the Ministry of Welfare. The dataset is from the first nationally representative survey in Latvia to include a question about student borrowing along with other questions on demographic, socioeconomic, and academic characteristics of respondents. The composition of such variables in the survey enables us to carry out a more detailed examination of the student borrower population in Latvia in comparison with non-borrowers.

At the same time, some limitations of the dataset should be acknowledged. The survey omits several questions that would illuminate the impact of student loans on the life of higher education graduates, including the level of debt as well as whether the need to borrow has impacted career, private, and property investment decisions. However, the dataset still allows examination of the characteristics of graduates with student loans in comparison to the general student population in terms of their age, gender, ethnicity, household characteristics, employment, and income. Such information allows us to draw a comparative study of the two groups. Analysis in the paper enables discussion about whether grounds exist for concerns that student loans make graduates who borrow more disadvantaged than their peers without student loans, or whether they are all in a somewhat similar position when it comes to higher education benefits in the labor market after graduation.

### 2. Description of the student loans policy context in Latvia

Latvia is among the countries where higher education costs have been largely shifted to students and their families over the last two decades. Since 1991, Latvia has implemented a dual-track tuition policy in the public higher education sector in which students fully funded by the government study side-by-side with students who pay tuition. For the last decade, the number of students who do not pay tuition has not exceeded 30% of the entire student population (Ministry of Education and Science, 2010). A minority of governmentally funded students also receive a primarily merit-based allowance to cover their living expenses from the government. At the same time, the majority of students from both public and private institutions of higher education can apply for the governmentally subsidized student loan to cover

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4 The dataset “Professional Activity of Graduates of Institutions of Higher and Vocational Education”, funded by the EU Structural Funds National Program “Labor Market Studies”, project “Research for the Ministry of Welfare”, nr. VPD1/ESF/NVA/04/NP/3.1.5.1/0001/0003 was generously provided by the Ministry of Welfare, Republic of Latvia. None of the authors of this paper was part of the research team to design data collection.
their living expenses and tuition fees. As for students in the private higher education sector, student loans are the only instrument of governmental support they can receive to fund their university studies (Kaša, 2007). There are very few exceptions when the government in the form of state procurement directly subsidizes a minority of students at private institutions of higher education (Kaša & Loža, 2001). For instance, in 2008, out of thirteen private institutions of higher education, the state covered tuition fees for only five doctoral students at Riga International School of Economics and Business Administration, and for 15 students in the professional BA study program at the “Turiba” School of Business Administration (Ministry of Education and Science, 2010).

Student loans as an indirect form of student subsidization has evolved with the expansion of higher education sector and the decrease in direct governmental funding available to students. Since 1997, when the first notable governmentally funded student loans program was introduced, several reforms of this program have taken place (Kasa, 2008, pp. 90 – 91). In 2001 the government considerably extended the availability of student loans, engaging commercial banks as the principal lender while the government retains the role of secondary guarantor. Indirect subsidy to students includes a governmental loan guarantee, a subsidized interest rate, a grace period, and debt forgiveness. Since the end of the 1990s, commercial banks in Latvia have also developed and offered their own loan programs to students to cover the costs of their studies. The disadvantage of commercial bank loans from the borrowers’ perspective is the lack of indirect subsidy which is a characteristic of the governmentally guaranteed student loans program. Yet the advantage of private student loans is that banks make a decision about awarding a loan to a student in a short time, while an award of a governmentally guaranteed student loan takes months (Kaša, 2003). Delays in disbursement of governmentally guaranteed loans have caused difficulties for students to timely cover their tuition payments and finance their living costs.

Since the guaranteed student loans scheme was introduced, the number of student borrowers has increased every year (Study Foundation, 2009). By 2008, a total of 55,141 loan agreements had been signed. 36,340 were loans for covering student tuition fees, and 18,801 were loan agreements covering student living costs. In addition, a new trend appeared. Students are borrowing more and more money, a result of increasing tuition fees charged by institutions of higher education in Latvia. The increasing use of student loans in the student aid system in Latvia provides a policy context for the current paper, which examines the characteristics of higher education graduates with student loans in comparison to graduates who did not borrow for higher education.

3. International evidence on the impact of student debt

The world-wide shift of higher education costs from taxpayers to students and parents (Johnstone, 2003) has generated international debate. Much of the debate is about the impact of student loans on higher education access. Some argue that loans discourage students from disadvantaged backgrounds from pursuing higher education (Callender, 2006), while others say that student loans are a good way to encourage investing in higher education (Barr, 2004). In fact, well-designed student loan schemes enable students to generate personal funds for higher education expenses (Ziderman, 2009).
Regardless of whether college students fund their education by a loan or some other means, higher education entails both monetary and non-monetary benefits for higher education graduates. Monetary benefits include higher net earnings, more savings, better job opportunities, and personal and professional mobility, while non-monetary benefits account for higher social status, better professional and leisure satisfaction (Vossensteyn, 2009, p. 173). Research by Becker and Murphy (2007) also finds increased returns to education in households as knowledge become more important to health related decisions, education of children, financial management, marital stability and other activities where positive effects of education can be viewed as non-monetary higher education benefits.

At the same time, is it a fact that graduates with student loans are on the same footing when it comes to experiencing private higher education benefits as those graduates who were able to finance their tertiary education without borrowing? In the United States, most students with high educational debt burdens borrow more for college and have lower average salaries after graduation than their counterparts who borrowed less (Price, 2004). In addition, graduates with lower earnings tend to come from lower-income and ethnic minority backgrounds, usually African-Americans and Hispanics. Price (2004) reports that college graduates from higher-income families earned from 10% to 25% more than college graduates from lower-income families in 1997.

There is also evidence that student debt burden requires graduates to work multiple jobs or to significantly change the career plans (Baum & Saunders, 1998). The study by Baum and Saunders (1998) reveals that since 1987 graduates increasingly claim that because of their student debt they have postponed property investment and plans concerning their private lives such as marriage and purchasing a house or an apartment. According to the study by Baum and Saunders, in 1997 graduates said that because of their student debt 40% delayed buying a home, 21% moved out of parents’ homes, 15% delayed their marriage engagements, and 22% delayed having children (p. 42). Baum and Saunders draw the conclusion that in the US there “has been a significant increase in the debt accumulated by individual students since the early 1990s and in the perception of borrowers… their debt is interfering with their lifestyles” (p. 44). In other words, borrowers suffer from a progressive, endless debt which continues to affect necessities in their personal lifestyles because of their student debt burden after graduation.

However, it must be acknowledged that not all studies approve this kind of perception of graduates from the study by Baum and Saunders (1998). A study by Zhang (2007), which examines how educational debt affects bachelor’s degree recipients, contradicts the earlier statements by Baum and Saunders. Examining career and life decisions five years after graduation among bachelor’s degree recipients at public and private colleges, Zhang found that student debt had no impact on early career choices such as salary and sector of occupation, or marital status and homeownership.

Similarly, McGill (2006) examined the decisions of law school graduates in relation to the type of job they have—public interest or private law firm—and he concluded that “private firms with prestige and high salaries are appealing to many students regardless of their debt burden” (p. 677). McGill elaborates that it is not because of student debt that students did not
engage in public interest low-paying jobs, but rather it is because of the short supply of such jobs.

Opposing evidence, however, to McGill’s (2006) conclusions about the impact of debt in graduates’ decisions to engage in public interest jobs is presented by Rothstein and Rouse (2007). Rothstein and Rose compared graduates with student loans and students who received grants to cover their tuition. They found that student debt caused graduates to choose substantially higher-salary jobs and it reduced the probability that students would choose low-paid public interest jobs even if they were available.

Evidence in the literature on the relationship between student debt and graduate career and life choices appears to be inconclusive. At the same time, there is a general trend that levels of total debt in the US tend to rise with education levels (Chiteji, 2006). In this context, the surge in college costs has driven up the amounts that students need to borrow in order to access higher education as increasingly more student aid is provided in the form of student loans rather than grants (Heller, 2008). In many instances, student debt that graduates carry has become unmanageable. There are accounts of young adults who are experiencing a sharp decline in their living standards due to their inability to meet installments for student debt repayment (Douglas, 2009; PBS, 2009). Nevertheless, using a nationally representative survey of US households Chiteji (2006) finds that, on average, “educated young adults appear to have sufficient resources to offset their larger debt loads” (p. 7). Even though the education debt for young adults is twice as large as for the general population, having such debt pays off concludes Chiteji (2006) referring to findings that “the average lifetime benefit from attending college hovers around $300,000” (p. 8). That is in addition to such non-monetary higher education benefits as skills for life-long learning and educational enrichment opportunities. Higher education graduates also tend to have better labor conditions, higher social status, better job satisfaction, better health and life expectancy. Their spending decisions are smarter, they make better decisions about health and their children’s education, they know how to enjoy their free time better, engaging in hobbies and leisure activities (Becker & Murphy, 2007; Vossensteyn, 2009). All in all, on average, higher education graduates benefit from extended personal and professional development.

In the current paper, we are also concerned about finding out about the average similarities and differences between graduates – student debt holders and graduates with no student debt in Latvia in terms of their demographic, household, income, and employment characteristics.

4. Methodology

Sample

The data used in this paper comes from the survey Professional Activity of Graduates of Institutions of Higher and Vocational Education conducted in 2006 by a group of researchers from the University of Latvia and several other organizations. The survey was commissioned by the Ministry of Welfare as part of a research series on the labor market, funded by the EU Structural Funds. The survey’s main purpose was to explore the opportunities for graduates to acquire employment according to their education, to identify the barriers that hinder such op-
opportunities, and to identify alternative career routes for graduates. The survey inquired about the life events of respondents, their decisions about education and their career choices. It also sought information about respondents’ socioeconomic environment.

The survey investigated graduates of two-year degree colleges, universities, and vocational schools. Among the areas that the survey questionnaire examined is borrowing for higher education. For the analysis in this paper, only respondents with a college or university degree who provided an answer to the question about borrowing for their studies were included. The reason for limiting the sample in the paper to these respondents is that the largest student loan programs in Latvia target college and university degree students.

In total, 4,538 graduates responded to the survey. A little more than a half of all respondents, 2,491, were college and university graduates. From this sample of college and university graduates, 1,540 or 62% answered the question about their student borrowing. We compared the major demographic variables such as gender, ethnicity, and age, as well as graduation year, in order to establish whether or not the sample used in this analysis is systematically different from the total sample of college and university graduates.

### Table 1. Comparison of variables in the samples

<table>
<thead>
<tr>
<th></th>
<th>Total sample (Column I)</th>
<th>Respondents who are university and college graduates (Column II)</th>
<th>University and college graduates who answered about student borrowing (Column III)</th>
<th>A comparison of sample proportions in columns II and III (two-tailed z-test)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Graduation year</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>2,120 (47%)</td>
<td>1,077 (43%)</td>
<td>616 (40%)</td>
<td>p = .06</td>
</tr>
<tr>
<td>2005</td>
<td>2,418 (53%)</td>
<td>1,414 (57%)</td>
<td>924 (60%)</td>
<td>p = .06</td>
</tr>
<tr>
<td>Total</td>
<td>4,538 (100%)</td>
<td>2,491 (100%)</td>
<td>1,540 (100%)</td>
<td></td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>1,895 (42%)</td>
<td>735 (30%)</td>
<td>388 (25%)</td>
<td>p &lt; .001</td>
</tr>
<tr>
<td>Female</td>
<td>2,643 (58%)</td>
<td>1,756 (70%)</td>
<td>1,152 (75%)</td>
<td>p &lt; .001</td>
</tr>
<tr>
<td>Total</td>
<td>4,538 (100%)</td>
<td>2,491 (100%)</td>
<td>1,540 (100%)</td>
<td></td>
</tr>
<tr>
<td><strong>Ethnicity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latvian</td>
<td>3,422 (76%)</td>
<td>1,920 (77%)</td>
<td>1,205 (78%)</td>
<td>p = .46</td>
</tr>
<tr>
<td>Russian</td>
<td>830 (18%)</td>
<td>412 (17%)</td>
<td>243 (16%)</td>
<td>p = .40</td>
</tr>
<tr>
<td>Other*</td>
<td>278 (6%)</td>
<td>156 (6%)</td>
<td>91 (6%)</td>
<td>p = 1</td>
</tr>
<tr>
<td>Total</td>
<td>4,530 (100%)</td>
<td>2,488 (100%)</td>
<td>1,539 (100%)</td>
<td></td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 25</td>
<td>2,822 (62%)</td>
<td>934 (38%)</td>
<td>404 (27%)</td>
<td>p &lt; .001</td>
</tr>
<tr>
<td>26 – 30</td>
<td>730 (16%)</td>
<td>683 (27%)</td>
<td>384 (25%)</td>
<td>p = .16</td>
</tr>
<tr>
<td>31 – 40</td>
<td>506 (11%)</td>
<td>449 (18%)</td>
<td>374 (24%)</td>
<td>p &lt; .001</td>
</tr>
<tr>
<td>&gt;41</td>
<td>480 (11%)</td>
<td>424 (17%)</td>
<td>378 (24%)</td>
<td>p &lt; .001</td>
</tr>
<tr>
<td>Total</td>
<td>4,538 (100%)</td>
<td>2,490 (100%)</td>
<td>1,540 (100%)</td>
<td></td>
</tr>
</tbody>
</table>

*Includes other ethnicities such as Ukrainian, Polish, Lithuanian, Belorussian, and others.

Comparison of the two samples – all college and university graduates and those who responded to the question about student borrowing - shows similar proportions in variables of graduation year and ethnicity. However, there are substantial differences for variables of gender and age. A comparison of the sample shows that significantly more women than men answered the question about borrowing for their higher education studies. Proportionately fewer respondents under the age of 25 answered the question about their student borrowing, while the response rate to this question was proportionately higher among students above 31 years.
of age. At the same time, we believe that these differences did not impact the results of our analysis. Although more women than men answered the question about student borrowing, the overall proportions of male and female respondents are still comparable. In order to test the impact of different distribution in age variable, we ran tests for significant results in our analysis and examined the association between age and marital status, household size, ownership of residential property, and a permanent employment position in a company among all respondents with university and college degrees. The results of this analysis showed similar tendencies as primary analysis in this study, comparing graduates with and without student loans.

We should also account for differences by gender and age in the total sample and in the sample of college and university graduates (columns I & II in Table 1). One possible explanation for the difference in the gender variable is that women are overrepresented in higher education as opposed to men. In 2006, females represented 72% of all graduates (Ministry of Education and Science, 2007). In terms of age, higher education enrolls people of a wide age range. In 2006, 28% of all students at institutions of higher education were more than 29 years old (Ministry of Education and Science, 2007). Data on the age distribution of students at vocational schools was not available at the time of this study.

Of all the respondents with and without student loans used for the analysis in this paper, 351 (23%) borrowed for their higher education and 1,189 (77%) did not have a student loan. The survey included graduates of the 2003 and 2005 classes. The number of student borrowers was higher among 2005 graduates, which can be explained by the growing use of student loans on a yearly basis to cover tuition fees and student living expenses. In terms of academic achievement of the respondents included in the analysis in this paper, 280 (11%) respondents held a two-year college degree, 1,385 (56%) were Bachelor’s Degree holders, 825 (33%) Masters Degree recipients and one holder of a PhD degree. The majority of all graduates with student loans - 238 (68%) - had borrowed to receive a Bachelor’s Degree. Regardless of their borrowing behavior, the majority of all respondents (N=1355, 54%) paid tuition throughout their studies. There were 928 (37%) respondents who studied in governmentally funded slots, and 202 (8%) respondents who paid tuition for part of their studies. More than eighty percent of borrowers (82%) and non-borrowers (88%) paid tuition.

Variables for the analysis

A set of variables were chosen to examine the demographic and household characteristics, income, and employment of graduates with and without student loans. The choice of variables in the paper was framed by the literature on student indebtedness. The literature provided a frame of reference for selecting variables for the analysis in the paper. Another conditional for selecting variables for analysis in the paper was the availability of appropriate variables in the dataset. Since the survey questionnaire from which the dataset in the current paper is obtained was designed to learn about the professional activity of graduates, it asks only one question about student borrowing. This survey omits specific questions about the impact of borrowing on student professional and life choices. Given this constraint in the survey, we selected variables which would allow us to obtain a general description of similarities and differences between graduates with student loans and those without such debts.
The variables selected for analysis in this paper include demographic descriptors such as gender, age, and ethnicity. The group of variables on household characteristics includes the marital status of the respondent, the size of their household, and the ownership of their residential property. Variables that describe the position of graduates in the labor market are the type of employment – employer, employee or self-employed –, engagement in a second job, and a permanent employment position in the company. Finally, the income variable tells about the average total monthly net income in the year before the survey as well as main income sources.

These four groups of variables – demographic, household, employment, and income - will allow us to obtain an average description of higher education graduates with and without student loans and to compare their well-being.

Methods applied in data analysis

In order to compare demographic, household, employment, and income characteristics of higher education graduates in Latvia, we applied several statistical techniques. We obtained chi-square values for categorical dependent variables. In instances with numerical dependent variables such as income and size of household, a two group comparison using an independent-samples t-test was carried out. ANOVA analysis of variance was performed in order to establish the general variance among graduates.

In nearly all instances for Chi square analysis, the variables were recoded in order to reduce the number of categories and to increase the N per cell. The categorical variable that was not recoded in any way for the purposes of cross-tabulation is gender.

The results of the analysis are presented in the next section of the paper.

5. Comparison between tertiary graduates with and without student loans

Demographic characteristics

There are no differences between borrowers and non-borrowers by gender. Both among respondents with student loans and without loans, men are represented about three times less than women, $\chi^2(1, \ N=1540) = 1.44$, $p = .231$. However, there are statistically significant differences between borrowers and non-borrowers by ethnicity and age. Among graduates with student loans, Latvians are represented more than other ethnic groups, $\chi^2(2, \ N=1529) = 27.72$, $p < .001$. Similarly, an independent t-test shows that, on average, graduates with student loans are younger (M=29.73, SD=8.71) than those who do not have them (M=34.59, SD=9.88), $t(1538)= -8.32$, $p < .001$.

Household characteristics and property

In terms of the household characteristics of graduates with and without student loans, there are several significant differences. By marital status, graduates with student loans were more often single than their counterparts with no student debt, $\chi^2(2, \ N=1538) = 16.15$, $p < .001$. On
average, indebted graduates lived in a smaller household \((M=2.87, SD=1.32)\) than graduates with no student debt \((M=3.09, SD=1.34)\), \(t(1529) = -2.59, p = .010\). As for place of residence, graduates with student debt tended to live in rented housing with roommates, with relatives, or in a dormitory, while graduates who did not have student loans predominantly lived in a house or apartment that they own, \(\chi^2(2, N = 1513) = 45.36, p < .001\). These differences can be attributed to the average differences in age of graduates with and without student debt. A younger age correlates with a smaller household, Pearson’s \(r(2475) = .124, p < .001\). Also, it is younger respondents who tended to live in housing other than their own, \(F(3, 2443) = 175.39, p < .001\).

**Employment**

Equally many graduates with and without student loans had jobs in addition to their permanent employment, \(\chi^2(1, N = 1499) = .03, p = .862\). The main reason for that in both groups was a wish to supplement their income - about 60 percent gave such an answer. The next reason most often referred to for having a supplementary job was a wish to improve professional qualifications, \(\chi^2(2, N = 349) = 2.27, p = .322\). Similarly, no differences were observed in how many graduates with and without student loans were an employer, employee, or unemployed, \(\chi^2(3, N = 1540) = 0.28, p = .965\). At the same time, although an equal number in both groups were employees (approximately 86 percent) there were significant differences between borrowers and non-borrowers in terms of their average appointment in the company or organization where they were working. Non-borrowers more often than borrowers held a top-managerial position, \(\chi^2(3, N = 1480) = 20.91, p < .001\). This can be explained by the fact that non-borrowers were, on average, older. Analysis of variance shows that higher managerial positions were held by older respondents, \(F(3, 2369) = 29.40, p < .001\).

**Income**

Although non-borrowers were in higher ranking positions of employment than graduates with student loans, analysis of income distribution shows that there were no significant income differences, on average, between graduates with and without student loans. The income of respondents was reported when answering the question “What was your total income (also including all earnings additional to your primary salary) ‘in hand’ per month, during the last 12 months?” An independent two group t-test shows that, on average, graduates with \((M = 394, SD = 468.01)\) and without \((M = 415, SD = 567.25)\) student loans had similar monthly incomes during that period, \(t(877) = -.51, p = .612\). The median income in both groups was LVL 300 per month.\(^5\)

Comparison of the income level of graduates by rank of employment showed that a minority of top or mid-level managerial position holders (6%) had income that exceeded 1000 LVL per month. Most top and mid-level managers had income in the range between 100 and 650 LVL per month. This range of income was also most common for experts, qualified and low-qualified workers among university graduates (see table 2). Such income distribution explains why there were no significant differences in income between borrowers and non-borrowers, even though considerably more non-borrowers held a top-managerial position.

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\(^5\) In 2006, the exchange rate of USD was 0.55 LVL.
Table 2. Total net income per month by job appointment

<table>
<thead>
<tr>
<th>Low income &lt; 99 LVL per month</th>
<th>Medium income LVL per month</th>
<th>High income &gt;1000 LVL per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top-level or Mid-level manager</td>
<td>5 (2%)</td>
<td>127 (44%)</td>
</tr>
<tr>
<td>Expert</td>
<td>27 (3%)</td>
<td>599 (65%)</td>
</tr>
<tr>
<td>Qualified worker</td>
<td>10 (6%)</td>
<td>127 (70%)</td>
</tr>
<tr>
<td>Low-qualified worker</td>
<td>2 (25%)</td>
<td>4 (50%)</td>
</tr>
</tbody>
</table>

In terms of sources of income, for 90 percent of graduates, both borrowers and non-borrowers, the main source of income was the wage at their permanent place of employment. Additional sources of income that graduates named were also rather similar for respondents with and without student loans. The most important source of additional income which student borrowers and non-borrowers named was earnings in their second job (26 and 28 percent respectively). Among other sources of income were spouse’s income (22% non-borrowers and 25% borrowers), income of other family members (18% non-borrowers and 13% borrowers), welfare support (16% non-borrowers and 14% borrowers), entrepreneurship (5 percent for all respondents), and other less common additional income sources.

6. Discussion of results

The purpose of this paper is to look at whether higher education graduates with student loans are significantly different from graduates without student loans in terms of their demographic and household characteristics, income, and their employment characteristics.

Data analysis in this paper indicates that higher education graduates with and without student loans had similar employment patterns and similar incomes. Most of them were employees, rather than having their own business. Very few of all respondents, only 7.5%, said they were employers with their own company or self-employed. Also, analysis in the paper showed that unemployment was not an issue among graduates with and without student loans. The findings were consistent with the general observation that most higher education recipients find jobs as only 2.1 percent of all respondents said they were unemployed. In 2006, the smallest number of economically disengaged individuals in the general population, 7.7 percent, was among higher education holders (CSB, 2010).

The main income source was the wage at their permanent place of employment. Furthermore, equally many graduates with and without student loans had second jobs, which was the most important source of respondents’ additional income. It is interesting to note that augmenting household income was not the only motivation for respondents to take a second job. Many graduates with and without student loans sought to advance their professional qualifications by working additional hours.

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6 In Latvia it is legally possible to combine the status of student and unemployed person. This, however, did not affect the results in the paper as a minority of respondents claimed the status of student and unemployed.
Although both these groups of respondents reported similar income levels, there were differences in the rank of their employment. The median monthly net income for student borrowers and non-borrowers was 300 LVL a month, which was higher than the average monthly income in the general population. According to census data in 2005, the average monthly gross income in the general population was 246 LVL and the average monthly net income constituted 176 LVL (CSB, 2010a). The income distribution among graduates with and without student loans did not reflect, however, differences in their rank of appointment at the place of their permanent employment. Graduates with no student loans tended to have higher appointments and more frequently than student borrowers held top and mid-managerial positions. The reason for this appears to be the age of respondents as graduates with no student loans tended to be older, and thus they had more experience and expertise to be promoted.

Age was one of the variables that distinguished the group of student borrowers from non-borrowers. Younger graduates were more likely to have student debt. At the same time, they were less likely to live in the house that they own. They were also members of smaller households than graduates with no student loans, and their marital status was more often reported as single.

Ethnicity was another characteristic that set apart student borrowers and non-borrowers. By ethnicity, most borrowers of student loans were Latvian. Comparably few graduates of other ethnic groups said they had used student loans to finance their higher education. While from the dataset used in the study it is impossible to determine the reason for such discrepancy, it can be assumed that this difference is partly due to the fact that non-Latvian ethnic groups are underrepresented in higher education. Official data on the ethnicity of students were not available. Nonetheless, there are accounts that the number of Russian-speaking applicants to higher education since the beginning of the 1990s decreased due to insufficient proficiency in the Latvian language which had become the main language of instruction in higher education (Hazans, Trapeznikova & Rastrigina, 2007).

In terms of gender, however, both higher education graduates with student loans and without tend to be women. This is not a surprise since there is a reverse gender gap in higher education, in general, where women outnumber men in nearly all fields of sciences (Kaša, 2008a). Especially more women studied in social science and humanities programs, which are fields receiving less state funding but enrolling more students.

All in all, irrespective of these few differences between student borrowers and graduates with no loans discussed in this section, the two groups of higher education holders appear to enjoy higher education benefits in similar amounts. The analysis showed that higher education graduates had higher incomes than the general population. They were motivated to engage in additional labor market activities in order to further their professional development rather than just to supplement their income.

7. Conclusions

Comparison of higher education graduates with and without student loans in Latvia using a nationally representative data from the survey Professional Activity of Graduates of Institutions of Higher and Vocational Education conducted in 2006 shows that, on average, student
debtholders and non-holders are rather similar when it comes to gender, employment and income, yet not so much in terms of their households and also ethnicity and age.

Younger college and university graduates carry educational debt more often than their older counterparts. In addition, most borrowers are graduates from Bachelor’s Degree programs. The younger age of student borrowers appears to be the reason why they tend to live in smaller households and not to own their residential property. The younger age of student loan holders is also associated with lower status appointments in the labor market while respondents with no student loans tend to occupy higher ranks of mid-level or top-level management at their workplace.

In terms of ethnicity, most student borrowers are Latvian. One of the reasons for this seems to be lesser representation of other ethnic groups in higher education in general. Another possible reason is that the student population of Latvian ethnicity represents a wider range of socioeconomic groups and there are more students among this ethnic group in need of loans. At the same time, the data in this paper are too limited to draw deeper conclusions concerning the ethnic discrepancy between graduates with and without student loans. Given that there are no official data regarding the ethnic composition of Latvia’s higher education student body, research in this direction would be welcome.

There were some other questions which were not addressed in this paper due to limitations in the dataset and which should be explored in the future. It was impossible to determine whether student debt had any impact on the decision to become an entrepreneur. It was also not possible to determine what portion of graduate income was lost due to student debt repayment. All these questions would be valuable to address in future studies in order to generate knowledge which would assist in formulating evidence based public policy decisions.

References


Comparing tertiary graduates with and without student loans in Latvia


