Toward a Universal Right to Higher Education: A Reform Proposal for Italy's Student Support System

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Abstract

Italy lags behind most of the European Union in tertiary attainment: only 31.6% of 25-34 year-olds hold a university degree, against an EU average of 44.1%, while the country simultaneously experiences one of Europe's highest youth NEET rates, a persistent brain drain of its most educated graduates, and one of the lowest shares of international students among EU member states. At the same time, the demographic pool of prospective students is set to shrink by roughly 30% by 2040, since the relevant cohorts are already born and counted in official statistics. We argue that a central, underexplored driver of these outcomes is the design of Italy's means-tested student support system, which relies on ISEE (Equivalent Economic Situation Indicator), an instrument that is backward-looking, illiquid-asset-sensitive, threshold-driven, and administratively regressive. We propose a reform of the student support system *"Diritto allo Studio Universitario (DSU)"* built on six pillars: (i) tuition-free access beyond ISEE, conditional on minimum academic progress; (ii) universal income-contingent loans to cover living costs; (iii) merit-based grants awarded ex-post rather than through ex-ante selection; (iv) support grants for working and economically fragile students; (v) rationalization of scattered one-off subsidies; and (vi) an expansion of price-capped student housing. We estimate a gross annual cost of approximately €3.3–3.5 billion (about 0.15–0.18% of Italian GDP), of which roughly €1 billion is already allocated to existing right-to-study spending, implying a net additional annual cost of approximately €2.2–2.5 billion, partially self-financed through a progression-based contribution on missing academic credits. We discuss the design trade-offs involved: non-regressiveness versus universality, risk aversion to debt, merit measurement under unequal starting conditions, and the verification of informal student employment; and illustrate the reform's incidence through seven stylized student profiles.

JEL classification: I22, I23, I28, J24, H52.

Keywords: higher education finance; means-testing; income-contingent loans; merit-based aid; student housing; Italy.

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Contents

1 Introduction **3**
1.1 Motivation: low graduation rates, delayed completion, emigration, and limited internationalization . . . 3
1.2 Policy objectives . . . 4
1.3 Overview of the proposal . . . 4
1.4 International context: how does this compare? . . . 5

2 Shortcomings of the Current System **5**
2.1 Shortcomings of ISEE as an eligibility criterion . . . 5
2.2 Shortcomings of the student support system . . . 7
2.3 Design principles of the proposed reform . . . 7

3 Free Tuition **8**
3.1 Minimum credit requirements . . . 8
3.2 Exemptions . . . 9
3.3 Financing mechanism . . . 9

4 Loans and Grants **10**
4.1 Income-contingent loans . . . 10
4.1.1 Cost of the income-contingent loan scheme . . . 11
4.2 Grant System . . . 11
4.2.1 Merit-based grants . . . 11
4.2.2 Support grants . . . 11
4.2.3 Elimination of scattered one-off bonuses . . . 12
4.3 Cost of the loan-and-grant system . . . 12

5 Student Housing **12**

6 Overall Cost of the Reform **12**

Illustrative Student Profiles **13**

7 Limitations and Caveats **14**

Conclusion **16**

1 Introduction

1.1 Motivation: low graduation rates, delayed completion, emigration, and limited internationalization

Italy occupies a position of persistent disadvantage relative to most European countries in terms of the educational attainment of its young population. As of 2024, only 31.6% of Italians aged 25–34 hold a university degree, compared with an EU average of 44.1%, while the NEET rate (youths aged 15–29 neither employed nor in education or training) stands at 15%, the second-highest in Europe [10] [7]. This gap translates directly into a shortage of qualified human capital, a resource that is increasingly decisive for economic growth, innovation, and international competitiveness [7].

Compounding this shortfall is the emigration of highly educated young Italians. Between 2011 and 2024, more than 630,000 young people (aged 18–34) left Italy, with a peak of 78,000 departures in 2024 alone [6] – equivalent to 24% of that year's number of births. The educational composition of these emigrants has shifted markedly: graduates represented 38.7% of emigrants in 2019, rising to 50.9% by 2023 [8]. Italy is thus training qualified human capital that increasingly finds opportunities only abroad, without a corresponding inflow of foreign students or highly skilled workers to offset these losses. In 2023, international students represented 8.4% of university enrollment in the EU, but only 4.8% in Italy [19, 18]. A handful of institutions – the University of Bologna, the University of Florence, Sapienza University of Rome, Bocconi University, and the Polytechnic University of Turin – are comparatively attractive to foreign students, but the system as a whole remains poorly internationalized[1].

A further structural problem concerns time-to-degree. On average, Italian students take approximately one year longer than the nominal duration of their program to graduate (pooling three-year, master's, and single-cycle degrees). In addition, the average delay in first enrollment relative to the canonical age of 19 (for bachelor's programs) or 22 (for master's programs) is 1.6 years, and approximately 43% (2023) [**ref26**] remain enrolled beyond the standard duration of their degree program (*fuori corso*) [1]. This lengthens and raises the cost of the university pathway and slows the transition of young people into economic independence.

Finally, Italy faces a structural demographic constraint. From 2027 onward, the number of young people reaching university-entry age will begin to decline, falling by an estimated 30% by 2040 [11, 3]. Absent an increase in access and completion rates, the number of graduates will fall in tandem with this demographic contraction [2].

These concerns are echoed in the European Commission's most recent Country Report on Italy [7], which identifies tertiary education as one of the country's main structural weaknesses. Beyond low tertiary attainment rate and the high share of students graduating beyond the standard

[1] The aggregate figure masks substantial heterogeneity across institutions: some, such as the Polytechnic University of Turin, Bocconi University, the Polytechnic University of Milan, and the University of Genoa, report shares of international students well above the national average. Italy's international student body is also geographically distinctive, with a comparatively large share originating from Asia (particularly China, India, and Iran) and from Eastern Europe (Romania and Albania), whereas in the rest of the EU the most common origin remains intra-European [19, 18]. This suggests that outreach and recruitment strategies may need to be differentiated by region of origin rather than treated as a single, homogeneous pool.

[2] Unlike most demographic projections, this one does not rest on assumptions about future fertility: everyone who will reach university-entry age through 2043 has already been born and counted by Italy's national statistical institute (ISTAT), so the pool of prospective students is, to a first approximation, already determined. Under unchanged behavior, first-year enrollments – currently around 330,000 per year – would shrink proportionally. This makes the underlying problem more demanding than it may first appear: with progressively smaller youth cohorts, merely maintaining current access and completion rates is not enough to avoid losing ground. A significant increase in the share of young people who enroll, persist, and graduate is required simply to offset the shrinking demographic base and to keep expanding the country's stock of qualified human capital.

duration of their degree programmes it also points to relatively high dropout rates, one of the lowest employment rates for recent graduates in the European Union (77.8% in 2024, compared with an EU average of 86.7%), a weak alignment between qualifications and labour-market outcomes—with around 40% of graduates employed in jobs unrelated to their field of study—and an ageing academic workforce associated with less innovative teaching methods, curricula, and use of digital technologies. Taken together, these findings suggest that improving higher education in Italy requires action not only on access, but also on quality, efficiency, and labour-market relevance. This paper proposes a reform of Italy's student support system aimed at reducing the financial and institutional barriers to university access, progression, and completion. Broader structural issues, including teaching quality, university governance, ITS Academies, and skills matching, lie beyond the scope of the analysis.

1.2 Policy objectives

The reform's primary objective is to raise the share of the young population holding a university degree to 40% within ten years, bringing Italy closer to the current EU average. Achieving this requires action on two complementary margins:

- making university more affordable, by reducing the economic barriers that currently slow down or deter enrollment, while simultaneously fostering greater autonomy and responsibility among young people so as to accelerate their transition to economic independence
- strengthening incentives for continuous, on-time progression and completion of studies, through universalistic mechanisms that reward merit.

A second objective is to strengthen the Italian university system's capacity to attract students and talent from abroad, while also diversifying the countries of origin of international students. This requires greater internationalization of Italian universities, both in terms of program offerings and the quality of the student experience.

The ability to retain these young people depends largely on the opportunities offered by the labor market, but a university system perceived as rigorous, modern, and globally engaged can reinforce Italy's image as a country in which to build one's future – not only to study, but also to live and work. At present, 18% of international students remain in Italy to work after graduation; increasing the number of international students should therefore also be expected to raise, in absolute terms, the number who choose to stay [16].

1.3 Overview of the proposal

The proposal, named hereafter **DSU+U** (*Diritto allo Studio Universitario Universale*) rests on six main pillars:

1. tuition-free access beyond ISEE (Section 3);
2. state-guaranteed, income-contingent loans to cover living costs (Section 4.1);
3. merit-based grants (Section 4.2.1);
4. support grants (Section 4.2.2);
5. price-capped student housing (Section 5);
6. elimination of scattered one-off bonuses (Section 4.2.3).

The central measure is the elimination of tuition fees, making access to university substantially free of charge. This measure would allow talent, effort, and personal aspirations to be valued on their own terms, preventing students who fall outside ISEE eligibility criteria – and whose

enrollment decisions are heavily shaped by family choices – from being excluded from higher education opportunities purely on the basis of their family's starting economic conditions.

Alongside free tuition and enrollment, the reform introduces economic support instruments such as subsidized loans, with repayment schedules differentiated by regular academic progress, employment during university, or the attainment of merit-based outcomes. These instruments would primarily benefit students who must leave their family home to study, favoring geographic mobility, autonomy, and the ability to choose the university best suited to their aspirations.

The reform also aims to incentivize on-time completion of studies by conditioning free tuition and grants on satisfying minimum credit-accumulation requirements.

Finally, free tuition would carry international value. Several European countries, including Germany, Finland, Denmark, Norway, Sweden (for EU/EEA students), the Czech Republic, and Slovakia, already offer tuition-free or near tuition-free public higher education under different eligibility rules. Reducing the cost of studying in Italy could therefore increase the appeal of Italian universities to foreign students. Since a share of international students remains in Italy to work after graduation, attracting more of them could also strengthen the country's human capital base. To be genuinely competitive in the international higher-education market, however, Italy would need to combine free tuition with complementary instruments: more English-taught programs, simplified admission procedures, services for international students, and stronger links between universities and the labor market.

1.4 International context: how does this compare?

The reform combines elements that already exist, individually, in several national systems, but that are rarely observed together. Table 1 situates the proposal against five widely studied reference models: the English income-contingent loan (ICL) system, the Australian HECS-HELP scheme, the German model of tuition-free public universities combined with means-tested BAföG support, the Norwegian State Educational Loan Fund (Lånekassen), which pioneered ex post loan-to-grant conversion linked to progress and completion, and the predominantly need-based US system of Pell Grants layered with federal loans. The comparison is necessarily stylized as each system has evolved through country-specific legislative and administrative detail that a single table cannot capture, and is intended only to locate the proposal's design choices within the broader landscape of higher-education financing models, not as a rigorous comparative-institutional analysis.

Relative to this landscape, the proposal's distinguishing feature is not any single instrument – free tuition, income-contingent loans, and ex post grant conversion all have precedents elsewhere – but their combination: unlike Australia and England, access to the living-cost loan is universal rather than means-tested at entry; unlike Germany, the living-cost instrument is a loan rather than a grant, which widens its potential coverage without a proportional increase in up-front public expenditure; and, as in Norway, the meritocratic and need-based components are resolved ex post through conversion, rather than through ex ante selection. Whether this specific combination outperforms any single reference model on efficiency or equity grounds is an empirical question that this paper does not attempt to answer (see Section 7 below); the international comparison is offered only as a positioning device, not as evidence of superior performance.

2 Shortcomings of the Current System

2.1 Shortcomings of ISEE as an eligibility criterion

ISEE is a general-purpose indicator built for measuring household economic conditions and it is used, among other scopes, to allocate right-to-study benefits. In this context it presents several

Table 1: Stylized comparison of higher-education financing models

System	Tuition	Main living-cost instrument	Repayment / eligibility basis	Feature closest to this proposal
England (UK)	Fees charged, covered by loan	Income-contingent maintenance loan	Repayment as a fraction of income above a threshold; balance written off after ∼30–40 years	Universal, non-means-tested access to loans
Australia (HECS-HELP)	Fees charged, deferred via loan	Separate means-tested living-cost loans/allowances	Repayment via the income-tax system above an income threshold	Origin of the income-contingent repayment concept
Germany	Free at public universities	Means-tested BAföG (partly grant, partly zero-interest loan)	Family-income means test, capped loan repayment	Free tuition as the default
Norway (Lånekassen)	Free at public universities	Universal loan, largely accessible regardless of family income	Ex post conversion of loan into grant conditional on progress/completion	Ex post, progress-linked loan-to-grant conversion
United States	Fees charged (variable)	Pell Grants (need-based) + federal loans (Direct/PLUS)	FAFSA-based means test; standard or income-driven repayment plans	Means-tested grant layered on top of a loan market
This proposal (DSU+U)	Free at public universities, conditional on credit progress	Universal income-contingent loan for all students	Repayment above an income threshold; ex post conversion into merit- or need-based grants	Combines free tuition, universal (non-means-tested) loan access, and Norwegian-style ex post conversion

limitations that reduce both the equity and the effectiveness of the current student support system [20, 13, 5, 21]. ISEE is computed as follows:

$$ISEE = \frac{Y + [(FA + RA) \times \frac{1}{5}]}{e} \tag{1}$$

where Y represents household income, FA financial assets, RA Real estate assets and e is an equivalence scale factor based on the numerosity of the household members. The first issue is that such calculation is based on figures reported two years prior to entrance in the higher education system, therefore it may fail to reflect households' current economic situation. It also counts illiquid assets, such as inherited property which might be difficult to sell, that do not correspond to any real capacity to cover educational expenses[3]. In addition, the system operates through rigid eligibility thresholds: exceeding a threshold by even a small margin can result in the loss of substantial benefits. At the same time, its administrative complexity tends to favor better-informed households, which are more able to legally organize their financial and tax position so as to maximize eligibility. Recent regulatory changes excluding certain government bonds from the computation of the ISEE indicator [21] have, if anything, reinforced these information asymmetries. As a result, access to support depends not only on a household's underlying economic condition, but also on its ability to navigate an increasingly complex administrative system, thereby reinforcing existing asymmetries.

Lastly, in the university context, ISEE presents a further, more conceptual limitation: at age 19, the economic condition of one's family of origin should not be the sole determinant of access to higher education. University represents one of the principal instruments of social mobility and of the construction of individual autonomy, and a system that treats it exclusively as an extension of the family unit risks anchoring the student to a starting condition over which they themselves have little control. A non-regressive reform should therefore guarantee free or heavily subsidized access to students from disadvantaged backgrounds, while at the same time offering universal instruments that allow all young people to invest in their own education: income-contingent loans at subsidized interest rates, mobility support, and completion incentives, which

[3]Moreover, real estate assets are not measured at market value but based on the figures reported in the land registry which in Italy was last updated in the years 1988-1989 [12]

progressively shift the basis of evaluation toward the student's own circumstances rather than exclusively those of the family. The objective is not to eliminate the redistributive dimension of the system, but to complement it with a principle of autonomy, so that the right to study becomes not only an instrument of social protection, but also a lever for emancipation and for the growth of the country's human capital.

2.2 Shortcomings of the student support system

Italy's right-to-study system (*Diritto allo Studio Universitario*, DSU) is administered primarily by the Regions through dedicated regional agencies. Means-tested grants and related benefits are financed through a combination of state and regional resources, including the national fund for student aid—which covers approximately 71% of the net funding requirement—and the regional right-to-study tax [17]. Eligibility is determined on the basis of ISEE, academic requirements, and regional regulations. Depending on the region and on the student's status, support may include cash grants, tuition-fee exemptions, subsidized accommodation, meal services, and other benefits. Beyond the limitations associated with ISEE-based eligibility, the current grant system also suffers from a mismatch between the timing of payments and students' actual financial needs. Financial support is intended to remove barriers at the point of entry, yet the first installment is typically paid between November and December, whereas housing deposits, initial rent payments, relocation costs, and other start-of-year expenses often arise between August and September. For students from liquidity-constrained households, this delay can undermine the effectiveness of the grant and create a concrete obstacle to enrollment or regular attendance, even when they are formally eligible for support.

2.3 Design principles of the proposed reform

These shortcomings motivate a broader redesign of the student support system. We propose a framework that is simpler, more predictable, and less dependent on ISEE, while preserving support for students from disadvantaged backgrounds. The reform combines universal tuition-free access, income-contingent loans to finance living costs, merit-based grants awarded ex post, and targeted support for students facing economic hardship. By placing greater emphasis on students' own educational trajectories rather than exclusively on the economic circumstances of their family of origin, the proposal seeks to make the right to study not only an instrument of redistribution, but also a vehicle for personal autonomy and human capital development.[4] The reform is guided by two complementary principles: non-regressiveness and accountability. The principle of non-regressiveness requires that students from disadvantaged backgrounds continue to receive greater public support than those from more advantaged families. While tuition-free access is universal, additional support remains targeted through need-based grants and income-contingent financing, ensuring that economic disadvantage does not become a barrier to higher education. The principle of accountability requires that public support be accompanied by individual responsibility. Continued access to tuition-free education is conditional on satisfactory academic progress, while the conversion of loans into grants depends on merit and demonstrated need. Graduates who go on to earn sufficiently high incomes are expected to repay their loans, whereas those with low earnings face little or no repayment burden. In this way, the reform combines equality of opportunity with incentives for academic commitment and responsible use of public resources.

[4]Similarly to the universal principles underpinning Italy's public healthcare system and compulsory education.

3 Free Tuition

The reform proposes the abolition of university attendance fees, retaining only the regional right-to-study tax (approximately[5] €140) and the stamp duty (€16). The gross cost of this measure is estimated at approximately €1.5 billion per year [15], which could rise to €2 billions in the event of a significant (+10%) increase in enrollment. The intervention must primarily benefit students facing the greatest economic and social obstacles, avoiding a scenario in which public resources translate mainly into a benefit for wealthier families. Free tuition should expand access opportunities, not represent an indiscriminate transfer of resources. Eliminating tuition fees must not incentivize the prolongation of studies; on the contrary, the system should promote regular progression through the degree program, while accounting for situations of objective hardship (health, employment, or family difficulties).

3.1 Minimum credit requirements

To preserve access to free tuition, we propose linking it to the attainment of a minimum number of university credits (CFU, *Crediti Formativi Universitari*) each year[6][7].

Free tuition would be guaranteed to all students who progress regularly through their studies. For students who fall short of a required threshold, the benefit would not be withdrawn entirely; instead, it would be reduced proportionally to the number of missing credits, taking into account the pace of progression of students in the same degree program, institution, and enrollment cohort.

The maximum contribution, corresponding to an entire year of academic inactivity (0 credits earned), would be set at approximately €1.000, an amount equivalent to roughly one month of the annual living expenses of a university student, as inferred from available data on the cost of living for young single Italians aged 18–34 [22]. Even in this case, the amount would remain lower than the current average university tuition fee, approximately €1.500 per year for students who currently pay fees [15][8].

For part-time students, the requirement would be re-scaled to the course load defined in their individual study plan.

The contribution for missing credits would serve an incentive rather than a punitive function. Students who subsequently make up the missing credits could receive a full or partial refund of the amounts paid. The objective is to encourage student responsibility without imposing excessive penalties or linking the contribution to family income. For students who remain enrolled beyond the standard duration of their degree program for a second year or more, a progressive surcharge could be introduced in addition to the contribution for missing credits, which would already apply from the first year and increase with the number of years of delay, following a model already adopted by some Italian universities. Here too, the purpose would not be to raise revenue, but to encourage timely degree completion: these penalties should be designed to align incentives rather than finance the system. To avoid creating perverse incentives for higher education institutions,

[5] Exact amounts depend on the region of study and might vary based on ISEE thresholds

[6] The threshold could be set by each university within a range proposed at the ministerial level – for example, between 75% and 90% of the number of credits earned by students in the same degree program, cohort, and institution (or by the best-performing students). A threshold defined in relative rather than absolute terms has the advantage of accounting for structural differences across degree programs and cohorts, while also removing any incentive for universities to artificially increase exam difficulty or failure rates in order to boost revenue from additional contributions.

[7] The 2026 Country Report for Italy, from the European Commission, points to free exam retakes as one of the sources of long graduation time and one of the reasons of low share of young people with a tertiary degree in Italy [7]

[8] The median contribution per year for those students who pay taxes is in the tax bracket €1.000-1.500 [15].

we propose that these contributions accrue directly to the state budget rather than to individual institutions.

3.2 Exemptions

Full exemption is confirmed for students with a disability rating of 67% or higher, in continuity with current legislation. For other students with disabilities, the general regime would apply, while guaranteeing all necessary accommodations during examinations (additional time, compensatory tools, assistive technologies, and other supports), so as to ensure equal conditions of assessment.

3.3 Financing mechanism

The contribution levied for insufficient academic progress would allow part of the resources needed for the reform to be recovered. Depending on the credit threshold adopted and the extent of the shortfall relative to the regular pathway, the estimated revenue ranges between €300 million and €900 million per year, with a more realistic estimate of approximately €300 million, since the reform is expected to itself contribute to reducing delays in completing studies.

These estimates are obtained considering approximately 1.96 million enrolled students and a weighted average nominal program length of about 2.5 years, this yields an equivalent annual cohort of approximately 784,000 students. If approximately 38% completed their studies late relative to the threshold (an estimate that also accounts for the possibility that some students subsequently make up the delay), the affected students would number approximately 298,000 per year. The table below illustrates how potential gross revenue varies with the average delay per student relative to the threshold and with the per-credit contribution (€50 or €150): a contribution of €150 per credit would make the reform close to cost-neutral, but appears excessive – a 9-credit exam falling short of the threshold would cost almost as much as a semester's tuition today – which is why the €50-per-credit scenario, combined with an expected halving of delays due to the reform's own incentive effects, remains the reference estimate (approximately €300 million per year).

Table 2: Remark – illustrative revenue scenarios from the contribution on missing credits

Average delay relative to threshold	Students delayed	Total credit shortfall	Revenue at €50/credit	Revenue at €150/credit
20 credits	298,000	6.0 million	€300 million	€900 million
30 credits	298,000	8.9 million	€447 million	€1.34 billion
40 credits	298,000	11.9 million	€596 million	€1.79 billion
60 credits	298,000	17.9 million	€894 million	€2.68 billion

Example - the missed credits taxation scheme.
Assuming a contribution of €50 per credit, and a student who completes only 30 of the 60 credits expected in a given year (half of the standard course load), with a free-tuition threshold set at 80% (48 credits), the resulting contribution would be $(48 - 30) \times €50 = €900$ – an amount comparable to the tuition fees currently paid by students in the lowest income brackets not covered by a full exemption.

The resources collected should not remain with individual universities, in order to avoid distortionary incentives (for example, an incentive to increase exam difficulty or failure rates); instead, they should flow into a national fund for the right to study, earmarked for financing grants and the other support instruments envisaged by the reform. In this way, the mechanism would retain a purely incentivizing function, without becoming a source of financing for universities.

4 Loans and Grants

Eliminating tuition fees does not eliminate all the costs of studying. With the exception of students who are able to live with their families while attending university, many students—particularly those studying away from home—continue to face substantial expenses for housing, food, transportation, and other daily living costs.

Although university enrollment has increased, rising from approximately 1.75 million in 2018/19 to over 2.05 million in 2024/25 [4], direct economic support remains limited. Among students enrolling in 2025, 333.000 – or 16% of enrollees – resided more than 90 minutes from their university [9]. In the 2023/24 academic year, grants reached approximately 13.8% of enrolled students, with an average award of €4.779 per beneficiary, equivalent to €531 per month over nine months. In addition, housing and transportation subsidies amounted to approximately €196 million [4].

The current system therefore reaches only a limited share of students, often provides insufficient amounts, particularly in large cities, and does not always target those who genuinely need it most, as it allocates resources on the basis of ISEE. For this reason, free tuition needs to be accompanied by a broader system of subsidized loans, grants, and incentives.

4.1 Income-contingent loans

The principal instrument would be a subsidized, state-guaranteed income-contingent loan, repayable only after graduation and only above a certain income threshold. The loan would provide immediate liquidity to cover living costs, while grants and partial debt cancellation would support the most economically fragile or most deserving students.

The loan would cover the real costs of studying: housing, food, transportation, and daily expenses. It would be accessible to all students, with no ex ante selection based on ISEE or on merit, at a subsidized interest rate and with a full (100%) state guarantee.

The amount would be flexible and defined annually according to each student's needs, so as to avoid both underfunding and excessive indebtedness. Repayment would begin only after the completion of studies and only above a specified income threshold. In cases of unemployment or low income, payments would be automatically suspended.

A share of the loan could be converted into a grant (i.e., written off) in cases of strong academic performance or documented economic fragility, following a model conceptually similar to that adopted in Norway. In this way, the loan would become a universal liquidity instrument, while the meritocratic component would be guaranteed through ex post conversion.

Every student should also be able to access a dedicated advisor, offering guidance, financial education, and support in expenditure planning, helping to estimate the amount genuinely needed each year and to build a realistic spending plan; at the end of each year, the student would report back to the advisor on adherence to the initial plan.

The most delicate aspect of this instrument concerns risk aversion, which is particularly strong among students from less affluent families: for them, even a subsidized loan can be perceived as a dangerous debt, especially in the absence of familiarity with financial instruments or family-provided guarantees. Advising alone is not sufficient to overcome this psychological obstacle: it becomes effective only when paired with robust and credible protective mechanisms: repayment conditional on the presence of future income, a full public guarantee, low interest rates, automatic suspension of payments in cases of unemployment or low income, and the possibility of partial conversion of the loan into a grant. It is the combination of these elements, more than any

single one taken in isolation, that determines whether the loan will actually be perceived as an opportunity rather than as a risk to be avoided.

4.1.1 Cost of the income-contingent loan scheme

To avoid uncontrolled costs, the conversion of loans into grants should be subject to an annual spending cap. If applications exceed available resources, amounts could be reduced proportionally, or allocated according to a ranking based on academic regularity and hours worked, in case of students who document also to work.

Finally, net of the initial disbursement of loans, the public guarantee on income-contingent loans is estimated to cost between €50 million and €300 million per year; under an intermediate scenario, with €2.5 billion in loans disbursed and an expected default rate of 5%, the cost would be approximately €125 million per year.

4.2 Grant System

4.2.1 Merit-based grants

In the new system, merit would primarily serve to convert part of the loan into a grant. From the second year onward, merit could be assessed by comparing a student's results with those of their own cohort and degree program at the same institution, so as to account for differences across degree programs and universities.

For the first year, by contrast, it is preferable to avoid a rigid ex ante selection, since high-school grades or entrance tests risk to reflec heavily pre-existing inequalities. The loan should therefore be accessible to all, while conversion into a grant would occur at the end of the first year, rewarding students with particularly strong results relative to their own program (indicatively, the top 5% of each cohort).

This solution avoids imperfect initial selection criteria, reduces the risk of favoring disproportionately students who already started from an advantaged position, and incentivizes effort during the first year of university.

4.2.2 Support grants

Support grants are designed for students in conditions of greater economic fragility, for whom even a subsidized income-contingent loan can represent an obstacle due to debt aversion. As with merit-based grants, eligibility is restricted to students who have activated the income-contingent loan: part of the debt can subsequently be converted into a non-repayable contribution.

The measure targets full-time students who work a few hours on the side. A student who works regularly at least 8–10 hours per week (or 32–40 hours per month) and maintains regular academic progress can obtain a conversion of the loan into a grant, with an amount proportional to hours worked, up to approximately €250–350 per month.

The objective is to support students who contribute independently to their own upkeep, reducing reliance on debt without disincentivizing the completion of studies. The benefit is therefore conditional on regular academic progress and is not cumulative with the merit-based grant.

A residual problem concerns the verification of student employment, which is often characterized by informal or discontinuous work arrangements. For this reason, the measure should be accompanied by instruments that encourage the emergence and formalization of student employment.

4.2.3 Elimination of scattered one-off bonuses

The reform envisages the rationalization of the minor, currently fragmented bonuses and subsidies such as one-off degree-completion premiums, extraordinary contributions, or poorly coordinated measures. The resources recovered, estimated at approximately €100–150 million per year [14], would be redirected toward more effective, structural instruments: support grants, loan-to-grant conversions, and assistance for fragile or working students.

4.3 Cost of the loan-and-grant system

The system could be financed with approximately €1.5 billion per year, drawn from a reallocation of resources already earmarked for the right to study, plus an additional increase of approximately €500 million.

Approximately €750 million could finance merit-based grants for 125.000–130.000 students, equivalent to 5–6% of enrollees. The indicative amount would be approximately €6.000 per year, in the form of loan conversion.

A further €750 million could finance support grants for fragile or working students, reaching approximately 250,000–260,000 beneficiaries. The maximum amount would be €3.000 per year, modulated according to hours worked: full support for those working at least 55 hours per month, intermediate support for 35–54 hours, and minimum support for 20–34 hours. Rationalizing minor bonuses and subsidies could free up a further €100–150 million, extending coverage to approximately 310,000 students (compared with the current 140,000 working students – 6.7% of enrollees, against a European average of 25% [2]).

Overall, the system could support approximately 450,000 students (roughly equal to the number of students currently living away from home while studying), corresponding to 22.5% of total enrollment.

5 Student Housing

For the allocation of student housing, ISEE can continue to be used as one criterion among others, since available places are limited and needs vary considerably across regions.

The reform envisages a National Plan for Student Housing, aimed at increasing the supply of price-capped accommodation (€300–350 per month). It proposes the creation of approximately 12.000 new beds per year, with an estimated investment of approximately €370 million per year, including incentives for subsidized rental housing.

The integration of affordable housing, free tuition, and grants would allow for a significant reduction in the cost of studying, avoiding a model based on high student indebtedness. For a student living away from home, the cost of living could thereby be reduced to approximately €650–850 per month, further reducible through grants.

6 Overall Cost of the Reform

The gross cost of the reform is estimated at €3.3–3.5 billion per year, encompassing free tuition, grants, income-contingent loans, advising, and new housing. Considering that approximately €1 billion is already allocated to the right to study today, the net cost of the reform is estimated at approximately €2.2–2.5 billion per year, equivalent to just over 0.1% of Italian GDP. This represents a structural investment in the country's human capital, aimed at increasing the number of graduates, improving productivity, and supporting long-run economic growth. The costs would be partially offset by revenue from the contribution on academic delays. In the event of a 30%

increase in the university student population, the net cost would rise to approximately €2.7 billion per year.

The financing need could be met through a review of public spending, prioritizing interventions with high social returns. Possible funding sources include the rationalization and divestment of loss-making public shareholdings – with potential value creation through real-estate assets earmarked for university campus development – and a moderate revision of pension expenditure dynamics, allocating a limited share of the resulting savings to the right to study (for example, approximately one-fifth of the projected additional revenue).

Table 3: Summary of the reform's estimated annual costs

Measure	**Annual cost**	**Estimation method**
Free tuition	€1.5 bn	Current student contribution revenue (≈16–17% of the 2024 Ordinary Financing Fund, FFO)
Merit-based grants	€750 mn	125.000–130.000 beneficiaries × approx. €6.000/year
Support grants	€750 mn	250,000–270,000 beneficiaries × modulated average amount (up to €3.000/year)
Recovered one-off subsidies	−€150 mn	
Additional support grants	€150 mn	50,000 beneficiaries × modulated average amount (up to €3.000/year)
Loan guarantee cost	€100–150 mn	Expected losses on approximately €2.5 billion in state-guaranteed loans
Advising and administration	€30–50 mn	Administrative costs, advisors, and platforms
Housing plan	€370 mn	12,000 new beds × approx. €30,000 + rental subsidies
Gross total	**€3.5 bn**	

Illustrative Student Profiles

To illustrate the concrete effects of the reform, it is useful to consider several stylized student profiles, differing in economic, housing, and personal circumstances. The reform is not intended to have a uniform impact on all students: its objective is to build a flexible system capable of supporting those who remain in their home region as well as those who relocate, those who work during their studies, those who live in student housing, and those who come from abroad. These profiles are purely illustrative and do not introduce any new parameters beyond those already defined in the preceding sections.

1. Commuter student. Lives with family and attends a university reachable on a daily basis. With tuition eliminated, the main expenses remain transportation, food, materials, and daily costs, coverable with a modest income-contingent loan. If regularly employed, the student could also access a reduced support grant, provided academic progress remains on track.
Main effect: support students who contribute to their own upkeep without penalizing academic progress.

2. Student living away from home in a university city. Bears mainly rent, food, transportation, and daily living costs. With tuition eliminated, the main cost is no longer university fees but the cost of living independently; given price-capped housing, this need could be covered through a state-guaranteed loan, partially convertible into a grant in case of strong results or employment.

Main effect: make studying away from home sustainable, reducing dependence on family resources.

3. Part-time working student. Employment provides economic resources but can reduce time available for classes and exams. For this profile, the reform does not envisage a specific work-linked grant, but an adaptation of the academic pathway: for part-time enrollment, the credit requirement is re-scaled to the effective course load, and free tuition remains conditional on completing the share defined in the individual study plan.
Main effect: recognize differing time availability without turning employment into an automatic channel to a grant.

4. Student living in their home city but not with family. Attends a university in their own city but independently covers rent or living expenses. The reform recognizes that economic need does not depend solely on distance from the university, but also on the student's degree of independence: this student can access an income-contingent loan to cover rent and daily expenses, with partial conversion into a grant only if the loan is activated.
Main effect: support housing independence without turning the grant into an automatic transfer detached from the loan.

5. Student from a fragile family background but averse to debt. May be formally eligible for the income-contingent loan, yet choose not to activate it out of fear of indebtedness, or opt for a university close to their parents' home. The reform addresses this risk through public guarantees, guidance in the application process, repayment conditional on future income, automatic suspension in cases of unemployment or low income, and the possibility of converting the loan into a grant. For this profile, it is essential that the system convey the idea of protected liquidity, rather than that of "studying into debt."
Main effect: reduce fear of indebtedness and self-exclusion for economic reasons.

6. Student with a disability or specific needs. For disability ratings of 67% or higher, full exemption from tuition fees remains in place, in continuity with current legislation; below this threshold, the general principle of tuition conditional on credit accumulation applies, with adjustments to examination procedures (assistive technologies, additional time, specific supports).
Main effect: guarantee equal conditions of access to assessment, without treating all students as though they started from identical conditions, nor turning compensatory measures into merit "bonuses."

7. International student. Central to the part of the reform dedicated to the attractiveness of the Italian university system. Eliminating tuition fees alone would not be sufficient: simplified admission procedures, clear information, administrative assistance, housing guidance, and stronger links with the labor market would also be needed. Free tuition would nonetheless send a powerful signal: Italy would no longer position itself merely as a temporary Erasmus destination, but as a country in which to complete an entire degree cycle.
Main effect: greater capacity to attract talent from abroad (that proceed with regularity the student career) and strengthen the internationalization of Italian universities.

7 Limitations and Caveats

The estimates and design choices presented in this paper are subject to several important limitations, which we make explicit here rather than leaving implicit.

Aggregate costing, not microsimulation. All cost figures in this paper are derived from back-of-envelope aggregate calculations – multiplying an assumed number of beneficiaries by an assumed average benefit, or applying an assumed average delay to an assumed number of affected students. This approach is transparent and easy to audit, but it is not a substitute for a proper microsimulation exercise built on individual-level administrative or survey microdata (e.g. ISTAT, AlmaLaurea, or MUR/ANVUR student registries), which would allow the joint distribution of family income, credit accumulation, employment status, and housing situation to be modeled directly, rather than assumed independently. We view the present exercise as a first-order approximation intended to establish the order of magnitude of the reform's cost, not as a precise budgetary forecast.

No explicit behavioral elasticities. The cost estimates implicitly assume a given enrollment response and a given completion/delay response to the reform, but no elasticity of enrollment with respect to the price of tuition, nor of completion time with respect to the size of the credit-shortfall contribution, is estimated or taken from the literature. If the reform induces a larger enrollment response than assumed – plausible, given that it specifically targets currently unenrolled students on the margin – both the gross cost (more free-tuition beneficiaries) and the credit-shortfall revenue (a larger cohort at risk of delay) would scale up simultaneously, with an ambiguous net effect on the estimated net cost. We report a single illustrative scenario (a 30% enrollment increase) in Section 6, but a fuller sensitivity analysis across a grid of enrollment and completion elasticities is left for future work.

Potential moral hazard in merit-based conversion. Rewarding the top 5% of each cohort via ex post loan-to-grant conversion could, in principle, create an incentive to select easier courses of study, or generate pressure on departments and instructors for grade inflation, in order to make the merit threshold easier to reach. This risk is not entirely absent from the current system, since eligibility for existing need-based grants is already conditional on meeting minimum, even if low, credit-accumulation requirements and may therefore influence students' course choices and academic behavior. The proposed mechanism could nevertheless strengthen these incentives because it introduces a relative performance threshold rather than a minimum progression standard. The proposal does not include a specific mechanism—such as course-difficulty adjustment or external moderation of grading—to guard against this risk, beyond comparing students within the same cohort and degree program rather than across programs.

University funding and quality effects are not modeled. Replacing student-paid tuition revenue with a public transfer changes the incentive structure facing universities, particularly if the transfer is not perfectly indexed to enrollment, credit production, or quality metrics embedded in Italy's existing Ordinary Financing Fund (FFO) formula. We do not model how universities would adjust admissions, course offerings, or grading standards in response to this change in their revenue structure, nor potential general-equilibrium effects on the higher-education labor market (faculty hiring, salaries).

Housing-market feedback is only qualitatively addressed. The expansion of price-capped housing supply is assumed to reduce living costs for the targeted students, and is asserted (but not estimated) to exert downward competitive pressure on private rental prices in university towns. No estimate of this pass-through, nor of potential offsetting effects (e.g. landlords repricing non-subsidized units), is provided.

Verification and enforcement costs of income- and employment-based conditionality. Several instruments (income-contingent repayment, the employment-linked support grant) rely on the state's ability to verify income and hours worked, including in sectors – student jobs in

particular – characterized by informal or discontinuous employment. The administrative cost and feasibility of this verification infrastructure is discussed qualitatively (Section 4.2.2) but not costed separately from the general "advising and administration" line item in Table 1.

External validity of the international comparison. The comparison in Section 1.4 is stylized and does not draw on a systematic review of outcomes (enrollment, completion, repayment default, distributional incidence) across the reference systems. We do not claim that the proposed combination of instruments outperforms any single reference model; establishing this would require either a structural model calibrated to Italian data or a reduced-form comparative analysis of outcomes across countries with different financing regimes, both of which lie beyond the scope of this paper.

We view these limitations not as reasons to discount the proposal, but as a research agenda: a natural next step would be a microsimulation of the reform using Italian administrative data, ideally paired with a structural model of the enrollment and completion decision under credit constraints, in order to obtain calibrated elasticities and a fuller accounting of the reform's fiscal and distributional incidence.

Conclusion

The Italian university system faces a structural contraction of its own base: fewer young people, too few graduates, a growing share of the most qualified emigrating, and a limited capacity to attract talent from abroad. Against this backdrop, the proposal acts on three complementary levers: fully free access decoupled from the distortions of ISEE, supported by income-contingent loans and by merit- and income-based grants; incentives for on-time completion of studies, through a contribution on missing academic credits calibrated to align incentives rather than to punish; and a decisive international opening, combining competitive free tuition, English-taught programs, services, and housing (on this latter front, additional levers – greater funding, more competitive academic salaries, and greater research autonomy – likely fall outside the scope of this proposal and would merit a separate paper).

None of these measures, individually or jointly, can reverse the demographic decline or fully resolve the problems described here: the starting base remains in contraction, and the expected effect of these policies is one of mitigation, not reversal. We nonetheless believe that these are among the necessary changes to counter the phenomenon – recovering participation, completion, and attractiveness – and to ensure that, in a context of increasingly scarce public resources, no talent is wasted.

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