



THE FUNDING ENVIRONMENT  
FOR UNIVERSITIES 2014

POSTGRADUATE TAUGHT  
EDUCATION: THE  
FUNDING CHALLENGE

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## Executive summary

Postgraduate taught (PGT) education is a diverse area of higher education provision that brings enormous benefits to individual graduates, to the economy and to society. Graduates from PGT courses take their high-level skills into the widest range of employment sectors, and the average postgraduate earns more than the average graduate from an undergraduate course. At the same time, postgraduate education opens new doors, enabling individuals to achieve their full potential. In doing so, postgraduate education supports social mobility.

Given these opportunities, it is worrying to see that the number of students starting a PGT course at a UK university fell by 10% in two years between 2010–11 and 2012–13. The biggest declines have been among UK-domiciled students: the number of UK-domiciled PGT students starting a course peaked in 2009–10 and then fell by 17% over three years. The number of PGT entrants from the rest of the EU peaked in 2010–11 before falling by 8%; the number of non-EU PGT entrants peaked in the same year and then fell by 4%. There is a further challenge ahead: to ensure graduates from the new undergraduate fees arrangements with the ability and motivation to undertake postgraduate study are not prevented from doing so by financial barriers.

Students fund their PGT studies from a wide range of sources, and current evidence suggests most meet some or all of the costs from private sources. There is a risk that some potential students are not able to meet the costs and are missing out on the opportunity and benefit offered by a PGT degree. Sustained improvements in student funding are required to help stop this student population declining even further, particularly among UK students. The challenge is to find funding solutions that are affordable to all parties – but there is unlikely to be a single solution to that challenge. Funding proposals are unlikely to succeed unless they are affordable for all involved: affordable for government, for universities, for any private-sector partner (such as a bank), and, of course, affordable for students and graduates. Improved provision of loans would help, provided that the proposed arrangements pass this affordability test. It is likely that loan provision will need to be supplemented by other solutions, with funding contributions from both private and public sources. There is now a pressing need to innovate and develop funding solutions that can support the future development of PGT education in UK universities. We call on the government to consider the evidence presented in this report as it analyses options that could support an increase in postgraduate education.

This report is in three sections: the first outlines the benefits of PGT education; the second shows the size and shape of this area of provision; and the third explores the need to improve the funding of PGT education. Information is presented about PGT education in all parts of the UK; however, the discussion of funding in the last part of the report focuses on the development of arrangements in England. This report concerns PGT education, and focuses on UK-domiciled students. Issues relating to postgraduate research students and non-EU students will be addressed in forthcoming reports in Universities UK's *Funding environment for universities* series.

## **1: The benefits of postgraduate taught education**

Postgraduate taught (PGT) education brings wide-ranging benefits: individual graduates gain improved life chances and a greater opportunity to realise their potential; the economy benefits as postgraduates bring high-level skills into the workforce, and have increased earnings potential; and society benefits from increased social mobility as graduates pursue their careers in a wide range of professions.

A recent study organises the benefits of higher education participation into quadrants, with benefits to the individual and to society on one dimension, and market (or economic) benefits or non-market (or other) benefits on the other dimension.<sup>1</sup> The distinctive contribution of PGT education towards these benefits is easier to identify in some areas than others. Where possible, the following paragraphs identify the distinctive benefits of PGT education, or else note where PGT contributes towards a wider benefit that is less easy to disaggregate.

### **Economic and social benefits to individuals**

- The average graduate from a postgraduate course earns more than the average graduate from an undergraduate course. It has been shown that a graduate from a Masters degree earns an additional £5,500 per year on average, or £200,000 over 40 years, compared with a graduate from a Bachelors degree.<sup>2</sup> A separate study found that male Masters graduates go on to earn 8.9% more than male graduates with a Bachelors degree, and female Masters graduates earn a 10.3% premium.<sup>3</sup>
- PGT graduates are less likely to be unemployed. One study found that women with a Masters qualification are approximately 2.5 percentage points more likely to be employed than women with an undergraduate degree, while the difference for men is 1.2 percentage points.<sup>4</sup>
- Researchers have identified the broader benefits of higher education. For example, graduates are more likely to vote, more likely to engage positively in society through volunteering, less likely to commit crime, and more likely to report better general health.<sup>5</sup> (The methodologies generally compare graduates with non-graduates so it is not possible to quantify exactly the extent of the benefit that can be attributed specifically to PGT study.)

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<sup>1</sup> BIS (2013) *The Benefits of Higher Education Participation for Individuals and Society: key findings and reports "The Quadrants"* (BIS Research Paper No. 146)

<sup>2</sup> Lindley J, Machin S (2013) *The Postgraduate Premium: Revisiting Trends in Social Mobility and Educational Inequalities in Britain and America* Sutton Trust

<sup>3</sup> Conlon G, Patrignani P (2011) *The Returns to Higher Education Qualifications*

<sup>4</sup> Ibid.

<sup>5</sup> BIS (2013) *The benefits of higher education participation*; Bynner et al. (2003) *Revisiting the benefits of higher education*; OECD (2012) *Education at a Glance*.

### Wider economic and social benefits

- As research for Universities UK reveals, the economic output of the UK higher education sector was £73 billion in 2011–12, with PGT education contributing towards that overall impact. The total export earnings of the higher education sector as a whole are estimated at £10.7 billion. PGT students contribute significantly to this total: for example, half of the entrants to higher education in 2012–13 from outside the UK studied a PGT course.<sup>6</sup>
- Graduates from PGT courses contribute more in tax, which generates both economic and social benefits: as noted above, PGT graduates earn more on average than graduates from undergraduate degrees.
- Graduate skills contribute significantly to the UK's economic growth. One study estimates that graduate skills accumulation contributed to around 20% of GDP growth in the UK from 1982 to 2005.<sup>7</sup> There are no separate results for the impact of PGT education on economic growth, however the broader point is relevant: high-level skills help drive economic growth.
- Many postgraduates train to become professionals in careers that contribute enormously to society, such as teaching or social work: for example in 2012–13 alone, over 20,000 students were awarded a PGCE degree by a UK university. A postgraduate entry route can attract entrants to professions after working or studying in another area. This enables these professions to develop a more diverse workforce, and for that workforce to bring a wide range of experiences to their work.
- The skills set of PGT graduates include an aptitude for analytical thinking and problem solving. A survey of major employers found 92% agreed or strongly agreed that an important advantage of recruiting staff with a Masters qualification was their skill in analysing and problem solving.<sup>8</sup> These skills contribute to the innovative capacity of companies, with innovative thinking enabling them to become more competitive. This leads to increased productivity, and therefore higher economic growth. Research suggests that successful innovation requires a wide mix of skills, spanning specialist and technical skills such as those associated with scientists and engineers, and complementary skills in a range of areas such as organisational, management and marketing skills.<sup>9</sup> Universities UK is undertaking work to explore how the employability benefits arising from postgraduate study can be more fully realised. A recent report explores this issue.<sup>10</sup>
- PGT education provides entry routes to a wide range of career opportunities. For example, PGT graduates enter research roles in universities or industry; they take on highly-skilled professional jobs in all sectors of the economy;

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<sup>6</sup> Universities UK (2014) *The impact of universities on the UK economy*

<sup>7</sup> BIS (2013) *The relationship between graduates and economic growth across countries*

<sup>8</sup> CIHE (2010) *Talent fishing: what businesses want from postgraduates*

<sup>9</sup> BIS (2011) *Innovation and research strategy for growth*, pp. 81, 111–12

<sup>10</sup> Universities UK and HECSU (2014) *Masters with a purpose: taught postgraduate employability and employer engagement*

some are specifically trained in their PGT course for entry to professions such as law and journalism. By providing access to all these routes, PGT education supports social mobility. If some individuals cannot take up this opportunity due to lack of access to finance then this represents a barrier to social mobility. This concern has been raised by many groups and individuals, including Alan Milburn in his role as the government's independent reviewer on social mobility and child poverty, and the Higher Education Commission.<sup>11</sup>

- PGT courses provide essential training and preparation enabling students to become successful postgraduate researchers. The overall impact of the UK's research base is world class: with 0.9% of the global population, the UK accounts for 11.6% of citations and 15.9% of the world's most highly-cited articles.<sup>12</sup> Postgraduates contribute significantly to the strength of the UK research base.
- Graduates are more likely to contribute positively to society, by voting or being less likely to commit crime: these behaviours generate broader external benefits in addition to the individual gains noted earlier. Again it is not possible to attribute this benefit to PGT education in particular but there is clear evidence of these benefits in relation to higher education as a whole.<sup>13</sup>

The importance and benefit of PGT education has received increasing attention in recent years. While there has been much focus on reforming the funding of undergraduate education, postgraduate education has also been the focus of many reviews and reports, starting with Adrian Smith's wide-ranging review published in 2010, which highlighted the value of postgraduate education, identified the extent of the evidence base, and recommended improvements to funding and further investigation of the issues. More work on postgraduate education policy has been undertaken including further analysis of the salary premium; student transition rates to postgraduate study have been quantified; and recommendations have been made by a range of bodies on improving loan provision. A further development in this area is the government's announcement that it will be returning to the issue of postgraduate funding in the 2014 Autumn Statement. As these developments show, funding postgraduate study has been repeatedly highlighted as a key issue in higher education policy.

Given the wide ranging benefits of PGT education identified in this section, it is concerning that the number of PGT students has declined. The next section of this report explores this decline in order to understand the ways in which the PGT student population is changing.

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<sup>11</sup> Milburn A (2012) *University Challenge: how higher education can advance social mobility*; Higher Education Commission (2012) *Postgraduate Education: an independent inquiry*

<sup>12</sup> Elsevier, for BIS (2013) *International comparative performance of the UK research base*

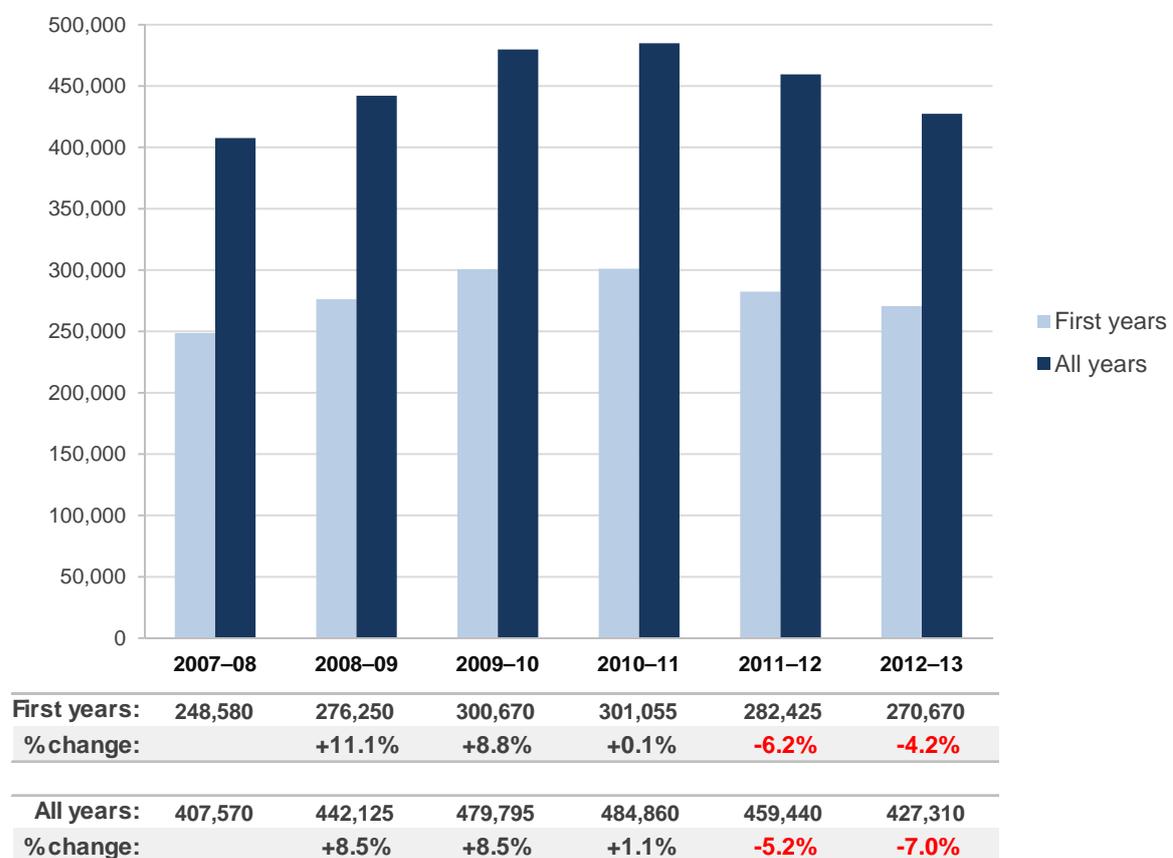
<sup>13</sup> BIS (2013) *The benefits of higher education participation*; Bynner et al. (2003) *Revisiting the benefits of higher education*

## 2: The size and shape of postgraduate taught education

### 2.1 The total population of postgraduate taught students

The number of postgraduate taught (PGT) students at UK universities rose strongly between 2007–08 and 2010–11, reaching a peak of 485,000. However, the population then declined by 58,000 over two years, as shown in Figure 1. During this decline the number of first-year students decreased by a total of 10%, from 302,000 to 271,000. Given the benefits arising from PGT education summarised in the previous section, the recent decline in the size of this group is of some concern – for UK universities, for individuals, and because of its implications for the supply of postgraduate-level skills to the economy. It is therefore worth exploring in some detail.

**Figure 1: PGT students, 2007–08 to 2012–13**



Source: HESA

From the outset it is important to recognise the diversity of the PGT student population. The population of PGT students at UK universities in 2012–13 had the following characteristics:

- Almost half (49%) were studying part time: there were 211,000 part-time students out of a total of 427,000.
- Most (65%) were mature students, aged 25 or over.

- The majority (58%) were female students.
- More than one-third (36%) of all students were from outside the UK.
- There were more international students studying full-time Masters degrees than UK students.

These headline figures illustrate the diversity of the student body. Given these figures it is unsurprising to learn that postgraduates do not necessarily progress directly from undergraduate study: around 5% of 2002–03 graduates undertook PGT study the next year; nine years after graduation the proportion who had undertaken PGT study had risen to 13%.<sup>14</sup>

PGT students undertake a wide range of course types. In this report, the term 'PGT' is used to refer to the full range of taught postgraduate courses, including certificates, diplomas and Masters degrees. PGT courses meet a wide range of needs: individuals may be studying for entry to a particular profession (either as their first career or in order to change career); other courses provide mid-career continuing professional development (CPD), sometimes of a highly specialised nature; another significant route is for students to undertake a PGT degree before progressing to a PhD; some students may simply wish to continue their studies and further develop their skills after their undergraduate degree. Related routes not included in the 'PGT' population should also be noted: a four-year undergraduate 'integrated Masters' course leads to a postgraduate qualification; and some students opt to take a research-based Masters degree, which is a postgraduate research qualification rather than a taught qualification.

The different reasons that students undertake PGT study are reflected in the results of the Higher Education Academy's Postgraduate Taught Experience Survey (PTES). The most common motivations to study relate to employability: 63% of taught Masters students indicated that improving their employment prospects was a motivation to study, while 61.7% of students taking a postgraduate certificate and 66.4% of students taking a postgraduate diploma agreed that progressing in their current career path was a motivation to study. Progression to further postgraduate study was another important factor, with 40.8% of taught Masters students indicating this was a motivating factor.

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<sup>14</sup> HEFCE (2013) *Trends in transition from first degree to postgraduate study: qualifiers between 2002-03 and 2010-11*. This data refers to full-time first degree UK qualifiers from English higher education institutions.

Figure 2: PGT students' motivations to study

	Taught Masters	PG Certificate	PG Diploma
To improve my employment prospects	63.0%	41.7%	47.1%
To progress in my current career path (ie a professional qualification)	57.3%	61.7%	66.4%
For personal interest	53.2%	27.5%	36.6%
To enable me to progress to a higher level qualification	40.8%	21.2%	27.9%
To change my current career	19.9%	23.5%	20.1%
As a requirement to enter a particular profession	16.3%	40.0%	30.5%
To meet the requirements of my current job	8.7%	15.6%	17.3%
Other	3.4%	2.2%	3.1%

Source: Postgraduate Taught Experience Survey (PTES) 2013 (all domiciles)

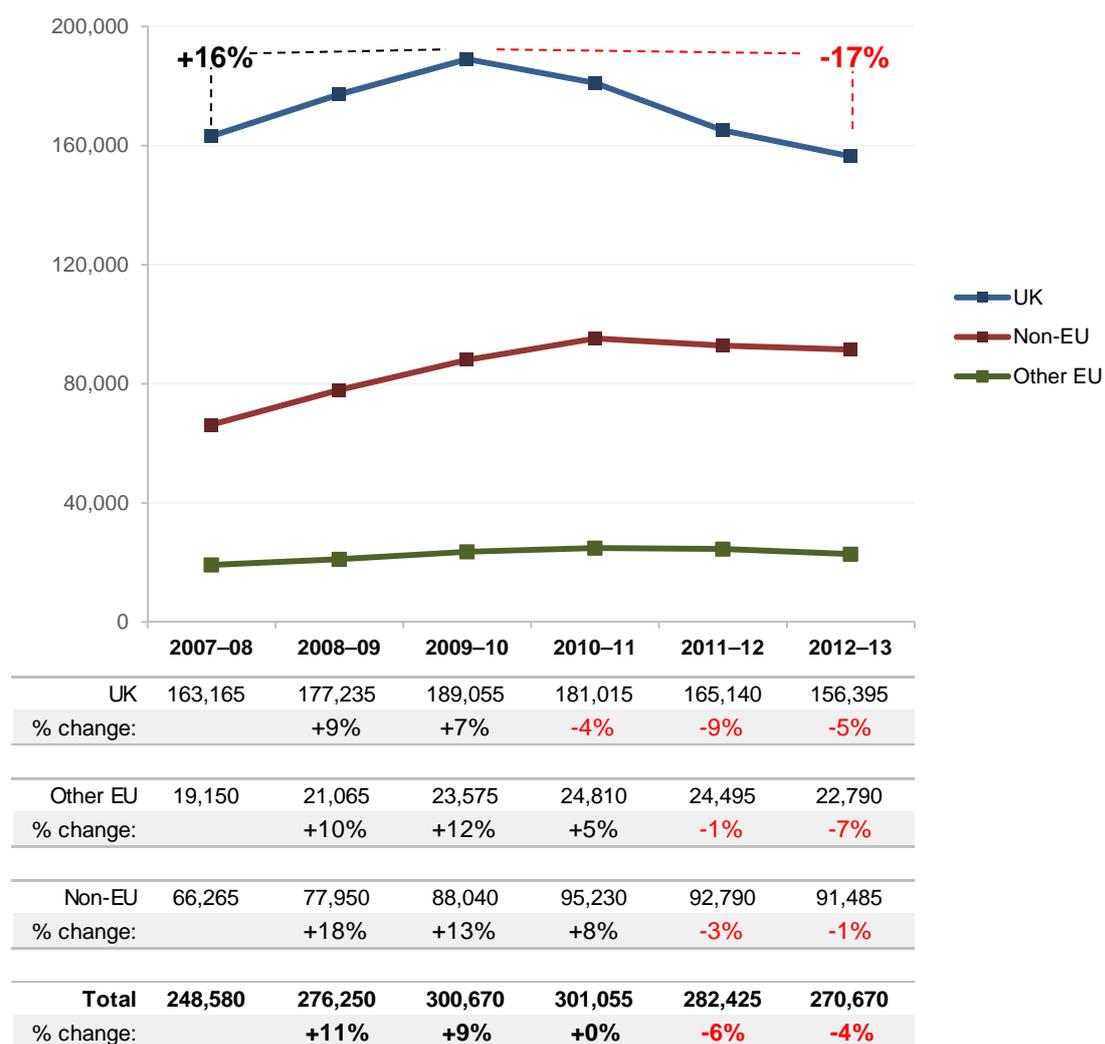
These differing motivations to study underline the diversity of the PGT student population. It is clear that PGT students undertake their degrees at different stages in their lives, and with different expectations about their future plans in mind. This should be considered carefully when evaluating options for improving the funding of PGT education.

## 2.2 Recent trends in the postgraduate student population

Figure 3 shows that during the period 2007–08 to 2012–13 the number of first-year students from each of the domicile groups (UK, other EU and non-EU) grew initially and then declined. However, the magnitude of these changes varied widely:

- The number of UK students enrolling for PGT courses grew strongly, by 26,000 (16%) over two years, but then fell by 33,000 (17%) over the next three years. As a result, there were fewer students from the UK starting a PGT course in 2012–13 than there had been in 2007–08.
- Growth in non-EU student numbers was strong from 2007–08 until 2010–11 (up 29,000 or 44%), and the subsequent decline was relatively small (down 4,000 or 4%).
- The number of students from the rest of the EU grew by 30% before dropping by 8%.

**Figure 3: First-year PGT students by domicile, 2007–08 to 2012–13**



Source: HESA

As these figures show, the decline is largest in number and percentage among UK students, and it is this group which is the main focus of this report. A wide range of factors will influence the choices made by individuals about whether to undertake postgraduate study. However, a key issue is whether the funding sources currently available to UK students for PGT study are sufficient, and whether improvement in the availability of finance could help reverse the emerging pattern of decline.

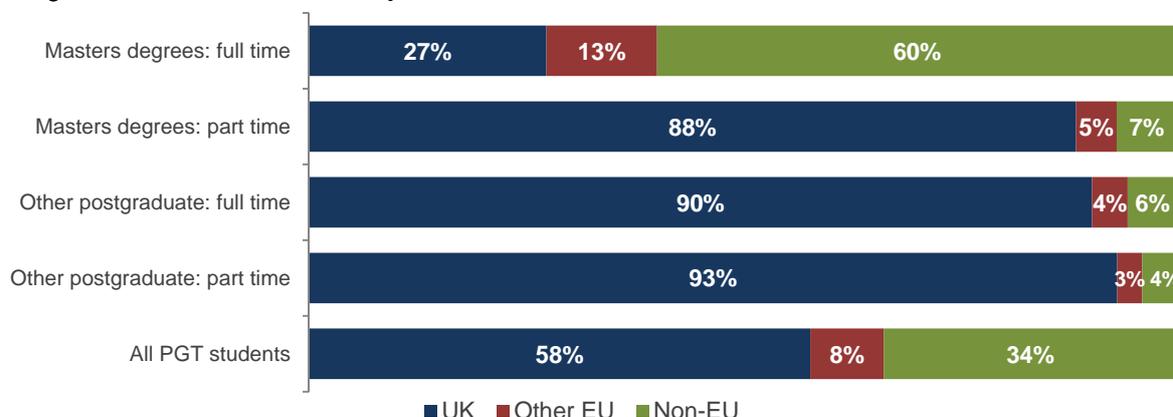
The proportion of students from each domicile group varies widely depending on the type of course: in 2012–13, 73% of the 141,090 entrants to full-time Masters degrees were from outside the UK.<sup>15</sup> In addition to Masters degrees, PGT qualifications also include postgraduate certificates and postgraduate diplomas.<sup>16</sup> Most of these are professional qualifications in a range of fields including education, health, business, law and social studies. They provide entry routes to a broad range of careers, and

<sup>15</sup> 'Masters degrees' is a shorthand here for the HESA category 'higher degrees (taught)': less than one percent of this group are studying a taught higher degree other than a Masters degree.

<sup>16</sup> In this report the HESA category 'other postgraduate' will be used to refer to the qualification group including postgraduate certificates and diplomas.

opportunities to undertake mid-career CPD. As shown in Figure 4, other postgraduate qualifications are taken almost entirely by UK students, as are part-time Masters degrees.

**Figure 4: Domicile of first-year PGT students, 2012–13**



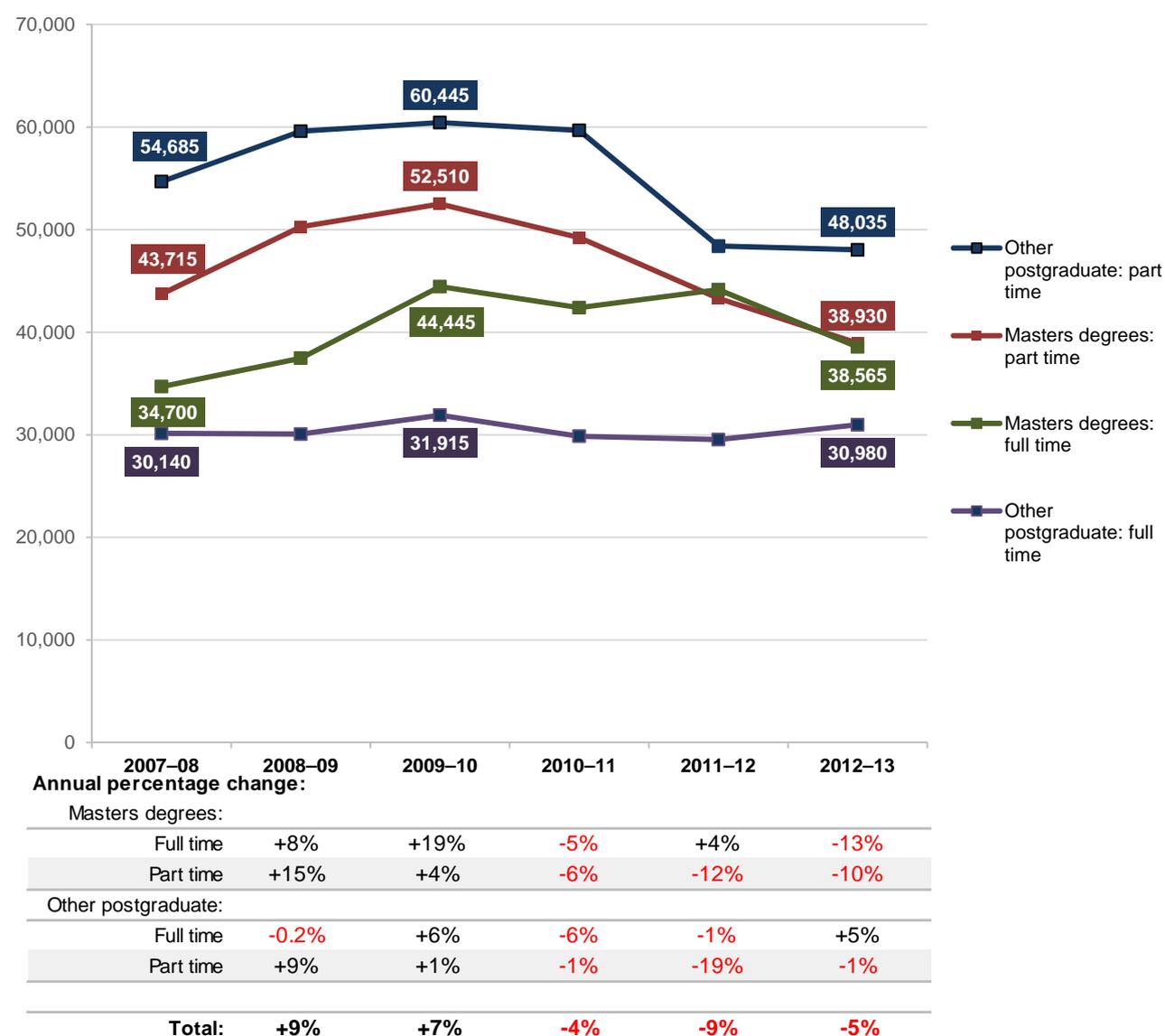
Source: HESA

Figure 5 illustrates the number of first-year UK PGT students by mode of study (full or part time) and course type (Masters degree or ‘other’). These sub-groups have fared differently in recent years:

- The sharp drop in part-time other postgraduate students in one year mostly occurred in the subject area of education, and relates to a withdrawal of government funding for specific courses, discussed further below. By contrast in 2012–13, this group remained almost unchanged, with a slight reduction in numbers of 1%.
- The number of students recruited to part-time Masters programmes has fallen by 26%, from 53,000 in 2009–10, to 39,000 in 2012–13. A separate Universities UK report has explored recent falls in demand for part-time undergraduate study,<sup>17</sup> and it is notable that there has also been a reduction in demand for part-time PGT study in the same period.
- The number of students recruited to full-time Masters degrees grew strongly at the start of the period, and there was a 19% increase in one year in 2009–10. After further fluctuations in both directions, there was then a striking decrease of 13% in 2012–13. The reduction in the number of entrants in 2012–13 is evident across the age groups, though slightly smaller among younger students: under 25s were down by 11%, 25–29 year olds were down by 18%, and the number aged 30 or over were down by 13%.
- Full-time other postgraduate is the most stable of the four groups represented in Figure 5: in 2012–13, nearly three-quarters (74%) of this group were studying for a PGCE qualification.

<sup>17</sup> Universities UK (2013) *The power of part-time: review of part-time and mature higher education*

Figure 5: UK-domiciled first-year PGT students by course type and mode of study, 2007–08 to 2012–13



Source: HESA

These figures underline that the PGT sector is not homogeneous, with different trends evident in different parts of the population. A combination of reductions in different areas has contributed to the overall decline identified earlier in this report. Further analysis taking into account subject area, and the availability of funding, is presented in the following sections.

### 2.3 Analysis of changes by subject area

The subject areas studied by PGT students are represented in Figure 6. It is important to note that within each of these broad subject headings lie a wide range of course types and course titles, some of a specialised nature. However, the 19

categories in Figure 6 provide a means of showing the broad distribution of students across subject categories.

The three largest categories – business and administrative studies, education, and subjects allied to medicine – comprise 53% of all PGT students. The proportion of non-EU students varies widely, with a particular concentration in business and administrative studies: 43% of all non-EU PGT students are taking a course within this subject area. By contrast, 92% of students in education and 87% of students in subjects allied to medicine are UK domiciled.

Non-EU students make up significant proportions of the PGT student population in a wide range of subject areas: proportions are high in sciences, engineering and technology, but it is worthwhile noting that arts and social studies also attract significant proportions of non-EU students.

Among UK students, the most popular subject area is education, representing 30% of the total population of first-year UK PGT students, followed by subjects allied to medicine with 16% of the total. This confirms that there is some concentration of UK-domiciled PGT students in particular subject areas, but the data also demonstrates the spread of PGT courses across the full range of academic disciplines.

This section now focuses on trends in UK-domiciled PGT students during the last few years by subject area. The overall trend for all UK-domiciled first-year PGT students was given in Figure 3: this showed strong growth for two years from 2007–08 to 2009–10, followed by a decline of 17% between 2009–10 and 2012–13. Figure 7 shows the changes that occurred for the six largest subject groupings, and Figures 8 and 9 for all other subject groups. The largest single subject-related change is the reduction in entrants in the subject area of education.

Prior to 2011–12, postgraduate professional development (PPD) courses were available in England to eligible teachers to develop their knowledge and skills in a range of subjects and areas. In 2011–12, funding was withdrawn for new starters on these programmes.<sup>18</sup> In that year, the number of new starters on part-time other postgraduate courses in education at English universities dropped by 42%, while the number in the rest of the UK dropped by much less (13%). The withdrawal of PPD funding is highly likely to be the key factor contributing to the reduction in PGT entrants to education shown in Figure 7. As shown in Figure 10, this was a specific impact on part-time provision: there were much less dramatic changes in the number of full-time PGT students.

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<sup>18</sup> Teacher Development Agency, Postgraduate Professional Development Funding Manual 2011–12, available at: [http://webarchive.nationalarchives.gov.uk/20130401151715/https://www.education.gov.uk/publications/e/OrderingDownload/ppd\\_funding\\_manual\\_2011\\_12.pdf](http://webarchive.nationalarchives.gov.uk/20130401151715/https://www.education.gov.uk/publications/e/OrderingDownload/ppd_funding_manual_2011_12.pdf)

Among the other large subject groups shown in Figure 7, a mixture of trends is evident. Subjects allied to medicine grew by a total of 37% over five years to become the second largest subject area; by contrast business and administrative studies declined by 20%, becoming the third largest subject area having previously been second. Social studies and biological studies both grew while the number of law students reduced.

Several of the medium-sized subject groups represented in Figure 8 exhibit the pattern of rising and subsequently falling back: as a result student numbers in 2012–13 returned close to the level previously seen in 2007–08. This is the case for creative arts and design, engineering and technology, historical and philosophical studies, and languages. Medicine and dentistry retained most of its increase, but architecture, building and planning declined overall. Among the smaller subjects, shown in Figure 9, three subjects coincidentally follow a very similar trajectory of rising then falling: physical sciences, mass communications and documentation, and computer science.

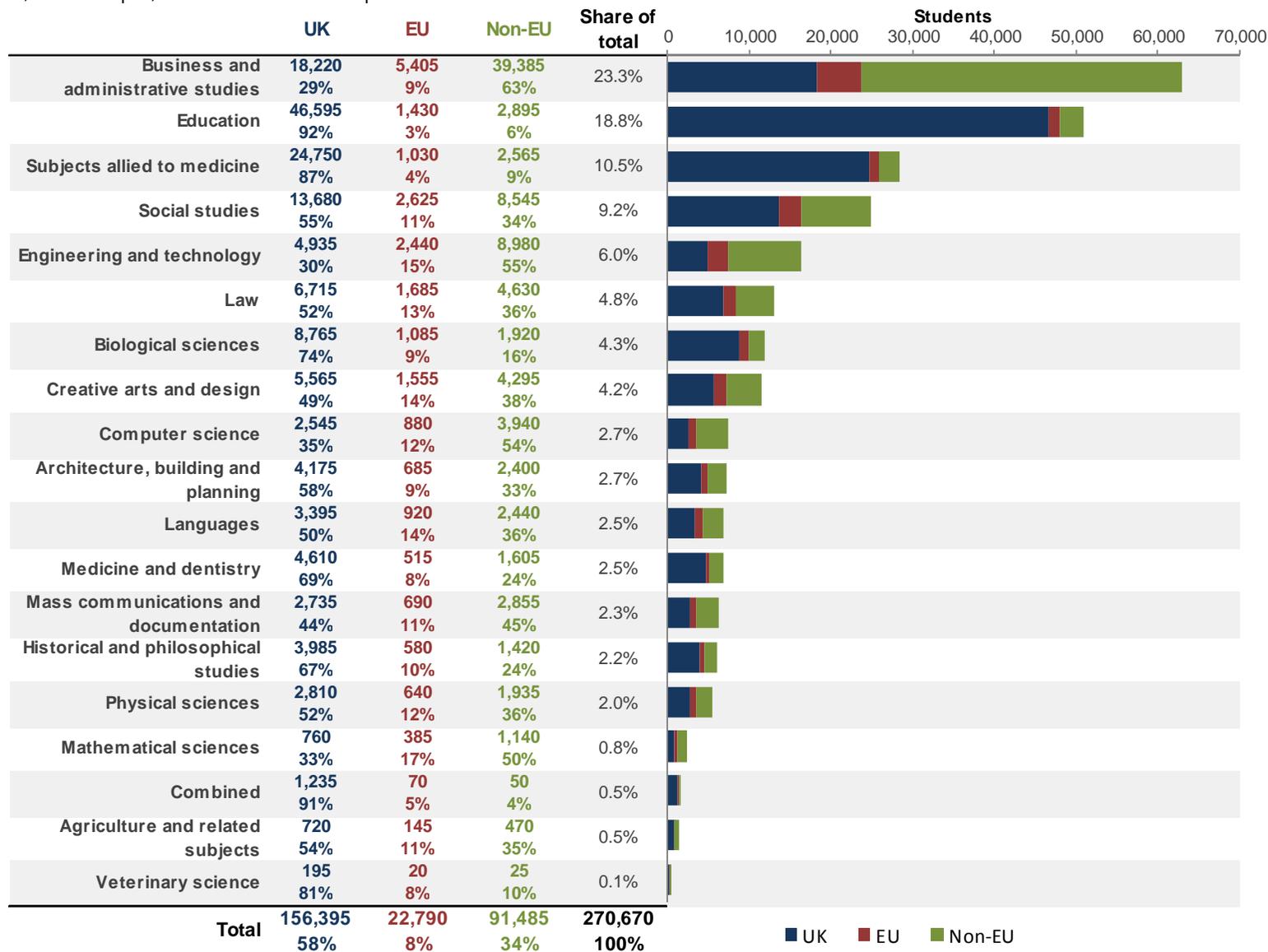
These contrasting trends underline that PGT is a diverse area of provision: some subject areas pursue distinct trends, while many others follow a broadly similar pattern of rising then falling, reflecting the general direction if not the exact magnitude of changes in the whole PGT population. There are a small number of large subject areas, with education being the largest.

## Universities UK

Postgraduate taught education: the funding challenge

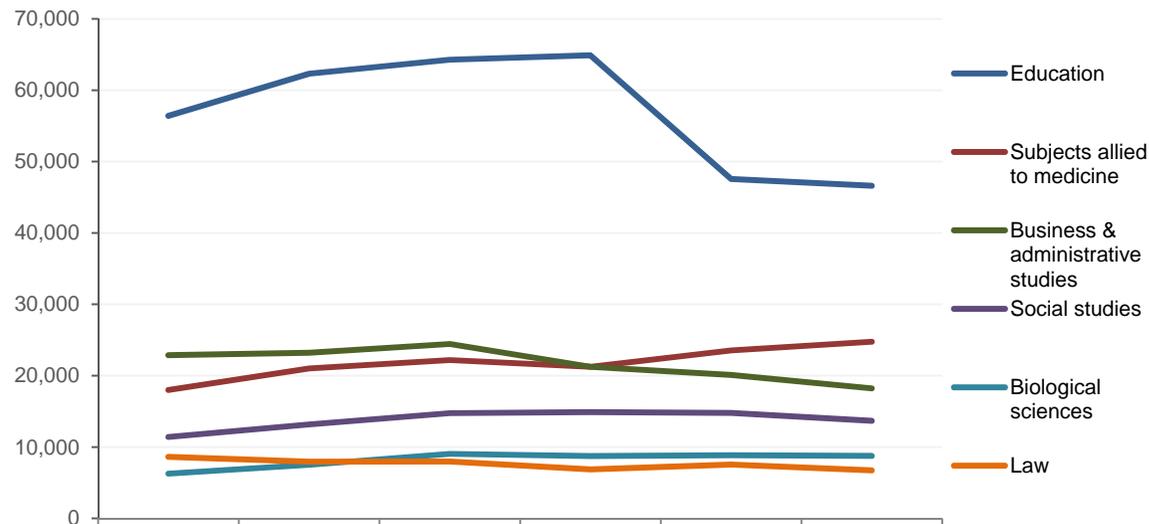
**Figure 6: First-year PGT students by domicile and broad subject area, 2012–13 (full time and part time)**

The percentages in the three domicile columns show the percentage share at subject level: for example, 29% of business students are from the UK. The fourth column shows that, for example, business students represent 23.3% of all PGT entrants.



Source: HESA

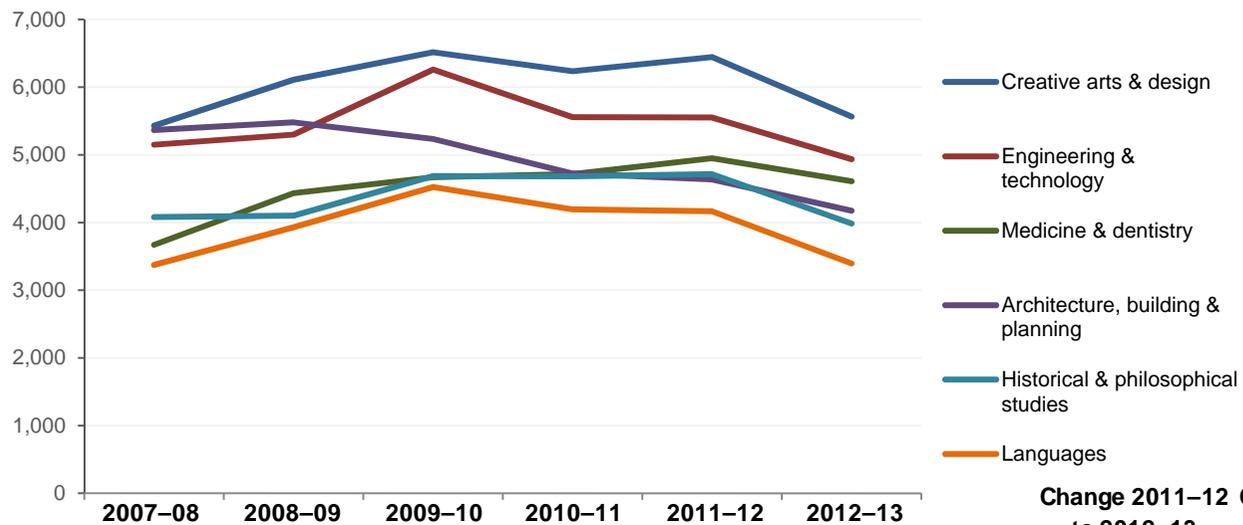
Figure 7: UK first-year PGT students in the six largest subject groups (part time and full time), 2007–08 to 2012–13



	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13	Change 2011–12 to 2012–13	Change 2007–08 to 2012–13
<b>Education</b>	56,415	62,315 +10%	64,265 +3%	64,875 +1%	47,540 -27%	46,595 -2%	-945 -2%	-9,820 -17%
<b>Subjects allied to medicine</b>	18,005	21,025 +17%	22,200 +6%	21,250 -4%	23,545 +11%	24,750 +5%	1,205 +5%	6,745 +37%
<b>Business &amp; administrative studies</b>	22,855	23,210 +2%	24,450 +5%	21,245 -13%	20,090 -5%	18,220 -9%	-1,870 -9%	-4,635 -20%
<b>Social studies</b>	11,410	13,170 +15%	14,760 +12%	14,890 +1%	14,780 -1%	13,680 -7%	-1,100 -7%	2,270 +20%
<b>Biological sciences</b>	6,270	7,510 +20%	9,040 +20%	8,735 -3%	8,850 +1%	8,765 -1%	-85 -1%	2,495 +40%
<b>Law</b>	8,625	7,935 -8%	7,960 +0%	6,870 -14%	7,530 +10%	6,715 -11%	-815 -11%	-1,910 -22%

Source: HESA

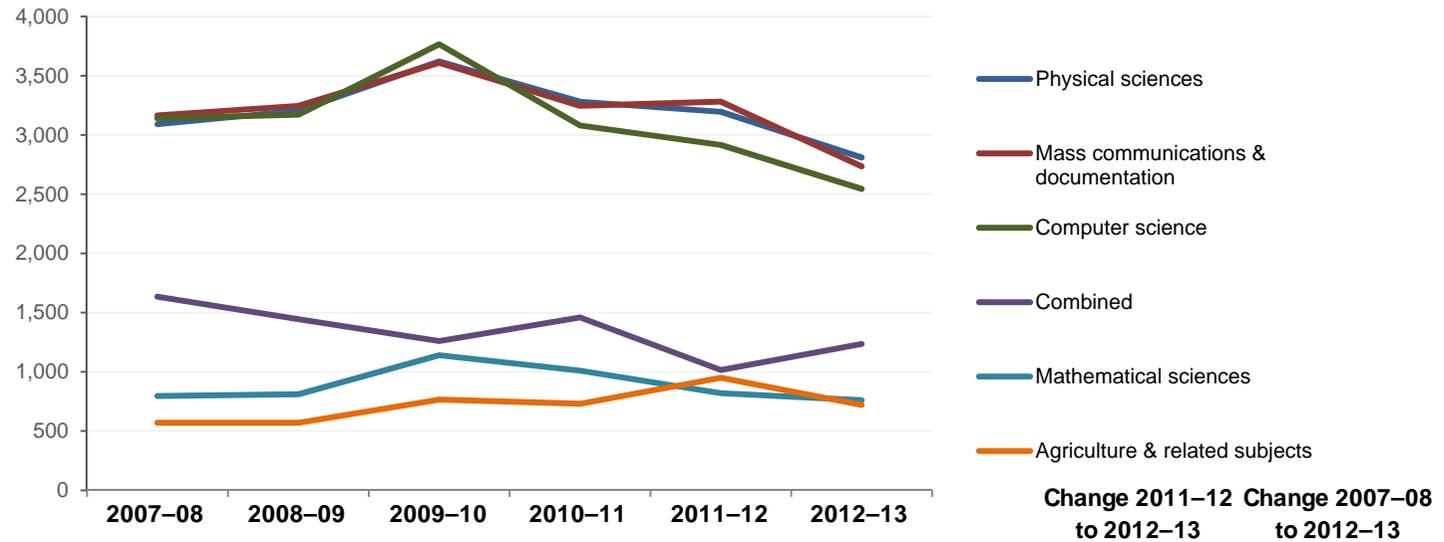
**Figure 8: UK first-year PGT students in medium-sized subject groups (part time and full time), 2007–08 to 2012–13**



	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13	Change 2011–12 to 2012–13	Change 2007–08 to 2012–13
<b>Creative arts &amp; design</b>	5,430	6,110 +13%	6,515 +7%	6,235 -4%	6,445 +3%	5,565 -14%	<b>-880</b> <b>-14%</b>	<b>135</b> <b>+2%</b>
<b>Engineering &amp; technology</b>	5,150	5,300 +3%	6,260 +18%	5,555 -11%	5,550 -0%	4,935 -11%	<b>-615</b> <b>-11%</b>	<b>-215</b> <b>-4%</b>
<b>Medicine &amp; dentistry</b>	3,670	4,435 +21%	4,670 +5%	4,715 +1%	4,950 +5%	4,610 -7%	<b>-340</b> <b>-7%</b>	<b>940</b> <b>+26%</b>
<b>Architecture, building &amp; planning</b>	5,365	5,480 +2%	5,235 -4%	4,725 -10%	4,635 -2%	4,175 -10%	<b>-460</b> <b>-10%</b>	<b>-1,190</b> <b>-22%</b>
<b>Historical &amp; philosophical studies</b>	4,080	4,100 +0%	4,685 +14%	4,680 -0%	4,715 +1%	3,985 -15%	<b>-730</b> <b>-15%</b>	<b>-95</b> <b>-2%</b>
<b>Languages</b>	3,375	3,930 +16%	4,525 +15%	4,195 -7%	4,165 -1%	3,395 -18%	<b>-770</b> <b>-18%</b>	<b>20</b> <b>+1%</b>

Source: HESA

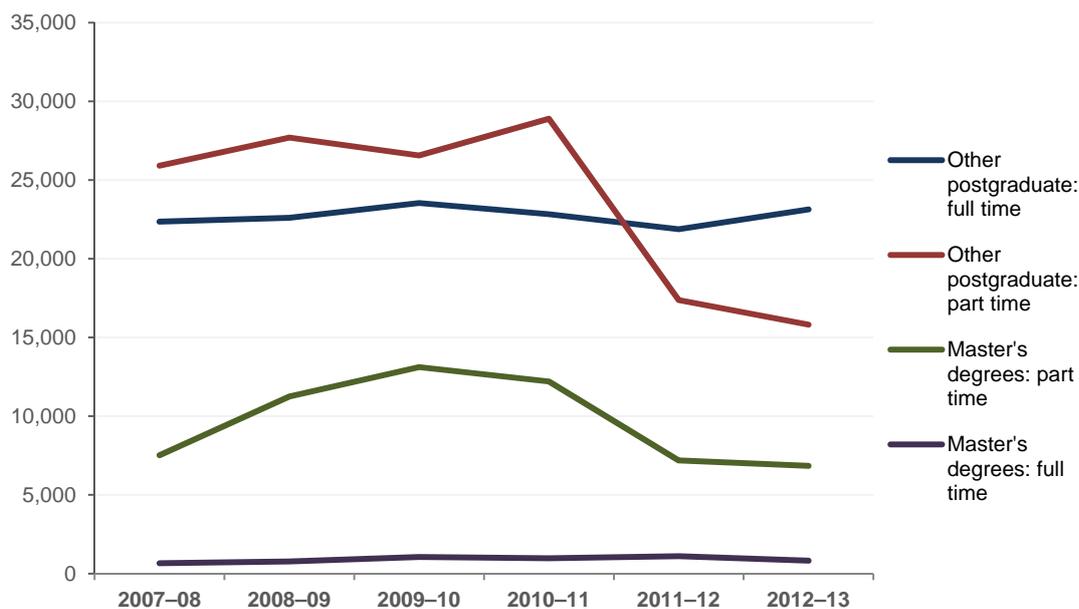
Figure 9: UK first-year PGT students in small subject groups (part time and full time), 2007–08 to 2012–13



	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13	Change 2011–12 to 2012–13	Change 2007–08 to 2012–13
<b>Physical sciences</b>	3,090	3,205 +4%	3,620 +13%	3,280 -9%	3,195 -3%	2,810 -12%	-385 -12%	-280 -9%
<b>Mass communications &amp; documentation</b>	3,165	3,245 +3%	3,610 +11%	3,245 -10%	3,280 +1%	2,735 -17%	-545 -17%	-430 -14%
<b>Computer science</b>	3,140	3,170 +1%	3,765 +19%	3,080 -18%	2,915 -5%	2,545 -13%	-370 -13%	-595 -19%
<b>Combined</b>	1,635	1,445 -12%	1,260 -13%	1,460 +16%	1,015 -30%	1,235 +22%	220 +22%	-400 -24%
<b>Mathematical sciences</b>	795	810 +2%	1,140 +41%	1,010 -11%	820 -19%	760 -7%	-60 -7%	-35 -4%
<b>Agriculture &amp; related subjects</b>	570	570 0%	765 +34%	730 -5%	950 +30%	720 -24%	-230 -24%	150 +26%
<b>Veterinary science</b>	125	265 +112%	330 +25%	240 -27%	170 -29%	195 +15%	25 +15%	70 +56%

Source: HESA

Figure 10: First-year UK-domiciled PGT students studying education (part time and full time), 2007–08 to 2012–13



Source: HESA

The overall pattern of recruitment of UK students to full-time Masters courses was shown in Figure 5, with strong growth at the start of the period, and then a reduction of 13% between 2011–12 and 2012–13. Analysis by subject area shows that in 2012–13 reductions occurred in all subject areas except subjects allied to medicine (Figure 11). However, over the five-year period 2007–08 to 2012–13, the majority of subject areas did see growth. Only law, computer science, and architecture, building and planning saw reductions. In physical sciences numbers returned to their initial position, and there was growth of only one percent in engineering and technology.

Overall, the analysis at subject level shows a mixture of trends. Among UK students, education stands out as the largest subject area so any significant changes here are likely to be felt in the overall size and shape of the PGT population. On the other hand, it is interesting to note that large numbers of subjects even in non-cognate areas sometimes follow the same trend. The overall downturn in full-time UK Masters students in 2012–13 is widely spread across subject areas, for example. It is difficult, if not impossible, to determine whether such trends will continue in future. In particular it is very unclear what impact will be felt from the increase in the undergraduate fee cap for UK and other EU students. As not all students progress directly to postgraduate study any changes will have an impact over a number of years. Support from employers can be an important factor determining participation for many students: influential factors can include changes in public sector funding policy, and economic conditions – a private sector employer may find it more difficult to support employees during an economic downturn, for example.

**Figure 11: UK full-time first-year Masters students by subject<sup>19</sup>**

	2012–13	Percentage change 2011–12 to 2012–13	Percentage change 2007–08 to 2012–13
Social studies	5,890	-12%	+12%
Business & administrative studies	5,655	-10%	+6%
Biological sciences	4,520	-7%	+38%
Creative arts & design	3,280	-14%	+17%
Subjects allied to medicine	2,495	+9%	+58%
Languages	2,175	-17%	+6%
Historical & philosophical studies	2,160	-11%	+14%
Engineering & technology	1,995	-19%	+1%
Physical sciences	1,850	-14%	0%
Mass communications & documentation	1,680	-18%	+5%
Law	1,570	-15%	-7%
Computer science	1,330	-13%	-20%
Architecture, building & planning	1,230	-27%	-12%
Medicine & dentistry	1,095	-14%	+32%
Education	815	-26%	+25%
Mathematical sciences	470	-8%	+18%
Agriculture & related subjects	305	-35%	+2%
<b>Total</b>	<b>38,565</b>	<b>-13%</b>	<b>+11%</b>

Source: HESA

## 2.4 How UK students currently fund their studies

Overall, 52% of first-year UK PGT students are reported as receiving no financial award in the Higher Education Statistics Agency (HESA) student record. As Figure 12 shows, this proportion rises to 72% for full-time Masters students, and 62% for part-time Masters students. The proportion is lower among ‘other postgraduate’ students: the largest subject area in the full-time ‘other postgraduate’ category is education, where many students are able to access loans and other forms of funding for teacher training courses. The largest subject areas offering other postgraduate part-time courses are education, business, social studies, and subjects allied to medicine: overall, fewer than half (44%) of part-time ‘other postgraduate’ students are recorded as having no financial support.

A small proportion of PGT students take out a Professional Career Development Loan (PCDL). These bank loans have conventional fixed-term repayment periods and commercial rates of interest, although the government provides a small subsidy by writing off the interest for the duration of the course and for one month after it ends. The maximum loan is £10,000 and the interest rate is 9.9%. Banks assess applications, and will take into account a

<sup>19</sup> Subject areas with fewer than 100 students are not listed in Figure 11 but are included in the overall total. These are veterinary science, and combined subjects.

student’s anticipated financial position after finishing the course when deciding whether to offer a PCDL. The application process is still paper-based and the practicalities of applying may also encourage some potential applicants to explore other funding routes. Around 9,000 individuals took out a PCDL in 2011–12, and the total lent was £67 million; the majority were for postgraduate study, although the PCDL can be used to fund study towards a wider range of qualifications.<sup>20</sup>

**Figure 12: Major source of tuition fees for first-year UK PGT students, 2012–13**

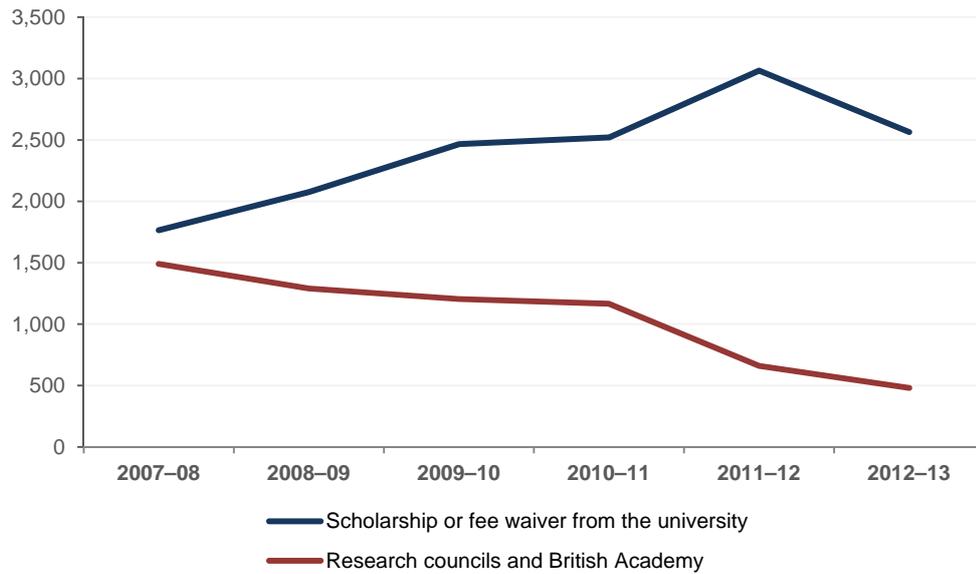
	Masters degrees		Other Postgraduate	
	Full time	Part time	Full time	Part time
No award or financial backing	72.3%	62.0%	27.4%	43.7%
UK LEA mandatory/discretionary awards	4.1%	1.8%	58.8%	3.1%
UK industry/commerce and student's employer	2.5%	14.6%	1.4%	20.1%
UK central government bodies and local authorities	5.2%	9.7%	5.0%	15.0%
Not known / other	3.6%	4.4%	2.8%	6.1%
Scholarship or fee waiver from the university	6.7%	3.7%	2.7%	4.3%
Absent / No fees	2.7%	3.2%	1.5%	7.3%
Other overseas sources	1.0%	0.3%	0.2%	0.1%
Research councils	1.2%	0.1%	0.1%	0.0%
Charities and international agencies	0.6%	0.3%	0.1%	0.2%

Source: HESA

As noted, Masters students receiving financial support are in the minority. There are, however, some noticeable trends within this smaller group. The withdrawal of support for Masters students by the research councils is illustrated in Figure 13, with the number of such students falling from around 1,500 to under 500 between 2007–08 and 2012–13. In the same period, the number of full-time Masters students receiving a scholarship or fee waiver from their university grew by 800 students, an increase of 45%. This shows that, despite a drop in 2012–13, universities have generally been increasing their financial support for UK full-time Masters students in recent years.

<sup>20</sup> Parliamentary written answer to question from Baroness Garden of Frognal, 14 March 2013

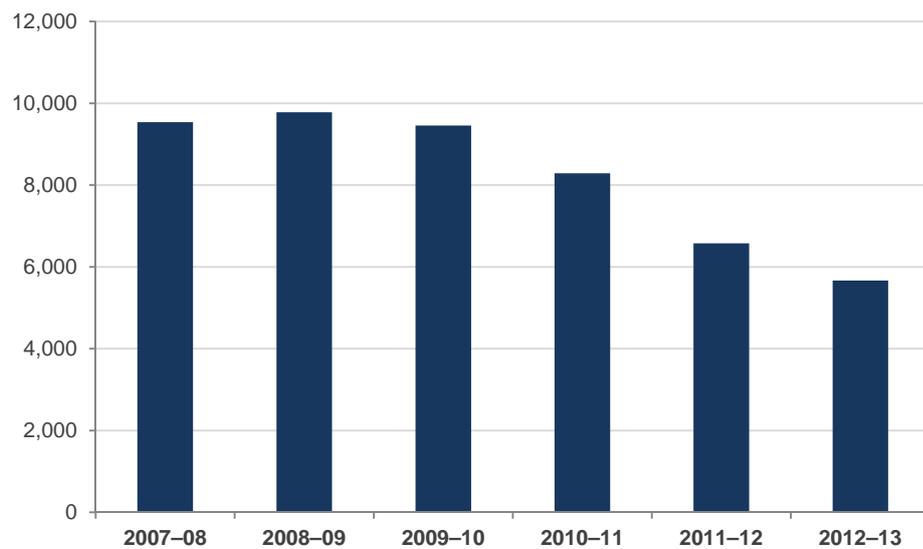
**Figure 13: Full-time first-year UK Masters students funded by research councils or universities' own funds, 2007-08 to 2012-13**



Source: HESA

In recent years the number of new part-time UK Masters students receiving funding support from employers other than government has decreased. As shown in Figure 14, the number of such students has fallen by nearly 4,000, a drop of 41%. The proportion of part-time UK Masters students funded by their employer (other than government) was 15% in 2012-13. The drop shown in Figure 14 is only a small part of the overall trend, but it contributes towards the larger decline in the overall population of part-time UK-domiciled Masters students.

**Figure 14: Part-time first-year UK Masters students funded by employers, 2007-08 to 2012-13**



Source: HESA

## Universities UK

### Postgraduate taught education: the funding challenge

The HESA data presented above shows large proportions of UK students taking PGT courses are meeting their tuition fees primarily from private sources. The proportion varies by subject, as shown in Figure 15: the proportion with no financial award ranges from 34% in education to over 70% in a wide range of subjects. Depending on an individual's circumstances private funding sources might include savings, bank loans, and/or financial help from relatives. However, the data also shows that some PGT students do secure funding from other sources: as an employer, the government targets investment at students who will work in the fields of health and education; some private-sector employers help with tuition fees; increasingly, universities waive fees or offer scholarships; funds are also obtained from charities in some cases. Even so, the availability of funding is patchy, and in addition to paying tuition fees, PGT students must also meet living costs. The following section of this report considers the consequences of the limited supply of postgraduate funding and the case for action to improve on the current arrangements.

**Figure 15: Percentage of first-year UK PGT students with no financial award for tuition fees, by subject area, 2012–13**

Subject area	Percentage with no financial award for tuition fees
Mass communications and documentation	81%
Languages	79%
Creative arts and design	78%
Historical and philosophical studies	77%
Biological sciences	76%
Mathematical sciences	73%
Agriculture and related subjects	73%
Physical sciences	71%
Law	69%
Computer science	66%
Veterinary science	64%
Medicine and dentistry	64%
Combined	62%
Engineering and technology	59%
Business and administrative studies	58%
Architecture, building and planning	56%
Social studies	53%
Subjects allied to medicine	43%
Education	34%
<b>All subjects</b>	<b>52%</b>

Source: HESA

## **3: The funding challenge**

### **3.1 Introduction**

This report began by describing how postgraduate taught (PGT) education is a diverse and flexible area of provision that generates substantial benefits for individuals, for the economy, and for society. There is concern that participation in PGT education by UK students is being restricted where students have difficulties meeting the full costs of study upfront. Steps should be taken to support students with the ability and the motivation to succeed but who may not have access to sufficient finance.

PGT education creates both public and private benefits, as does higher education more broadly. There is a clear case in principle for students and graduates to contribute towards costs given the private benefits, provided such contributions are affordable. Similarly there is a clear case in principle for government and taxpayers to make some contribution towards costs given the public benefit, provided that this contribution is also affordable.

The case for funding is simply made in principle. The challenge is how to realise these funding contributions in practice. A key test for any proposal is whether it is affordable to all parties, including students and graduates, universities, government, and any other parties involved (such as banks, employers, or philanthropic contributors). Striking the right balance of contributions between these parties is challenging. For example, a successful funding package will need to be sufficiently attractive to students and graduates that they choose to accept it. At the same time it is vital to recognise that government faces competing demands for funding and has finite resources available. Particularly in an environment where public funds are constrained, the case for funding must be strong if it is to succeed. A strong case will involve targeting public funds effectively and efficiently. Universities also need to ensure that the activities they undertake are financially sustainable: as autonomous institutions, universities can and do operate flexibly but if their income is insufficient this can threaten financial sustainability and the quality of provision.

A full evaluation of funding options will need to explore a wide range of issues. For example, an important factor will be to ensure that the current diversity and flexibility of provision continues to be supported. The focus in the following discussion will be on funding mechanisms, and in particular the issue of affordability. The following series of tests will be used to assess the affordability of funding proposals:

- Proposals should aim to stimulate student demand.
- Proposals involving public funding should be targeted at areas of greatest need.
- Proposals should help provide sufficient funding so universities can deliver high quality provision on a financially sustainable basis.

These tests will be referred to in the following discussion.

### 3.2 Proposals for postgraduate taught student loans

A number of reports have been published in recent years that propose the introduction of student loans for PGT students. The key characteristics of each proposal are very briefly summarised in Table 1.

**Table 1: Summary of PGT loan proposals**

Source	Summary of proposal
Tim Leunig, <i>Mastering Postgraduate Funding</i> , CentreForum (2011)	Proposes a publicly-funded income-contingent loan scheme. UK-domiciled Masters students with at least a 2:1 would be eligible to borrow up to £10,000. This would be repaid by graduates at a rate of 9% on earnings between £15,000 and £21,000, and written off after 30 years. It therefore would act as a form of extension to the undergraduate loan (which would be repaid in parallel at 9% of earnings over £21,000). The government would provide the loans, thus adding to public sector net debt, but the write-off costs would be relatively low. The long-term benefit to government would flow from an increase in the earning power of graduates and higher tax revenues. Student numbers would be uncapped in this proposal.
British Academy, <i>Postgraduate funding: the neglected dimension – position statement</i> (2012)	Encourages government to consider introducing postgraduate loans
Higher Education Commission, <i>Postgraduate Education: an independent inquiry</i> (2012)	Calls for a group to be set up to investigate how PGT loans could be developed
Alan Milburn, <i>University Challenge: how higher education can advance social mobility</i> (2012)	Like the Higher Education Commission, calls for a working group to investigate PGT loans
House of Lords Science and Technology Select Committee, <i>Higher Education in Science, Technology, Engineering and Mathematics (STEM) Subjects</i> (2012)	Recommends that government provide loans for Masters degrees in STEM subjects
IPPR, <i>A Critical Path: securing the future of higher education in England</i> (2013)	Supports the introduction of a PGT loan scheme similar to Leunig’s proposal, but acknowledging that access to the loan scheme might need to be regulated so that the government could manage costs
1994 Group, <i>Increasing Postgraduate Opportunities: Proposals for Funding</i> (2013)	Advocates a modified version of Leunig proposal, with MBA and professional law qualifications excluded, and undergraduate repayments continuing at the lower £15,000 threshold once the postgraduate loan had

	been repaid
NUS, <i>Steps Towards a Fairer System of Postgraduate Funding in England</i> (2012)	Proposes three loan schemes that would operate in parallel, each aimed at a different segment of the diverse PGT market: <ul style="list-style-type: none"> <li>• Access to the professions loans, provided by government, with a relatively high repayment rate, but a government write-off</li> <li>• Employer-linked loans, where the government provides the loan but the employer pays a standardised RAB charge</li> <li>• A 'traditional segment' loan, provided by government, with an interest rate that recoups the write-off costs; the loan would be for a maximum of £6,000</li> </ul>
Libby Hackett for HEPI, <i>A comparison of higher education funding in England and Australia: what can we learn?</i> (2014)	Highlights that the Australian government provides some student loan provision which is repaid in full (though with an interest rate subsidy), and that there could be lessons to learn for student support in England, including postgraduate student support

Most of these loan proposals are made in general terms and not costed. A distinctive feature of the NUS proposal is that it intends to recognise PGT provision as a diverse field, so that different funding arrangements are appropriate in different areas. The proposal is flexible and not fully modelled. However, it does illustrate some options which involve some element of government contribution.

Tim Leunig’s proposal clearly involves a significant government outlay in terms of borrowing and uncertainty on the level of take up. The following comments by David Willetts emphasise his view that loan provision would bring associated regulation:

The biggest single risk is that as soon as we had a general public expenditure programme or loans scheme, the Treasury would immediately become interested in how many people were eligible, controlling postgraduate numbers and setting new conditions. It would be a great pity if this open and diverse sector found itself with a highly regulated loan scheme that constrained its growth.<sup>21</sup>

It will be important to heed this warning when evaluating loan proposals and avoid advocating an approach that unintentionally constrains growth through measures intended to achieve the opposite. One way forward would be to attach restrictions to the funding, rather than the places. The number of loans offered could be limited; similarly a maximum loan amount could be set. This would also provide a more accurate way of controlling costs

<sup>21</sup> Hansard (Commons), 23 January 2013

than using student number controls as a proxy. Controlling loans rather than controlling overall places also avoids a situation arising where self-funding students are turned away due to a student number control limit being reached when such students could enrol with no impact on public finances. Put simply, there may be a need for a control on student loans; there is no need for a control on student numbers.

The preceding summary shows that many organisations and individuals have proposed the introduction of student loans for PGT students. The following section explores some of the issues raised by the idea of increasing the availability of student loans as an option alongside other funding mechanisms.

### 3.3 Commentary on funding mechanisms

It is clear that the idea of student loans for UK-domiciled PGT students has entered the policy debate. However, it seems unlikely a one-size-fits-all solution will address the funding needs of all PGT provision. The funding offered for a full-time Masters student might differ from that offered to part-time students, for example; similarly it may be useful to make a distinction between full-time Masters degrees, where 72% of students have no financial award, and full-time 'other postgraduate' courses, where only 27% of students have no financial award.

While this report does not offer a funding solution, this final section outlines some of the key funding mechanisms available. It could be that some combination of these different options provides the most affordable solution to improving postgraduate funding.

The issue of whether student loans could be financed by the private sector was investigated by the 2010 Browne Review; although the focus of the evaluation was on undergraduates rather than postgraduates, some relevant issues were identified. One attractive feature of private sector loans is that they do not necessarily require any government funding. However, the Browne Review commented that, 'the risk of any private sector scheme is that banks will want only to lend to students that are regarded as a good credit risk', leaving other students unsupported, and that repayments would like be mortgage-style, so not affordable for everyone.<sup>22</sup>

However, these concerns were raised in the context of designing a system that can work for all undergraduates. By contrast, there are some PGT students who are currently able to secure loans from the private sector to fund their studies. This is particularly the case where students have a higher degree of certainty about their future earnings. For example, a scheme directed at MBA students at selected business schools is run by MBA Prodigy Finance. It encourages alumni to invest in order to fund loans for students.<sup>23</sup> It is notable that private funders have targeted MBA courses, where graduates might be expected to secure higher earnings, rather than open such a scheme to graduates of all disciplines. In addition the scheme is directed only at some, not all, universities.

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<sup>22</sup> Browne Review (2010) *Securing a Sustainable Future for Higher Education*, p. 54

<sup>23</sup> See [www.prodigyfinance.com/](http://www.prodigyfinance.com/)

In considering future options for improving postgraduate funding more widely, it may be useful to note just how selective the focus is of such a scheme. It is difficult to see how private sector lenders alone could scale up significantly to meet the needs of a wide range of postgraduate students – the absence of such provision directed specifically at postgraduates at present is revealing.

By comparison the PCDL targets a wider, but still small, pool of students. In this case a small government subsidy supports the scheme. However, at the current time this provision is only accessible by certain groups of students (banks must still assess candidates on the basis of their financial risk) and repayments start soon after graduation. A PCDL would not cater well for the needs of a PGT student undertaking a Masters who was then going on to a full-time PhD, for example. It is important that this route is available to students in order to support the supply of future researchers. Many students intending to pursue a professional career will not know their employment destination at the time of applying. They might reasonably expect that there could be a short gap between completing the course and starting their first professional job. In this case committing to a PCDL with fixed-term repayments could well be a risky option. Those who envisage a break from the workplace for maternity leave, or to undertake childcare responsibilities, might similarly not wish to commit to the relatively high fixed-term repayment plan that the current PCDLs typically require. On the other hand, PCDLs do provide financial help to some students, and clearly there will be circumstances in which postgraduates can plan to meet the repayment terms of such a loan.

Clearly one option is to investigate whether PCDLs can be improved such that they work for a wider pool of students. If banks could be persuaded to offer more flexible repayment terms, this could provide a route for improved PCDLs. However, it is necessary to recognise that a commercial bank will want to make a return on its investment, and it has a responsibility to assess the affordability of a loan offered to an individual. If government could be persuaded to increase its subsidy the terms of the PCDL could become more flexible. A key issue is whether such a subsidy would represent value for money as an investment of public funds: would it be a subsidy effectively targeted at areas of greatest need? For undergraduate funding, the Browne Review compared the option of a private sector loan supported by a government subsidy with a loan scheme run by the government. It concluded that the cost of the subsidy is likely to be higher than the cost of providing the loans directly, as the government's cost of borrowing will be lower than that of banks.<sup>24</sup> This does not necessarily apply to postgraduate loans: there may well be a case for an enhanced government subsidy in a relaunched and improved PCDL scheme. However, the Browne Review's conclusion neatly illustrates that if there is a role for government support, the choice is essentially between government giving a subsidy to banks, and the cost to government of providing loans itself.

Government does already provide loans to certain groups of students studying towards postgraduate qualifications: loans are available for eligible PGCE students, and students taking four-year integrated Masters courses can apply for undergraduate student support in

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<sup>24</sup> Browne Review, p. 54

each year of their degree. However, providing undergraduate level support to PGT students more generally could entail significant cost to government. If the additional loan was simply added to the total accrued at undergraduate level, a significant proportion would not be repaid under the current loan terms, increasing the existing RAB charge still further.

As an alternative, Tim Leunig's report is optimistic that the majority of a PGT income-contingent loan balance would be repaid if the repayments were taken at a rate of 9% of earnings between £15,000 and £21,000, and the maximum fee loan was £10,000. While this model has attracted attention, further alternatives should also be evaluated. For example, a recent Higher Education Policy Institute report explores the strengths and weaknesses of student funding in Australia. From a UK perspective it is striking to observe the public subsidy that many postgraduate courses attract at universities in Australia. Somewhere in the region of 25% of the amount loaned to postgraduates is written off by the government through the 'FEE-HELP' scheme.<sup>25</sup> Another aspect of the Australian system is the FEE-HELP scheme for undergraduates: this provision is for students who do not qualify for the mainstream undergraduate support scheme, and is designed so that most loan balances are repaid in full, although the government still subsidises the interest rate. It may be worth exploring this scheme further in terms of its affordability; it would be interesting to understand how long it takes graduates to repay undergraduate FEE-HELP loans in particular. It could also be useful to quantify the full cost and risk to government of the loan scheme: the undergraduate FEE-HELP loan carries a surcharge which helps to meet the full cost. However, understanding the actual repayments received in any such scheme depends on modelling future earnings, so the government is still bearing a financial risk over the lifetime of the loan even if it expects to recoup the full cost. These risks may be manageable; however, in a full assessment it will be necessary to acknowledge that 'zero RAB' does not equal zero risk. On the other hand, government may be the body best placed to manage such a risk, with students and graduates the beneficiaries of lending rates far better than they could obtain through an unsecured bank loan, for example. In analysing all these options, the affordability to all stakeholders will have to be considered.

Another potential model that has received less attention is the loan scheme provided by the UK government to undergraduates between 1990 and 1998. These have generally been described as 'mortgage-style' loans. However, these loans were still quite different from a conventional mortgage, as the following description makes clear:

Borrowers are required to repay in fixed monthly instalments over a set period of 5 or 7 years. Interest is charged at a rate equivalent to the Retail Prices Index (RPI).

Repayments can be deferred for a year at a time if a borrower's income is below the threshold, which is 85% of the national average earnings. Since 1 September 2013 the threshold is £28,775.<sup>26</sup>

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<sup>25</sup> Libby Hackett (2014) *A comparison of higher education funding in England and Australia: what can we learn?* (HEPI) p.27

<sup>26</sup> BIS press release: 'Sale of mortgage style student loan book completed' 25 November 2013, available at [www.gov.uk/government/news/sale-of-mortgage-style-student-loan-book-completed](http://www.gov.uk/government/news/sale-of-mortgage-style-student-loan-book-completed)

This loan scheme contains elements of government subsidy, in the form of an interest rate subsidy, the deferral option, and the write-off of loans that are ultimately not repaid in full. Clearly this is quite different from a commercial mortgage. However, the emphasis is on full repayment in contrast with the current undergraduate income-contingent scheme where a large proportion of borrowers benefit quite significantly from subsidies. It is interesting to observe the element of choice within the former undergraduate loan scheme: graduates on lower incomes can choose to defer their repayments if they wish and finish repaying later, or continue with repayments and clear the loan sooner. It may be useful to explore whether a version of this scheme could have a role to play in improving financial support for PGT students.

There is a range of examples of repayment models that a publicly-backed loan scheme could draw upon. If applied to the whole PGT sector, or a large sub-group such as all full-time Masters students, it could be asked whether this would represent effective targeting of public resources. The loans would be widely available, rather than being targeted at particular groups, but the income-contingent repayment mechanism would effectively target help to those graduates on lower incomes. A further level of targeting would be achieved by restricting the loans to certain subjects or courses, although the criteria for targeting one subject or course over another and the associated administration needed would have to be considered in this case.

Another important piece of evidence has also emerged recently: the impact of the introduction in 2012–13 of income-contingent loans for part-time undergraduates. Numerous contributors to the Browne Review supported the introduction of loans for part-time undergraduates, as only full-time students were eligible for government loans before 2012. Yet when these loans were introduced the number of first-year part-time undergraduates decreased by 28.8%. Many factors will have influenced this change, including the strength of economy.<sup>27</sup> But one lesson appears to be that increasing the availability of loans does not necessarily in itself stimulate student demand.

In the search for a viable loan scheme it is necessary to focus on the cost to government. But, as this report has already identified, affordability has to be assessed in the round, taking into account the impact on students, graduates, universities, any private-sector partners, and the government. The challenge is not simply to come up with a loan scheme where the lender recovers 100% of the loan balance – this in itself is relatively straightforward. The challenge is to strike the right balance of contributions so that the scheme is affordable to all, and to follow through with effective implementation. It is a challenge that has attracted much attention in recent years.

The development of a loan scheme should not crowd out the development of other funding options targeted at different parts of the PGT sector. The diversity of the PGT sector makes it almost a certainty that a range of funding solutions will continue to exist in parallel. In this

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<sup>27</sup> Changes in part-time provision have been explored in Universities UK (2013) *The power of part-time: review of part-time and mature higher education*; and HEFCE (2014) *Pressure from all sides: economic and policy influences on part-time higher education*.

context, the role of scholarships should not be overlooked. A strong rationale for providing scholarships is to stimulate student demand. The HEFCE Postgraduate Support Scheme is investing £25 million in a range of initiatives in postgraduate education, and part of this funding is flowing through universities to students in the form of bursaries and scholarships. In addition, the Department for Business, Innovation and Skills (BIS) is co-funding a scheme with industry to provide aerospace MSc bursaries (£3 million each is being contributed by government and employers).<sup>28</sup> In future there may be a case for further investment in postgraduate education through scholarship provision in targeted areas. Such schemes might be coordinated at a national level, like the aerospace initiative. Equally, there might be a case for supporting innovation from the ground up, with universities taking the lead in identifying targets for investment. An extension of the HEFCE Postgraduate Support Scheme would be one way of encouraging such bottom-up investment. In this arrangement the onus is on universities to propose targets for investment, based on their knowledge of student demand in specific areas of the highly diverse PGT market. The success of such a scheme rests in part on the strength of proposals received. A large number of bids were submitted to the HEFCE Postgraduate Support Scheme, and there may well be a case for continuing a version of this scheme in the future.

Due to the costs involved, direct investment in student scholarships is more likely to occur in the form of targeted investment than on a larger scale. But it does provide a route that can attract a wide range of funding partners when the circumstances are right – including employers and philanthropic funders, as well as government. Scholarships have an important part to play within a larger mixed funding system.

### 3.4 Conclusion

Several years ago it was possible to argue that PGT education had received relatively little attention in the higher education policy debate. In the intervening period this has changed: new research has been undertaken, a wide range of bodies and individuals have published reports, and PGT education has received new targeted public investment. Most recently, the government has publicly acknowledged the need to investigate financial support for postgraduate students in the 2014 Budget.

The PGT student population is continually in a state of flux, shaped by changes in the supply of courses offered by universities and changes in the demand for courses by students. The UK-domiciled PGT student population is in decline, as shown in section 2, and there has also been a smaller reduction in the number of PGT students from outside the UK. In some areas the proportion of UK PGT students is quite small: just 27% of full-time Masters students across all subject areas are UK domiciled. In individual subjects, and particularly on some individual courses, the proportion of UK students can be very small. It is good news that UK higher education is attracting students from across the world. But it is important to stimulate demand from UK students as well.

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<sup>28</sup> See [www.gov.uk/government/news/government-and-industry-team-up-to-fund-500-masters-degrees-in-aerospace-engineering](http://www.gov.uk/government/news/government-and-industry-team-up-to-fund-500-masters-degrees-in-aerospace-engineering)

This is a concern for the experience of students, but it is also important for the financial sustainability of provision in universities. Very significant changes in demand from non-EU students are not uncommon, particularly at the country level: between 2008–09 and 2012–13 the number of PGT entrants from China more than doubled, while the number from India more than halved in the same period. Significant fluctuations in demand can have an impact on the sustainability of courses. So where full-time Masters degrees are substantially dependent on non-EU students a drop in these numbers can make it difficult to continue offering the course to all students, including UK-domiciled applicants. It will be important to continue monitoring changes in the PGT population and consider the impact on individual subject areas. At the same time, it is important to recognise that the skills the economy needs do change over time. Structural changes in the pattern of demand and supply will occur. This is a complex area, but the ongoing challenge remains to respond to changing student demand, and to deliver the high-level skills that the economy needs. Meantime universities manage the challenge of ensuring that they are operating in a financially sustainable way, raising the income required to operate efficiently and to deliver higher-quality provision to students.

Opportunities for PGT study should be open to all UK students with the motivation and the ability to succeed, and not restricted only to those who can meet the full costs of studying upfront. It is reasonable for students to contribute towards the costs of their PGT degree, but on an affordable basis. Students undertake PGT education for different reasons and at different stages in their lives. It is unlikely that a one-size-fits-all funding solution will be appropriate to this diverse sector.

Improving funding for PGT education would help unlock the benefits discussed in section 1 of this report – benefits for individuals, for society and for the economy. The UK needs a highly-skilled workforce to compete globally, and PGT education delivers those skills. It provides entry routes to professions, as well as the CPD that can open a wide range of career path specialisms. For some, a Masters degree provides an entry route to a research degree. A healthy supply of PhD researchers is important not just for the strength of research in universities but for industry too, as these highly-qualified students take their skills into a wide range of careers.

We know from the 2014 Budget report that the government is investigating options to support increasing postgraduate participation and will put forward its ideas in the 2014 Autumn Statement. In this context, we ask the government to consider the evidence presented in this report on the substantial benefits arising from PGT education, on worrying recent trends in student numbers, and on the range of possible funding options. A wide range of issues need to be considered in the evaluation of the options, including ensuring that funding proposals support the existing flexibility and diversity of provision. We believe a central issue will be to evaluate proposals in terms of their affordability to students, to universities, to private sector partners, and to government. As noted earlier in this report this affordability test comprises three parts:

- Proposals should aim to stimulate student demand.
- Proposals involving public funding should be targeted at areas of greatest need.
- Proposals should help provide sufficient funding so universities can deliver high quality provision on a financially sustainable basis.

The preceding discussion identified a range of potential funding mechanisms including private sector loans (with or without a government subsidy), public loans, and scholarships, which could be funded by a whole range of partners. As PGT education embraces such a diverse range of provision, it is not a question of which of these is the best option for all students and all courses. Instead, the funding challenge is to identify the underdeveloped option (or options) which should now be strengthened in order to extend the opportunities to undertake postgraduate taught education more widely.

# Higher education in focus

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