

Post-18 education and funding

Options for the government review

**David Robinson
and Daniel Carr**
May 2019

EDUCATION
POLICY
INSTITUTE

Research Area:
Higher Education,
Further Education,
and Skills



About the authors

David Robinson, Director, Post-16 and Skills. David's background includes six years at the Department for Education, as the lead analyst first on school accountability and then on capital funding. David led on the analysis and research that informed the reforms to school accountability, most notably the development of the Progress 8 measure. He also led the economic analysis of the department's capital funding proposals during the 2015 Comprehensive Spending Review.

Daniel Carr, Senior Researcher for Post-16 Education and Skills at the Education Policy Institute. Prior to this, Daniel worked as an Advisor at The Behavioural Insights Team where he designed and ran randomised controlled trials in education, and developed behavioural science informed solutions to challenges across a variety of policy areas. He was previously a policy advisor to an Australian Federal MP, the Foundation for Young Australians and Teach For Australia. Daniel has now returned to Australia to work on the Education team at Deloitte Access Economics

About the Education Policy Institute

The Education Policy Institute is an independent, impartial, and evidence-based research institute that promotes high quality education outcomes, regardless of social background. We achieve this through data-led analysis, innovative research and high-profile events.

Education can have a transformative effect on the life chances of young people, enabling them to fulfil their potential, have successful careers, and grasp opportunities. As well as having a positive impact on the individual, good quality education and child wellbeing also promotes economic productivity and a cohesive society.

Through our research, we provide insight, commentary, and a constructive critique of education policy in England – shedding light on what is working and where further progress needs to be made. Our research and analysis spans a young person's journey from the early years through to entry to the labour market.

Our core research areas include:

- Benchmarking English Education
- School Performance, Admissions, and Capacity
- Early Years Development
- Vulnerable Learners and Social Mobility
- Accountability, Assessment, and Inspection
- Curriculum and Qualifications
- Teacher Supply and Quality
- Education Funding
- Higher Education, Further Education, and Skills

Our experienced and dedicated team works closely with academics, think tanks, and other research foundations and charities to shape the policy agenda

This work is licensed under a Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International License. For more information, visit: creativecommons.org

Published May 2019 Education Policy Institute.

Contents

Foreword.....	5
Executive Summary.....	6
1. Introduction	12
2. Pathways for school leavers.....	14
UCAS tariff floor	15
Variable fees	24
Maintenance support for further education	29
3. Part-time and mature student study	32
Reducing part-time tuition fees	33
Easing Equivalent and Lower Qualification funding restrictions	36
4. Student finance	39
Restoration of maintenance grants	40
Reducing tuition fees and raising grants.....	45
Loan terms and the balance of contributions.....	50
Abolishing tuition fees	55
References	57

Foreword

The Education Policy Institute is an independent, impartial and evidence based research institute which aims to promote high quality education outcomes for all, through analysis that both informs and influences the policy debate in England and internationally.

Last year, the UK Government established a review, to consider the future funding options for post 18 education in England. The policy and political concerns which seemed to lead to the establishment of the review touched on a variety of issues: student and parental concern over relatively high English tuition fees; the failure of the 2010/11 higher education funding reforms to create the expected "market" of varying tuition fee levels; associated concerns about the efficiency of the higher education sector; and interest in considering whether education routes below Level 6 HE should be better funded, including in terms of student maintenance. Higher education funding has also become a salient education funding issue since the Labour Party promised to abolish tuition fees, in their 2017 General Election manifesto.

This EPI report looks at the options for post 18 funding reform, and considers the likely impact, cost and distributional consequences of the major funding choices being considered.

The analysis highlights some of the challenges facing policy-makers. Many of the most widely discussed policy options would be likely to have little or no impact on participation or education quality, and higher earning graduates would often be the major gainers from reform - even though it is arguable that in education terms they are not the obvious priority at a time when difficult public spending choices are necessary.

We hope that this report will help policy-makers to arrive at decisions with a clear understanding of the costs and benefits of different options. As always, we welcome comment on the analysis and conclusions in this publication.



Rt. Hon David Laws

Executive Chairman

Education Policy Institute.

Executive Summary

In 2019, the first major review into post-18 education funding since the 2010 Browne review will deliver its findings. Unlike the Browne review, the remit of the 2019 review is not limited to higher education; the further education system is also within scope and there is a focus on greater consistency across the whole tertiary system.

There are many issues for this review and the government to consider, from how to stimulate demand for part-time higher education, to increasing participation in training among young adults who leave school without level 3 qualifications. After years of significant shifts in the share of higher education financed by taxpayers and graduates, the government will also aspire to devise a more enduring settlement.

This report brings together evidence on many of the leading proposals that have been debated since the review was launched in early 2018. For each proposal we stress test the evidence behind it, describe the budgetary and distributional consequences, and provide recommendations to the government. Our recommendations consider the limited room for further spending dictated by the terms of the review, though the recently announced changes to the treatment of income contingent loans in the national accounts may prompt the government to revisit the need for greater budgetary restraint. Where further data or evidence needs to be collected in order to reach a better-informed decision, we briefly describe what research should be conducted.

Pathways for school leavers

Introducing a UCAS tariff floor when accessing student finance for bachelor level qualifications

School leavers with low prior attainment are less likely than their higher attaining peers to complete their qualification, achieve a good pass or earn high wage returns. These poorer outcomes, when coupled with the cost of providing a bachelor's degree, have led to proposals to introduce a minimum academic standard for access to student loans, often referred to as a "tariff floor".

There are several practical problems that would need to be addressed for a floor to be introduced. Firstly, there would need to be some allowance for students who access higher education later in their lives, but without qualifications which convert into tariff points. Secondly, progression from lower levels of qualifications, such as HNCs, HNDs and foundation degrees, would need to remain a route to a full bachelor's degree.

More significantly, whilst the average outcomes for the students who would likely be affected are poorer than those of students with higher prior attainment, there is evidence that many of these young people still benefit from studying for a bachelor's degree. For example, while over one in twenty of those achieving CDD or below at A level drop out in their first year, almost two-thirds of those who do complete their bachelor's degree achieve a first or upper second-class degree in their chosen course.

Furthermore, there is currently no robust evidence to suggest that these students would be better off pursuing alternative qualifications or training. There is, however, evidence to suggest that such alternative pathways are often lower-funded and poorly sign-posted. What's more a tariff floor would risk restricting access to bachelor level study for young people from less advantaged socio-economic backgrounds and certain ethnic groups, thereby undermining the aims of successive governments to make higher education more accessible to under-represented young people.

In conclusion, our view is that **a tariff floor should not be introduced without robust evidence that a significant majority of those affected would be better off pursuing alternative education or training pathways.** While this research is undertaken, the government should monitor the impact of recent changes to higher education regulation that aim to prevent institutions from relaxing entry standards and failing to secure positive outcomes for students.

In addition, any savings from such a policy should be spent on raising the attainment of disadvantaged young people before they leave school.

Introducing variable tuition fees on a subject or institution basis

Setting variable tuition fee limits on a subject or institution basis has been proposed as a means of encouraging students towards courses with greater labour market demand, to ensure that graduate contributions reflect their future earnings, and to better reflect the cost of course provision.

While a variable fee system can support any one of these objectives, negotiating a coherent and enduring balance between all of them is likely to prove difficult. At subject level, pricing on delivery cost and labour market outcomes often push in opposing directions, with the result entirely dependent on the weighting of these competing priorities. At institution level, rewarding high graduate returns with additional funding can reinforce inequalities by penalising institutions that serve more disadvantaged communities and local economies.

Further, as an income contingent loan system blunts price sensitivity, varying fees to steer student demand is unlikely to work without quite significant fee differentials emerging.

The government should rule out creating a variable fee system that attempts to achieve multiple policy goals. While pricing on the basis of subject cost to deliver budget savings is feasible, an across-the-board lowering of fees offset by varied increases in teaching grants to re-weight subject funding may prove simpler and less challenging to implement.

Maintenance loans for young adults accessing first full level 3 qualifications Those pursuing further study outside the higher education system are not entitled to maintenance support, which makes studying for first full level 3 qualifications difficult for those aged 19-23, despite tuition itself being free of charge.

Introducing maintenance loans for these students would address this inequity and enable more school leavers who exit without a full level 3 qualification to take advantage of their right to free tuition. Given the significant earning premium that level 3 qualifications provide, a cost of £200m to £360m would appear worthwhile.

The government should offer maintenance loans to young adults pursuing a first full level 3 qualification.

Part-time and mature study

Reducing part-time tuition fees The tripling of tuition fees is a key reason part-time and mature student numbers have declined in England by 63 per cent since 2010, largely due to the price sensitivity and debt aversion among this group. While the sharpest drops have been among those likely to see small or immaterial returns to study, there has also been a fall in sub-groups likely to have larger earnings returns.

Providing a part-time teaching grant that is offset by a commensurate reduction in fees is one way to counter this fall in demand.

A £1,000 part-time teaching grant per full-time equivalent student would have an upfront cost of £251 million per cohort given current enrolment numbers. The long-run cost, when compared to the status quo, would likely be smaller. The total cost to the government would also depend on the number of additional part-time students enticed to enter higher education.

If the government does not make an across-the-board reduction in fees, it should consider introducing a teaching grant to lower tuition fee levels for part-time students. The government should explore restraining the cost of this policy by means-testing the grant and limiting its application to fields of study with high returns or with strong labour market demand.

Easing Equivalent and Lower Qualification funding restrictions Equivalent and Lower Qualification (ELQ) restrictions, which prevent those looking to study at a level at or below which they are already qualified from accessing student loans, deter those seeking to reskill later in life.

As reskilling and life-long learning is a key goal of the government's Industrial Strategy, providing further exemptions to ELQ restrictions beyond

STEM fields is justified. While any such change would likely increase part-time student numbers by only a small amount, the cost would also be relatively modest.

The government should introduce further ELQ exemptions in fields of study with high returns or strong labour market demand. Outcomes for students who access student loans as a result of further ELQ exemptions should be monitored to ensure the change delivers value for money.

Student finance

Reintroducing maintenance grants Due to the removal of maintenance grants from 2016/17, students from low income backgrounds now accumulate the largest student loan debts. For this reason, and due to concerns that the loss of grants may harm efforts to increase participation among low income households, there have been calls for their return.

The financial benefit of restoring grants would only accrue to recipients from low income families who go on to earn high incomes, as the bottom 60 per cent of graduate earners do not pay off their student debt before it is written off. There is also no clear evidence that removing grants has hampered efforts to attract low income background school leavers into higher education, with no noticeable impact on entry rates relative to their wealthier peers.

Though the participation gap between lower and higher income young people does not appear to have widened significantly, nor has it narrowed in recent years. **The government must develop and fund a new strategy to rescue the widening participation agenda given the failure to make improvements in recent years.** However, as there is no clear evidence that restoring maintenance grants will facilitate an improvement, the government should explore funding a range of alternative approaches. These should include additional investment to support disadvantaged children in the school system, where the attainment gap that contributes to the gap in higher education participation manifests.

Reducing tuition fees and raising grants While reducing tuition fees is a popular proposal for students and many parents, it is generally opposed by higher education providers. As current per student funding levels are above those envisioned in 2012 when the student finance reforms were implemented, a fee reduction could be used to bring overall levels of funding closer to those originally intended. Larger fee reductions could be offset by an increase in teaching grants, which could be targeted at higher-cost subjects to remove the cross-subsidy incentives that the 2012 reforms created.

Any fee reduction favours high earning graduates by reducing their lifetime repayments substantially. Low and middle earners would see little benefit, as, at present, most will not fully repay their student debts.

If the government does decide to reduce tuition fee levels, the reduction should be at least partially offset by increasing teaching grants, with priority given to grants for high-cost subjects. This will reduce unintended incentives to recruit into low-cost subjects to cross-subsidise other operations.

Changing the student loan terms Several of the popular proposals for the review, such as reducing fees, reintroducing maintenance grants and reducing interest rates are regressive, in that they decrease the lifetime contributions of higher earning graduates at the expense of taxpayers, whilst doing little for low or middle earning graduates.

If the government seeks to maintain a fiscally neutral approach to the review without significantly reducing funding for higher education, it will need to decide how to offset these reductions in contributions from higher earning graduates. Possible changes would include increases in the repayment rate or repayment period, or a reduction in the repayment threshold.

However, these changes are also likely to be regressive, with greater contributions from lower or middle earning graduates. The progressivity of the loan system should not be the only consideration in setting the student loan terms, not least because equity with those not undertaking higher education study must be considered. **The government should be clear on the distributional impact of its proposed changes and should publish a detailed assessment alongside the review recommendations.**

Abolishing tuition fees Abolishing tuition fees is out of the scope of the government's review but is a core pillar of the Labour Party's education platform. Beyond arguments based on the principle of free education, the policy was justified on the basis of high fees deterring prospective students. There is limited evidence to suggest this has occurred, except for part-time and mature students. Among school leavers, the proportion progressing to higher education reached a record high of 28 per cent in 2016/17.

The cost of abolishing fees is substantial, with the benefit mostly accruing to high earning graduates. There is also little evidence such a change would encourage more school leavers from disadvantaged backgrounds to access higher education, as the chief barrier they face is lower attainment in secondary school.

The government is right to not consider abolishing tuition fees as the goals of this policy could be better met by more targeted investments to boost part-time and mature student participation and reduce the school attainment gap.

1. Introduction

The government's Post-18 Education and Funding review presents an opportunity for a refresh of tertiary policy seven years after the tripling of tuition fees in 2012. During these years average fees have grown larger than ministers might have expected, while access for school leavers has improved, counter to the expectation of many opponents. A variety of revisions to the student finance system have also been made, some with the purpose of reducing public spending, and others raising it in response to perceived public dissatisfaction.

The present system has had several clear successes. A record share of school-leavers, including those from disadvantaged backgrounds, now attend university. Lower earning graduates make lower lifetime repayments, so the system has also become more progressive than the one it replaced. Universities have also seen funding rise by a substantial amount, giving them resources to invest in teaching, capital projects and student services.

There have also been unexpected outcomes. Part-time and mature student numbers have collapsed, with a substantial share of the decline attributable to the rise in tuition fees. Price competition between providers has also failed to materialise, leading tuition fees to gravitate towards the top of the fee cap.

Tensions between the desire to extract savings from higher education and the need to address student and public concerns have also influenced the evolution of the student finance system since 2012. In 2015 the government sought savings by announcing a freeze of the income repayment threshold for student loans at £21,000 for five years, and the removal of maintenance grants for low income background students. More recently the pendulum has swung in the opposite direction, with the government announcing in 2017 a lifting of the repayment threshold to £25,000. Collectively these changes have seen the balance of funding contributions shift back and forth between taxpayers and graduates, with the current distribution not too far from an even split.

With so much political attention focussed on the impact of changes to higher education funding, developments in further education have been somewhat overshadowed. Over successive years, governments have been far less generous to this element of the post-18 system. The Adult Education Budget will have fallen by over 50 per cent in real terms between 2010/11 and 2019/20, while a 2013/14 move to a higher education-style fee loan system has stimulated less study than expected. With apprenticeship starts also having fallen after the introduction of the apprenticeship levy in 2017, there is now serious concern over the capacity of the post-18 education system to deliver vocational and technical training. This has fuelled a perception that the opportunities available to school leavers not interested or able to proceed to bachelor's degree study are underutilised due to inequitable funding and support.

The recent decision of the Office for National Statistics to revise the way in which student loans appear in the national accounts creates additional complications for the government. From September 2019 the 'fiscal illusion' that allowed the value of student loans issued to bypass the budget deficit, despite most of them never being predicted to be paid back, will end. Instead, the share of student loans that is expected to never be repaid will count as an expenditure, immediately hitting the budget deficit. The current treatment of all interest accrued on student loans as budget revenue, regardless of whether it will be paid back, will also end. Despite there being no actual long-

run cost difference, these changes fundamentally alter the incentives for government, putting grants on more favourable footing compared with the student loans that have fuelled spending growth across the post-18 system in recent years.

The impending report from the Post-18 review will be a chance for the government to address many of these issues in a considered way. Since the review launched, EPI has engaged with the review panel, key stakeholders and the wider public to ensure there is an evidence-based diagnosis of the tertiary sector's challenges, and that a robust and deliverable set of reforms are produced.

This report is a product of our work thus far. In the following chapters we review several proposals to address key challenges for post-18 education, assessing the evidence for each.

First, in **chapter two** we address the challenge of reshaping pathways for school leavers. Here we discuss the merits of introducing a UCAS tariff floor for bachelor's degree entry to divert students who are unlikely to benefit from studying at this level into alternate pathways. We also analyse using variable tuition fees to nudge students towards applying for certain subjects and encouraging participation in further education by extending the maintenance loan system.

In **chapter three** we look at how the decline in part-time and mature student numbers can be mitigated. We explore subsidising part-time students in order to lower tuition fees and providing further exemptions to student loan eligibility rules to provide more opportunities for retraining.

Finally, **chapter four** explores potential changes to the overall student finance, maintenance and loan system. Policies to address student concerns are reviewed, from reintroducing maintenance grants and reducing lowering tuition fees. The implications of abolishing tuition fees altogether are also evaluated to provide a reference point for the Opposition's key higher education policy.

2. Pathways for school leavers

A persistent theme in the debate over the future of tertiary education in England has been disquiet over the perceived dominance of bachelor level study.¹ This critique challenges the current tertiary funding system for having created a ‘bachelor or bust’ mentality among school leavers that has both devalued higher technical level learning, and led to many students pursuing bachelor qualifications in courses with poor labour market outcomes.

In this chapter we assess several proposals to address these issues. The first, introducing a UCAS tariff floor, aims to address the issue of a small but growing number of students entering higher education with low levels of prior attainment, which raises questions over whether they are equipped to complete or benefit from their study. The second proposal is to adopt variable fees in the higher education system to steer students towards courses the government views as priorities for expansion. The third examines extending maintenance support to those undertaking further education qualifications in order to increase the share of young adults attaining at least a full level 3 qualification.

UCAS tariff floor

Summary

- In recent years the share of school leavers entering higher education with low levels of prior attainment has risen.
- Applying a UCAS tariff floor to student finance access for bachelor's degrees has been suggested as a means of both ensuring that entrants are able to adequately benefit and restraining growth in higher education expenditure.
- Reports in the media have suggested that the government is exploring a tariff floor set at the level of three A level D grades or equivalent. Such a policy would only affect a small number of school leavers at present; its main effect would be to limit the scope of future expansion in provision. However, any impact would disproportionately affect those from less advantaged socio-economic backgrounds and certain ethnic groups.
- School leavers entering bachelor's degrees with low prior attainment experience worse completion and labour market outcomes than peers with high prior attainment. However, many still leave with good degree outcomes and research has not yet confirmed that such students would be better off pursuing alternative education or training pathways.
- The government should not commit to a tariff floor without robust evidence that a significant majority of those affected would be better off pursuing alternative education or training pathways.
- If research does find that such pathways exist, the government must ensure they are well sign-posted and resourced to accommodate any pupils who would be affected by this policy. Moreover, any savings should be recycled into earlier education phases to raise the attainment of those from less advantaged backgrounds to address gaps in access to bachelor's degrees.
- While this research is being carried out the government should continue to monitor the impact of the Office for Students in regulating entry standards and protecting the interests of students.

Rationale and background

A UCAS tariff point floor (henceforth 'tariff floor'), which would restrict bachelor's study entry to those with sufficiently high grades, has been put forward as a solution to two policy challenges. Firstly, it provides a means of constraining government spending on higher education while avoiding institution level student number caps. It also provides a way to prevent students from undertaking study at a level they may be unable to realise the benefits of. Both justifications were used when the 2010 Browne review recommended a tariff floor for school leavers:

We propose that entitlement to Student Finance is in the future determined by a minimum entry standard, based on aptitude. This will ensure that the system is responding to demand from those who are qualified to benefit from higher education. All students who meet the

standard will have an entitlement to Student Finance and can take that entitlement to any institution that decides to offer them a place.²

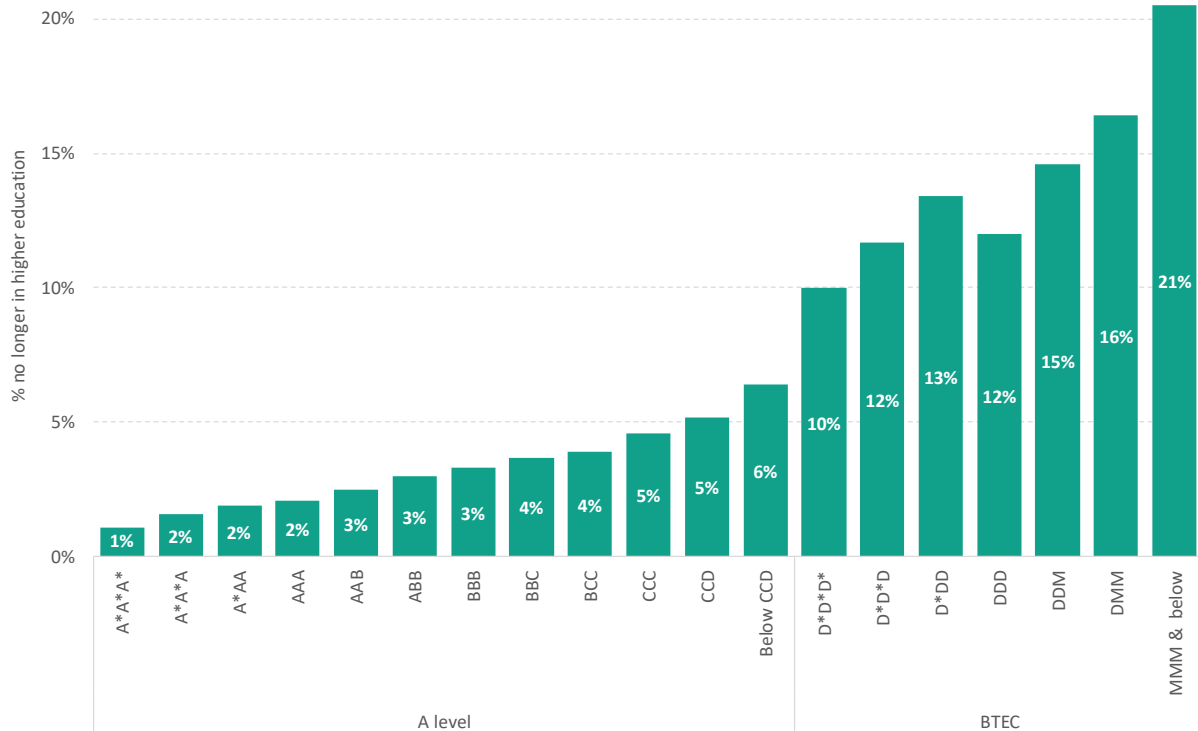
While the Browne review's emphasis on calculating a tariff floor by reference to a fixed higher education budget is no longer applicable in an uncapped system, the personal and taxpayer returns to investment in higher education remain a concern. After all, there is significant evidence that students starting bachelor's degrees with lower levels of prior achievement do not on average enjoy the same completion, academic attainment and earnings returns as their higher prior attaining peers. If these students are insufficiently benefitting from entry to a bachelor's degree and the gains for such students could be matched or improved by undertaking an alternative training pathway, then a tariff floor for bachelor's study may be worth implementing.

Assessing bachelor's degree outcomes with reference to prior attainment does pose a challenge, as the accuracy of UCAS tariff points as a proxy for prior or future attainment is weak. Under both the pre-2017 and current system, BTEC and other vocational qualification grades are converted to tariff points on the same basis as A level grades. For example, an A level student receiving A*A*A* will get the same number of tariff points as a D*D*D* BTEC Extended Diploma student. However, analysis by Cambridge Assessment shows that when equivalising tariff points on the basis of academic success in higher education, the aforementioned BTEC grades are equivalent to a CCC at A level.³ Separate analysis from the Fischer Family Trust equivalising on the basis of prior GCSE attainment arrives at a similar conclusion.⁴ As such, we assess student outcomes by qualification and grade rather than tariff points.ⁱ

With respect to retention, those entering with BTEC qualifications are much more likely to drop out in their first year of study (see Figure 2.1; note sample includes all ages). While these students are more likely to be older learners, who have a higher risk of dropout, when looking at 18-year-old entrants alone those with a level 3 BTEC have a 13.8 per cent chance of dropout relative to 2.9 per cent chance for those with three A levels.⁵ When measured over a three-year period, full-time students (again, of all ages) who enter with a BTEC qualification (with or without other qualifications) had a 68 per cent chance of completing their course relative to 92 per cent for those with an A level background in 2012/13 (the last year for which analysis has been published).⁶ Though this is notably lower it does show that the vast majority of students with BTEC qualifications do go on to complete their studies.

ⁱ Unless otherwise stated, outcomes are calculated based on UK domiciled bachelor's degree students under 21 years of age at entry attending UK institutions. Entry qualifications refer to those who entered only with the qualification noted (e.g. only BTEC) unless otherwise stated. We focus on outcomes for level 3 BTEC students, as they are the most common vocational qualification used to gain entry to higher education.

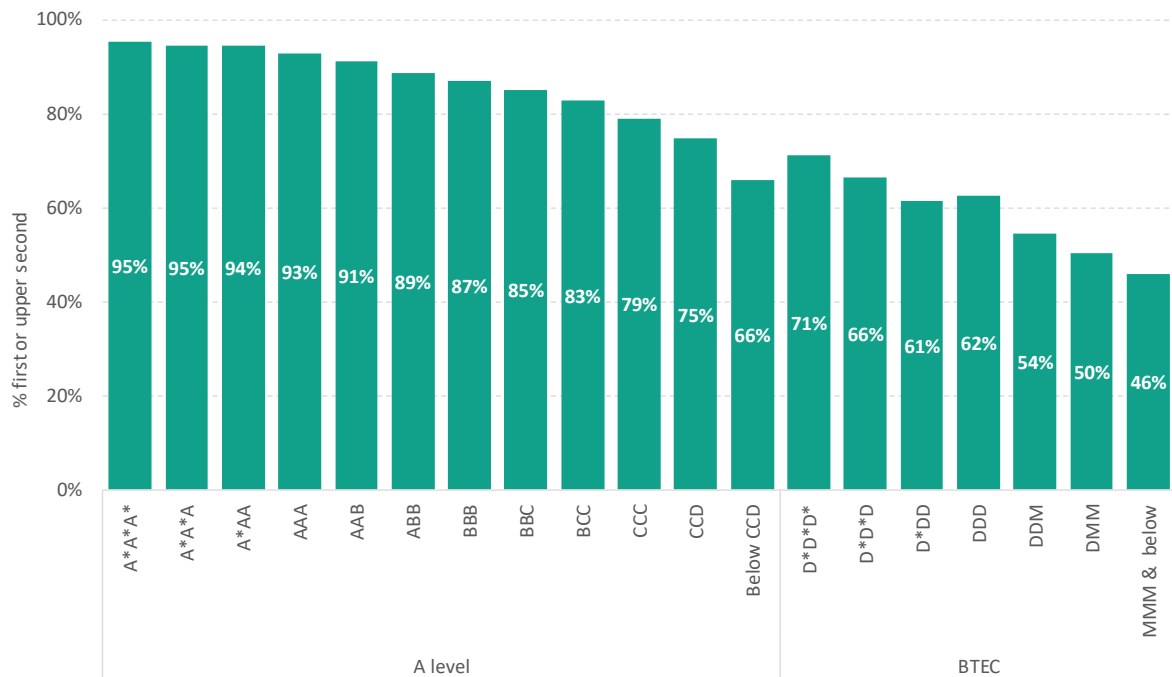
Figure 2.1: First year dropout by entry qualification (2015/16 FT bachelor entrants, all ages)



Source: OfS

For students who do complete their studies, those entering with a BTEC triple merit or below have less than a 50 per cent chance of achieving a first or upper-second (see Figure 2.2). Whilst this is significantly lower than those with higher entry grades, it is notable that so many of these students get a good degree outcome. Furthermore, it's likely that the majority of graduates with even these relatively low entry grades would achieve at least a second-class degree.

Figure 2.2: Share of graduates gaining a first or upper second-class degree by entry qualifications (2016/17 graduates)



Source: HEFCE

There is also significant evidence that prior attainment heavily influences returns to bachelor's degree study, with lower attainers seeing significantly smaller post-graduation incomes.⁷

Policy detail

No detailed plan for how a tariff floor would function has been provided, but assuming the primary purpose would be to avoid enrolling students who are unlikely to fully benefit from bachelor study, broad parameters can be sketched out.

First, applying a tariff floor could only be done by limiting access to student finance, as higher education providers retain autonomy over admissions. This means that those with the financial means to pay upfront could still circumvent the floor and access higher education. However, they would be doing so in full knowledge that they face lower average earnings returns.

The Association of Colleges (AoC) suggestion of only applying a tariff floor to applicants aged under 21 makes sense, as those over this age should receive recognition of post-school experience. To avoid cutting off avenues for progression, students completing level 5 qualifications would likely be permitted to access a top-up bachelor's degree year without reference to the tariff floor. An exemption to a tariff floor may also be required for certain courses where entry is predominantly determined by portfolio or interview assessment.

Turning to identifying an appropriate tariff floor level, there are several ways to determine this. A crude method would be to set the floor at the level required to achieve a pre-determined saving to the government budget. While this could yield significant budget savings, setting a tariff floor in such a way would risk cutting student numbers dramatically for the false economy of current budget savings over longer-term human capital investment. A more sophisticated method would be to set a tariff floor with reference to a minimum acceptable likelihood of degree completion and post-completion labour market outcomes.

Doing so is possible. As part of a widening participation agenda, higher education providers in Scotland are already working to calculate the 'minimum academic standard' that a student would need to meet to successfully complete a degree programme.⁸ This is analogous to the Browne review's rationale of setting a tariff floor at a level where entrants would be 'qualified to benefit' from their study. This might imply permitting access to students so long as entering a bachelor's degree programme provides a larger earnings premium than that enjoyed by those with the same prior attainment entering other qualifications (e.g. level 4 or 5 apprenticeships or sub-bachelor study). Crucially, any comparison of earnings should be based on entrants, not graduates, so as to factor in the erosion of any earnings premium by non-completion.

In terms of the number of students affected, that would depend on the precise tariff floor. On 16 December 2018 *The Times* reported that the Post-18 review panel was considering a tariff floor at DDD grade for A level students, which would prevent those with grades below from accessing student finance. This grade is equivalent to a DDM floor for BTEC entrants.ⁱⁱ Available data from UCAS on higher education acceptances among English students aged 18 shows that a tariff floor at

ⁱⁱ Calculated using the BTEC to A level tariff equivalencies estimated by Cambridge Assessment, which adjust for academic success in higher education.

this level would affect a relatively small number (see Table 2.1).ⁱⁱⁱ Note this table contains higher education entrants, not only bachelor’s degree entrants, so the numbers affected would likely be smaller still given lower tariff students are more likely to enter sub-bachelor qualifications (e.g. Foundation degrees). That said, the proportion of higher education entrants with attainment levels under the proposed threshold is likely much higher for those starting at ages 19-21. UCAS data is unfortunately not publicly available to assess these numbers beyond age 18.

Table 2.1: 2017 higher education acceptances, England domiciled 18-year-olds with at least 3 A levels or a level 3 BTEC equivalent to 3 A levels (applications received before June deadline)

	Grade	Number of acceptances	Cumulative proportion relative to total acceptances for 18-year olds (from lowest to highest grade)
A level	EEE	165	0.08%
	DEE	725	0.43%
	DDE	2,080	1.43%
	DDD (reported threshold for student finance eligibility)	4,125	3.41%
BTEC	PPP	365	0.18%
	MPP	522	0.43%
	MMP	725	0.77%
	MMM	1,100	1.30%
	DMM	1,750	2.14%
	DDM (reported threshold for student finance eligibility)	2,205	3.20%

Source: UCAS

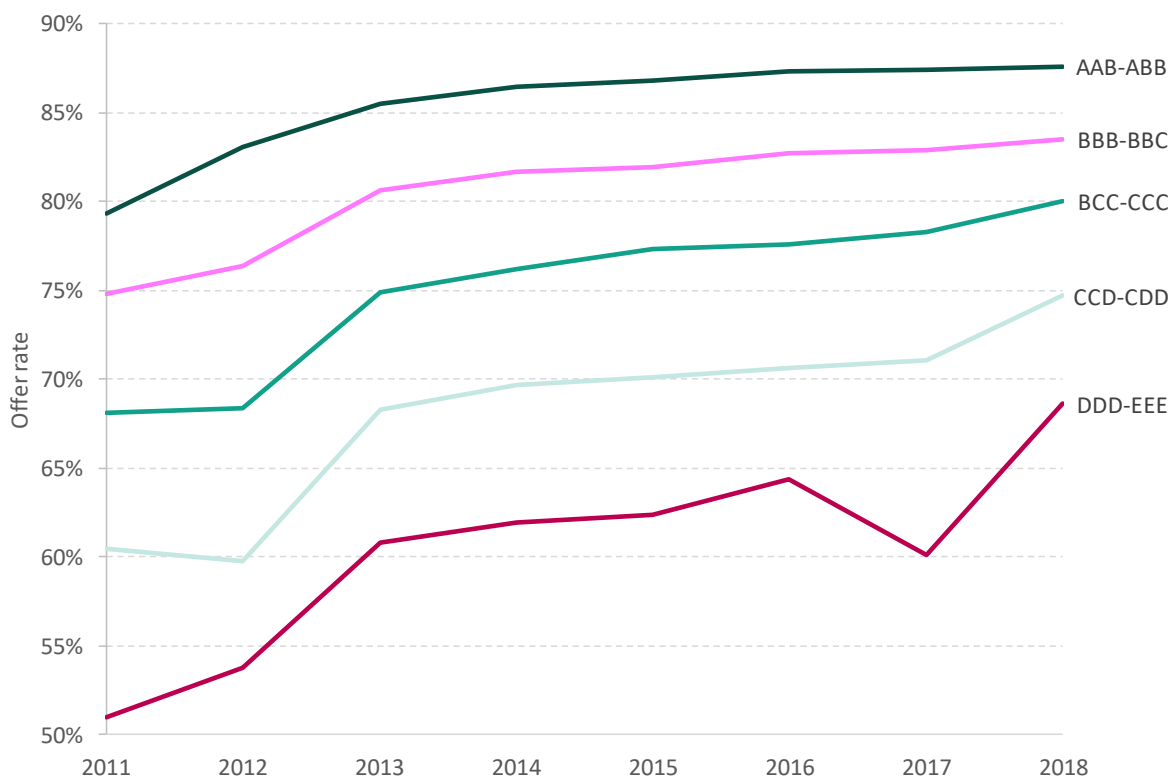
Though a tariff floor set at the level reported by *The Times* would have a limited impact on the size of the school leaver cohort presently entering bachelor study, it would protect against an erosion of entry standards going forward. This is a compelling consideration, as the decline in school-leaver cohort size is set to continue until 2020/21, providing ample incentive for providers to lower entry standards in an effort to retain student intake.

Universities UK’s analysis of UCAS tariff point averages across the sector suggests a deterioration in entry standards has not occurred over the past decade. However, this is likely a result of the aforementioned over-allocation of tariff points to BTEC and other vocational qualifications, whose numbers have increased the most in recent years.⁹ Looking at A level pupils alone, there is clear

ⁱⁱⁱ Note that this table does not distinguish between bachelor’s degree and other higher education acceptances, so acceptances of the former are a subset of the numbers shown.

evidence of a rapid rise in offer rates for lower grade applicants (see Figure 2.3). If BTEC entrants had their tariff points awarded on the equivalised basis advanced by Cambridge Assessment or FFT, no doubt a decline in entry standards would be uncovered.

Figure 2.3: Offer rate by predicted A level grades for English 18-year-old applicants with at least 3 A levels



Source: UCAS

It would be vital to the success of a tariff floor policy that students unable to access bachelor's degrees as a result were provided with access and sign-posting to the pathways the government identified as delivering comparable returns.

Criticism

A tariff floor has been criticised on the basis that it would hamper progress in widening participation and represent a back-door reintroduction of student number caps.¹⁰

There is no doubt that a tariff floor would have a greater proportional impact on students from disadvantaged backgrounds given they exit school with lower attainment levels. In 2018, A level students entering higher education with grades at DDE or below numbered 445 among the lowest participation-area group (POLAR3) quintile and 820 among the highest quintile. While in absolute terms this means a bigger impact on more advantaged learners, the 445 make up 3.5 per cent of all entrants from the lowest POLAR3 quintile, while the 820 account for just 1.5 per cent of entrants from the highest quintile.¹¹ While not a huge difference, the change would set back widening participation in higher education at a time when the government and all political parties are intent on increasing it.

However, if a tariff floor was designed only to deny student finance for bachelor's study to those who would be much more likely to attain a similar or better earnings return through an alternative

pathway, objections to the policy on social mobility grounds would be a misplaced concern. It is unclear how enrolling students into bachelor's degrees, where on average they would not see an earnings benefit, contributes meaningfully to social mobility or count as a victory for widening participation. If these students are likely to see similar or higher earnings from pursuing alternative education and training pathways, then a policy that pushes them to do so is more likely to support a broader definition of social mobility. Furthermore, if social mobility is the goal, a more effective policy would be to provide greater support during earlier education phases to raise the attainment of disadvantaged and low participation groups, in order to put more of them above any tariff floor in the first place.

A tariff floor would also differ from the restoration of student number caps, as there would be no institution level quota setting from central government. There would only be a threshold level of academic attainment required of those accessing student finance for bachelor's degree programmes. The more that reached this threshold, the higher the number that would be supported.

The strongest criticism of the proposal concerns whether those who would be affected really do see little to no income boost from bachelor's degree study. While their returns are certainly lower than those with higher levels of prior attainment, the crucial question concerns the counterfactual: would they be better off pursuing a training or education pathway other than bachelor's degree study?

The evidence base here is still far from concrete, though recent research from the Institute for Fiscal Studies (IFS) shines some light on this question. Whilst it does not distinguish between bachelor and sub-bachelor level study, it shows that relative to non-entrants, male higher education entrants in the bottom third of GCSE attainment without a STEM A level saw earnings at age 29 that were just 4 per cent higher. This compares to 8 and 20 per cent for entrants in the middle and top third of GCSE attainment respectively.¹² For women with the same academic background, earnings were 23 per cent higher relative to 25 and 31 per cent for the middle and top third of attainers. Though the IFS noted that for women the counterfactual group was likely to be comprised of a disproportionately high share of part-time employed (and thus lower annual income) individuals, inflating the estimated return by a considerable but unknown amount. If the earning premium observed for low attaining men, which does not have the confounding effect of a far greater rate of part-time work in the counterfactual group, is representative of the return to commencing higher education study for school leavers, this suggests a positive but small benefit to earnings. Labour Force Survey data shows that higher education graduates see faster earnings growth through their 30s, so low attainers might benefit further from entering higher education, presuming they experience this faster rate of earnings growth at the same rate as the average graduate.

However, as the IFS by necessity base their estimates on cohorts who took GCSEs between 2002 and 2007, these results may no longer reflect returns for low attainers given the share of school leavers entering higher education has grown by almost 10 percentage points since 2007.¹³ With more low attaining school leavers entering higher education today, particularly with BTEC qualifications, the 4 per cent income premium at age 29 may now be an overestimate.

Focussing on bachelor's degrees specifically, a study from the Department for Education (DfE) which looked at school leavers found that for students drawn from the middle third of the GCSE attainment distribution, completing a level 4 or 5 qualification provides only a slightly smaller return

at age 25 than a bachelor's degree.^{14, iv} This is in contrast to the highest and lowest attaining third of GCSE students, who see far larger gains from studying at bachelor level than at 4 or 5. Unlike the prior IFS study however, the DfE report returns on the basis of qualification holders rather than entrants, which complicates interpretation of the results, as non-completion is not accounted for.

These studies show that entering higher education and bachelor's degrees can yield benefits for students with lower levels of prior attainment. However, these studies have not conclusively showed that those school leavers likely to be affected by a tariff floor who enter apprenticeships, sub-bachelor or further education study at levels 4 or 5 will see a comparable return to bachelor's degree study.^v

In any case, up-front government funding for further education study at level 4 and 5 remains well below that of a bachelor's degree; with annual funding limits for qualifications with comparable annual teaching intensity ranging from £4,170 to £7,172, well below the £9,250 for a bachelor's degree.¹⁵ Whilst funding levels for these qualifications remain low by comparison, and recognition by employers is patchy at best, young people who do not exceed the tariff floor may not actually take up these alternative pathways.

Finally, with the formation of the Office for Students (OfS) as the new higher education sector regulator, their tougher quality assurance and monitoring framework may be enough to address this issue without resorting to an across-the-board tariff floor. The new Quality Code designed by the Quality Assurance Agency (QAA), the OfS's standards assessor, expects providers to ensure all students are supported to succeed in and benefit from their qualification without lowering standards.¹⁶ If the QAA and OfS can properly hold institutions to account over these rules, the perceived need for a tariff floor will evaporate.

Conclusion

Imposing a UCAS tariff points floor for access to bachelor's degree student loans in the years immediately following secondary school could assist in deterring less qualified students from enrolling into study that may not improve their labour market outcomes. However, as the majority of the students who might be affected by such a floor appear to achieve good degree outcomes, further research is required to show that entering such students onto bachelor's degree is less beneficial for them than alternative study at lower levels. If research were to find a range of prior attainment levels for which level 4 or 5 training did match or even surpass bachelor's degree earnings returns for a significant majority of students, the government could feel more confident in implementing a tariff floor.

Implementing a tariff floor without this evidence would risk pushing disproportionately disadvantaged school leavers into education and training pathways that hamper their future earnings. While doing

^{iv} The DfE study of GCSE attainment distributions is not comparable with those of the IFS due to the former including all students who took GCSEs unconditional on receiving five passes, while the latter restricted to those who had achieved at least 5 GCSE passes. This means that the bottom and middle third of students in the DfE study would have been found among the bottom third in the IFS study. The DfE study also reports returns to qualification holders rather than entrants.

^v Research into this point would need to be conducted as per the IFS's work, but decompose post-school routes in a more granular manner than using a higher education entry as a binary.

so could deliver a budget saving, and might be pursued for that purpose alone, it could potentially lower productivity levels and future tax revenue.

If research justified a tariff floor, the government would need to ensure adequate funding and sign posting of the alternative pathways that offered comparable earnings returns before implementation. Moreover, given that the tariff floor would disproportionately impact low participation groups, any savings from the introduction of a floor should be redirected to raising the attainment of these groups in earlier education phases.

As part of research into the merits of a tariff floor, revisiting the allocation of UCAS tariff points to vocational qualifications such as BTECs should also occur, with a view to bringing their value into line with points awarded to A level students who experience similar non-completion and academic success outcomes. Otherwise students may switch to qualifications that might put them above the floor but might not otherwise support their progression through higher education and into the labour market.

In the meantime, the government should continue to monitor entry standards and outcomes for low prior attainment school leavers, as the OfS's revised regulatory framework may address this issue.

Variable fees

Summary

- An enduring criticism of the 2012 student finance reform is the failure to stimulate price competition among higher education providers.
- Regulating to impose variable fee caps on the basis of subject or provider-level graduate outcomes has been suggested as a means to steer students towards certain in-demand qualifications, while ensuring high earning graduates contribute more for their study and high-provision costs are accounted for in fee levels.
- Several nations do set different fees on a subject-by-subject basis, but there is no clear means of balancing the competing objectives proponents cite as reasons for variable pricing.
- The government should rule out creating a variable fee system that aims to address several objectives. Evidence and theory suggest that varying fees on a subject cost basis can be done without creating unintended side-effects on student demand. However, if the goal is to lower overall outlays, lowering the overall fee cap and adjusting teaching grant levels is a less contentious approach to achieving this.

Rationale and background

When discussing the impending launch of the Post-18 review, Education Secretary Damian Hinds pointed out that nearly all institutions now charge the maximum permitted student fee. This was not the intention of the 2012 student finance reforms, which anticipated a competitive market where institutions charged a range of fees.¹⁷ Hinds went on to muse that student fees ought to be determined by ‘a combination of three things: the cost [to the university] to put it on, the benefit to the student and the benefit to our country and our economy’.¹⁸

Creating multiple subject-based fee bands on the basis of delivery cost, private benefit, and public benefit could allow the government to simultaneously:

- Influence student demand: by setting student fees with reference to current or predicted labour market demands, social benefit, or by reference to earnings returns, the government could pursue its Industrial Strategy objectives, limit outlays for subjects where graduates are less likely to make repayments and increase supply in professions which are currently experiencing recruitment challenges.
- Increase system progressivity: this could be achieved by mandating higher fees for courses that on average result in higher graduate earnings (and vice versa for low return courses).
- Reduce taxpayer contributions to higher education funding: varying fees could also allow the government to reduce outlays in a number of ways. Higher delivery cost subjects could have fees increased (and grants reduced) so that students contribute a greater share of funding. Lower delivery cost subjects could have fees reduced without a compensating increase in grants (addressing potential overfunding).

Policy detail

The government would need to decide how much to weight each of the three potential considerations (provision cost, private returns, and public returns) when calculating fee bands. Though England would not be the first nation to attempt to create such a system. Australia has long operated a system of fee bands by subject, and several EU nations charge (significantly smaller) fees on the basis of one of these factors.^{19, 20} Many UK universities also charge fees that vary by subject to non-EU international students, though these decisions are made under a more commercial basis linked to ‘what the market will bear’, given many international students will not have access to an income contingent loan.

The net impact on both graduates and taxpayers is dependent on the goals and structure of any tiered fee system. Both savings or additional spending possible depend on the direction and magnitude of movement away from the current fee cap, and on what shifts in student demand and institution provision occur as a result. Table 2.2 illustrates the subject fee setting options available given the goals outlined by the education secretary, and illustrates the relative direction each would push fees for several subjects.

Table 2.2: Goals, conduits, and implied fee setting decisions under if varying fees by subject

Goal	Fee setting options available	Implied direction of fee change:		
		Economics	Creative arts	Nursing
Reduce taxpayer contributions (provision cost)	Lower grant outlays: Increase fee cap and lower teaching grant for higher delivery cost subjects.	N/A	N/A	↑
	Lower loan outlays: Lower fee cap with no offsetting increase in teaching grant for low delivery cost subjects, where there is more evidence of over-funding.	↓	↓	N/A
	Raise repayments: Increase fee cap and lower teaching grant for high-return subjects.	↑	N/A	N/A
Increase system progressivity (private benefit)	Redistribute burden of repayments: Increase fees for high return subjects, and lower fees for low return subjects.	↑	↓	N/A
Meet labour market needs (public benefit)	Set subject fees to attract students into courses on the basis of labour market shortages.	N/A	↑	↓

Another option for the government is to cap fees on an institution or both an institution and subject basis. This would imply differentiating on the basis of private returns, which is now possible thanks to newly available matched education and income tax data.

Criticism

A variable fee system would appear to contribute to many government objectives, but establishing a system that meets any more than one presents a serious challenge, as shown by the competing fee setting decisions in Table 2.3. Ultimately any subject fee bands arrived at would largely be a product of the weighting afforded to various objectives. If there were a clear hierarchy of widely agreed priorities this might be simple for the government to design, but in reality such decisions would be highly contentious and likely subject to frequent changes.

Some of these contradictions have been noted in the income contingent loan system Australia operates. Multiple fee bands have existed since 1988. These were originally based on provision cost estimates but over time considerations including labour market needs have been factored in.²¹ A succession of government reviews have questioned the operation of this tiered fee model, from the 2008 Bradley review finding ‘the range of [student fees] has no strong policy or empirical basis,’ to the 2011 Lomax-Smith review declaring ‘the current pattern of student contributions appears to have developed incrementally without a consistent underlying rationale’.^{22, 23}

The Bradley review considered several options to reform the variable fee model but ultimately concluded that there was ‘no easy basis on which to determine the ‘right’ mix of public and private contributions.’ The Lomax-Smith review did put forward recommendations for change, which lead to the government ceasing to use labour market shortages as a consideration when setting subject fee bands. This was largely due to a paucity of evidence of any relationship between fee changes and student demand. The review also attempted to sketch out a compelling rationale for setting variable fees based on a consistent principle (graduates to meet 40 per cent of total delivery cost), but the government ignored this suggestion due to the ‘contentious debates’ it would spark.²⁴

Even with three decades of operating and periodically reviewing a variable fee system, lasting agreement on exactly how to balance competing considerations in allocating subjects to fee tiers has been elusive in Australia.

An alternative for the government is to set fees on the basis of just one objective.

Pricing subjects to account for **private returns** is not advised as the variability of earnings returns across subjects is very high, which estimates of mean post-graduation earnings mask. For instance, at an average annual salary of £37,500, economics is the second highest remunerated degree subject five years after graduation, but this mean must be considered alongside the significant variation in return (£25,000 separates the bottom and top quartiles).²⁵ Given the income contingent loan system already extracts greater repayments from higher earners, the rationale for adopting variable fees to extract further payments is weak.

As noted by the Lomax-Smith review, setting subject fees with the intention of shifting student demand towards subjects with **labour market shortages or high public benefits** has limited evidence in its favour. When Australia cut fees for maths and science subjects in 2009 by over 40 per cent, taking them from mid-priced courses to the lowest price band, applications ceased falling and

instead leapt by 17 per cent and then continued to grow year-on-year. However, this experience appears to have been an outlier.²⁶ On other occasions:

- When fees for a select range of subjects more than doubled in 1997, there was no material change in student demand for these subjects relative to others.²⁷
- When nursing and education fees were shifted into a newly created ultra-low fee band in 2005 there was 'limited effect' on student demand for both subjects. Counter intuitively, when fees for both subjects were then restored back to their original, higher, fee band, nursing applications surged and the long decline in education applications steadied.²⁸
- When in 2013 the government reversed the 2009 decision on lowering maths and science fees, moving them from the lowest to the middle fee band, no change in application growth rates was observed.²⁹

The unresponsiveness of student demand is to be expected in an income contingent loan backed system: selecting a subject or institution on the basis of it charging a lower fee is usually irrational. There is little reason to consider selecting on price rather than quality unless the amount saved is very large and liable to lower future repayments without simultaneously impairing job prospects.

For many students it is likely that their own interests, academic aptitude, and mix of subjects previously studied will be key factors in deciding on a subject to study in higher education. As a result, student demand is likely more responsive to relative price changes to subjects within the same broad domain. For example, an increase in engineering course fees may drive more students into the physical sciences rather than creative arts.³⁰

Collectively these issues suggest that attempting to steer student demand by varying fees is difficult unless very large differentials in price are created. Policies to encourage take-up of Key Stage 4 and 5 subjects relevant to pursuing study in particular fields may stand a better chance of increasing student demand for related higher education courses.

Pricing subjects on **delivery cost** is the most compelling basis, as the relatively low price elasticity detailed earlier should allow student fees to be varied without inadvertently deterring students from higher cost subjects that are experiencing labour market shortages e.g. nursing and medicine. Here the government could tweak existing fee levels with a view to minimising outlays or raising repayments. Alternatively they could set student fees to account for a consistent share of total delivery cost, which varies considerably by subject. However, the Australian example shows achieving lasting consensus by varying fees in this way is difficult; a uniform rule will strike many as unfair due to higher fees for courses like nursing.

If the objective is to correctly resource subjects based on average delivery costs, a uniform fee set at the lowest subject cost with top-up teaching grants for higher cost subjects is a solution that achieves this without risking any inadvertent, if unlikely, shift in student preferences. If some subjects have delivery costs significantly below the current student fee cap, this would also allow the government to make a saving by reducing the overall quantum of funding.

Finally, as noted by MillionPlus in their submission to the Post-18 review, setting fees by **institution level returns** is unpalatable as family background is a major determinant of earnings even a decade after graduation.³¹ For institutions in more deprived areas, taking on local students and assisting

graduates to find jobs locally rather than in London would see their funding decline. For this reason, former Universities Minister David Willetts pointed out that such a policy would act as a 'reverse pupil premium'.³²

Conclusion

While superficially attractive, a subject level variable fee system that seeks to meet a variety of policy objectives will struggle to arrive at coherent price bands. Evidence from Australia also suggests that attempting to influence student demand to meet labour market needs is unlikely to work. Pricing fees on the basis of private returns alone, either on a subject or institution basis, is unpalatable due to the wide variation in earnings returns across both dimensions, and the lower rate of funding it would provide institutions that serve less advantaged communities.

Only pricing subjects with a view to better reflect delivery costs while reducing the burden on taxpayers has some merit. However, any fee differentials created in moving to this system would have to be relatively small so as not to risk inadvertently shifting student demand.

The government should reject creating a variable fee system on any basis other than subject delivery cost. It should recognise that alternative changes, like uniformly lowering fees and then selectively raising teaching grants to reduce overall outlays, may be a less contentious way of lowering overall outlays by better matching total subject funding to estimated delivery cost.

Maintenance support for further education

Summary

- Unlike higher education students, adults pursuing further education qualifications are not entitled to maintenance support in either loan or grant form.
- Introducing maintenance loans for further education study would address this inequity and facilitate more adults to enter training, which at level 3 and above provides a substantial income premium.
- The government should offer maintenance loans to young adults pursuing a first full level 3 qualification, which would come at a modest cost. This group at present receive free tuition, but financial and time barriers prevent many from taking advantage of this.

Rationale and background

Many submissions to the Post-18 review raised the importance of reinvigorating further education pathways, with the AoC suggesting the government do so by revising maintenance support arrangements.^{vi, 33} Currently, further education qualifications do not attract any guaranteed maintenance support as higher education programmes of study do. While Further Education Colleges and other providers are funded to make support grants to learners in particular circumstances (i.e. financial hardship), these are not intended to be a sole source of income. Indeed, their average value was just £463 per supported learner in 2010/11.³⁴

No doubt part of the reason that the maintenance support that is offered to higher education students is not extended to students in further education is that they more often study on a part-time basis, with more students in sustained employment, and studying with the support of their employer. However, with part-time higher education students set to receive maintenance loans from the 2018/19 academic year, the sector divide has become starker.

The government has also already committed to extending maintenance loans to those studying level 4 and 5 qualifications at National Colleges and Institutes of Technology by 2020/21. However, with no Institutes of Technology open yet, and only four National Colleges in operation, at present this would cover only a very small share of the further education student community.

There is reason to suspect many potential students are unable to study due to constraints that an extended maintenance support system might resolve. Financial and time barriers are listed as key reasons when adults are surveyed as to why they are not pursuing further study.³⁵ This is particularly true for those aged 19-23.^{36, 37}

The higher incomes that come with qualifying to level 3 and above are another reason to consider funding measures to raise participation. A variety of studies have made it clear that there are substantial salary returns to gaining additional full qualifications, particularly at full level 3 and above.^{38, 39, 40, 41} For instance, in 2010 London Economics found attaining a level 3 BTEC has a net present value of between £59,000 and £92,000 relative to a level 2. Furthermore, they noted the

^{vi} Note that we use 'Further Education' to refer to qualifications eligible for ESFA funding or Advanced Learner Loans.

benefits to the Exchequer (arising from higher tax receipts) are also quite large, in the range of £35,000 to £54,000.⁴² The Confederation of British Industry’s 2018 survey of employers also found strong demand for more employees trained at levels 3 to 5.⁴³

Beyond extending maintenance loans to further education as a means of raising participation and thus earnings, there is also an argument that the present system represents an inequality that serves to diminish the status of further education. When consulted about maintenance support extension in 2016, many further education institutions and bodies expressed the view that extending maintenance loans would help address the perception of vocational and technical learning as being less important than higher education study.⁴⁴

Policy detail

Little concrete detail has been provided about how the government might implement a maintenance loan system for further education students.

The AoC has suggested that the government extend maintenance loans to level 4 and 5 students of all ages and all institutions, on the same terms as provided in higher education. They have also suggested that up to age 24, level 3 qualifications be supported with maintenance loans.⁴⁵

Mark Corney, a further education consultant, has suggested a more modest extension of maintenance support be adopted, with loans extended to 19-23 year-olds undertaking a first full level 3 qualification, or more narrowly undertaking a T-level qualification (once T-levels have been rolled out).^{46, 47} The logic to this proposal is that for 19-23 year-olds, a first full level 3 is already offered free of charge, so it is inconsistent to not offer any means of meeting living costs while studying for this qualification. Limiting by age also makes fiscal sense, as qualifications obtained prior to age 25 confer a larger earnings premium, reducing the overall cost to government.⁴⁸

EPI estimates that the annual cash outlay required to provide a maintenance loan on higher education terms to 19-23 year-olds entitled to a free first full level 3 qualification is at least £205 million. This is the cost of providing maintenance loans to the approximately 30,000 that would have undertaken study without any policy change. The outlay per additional learner induced to study as a result of this change is approximately £16,000, taking into account both maintenance loan and tuition provision. The total outlay depends on how many additional learners would be incentivised to commence study as a result (see Table 2.3 for estimates).

Table 2.3: Estimated outlay required to provide maintenance loans to 19-23 year-olds on first full level 3 qualification

Number of additional learners induced to study	Outlay required (£m)
0	205
1,000	221
2,000	237
5,000	284
8,000	331
10,000	363

Criticism

There has been little public debate about this proposal, but any hesitation the government has about this idea will centre on cost. Limiting maintenance loans to those aged 19-23 pursuing a first full level 3 would result in a total outlay between £205 and £360 million, depending on take-up and induced demand assumptions.⁴⁹ The actual cost to government, factoring in loan repayments, is likely to be close to this number as the current RAB charge on level 3 Advanced Learner Loans is 55 per cent. These have an average value of just £1,350 while the average higher education maintenance loan value is £5,490.^{50, 51, 52}

Another consideration in evaluating this expenditure is the extent to which the measure succeeds in inducing additional young adults to study. Though many in this age range cite financial considerations as a key barrier to study, there are others that maintenance support does not address. These include lack of confidence stemming from negative experiences with education, challenges navigating courses on offer and difficulties in finding learning opportunities that fit around employment, caring, and other responsibilities. Debt aversion among prospective learners may also suppress take-up.

If few commence study as a result of extending maintenance loans, there would be a significant deadweight spend due to the cost of providing maintenance loans to those who would have undertaken study regardless. A well-funded and targeted advertising campaign to alert young people to this entitlement would be necessary to ensure a sufficient volume of additional learners result.

Conclusion

Extending the maintenance loan system to cover a first full level 3 qualification for 19-23 year-olds would fix an inequity that sees higher attainers given support to gain qualifications in the higher education system while those who exit school with a level 2 qualification are denied support. While the extent to which the policy will boost the number of young people educated to level 3 standard is hard to estimate, and somewhat reliant on the extent to which government would fund marketing of the maintenance loan entitlement, the high proportion of potential learners who cite financial constraints as a barrier suggests it would have a material impact on participation.

The cost of this policy is relatively modest, in the vicinity of the cost of restoring maintenance grants to higher education students. While the amount recouped by the government would likely be relatively low presuming the repayment parameters of the higher education loan system were used, the Exchequer would still capture substantial benefits through higher income tax payments over a lifetime. Importantly, those studying as a result of this policy would benefit from a substantial earnings premium after completion.

3. Part-time and mature student study

The government is under significant pressure to address the continuing fall in part-time and mature student numbers in England.^{vii} Though in the past these learners have featured less prominently in discussions over the future of higher education, the sheer scale of the decline has brought the issue to national attention and saw it mentioned directly by Theresa May in her speech launching the Post-18 review.

All UK nations have experienced a protracted decline in part-time student numbers since at least 2010, with the largest drops seen in Wales (46 per cent fall) and England (63 per cent). The shared trend suggests the fall in English part-time numbers is not solely attributable to the higher tuition fees imposed from 2012, though researchers from The Sutton Trust have estimated this may be responsible for 40 per cent of the overall fall in England.⁵³

Significant policy changes will be necessary to halt the decline. However, a return to pre-2010 numbers may neither be possible or desirable given some part-time study appears to have shifted into forms of provision that are not counted in official statistics, including non-credit bearing modules, study in alternative provider settings, and online learning via Massive Open Online Courses (MOOCs).⁵⁴ The government's primary response thus far has been an extension of maintenance loan access to part-time students from 2018/19.

In the following section we will review two frequently discussed changes that aim to arrest the decline in part-time and mature study. The first attempts to address the greater degree of debt aversion and price sensitivity seen among prospective part-time and mature learners, while the second involves easing a funding eligibility restriction that inhibits reskilling of older learners who already possess higher education qualifications.

^{vii} Note that this chapter will detail statistics that in most instances correspond to part-time or mature learners specifically. However, as 90 per cent of part-time students are mature (over 21 years of age), most descriptive statistics and policy solutions are relevant to both groups.

Reducing part-time tuition fees

Summary

- High tuition fee levels since 2012 have contributed to a large decline in part-time and mature student numbers due to this population's higher level of price sensitivity and debt aversion.
- Reducing tuition fees by providing a part-time teaching grant has been proposed as a means of encouraging more prospective part-time and mature students into study.
- A £1,000 part-time teaching grant per full-time equivalent student would cost £251 million per cohort given current part-time numbers, with some offsetting savings from smaller student loan outlays. The total cost to the government would depend on the number of additional students entering higher education study as a result.
- Relative to lowering tuition fees for all students, a grant for part-time students is a more targeted way to assist learners who are more likely to be from disadvantaged backgrounds.
- If full-time tuition fees are kept at current levels, the government should consider offering part-time teaching grants to reduce fees for this group. To contain costs, it may be appropriate to do so only for those eligible for student loans, on a means-tested basis, or for qualifications associated with strong labour market outcomes.

Rationale and background

The steep fall in part-time student numbers following the 2012 fee increase has led many to conclude that a revival (or at least a reduction in decline) depends on lowering tuition fees.^{55, 56, 57} This is a departure from the prevailing view which animated the Browne review and the Coalition government's response to it, that the full-time and part-time student finance arrangements needed to be aligned.^{58, 59} The key change in 2012 for part-time students was a new entitlement to tuition fee loans, which had previously been accessible only to full-time students. However, two issues appear to have prevented the increase in part-time numbers that was expected as a result.

First, there was a failure to predict how part-time fees would change. The Coalition had estimated that due to loan eligibility rules concerning study intensity, Equivalent and Lower Qualification (ELQ) and other conditions, 30 per cent of part-time students would be entitled to a loan, which left most needing to pay the full cost of study up front. Though the government impact assessment noted there was a 'risk' fees would rise for part-time students not eligible for loans, it took the view that it was 'impossible to predict and/or quantify the likelihood and the impact of this happening'.⁶⁰ As it happens, the average full-time equivalent (FTE) fee for part-time students rose from £2,140 in 2007/08 to £6,500 in 2017/18 (both in 2017/18 prices).^{61, 62} With two-thirds of prospective part-time students not entitled to a student loan to cover their tuition fees, the decline would appear to be an inevitable response.

Beyond the small number of prospective part-time students eligible for loans, there is a further issue of debt aversion among those who are eligible. Government commissioned research into the attitudes of part-time students towards tuition debt found they were highly debt averse, likely on

account of existing financial commitments (e.g. mortgages, childcare costs and family budget pressures).⁶³ No doubt the high share of current and prospective part-time learners from disadvantaged backgrounds also feeds into a wariness of taking out student loans, even if the terms offered are advantageous.⁶⁴ Indeed, analysis shows that only 24 per cent of new part-time entrants in 2012 took out a tuition fee loan, which equates to 59 per cent of those eligible.⁶⁵

This suggests the government's move to make part-time students eligible for maintenance loans may have limited effect. Hence many concerned with this decline advocate for a tuition fee reduction offset by an increase in teaching grants for part-time students.

A failure to counteract the fall is likely to setback the widening participation agenda, as part-time students are twice as likely to be from low-participation areas than full-time entrants.⁶⁶

Policy detail

At present, only a small amount of direct funding (£72m in 2018/19) is earmarked for part-time students, specifically for retention initiatives.⁶⁷ Previously, thanks to teaching grants for both full and part-time students, direct subsidies were much higher, which meant fees for part-time students were quite modest. Several proposals have been put forward to move the system somewhat closer to this prior state.

One proposal that has the benefit of having been clearly specified and costed is to provide a £1,000 teaching grant per FTE part-time student, linked to a reduction in tuition fees of the same amount.⁶⁸ London Economics finds that the additional grant expenditure of this policy would total £251m per cohort given current numbers of English domiciled part-time students.⁶⁹ If part-time fees fell commensurately as intended, the long-run cost would be smaller as the government would not have seen all of the forfeited loan amounts paid back at any rate. However, the exact cost is difficult to predict given the fee grant would be available to 100 per cent of the part-time student cohort, yet the saving from smaller student loans would only come from the 24 per cent who take out tuition fee loans. Hence, the long-run reduction in unpaid debt would be a small share of the immediate grant expense. This is before factoring in the behavioural response this policy intends, which would predict a rise in part-time numbers, incurring both upfront and long-run costs.^{viii}

Note that the logic of this policy only applies to the current tuition fee system. If overall fees were reduced by the government, the case for further subsidising part-time students to bring about a fee reduction would weaken.

Criticism

The primary argument against either the specific proposal above, or more generous tuition fee reductions, is that the decline in part-time study has chiefly occurred in courses that do little to improve labour market outcomes; therefore no remedies need be offered. This case rests on the fall in numbers having been particularly pronounced in sub-bachelor qualifications and among learners aged over 30, both of which have lower average salary returns relative to younger learners undertaking bachelor level study.^{70, 71, 72}

^{viii} The high likelihood of further behavioural responses, such as fewer students taking out tuition fee loans and instead paying the new lower price upfront, also complicates costing this policy.

While true, estimates of the net present value to the Exchequer of completing sub-bachelor qualifications, which tend to be studied by older learners, do show positive returns of sufficient size to justify a small additional subsidy.⁷³ Additionally, to avoid inadvertently providing greater subsidies to low return qualifications, the government could selectively offer the part-time subsidy to ensure it is well-targeted. As with further ELQ exemptions, this could be done on a qualification type and subject basis, with labour market needs and earnings returns determining eligibility.

Conclusion

Given the fall in part-time student numbers has negatively affected widening participation, and that debt aversion and price sensitivity among this group make expanding loan eligibility an ineffective response, further taxpayer subsidies are justified.

To effectively use subsidies to boost part-time numbers, the government should explore offering a teaching grant to providers that enrol mature and part-time students from low-income households, on the basis that they charge a fee that is commensurately reduced. Doing so on a means-tested basis will target the subsidy to address the fall in disadvantaged students entering higher education as a result of the 2012 tuition fee rise. To achieve better value for money, the government should also consider restricting any part-time teaching grant to qualifications and subjects with above average earnings returns, or use the same eligibility rules as those applied to student loans. If the government decides to reduce the maximum level of tuition fee charged across the board, there may be no further reason to increase subsidies for part-time students.

Easing Equivalent and Lower Qualification funding restrictions

Summary

- Equivalent and Lower Qualification (ELQ) restrictions remove access to higher education grants and loans for those seeking to study at a level at or below which they are already qualified.
- ELQ restrictions have been cited as a key factor in the fall of part-time and mature student numbers, alongside the 2012 tuition fee increase.
- In recent years exemptions to these rules for STEM and computing subjects have generated small increases in demand from qualifying part-time ELQ students.
- As the government's Industrial Strategy highlights, expanding life-long learning and retraining opportunities is vital for the UK economy.
- The government should consider introducing further subject exemptions to ELQ restrictions in fields likely to meet pressing labour market needs or have earnings returns that minimise non-repayment. Doing so is likely to come at only a modest cost to taxpayers.

Rationale and background

Equivalent and Lower Qualification (ELQ) restrictions prevent those with an existing qualification at or above the level they are seeking to study at from accessing tuition and maintenance loans. For students who self-finance to pay their tuition fee, ELQ restrictions also mean no teaching grant funding will be provided to their institution. Though not an issue for qualifications which attract little to no teaching grants, this can be a significant impediment to an institution taking on a student in more heavily subsidised lab-based qualifications. As a result, some institutions charge a supplementary fee to ELQ students which brings their total tuition fee charge over the £6,935 annual cap for part-time study.⁷⁴ Though ELQ rules apply to both full and part-time study, it affects the latter much more as a significantly higher proportion of part-time entrants already hold a prior qualification.

Labour first introduced ELQ restrictions in 2008/09, at a time when most higher education funding was delivered via teaching grants and student numbers were capped. At this time the government was focussing on expanding higher education access for school leavers. The decision was made to partially fund this expansion by removing support from those studying a second higher education qualification, unless it was at a higher level. At the time an exemption to ELQ rules was made for those studying towards a Foundation degree, and some specific subjects at bachelor's degree level.

The immediate impact of the ELQ restrictions introduced in 2008/09 is difficult to judge as institutions responded to the change in a variety of ways, with some delaying raising prices for ELQ students to compensate for the lost teaching grant funding and others ending provision.⁷⁵ By 2010/11, it was estimated that this change caused part-time fees to rise by 27 per cent from 2007/08 levels.⁷⁶ Not long after the 2012 fee rise occurred, when part-time students were extended access to tuition loans to overcome credit constraints, ELQ students were left unable to access tuition loans to cover the much larger fees now charged.

While the clear intent of introducing 2008/09 ELQ restrictions was a reduction in mature and therefore part-time student numbers, the subsequent 63 per cent drop in part-time student numbers over the decade following has cast doubt over the policy.⁷⁷ Several reports have now called for an increase in exemptions to ELQ restrictions, if not their wholesale abolition.^{78, 79, 80} In response to these calls the government has since 2015 introduced exemptions for those studying part-time towards bachelor degrees in STEM and computing fields.^{ix}

Further exemptions to ELQ restrictions are argued for on the basis that this would provide additional opportunities for mature learners to reskill. As the government's Industrial Strategy argues, these are increasingly needed as working-years extend, and the pace of technological development hastens structural economic change.⁸¹

Policy detail

Specifying further exemptions to ELQ rules could be done on the basis of labour market needs and likelihood of loan repayment. A more discerning approach to providing loan eligibility is justified as those studying will in most instances already have been funded to complete a higher education qualification.^x Broadening exemptions to include fields where the public sector suffers recruiting problems, as well as higher earning subjects (e.g. law and economics) would be in keeping with this approach.

It is difficult to accurately estimate the cost of creating further exemptions to ELQ restrictions. This is chiefly due to uncertainties in forecasting behavioural responses to such a change. A recent Sutton Trust report notes that the costs of STEM field exemptions to ELQ rules have been relatively minor due to smaller than expected increases in uptake, though this is at least partially the result of poor advertising.⁸² The report concluded that broadening exemptions to the ELQ policy would only come with 'modest costs'.

Broader trends suggest that further exemptions may not revive part-time ELQ student participation to levels seen prior to 2008/09. Exemptions allow access to tuition fee and maintenance loans, removing a credit barrier to further study, and providing teaching grants ensures fees are not above those faced by other students. However, this only puts ELQ students on the same footing as part-time students studying at this level for the first time, whose participation rates are also falling.

Criticism

The primary objection to further relaxing ELQ rules is that state funding (whether grant or loan subsidies) should be prioritised to assist those who have not yet had the benefit of completing a higher education qualification, unless studying to up-skill to a higher level. This was the rationale provided by the then Secretary of State John Denham when defending the introduction of ELQ restrictions to a 2008 House of Commons committee inquiry.⁸³

^{ix} Current exemptions to ELQ policy apply to those seeking Foundation degrees, STEM and computing bachelor's degrees on a part-time basis, and qualifications in certain public sector professions, such as medicine, nursing, social work or teaching, and those receiving Disabled Students' Allowances. Note there are slight differences in current OfS (grant) and SLC (loan) exemptions.

^x Funding restrictions also apply to those seeking to study at an equivalent or lower level, even if their prior qualification was not state funded.

While this explanation was defensible at the time, it no longer provides an adequate justification as the Coalition government intended for part-time student numbers to increase as a result of the 2012 student finance reforms, and the subsequent uncapping of student places aimed for a rise in numbers more broadly.⁸⁴

A secondary objection is that relaxing ELQ restrictions might allow ‘perpetual students’ to enjoy access to maintenance support and tuition loans over multiple ‘back-to-back’ degrees. The aforementioned House of Commons committee inquiry examined this claim and found no evidence to support it.⁸⁵ It also noted that the Open University’s survey of ELQ students prior to 2008/09 found that 75 per cent were studying for vocational reasons, and only 8 per cent for personal enrichment.

Sensible restrictions, like permitting only a set number of full-time equivalent years to access student finance in a given decade, could be implemented to prevent any attempt to access maintenance loans for successive qualifications.^{xi}

Conclusion

The scale of the reduction in part-time and mature student numbers over the past decade justifies a considered policy response. Creating opportunities for reskilling by removing barriers to mature learners undertaking study at an equivalent or lower level is a clear way of ameliorating this decline. Given the government is currently investing in creating a National Retraining Scheme to promote workforce reskilling, further easing ELQ restrictions would provide consistency to the government policy.

As The Sutton Trust’s *Lost Part Timers* report points out, the cost of granting further exemptions is likely to be modest given it would only remove a credit constraint to accessing higher education, leaving high fees (and therefore large loans) as a deterrent.

The government should explore additional subject areas for ELQ exemptions to be introduced, selecting them on the basis of labour market demand and earnings returns to avoid subsidising second qualifications in fields that are unlikely to benefit those undertaking them. Outcomes of students who access student loans as a result of further ELQ rule exemptions should be monitored to ensure the change delivers value for money.

^{xi} Note a limit of 16 years support for part-time study already exists with respect to part-time tuition fee loans.

4. Student finance

When it comes to financing the higher education system, the government is likely to want a ‘win’ for students and graduates. Its challenge will be to deliver one without upsetting system progressivity, the budget deficit, and the long-run cost. This has become more of a challenge given the recent decision by the Office for National Statistics (ONS) to reflect more of the long-run system cost in the current budget.

While we will not consider what an ideal political settlement to the mix of graduate and taxpayer contributions might be, over the following pages we will set out the cost, distributional impact and trade-offs of restoring maintenance grants, changing the student loan terms, lowering tuition fees, and abolishing fees altogether.

Restoration of maintenance grants

Summary

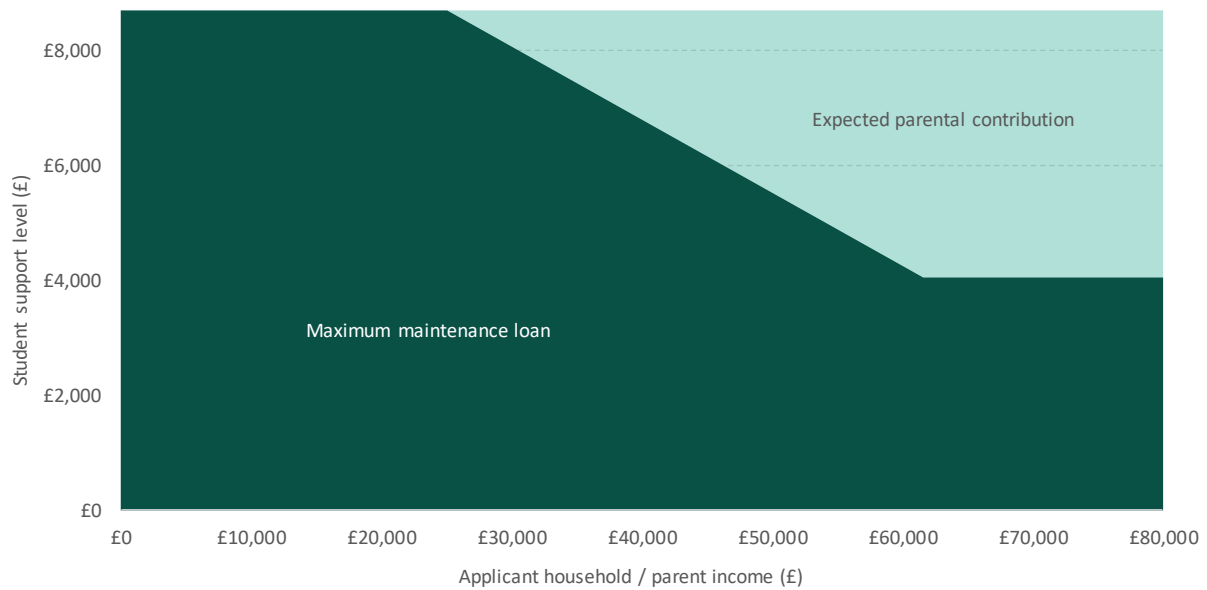
- Due to the removal of maintenance grants from 2016/17, students from low income backgrounds now accumulate larger student loan debts during study. There are also concerns the loss of grants will prevent progress from being made in widening participation.
- Restoring these grants has attracted considerable support throughout the Post-18 review process.
- The financial benefit of restoring grants would only accrue to low income background recipients who go on to earn high incomes, as the bottom 60 per cent of graduate earners do not pay off their student debt before it is written off after 30 years.
- Growth in the higher education entry rate for students who are likely to have previously received maintenance grants has slowed considerably and no progress has been made towards narrowing the gap in entry rates in recent years.
- Though there is not firm evidence that the removal of maintenance grants has harmed widening participation, the clear failure to make advances in recent years demands a response from government. The government should detail and fund a new set of initiatives to kickstart progress in widening participation, which should consider the merits of restoring maintenance grants against additional investment in support for disadvantaged children in the school system.

Rationale and background

In submissions to the Post-18 review's call for evidence or in statements to the media, many in the higher education sector have advocated for maintenance grants to be restored. Since these grants were abolished for new students from 2016/17, maintenance support has been delivered exclusively via loans.

The amount of maintenance loan that can be borrowed depends on the household income of graduates (typically their parent's income for younger entrants). There is a minimum amount available to students regardless of household income and additional amounts for those from lower income households (see Figure 4.1). It is assumed that the shortfall between the maximum maintenance loan amount available to lower income background students and the amount an applicant is eligible for is made up by parent contributions or casual work.⁸⁶

Figure 4.1: Maintenance support by household income, students living away from parents not in London (2018/19)



Source: Student Finance England and House of Commons Library

Students are not obliged to take out the full value of the maintenance loan they are eligible for, but in practice approximately 98 per cent of those who take out a loan do so regardless of household income.⁸⁷

Turning to the case for restoring maintenance grants, two main arguments have been put forward. First, the result of the 2016 change is that students from lower income households now take on larger maintenance loan debts than peers from wealthier backgrounds. As the IFS note, this means that students from the poorest 40 per cent of families graduate with an average debt of £57,000 compared to £43,000 for students from the richest 30 per cent of families.⁸⁸

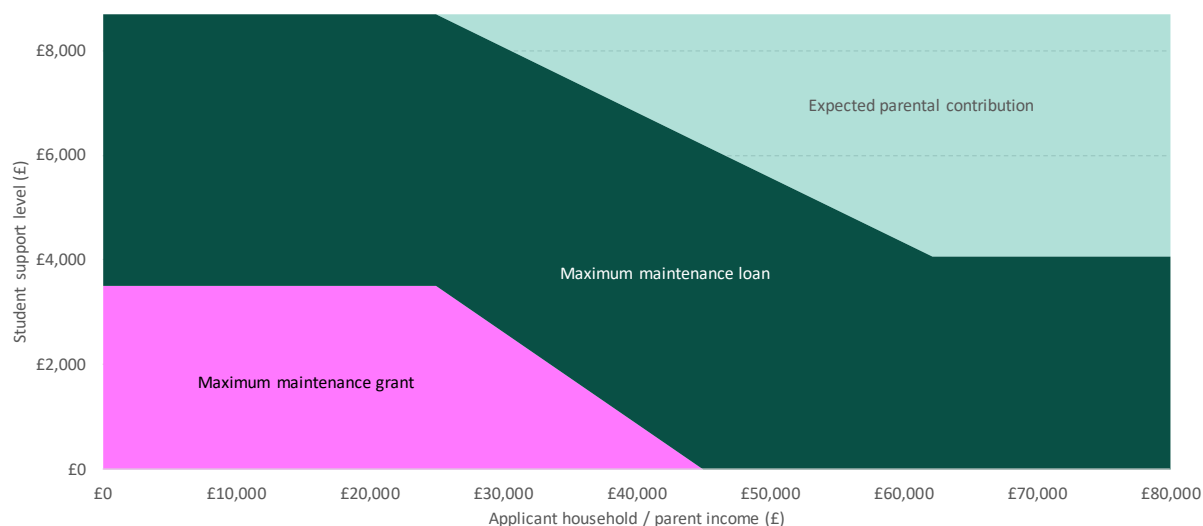
The second argument put forward is that maintenance grants are necessary to sustain growth in the higher education application and entry rate of low income background students, who when surveyed show greater levels of debt aversion.^{89 90}

Finally, there are also concerns that the loss of maintenance grants may have made it harder for disadvantaged students to meet living costs, which could force more to drop out of study.⁹¹

Policy detail

If maintenance grants were restored under the same terms offered previously, the student support system would shift from that depicted in Figure 4.1 to that shown in Figure 4.2.

Figure 4.2: Maintenance support (with grants restored) by household income, students living away from parents not in London (2018/19)



Source: *Student Finance England and House of Commons Library, with EPI modelling*

Returning to grants would shift approximately £1.7 billion of the cost of maintenance support from graduates to taxpayers for the 2017/18 student cohort. However, the long-run cost is closer to £350 million per cohort, as much of the maintenance loan debt would have never been repaid and would eventually be written off by the government.⁹²

Criticism

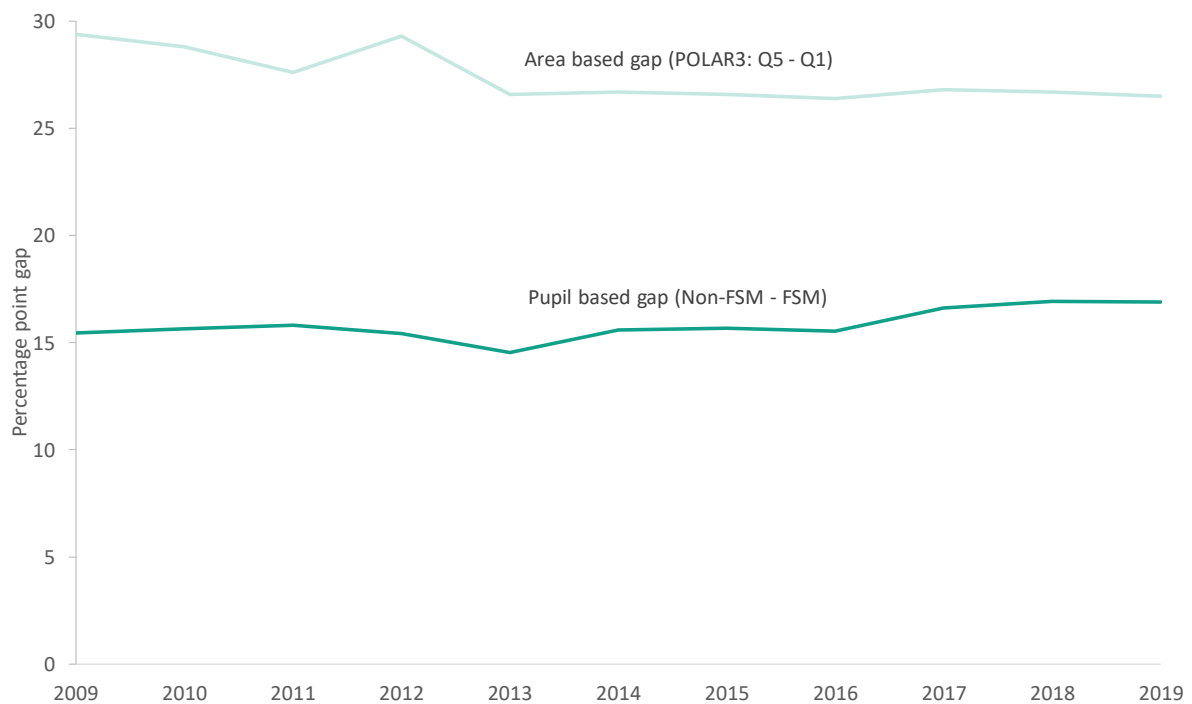
That low income background students accrue higher student loan debt on average is concerning, but this is not solely a product of the removal of maintenance grants. As described earlier, the maintenance loan system allows those from low income backgrounds to borrow more generous amounts, thereby incurring larger student loan debts. This disadvantages high and low income background students in different ways, with those among the former put in a difficult financial position if unable to draw on parental support. As such, the disparity in average loan debts on graduation could alternatively be addressed by ending the means-testing of the loan system to allow high income background students to accumulate more debt.

Another consideration is that under the income contingent repayment terms of the student loan system, the size of debt accumulated has material consequence solely for higher earning graduates. As only the top two deciles of graduate earners fully repay their student loans, the lowest earning 60 per cent would see no material benefit if they received maintenance grants.⁹³ Indeed, most of the gains would be captured by just the top ten per cent of graduate earners.⁹⁴

The extent to which the removal of grants has harmed widening participation is also not entirely clear. While the rate at which both 18-year olds were previous in receipt of Free School Meals (FSM, a proxy for economic disadvantage) and those from the lowest participation areas (POLAR3) enter higher education continues to increase, the average improvement in the former has declined

significantly in the three years following the withdrawal of maintenance grants. While this reflects a cohort-wide slowdown in entry rate growth, disadvantaged school leavers have experienced this more acutely. As a result, the government’s progress in narrowing the higher education progression gap has either been minimal (POLAR3) or absent to the point of reversal (FSM) (see Figure 4.3). There is now little chance the government can meet its target of 27 per cent of children from disadvantaged backgrounds entering higher education by 2020; the rate currently sits at 20.4 per cent, up from 17.8 per cent in 2015 when the target was set.⁹⁵

Figure 4.3: Higher education entry rate gap by POLAR3 and FSM status (Age 18 entrants, England).



Source: UCAS

However, it is hard to determine causality, as the student finance system changed in other ways at the same time grants were abolished, and there is a relatively short period of time prior to the abolishment of grants to observe parallel trends in higher education application and entry by student background since the 2012 reforms.^{xii} Progress in widening participation was slow prior to the removal of maintenance grants in 2016, and the trajectory since then may have occurred regardless.

There are also few international studies that can shed further light. While many studies show a clear positive relationship between raising maintenance grants and higher education entry, especially for those from disadvantaged backgrounds, few investigate the impact of removing grants while holding total maintenance support constant by replacing them with larger income contingent loans.⁹⁶ The one available study which does investigate substituting loans for grants at a specific US university found no impact on application rates from low income background students overall, though there

^{xii} Alongside removing maintenance grants, in 2015 the government also announced that the then £21,000 repayment threshold would be frozen for the next five years.

was weak evidence that low income students from minority ethnic backgrounds became more likely to apply after the change.⁹⁷

Turning to the impact losing maintenance grants has had on those in higher education with respect to non-completion; data is not yet available to enable an assessment. It is worth noting that when maintenance grants were withdrawn the total amount of maintenance support available to students from low income backgrounds rose by 8 per cent (£660 pa) in real terms due to a more generous cap on total loan values.⁹⁸ Therefore students should not have come under greater financial pressure, providing that loan take-up rates did not fall. There is not student survey data available yet to ascertain whether the likelihood of disadvantaged background students taking out loans has declined.^{xiii} Moreover, with over 98 per cent of those with household incomes that would have previously qualified for grants taking out the maximum amount on offer in 2017/18, those that do apply for loans now have more cash-in-hand than they previously would.⁹⁹ Unless subsequent research shows the odds of applying for maintenance loans have declined among this group, we can conclude that cost of living pressures have not risen due to the abolition of maintenance grants.

Overall, it is difficult to establish whether the removal of maintenance grants has adversely impacted student recruitment or retention. Given the difference in higher education participation rates between advantaged and disadvantaged background school leavers is explained almost entirely by attainment in school, making investments in the school system to close this gap may be a more fruitful means of forwarding the widening participation agenda.¹⁰⁰

Conclusion

The government must be careful to avoid making a decision on weak evidence due to the volume of voices advocating for a policy. As restoring grants will primarily benefit low income background students who go on to become high earning graduates, prioritising their reinstatement would only be justified if there was evidence that the policy had led to a reversal in widening participation.

Though there is no conclusive evidence this has occurred yet, the failure to narrow the gap in higher education progression, particularly in the years since maintenance grants were abolished, demands a response from the government. If the government does not believe maintenance grants to be the best way to rekindle progress in widening participation, it has a duty to clearly outline and fund alternative policies (to at least the cost of restoring maintenance grants), such as investing in the school system to close the gap in attainment which is the key driver of different rates of higher education progression.

^{xiii} While the Student Loans Company do provide an estimate of overall loan take-up rates for full-time students, as they do not hold household income data for non-applicants a breakdown of take-up by socioeconomic background cannot be reported. The only source of data on loan take-up by socioeconomic background is the government's periodically commissioned 'Student Income and Expenditure Survey', which was last collected in 2014/15. That survey found full-time students from lower socioeconomic backgrounds took out maintenance loans at the same rate as other peers, though when controlling for other characteristics, they were significantly more likely to take out a loan.

Reducing tuition fees and raising grants

Summary

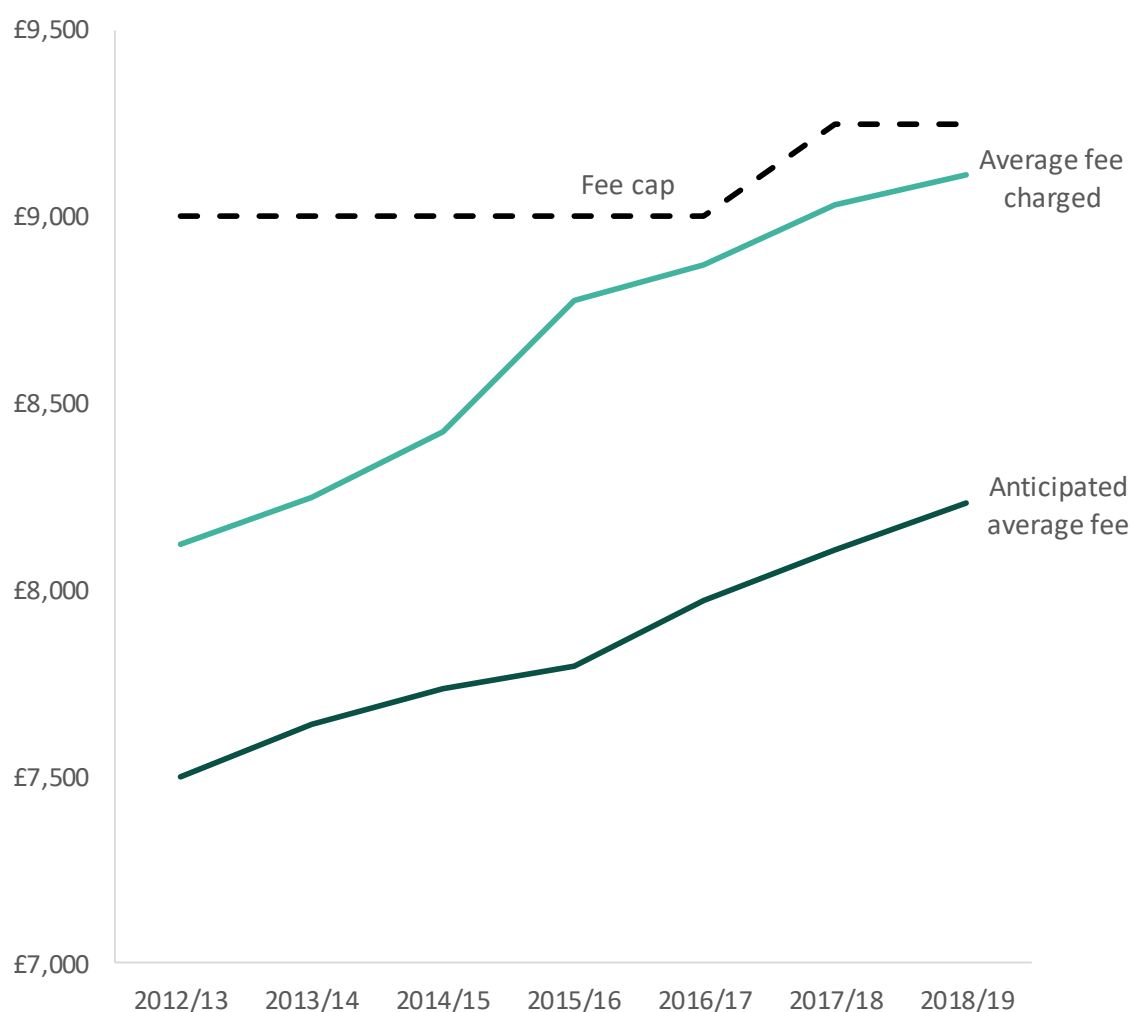
- Funding for higher education providers has risen substantially in real terms since 2012, with the current level above that predicted by the Coalition due to higher than expected tuition fees.
- Reducing the tuition fee cap has been suggested as a means of addressing concerns over the cost of tuition, while also returning the overall level of funding higher education providers receive to that envisioned by the 2012 reforms.
- A fee reduction would favour higher-earning graduates by reducing their lifetime repayments substantially. Lower-to-mid earners would not benefit as they do not fully repay their student loan debt before it is written off.
- If the government does opt to reduce tuition fee levels, the reduction should be at least partially offset by increasing teaching grants with priority given to higher cost subjects. This will reduce incentives to recruit into low-cost subjects to cross-subsidise other operations.

Rationale and background

Throughout the Post-18 review process there has been speculation that a reduction in the permitted tuition fee cap would be a recommendation. This would no doubt be a popular move, especially for prospective students. Cutting fees would allow the government to scale back fees to the level envisioned when the 2012 student finance reforms were designed.

The reason funding is now at a higher rate than anticipated is due to the reaction of higher education providers (henceforth, providers) to the tripling of the fee cap to a maximum of £9,000 per annum in 2012. At the time, the government predicted average fees of £7,500 in 2012/13, and that charging the full £9,000 would only occur in 'exceptional circumstances'.¹⁰¹ The reality was quite different; by 2016/17 only one university had a maximum course fee below £9,000 and over a third charged the full permitted fee for every course on offer. Relative to the Coalition's expected fee (adjusted for inflation), the average fee observed was almost £900 higher in 2018/19 (see Figure 4.4).

Figure 4.4: Fee levels at HEFCE funded institutions (cash terms)



Source: OFFA

Current fee levels also deliver HEIs more revenue than would have been permitted under the recommendations of the 2010 Browne review, which called for a levy on fee revenue for charges over £6,000.¹⁰² For a fee of £9,000, Browne’s proposal would have seen only £7,650 retained by the institution, with the difference returned to the Exchequer.

Providers have gained considerably from these high fees, despite direct grant funding being cut. The IFS found overall funding per student rose by 25 per cent in real terms in the years following the 2012 student finance reforms.¹⁰³ This again contrasts with the expectations of the government at the time, that predicted only a 10 per cent increase.¹⁰⁴

Since 2015 the government has attempted to rein in this unexpected increase in funding. In 2015 a £120m cash terms cut to the recurrent teaching grant budget to 2019/20 was announced, and more recently the tuition fee cap was frozen at 2017/18 levels until 2019/20.^{105, 106} Due to these measures and reductions in capital grants, the OfS now forecasts a substantial real terms decline in per student funding over the next two years, though it will remain above pre-2012 levels.¹⁰⁷

Pending changes to the accounting treatment of student loans make shifting the balance of funding from student fees to teaching grants more palatable for the government than it was previously. Between this and the desire to placate student dissatisfaction with the student finance system, the

government now has a strong rationale to shift from reducing funding by cutting grants to reducing the tuition fee cap, and therefore the value of student loans taken out.

Policy detail

Submissions from several higher education bodies anticipate a reduction in the tuition fee cap, and state that without a compensatory increase in grant funding there would be serious financial problems for many providers.¹⁰⁸ If the government were to reduce the fee cap there would be several options available, from fully compensating via teaching grants to offering no increase in grants.

The analysis completed by London Economics on lowering the fee cap to £6,000 per annum shows that in the long-run £1.17bn of funding per cohort would shift from graduates to taxpayers, assuming providers were compensated in full for the loss of fee revenue by teaching grants at an upfront cost to the government of £3.32bn.¹⁰⁹ The difference between the long-run cost and the upfront cost is a product of the large share of graduates who do not fully repay their debt before the write-off point. Accordingly, smaller decreases in the fee cap would result in proportionally even smaller long-run costs.

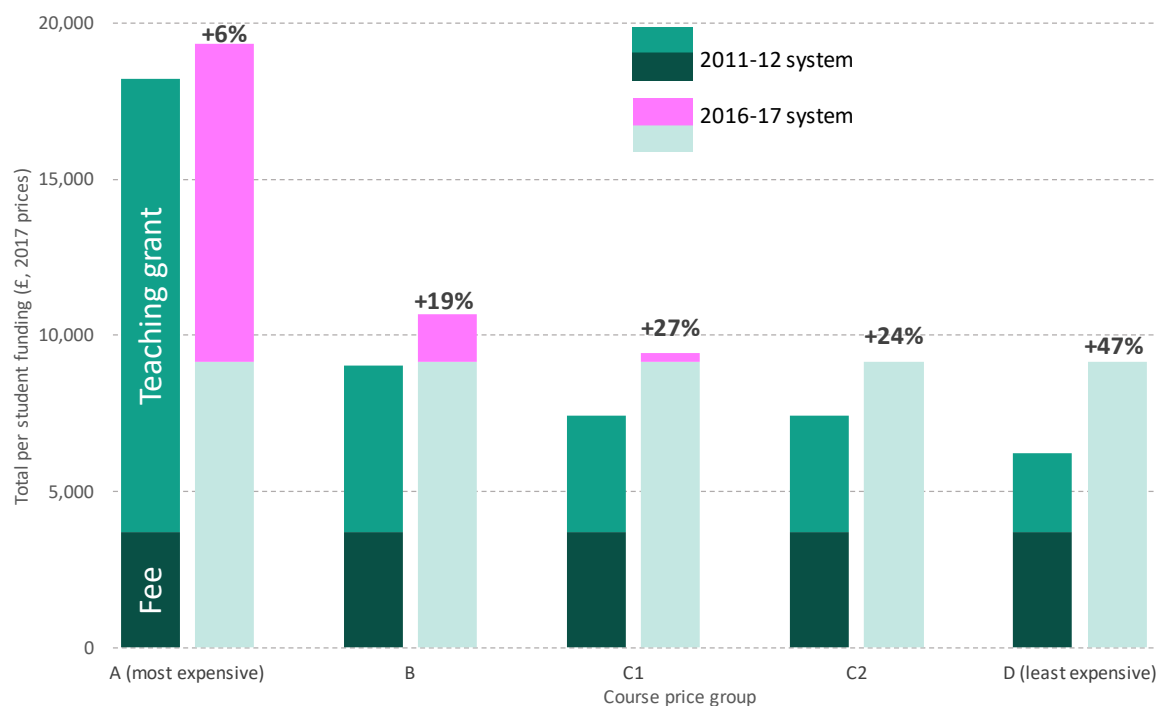
Any shift of funding from loans to grants would also see an increase in current budget expenditure under current government accounting rules, as at present the transfer of funds from the government to higher education providers is treated differently depending on whether the amounts are grants or loans. Grants hit the budget as expenditure in the year they are paid, while loans - or at least their unpaid share - are only registered in the deficit in the year they are written off (for most, 30 years after graduation). Thus, the current budget deficit is forced to bear the entirety of additional teaching grant expenditure, even though at present the government does not anticipate receiving all of the annual loan outlay back longer-term. However, the new accounting standards that will apply from September 2019 will significantly diminish the immediate budget impact of lowering fees, as the proportion unlikely to be paid off will count as a budget expense in the year loans are issued.

If the government wishes to see overall higher education funding return to an amount closer to what was envisioned in 2012, a rise in teaching grants that does not entirely offset the loss of tuition fee revenue could be awarded.

Lowering the tuition fee cap and raising teaching grants would also provide an opportunity to reallocate grants to unwind the incentive created by the 2012 reforms to expand recruitment into subjects that provide the largest opportunity for cross-subsidy.

Higher education subjects are funded on the basis of five different bands depending on the cost of provision. Those that are more expensive to run (e.g. lab and field-based subjects) are funded at a higher rate than those that are less expensive (e.g. lecture-theatre based subjects). The relative funding level of these bands changed considerably after the 2012 reforms. As fees were allowed to increase to the £9,000 maximum across the board, lower-cost band D courses saw funding grow by almost 50 per cent, despite teaching grants being removed altogether (see Figure 4.5).

Figure 4.5: Changes in higher education funding per student, by course price group



Source: IFS

This change introduced an incentive for higher education providers to inflate their income by expanding provision in low-cost subjects to cross-subsidise other areas of activity. While there is no evidence to date this has occurred, this may present a temptation into the future.¹¹⁰ Lowering the tuition fee cap for courses and funnelling the offsetting teaching grants to high-cost subjects in bands A and B may head off potential distortion in student recruitment into the future.

Criticism

The distributional impact of lowering tuition fees favours high earning graduates. London Economics analysis shows lowering the fee cap to £6,000 results in no change in lifetime repayments for the bottom half of graduate earners while the top decile sees a reduction of approximately £14,500.¹¹¹

If higher education providers are not compensated for a reduction in fee revenue, they would be £3.2bn worse off per student cohort. This amounts to a loss of almost a third of revenue per student. Such a large reduction would leave providers with less revenue per student than prior to the 2012 reforms. Given many institutions are likely to have committed to future outlays on the basis of current funding rates, such a stark reduction would have a severe impact on provision. This is particularly true for institutions that have borrowed funds to invest in major capital projects, for which a substantial loss of future revenues would threaten project and even institution viability.

Conclusion

Reducing student fees would certainly meet the political needs of the government. However, a modest reduction in the tuition fee cap would also provide the government with an opportunity to rebalance subject funding levels to reduce incentives to recruit into subjects with low provision costs.

The extent to which fees ought to be reduced is ultimately a political question, though the government must take into consideration that the winners of any fee reduction are high earning graduates, whilst any rise in teaching grants will be borne directly by taxpayers. Therefore, the government should ensure that any increase in teaching grants is no greater than the total value of lost fee income, to limit the impact on taxpayers. This could also reflect the level of funding intended in the 2012 reforms.

Loan terms and the balance of contributions

Summary

- The terms of student loans are designed to ensure a balance of contributions both between graduates and taxpayers and between higher and lower earning graduates.
- Much of the debate on loan terms has focussed on the interest rates charged on outstanding student loans and on the overall loan size, as dictated by the fee cap and the size of available maintenance loans.
- The main beneficiaries of the implied changes to loans size and interest rates would be high earners, broadly at the expense of taxpayers, via government expenditure.
- Further changes to the remaining terms and conditions, including the repayment threshold, rate and period, that aim to maintain current levels of government expenditure and the taxpayer contribution are likely to come at the expense of lower earning graduates.
- The government needs to pay due consideration to the overall impact of changes to the loan terms and should publish a detailed assessment of winners and losers alongside the review recommendations.

Rationale and background

The government's review explicitly sets out to "maintain the principle that students should contribute to the cost of their studies while ensuring that payments are progressive and income contingent". The contribution of graduates to their studies, and the degree to which these contributions are progressive are largely determined by the terms of their student loans. These are currently made up of:

- the loan size, as dictated by fees charged and the available maintenance loan
- the repayment threshold,
- the repayment rate i.e. the amount graduates repay each month,
- the interest rate, charged on the outstanding loan balance,
- the loan duration, i.e. the period after which the loan is written off, and the remainder is paid for by taxpayers

Many of the submissions to the Post 18 review regarding the loan terms focussed on either the interest rates or the loan size, via the fee cap or maintenance support. There has been very little debate on the remaining loan terms. However, as our previous analysis has shown, changes to these terms can have a significant impact on the balance of contributions from taxpayers and high and low earning graduates. The government's decision in 2017 to lift the repayment threshold from £21,000 to £25,000 shifted £2.3bn from graduates to taxpayers, with low and middle earning graduates seeing the biggest benefits.^{112,113}

As discussed in the previous sections, the mooted reduction in the fee cap with a compensatory increase in teaching grants would shift the balance from graduates to taxpayers, with high earning

graduates becoming the main beneficiaries. Analysis from London Economics indicates that lowering the fee cap to £6,000 shifts £1.17bn from high earning graduates to taxpayers, whilst the bottom half of graduate earners will see no change in their lifetime repayments at all.¹¹⁴ Even the reintroduction of maintenance grants is not unambiguously progressive. Whilst they may be targeted at those from more disadvantaged backgrounds, most of the gains would be captured by just the top ten per cent of graduate earners. So here the balance of contributions shifts from taxpayers to high earning graduates from poorer backgrounds.

Similarly, a reduction in interest rates would also shift the balance from higher earning graduates to taxpayers. Currently, student loans accrue interest at the Retail Price Index (RPI) rate plus 3 per cent during study, and a progressively levied rate between RPI (for salaries up to £25,000) and RPI plus 3 per cent (from £45,000) after graduation. Analysis from the IFS indicates that the removal of “real” interest rates (those above RPI) during study would shift £0.25bn from graduates to taxpayers, with the higher earning 20 per cent of graduates seeing their lifetime contribution fall by 6 per cent, or £4,800, compared with no change at all for the lowest earning 20 per cent.¹¹⁵

Crucially, both a reduction in interest rates and a reduction in loan sizes have the potential to significantly increase taxpayer contributions and therefore government spending. With the terms of the review seeking to be “consistent with the Government's fiscal policies to reduce the deficit and have debt falling as a percentage of GDP”, it seems likely that the government will seek to make up the difference with other changes to the loan terms.¹¹⁶ Moreover, given so much of the debate has centred on graduate debt rather than graduate contributions, it may do so in ways that add to the latter rather than the former.

Policy detail

In order to ensure that the graduate contribution is maintained in a way that does not increase debt at graduation, the government would be left with several options:

1. Reduce the repayment threshold, currently set at £25,000.

As mentioned previously the repayment threshold was increased from £21,000 only recently in 2017, shifting £2.3bn of contributions from mainly low to middle earning graduates to taxpayers. As such a reversal, or part reversal, in this policy would see contributions from low to middle earning graduates rise again, with a minimal impact on high earners.

2. Increase the repayment rate, currently set at 9% of earnings above the repayment threshold.

Increasing the repayment rate in isolation would increase graduate contributions by ensuring that more repayments are made before the remainder is written off by taxpayers at the end of the repayment period. This would reduce the lifetime repayments of the 14 per cent of (generally high earning) graduates who already pay off their loan within 30 years, as by paying off their outstanding debt faster they will incur less debt interest. The 24 per cent of graduates whose earnings remain below the current repayment threshold would see no change. However, the remaining 62 per cent of (middle earning) graduates who pay some, but not all, of their debt will see an increase in their lifetime contribution.¹¹⁷ An increase to the repayment rate may also have the adverse impact of reducing incentives for graduates to work or earn more.

3. Increase the repayment period, currently set at 30 years after graduation.

Increasing the repayment period in isolation would increase graduate contributions by causing those graduates who were still paying off their loan after 30 years (when the loan would

otherwise be written off) to continue making payments. Unpublished research from London Economics, based on their loan repayment model, estimates that increasing the repayment period from 30 years to 40 years would transfer £985m of costs from taxpayers to graduates. The profile of those affected is similar to those affected by an increase in the repayment rate. The 14 per cent of generally high earning graduates who pay off their loan before 30 years would clearly see no change. The 24 per cent of graduates whose earnings remain below the repayment threshold would also be unaffected, assuming they don't experience a sudden earnings hike late in their career. Once again, the worst affected group would be the middle earning 62 per cent of graduates who would still be making payments after 30 years.

Clearly any combination of the above changes would compound their impact. For example, increasing the repayment rate and repayment period together would see significantly increased contributions from middle earners, with almost no change for the high earners who currently pay off their debt. And combining a reduction in the repayment threshold with an increase in the repayment rate and/or the repayment period would have a significant impact on those low earners whose income straddles the interval between the current repayment threshold and the new, lower, threshold.

Criticism

The review seeks to continue with the progressive approach to graduate contributions of the current system. However, it is clear that a reduction in fees, the reintroduction of grants and reductions in the interest rate would all tip the balance in favour of higher earning graduates, reducing the progressivity of the system.

Moreover, although advocates of the current system herald its progressive nature, research from London Economics shows that the picture is more complex than that. It certainly is the case that at any point in time, graduates with higher earnings will pay more than graduates with lower earnings. However, the impact of real interest rates is that middle earning graduates who pay off, or almost pay off, their loan towards the end of the repayment period will pay more than graduates who have high earnings early in their career and so complete their repayment earlier. For example, on average a male finance professional will pay off his loan aged 38, repaying £55,000 or 2 per cent of their lifetime income. This compares with the average male nurse, who will pay £59,000 after 30 years, equivalent to 3.6 per cent of their lifetime earnings.^{xiv}

So, to maintain or improve upon the progressivity of the current system, further changes would need to tip the balance back in favour of graduates with lower or middling earnings. However, if the government seeks to maintain the balance of graduate to taxpayer contributions, all the possible changes discussed above (summarised in table 4.1 below) are regressive in their distributional consequences. This is a natural consequence of the pressure on the review to reduce headline loan debt figures (which largely just impact the actual contributions from high earners), a desire to maintain higher education funding at comparable levels and the government's commitment to its fiscal rules. Under these conditions greater contributions over a longer period from low to middle earning graduates seems inevitable.

^{xiv} Outstanding loans in real terms, and discounted to present values

Table 4.1: Possible changes to the loan terms and their likely distributional impact

Loan term change	Currently	Implied direction of change:	
		Graduate contribution	Progressiveness
Reducing fee (cap) level	£9,250	↓	↓
Maintenance grants	£4k - £8.7k depending on household income (outside London)	↓	↑ (by background) ↓ (by earnings)
Interest rates reduction	3% during study, 0-3% + RPI after graduation	↓	↓
Threshold reduction	£25,000	↑	↓
Increasing repayment rate	9% of earnings above the threshold	↑	↓
Increasing repayment period	30 years	↑	↓

Conclusion

If the government seeks to maintain the graduate contribution whilst lowering headline student debt, it seems likely that changes to the terms of student loans will become less progressive.

Equity within the graduate population cannot and should not be the only consideration when setting the terms for student loans: Firstly, universities need to be funded to ensure a high-quality education and to meet the needs of a changing labour market; secondly, the incentives for students, especially the most disadvantaged, to continue to higher education should be considered; finally, and possibly most crucially, equity beyond the graduate population must be considered.

Around half of young people do not attend higher education and so do not benefit from the associated earnings returns. Yet taxpayers, which includes both this group and graduates, contribute almost half of the cost.¹¹⁸ This apparent inequity would not be so stark if the non-HE education and training alternatives for young people were more appealing. But funding levels remain low by comparison, with poor recognition by employers.

One of the benefits of the current system is that it aims to be progressive within the graduate population, and there are risks that it will become less so. We do not state here what the “correct” balance of contributions between taxpayers and high earning graduates and low earning graduates should be. However, the government should set out the distributional consequences of its recommendations, including on those not studying in higher education, with a clear distinction between the impact on lifetime contributions and the impact on headline student debt figures.

Abolishing tuition fees

Summary

- Abolishing tuition fees is out of the scope of the government's review but it is a core pillar of the Labour party's education policy, which fears high fees deter prospective students. There is limited evidence to suggest this is true, with the exception of part-time and mature students.
- There is a large upfront cost to making higher education study free, though the long-run cost has fallen considerably due to the increase in the repayment threshold announced in September 2017, which substantially reduced the lifetime repayments expected from graduates.
- The government is right to not consider abolishing tuition fees outright, as the goals of this policy could be better met by more targeted investments to boost part-time and mature student participation and reduce the school attainment gap, which is the primary driver of the lower rate of progression to higher education seen among low income households.

Rationale and background

Though abolishing tuition fees is unlikely to be a recommendation of the Post-18 review given its remit, it is a key pillar of Labour Party education policy and therefore worthy of consideration. The 2017 Labour Party manifesto justified removing tuition fees with reference to both the principle of free education and an argument that the current system 'priced out' prospective students.¹¹⁹ Specifically, a fall in UCAS applications in the 2017 admission cycle was cited as evidence that this might now be occurring. This decrease was chiefly a result of the declining absolute size of the school-leaver cohort, though the application rate among this group continued to rise.¹²⁰ However, that year did see a continuation of the steep decline in mature student applications (down by 18 per cent).¹²¹ Applications to nursing courses also fell by 23 per cent in England, a response to the end of NHS bursaries which had previously covered the cost of tuition for students.¹²²

Policy detail

Abolishing fees and replacing the lost income with direct grants to higher education providers would be a dramatic shift, but not an unprecedented one. The New Zealand government began phasing out tuition fees for first-time university students in 2018, and several German states have done so over the last decade.^{123, 124}

The long-run cost of abolishing fees and offsetting the funding loss to providers with teaching grants is estimated to be approximately £4.6bn per cohort.¹²⁵ This is considerably less than the £9.8bn in additional teaching grants required to compensate providers for lost tuition fee income, which owes to the fact that not all student loan debt issued is expected to be paid back. Accordingly, the £9.8bn in teaching grant expenditure per cohort would count towards government spending in the current budget.¹²⁶ As pending changes to the accounting of student loans will substantially increase the budget deficit by treating any portion of the loan not expected to be paid back as an expense, from September 2019 the budget impact of abolishing fees will appear relatively smaller.

It is also worth noting that the long-run cost of abolishing fees has fallen by approximately £1bn since the government's 2017 decision to lift the repayment threshold from £21,000 to £25,000.¹²⁷ This is a result of the higher threshold lowering the proportion of student debt that is expected to be paid back, which shifted the balance of contributions from 35 per cent taxpayer funded to 47 per cent.¹²⁸ Abolishing tuition fees would shift the system towards being majority taxpayer funded, though some graduate contributions would remain via maintenance loan repayments.

Criticism

With respect to the distributional impact, middle and high earning graduates would capture most of the financial benefits that come from removing tuition fees. Modelling from the IFS and London Economics show that the bottom three deciles of graduate earners would see little to no benefit.¹²⁹ ¹³⁰Given children from richer families are more than twice as likely to undertake higher education study, the overall distributional consequences would be sharply regressive.¹³¹

The issue of debt aversion, which some worry may deter certain groups from accessing higher education, is undoubtedly a real phenomenon. When surveyed, young people from disadvantaged backgrounds report lower willingness to accrue debt to access higher education.¹³² However, in the years that have followed the tripling of tuition fees, the proportion of school leavers entering higher education from low participation and free school meal backgrounds has risen.¹³³ This suggests that the debt aversion stated in surveys does not carry through to actual behaviour. As discussed in chapter 3, part-time and mature students have responded to the rise in tuition fees in a way that reflects their aversion to high fees and debt. Subsidies for these students specifically to lower their fees could be a far less costly way to address this challenge than an across-the-board fee reduction.

However, there are more targeted approaches to tackling debt aversion in specific subgroups than abolishing fees for students of all backgrounds. Better education in schools of how the income contingent loan system makes student debt much more favourable than normal debt could assist in addressing this barrier. Indeed, a randomised controlled trial of an in-school information campaign on student finance showed that such an approach can improve student knowledge of the loan system and reduce perceived financial barriers to study.¹³⁴

The money spent on abolishing tuition fees could also be more productively directed to closing the gap in school attainment. IFS analysis shows that the difference in higher education participation rates between advantaged and disadvantaged background school leavers is explained almost entirely by prior attainment.¹³⁵ This suggests that financial considerations and debt aversion are not significant constraints to accessing higher education, and that funds should be directed to reduce the gap in school attainment to advance the widening participation agenda.

Conclusion

Removing tuition fees altogether would primarily benefit high earning graduates at the expense of taxpayers, and it would do little for graduates with lower earnings. There is also no evidence that, other than part-time and mature students, access to higher education among disadvantaged groups would expand as a result.

Given the £4.58bn long-run cost, the overall regressive impact, and the availability of more targeted remedies to pursue most of the objectives that abolishing fees aims to resolve, the government was right to keep this policy out of scope for the review.

References

- ¹ Wolf, Alison. "Remaking Tertiary Education: can we create a system that is fair and fit for purpose." *Education Policy Institute* (2016). <https://epi.org.uk/wp-content/uploads/2018/01/remaking-tertiary-education-web.compressed.pdf>
- ² Browne, John. "Securing a sustainable future for higher education: an independent review of higher education funding and student finance." (2010). www.educationengland.org.uk/documents/pdfs/2010-browne-report.pdf
- ³ Gill, Tim. "Assessing the equivalencies of the UCAS tariff for different qualifications." *Research Matters* 21 (2016): 16-23.
- ⁴ Thompson, Dave. "The equivalence of A-Levels and BTECs." *FFT Education Data Lab*. 28 February, 2017. <https://ffteducationdatalab.org.uk/2017/02/the-equivalence-of-a-levels-and-btecs/>
- ⁵ "Non-continuation rates and transfers." *Office for Students*. www.officeforstudents.org.uk/data-and-analysis/non-continuation-rates-and-transfers/time-series-and-two-way-splits/
- ⁶ Rouncefield Swales, Alison. "Vocational Progression to Selecting Universities Comparisons and Trends 2010-2013." *Western Vocational Progression Consortium*. (2014).
- ⁷ "Graduate outcomes (LEO): Employment and earnings outcomes of higher education graduates by subject studied and graduate characteristics." *Department for Education*. (2018). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/690859/SFR15_2018_Main_text.pdf
- ⁸ "Working to Widen Access." *Universities Scotland*. (2017). www.universities-scotland.ac.uk/wp-content/uploads/2017/11/Working-to-Widen-Access.pdf
- ⁹ "Growth and Choice in University Admissions." *Universities UK*. (2018). www.universitiesuk.ac.uk/policy-and-analysis/reports/Documents/2018/growth-and-choice-in-university-admissions-final.pdf
- ¹⁰ Bagshaw, Ant. "Below the bar. Why minimum entry standards are a bad idea." *Wonkhe*, 15 August 2018, <https://wonkhe.com/blogs/below-the-bar-why-minimum-entry-standards-are-a-bad-idea/>
- ¹¹ Kernohan, David. "Another Augar leak: but does it deliver for the treasury?" *Wonkhe*, 16 December 2018, <https://wonkhe.com/blogs/another-augar-leak-but-does-it-deliver-for-the-treasury/>
- ¹² Belfield, Chris, Jack Britton, Franz Buscha, Lorraine Dearden, Matt Dickson, Laura van der Erve, Luke Sibieta, Anna Vignoles, Ian Walker, and Yu Zhu. "The impact of undergraduate degrees on early-career earnings." *Institute for Fiscal Studies*. (2018). www.ifs.org.uk/publications/13731
- ¹³ "Participation rates in higher education: 2006 to 2017: Supplementary Table B." *Department for Education*. (2018). www.gov.uk/government/statistics/participation-rates-in-higher-education-2006-to-2017
- ¹⁴ "Post-16 education: highest level of achievement by age 25." *Department for Education*. (2018). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/705269/Post_16_education_highest_level_of_achievement_by_age_25.pdf

- ¹⁵ “Maximum loan amount for advance learner loans designated qualifications.” *Department for Education*. (2018). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/692865/Maximum_Loan_Amounts_2018_to_2019_final.pdf
- ¹⁶ “The revised UK Quality Code for Higher Education.” *UK Standing Committee for Quality Assessment*. (2018). https://ukscqa.org.uk/wp-content/uploads/2018/03/Revised-UK-Quality-Code-for-Higher-Education_English.pdf
- ¹⁷ Morgan, John. “Willetts backs ‘£9k for everyone’ without ‘price competition’.” *Times Higher Education*. 12 September 2017, www.timeshighereducation.com/news/willetts-backs-9k-everyone-without-price-competition
- ¹⁸ Cullen, Ellie. “Tuition fees should be based on career prospects, says Education Secretary.” *The Independent*. 18 February 2018, www.independent.co.uk/news/education/tuition-fees-career-prospects-value-for-money-damian-hinds-theresa-may-education-university-uk-news-a8216136.html
- ¹⁹ Ey, Carol. “The Higher Education Loan Program (HELP) and related loans: a chronology.” *Parliament of Australia Library*. (2018). <http://apo.org.au/system/files/138521/apo-nid138521-683191.pdf>
- ²⁰ “National Student Fee and Support Systems in European Higher Education – 2017/18.” *European Commission/EACEA/Eurydice* (Luxembourg: Publications Office of the European Union, 2017). www.anefore.lu/wp-content/uploads/2017/11/EURYDICE-FEES-AND-SUPPORT-2017-18.pdf
- ²¹ “Higher Education in Australia A review of reviews from Dawkins to Today.” *Department of Education and Training, Australian Government*. (2015). https://docs.education.gov.au/system/files/doc/other/higher_education_in_australia_-_a_review_of_reviews.pdf
- ²² Bradley, Denise, Peter Noonan, Helen Nugent, and Bill Scales. "Review of Australian Higher Education." *Canberra: Department of Education, Employment and Workplace Relations*. (2008). www.mq.edu.au/_data/assets/pdf_file/0013/135310/bradley_review_of_australian_higher_education.pdf
- ²³ Lomax-Smith, Jane, Louise Watson, and Beth Webster. “Higher Education Base Funding Review: Final Report.” *Canberra: Department of Education, Employment and Workplace Relations*. (2011). www.canberra.edu.au/research/faculty-research-centres/edinstitute/documents/HigherEd_FundingReviewReport1.pdf
- ²⁴ Hurst, Daniel. “Government rejects university fee hike.” *The Sydney Morning Herald*. 28 January, 2013, www.smh.com.au/politics/federal/government-rejects-university-fee-hike-20130128-2dgku.html
- ²⁵ “Employment and earnings outcomes of higher education graduates: experimental statistics using the Longitudinal Education Outcomes (LEO) data: further breakdowns.” *Department for Education*. (2016). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/573831/SFR60_2016_LEO_main_text_v1.1.pdf
- ²⁶ Kemp, David and Andrew Norton. “Review of the Demand Driven Funding System Report.” *Canberra: Department of Education and Training*. (2014).

https://docs.education.gov.au/system/files/doc/other/review_of_the_demand_driven_funding_system_report_for_the_website.pdf

²⁷ Bradley, et al. (2008).

²⁸ Lomax-Smith, et al. (2011).

²⁹ Norton, Andrew. "Graduate Winners: Assessing the public and private benefits of higher education." *Grattan Institute*. (2012). https://grattan.edu.au/wp-content/uploads/2014/04/162_graduate_winners_report.pdf

³⁰ Norton. (2012).

³¹ "MillionPlus submission to call for evidence." *MillionPlus*. (2018), www.millionplus.ac.uk/documents/MillionPlus_submission_to_the_Post_18_review_of_education_and_funding_call_for_evidence_-_May_2018.pdf

³² Willetts, David, cited in "MillionPlus submission to call for evidence." *MillionPlus*. (2018).

³³ "2030 and beyond: An upgraded Post-18 education system." *Association of Colleges*. (2018). www.aoc.co.uk/sites/default/files/2030%20and%20beyond%20An%20upgraded%20Post-18%20education%20%28September%202018%29_0.pdf

³⁴ "Review of the Adult Discretionary Learner Support Fund for the Further Education Sector." *Department for Business, Innovation & Skills*. (2013). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/245063/bis-13-1189-learner-support-further-education-sector.pdf

³⁵ "Motivation and Barriers to Learning for Young People who are not in Education, Employment or Training." *Department for Business, Innovation & Skills*. (2013). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/70141/bis-13-548-motivation-and-barriers-to-learning-for-young-people-not-in-education-employment-or-training.pdf

³⁶ Egglestone, Corin, Connor Stevens, Emily Jones and Fiona Aldridge. "Adult Participation in Learning Survey 2017." *Learning and Work Institute*. (2018). www.learningandwork.org.uk/wp-content/uploads/2018/08/Adult-Participation-in-Learning-Survey-2017.pdf

³⁷ "Adult Education Survey 2016." *Office for National Statistics*. (2018). http://dera.ioe.ac.uk/32090/1/AES_2016_analytical_report.pdf

³⁸ Conlon, Gavan, and Pietro Patrignani. "Returns to BTEC vocational qualifications." *London Economics*. (2010). <https://londoneconomics.co.uk/wp-content/uploads/2011/09/10>Returns-to-BTEC-vocational-qualifications.pdf>

³⁹ Conlon, Gavan, Pietro Patrignani, and Jonathan Chapman. "Returns to intermediate and low level vocational qualifications." *BIS research paper 53* (2011). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/32354/11-1282-returns-intermediate-and-low-level-vocational-qualifications.pdf

⁴⁰ Bibby, David, Franz Buscha, Augusto Cerqua, Dave Thomson and Peter Urwin. "Estimation of the labour market returns to qualifications gained in English Further Education" *BIS research paper 195* (2014). www.aoc.co.uk/sites/default/files/BIS%20Estimation_of_the_labour_market_returns_to_qualifications_gained_in_English_Further_Education_-_Final_-_November_2014.pdf

- ⁴¹ McIntosh, Steven, and Damon Morris. "Labour Market Returns to Vocational Qualifications in the Labour Force Survey." *CVER Research Paper 6* (2016). <http://cver.lse.ac.uk/textonly/cver/pubs/cverdp002.pdf>
- ⁴² Conlon and Patrignani. (2010).
- ⁴³ "Skills needs in England: The Employer Perspective." *Confederation of British Industry*. (2018). www.cbi.org.uk/insight-and-analysis/skills-needs-in-england/
- ⁴⁴ "Further Education Maintenance Loans: A summary of the consultation responses." *Department for Education*. (2016). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/549982/Further-education-maintenance-loans-government-response.pdf
- ⁴⁵ "2030 and beyond: An upgraded Post-18 education system." (2018). *Association of Colleges*.
- ⁴⁶ Corney, Mark. "Maintenance loans – money worth having?" *Higher Education Policy Institute*. 9 May 2018, www.hepi.ac.uk/2018/05/09/maintenance-loans-money-worth/
- ⁴⁷ Corney, Mark. "T-levels for 19-23 Year Olds: The Value of Maintenance Loans." *Campaign for Learning*. (2018). www.campaign-for-learning.org.uk/Handlers/Download.ashx?IDMF=4fd0a0f0-11f4-4580-8be0-dba9ed3cca04
- ⁴⁸ Bibby et al. (2014).
- ⁴⁹ EPI calculations. Does not include cost of additional tuition that would arise from attracting more level 3 students.
- ⁵⁰ "Students: Loans: Written question - HL3514." *House of Lords*. (2017). www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Lords/2017-11-22/HL3514/
- ⁵¹ "Advanced Learning Loans Paid in England, Academic Year 2017/18, August to January Inclusive." *Student Loans Company*. (2018). www.slc.co.uk/media/9816/slcosp022018.pdf
- ⁵² "Student Support for Higher Educational Statistics: Maintenance Loans." *Student Loans Company*. (2018). www.slc.co.uk/media/10188/avg-maintenance-loan-paid-by-domicile-final.pdf
- ⁵³ Callender, Claire, and John Thompson. "The lost part-timers: The decline of part-time undergraduate higher education in England." *The Sutton Trust*. (2018). www.suttontrust.com/research-paper/lost-part-timers-mature-students/
- ⁵⁴ Callender and Thompson. (2018).
- ⁵⁵ "HEPI submission to call for evidence." *Higher Education Policy Institute*. (2018). www.hepi.ac.uk/wp-content/uploads/2018/04/HEPI-Submission-to-the-Post-18-Review.pdf
- ⁵⁶ "University Alliance submission to call for evidence." *University Alliance*. (2018). www.unialliance.ac.uk/wp-content/uploads/2018/05/University-Alliance-Post-18-review-call-for-evidence-final.pdf
- ⁵⁷ "GuildHE submission to call for evidence." *GuildHE*. (2018). <https://guildhe.ac.uk/wp-content/uploads/2018/05/GuildHE-Post-18-funding-response-FINAL.pdf>
- ⁵⁸ Browne. (2010).
- ⁵⁹ Morgan, John. 13 December 2017.

- ⁶⁰ "Interim Equality Impact Assessment: Urgent reforms to higher education funding and student finance" *Department for Business, Innovation & Skills*. (2010). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/32411/10-1310-interim-equality-impact-assessment-he-funding-and-student-finance.pdf
- ⁶¹ "Interim Equality Impact Assessment: Urgent reforms to higher education funding and student finance" *Department for Business, Innovation & Skills*. (2010).
- ⁶² "Fixing the Broken Market in Part-time Study." *The Open University*. (2017). www.hepi.ac.uk/wp-content/uploads/2017/11/Fixing-the-Broken-Market-in-Part-Time-Study-final.pdf
- ⁶³ Ellison, Gavin, Tom Powell and Lorien Perry. "Perceptions of Part-Time Higher Education." *YouGov*. (2015). www.dropbox.com/s/8vgvoeoxuvxoxpv/BIS%20Part-Time%20HE%20v0%201.pdf?dl=0
- ⁶⁴ Callender, Claire, and Geoff Mason. "Does student loan debt deter higher education participation? New evidence from England." *The Annals of the American Academy of Political and Social Science* 671, no. 1 (2017): 20-48. www.llakes.ac.uk/sites/default/files/58.%20Callender%20and%20Mason.pdf
- ⁶⁵ Callender and Thompson. (2018).
- ⁶⁶ "Fixing the Broken Market in Part-time Study." *The Open University*. (2017).
- ⁶⁷ "Office for Students to allocate £1.5 billion for higher education in England for 2018-19." *Office for Students*. 11 May 2018, www.officeforstudents.org.uk/news-blog-and-events/press-and-media/office-for-students-to-allocate-15-billion-for-higher-education-in-england-for-2018-19/
- ⁶⁸ Conlon, Gavan and Maike Halterbeck. "Estimating the costs associated with the student support offer August 2018: An analysis for GuildHE." *London Economics*. (2018). <https://guildhe.ac.uk/wp-content/uploads/2018/08/LE-GuildHE-Student-support-modelling-06-08-2018-STC.pdf>
- ⁶⁹ Conlon & Halterbeck. (2018).
- ⁷⁰ Hubble, Susan and Paul Bolton. "Part-time undergraduate students in England." *House of Commons Library*. (2018). <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7966>
- ⁷¹ Conlon, Gavan and Pietro Patrignani. "The Returns to Higher Education Qualifications" *BIS research paper 45* (2011). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/32419/11-973-returns-to-higher-education-qualifications.pdf#page=36
- ⁷² "Investment in Skills" *New Economy*. (2017). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/639258/Investment_in_Skills_July_2017_Final.pdf#page=29
- ⁷³ Conlon & Patrignani. (2011).
- ⁷⁴ Callender and Thompson. (2018).
- ⁷⁵ Lingwood, Rebecca, cited in Hillman, Nick. "It's the finance, stupid! The decline of part-time higher education and what to do about it." *Higher Education Policy Institute*. (2015). www.hepi.ac.uk/wp-content/uploads/2015/10/part-time_web.pdf
- ⁷⁶ Zuccollo, James. "Does the collapse in part-time study matter?" *Higher Education Funding Council for England*. 21 March 2016,

<https://webarchive.nationalarchives.gov.uk/20180103170413/http://blog.hefce.ac.uk/2016/03/21/does-the-collapse-in-part-time-study-matter/>

⁷⁷ Callender and Thompson. (2018).

⁷⁸ Callender and Thompson. (2018).

⁷⁹ "Student Funding Panel: an analysis of the design, impact and options for reform of the student fees and loans system in England." *Universities UK*. (2015). 2018, www.universitiesuk.ac.uk/policy-and-analysis/reports/Documents/2015/student-funding-panel.pdf

⁸⁰ "The power of part-time: Review of part-time and mature higher education." *Universities UK*. (2013). www.universitiesuk.ac.uk/policy-and-analysis/reports/Documents/2013/power-of-part-time.pdf

⁸¹ "Industrial strategy: Building a Britain fit for the future." *HM Government*. (2017). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/730048/industrial-strategy-white-paper-web-ready-a4-version.pdf

⁸² Callender and Thompson. (2018).

⁸³ "Withdrawal of funding for equivalent or lower level qualifications (ELQs)." *House of Commons: Innovation, Universities, Science and Skills Committee*. (2008). <https://publications.parliament.uk/pa/cm200708/cmselect/cmdius/187/187.pdf>

⁸⁴ Morgan, John. "David Willetts: 'I plead guilty' on part-time student decline." *Times Higher Education*. 13 December 2017, www.timeshighereducation.com/news/david-willetts-i-plead-guilty-part-time-student-decline

⁸⁵ "Withdrawal of funding for equivalent or lower level qualifications (ELQs)." *House of Commons: Innovation, Universities, Science and Skills Committee*. (2008).

⁸⁶ Lewis, Martin. "How much the Govt expects you to give your children for university." *MoneySavingExpert*. 2 September 2016, <https://blog.moneysavingexpert.com/2016/09/how-much-are-parents-supposed-to-give-their-children-when-they-go-to-university/>

⁸⁷ EPI Freedom of Information request to Student Loans Company.

⁸⁸ Belfield, Chris, Jack Britton, Lorraine Dearden, and Laura Van Der Erve. "Higher Education funding in England: past, present and options for the future." *Institute for Fiscal Studies*. (2017). www.ifs.org.uk/uploads/BN211.pdf

⁸⁹ Callender & Mason. (2017).

⁹⁰ Fagence, Sam and Josephine Hansom. "Influence of finance on higher education decision-making." *YouthSight*. (2018). www.gov.uk/government/publications/influence-of-financial-factors-on-higher-education-decision-making

⁹¹ Savage, Michael. "Social mobility tsar warns cuts to tuition fees may not help poorest students." *The Guardian*. 9 December 2018, www.theguardian.com/society/2018/dec/09/social-mobility-tsar-warns-of-risks-of-cuts-tuition-fees

⁹² Belfield, Chris, Jack Britton and Louis Hodge. "Options for reducing the interest rate on student loans and reintroducing maintenance grants". *Institute for Fiscal Studies*. 17 November 2017, www.ifs.org.uk/publications/10154

- ⁹³ Belfield, Chris, Dr Jack Britton, and Laura van der Erve. "Higher Education finance reform: Raising the repayment threshold to £25,000 and freezing the fee cap at £9,250." *Institute for Fiscal Studies* (2017). www.ifs.org.uk/publications/9965
- ⁹⁴ "IFS submission to call for evidence." *Institute for Fiscal Studies*. (2018). www.ifs.org.uk/publications/12980
- ⁹⁵ "Fulfilling our Potential: Teaching Excellence, Social Mobility and Student Choice." *Department for Business, Innovation & Skills*. (2015). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/474266/BIS-15-623-fulfilling-our-potential-teaching-excellence-social-mobility-and-student-choice-accessible.pdf
- ⁹⁶ Dearden, Lorraine, Emla Fitzsimons, and Gill Wyness. "The impact of tuition fees and support on university participation in the UK." *Institute for Fiscal Studies*. (2011). www.ifs.org.uk/publications/5648
- ⁹⁷ Linsenmeier, David M., Harvey S. Rosen, and Cecilia Elena Rouse. "Financial aid packages and college enrollment decisions: An econometric case study." *National Bureau of Economic Research*. (2002). www.nber.org/papers/w9228.pdf
- ⁹⁸ Bolton, Paul. "The value of student maintenance support." *House of Commons Library*. (2018). <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN00916#fullreport>
- ⁹⁹ EPI Freedom of Information request to SLC
- ¹⁰⁰ Crawford, Claire, Lorraine Dearden, John Micklewright and Anna Vignoles. "Raising GCSE attainment crucial to get more young people from disadvantaged backgrounds into university, but work to promote social mobility cannot end when they arrive on campus." *Institute for Fiscal Studies*. (2016). www.ifs.org.uk/publications/8799
- ¹⁰¹ Hubble, Susan and Paul Bolton. "Higher education tuition fees in England." *House of Commons Library*. (2018). <http://researchbriefings.files.parliament.uk/documents/CBP-8151/CBP-8151.pdf>
- ¹⁰² Browne. (2010).
- ¹⁰³ Belfield, et al. (2017).
- ¹⁰⁴ Shepherd, Jessica. "University funds slashed by almost £1bn." *The Guardian*. 2 February 2011, www.theguardian.com/education/2011/feb/02/university-funds-slashed-by-almost-1bn
- ¹⁰⁵ "Funding overview and budgets for April 2018 to July 2019." *Office for Students*. (2018). www.officeforstudents.org.uk/media/1360/bd-2018-mar-51-funding-overview-and-budgets-for-18-19.pdf
- ¹⁰⁶ "Government Response to the House of Lords Economic Affairs Committee Report: Treating Students Fairly - The Economics of Post School Education." *Department for Education*. (2018).
- ¹⁰⁷ "HE Finance and Funding." *Office for Students*. (2018). www.officeforstudents.org.uk/media/1332/bd-2018-jan-112-presentation-funding-briefing.pdf
- ¹⁰⁸ "Russell Group submission to call for evidence." *Russell Group*. (2018). <https://russellgroup.ac.uk/media/5699/rg-response-to-post-18-review-call-for-evidence.pdf>

¹⁰⁹ Halterbeck, Maike and Gavan Conlon. "Estimating the costs associated with the student support offer" *London Economics*. (2018). <https://londoneconomics.co.uk/wp-content/uploads/2018/02/LE-Student-support-modelling-19-02-2018-7-Scenarios.pdf>

¹¹⁰ Belfield, et al. (2017).

¹¹¹ Halterbeck and Conlon. (2018).

¹¹² Dominguez-Reig, Gerard. "The Prime Minister's plans for higher education funding: a more progressive system at a higher cost for the Treasury?" Education Policy Institute. (2017). www.epi.org.uk/publications-and-research/prime-ministers-plans-higher-education-funding-progressive-system-higher-cost-treasury/

¹¹³ Belfield, Chris, Dr Jack Britton, and Laura van der Erve. "Higher Education finance reform: Raising the repayment threshold to £25,000 and freezing the fee cap at £9,250." *Institute for Fiscal Studies* (2017). www.ifs.org.uk/publications/9965

¹¹⁴ Halterbeck, Maike and Gavan Conlon. "Estimating the costs associated with the student support offer" *London Economics*. (2018). <https://londoneconomics.co.uk/wp-content/uploads/2018/02/LE-Student-support-modelling-19-02-2018-7-Scenarios.pdf>

¹¹⁵ Belfield, Chris, Jack Britton and Louis Hodge. "Options for reducing the interest rate on student loans and reintroducing maintenance grants". *Institute for Fiscal Studies*. 17 November 2017, www.ifs.org.uk/publications/10154

¹¹⁶ "Review of Post-18 Education and Funding - Terms of Reference." *Department for Education*. (2018). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/682348/Post_18_review_-_ToR.pdf

¹¹⁷ Halterbeck, Maike and Gavan Conlon. "Proceed with Caution Estimating the costs associated with the student support offer" *London Economics*. (2018). <https://londoneconomics.co.uk/wp-content/uploads/2018/07/LE-WONKHE-Student-support-modelling-02-07-2018.pdf>

¹¹⁸ Belfield, Chris, Dr Jack Britton, and Laura van der Erve. "Higher Education finance reform: Raising the repayment threshold to £25,000 and freezing the fee cap at £9,250." *Institute for Fiscal Studies* (2017). www.ifs.org.uk/publications/9965

¹¹⁹ "For the Many, Not the Few." *The Labour Party*. (2017). <https://labour.org.uk/wp-content/uploads/2017/10/labour-manifesto-2017.pdf>

¹²⁰ "Patterns and Trends in UK Higher Education." *Universities UK*. (2018). www.universitiesuk.ac.uk/facts-and-stats/data-and-analysis/Documents/patterns-and-trends-in-uk-higher-education-2018.pdf

¹²¹ "Applicants for UK higher education down: 5% for UK students and 7% for EU students" *UCAS*. 1 February 2017, www.ucas.com/corporate/news-and-key-documents/news/applicants-uk-higher-education-down-5-uk-students-and-7-eu-students

¹²² "Applicants for UK higher education down: 5% for UK students and 7% for EU students" *UCAS*. 1 February 2017.

¹²³ "Details of fees free tertiary education and training for 2018 announced." *Ministry of Education*. 4 December 2017, www.education.govt.nz/news/details-of-fees-free-tertiary-education-and-training-for-2018-announced/

¹²⁴ Kehm, Barbara. "How Germany managed to abolish university tuition fees." *The Conversation*. 13 October 2014, <https://theconversation.com/how-germany-managed-to-abolish-university-tuition-fees-32529>

¹²⁵ Halterbeck and Conlon. (2018).

¹²⁶ Halterbeck and Conlon. (2018).

¹²⁷ Halterbeck and Conlon. (2018).

¹²⁸ "Higher Education funding: a sustainable future?" *Education Policy Institute*. (2018).
<https://epi.org.uk/publications-and-research/higher-education-funding-a-sustainable-future/>

¹²⁹ Belfield, Chris, Jack Britton and Laura van der Erve. "Labour's Higher Education proposals will cost £8bn per year, although increase the deficit by more. Graduates who earn most in future would benefit most." *Institute for Fiscal Studies*. (2018). www.ifs.org.uk/publications/9217

¹³⁰ Halterbeck and Conlon. (2018).

¹³¹ Belfield, Chris, David Goll, and Luke Sibieta. "Socio-economic differences in total education spending in England: middleclass welfare no more." *Institute for Fiscal Studies*. (2018).
www.ifs.org.uk/uploads/publications/bns/BN242.pdf

¹³² Callender and Geoff Mason. (2017)

¹³³ "Widening Participation in Higher Education, England, 2016/17 age cohort." *Department for Education*. (2018).
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/757897/WP2018-MainText.pdf

¹³⁴ McGuigan, Martin, Sandra McNally, and Gill Wyness. "Student awareness of costs and benefits of educational decisions: effects of an information campaign." *Journal of Human Capital* 10, no. 4 (2016): 482-519. <http://ftp.iza.org/dp8596.pdf>

¹³⁵ Crawford, Claire, Lorraine Dearden, John Micklewright and Anna Vignoles. "Raising GCSE attainment crucial to get more young people from disadvantaged backgrounds into university, but work to promote social mobility cannot end when they arrive on campus." *Institute for Fiscal Studies*. (2016). www.ifs.org.uk/publications/8799