



Department
for Business
Innovation & Skills

**POSTGRADUATE MASTER'S
LOANS POLICY**

Equality analysis

MAY 2016

Public sector equality duty

1. Under the Equality Act 2010, the Department for Business, Innovation and Skills (BIS), as a public authority, is legally obliged to give due regard to its public sector equality duty when making policy decisions. The public sector equality duty is also known as the general equality duty.
2. BIS, as a public authority must, in the exercise of its functions, have due regard to the need to:
 - Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
 - Advance equality of opportunity between people who share a protected characteristic and those who do not; and
 - Foster good relations between people who share a protected characteristic and those who do not.
3. The public sector equality duty covers consideration of the following protected characteristics: age, disability, gender, gender reassignment, pregnancy and maternity, ethnicity and sexual orientation. Because disadvantage in Higher Education is still apparent in connection to family income and economic status, the analysis includes the impact on individuals from lower socio-economic groups.
4. The terms protected group and disadvantaged group are used. Protected group is a reference to people with protected characteristics, and disadvantaged group is a reference to groups with low participation rates more widely.
5. This equality analysis reviews evidence which was used for the Consultation Document of March 2015 as well as evidence that has been gathered since then, which has informed the new postgraduate master's loans scheme, in terms of its effect on all of the demographic characteristics protected under Equality Act 2010.
6. Analysing the effects of decisions, including for example whether the decision to raise the age eligibility criteria from 30, as originally proposed, to 60 supported equality considerations, ensured the evidence was built into the decision making process which informed Ministers' final decisions.

Executive summary

7. The postgraduate master's loan scheme aims to support those who face barriers to accessing finance for the purpose of securing a master's qualification. It will help more students take up a master's who otherwise would not have had the opportunity, as well as helping others transition into master's study sooner. This will benefit individuals that take-up the loan by helping them realise their career aspirations as well as the wider economy by improving its productivity and supporting innovation. The higher earnings this will generate, along with the design of the loan scheme, should support the sustainability of the public finances in the long-term. To realise these benefits as soon as possible, the Government confirmed it would make finance available to students for master's courses starting in academic year 2016/17.
8. This analysis has found that women, members of minority ethnic groups and those from disadvantaged backgrounds are likely to particularly benefit as they are groups that currently face greater barriers to master's level education. By making finance available to help overcome some of these barriers we anticipate creating the opportunity for those in protected groups to advance their careers and earning prospects and to see positive developments in participation rates and the diversity of the student body.
9. Analysis of the evidence available has not highlighted a reason to believe that protected groups should experience disproportionately negative impacts from this policy. Data is not available to make an assessment of the potential extent of any possible unintended indirect discrimination resulting from the loan. The Department for Business, Innovation and Skills will carefully monitor the impact of the new master's loans policy, in particular on protected groups and the Government's progress in widening participation.

Headline conclusions

- **Age:** The Government has extended the age eligibility criterion from under 30 (as consulted on) to include those under 60. This brings the vast majority of otherwise ineligible students into scope and opens opportunities for a far greater number of individuals. Evidence shows that mature students also face significant barriers to entry that could be reduced by the availability of the loan, and supports the age 60 criterion as a proportionate means to achieving the Government's objectives.
- **Ethnicity:** Lack of access to financial support is a significant barrier to postgraduate master's education, in particular for black students, who also tend to enter at a later age than others. The introduction of the master's loan will help reduce this barrier to entry, and have a particularly significant impact on getting black students into master's education, and likely earlier in their lifetime.
- **Religion and Belief:** The Government introduced primary legislation in May 2016 which will, subject to Parliament, allow the Secretary of State to offer alternative student finance, consistent with the principles of Islamic Finance, alongside his current powers to offer loans and grants. This is intended to support the participation

of some students, particularly Muslim students, who might feel unable for religious reasons to take on interest bearing loans to support their education. Work on the alternative student finance model is on-going. This work includes careful consideration of where and how alternative student finance can deliver the most benefit for students across the system, and of the potential provision of an alternative student finance product equivalent to the master's loan.

- **Gender:** Women, although more highly represented in Higher Education than men, have been shown to be less likely to transition into postgraduate study, and evidence suggests they face higher financial barriers. The availability of the loan is expected to particularly help increase the number of women who transition into master's education.
- **Disability:** There is no basis to conclude that the master's policy in itself would be discriminatory.
- **Sexual orientation, marriage and civil partnership, pregnancy and maternity, gender reassignment:** We see no a priori reasons why these groups could be discriminated against by this policy but robust data on these protected groups at postgraduate level is not available to explore further.
- **Disadvantaged:** Analysis suggests that the master's policy should particularly benefit those from disadvantaged backgrounds. Data shows that students from disadvantaged backgrounds are less likely to progress to master's education, and lack of financial support is a commonly reported barrier of entry for students from disadvantaged backgrounds. The availability of the master's loan should help reduce this barrier, and therefore be of particular benefit.

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Section 1: About postgraduate master's education

1.1 Context and rationale for Government intervention

10. The Government believes there are clear and recognised benefits to the UK economy from increasing the supply of workers with high level skills. These skills are needed to meet demand from employers and stimulate an innovation led economy, not least because changes in technology are increasing the demand for high skilled workers in the UK and internationally. It has been found that a master's student receives a net lifetime benefit of approximately £59,000 for men and £42,000 for women¹.
11. UKCES (UK Commission for Employment and Skills) Employer Skills Survey looks at skills shortages faced by employers. 2013 saw a 60% increase in skill-shortage vacancies² relative to 2011. Today the density of skill-shortage vacancies remains largely unchanged and the impacts of skill-shortage vacancies continue to be significant for employers. Skill-shortage vacancies were caused by a number of factors including people and personal skills, and technical and practical skills, lacking amongst applicants. Skills related to operational aspects of the role, as well as complex analytical skills, were the main technical and practical skills lacking. Over two-thirds of employers that had difficulty filling their vacancies solely as a result of skill shortages had experienced a direct financial impact through either loss of business to competitors, increased operating costs, or having to outsource work, or some combination of the three³.
12. Despite the need for highly-skilled workers, the number of master's students had been declining. HESA (Higher Education Statistics Agency) data shows that the number of English and EU-domiciled master's entrants dropped by 15% between 2010/11-12/13. The number of such students has increased modestly recently, rising 2% in 2013/14 and a further 1% in 2014/15.
13. The development of a new loan to support the acquisition of master's⁴ qualifications has been stimulated by five key developments:
 - Recognition of the need to improve the supply of highly skilled individuals to fill skills gaps to support economic growth priorities, a shortfall that master's level education can help to meet and to do so quickly.

¹ London Economics (2011) "The Returns to Higher Education Qualifications"

² From 91,400 to 146,200. Skills shortage vacancies are those that are difficult to fill due to the shortage of suitable skills.

³ UKCES Employer Skills Survey (2015)

www.gov.uk/government/uploads/system/uploads/attachment_data/file/499047/UKESS_Summary_report_-_for_web.pdf

⁴ Separate product is currently in development for research postgraduate (PhD) courses.

- Concerns about the fall in domestic take-up and demand for master's level study when ideally we would be seeing higher volumes of graduates transition into postgraduate master's level education.
- The lack of a holistic framework for financial support encompassing undergraduate and postgraduate education.
- Recognition that there is a general financial market failure, particularly in relation to the availability of finance through established lending routes to pursue postgraduate master's level education.
- Concerns about accessibility of postgraduate master's study to individuals from all backgrounds, particularly those from lower socio-economic backgrounds when so many must finance their studies themselves e.g. through savings, parental support or access via a commercial bank loan where eligible and available.

1.2 Government investment in postgraduate master's education to date

Professional and Career Development Loans

14. The main publicly subsidised source of funding currently available to postgraduates in the UK is the Professional and Career Development Loan (PCDL). PCDLs are offered by Barclays and the Co-Operative bank, and are available for £300- £10,000 over 84 months. The Government covers the interest for the duration of study plus one month following study completion. The student becomes liable to begin repayment of the loan plus interest one month after graduation, regardless of their income or employment status, over a period of 1 to 5 years.
15. PCDL uptake is low, with only 5,500 (8%) of English taught master's students taking out a PCDL in 2014. In 2015, 74% of PCDLs were secured to fund postgraduate master's courses, with the other 26% used to fund other postgraduate and vocational education courses.
16. The PCDL scheme is expected to continue in its current form. Those who access the master's loan are not disqualified from accessing a PCDL, including those who may not meet the eligibility criteria for the new postgraduate master's loan scheme. Annex B provides further detail on PCDLs.

£75m Postgraduate Support Scheme

17. In July 2013, the Government announced £75 million investment to help remove barriers to postgraduate education at master's level. This was intended to bridge the gap before a long-term funding solution was found. This investment involved:
 - £25 million in 2013-14, administered by HEFCE, to fund 20 pilot projects at universities and colleges to stimulate students' progression into taught postgraduate education. The purpose of the investment was to encourage universities to test different ways of supporting progression onto master's study, attract under-

represented students, and work with industry and employers to promote and enhance the contribution postgraduate education makes to the economy and society. The evaluation of the pilot projects can be found on HEFCE's website at: www.hefce.ac.uk/pubs/rereports/Year/2015/pssfinal/Title_105303_en.html

- £50 million in 2015-16, allocated and administered by HEFCE to Higher Education institutions for the provision of 10,000 bursaries on a match-funded basis. The one-off scheme was intended as a bridge to benefit 10,000 students, 50% match-funded by institutions and employers until the new master's scheme was launched for academic year 2016/17. The direct public funding of this investment meant it could only support a fixed number of bursaries. The new loan will be demand led.

1.3 About the proposed master's loan policy

18. At Autumn Statement 2014, the Government announced its intention to introduce a new government backed loan system in England for postgraduate master's students. Anyone eligible and accepted to study a postgraduate master's course, in any subject, would be able to access an income contingent loan of up to £10,000. Public consultation on the policy was launched in March 2015 and set out the Government's objectives, key underpinning principles and rationale for the proposed terms and design features of the new loan. The consultation received 411 responses⁵. The Government analysed the responses to the consultation and published its response on 25 November 2015⁶.
19. The proposed eligibility criteria, design and repayment features of the master's loan were consulted on. The following list sets out the proposed features as they were at the time of consultation.

Eligibility consulted on:

- **Individual eligibility:** Those who are English-domiciled (ordinarily resident in the UK for a minimum of 3 years) and EU-domiciled students (resident in the EU for a minimum of 3 years) will be eligible subject to meeting all the other criteria
- **Individual eligibility:** Those aged 30 and under on 31 August of the academic year before course start date will be eligible
- **Individual eligibility:** For those without an existing master's qualification, including one obtained as part of an integrated undergraduate course resulting in an MA/MSc degree.
- **Course eligibility:** Available for 1 or 2 year full-time, or 2 or 4-years part-time master's courses (taught or research), at least at 50% intensity
- **Institutional eligibility:** At HEFCE funded institutions and Alternative Providers with Degree Awarding Powers

⁵ BIS (2015) "Consultation on Support for Postgraduate Study"

⁶ www.gov.uk/government/consultations/postgraduate-study-student-loans-and-other-support

Design and Repayment consulted on:

- **Loan amount:** Up to £10,000 income contingent loan; payable in 3 (or 6 for part-time courses) tranches
- **Loan purpose:** The loan is a contribution to costs paid directly to the borrower to cover either tuition and/or maintenance
- Interest would be calculated at RPI + 3%
- Repayment threshold of £21k per annum (frozen for 5 years)
- Repayment will be made concurrently with any outstanding undergraduate loan. Repayments being collected through HMRC (PAYE) for UK residents; and recovered directly from EU borrowers
- Write-off at 30 years
- **Timetable:** The scheme is being targeted so that the loans are available for courses commencing on academic year 2016/17

1.4 Public Consultation

20. Public consultation on the policy was launched in March 2015 and received 411 responses. Overall, the response to the consultation was supportive of the principles and Government's objective underpinning the master's loan proposal:
- A wide range and significant number of respondents considered the Government's proposed master's loan policy justified by the financial and non-financial barriers faced by individuals wishing to pursue postgraduate master's study.
 - The proposed £10,000 master's loan as a contribution to costs would help some individuals to access taught master's courses where they could not do so before.
 - The findings support a funding mechanism spanning all subject areas.
21. Concerns, related to equality issues, included:
- The proposed under age 30 eligibility criterion for the loan on the grounds that it would not benefit those aged 30 and over. Many thought that those aged 30 and over would face higher finance-related barriers, due to existing debt and greater living costs (e.g. childcare).
 - Many respondents suggested ways of better supporting individuals out of scope of the current proposal. Examples include stimulating greater employer involvement (such as scholarships), as well as via small grants, bursaries and loans which could be offered by grant-giving institutions.
 - Some respondents thought that the under age 30 eligibility criterion, the exclusion of distance learning courses and the exclusion of study with a duration of more than 2 years may amount to indirect discrimination on the grounds of disability and gender. They may also be less beneficial to those with work or family commitments on the grounds they need more flexible access to study.
 - Some respondents were concerned that £10,000 will not be enough to cover all tuition fee costs for some courses, let alone living costs. It could then leave a funding gap for those with limited savings or from low income backgrounds. There is also variation in costs that need to be covered - for example some course fees (e.g. STEM) tend to be more expensive, and living costs in London and some other locations are higher than average.
22. Some consultation responses highlighted that findings on barriers to postgraduate master's study were largely based on the views of current postgraduate students. It was suggested that the Government should also seek to understand the views of those who could not afford postgraduate study, or were prevented from study by other barriers. Some of this population has been captured as a part of Youthsight and Futuretrack studies, mentioned above. However:
- The population of those who were held back from postgraduate study is difficult to reach – these people would need to be identified among the whole population of existing graduates.

- One could potentially survey all graduates and ask them whether they would have done a postgraduate degree if finance was available to them. However, it would be impossible to genuinely ascertain whether those people would have undertaken master's study if finance was available because individuals find it difficult to estimate their actions in a counterfactual scenario. This gives rise to the risk that a survey based on self-reported intentions is not truly representative of the population of interest.

Changes to policy since consultation

23. Government published the response to public consultation on 25 November 2015. The key details and changes it confirmed to the design of the scheme, compared to the original consultation proposal, were:
 - Age eligibility criterion was extended to 60 years
 - The course eligibility criteria now explicitly includes research master's (e.g. MPhil) courses;
 - Eligible courses offered by Distance Learning as a mode of study will be in scope;
 - Loans can be used to study eligible courses in institutions in Scotland, Wales and Northern Ireland by eligible English domiciled students.
 - Alternative Providers with Degree Awarding Powers will through a course designation process be able to access the new master's loan from academic year 2016/17, and this opportunity will be extended to other Alternative Providers from academic year 2017/18.
24. At Budget 2016 Government further widened the scope to benefit more students when it announced that the loan would be available for part-time master's courses up to three years with no full-time equivalent. These courses will be in scope from, academic year 2016/17.

Section 2: Background

2.1 Approach to equality analysis

The approach to undertaking this equality analysis has been to:

Determine the distribution of protected characteristics in the population of postgraduate master's students:

25. We investigate whether this composition varies according to the proposed eligibility criteria to better understand which groups may be disproportionately affected by the introduction of the policy.

Understand, where possible, protected groups' likely response to the policy:

26. The demographic breakdown of the postgraduate student population is likely to change following the introduction of loans. We investigate whether the response to loans is likely to vary across different protected and disadvantaged groups due to other characteristics associated with these groups, for example, the extent to which they face non-financial barriers to postgraduate study or possess different attitudes to debt.
27. However, forecasting behavioural responses to new policies is notoriously challenging. Once the policy is launched, the Government will monitor the composition of postgraduate loan recipients to understand how the introduction of loans has affected different groups.

Assess the rationale behind policy design features that differentially affect different groups:

28. Under section 13(2) of the Equality Act 2010, the Secretary of State will be considered not to have discriminated against a person on the basis of age if the treatment of that person is a proportionate means of achieving a legitimate aim. Similarly, under section 19(2)(d), the Secretary of State will be considered not to have indirectly discriminated⁷ against a person on the basis of any of the protected characteristics, if it can be shown that the treatment of that person is a proportionate means of achieving a legitimate aim.
29. If certain protected groups are likely to be more affected by the policy, the analysis needs to assess the strength of rationale behind policy design features to understand if they are proportionate.

⁷ 'Indirect discrimination occurs where a provision, criterion or practice puts, or would put, individuals with a protected characteristic, at a particular disadvantage when compared with individuals who do not share the protected characteristic.

2.2 Data sources used

The data sources used in this analysis are as follows:

30. **Higher Education Statistics Authority (HESA) student record data for all UK public funded Higher Education Institutions in 2014/15.** Unless explicitly stated otherwise, all the statistics presented cover English and EU-domiciled students that entered taught and research master's courses in the 2014/15 academic year. Data on Alternative Providers is very limited and has been excluded from this analysis.

BIS commissioned research:

31. **'Understanding Mature Entrants' Transitions to Postgraduate Taught Study' (2016).** This is a representative survey, commissioned by BIS, conducted over late 2013-early 2014 of the postgraduate population in English HEIs. In total 7,734 UK domiciled students, 45% of whom were studying on taught master's courses. The study reports on UK students only with particular focus on mature students examining their motivations to study; pre-entry activities; sources of funding/finance whilst studying and barriers and challenges faced in taking up postgraduate master's level study.
32. **Higher Education Academy 'Transition to higher degrees across the UK: An analysis of national, international and individual differences' (2013).** This report investigates patterns of transition to postgraduate degrees in the UK. It focuses on full-time UK- and EU-domiciled first degree graduates who successfully completed their studies in the 2009-10 and 2010-11 academic years, using data about their studies, their background characteristics and their activity after graduation, provided by the Higher Education Statistics Agency. It measures and compares the rates of transition to higher (postgraduate) degrees by different demographic groups and domicile regions.
33. **Youthsight "Student and graduate views on the proposed loan for postgraduate taught study" (2016).** BIS-commissioned an online survey on views of 1748 current undergraduate students, graduates and postgraduates. It examines their views on postgraduate education in general and on the proposed master's loan policy as announced at Autumn Statement 2014 in particular. The respondents are mostly recruited at the UCAS undergraduate stage. This means that whilst the undergraduate group will be relatively representative, other groups, such as older age groups, are not.
34. **Learning from Futuretrack (2016): deciding to undertake postgraduate study.** Study of Futuretrack data (census of applicants to HE in 2006 who were followed up until 2012). 22% of this cohort entered postgraduate study at some point after graduating. 71% had undertaken a master's or other taught postgraduate course. This study looked at the outcomes of those who intended to do postgraduate study and the characteristics associated with progression and non-progression.
35. Evidence and analysis carried out by other organisations, including that submitted as part of stakeholders' responses to the consultation.

Income and repayment modelling

36. Much evidence used in comparing different policy options (Section 4) relies on internal BIS student income and loan repayment modelling. The Stochastic Earnings Path (StEP) model is the financial model used by BIS to estimate the financial cost of income-contingent undergraduate student loans to Government – the current iteration is known as StEP3. This model has been extended to estimate the cost of the proposed master's loan scheme. Further information regarding the StEP model can be found in the Annex of this document.
37. The main data sources used in the undergraduate model are:
- Student Loans Company administrative data – to initialise the model with the correct income and employment distributions, also used for earnings in early repayment years. Used for modelling of payments direct to the SLC.
 - British Household Panel Survey (BHPS) data – used in the earnings and employment models
 - Labour Force Survey (LFS) data – to convert income percentiles to cash amounts, regarded as more reliable than cash values from BHPS due to large sample sizes
 - Destinations of Leavers from Higher Education (DLHE) survey – used in the graduate age adjustment
 - ONS International Passenger Survey (IPS) – data on migration
 - ONS life tables – data on deaths
 - Office for Budget Responsibility (OBR) macroeconomic forecasts – forecasts of earnings growth, and RPI
38. In addition for the postgraduate model, two extra data sources are used:
- HESA student record data – demographic information on the population of master's degree entrants in England
 - BIS research report (“The Returns to Higher Education Qualifications” – June 2011) – the premium of holding a master's qualification over an undergraduate degree.
39. The main assumptions of the model include:
- It is assumed that the loan borrowers will have the same distribution of characteristics as the 2014/15 postgraduate taught entrant cohort. We are also assuming that once these characteristics (age and gender) are taken into account, the loan borrowers have the same earning potential as the wider population of PGT graduates. This assumption is made because it is not possible to quantify additional master's take-up by demographic group. In reality, however, the loan is intended to support groups who currently face financial barriers to study and therefore will help a wider cross-section of students go on to study at master's level.

- It is assumed that the relationship between one year's earnings and the next is similar to that of undergraduate loan borrowers. The non-employment model, estimating the duration and number of unemployed graduates, is also assumed to be the same for postgraduates as for undergraduates.
- The undergraduate earnings paths are uplifted by a postgraduate premium (8.9% for men; 10.3% for women) uniformly. This is a simplifying assumption in the absence of evidence on how the earnings premium for postgraduates may vary, for example by age or period since graduation.
- Migration assumptions are taken from International Passenger Survey – which measures the movements of all people rather than graduates in particular. The risk is that postgraduates could be more likely to migrate. International Passenger Survey already contains a large margin for error. The model currently assumes that zero repayments are received while an individual is abroad.

Section 3: Equality analysis

- The following section analyses how the policy will affect each of the groups protected under the Equality Act 2010.
- Availability of finance would allow more students who face this barrier to enter master's education or to do so sooner.
- This financial barrier to Higher Education is faced more acutely by minority ethnic groups, people with disabilities and women.
- The demographic profile of borrowers will need to be monitored once the product goes live, to review whether any particular protected groups have been disproportionately affected by the terms and conditions of the new loan.

3.1 Age

Progression to postgraduate master's study

40. The Government's consultation on support for postgraduate study⁸ outlined the main policy objective as enabling those who cannot afford or delay study at taught postgraduate level to take up places. An objective of the policy is to enable individuals to take up postgraduate study at a younger age than they would have otherwise.
41. Research commissioned by BIS⁹ found that mature students, as well as younger students, faced barriers to studying master's postgraduate education. The most commonly cited barrier reported by mature UK domiciled postgraduate taught students was about difficulties fitting the course around existing work commitments (49%), with concerns about fitting in study alongside family commitments (28%) and a lack of sufficient funding (28%), also featuring commonly. Furthermore, the majority of mature students were owner occupiers, suggesting a potentially significant financial commitment for their accommodation.
42. The availability of a master's loan, should help reduce these barriers. Not only will the loan directly address concerns regarding a lack of sufficient funding, as a knock on effect it could also reduce the pressure on the student to work as many hours, allowing them to more easily balance their work commitments with their study. In addition, those with families who also cited work commitments as a barrier to entry will also likely achieve a better balance with their family/study balance.
43. Mature postgraduate students also tend to take longer to transition from undergraduate education, than younger students. The majority, 61%, of mature students took over 5 years to make the transition, and only 9% transitioned straight into taught postgraduate education following completion of their undergraduate

⁸ www.gov.uk/government/consultations/postgraduate-study-student-loans-and-other-support

⁹ 'BIS (2015) 'Understanding mature entrants transitions to postgraduate taught study'

studies. By contrast the majority of younger students transitioned straight into taught postgraduate education, with 98% having made the transition in under 4 years.

44. **Conclusion:** The evidence suggests that providing a holistic funding mechanism will enable more students to enter postgraduate study, by reducing financial barriers to entry, benefiting students of all ages. In turn, this finance will enable them to do so at a younger age than they would have otherwise, helping to maximise the financial benefits both for the individual, and the exchequer.

3.2 Religion and belief

45. The quantity of data available on religion and belief is very low and does not allow us to paint an accurate picture of the representation of people with these identities in institutions¹⁰. HESA does collect voluntary information on students' religion or belief, however the response rate is very low, with two thirds of all students not providing this information and over 40% of HEIs not returning any data at all.
46. While members of certain religious groups may be under-represented in master's level education, it is unclear that religion in and of itself is likely to influence the extent to which students might face financial barriers to postgraduate study, except where this explicitly relates to one of the principles of that religion.
47. One of the main policy objectives which informed the design of the scheme was that 'on average individuals repay in full' i.e. the repayments should be expected to be at equivalent levels to the amount lent. Interest is payable on the loans at RPI + 3% and this is comparable to other Government student loans. A real positive rate of interest could deter some prospective students who feel unable to use interest bearing loans for religious reasons, particularly some Muslim students.
48. To ensure participation and choice are open to all, the Government has introduced primary legislation which will, subject to Parliament, allow the Secretary of State to provide alternative student finance consistent with the principles of Islamic finance alongside loans and grants.
49. As we work to develop the legislation and operating model, we will consider whether this product could be made available to support participation in postgraduate master's courses alongside other forms of study.

¹⁰ ECU (2015) "Equality in higher education: statistical report 2015" looks at the available evidence on religion and belief in higher education.

3.3 Ethnicity

Representation of different ethnic groups in the postgraduate population

50. Black and Asian students are overrepresented within the population starting master's studies compared to their representation in the general population (8 per cent compared to 3 per cent, and 11 per cent versus 8 per cent respectively). This suggests that in general, members of ethnic minority groups are more likely to enter master's education. Table 1 below shows the ethnic distribution of first degree undergraduate and master's students. The proportion of non-white students in master's study is 24%, versus 27% at first degree level. Black and Asian students in particular are found to progress onto master's level study at a lower rate.

Table 1: Ethnic distribution of English domiciled master's and first degree undergraduate entrants in 2014/15, based on BIS analysis of the HESA Student Record data.

	% in the general population ¹¹	First degree	Master's degree
White	86%	73%	76%
Black	3%	9%	8%
Asian	8%	12%	11%
Other	3%	6%	6%

Impact on different ethnic groups

Additional students

51. A study tracked a 2006 cohort of undergraduate students to check how attitudes to study varied with age. It was found that Black students aiming to undertake postgraduate study were least likely to achieve it¹².
52. Data from the Labour Force Survey shows the members of minority ethnic groups to have markedly lower employment rates. In 2014, average employment rates were found to be 57% for Asian, 62% for Black and 58% for other ethnic groups, relative to the average employment rate of 73%.

¹¹ Census 2011 data, Office for National Statistics
www.ons.gov.uk/peoplepopulationandcommunity/culturalidentity/ethnicity/articles/ethnicityandnationalidentityinenglandandwales/2012-12-11#background-notes

¹² BIS (2015) 'Learning from Futuretrack'

53. Black students were more likely to face financial barriers to postgraduate study. A survey of postgraduate students¹³ found that black¹⁴ students were more likely to cite 'lack of sufficient funding' (47% compared to the average of 34%).

Table 2¹⁵: Affordability as a reason for delaying postgraduate taught study, by broad ethnic group. Source: Mature Students' Transition to postgraduate study

Ethnic group	% delaying postgraduate taught study because they couldn't afford to
White	32%
Mixed	30%
Black	36%
Asian	27%
Other	21%
All	31%

54. The proportion of students of different ethnic groups studying for master's qualifications varies greatly with age and with ethnic group. Looking at broad ethnic groups, different patterns emerge for Black, Asian and Other students, as they face different barriers to master's study and have different backgrounds¹⁶:
- The average age of Black master's entrants in 2014/15 was 33 years, higher than the average of 31 years for all students.
 - The average age of Asian entrants in 2014/15 was found to be 28, significantly lower than the average of 31 years for all students.
 - The age distribution of students from 'Other' racial groups (including mixed, Arab and other ethnic backgrounds) was also found to be lower than average (29).
55. **Conclusion:** The evidence above suggests that Black students are more likely to face financial barriers, which means that they could be more likely to benefit from the proposed new loan scheme. They also, on average, tend to progress to postgraduate study at a slower rate, often due to lack of access to finance. The new master's loan scheme would therefore advance equality of opportunity for this group.

¹³ BIS (2015) 'Understanding mature entrants transitions to postgraduate taught study'

¹⁴ black students n=216 (unweighted)

¹⁵ BIS analysis of 'Understanding Mature Postgraduate Transitions' dataset

¹⁶ BIS analysis of the HESA Student Record

3.4 Gender

56. The proposed loans aim to remove finance-related barriers to accessing master's study. If there are differences in finance-related barriers by gender, the availability of the loan could alleviate this imbalance. This is explored further below.

The current situation

57. HESA data shows that 54.6% of English and EU domiciled entrants onto master's course were female in 2014/15. Women are less represented in master's courses compared to those who qualified with a first degree (57.6%), and those holding first class honours (56.5%). This is consistent with other research which shows that females are on average less likely to progress to higher degrees than males¹⁷, although women are still more represented than men in postgraduate masters education.

Age distribution

58. HESA data shows that male and female master's students tend to have a very similar age distribution. The average age of male entrants in master's courses in 2014/15 was 29, versus 30 for females. There are minimal differences in the age distributions by gender.

Finance as a barrier to master's study

59. A survey of existing postgraduate students¹⁸ shows similar attitudes towards postgraduate finance between men and women; however it highlights that women might face higher financial barriers. This suggests that the availability of master's loans will have a greater positive effect on women in terms of enabling access to education.
60. The survey explored the barriers to postgraduate study faced by different gender¹⁹:
- 35% of men and 40% of women in postgraduate taught courses agreed with the statement 'I nearly did not do a postgraduate course because I was concerned about the debts I would build up'.
 - 34% of men and 39% of women in postgraduate taught courses were struggling to cope financially.
61. **Conclusion:** Women have been found to be less likely to transition to master's study. It is not known whether this is a reflection of their career choices or whether it can be partly attributed to greater financial barriers. Provision of loans could be expected to advance equality of opportunity to access education.

¹⁷ HEFCE (2013) 'Trends in transition from first degree to postgraduate study'

¹⁸ BIS (2015) 'Understanding mature entrants transitions to postgraduate taught study'

¹⁹ Unweighted base n=3925

3.5 Disability

62. HESA data shows that in 2014/15, 9% of master's entrants declared a disability, this compares with 12% of those who qualified from a first degree course with a first class honours and 14% for all undergraduate qualifiers²⁰. This indicates that disabled students are slightly less likely to proceed to master's study. The new loan could alleviate this, especially if disabled students face greater financial barriers to accessing master's study.
63. A survey of postgraduate students shows that students with a health problem or disability are more likely to cite 'lack of sufficient funding' as a challenge they faced before starting their course (41% vs 32%)²¹. They were also more likely to struggle financially during their studies (49% vs 35%). Responses also indicated they were more likely to hold an outstanding student loan for undergraduate study, and to have received maintenance support.
64. **Conclusion:** It is also likely that the availability of the new master's loan scheme will advance equality of opportunity by removing finance-related barriers, which are more prevalent for disabled students. In addition to that, Disabled Student Allowance (DSA) will continue to be available to all disabled postgraduate students²² regardless of whether they access the new master's loan. In addition Higher Education Institutions have duties under the Equality Act.

3.6 Other protected characteristics

65. HESA data relating to the protected characteristics of marriage and civil partnership²³, gender reassignment and sexual orientation has only recently been collected. However, high non-response rates means that it is not possible to use this data to give an accurate representation of the population and analyse these protected groups. This section therefore sets out a qualitative assessment for these groups.

Gender reassignment and sexual orientation

66. The eligibility criterion for the new master's loan does not restrict access based on sexual orientation or gender reassignment.

Pregnancy and Maternity

67. According to Equality Act 2010, this protected characteristic includes women from the beginning of the pregnancy to 26 weeks after she gives birth. There is little data

²⁰ BIS analysis of the HESA student record, English and EU domicile students.

²¹ BIS (2015) 'Understanding mature entrants transitions to postgraduate taught study'

²² Disabled Students' Allowance of up to £10,362 a year is available to postgraduates, to cover the additional study costs related to their disability.

²³ Marriage and Civil Partnership is a characteristic, protected under Equality Act 2010, but is not protected under the Public Sector Equality Duty

available on the number of women in these circumstances who participate in postgraduate study.

68. The eligibility criterion for the new master's loan does not relate to pregnancy or maternity, and there is no evidence to suggest that pregnant women or mothers would be adversely affected by the introduction of this policy.
69. However if any differential impact were likely, it is expected that the loan would particularly benefit individuals whom are pregnant or new mothers. Given the costs associated with master's study, and the costs associated with parenthood, a lack of funding could pose a significant barrier to entry. The introduction of an income contingent loan for master's study, at a period of time individuals whom are pregnant or new mothers are more likely to take time away from work, could help remove these barriers and encourage earlier participation.
70. **Conclusion:** There is no evidence to suggest that any of these groups would be negatively affected by the introduction of the new master's loan scheme. We were also unable to identify any reason why the master's loan scheme would affect these groups differently.

3.7 Disadvantage

71. Socio-economic disadvantage is not one of the protected characteristics under the public sector equality duty in the Equality Act 2010. However, disadvantage is an important factor in progression to Higher Education, and the master's loan policy strives to reduce disparities based on socio-economic background in postgraduate master's study. The following section analyses the effects of the policy on those from disadvantaged backgrounds.
72. The 2012 report of the Independent Reviewer on Social Mobility and Child Poverty²⁴ noted the absence of a funding framework for postgraduate master's students. It highlighted that many careers now require postgraduate qualifications, and that the ability to pay upfront, rather than an individual's potential, risks becoming a stronger factor in determining who can access postgraduate education.
73. HEFCE analysis in 2013²⁵ supports the observation that disadvantaged students are less likely to progress to postgraduate taught study²⁶. The data shows that even where students achieve the same undergraduate degree classification, being from a disadvantaged background has an effect.

²⁴ Report of the Independent Reviewer on Social Mobility and Child Poverty (2012) University Challenge: How Higher Education Can Advance Social Mobility:

www.gov.uk/government/uploads/system/uploads/attachment_data/file/80188/Higher-Education.pdf

²⁵ HEFCE (2013) 'Trends in transition from first degree to postgraduate study'

²⁶ The participation of local areas (POLAR) classification groups areas across the UK based on the proportion of the young population that participates in higher education (HE). Quintile 1 shows areas with lowest representation in higher education, which indicates the highest level of disadvantage. Worth noting that these measures are stronger indicators of disadvantage at undergraduate level and are less representative once students become independent.

Table 3. One-year transition rates of young full-time first-degree UK qualifiers at English HEIs in 2010-11 to postgraduate courses split by POLAR quintile, from HEFCE data.

POLAR quintile	Postgraduate Research	Taught Masters	Other Postgraduate	Total Postgraduate
1 (low)	1.2%	6.3%	3.7%	11.3%
2	1.3%	6.8%	3.8%	11.9%
3	1.6%	7.0%	3.7%	12.3%
4	1.7%	7.3%	3.5%	12.6%
5 (high)	1.7%	8.0%	3.0%	12.7%
Under-21 total	1.6%	7.3%	3.4%	12.3%

74. This analysis has also been undertaken split by parental National Statistics socio-economic classification (NS-SEC) at the point of enrolling on to their first degree course. This field is self-reported by students and has been grouped for this analysis; NS-SEC 1-3 includes managerial and professional positions and NS-SEC 4-7 includes supervisory, technical and routine positions. This shows a similar trend with the POLAR split, that students from less privileged socio-economic backgrounds were less likely to progress to taught master's and postgraduate research courses, but more likely to progress to other postgraduate courses, which are mostly regulated vocational courses in areas such as education and healthcare, including postgraduate certificates of education (PGCEs).

Table 4: One year transition rates of young full-time first-degree UK qualifiers at English HEIs in 2010-11 to PG courses split by parental NS-SEC grouping, from HEFCE data.

Parental NS-SEC grouping	PG Research	Taught Master's	Other PG	Total PG
1-3	1.9%	7.9%	3.4%	13.2%
4-7	1.1%	6.1%	3.6%	10.8%
Under-21 total	1.6%	7.3%	3.4%	12.3%

75. Similar observations can be made when looking at the distribution of undergraduate and master's students by their socio-economic background. Table 5 shows those from low-participation quintiles were significantly underrepresented at master's level relative to the undergraduate level.

Table 5: 2014/15 Distribution of first degree qualifiers and master's entrants split by POLAR quintiles, HEFCE data.

	First degree entrants	First degree qualifiers	Master's entrants
1 (low)	11.6%	10.0%	9.0%
2	15.9%	14.8%	13.3%
3	20.5%	19.4%	20.6%
4	22.9%	23.8%	24.0%
5 (high)	29.1%	32.0%	33.1%

76. It has not been possible to gather evidence on attitudes to finance and financial health split by NS-SEC. It has therefore not been possible to analyse whether loan take up would differ by NS-SEC. The loan would reduce the financial barriers to study but increases the debt burden in the longer term although students would want to consider this in the context of a postgraduate qualification increasing their future earnings potential and loan repayments being income contingent. Students may weigh these factors differently based on their background.

Attitudes to debt

77. Financial barriers to education are seen as one of the largest barriers to a master's education. This is likely to be especially true for those from disadvantaged backgrounds who will have less access to alternative financial sources.
78. Research on students' attitudes to debt is mixed. Some research suggests students from disadvantaged backgrounds are more debt averse (e.g. Callender and Jackson, 2005), suggesting a risk that they do not take advantage of the new loan product as much as their more advantaged peers. Further work (BIS, 2010) supported this finding of debt aversion amongst students from disadvantaged backgrounds, and showed that their decision on where to study became significantly influenced by the cost of living, with them also more likely to opt to study closer to home, and opportunities for term time work.
79. A more recent study (Harrison et al, 2015) has shown that attitudes to debt amongst those from disadvantaged backgrounds is more complex than previous studies have suggested, with some students from disadvantaged backgrounds displaying greater positivity around the use of debt now to enable progression to higher level careers, and improve their economic situation.
80. Recent trends in Higher Education participation do not suggest that debt aversion has strongly impacted on student decisions. Higher Education participation has

continued to grow, including amongst those from low participation backgrounds, despite the cost of study shifting significantly away from taxpayers and on to students themselves (through higher fees and greater loans).

81. It is also important to consider the context of the policy, which is introducing a new income contingent loan, not currently available at postgraduate level, and that evidence of the master's graduate earning premium suggests a master's is a strong investment that should cover the cost of the additional debt.
82. **Conclusion:** It is expected that the loan should help to advance the equality of opportunity for all students. Monitoring of success in this area will also be necessary, in particular because the loan is only intended to be a contribution towards to cost of master's study, and it is uncertain what behaviour impacts the loan may have.

Section 4: Loan eligibility criteria

This section reviews how the different loan eligibility criteria will affect protected groups.

4.1 Individual eligibility

- **The new master's loan will be available to those under 60.**
- **Individuals will be eligible if they are UK nationals who have been ordinarily resident in the UK for 3 years (most recently England) or EU nationals who have been ordinarily resident in the EU for 3 years.**
- **The eligibility criteria will have a positive impact on participation for individuals of all characteristics, although particularly for disabled, BME, disadvantaged and mature students.**

Under age 60 eligibility criterion

83. The master's loans will be made available to all those aged under 60 at the start of their course. This eligibility criterion directly excludes a small group on the basis of age. However, there is an overwhelmingly strong rationale for this policy.
84. **Population:** In 2014/15, around 900 English and EU students aged over 59 entered master's courses in UK Higher Education Institutions constituted less than 1 percent of the overall eligible population.
85. **Economic benefit:** The policy aims to address the reported skills gaps in the country and so help promote greater economic growth. Providing loans to those aged over 59 would reach a group that, on average, would be unlikely to spend a significant number of years in the labour market after graduation. This would limit both the individual benefits (in terms of wages) received and those accruing to the wider economy and society.
86. **Likelihood of repayment:** A similar rationale holds for costs of the policy. In most cases, a person aged over 59 would have spent less of the usual (30 year) repayment period in the labour market. Therefore, the likelihood of them repaying the loan is very low. For many of them, this would effectively become a grant from taxpayers.
87. **Conclusion:** provision of loans to those over 59 would have very high costs, while also having little economic benefit to either the individual or the economy at large. The age 60 criterion reflects a change to the proposal that was consulted on (which had been an age criterion of 30) and is the same as for undergraduate maintenance loans.

Residency Eligibility Criterion

88. Although EU law specifically permits differential treatment between EU and UK students in relation to maintenance payments and loans, EU law does not permit

such differential payments in relation to fee payments and loans. Since the master's loan is in relation to "costs", this could cover fee payments as well as maintenance payments, the master's loan eligibility criteria cannot treat EU students less favourably than UK students. The Government will, however, monitor the numbers of UK and EU students applying for the loan.

Compliance with the Supreme Court's judgment on the Tigere case

89. In July 2015 the Supreme Court issued a judgment in the case of *Beaurish Tigere* which ruled that it would be unlawful to refuse Ms Tigere a student loan solely on the basis of the settled status criterion. The Secretary of State accepted that sufficient connection to the UK could also be demonstrated if someone has been in the UK for a long time. The undergraduate Regulations have been amended to ensure that people with Ms Tigere's immigration status are eligible for a student loan. The eligibility criteria for the master's loans Regulations mirror the revised undergraduate provisions for this purpose.
90. We are, however, currently unable to estimate the number of eligible students who share Ms Tigere's immigration status and who will apply for the master's loan. We will keep the policy and supporting data under review.

Prisoners

91. The extension of the availability of the master's loan to include distance learning courses theoretically enables prisoners, who undertake master's studies, to apply for a loan. The population of prisoners who could undertake master's studies is estimated at 1,500, of which we expect 100 to take up the loan in the academic year 2017/18 and for this to rise in the longer-term to an annual take up of 200²⁷.
92. Prisoner eligibility for the postgraduate master's loan will be similar to the criteria for prisoners accessing the undergraduate tuition fee loan. For example, prisoners will be eligible for the postgraduate master's loan only when they are within a set period of their release date (4 years in the case of the master's loan). This is because the transition from completion of master's study to employment is a core driver of the policy to open up availability of the master's loan to students and the loan's economic basis. Completion close to a prisoner's release increases the likelihood of that student being able to repay based on improved employability outcomes.
93. Prisoners will only be eligible for an amount of loan equivalent to their course tuition fees so as to avoid duplication of maintenance funding. Also, rather than pay the master's loan direct to the student, as is planned for the general population, the loan monies will either be remitted straight to the relevant academic institution or will be administered by a third party on the student's behalf.
94. Prisoners will be eligible for courses starting from academic year 2017/18 which will be a year later than the general population because a separate loan administration

²⁷ Internal BIS analysis, based on Ministry of Justice Quarterly Offender Management Statistics and BIS data on take-up of undergraduate loans in prisons

system will need to be established and it is not possible to put this system in place for 2016/17.

Universal Credit Benefit Entitlement

95. There is an interaction between postgraduate master's loans and benefit entitlement, both in the legacy benefit system and in relation to the Department for Work and Pensions' Universal Credit policy. This interaction appears to most affect those who are disabled and have children.
96. In the legacy benefit system and in Universal Credit, individuals receiving Higher Education are usually ineligible. However, there is a set of exemptions to this, for example, full time undergraduate students may be eligible if they are severely disabled or they, or their partner, have children.
97. DWP is considering an approach which would mirror that taken in the undergraduate student loans system. This would mean a portion of the master's loan being taken into account when calculating an eligible student's Universal Credit and that full-time master's students receiving Universal Credit would not have a work requirement placed on them.
98. The aim would be to avoid duplicative Government funding of student maintenance costs while ensuring master's students who were in receipt of Universal Credit weren't disadvantaged should they wish to pursue a master's qualification to improve their employability outcomes and leave the benefits system.

4.2 Institutional eligibility

- **Eligible master's degree courses are automatically designated courses under the master's Regulations if they are substantially provided in the UK, and are provided by an authority funded institution or by a publicly funded institution on behalf of an authority funded institution.**
- **The Secretary of State has the power to designate other courses which are not automatically designated under the Regulations.**
- **In 2016/17, the Secretary of State intends to designate certain courses offered at Alternative Providers with Degree Awarding Powers.**
- **It is likely that from academic year 2017/18, the Secretary of State will also choose to designate Alternative Providers without Degree Awarding Powers once a system is put in place to ensure robust checks on the quality of teaching and financial sustainability of such providers.**

Alternative Providers without Degree-Awarding Powers

99. Alternative Providers (APs) of higher education are institutions that are not directly in receipt of recurrent funds from HEFCE. These institutions can have their undergraduate courses designated to make their students eligible for undergraduate tuition fee loans, up to a limit of £6,000. They can also further apply to obtain a power

to award their own degrees, and then a university title. The consultation proposed that students would only be eligible for a proposed postgraduate masters' loan if they enrolled at an Alternative Provider with Degree Awarding Powers who are now given similar status to publicly funded Higher Education Institutions in the undergraduate system²⁸. The master's Regulations give the Secretary of State the power to designate any course that is not automatically designated under the Regulations, which means that the Secretary of State is free to designate courses provided by both Alternative Providers with degree awarding powers, and those without degree awarding powers – although the Secretary of State expects only to exercise this discretion in relation to APs with degree awarding powers in academic year 2016/17.

100. In extending institutional eligibility to include Alternative Providers that offer validated degrees but do not hold their own Degree Awarding Powers, the Secretary of State will want to take the same approach to quality and the safe-guarding of public expenditure established for the undergraduate system. This would require the development of specific processes and guidance to support applications for course designation for individual eligible postgraduate master's courses and the involvement of BIS, the QAA and HEFCE in assessing these applications which is not feasible in advance of the master's loan availability in academic year 2016/17. The Government will monitor in particular the quality and quantity of demand for postgraduate master's loans from Alternative Providers.

Equality implications

101. Alternative Providers currently do not provide the same demographic data for their students as public providers do. The only statistics available are for those in receipt of undergraduate student support. There are also no statistics available for postgraduate students, as they currently do not receive student support.
102. Some relevant evidence comes from the survey of Alternative Providers²⁹, commissioned by BIS. In that study they were asked to fill out a return on the number of students on different levels of study, split by age and gender. The returns had a number of drawbacks - it does not cover other protected characteristics or distinguish between different types of postgraduate courses (PhD, master's, other postgraduate courses - Certificates and Diplomas). It also includes all students studying at the institution at the time, rather than those starting in a particular year, therefore any comparison will be imprecise and needs to be interpreted with caution.

Age

103. Table 6 shows the age distribution of postgraduate students between Alternative Providers and Higher Education Institutions. It is clear that students at Alternative Providers are on average older – 84% of them are aged 26 and over, compared to just 60% at traditional universities. One reason for that could be due to the mix of courses – with Alternative Providers more likely to provide courses attracting older applicants. It is also possible that courses at Alternative Providers are less affordable to younger applicants, due to loans not being available.

²⁸ There are 7 APs with DAPs in England that are designated and would be eligible under the loan scheme.

²⁹ Alternative Providers of Higher Education 2014 – BIS commissioned - Forthcoming ??

Table 6. Age distribution of postgraduate enrolments at Alternative Providers and Higher Education Institutions, 2014-15 HESA data and 2014 BIS Alternative Provider Survey

	Alternative providers with designated courses	HEFCE-funded universities
16-20	0%	0%
21-25	15%	40%
26-34	41%	32%
35+	43%	28%

Gender

104. 56% of students on postgraduate courses at Alternative Providers were male compared to 44% in Higher Education Institutions. This would suggest that any exclusion of Alternative Providers could affect males disproportionately. However, the policy would not directly affect any existing student in a negative way, and legislation will allow courses at Alternative Providers to be designated by the Secretary of State.

Table 7. Age distribution of postgraduate enrolments at Alternative Providers and Higher Education Institutions , 2014-15 HESA data and 2014 BIS Alternative Provider survey

	Alternative providers with designated courses	HEFCE-funded universities
Male	56%	44%
Female	44%	56%

105. There is a need for more data to be collected on Alternative Providers in respect to protected characteristics. HESA will be collecting the data on postgraduate master's students studying at Alternative Providers with designated courses, starting from 2015/16. Until then, it is not possible to know how Alternative Provider designation will affect different protected groups given the potential for any protected groups to choose to enter traditional providers.

106. **Conclusion:** The effect of not automatically designating courses provided by APs could be to cause certain students to either alter their choice of university or delay their studies until the relevant course is designated. The extent to which this approach will affect protected groups is unclear, however the data available on demographics at Alternative Providers suggests mature and BME students may be slightly more impacted. However, the policy overall extends postgraduate finance to these groups.

Loan Portability

107. Postgraduate master's funding is devolved. The consultation proposed that the master's loan was available to individuals who plan or have moved to England from one of the other nations for the purpose of undertaking the master's course. The Government has considered whether the master's loan should be portable - i.e. available to eligible borrowers to undertake master's study at an institution within the United Kingdom, outside England. Concerns to do otherwise included a strong disincentive to postgraduate mobility and the detrimental impact on centres of excellence in Wales, Scotland and Northern Ireland which would not be in the national interest. The Government considered this and agrees that it would be preferable to avoid any such distortionary effect and give more choice to students ordinarily resident in England. Widening the scope in this way will replicate the situation in the undergraduate system.
108. The Devolved Administrations (DA) are currently reviewing their own funding for postgraduate study support.

Equality implications

109. The main implication arising from the policy is that it will widen the choice available for students ordinarily resident in England, and should the devolved administrations reciprocate the introduction, it will increase choice for all students within the UK. This will in turn help students to select the courses and institutions that best suit them, and ultimately is likely to have positive implications for attainment and student satisfaction.

4.3 Course Eligibility

- **Master's courses in any subject that are a taught programme of study, a programme of research or a combination of both are eligible for the loan.**
- **Full time courses that are one or two academic years in duration and their part-time two or four year equivalent courses will be eligible. Part-time courses with no full-time equivalent that are up to three academic years in duration will also be eligible.**
- **Course eligibility criteria will not disproportionately affect members of ethnic minorities, and the extension to include part time courses of up to three years with no full time equivalent will especially benefit older students.**
- **Women may be particularly affected by the exclusion of lower intensity courses. However, this will depend on behavioural changes as a result of the loan.**
- **Evidence supports the exclusion of courses with lower intensity due to the fact that students on such low intensity courses face lower financial barriers. By including part time courses up to 3 years with no full time equivalent, the policy is able to both provide finance to those facing the largest barriers and support a diverse range of study modes.**

Distance Learning

110. The Consultation proposed that students on distance learning courses should not be eligible for loans because the majority of distance learners are in employment and therefore less likely to face financial barriers to education.
111. However, the responses to the consultation highlighted distance learning as an important source of flexibility for people in work, disabled people or those with caring responsibilities to access eligible master's courses. Distance learning master's course tuition fees are similar to on-site learning, and as such students do face the similar levels of cost to access. In addition, distance learning leads to the same qualification outcomes.
112. Given these considerations, the extension of the policy to include distance learning courses is in keeping with the central Government objective. It should also have a particularly positive impact in terms of participation, for students with certain protected characteristics, including disabled and people with caring responsibilities.

Study Intensity

113. Courses eligible for loans must be either 1 or 2 year full-time or 2 or 4 years part-time, with part-time courses taught at minimum 50% intensity. Intensity here is defined as the duration of part-time course relative to the duration of an equivalent full-time course. In addition, part-time courses with no full time equivalent, completed within up to 3 years will also be included.

Policy rationale

114. Those studying at lower intensity courses have better opportunities to earn while studying. 75% of students on lower-intensity courses work full-time while studying and only 8% do not undertake any work. Looking at income while studying, only 30% of students on 1-2 year postgraduate taught courses earn more than £20,000 annually, compared with 71% for those on lower-intensity courses.
115. Lower intensity courses are more likely to be funded by an employer. 34% of students in lower-intensity courses get their fees paid by their employer, compared to only 12% of eligible students.
116. Overall, those on lower intensity courses are less likely to report facing financial barriers. 41% of current taught postgraduate students on 1-2 year courses, agreed they were struggling financially, compared to only 28% of those on longer courses³⁰.
117. The Government recognises the importance of diversity in the provision of Higher Education, and the benefits that this can present both in terms of choice for students, and attracting a wider range of students into postgraduate education. As a result, the policy has been expanded from the original proposals, to include students on part-time courses completed within 3 years that have no full-time equivalent. It is

³⁰ 'BIS (2015) 'Understanding mature entrants transitions to postgraduate taught study'

recognised that this should bring into scope a significant proportion of students with protected characteristics.

Age

118. Entrants to ineligible master's courses tend to be much older at the time of entry than those entering eligible master's courses (35 versus 28 years). A significant number of lower intensity courses are brought into scope through the inclusion of part-time courses completed within 3 years where no full time equivalent is available. This will particularly benefit older individuals.
119. There are several reasons why older individuals opt for lower intensity courses. Older people are much more likely to be married and have dependent children, meaning that they need to balance their studies with a range of other commitments. They are also more likely to be in paid employment, and would not want to interrupt their career for master's study.
120. For those older students who are studying courses that are potentially a lower intensity, it is frequently reported that financial barriers are not as significant in influencing master's participation. Instead, they face difficulties balancing their studies with work and childcare responsibilities. Providing finance for master's study for further lower intensity courses could prove to be an ineffective policy intervention. There could be a gap in provision of master's courses that offer sufficient flexibility and cover the right kind of subjects or a gap in information about those courses.

Ethnicity

121. The proposed loan will be available to students studying 1 and 2 year full time courses, 2 and 4 year courses at 50% intensity, and up to 3 year part time courses with no full time equivalent. However, some universities also offer lower intensity flexible learning options that last for longer. Table 8 shows the distribution of current students of different ethnicities between eligible and ineligible courses. Protected ethnic groups are less likely than average to enter courses with longer duration/lower study intensity. Hence the exclusion of such courses will not disproportionately affect ethnic minorities.

Table 8³¹. Ethnic distribution of 2014/15 English domiciled master's course entrants on Eligible and Ineligible courses

	Eligible courses	Ineligible courses
White	72%	79%
Black	8%	6%
Asian	11%	8%
Other	6%	4%

Gender

122. HESA 2014/15 data shows that women are more likely to undertake longer courses. The proportion of women in courses that are in scope of the policy is 53%, which rises to 60% for courses outside of the policy scope.
123. This suggests that women may potentially not benefit from the availability of the loans as much as men, as they are more likely to study on courses that are not eligible for the loan.
124. However, the extent to which this is the case will depend on the degree of behavioural change that occurs following the introduction of the loan. A key reason for opting for longer courses maybe down to financial barriers, which the loan may help to reduce.

Disability

125. Those declaring themselves as disabled were also generally not found to disproportionately enter ineligible master's courses. 9.8% of entrants to ineligible master's courses declared themselves as disabled, compared to 8.2% of those on eligible courses³².
126. The extension to 3 year part-time courses with no full time equivalent brings into scope many courses for institutions that specialise in part time provision, such as the Open University. Across its entire student population, the Open University has a disproportionately high number of disabled students. As such, the policy extension should provide a greater relative benefit to disabled students wishing to study a master's degree.

³¹ BIS analysis of HESA 14/15 data. Note, courses include all 4 year part time courses, which may include courses that are not at 50% intensity (ie. 1 year full time over 4 years). Also, it is not possible to identify all 3 year part time courses with no full time equivalent, and as such just Open University master's students have been included, which will exclude some eligible courses. However, the majority of the eligible, and ineligible, populations are accurately represented.

³² BIS analysis of HESA 14/15 Student data

Marriage and Civil partnership

127. There is no data collected on marriage and civil partnership in a systematic way in master's courses. Only very tenuous links can be drawn between exclusion of flexible learning courses and marriage, and therefore no detailed consideration to such links is given here.

Gender reassignment and sexual orientation

128. The loan will be available to all and eligibility criteria do not restrict access based on sexual orientation or gender reassignment. There is no evidence to suggest these groups would be negatively affected by the course intensity criterion.

Pregnancy and Maternity

129. According to Equality Act 2010, this protected characteristic includes a woman from the beginning of her pregnancy to 26 weeks after she gives birth. There is little data available on the number of women in these circumstances during postgraduate study.

130. The loan eligibility criteria are not related to pregnancy or maternity, and there is no evidence to suggest that pregnant women or mothers would be adversely affected by this policy.

4.4 Loan Repayment Terms

- **The loan interest will be calculated at RPI+3% and interest will accrue from the date the first loan instalment is made by the SLC to the borrower.**
- **Repayment will be contingent on and only commence once the borrower has an annual income of £21,000 or more. Repayment will be calculated at 6% of income above this threshold.**
- **Any outstanding loan balance will be written off 30 years after the date the borrower's loan balance becomes due for repayment.**
- **Generally it is not expected that the loan repayment terms should have disproportionate impacts on specific protected characteristics.**

131. An equality analysis of the 2012 tuition fee changes to repayment terms in the undergraduate system was undertaken³³ prior to their introduction. This analysis was based on modelling of the then current undergraduate loan recipients. Analysis of the introduction of the £21,000 repayment threshold³⁴ concluded that the graduates who are likely to earn less are more likely to be part-time workers, female, disabled, and from an ethnic minority background.

³³ www.gov.uk/government/uploads/system/uploads/attachment_data/file/32396/12-818-education-student-loans-repayment-equality-impact-assessment.pdf

³⁴ Prior to the 2012 reforms the student finance system operated under a repayment threshold frozen at £15,000

132. Because the provision of postgraduate master's loans is a new policy, we do not have the analogous postgraduate population to undertake a similar analysis. We have limited evidence about the characteristics of the population who will take out master's loans and the future employment outcomes of these graduates. This makes it difficult to assess the equality impacts of the specific repayment terms. However our view is that the progressive nature of the repayment system compared to previous repayment systems or the alternative PCDL will provide protection to postgraduates particularly while they are low earners.
133. The master's loan has been designed to achieve a minimal public subsidy where most people will repay in full and hence attract a very low resource accounting and budgeting (RAB) charge.
134. As such, elements of the undergraduate equality analysis are not as applicable to the master's student loan system, which looks at analysis of who is more likely not to repay their loan in full and benefit from the write off period, as well as who is most likely to earn under £21,000 and so not make loan repayments.
135. There are certain key differences between the undergraduate and master's loan. In the master's regime, only one loan is available, and that is for a 'contribution to costs' whereby the student is left to decide how to apply the monies (e.g. towards fees or towards maintenance, or both). The postgraduate master's loan also differs in that the whole loan amount is paid directly to the borrower (i.e. student, except in the case of a prisoner, where the monies are paid directly to the relevant academic authority or to a third party).
136. Most of the respondents to the Government consultation on Support for Postgraduate Study agreed that the proposal struck the right balance between repayment terms being affordable for the borrowers while also meeting the policy principles. A concern highlighted related to concurrent repayments of undergraduate and postgraduate loans.
137. The Government has frozen the undergraduate repayment threshold at £21,000 for five years, until April 2021, when it will be reviewed. The threshold for the master's loans is set at the same level and for the same time period as the undergraduate repayment threshold.
138. The Government has committed to monitor and review the undergraduate threshold by April 2021, before making a decision on whether to, and if so how to, increase it. It is planned that the master's loan repayment terms will be assessed at the same time, and equality impacts considered for both schemes.

Concurrent Repayments

139. The repayments of the master's loan will be concurrent with repayments of the undergraduate student loan. If a student has a master's and undergraduate loan and is earning over £21,000 they will pay 15% of their salary above £21,000 as loan repayments.

140. Some students may prefer not to undertake concurrent repayments, particularly if they do not foresee a significant earning premium associated with obtaining a master's degree. This may lead to a limited impact of the loan in attracting under-represented groups into postgraduate education.
141. It is also possible that the requirement to make repayments may influence students' work decisions after they graduate. In one direction it might create a positive work incentive where the graduate must work more to achieve a certain level of disposable income. This would benefit the wider economy. In the other direction, repayments will reduce the marginal gain from earning more. This latter effect is more likely where working incurs additional costs beyond taxes and additional loan repayments, for example child or other care costs, and so might disproportionately impact on women. However, there is no specific evidence on how such a loan product might affect future employment decisions.
142. The evidence does, however, suggest very high returns on postgraduate master's study net of tuition fees and other costs. We therefore believe it is unlikely that taking out a master's loan would have significant adverse effects on master's loan take up decisions.
143. **Conclusion:** In the absence of evidence, it is not expected that any of the protected groups would experience disproportionate negative impacts as a result of the loan repayment terms. A possible exception is for those students for whom the payment of interest is against their beliefs, although the Government is considering means of mitigating this through the introduction, subject to Parliament, of alternative student finance. There is currently little information on how concurrent repayments would affect different protected groups. One potentially affected group is female graduates who might face weaker work incentives given they are more likely to have caring responsibilities.

Section 5: Equality duty – fostering good relations

144. The Equality Act 2010 states that “a public authority must, in the exercise of its functions, have due regard to the need to [...] foster good relations between persons who share a relevant protected characteristic and persons who do not share it.” Good relations further involves having due regard, in particular, to the need to “tackle prejudice” and “promote understanding” between people who share a protected characteristic and those who do not.
145. The policy is expected to foster good relationships, primarily due to the increase in diversity of students with varied characteristics, pursuing master’s education. It is well established that increased contact between different groups, leads to reduced prejudice and improved relationships³⁵. As such, the policy should foster good relations not only during the students’ time studying at higher education providers, but also in the workplace, as the increase diversity of master’s graduates filters into the employment market. Furthermore, research has shown a link between improved educational attainment and lower levels of inter-group prejudice³⁶, suggesting that by increasing the numbers of people pursuing master’s level education, it should be expected that a fall in prejudice should follow.

³⁵ Hewstone & Swart (2011) ‘Fifty-odd years of inter-group contact: From hypothesis to integrated theory’

³⁶ Ostapczuk et al. (2009) ‘A Randomized-response Investigation of the Education Effect in Attitudes Towards Foreigners’

Annex A – Family test

146. The objective of the Family Test, is to ensure an explicit family perspective to policy making, and ensure that due consideration is given to potential impacts on family relationships and functioning.
147. The Family Test comprises of 5 questions:
- What kinds of impact might the policy have on family formation?
 - What kind of impact will the policy have on families going through key transitions such as becoming parents, getting married, fostering or adopting, bereavement, redundancy, new caring responsibilities or the onset of a long-term health condition?
 - What impacts will the policy have on all family members' ability to play a full role in family life, including with respect to parenting and other caring responsibilities?
 - How does the policy impact families before, during and after couple separation?
 - How does the policy impact those families most at risk of deterioration of relationship quality and breakdown?
148. As the student finance package is designed to help support students pursue master's education, and is offered to all irrespective of family status, it is thought that the existence of the master's loan will be of benefit to families in all the scenarios. Overall, the loan seeks to reduce the financial burden on students, thus reducing the time they would potentially have to work in order to help fund their studies. The resulting impact on families, would therefore likely be reduced financial burden, increased time/ability to play a full role in family life, and the potentially to increase life satisfaction which could lead to an improvement in relationship quality.
149. As the policy is not foreseen to have negative impacts on families, no mitigation is required.

Annex B – About Professional and Career Development Loans

150. Professional and Career Development Loans (PCDLs) are government-subsidised commercial bank loans where Government pays the interest while the student is studying and Banks can recover loan defaults from Government. PCDLs are currently available for those aged 18+ studying at a wide range of Further and Vocational and Higher Education providers and currently taken up by c.10,000 students (in total) who are typically in their mid-twenties to help meet both course fees and any associated maintenance costs. PCDL take-up across the Devolved Administrations constitutes 90% England and 10% across Scotland, Wales, Northern Ireland and overseas providers. 90% of PDLs are taken out by students on Postgraduate course. The administration of PCDLs currently rests with the Skills Funding Agency.
151. The total public subsidy budget spend is in the region of £10m per year. The indicative budget for PCDLs is £13.8m (net) in 2014-15 and 2015-16 respectively.

Annex C – Methodology of repayment modelling

152. The Stochastic Earnings Path (StEP) model is the financial model used by the Department for Business, Innovation & Skills (BIS) to estimate the financial cost of income-contingent undergraduate student loans to Government – the current iteration is known as StEP3. More information regarding this model can be found on Gov.uk³⁷. This model has been extended to estimate the cost of the proposed postgraduate master's loan scheme.
153. The StEP model uses wage equations to estimate the next year's wage, and when these are used repeatedly, it can generate an earnings path. The wage equations use multiple years of historical earnings when forecasting future earnings; and they also make extensive use of the Student Loans Company (SLC) administrative data on undergraduate borrowers. The StEP model gives weight to the SLC data on recent graduates; and StEP3 uses the course subject and institution information to improve the forecasting of earnings in early repayment years.
154. The main data sources used in the undergraduate model are:
- SLC administrative data – to initialise the model with the correct income and employment distributions, also used for earnings in early repayment years. Used for modelling of payments direct to the SLC.
 - British Household Panel Survey (BHPS) data – used in the earnings and employment models
 - Labour Force Survey (LFS) data – to convert income percentiles to cash amounts, regarded as more reliable than cash values from BHPS due to large sample sizes
 - Destinations of Leavers from Higher Education (DLHE) survey – used in the graduate age adjustment
 - ONS International Passenger Survey (IPS) – data on migration
 - ONS life tables – data on deaths
 - Office for Budget Responsibility (OBR) macroeconomic forecasts – forecasts of earnings growth, and RPI.
155. In addition for the postgraduate model, two extra data sources are used:
- HESA student record data – demographic information on the population of postgraduate Taught entrants in England
 - BIS research report (“The Returns to Higher Education Qualifications” – June 2011) – the premium of holding a masters qualification over an undergraduate degree.

³⁷ www.gov.uk/government/uploads/system/uploads/attachment_data/file/444413/BIS-15-411-guidance-to-the-student-loan-repayment-model.pdf



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