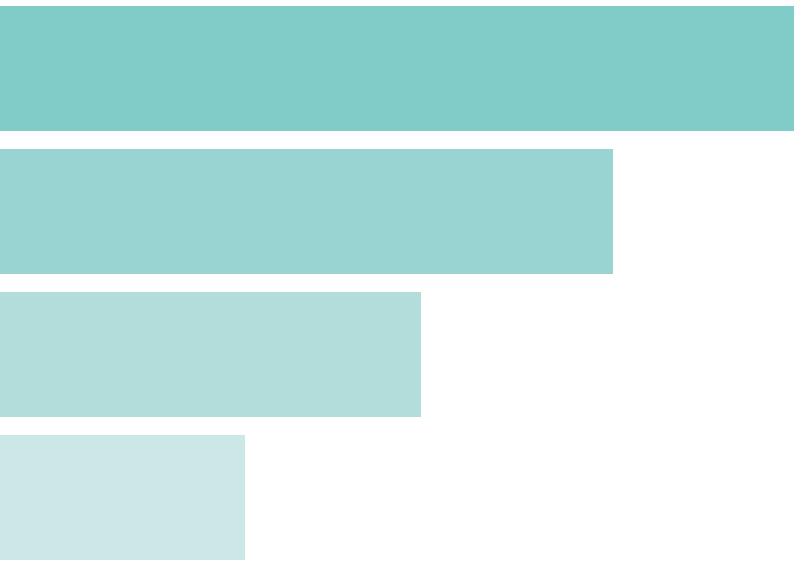


# DEGREES OF DEBT

## Funding and finance for undergraduates in Anglophone countries

Dr. Philip Kirby  
April 2016



Improving social mobility  
through education



## FOREWORD

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UK students are now paying a huge amount for their education. But less well examined has been how that debt compares to what students owe in other countries. In this report, we look at student funding arrangements in the principal Anglophone countries: the UK (England, Wales, Northern Ireland and Scotland), United States, Canada, Australia and New Zealand.

The typical English undergraduate is now pulling away from their international peers, with much higher debts, exacerbated by the introduction of £9,000 fees. More recently, the alteration to repayment terms announced in the 2015 budget has made things even worse. Average debts are the highest at UK universities, even when private US universities are considered. There are real challenges here, especially for disadvantaged students - and for the Exchequer, as many of these loans will never be repaid in full.

It is true that although English undergraduates are facing some of the highest debts internationally, the repayment system in the UK is income-contingent and relatively straightforward compared to other countries. In the US, a large amount of student debt is held by private lenders, which typically have harsh repayment conditions, and federal loans are not all income-contingent. This can make repayment of debt, even if it's smaller, more difficult for US students.

But young people in England are still leaving university with ever increasing debts, especially now that maintenance grants are to be scrapped in favour of loans and the repayment threshold is to be frozen. The poorest students will again be hit hard - they will in future graduate with over £50,000 of debt, compounded by interest rates of up to 3% above inflation. The size of this debt weighs increasingly heavily on graduates, however manageable it may be.

There are differences, too, with the graduate job markets in each of these countries, which are obviously crucial to graduates' ability to repay their loans: it's not just about making sure all those that wish to undertake degrees can, but that there are good jobs waiting for them at the end. This is especially true for disadvantaged students, who are increasingly getting into top universities, but not always progressing into top jobs. Lifetime returns are an important part of the puzzle, too, reflecting the potential of students, saddled with large amounts of debt to repay debts sustainably through their working lives. Higher and degree level apprenticeships, where young people can earn while they learn and emerge into a good job debt-free, are a better option for some.

The report suggests that we need to remain acutely aware of how even small alterations to the student funding system in the UK can have particularly pernicious effects on the students that are most financially vulnerable. There are also lessons that can be learnt from our international peers and perhaps some lessons they can take from us. While there are challenges with the US system, there's also a commitment to need-blind admissions at elite universities as a result of their strong endowments. These go hand-in-hand with systematic university outreach programmes. All of which means that we need to ensure that the latest changes to loans are kept under careful review to avoid damaging what progress there has been in recent years in widening participation and to ensure that they don't harm access in the future.

**SIR PETER LAMPL**

Chairman of the Sutton Trust and of the Education Endowment Foundation

## EXECUTIVE SUMMARY

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- This study compares tuition funding arrangements, debt at graduation and earnings outcomes for full-time domestic undergraduates in eight Anglophone countries: the UK (England, Wales, Northern Ireland, and Scotland), United States, Canada, Australia and New Zealand.
- According to multiple estimates, the average English student faces the highest levels of graduate debt of these countries. Even compared with average graduates of US private for-profit universities, estimates suggest that English students will graduate with higher average levels of debt.
- However, the vast majority of English students' study-related debt is held by the state, which has relatively clear repayment conditions compared to other Anglophone countries.
- Despite this, the fact that English students now face some of the highest tuition fees in the world, and the highest average debts at graduation, should be cause for concern, not least because the number of part-time and mature students enrolling at UK institutions across recent years has dropped precipitously.
- While full-time undergraduate university enrolment has recovered since the imposition of £9,000 fees in 2012, university needs to remain a viable option for everyone, especially those from poorer backgrounds, who are disproportionately underrepresented across the UK professional landscape.

## RECOMMENDATIONS

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1. **The BIS select committee should monitor HE funding, especially its effect on disadvantaged pupils, including mature and part-time students**

Policies on HE tuition fees, grants and loans in the UK nations have moved in different directions, with varying impacts on students' debt and opportunities to study elsewhere in the UK. The Business, Innovation and Skills (BIS) select committee should monitor, investigate and report on HE funding and provision, assessing the impact of varying tuition fee and loans policy on disadvantaged pupils. It should also consider mature and part-time students, who often come from poorer backgrounds, and have experienced a severe decline in enrolment numbers since tuition fees increased to up to £9,000 a year.

2. **There needs to be greater coordination between UK governments on HE policy, given its complexity and variance, fostered by regular meetings between representatives**

The differences between HE student funding policies in England and the devolved nations are many and complex. There needs to be greater harmonisation between each of these governments, facilitated by regular meetings between their HE representatives, so that policies can be rationalised across the UK.

3. **The OBR should investigate whether the current student loan system offers value for money to both the student and taxpayer, especially given recent reforms**

The student loan system in the UK imposes significant burdens on the student. The Office for Budget Responsibility (OBR) should conduct an investigation into whether the current arrangement provides value for money for the student and taxpayer, especially given the changes announced in the 2015 budget and spending review, including the freezing of the repayment threshold. The OBR should keep the system under review as the impact of those budget changes are felt by new undergraduates.

4. **Universities should spend at least 10% of their outreach budget on evaluating strategies that work best in widening participation**

The Office for Fair Access (OFFA) has developed spending guidelines on how much universities should spend on Widening Participation. As a result, universities now spend £750 million a year on activities to improve outreach, retention and progression. However, there is a lack of robust evidence from the UK indicating which strategies work best. To ensure effective spending, universities should spend at least 10% of their outreach budget on evaluating strategies.

# INTRODUCTION

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How does the cost of university study in the UK fare against the rest of the world? This report compares the student cost of UK higher education to the arrangements for domestic students in other countries. Specifically, the report considers the systems of the UK (providing separate analysis for England, Wales, Northern Ireland and Scotland, where appropriate), United States, Canada, Australia and New Zealand; the *de facto* English-speaking world. These are countries with some of the highest tuition fees and levels of graduate debt in the world, but also the best developed funding support systems (albeit of varying generosity, according to particular student group, as will be discussed).<sup>1</sup>

In contemporary debates, the high-water mark for university tuition costs is often assumed to be the United States, illustrated by examples of students graduating with tens, sometimes hundreds of thousands worth of dollar debt.<sup>2</sup> The introduction of a £9,000 fees cap in the UK in the 2012/13 academic year, though, as well as the reforms announced in the 2015 summer budget and autumn spending review (which will increase student financial contributions), mean that this assumption is worth revisiting.<sup>3</sup> Do US students still face the greatest tuition fees of any economically developed country? And is this translating into the highest levels of debt at graduation? This report offers an international comparison to appraise the relative costs of the UK system.

At the outset, it is important to state the importance of adopting a holistic approach, as well as acknowledging the limitations inherent in such an undertaking. As a previous comparison of international student funding has stated: "while different countries possess very different student debt profiles which can be compared; they also have very different graduate income profiles and very different conditions of student loan repayment which must be taken into consideration in any serious scheme of comparison."<sup>4</sup> Where possible, this report provides an overall picture of student fees, loans and grants in the countries considered, as well as information on the type of debts that students take on, their level and repayment conditions, and the average starting salaries and typical lifetime returns that graduates can expect: in other words, their potential capacity to repay that debt. It does provide comparative tables where appropriate, but these are broadly qualitative and cannot necessarily be used to rank 'best' and 'worst' countries in isolation: student debt may be 'higher' in one country than another, but if average graduate starting salaries and lifetime returns to degrees are correspondingly higher, that debt is potentially less problematic. Similarly, while the ticket price of higher education is important (and, indeed, often highly variable), it is not necessarily more or less important than student support; rather, any attempt at full appreciation of these two variables must be predicated upon a consideration of both.

The US is an instructive example. There, fewer students, as a proportion of the whole cohort, graduate with debt than in many of the other countries considered here (at public universities, 69%).<sup>5</sup> But, a higher proportion of that debt is held by private lenders (as much as 17%, according to estimates), who typically offer inferior repayment conditions to the borrower than state providers.<sup>6</sup> At the same time, the scholarships and bursaries available through individual universities in the US are often more generous than the equivalent in other countries. And the list of variables continues. It is impossible to gauge the relative merits of any particular student funding system without considering its various components in the aggregate, and remaining aware that individual and group experience will necessarily vary.

Similarly, there are significant challenges in the comparability of international data. Government statistical agencies in different countries collect and present data in different ways. For example, one country might define 'graduate starting salary' as the average salary two years after graduation, another the year after graduation, another by the first full-time employment of the graduate without necessarily applying a time limiter. Other widely-reported estimates of starting salary have been found, upon analysis, to sample only a selection of higher-earning professions, which inflates their headline figures. When other agencies, such as policy organisations, student associations and university bodies are consulted, one needs to remain aware that these are often groups with particular

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agendas. This is not a comment on the accuracy or validity of data published by the same, but that certain trends for certain students might be highlighted over others, meaning that comparison becomes more difficult.

In an attempt to ameliorate this and present data with universal translatability, international organisations, such as the OECD (Organisation for Economic Cooperation and Development), have conducted their own surveys of higher education finances. But these, too (as discussed below), often make several assumptions for the sake of analytical purchase that nonetheless make international comparison problematic. In the US, for example, a far higher proportion of students attend private universities than in the UK, which charge correspondingly higher tuition fees: should these students be included or excluded in statistics? In this particular case, it is possible to present both sets of figures, but it is impractical to present individual figures encompassing every such variable if clarity and readability is to be achieved. All statistics are partial, contingent and cultural: statistics pertaining to undergraduate debt and financial outcomes are no exception. This report attempts to reconcile different national approaches wherever possible, but for fuller understanding of this area, the reader is encouraged to consult references of especial interest individually.

### Report structure

- [Methodology](#), providing the rationale for the selection of countries, the key data sources for each and considerations required to make meaningful comparison;
- [Policy background](#), offering a brief introduction to student fees and funding internationally, presenting a synthesis of previous research;
- [Results and discussion](#), consisting of a summary table, followed by three narrative sections, which address:
  1. [Student fees, loans and grants; by country](#);
  2. [Loan repayment terms and conditions; by country](#);
  3. [Debt at graduation, starting salaries and lifetime returns; by country](#).
- [Conclusion](#), summarising the report's findings and offering a brief review of the UK's situation with reference to the other comparator countries.

### Country selection

The eight countries analysed in this report represent a recognised group with similar student funding characteristics. They are marked by high tuition fees and graduate debt, but well-developed funding support systems, albeit of varying generosity. According to the OECD, “These countries have potentially high financial obstacles to entry into tertiary education, but they also offer significant public support to students. The average entry rate to bachelor programmes for this group of countries is 71%, significantly above the OECD average (56%) and higher than most countries with low tuition fees.”<sup>7</sup> Of the 2015/16 *Times Higher Education’s* ranking of the world’s top 100 universities, nearly two thirds (65) are located in this group: US (39), England (13), Australia (six), Canada (four) and Scotland (three). Of the top 20 universities according to the same ranking, 19 are in this group.<sup>8</sup>

### Student characteristics

Unless specified, the report considers the arrangements for domestic undergraduates undertaking bachelor’s degrees in the country in question for the academic year 2015/16. As such, the report cannot be used to highlight the best-value destination for UK students who are considering studying abroad (who usually pay higher fees in their host country than domestic students), although other research has considered this.<sup>9</sup> The outcomes for international students have not been discussed in depth in this report so as to avoid possible confusion. In the UK, definitions of ‘ordinarily resident’ are quite specific, and discussed later in the report. Throughout the report, average student debt at graduation refers to average borrower debt only.

### Source comparison

Estimates for students’ average tuition fees, debt upon graduation, likely starting salaries and lifetime returns to degrees have been drawn from multiple sources.<sup>10</sup> As mentioned, every effort has been made to ensure that the methodologies across these sources are as common as possible, with important differences between countries (such as the average duration of an undergraduate degree, the proportion of students that graduate with debt, the proportion of student debt held by the private sector, etc.) highlighted where they may affect comparison. Despite this, it should be remembered that these are national averages for countries that do not have identical student funding systems or statistical methods, and apply to the typical student only. With reference to private debt, of course, it is not clear what proportion of this is dedicated to direct student costs, general living costs, etc. Any international comparison of average student debt is an approximation, based upon the availability of data, its accuracy and comparability. Primarily, the report draws upon secondary sources; where original calculations have been undertaken, these are highlighted.

### Data limitations

With reference to data constraints, the US again provides a useful example of the challenges inherent in comparisons of this nature. In the US, student debt levels are regularly reported for students of public and private non-profit universities, but occlude students at private for-profit universities (a minority of the student cohort, but a notable one, constituting up to 10% of the total), because figures for the latter are rarely reported.<sup>11</sup> One of the reasons that they are rarely reported is probably because they are so high, so any estimate of tuition fees is easily underestimated in the US context by this lack of available data. Similarly, the higher proportion of student debt in the US held in private hands not only means poorer repayment conditions for the borrower, but is occluded in government statistics, which naturally present data only for loans provided by the state. To gain an idea of total US student debt, other sources must be consulted, discussed specifically later in the report. This is less of an issue in the UK, where a much higher proportion of student debt is held by the state, which typically publishes transparent accounts, subject to oversight.

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## **Systemic change**

While the details of each system here are accurate at the time of writing, national student funding systems are being continually altered. In Australia, significant reforms are currently under review, having been partially stalled by the ousting of Prime Minister Tony Abbott in autumn, 2015;<sup>12</sup> in the UK, important changes to the provision of student maintenance loans and grants were made during the latter half of 2015 in the aforementioned summer budget and autumn spending review. This report attempts to incorporate the most recent changes wherever possible, but it will be some time before the effects of these reforms can be fully known. This specific analysis, therefore, is sometimes based upon predictions, rather than historical data. Again, such differences are highlighted at the appropriate points in the report.

## **Currency conversion**

The main figures in this report are presented in the local currency with GBP in parentheses. Depending on currency markets, the exact sterling equivalent may have shifted since these figures were produced during March, 2016, but they provide an approximate marker. Wherever data has been used that has not been published within the last year, this is stated, and the report attempts to consider whether policy changes in student funding will have affected the figures and analysis that it quotes, where possible (in the main summary table, Table 2, figures have also been adjusted to 2015 prices; see below). Again, such issues are treated on a case-by-case basis, highlighted where appropriate in the narrative. Figures are normally per annum, unless specified.

## **2015 prices**

Figures for the variables considered in this report have been sourced from official agencies of each country. Data is the most recent available, but is restricted by the frequency of relevant surveys, which vary according to jurisdiction. For ease of comparison, figures in the main summary table (Table 2) have been adjusted to 2015 prices where surveys have been undertaken prior to this date. These adjustments have been made on the basis of official inflation data from the country in question: Bank of England, United States Bureau of Labor Statistics, Bank of Canada, Reserve Bank of Australia and the Reserve Bank of New Zealand (Te Pūtea Matua). Please note that figures in the remainder of the report, many of which are contained within quoted passages from the respective source, have not been adjusted, but the dates to which they pertain are available in the relevant endnote. The reader wishing to compare the current characteristics of each country should consult Table 2.

## **Text boxes**

To illustrate some of the topics discussed in this report, text boxes are included in each substantive section, featuring journalistic accounts of typical students and issues. These focus on the comparison between the UK and US, it being considered that these two countries are likely to be of greatest interest to the reader. These have been edited by the author for the purpose of concision.



### The changing international picture of student funding

The international landscape of student funding has changed significantly over the last 20 years. According to the OECD, "Since 1995, 14 of the 25 [OECD] countries with available information [including Australia, Canada, New Zealand and the United Kingdom] implemented reforms on tuition fees. Most of these reforms led to an increase in the average level of tuition fees charged by tertiary educational institutions. In all of these 14 countries except Ireland and the Slovak Republic, the reforms were combined with a change in the level of public subsidies available to students".<sup>13</sup>

In several cases, further reforms have been made in the wake of the global recession: the period of general economic decline observed from 2008. Generally, these reforms have shifted the burden of degree funding from the taxpayer to the individual student. If the trigger for these reforms has been the general shortfall in public budgets, the rationale used to justify the reforms has usually been that, in imposing higher tuition fees, the financial burdens of tertiary study are shifted from the taxpayer to the individual student: the person who reaps the greatest financial benefits from the degree, given its potential to provide access to higher-paying jobs, etc.<sup>14</sup>

As of today, in the majority of countries with developed economies, three types of national student funding arrangement for tertiary education are present: the first, the group addressed in this report (including the UK), is marked by high tuition fee levels and well developed support funding systems; the second, by low tuition fee levels and well developed support funding systems (the Nordic countries of Denmark, Finland, Iceland, Norway and Sweden, with their strong welfare traditions); and the third, by low tuition fee levels and less developed support funding systems (which includes the majority of remaining European economies, including Austria, Belgium, Czech Republic, France, Ireland, Italy, Poland, Portugal, Spain and Switzerland).<sup>15</sup> The reasons why different countries employ different schemes are plural and go beyond the economic, reflecting, in part, differing social contracts.

### The effect of changes to student funding systems

Why is it important to understand the changes that have occurred in student funding systems? Are the higher tuition fees imposed by the countries analysed here, when situated within their broader student funding systems, necessarily detrimental to society at large or students pursuing higher education? Largely, of course, this depends on perspective. The OECD has suggested that, "charging a moderate level of tuition fees – while simultaneously giving students opportunities to benefit from comprehensive financial aid systems – is an effective way for countries to increase access to higher education, make efficient use of limited public funds, and acknowledge the significant private returns that students receive from higher education."<sup>16</sup> The key observation here, though, is that fees must be 'moderate'; a subjective term that differs by country and by socio-economic group within countries, amongst other variables.

While student loans transfer some of the cost of tertiary education to students – in other words, those that benefit most from higher education – they have several limitations as a funding mechanism. "Opponents of loans argue that student loans are less effective than grants in encouraging low-income students to pursue their education. They also argue that loans may be less efficient than anticipated because of the various types of support provided to borrowers or lenders and the costs of administration and servicing. Finally, high levels of student debt may have adverse effects both for students and for governments, if large numbers of students are unable to repay their loans."<sup>17</sup>

Recent tuition fee increases in the UK, affecting English students especially, have arguably raised tuition fees beyond the OECD's definition of 'moderate' and so fall firmly under this critique. After the 2012/13 tuition fees increase, undergraduate applicant numbers decreased. Analysis has shown that this negative impact on enrolment reached up to -15% (the highest estimate), with other estimates

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varying according to methodology, but all showing a significant decline (see Table 1). Since that time, full-time undergraduate applicant numbers have largely recovered.

How have disadvantaged students been affected? Analysing UCAS data, the Independent Commission on Fees stated in 2015 that, “figures show an upward trend in entry rates for both disadvantaged and advantaged young people. They also show a narrowing of the gap between [POLAR2] quintiles 1 [students from the most disadvantaged areas] and 5 [the least disadvantaged] between 2010 and 2014. In 2010, English school-leavers from the least disadvantaged POLAR2 quintile were 3.2 times more likely to enter higher education than were those from the most disadvantaged quintile. In 2014 this ratio had fallen to 2.5 times, continuing a trend towards widening participation.”<sup>18</sup>

But elsewhere, the effects of increased tuition fees appear to have been more detrimental to matriculation rates. Part-time students enrolled at UK universities – a group often ignored in analyses and more likely than full-time students to come from disadvantaged backgrounds – dropped even more precipitously in the wake of the 2012/13 reforms, and with little sign of the recovery that full-time undergraduate numbers have shown.<sup>19</sup> In 2009/10, there were 468,000 part-time first year enrolments at UK universities; by 2013/14, this had dropped by 40% to 282,000.<sup>20</sup> The most recent data from the Higher Education Statistics Agency (HESA) shows that this fell even further last year (2014/15), by over 5% compared to the previous year, to 266,000 part-time first year enrolments.<sup>21</sup> According to the Independent Commission on Fees, “[while] it is not possible to assign fully independent causality to the fees regime when it is part of a complex set of variables driving these changes in demand [...] there is a strong suggestion that the [post-2012] fee environment has taken a toll [on part-time and mature students’ enrolment rates].”<sup>22</sup>

These quantitative measures of student behaviour are supported by qualitative results in the UK context. Recent polling by ComRes for the Sutton Trust has found that over three quarters of 16-18 year olds (n=1,017) are concerned about the cost of living as a student during their tertiary studies and over two thirds are concerned by high tuition fees, specifically.<sup>23</sup> As fees push higher after 2015 policy reforms, these proportions have the potential to increase.

How does international analysis compare? Across several national contexts, research has found that alterations to student funding arrangements that make it more expensive for the individual to study have a detrimental effect on enrolment, as one might expect. The effect differs according to several variables, including the time elapsed since the alteration and its precise characteristics, but appears particularly pronounced for students from disadvantaged backgrounds: the group for whom the costs of studying are perhaps of greatest concern. This research tends to model the change in a single element, such as a reduction in student grants, without necessarily incorporating the effects that other changes might have in unison, such as an increase in the availability of student loans, which might be designed to compensate.

Building on an extensive 2010 BIS (Department for Business, Innovation and Skills) report, Table 1 summarises the results of this research. When interpreting this table, it should be borne in mind that there are significant differences between national systems. In Germany, for example, tuition fees were introduced in 2005, but as part of a substantially different student funding system from many other countries: “Firstly, tuition fees in Germany are/were rather modest in comparison to fees in the US and the UK - they only amounted to 1,000 Euro per year on average. Secondly, the introduction of tuition fees was accompanied by a very comprehensive and generous public student loans program. Thirdly, a substantial share of university students are/were exempted from tuition because of specific social criteria. Lastly, since only seven out of sixteen German states introduced fees, high school graduates still have the opportunity to study free of charge in Germany.”<sup>24</sup> Popular dissension also led to the repeal of tuition fees, with the final German state abolishing them in 2014. In other words, there

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is no single, common effect of raising tuition fees by a certain percentage on enrolment; rather, this differs according to social and national contexts.

In aggregate, however, the findings are instructive and suggest that increases in tuition fees lead to decreases in student enrolment at university (although the duration of this effect may vary), increases in grants available to low-income students increase participation by this group, and increases in loans available to low-income students increase participation by this group.<sup>25</sup> The recent repeal of maintenance grants for low-income students in the UK, therefore, is particular cause for concern, even if this has been accompanied by increases in the availability of maintenance loans. Forcing low-income students further into debt to pay for their study, when many sources of alternative financial support, such as parental, are perhaps less available to them, could decrease the participation of this already underrepresented group in UK higher education. As the report goes on to discuss, the returns to bachelor degrees, in terms of lifetime earnings, are significant, but these are long-term returns that might appear ephemeral to the poorer student considering enrolment, even if fees are deferred.

The remainder of this report analyses the tuition fees, funding arrangements, debts at graduation and financial returns to degrees for each of the countries considered here, in turn. The results and discussion section begins with a summary table, highlighting the key characteristics of each country, with a subsequent narrative that explores these in greater depth. The report concludes with a discussion of the merits of international comparison, as well as the strengths and weaknesses of the UK approach in the international context.

Author(s)	Publication type	Location	Student type	Variable type	Change in variable	Enrolment impact
<b><i>Early impact of 2012 UK tuition fee changes</i></b>						
2015. Geven	Book chapter	UK	All	Tuition fee	↑ up to €9,000	↓ 15%
2015. ICoF	Report	UK	All (first degree)	Tuition fee	↑ up to €9,000	↓ 5%
2014. HESA	Statistical release	UK	All	Tuition fee	↑ up to €9,000	↓ 6%
2014. Sá	Discussion paper	UK	White	Tuition fee	↑ up to €9,000	↓ 33 l. p.
<b><i>Impact of tuition fee changes</i></b>						
2014. Bruckmeier, Wigger	Peer-review paper	Germany	All	Tuition fee	↑ €1,000	→ None
2012. Hübner	Peer-review paper	Germany	All	Tuition fee	↑ €1,000	↓ 2.7 p.p.
2011. Hemelt, Marcotte	Peer-review paper	US	All	Tuition fee	↑ US\$100	↓ 0.25%
2010. BIS	Report	UK	All	Tuition fee	↑ €1,000 p.a.	↓ 4.4 p.p.
<b><i>Impact of student grant changes</i></b>						
2013. Dearden et al.	Peer-review paper	UK	Low-income	Grant	↑ €1,000 p.a.	↑ 3.95 p.p.
2010. BIS	Report	UK	Low-income	Grant	↑ €1,000 p.a.	↑ 2.1 p.p.
2008. Nielsen et al.	Discussion paper	Denmark	Low-income	Student aid	↑ US\$1,000	↑ 1.35 p.p.
2006. Abraham, Clark	Peer-review paper	US (Washington, DC)	Low-income	Grant	↑ US\$1,000 p.a.	↑ 1.1 p.p.
2006. Linsenmeier et al.	Peer-review paper	US (Northeastern Uni.)	Low-income BME	Loan to grant conversion	↑ US\$1,000	↑ 8-10 p.p.
2005. Dynarski	Peer-review paper	US	Non-white women	Scholarship	↑ availability	↑ 7 p.p.
2003. Kane	Discussion paper	US (California)	Low-income	Grant	↑ US\$1,000	↑ 1.2 p.p.
2002. van der Klauuw	Peer-review paper	US	Low-income	Grant	↑ 10%	↑ 8.6%
2001. Dynarski	Discussion paper	US	Low-income	Student aid	↓ US\$1,000	↓ 3.6 p.p.
2000. Dynarski	Discussion paper	US (Georgia)	Low-income	Scholarship	↑ US\$1,000	↑ 3.7-4.2 p.p.
<b><i>Impact of student loan changes</i></b>						
2010. BIS	Report	UK	All	Loan	↑ €1,000	↑ 3.2 p.p.
2008. Steiner, Wrohlich	Discussion paper	Germany	Low-income	Loan	↑ €1,000	↑ 2 p.p.

Table 1: The effect of student funding changes: A summary of international evidence<sup>26</sup>

## RESULTS AND DISCUSSION

Country of ordinary residence	Undergrad. tuition fee, per annum (2015/16)	Loans/grants available to all, per annum	Loans/grants available to low-income students/others, per annum	Summary of loan repayment terms	Typical borrower debt at graduation (2015)
<b>England</b>	£9,000 max. (England, Wales, N. Ireland, Scotland) <sup>27</sup> £8,800 ave. <sup>28</sup>	£9,000 max. (tuition fee loan) <sup>29</sup> £5,330 min. (maintenance loan; London) <sup>30</sup>	£10,702 max. (maintenance loan; London) <sup>31</sup> Other grants (inc. childcare grant, parents' learning allowance, adult dependants' grant, disabled students' allowance) <sup>32</sup>	0.9 to 3.9% interest rate, income contingent (tuition fee/ maintenance loan) <sup>33</sup>	£21,200 (pre-£9,000 tuition fees, repayment cohort of 2015) <sup>34</sup> £44,500 (post-£9,000 tuition fees) <sup>35</sup>
<b>Wales</b>	£9,000 max. (England, Wales, N. Ireland, Scotland) <sup>36</sup>	£3,810 max. (tuition fee loan) <sup>37</sup> £7,532 max. (maintenance loan; London) <sup>38</sup> £5,190 max. (tuition fee grant; diff. between fee and loan) <sup>39</sup> £1,500 max. (Welsh partial cancellation of maintenance loan) <sup>40</sup>	£5,161 (Welsh government learning grant) <sup>41</sup> £5,161 (special support grant) <sup>42</sup>	0.9 to 3.9% interest rate, income contingent (tuition fee/maintenance loan) <sup>43</sup>	£19,000 (pre-£9,000 tuition fees, repayment cohort of 2015) <sup>44</sup>
<b>Northern Ireland</b>	£9,000 max. (England, Wales, Scotland) <sup>45</sup> £3,925 max. (N. Ireland) <sup>46</sup>	£3,925 max. (tuition fee loan; N. Ireland) <sup>47</sup> £9,000 max. (tuition fee loan; England, Wales, Scotland) <sup>48</sup> £6,780 max. (maintenance loan; London) <sup>49</sup>	£3,475 max. (special support grant) <sup>50</sup> Other grants (inc. childcare grant, parents' learning allowance, adult dependants' grant, disabled students' allowance) <sup>51</sup>	0.9% interest rate, income contingent (tuition fee/maintenance loan) <sup>52</sup>	£18,200 (pre-£9,000 tuition fees, repayment cohort of 2015) <sup>53</sup>
<b>Scotland</b>	£1,820 max. (Scotland) <sup>54</sup> £9,000 max. (England, Wales, N. Ireland) <sup>55</sup>	£1,820 max. (tuition fee grant; Scotland) <sup>56</sup> £9,000 max. (tuition fee loan; England, Wales, N. Ireland) <sup>57</sup>	£1,750 max. (young students' bursary) <sup>58</sup> £5,750 max. (young students' loan) <sup>59</sup> £750 max. (independent students' bursary) <sup>60</sup> £7,500 max. (independent students' loan) <sup>61</sup> Other grants (inc. dependants' grant, lone parents' grant, vacation grant for care leavers, disabled students' allowance) <sup>62</sup>	0.9% interest rate, income contingent (tuition fee/maintenance loan) <sup>63</sup>	£9,400 (pre-£9,000 tuition fees, repayment cohort of 2015) <sup>64</sup>

Country of ordinary residence	Undergrad. tuition fee, per annum (2015/16)	Loans/grants available to all, per annum	Loans/grants available to low-income students/others, per annum	Summary of loan repayment terms	Typical borrower debt at graduation (2015)
<b>United States</b>	US\$9,400 [€6,600] ave. (public, in-state) <sup>65</sup>  US\$23,900 [€16,900] ave. (public, out-of-state) <sup>66</sup>	US\$12,500 [€8,800] max. (William D Ford loan; direct unsubsidized) <sup>67</sup>  US\$ var. (direct PLUS loan; cost of school attendance, less other monies received) <sup>68</sup>	US\$5,775 [€4,100] max. (Pell Grant) <sup>69</sup>  US\$12,500 [€8,800] max. (William D Ford loan; direct subsidized) <sup>70</sup>  US\$5,500 [€3,900] max. (Perkins loan) <sup>71</sup>  Other grants (FSEOG grant, TEACH grant, Iraq and Afghanistan service grant) <sup>72</sup>	4.29% interest rate, 1.068% loan fee (William D Ford loan, direct unsubsidized/subsidized) <sup>73</sup>  6.84% interest rate, 4.272% loan fee (direct PLUS loan) <sup>74</sup>  5% interest rate, no loan fee (Perkins loan) <sup>75</sup>	US\$29,000 [€20,500] (public, private non-profit) <sup>76</sup>  US\$27,100 [€19,100] (public) <sup>77</sup>  US\$32,600 [€23,000] (private non-profit) <sup>78</sup>  US\$41,200 [€29,100] (private for-profit) <sup>79</sup>
<b>Canada</b>	CAN\$6,200 [€3,300] ave. <sup>80</sup>	CAN\$ var. (Canada student loan; dependent on state and cost of school attendance) <sup>81</sup>	CAN\$250 [€130] max. (grant for students from low-income families; per month) <sup>82</sup>  CAN\$100 [€53] max. (grant for students from middle-income families; per month) <sup>83</sup>  Other grants (inc. dependants' grant, part-time studies grant, disabled students' grant) <sup>84</sup>	5% fixed/2.5% floating interest rate (Canada student loan) <sup>85</sup>	CAN\$28,500 [€15,000] <sup>86</sup>
<b>Australia</b>	AUS\$7,900 [€4,200] ave. <sup>87</sup>	[Commonwealth supported students]  AUS\$6,256-10,440 [€3,300-5,500] max. (HECS-HELP) <sup>88</sup>  AUS\$ 10% of tuition fees (HECS-HELP; up-front discount on tuition fees of AUS\$500[€260]+) <sup>89</sup>  AUS\$99,389-124,238 [€52,400-65,500] max. (FEE-HELP; lifetime limit) <sup>90</sup>	AUS\$ var. (Youth Allowance, grant for young students, dependent on income, assets)  AUS\$559.20 [€290] max. (Austudy, grant for students 25+, dependent on income, assets)  AUS\$ var. (Abstudy, grant for Aboriginal/Torres Strait Islanders)  AUS\$1,025 [€540] (Start-up scholarships [loans], grant for low-income students)	2.1% var. indexed interest rate, income contingent (HELP loans) <sup>91</sup>	AUS\$39,700 [€20,900] <sup>92</sup>
<b>New Zealand</b>	NZ\$5,400 [€2,500] ave. <sup>93</sup>	NZ\$ var. (tuition fee loan; dependent on state and cost of school attendance) <sup>94</sup>  NZ\$35,372 [€16,500] max. (maintenance loan; lifetime limit) <sup>95</sup>  NZ\$1,000 [€470] max. (course loan) <sup>96</sup>	NZ\$350.20 [€160] max. (student allowance; per week) <sup>97</sup>  NZ\$ var. (accommodation benefit) <sup>98</sup>	Interest free, NZ\$40 [€19] admin. fee (tuition fee/maintenance/course costs loan; income contingent) <sup>99</sup>	NZ\$50,000 [€23,300] <sup>100</sup>

Table 2: Higher education fees and funding by country (2015/16)<sup>101</sup>

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## 1. Student fees, loans and grants; by country

The UK system of student funding is differentiated by the student's nationality and the location of the higher education institution at which they are studying, as well as household income and other factors. These differences affect both the tuition fees charged to the student, the loans and grants that are available to them, and the loan repayment terms and conditions that are applicable to the borrower.

### 1.1 England

In England, tuition fees were introduced in the 1998/99 academic year, with students paying approximately £1,000 per annum. The Higher Education Act, effective from 2006/07, increased the maximum fee chargeable to £3,000. Tuition fee loans became available in the same year to enable students to defer payment of these fees until after their degree, once they had started earning.

Today, universities can charge up to £9,000 in tuition fees; an increase introduced in the 2012/13 academic year. All universities in the UK can charge fees up to this level to any student ordinarily resident in England. For students starting their studies in 2015/16, according to the Office for Fair Access, "130 universities or colleges (73 per cent of those with access agreements) plan to charge a maximum fee of £9,000 for at least one of their courses [...] 44 universities or colleges (26 per cent of those with access agreements) plan to charge £9,000 for all their courses".<sup>102</sup> According to official statistics, "The average headline fee in the first year [2012/13] of the new system was around £8,400. It has increased each year since then, despite the cap remaining at £9,000, to just under £8,900 in 2015/16."<sup>103</sup> To cover these, full-time undergraduates starting their courses from August, 2016 are entitled to a tuition fee loan of up to £9,000 (up to £6,000 at a private university or college).<sup>104</sup>

Over the coming years, tuition fees are set to rise higher. In the 2015 summer budget, it was stated that tuition fees will be allowed to increase in line with inflation from 2017/18, with a consultation on the mechanism by which this will be expedited announced.<sup>105</sup> More recently, the government has proposed that universities be allowed to increase tuition fees where they can demonstrate high quality provision under the Teaching Excellence Framework; a proposed companion to the Research Excellence Framework currently followed by UK universities.<sup>106</sup> Given that the vast majority of universities raised their fees to £9,000 promptly after being given permission (despite government predictions that they would not), it seems likely that a similar majority will choose to increase fees under the new guidelines.

Maintenance loans, which support students' living costs, vary according to whether the student is living at home (in which case they are up to £6,904); living away from home and studying at a university outside of London (up to £8,200); or living away from home and studying at a university in London (up to £10,702).<sup>107</sup> The level of maintenance loan available is dependent on family income. A student unentitled to any additional support (because they have a high household income, no dependents, etc.), studying at a London university, can still receive a maintenance loan of £5,330.<sup>108</sup> A student that fulfils more or all of the criteria for additional support (such as low household income) can receive the maximum maintenance loan of up to £10,702.

As announced in the 2015 summer budget, maintenance loans are completely to replace maintenance grants, which previously benefited students from low-income backgrounds directly and are now only available to students that started their courses prior to August, 2016.<sup>109</sup> In the 2015 autumn spending review, maintenance loans were also made available to part-time students, following a sharp decline in part-time student numbers since the introduction of higher tuition fees in 2012, as previously mentioned.<sup>110</sup> At the same time, the repayment terms and conditions associated with maintenance loans have been altered retrospectively, to the detriment of the borrower (see below).

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Other grants (of smaller overall value) are still available to English students, under various conditions. These include those students that are: studying abroad (travel grants), on a low income (Special Support Grant), with children or dependent adults (Childcare Grant, Parents' Learning Allowance, Adult Dependants' Grant, as well as Child Tax Credit), with disabilities (Disabled Students' Allowances), training in medicine (NHS bursaries), social work (social work bursaries) or planning to teach (teacher training funding).<sup>111</sup> Unlike tuition fee and maintenance loans, these do not need to be repaid and are intended to increase the participation in higher education of groups that are traditionally under-represented and encourage recruitment into core economic sectors, respectively. They do not, however, necessarily make up for the financial loss of maintenance grants for the students that would previously have been entitled to these.

Outside of the central state system of student support, individual universities also award bursaries and scholarships across the UK. For the academic year 2014/15, it was estimated by OFFA that the total amount disbursed by universities in this fashion was £335 million.<sup>112</sup> In addition, universities award fee waivers worth a total of £200 million and just under £70 million in 'student choice' support, "where the student can choose how they receive the money, e.g. as a bursary, waiver, discount or other type of award."<sup>113</sup> It should be noted that, because these bursaries are awarded by universities rather than the state, they are less dependable from the student's perspective, with large variation across institutions and time. Each year, the Complete University Guide provides detailed lists of the bursaries and scholarships available from each university in the UK.<sup>114</sup> OFFA has stated that, "In 2013-14, the *average* bursary amount for first-year students from the lowest income backgrounds was £1,638, which is £370 higher than in 2012-13 (£1,268)."<sup>115</sup>

At the same time, research for the Sutton Trust, *Evaluating Access*, has suggested that universities need to remain aware of the importance of allocating funds to outreach programmes, too, as part of their widening participation strategies.<sup>116</sup> "Since tuition fees increased to £9000 a year, the OFFA has developed spending guidelines outlining the proportion of their budgets universities should spend on Widening Participation. As a result, universities now spend £750 million a year on activities to improve outreach, retention and progression."<sup>117</sup> Specifically, "OFFA has encouraged a growing proportion to be spent specifically on outreach, with universities set to spend £124 million on such initiatives in 2015/16."<sup>118</sup> In the years ahead, *Evaluating Access* suggests that, "Universities should increase their spending on evaluation with the ultimate goal of undertaking robust research trials. Universities should spend at least 10% of their outreach budget on evaluation of this kind."<sup>119</sup> The results of such evaluation should be published to contribute to a wider evidence base, so that best practice can be established and widening participation funds targeted in the most effective manner.<sup>120</sup>

## 1.2 Wales

In Wales, universities can charge up to £9,000 in tuition fees, with Welsh students charged up to this amount for study anywhere in the UK. Full-time students starting their courses from August, 2015 are entitled to a tuition fee loan of up to £3,810.<sup>121</sup> The tuition fee loan is less than the possible tuition fee cost, because if a Welsh student attends a university that charges tuition fees greater than this, a tuition fee grant is provided by the Welsh government that makes up the difference, up to a value of £5,190.<sup>122</sup> The tuition fees of Welsh students are partially subsidised, regardless of where they study in the UK.

This 'portable' subsidy has proven contentious. Lucy Hunter Blackburn, writing for the Higher Education Policy Institute (HEPI), has stated that, "The right of Welsh-domiciled students to take their student support, particularly their portable fee grant, with them when studying elsewhere in the UK is controversial [...] The critics include Conservative and Plaid Cymru politicians, who have expressed opposition to the current arrangements."<sup>123</sup> For Plaid Cymru, "The current policy means that the Welsh government is effectively subsidising students to study wherever they choose to do so in the UK



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while moving income away from Welsh universities so that Welsh universities will lose valuable resources while universities elsewhere in the UK are subsidised by the Welsh government.”<sup>124</sup> Hunter Blackburn suggests that, “This overlooks the fact that the funds are being used to subsidise the higher education of people from Wales. The money is not being sent over the border as some sort of general donation”.<sup>125</sup> The Welsh approach also prevents English students from studying in Wales more inexpensively than they could in England.

Two types of maintenance loan are available to Welsh students: one dependent upon household income and the other independent. Maintenance loans dependent on (independent of) household income vary according to whether the student is living at home, where they can reach up to £4,162 (£3,121); living away from home and attending a university outside of London, where they can reach up to £5,376 (£4,032); or living away from home at a university in London, where they can reach up to £7,532 (£5,649).<sup>126</sup> In addition, for maintenance loans taken out for the 2015/16 academic year, up to £1,500 will be cancelled under the Welsh Partial Cancellation of Maintenance Loan scheme.<sup>127</sup>

Maintenance grants (Welsh Government Learning Grants) are also available to certain students, contingent upon household income. For household incomes of less than £18,370, a grant of £5,161 is available. Incrementally lesser grants are available as household income increases, with an upper threshold of £50,753, after which no grant is available.<sup>128</sup> Other grants are available to those students with special welfare needs (Special Support Grant). As mentioned previously, individual universities will also provide bursaries and scholarships on an individual and variable basis.

### 1.3 Northern Ireland

In Northern Ireland, universities can charge up to £9,000 in tuition fees for students from the UK, except those from Northern Ireland itself. Northern Irish students studying at higher education institutions in Northern Ireland have their fees capped at £3,925. As such, full-time students starting their courses from August, 2016 are entitled to a tuition fee loan of up to £3,925 if they attend a Northern Irish university, which is all that they require to cover their tuition costs, and up to £9,000 if they attend another UK university.<sup>129</sup>

Maintenance loans, which are dependent on household income, vary according to whether the student is living at home (up to £3,750); living away from home, outside London (up to £4,840); or living away from home, in London (£6,780).<sup>130</sup>

Maintenance grants are available dependent upon household income. For household incomes of less than £19,203, a grant of £3,475 (special support grant) is available to the student.<sup>131</sup> Incrementally less generous grants are available as household income increases, with a threshold of £41,065, after which no grant is available.<sup>132</sup> Other grants are available to those with special welfare needs (Special Support Grant), children (Childcare Grant, Parents’ Learning Allowance), adult dependants (Adult Dependants’ Grant) and disabilities (Disabled Students’ Allowances).<sup>133</sup> As mentioned previously, individual universities will also provide bursaries and scholarships on an individual and variable basis.

### 1.4 Scotland

In Scotland, universities can charge up to £9,000 in tuition fees to UK students from outside Scotland. Students ‘ordinarily resident’ in Scotland have special dispensation and are charged up to £1,820, which is covered by a guaranteed tuition fee grant of the same amount. According to the Student Awards Agency Scotland (SAAS), “Ordinarily resident has been defined in the courts as ‘habitual and normal residence in one place.’ It basically means that you live in a country year after year by choice through a set period, apart from temporary or occasional absences such as holidays or business trips. Living here totally or mainly for the purpose of receiving full-time education does not count as being

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ordinarily resident.”<sup>134</sup> All the devolved nations, therefore, have student funding assistance available to their own citizens, but not to other UK citizens. Unlike in Wales, though, Scottish financial aid for Scottish residents is not portable and Scottish students studying elsewhere in the UK receive no special assistance. They are, however, entitled to a loan to cover their fees and funding to assist with living costs. According to the Scottish Government, “Eligible Scottish domiciled students wishing to study outwith Scotland, at an institution elsewhere in the UK, are entitled to a non-income assessed loan of up to £9,000 a year towards the cost of their tuition fees and may also be eligible to apply for an income assessed bursary [sic] and student loan to help with living costs from the Student Awards Agency”.<sup>135</sup>

Maintenance loans are dependent on household income. For those young students from households with an income over £34,000, a maintenance loan of £4,750 is available; for those young students from households with an income less than £34,000, a loan of £5,750 is available. For older, independent students, with a household income over £34,000, a maintenance loan of £4,750 is available. But their entitlement is greater for household incomes under this amount, with loans available of £6,250-£6,750. Loans are purely income contingent and do not differ by the location of the university at which the student is studying, whether they are living with their parents, etc.

Maintenance grants (Young Students’ Bursary) are also pegged to household income, using the same threshold. Young students from households with an income of more than £34,000 are entitled to no bursary; those with an income of £24,000-£33,999, £500; those with an income of £17,000-£23,999, £1,000; those with an income of £0-£16,999, £1,750. For older, independent students, smaller grants are available. For those from households with an income of more than £16,999, no grant is available; for those from households with an income up to £16,999, £750. Other grants are available to those with dependants (Dependants’ Grant), lone parents (Lone Parents’ Grant), formerly in care (Vacation Grant for Care Leavers) and disabilities (Disabled Students Allowance).

Other funds are also available from universities, including discretionary funds, “if you are not able to enter higher education for financial reasons or have financial difficulties while you study”; childcare funds, “for help towards the cost of registered or formal childcare”; and other bursaries and scholarships, which are dependent on particular academic and financial circumstances.”<sup>136</sup>

Tuition fees: Is England more expensive than US? *BBC News*, March 9, 2016<sup>137</sup>

*University tuition fees might be high in England but they are not as eye-wateringly expensive as in the United States. Or at least that’s the conventional wisdom. But is that really true? Or is it based on extreme examples, like Harvard charging almost \$60,000 per year (£42,000) or Yale \$48,000 (£34,000)? How about looking more widely? For instance UCLA compared with UCLAN?*

*UCLAN is the University of Central Lancashire in Preston – and its preferred acronym nods towards the sunny campus of UCLA, the University of California, Los Angeles, ranked in the world’s top 20 universities. They might sound like different worlds, but UCLAN’s fees are now more or less the same as UCLA. The Preston-based university charges £9,000 per year for tuition for undergraduates – and UCLA charges \$13,251, which at current rates is about £9,350. A few weeks ago, before sterling fell against the dollar, the fees in California were actually cheaper.*

*Or if you compare the University of Washington with the University of Wolverhampton, would you expect tuition fees to be lower at Washington? Tuition fees in Washington are \$11,839 (£8,354)*

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*compared with £9,000 for courses at Wolverhampton – or any other university in England.*

*Peggy Blumenthal of the New York-based Institute of International Education says this touches on one of the biggest misconceptions about US higher education. "There is a range of tuition costs," she says. And in practice, many US universities have comparable costs with those in England and across Europe. Even for those painfully expensive private US universities, Ms Blumenthal says the headline figures can be misleading. "Very few Americans pay the sticker price. US universities have a practice of discounting the admissions price. You get a letter saying congratulations, you're admitted to our university, and because you have financial aid, we're going to give this package of loans and scholarships."*

*But where are fees headed next? And perhaps that is the most striking contrast. In England, the government has signalled that fees will move upwards above £9,000. Universities have already been pushing to be able to charge more. But in the US, the argument has been in the opposite direction – about how costs can be cut. The level of student debt, above a trillion dollars and rising, is increasingly seen as unsustainable.*

## 1.5 United States

In the US, tuition fees vary not only between universities, but between the type of university (public or private) and a student's residential status (in-state students that are studying in their home state generally pay less than out-of-state students). Average tuition fees for in-state students at public universities are US\$9,400 [£6,600] per annum;<sup>138</sup> for out-of-state students they are US\$23,900 [£16,900] per annum.<sup>139</sup>

Full-time undergraduates starting their courses from August, 2015 at public universities are entitled to a federal tuition fee loan of up to US\$12,500 [£8,800]<sup>140</sup>. Under the William D Ford loan scheme, the main scheme, four types of loan are available: direct subsidised loans (where financial need can be demonstrated), direct unsubsidised loans (where it need not), direct PLUS loans (payable to parents of children whose other loans do not cover university costs) and direct consolidation loans (which amalgamate all eligible loans into a single loan).<sup>141</sup>

Other grants are available to those with exceptional financial needs (Pell Grants, Federal Supplemental Educational Opportunity Grants), training in teaching (Teacher Education Assistance for College and Higher Education Grant), with a parent/ guardian killed during military service in Iraq or Afghanistan (Iraq and Afghanistan Service Grant).<sup>142</sup> Of these, the most famous are Pell Grants, which are payable up to US\$5,775 [£4,100] and are available at some 5,400 participating tertiary institutions across the US.<sup>143</sup>

US institutions often award more generous scholarships, grants and bursaries than their UK counterparts. At Harvard, for example, "Close to 60% of our undergraduates receive Harvard Scholarship", "20% of our parents have total incomes of less than \$65,000 [£45,900] and are not expected to contribute", "Families with incomes between \$65,000 [£45,900] and \$150,000 [£106,000] will contribute from 0-10% of their income, and those with incomes above \$150,000 [£106,000] will be asked to pay proportionately more than 10%, based on their individual circumstances." The most recent data suggests that the average full-time US student studying at a four-year institution receives a little under US\$10,000 [£7,100] in grants and scholarships from all providers, including federal.<sup>144</sup> At the same time, there are questions about the need-blind admissions process in the US, which while putatively beneficial for low-income students, is also associated with higher debts for the same group. In other words, disadvantaged students are being admitted to university in greater numbers, but this is not always associated with adequate support funding (discussed below). Estimates by the US

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National Center for Education Statistics suggest that grants received by the average bachelor's undergraduate at a public four-year university cover nearly a quarter of a student's tuition costs, including fees, room and board, books and supplies.<sup>145</sup>

### 1.6 Canada

In Canada, tuition fees vary between universities, with average tuition fees standing at CAN\$6,200 [£3,300].<sup>146</sup> The student funding system is more complex than many of the other countries addressed here, because each Canadian province has control over their own arrangements.

Loans are provided by the Canadian government under the CanLearn scheme, which are dependent on the state in which the university is located and the fees that the individual university charges.<sup>147</sup> Provinces themselves also have their own funding schemes, independent of the central government.

Grants are available to both low-income and middle-income students. For those from low-income households, grants are available of up to CAN\$250 [£130] per month; for those from middle-income households, of up to CAN\$100 [£53] per month.<sup>148</sup> As with other national systems, grants are also available for those with particular welfare needs, including students with dependants and disabilities.<sup>149</sup> Provider-funded scholarships and grants vary according to university.

Again, there is variation in Canada between provinces. In the most recent Ontario budget, for example, the provincial government stated that, "most college students whose family income is less than \$500,000 [£264,000] a year will receive grants large enough to cover their whole tuition. Grants for university students, who pay higher tuition, may not offset the entire amount."<sup>150</sup> According to *The Globe and Mail*, "Changes in student aid unveiled in the Ontario budget are the most radical shift in decades in how the province delivers loans and grants to college and university students, and show the government wants to get more low-income people into postsecondary education."<sup>151</sup> The proposed changes are at a nascent stage, of course, and it remains to be seen how they will work in practice. The Ontario budget also shows the difficulty in finding national averages, when there is often substantial variation between location and student group.

### 1.7 Australia

In Australia, tuition fees vary between universities and the type of course on which the student is enrolled. Students undertaking degrees in band 1 subjects, including law, dentistry and medicine, are required to contribute up to AUS\$10,440 [£5,500]; band 2 subjects, including computing, engineering and mathematics, up to AUS\$8,917 [£4,700]; and band 3 subjects, including humanities, psychology and foreign languages, up to AUS\$6,256 [£3,300].<sup>152</sup> According to the Australian government, the average tuition fee charged across Australian higher education institutions is AUS\$7,900 [£4,200].<sup>153</sup> While the majority of institutions charge the maximum for courses under the relevant band, this figure reflects the fact that there are differing numbers of students within each.

The majority of Australian students are enrolled on Commonwealth supported places (CSP), which are subsidised by the Australian government. Eligibility for CSPs is determined by several citizenship and residency requirements. If awarded a CSP place, students can apply for the HECS-HELP scheme, which provides a tuition fee loan up to the value of the course undertaken. Students can also apply for a loan if they are not on a CSP place, with awards made through the FEE-HELP scheme.<sup>154</sup> Smaller loans are also available through the SA-HELP scheme to cover students' services and amenities fee, "a fee that approved higher education institutions can charge their students for specific student services and amenities of a non-academic nature",<sup>155</sup> and through the OS-HELP scheme, to contribute to costs associated with studying abroad.<sup>156</sup> Other loans are available to cover vocational education, not considered here.<sup>157</sup>

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Grants are available dependent upon individual circumstances, including income and assets. Youth Allowance is available to 18-24 year olds studying full time.<sup>158</sup> Austudy is the equivalent for those aged 25 and over, with payments of up to AUS\$559.20 [£290]. Abstudy is available specifically to Aboriginal or Torres Strait Islander Australians, with a plethora of different entitlements according to age, circumstances (living at home, in state or foster care, etc.) and other factors, including income and the type of tertiary course undertaken.<sup>159</sup> Aboriginal and Torres Strait Islander Australians are also entitled to support under the Commonwealth Scholarships Programme.<sup>160</sup> Student start-up scholarships, with a value of AUS\$1,025 [£540] were available to those that qualify for Youth Allowance until January, 2015, although these have now been replaced by loans (in a similar fashion to plans for maintenance grants in the UK, discussed previously), with those awarded scholarships prior to this date 'grandfathered' (exempted from the new regulations). Further changes may be made to these arrangements, dependent on legislation currently being debated in the Australian parliament. Relocation scholarships, with eligibility requirements akin to student start-up scholarships, are available to those students that are required to live away from their family home while studying.<sup>161</sup> As with the other countries considered, provider-funded scholarship and grants vary according to university and individual student circumstances.

## 1.8 New Zealand

In New Zealand, average tuition fees stand at around NZ\$5,400 [£2,500] per annum.<sup>162</sup> As with the other countries discussed here, there is variation in tuition fees charged according to the university attended and course undertaken.

Tuition fee loans are variable, according to state and the cost of attendance at a particular university. Maintenance loans are also available, with a lifetime limit of NZ\$35,372 [£16,500], which covers study for approximately 7-8 years (sufficient to complete the majority, if not all of bachelor's, master's and doctoral study).<sup>163</sup> Up to NZ\$1,000 [£470] is also available each year to cover course costs, including everyday materials and services that are required for the completion of study. In 2012, the New Zealand government set a series of public service targets, the third of which reformed management of student loans to make them simpler for the borrower to repay.<sup>164</sup>

Under the New Zealand system, grants are available for low income students and others with particular needs. The New Zealand student allowance entitles the receiver to up to NZ\$350.20 [£160] per week, with a set lifetime limit on the number of weeks that can be claimed (the lifetime limit for the student allowance is different to that for tuition fee loans).<sup>165</sup> For those that are eligible, accommodation benefit of various amounts, dependent on circumstances, can also be used to contribute toward accommodation costs while studying. As with the other countries considered, provider-funded scholarship and grants vary according to university.

### *Discussion of student fees, loans and grants*

How do average tuition fees differ between countries? At the end of 2015, significant media coverage was given to reports that average English tuition fees were now, by some margin, the highest in the world, which is a useful place to start in considering this question.<sup>166</sup> Drawing upon the OECD's annual publication, *Education at glance 2015*, it was stated that English institutions charged over US\$9,000 [£6,400] on average in undergraduate annual tuition fees, the US slightly less (US\$8,200 [£5,800]), and Australia, Canada and New Zealand less still (under US\$5,000 [£3,500]). It was claimed that England was now moving away from comparable countries in terms of the financial burdens placed upon its students.

However, there are a number of caveats associated with the OECD's figures, stipulated in the report's original notes and underlying data. Most importantly, the data considers only publicly-funded

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universities. This provides a representative picture of Australia, Canada, New Zealand and England, where at least 95% of students attend publicly-funded universities. It does not present a representative picture of the US, where about two thirds of undergraduate students on bachelor's courses attend publicly-funded institutions and the remainder private institutions (where tuition fees are generally much higher).<sup>167</sup> If the average undergraduate tuition fees presented by the OECD are weighted by these proportions, then while the US and England still have the highest fees in the world, average US tuition fees become significantly higher than English.

With particular reference to the geographical focus of this report, it should also be noted that, despite being labelled 'UK', the OECD's figures actually refer only to England. As mentioned, university tuition fees in the devolved nations differ for their domestic students. In addition, the average tuition fees for England in the OECD report are significantly lower than one would expect, given the 2012/13 increase of the fees cap to £9,000 and the latest government figures. Presumably, this is because the data averages across all undergraduates and, when the data was collected, some undergraduates charged under the previous, lower arrangement were still in the system; their lower fees skewing the average downward. The OECD data is also derived from a sample of main university courses, rather than the population, which may have affected results.

When data for privately-funded universities in the US is included, the picture changes from the original OECD presentation. They show that the tuition fees charged by US universities as a whole still lie significantly ahead of the UK. In the original OECD report, average tuition fees at US universities were determined to be about US\$800 [£560] higher than in the UK; if private US universities are included, too, average tuition fees in the US are about US\$13,000 [£9,200]; some US\$4,000 [£2,800] ahead of the UK.

How do these figures change, though, if we incorporate the recent (up to £9,000) UK tuition fee increase? With this included, UK figures return to near the US average (at about US\$13,000 [£9,200]), but this time across all university types (in other words, including US private universities). Given the limitations described previously in this report, these figures should be seen as indicative, rather than definitive. They do suggest, though, that the average undergraduate student in the UK and the US is now charged about the same in tuition fees. This is despite the fact that students' assistance for their tuition fees at the university level is greater in the US than the UK (as reflected in debt levels at graduation, as discussed below) and that the US figure includes the approximately one third of US undergraduates that study at private institutions. If only publicly-funded universities are compared, the UK is some distance ahead of the US, with US students paying about £5,800 a year on average, according to the OECD's figures, and UK students closer to £9,000.

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## 2. Loan repayment terms and conditions; by country

### 2.1-2.4 England, Wales, Northern Ireland, Scotland

In England, loan repayment terms and conditions have altered variously over recent years, to the detriment of many borrowers. For students enrolled during the 2011/12 academic year, real interest rates on loans relative to the retail price index were zero, both during study and after graduation. In other words, outstanding loans were adjusted for inflation, but borrowers were not charged interest in addition to this. Repayments were income-contingent and students were only required to start repaying their loan once their earnings passed a threshold of £15,795 per annum, with a repayment rate of 9% (meaning that 9% of income over this threshold was reclaimed by the government). The threshold was to be increased each year in line with inflation, with a fixed repayment period of 25 years, after which loans were written-off.<sup>168</sup>

For students enrolled in the 2012/13 academic year, these conditions were altered. A real interest rate of 3% was applied during the period of study after which the rate was varied (between 0% and 3%), depending on graduate income using a linear scale derived from the repayment threshold. The repayment rate stayed at 9%, but the threshold at which borrowers started to repay ceased to be tagged to the retail price index and was increased to £21,000 for students enrolling from 2016/17 onward. New rules were introduced for the threshold, which was to be increased annually in line with national average earnings from 2017. The repayment period was also extended to 30 years, increasing the government's potential total loan recovery in the process.<sup>169</sup>

In 2015, further changes were proposed by government to the student loan system, which were confirmed in the 2015 autumn spending review.<sup>170</sup> Broadly, these have been justified by the claim that undergraduate degrees directly benefit the individual (in terms of higher average lifetime salaries, as previously mentioned), so should not be unduly subsidised by the taxpayer. In addition to the conversion of all maintenance grants into loans (discussed above), the terms of borrowers' repayments have been altered, again. This includes a freeze on the repayment threshold that has been enacted retrospectively. This not only increases the cost of student loans for future students (because in real terms they must now pay more of their loan back and earlier), but has also been described as a breach of trust, in that current students, who signed up for loans under the terms described previously, have now had these conditions altered to their detriment.<sup>171</sup>

In a briefing paper for the House of Commons, it has been noted that the repayment threshold freeze will have a particular effect on borrowers from disadvantaged backgrounds. "The proposed freezing of the repayment threshold, if implemented [which it now has been], increases graduate loan repayments and hence the likelihood that graduates will repay in full. It has a proportionately larger impact on repayments by graduates with lower lifetime earnings. As there is some link between lower household income and lower graduate earnings this change is also likely to have a greater impact on students from poorer backgrounds."<sup>172</sup> The Sutton Trust estimates that the five-year freeze of the repayment threshold will force the typical borrower to repay an extra £2,800 over the course of the loan.<sup>173</sup> As well as students from poorer backgrounds, it will also have a disadvantageous effect on the average woman, "because women's earnings tend to be lower and they are more likely to be repaying across the 30 year repayment period".<sup>174</sup>

In Wales, loan repayment terms and conditions are the same as in England, except that individual tuition fee debt burdens are generally lower because of Welsh Government Learning Grants and the Welsh Partial Cancellation of Maintenance Loan Scheme (see above).<sup>175</sup>

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In Northern Ireland, the interest rate charged on student loans tracks the retail price index and is currently set at 0.9%; lower, on average, than in England and Wales.<sup>176</sup> In other words, an individual's debt burden is adjusted for inflation, but there is no additional interest charge.

In Scotland, as in Northern Ireland, the interest rate charged on student loans tracks the retail price index and is currently set at 0.9%; lower, on average, than in England and Wales.<sup>177</sup> As above, an individual's debt burden is adjusted for inflation, but there is no additional interest charge.

I asked an expert what would happen if I just stopped paying my student loans. *VICE*, March 11, 2016<sup>178</sup>

*A couple of days ago, our friends in the VICE New York office grilled a student loan expert on how they might go about defaulting on \$100,000 (£65,000) of student debt. The article was a response to a New York Times piece, in which the writer glibly advocates accepting a lifetime of poor credit in exchange for bailing out of loan repayments.*

*I wanted to know whether they, like their debt-struck peers in the US, could just sack it all off in return for never being able to get a credit card – which, in the long run, probably isn't such a bad thing anyway. To find out I called Nick Hillman, director of the Higher Education Policy Institute, the UK's only think-tank to specialise in higher education.*

*[Nick Hillman] "The first thing to say is it's not an easy thing to do. It's much easier in America than it is here, because the standard way of collecting student loans back in Britain is through the payroll. So, basically, anyone who's not self-employed never actually writes a cheque to the student loan company – the money just comes off their pay packet, a bit more like income tax, before they ever see it, and the employer pays the student loan company and the government.*

*"There are people who could do it: self-employed people could do it. But the difficulty is the parameters of the loan system are very different here to in the States. One is that they [the UK] have that very efficient collection mechanism, which isn't a regular feature in America, and the second is that, actually, our repayment service is quite generous – you don't start repaying your student loan here until you've got a job that's earning at least £21,000 per year, which is a lot higher than the States. Even then, you only pay 9 percent of your money above £21,000.*

*"So the challenge with a direct comparison between us and America is that our student loan system – which I'm not pretending for a moment is popular among students, who I'm sure would much rather go to university and not have to pay back that debt – but our student loan system looks very progressive [compared] to America. The radical students in California lobby for a student loan system like ours because ours is much more generous than theirs."*

## 2.5 United States

In the US, loan repayment rates are generally higher than in the UK and loan fees are often applied. William D Ford loans are subject to an interest rate of 4.29%, with a loan fee of just over 1%. Direct PLUS loans are subject to an interest rate of 6.84%, with a loan fee of over 4%. Perkins loans have an interest rate of 5% and do not incur a loan fee.<sup>179</sup>



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The majority of the loans in the US, however, are not income contingent; meaning that borrowers are forced to repay, even during financially fallow periods. As Susan Dynaski has noted, “The approach [to student loan repayments] of some countries, including England and Australia, is to link payments directly to income so that borrowers pay little to nothing during hard times. The United States also has income-based repayment options, but relatively few student borrowers – currently 19 percent of Direct Loan borrowers – are enrolled in them.”<sup>180</sup> Part of the reason for this low uptake, Dynaski suggests, is that applying and maintaining an income-based repayment schedule is a complex and involved process, which deters many.<sup>181</sup> By way of solution, Dynarski and Kreisman have suggested the introduction of a singular, income-contingent repayment model across the board. “Under this model, payments would rise and fall with borrowers’ earnings, and would include the ability to increase payments and repay loans more quickly to minimize financing over the lifetime of the loan.”<sup>182</sup>

In addition, a higher proportion of loan providers in the US are private. According to the latest data from the Institute for College Access and Success, “About one-sixth (17%) of the Class of 2014’s debt was comprised of private loans, which provide fewer consumer protections and repayment options and are typically more costly than federal loans.”<sup>183</sup> As the Institute continue, “Private loans are one of the riskiest ways to pay for college. The majority of these non-federal loans are made to students by private banks and lenders. No more a form of financial aid than a credit card, private loans typically have interest rates that, regardless of whether they are fixed or variable, are highest for those who can least afford them. Private loans lack the basic consumer protections and flexible repayment options of federal student loans, such as unemployment deferment, income-driven repayment [for some, see above], and loan forgiveness programs.”<sup>184</sup>

## 2.6 Canada

Canada Student Loans do not need to be repaid until six months after graduation, although interest does accrue during this period. Borrowers “can choose between a fixed interest rate (where the rate doesn’t change for the duration of your loan) and a variable, or “floating,” interest rate (where it can fluctuate).”<sup>185</sup> In Canada, there is no fixed repayment rate; the borrower is able to adjust their monthly payments according to circumstance.<sup>186</sup> For borrowers encountering difficulties repaying their student loan, help is provided through the Repayment Assistance Plan. Under this scheme, “Your monthly student loan payments would either be reduced, or you would not have to make any payments, depending on your financial situation.”<sup>187</sup>

## 2.7 Australia

As mentioned, higher education funding is currently under review in Australia. As things stand, “[HELP] debts are indexed annually in accordance with the *Higher Education Support Act 2003*. The Act provides for indexation, which is based on changes in the Consumer Price Index.”<sup>188</sup> In other words, debt accrues no interest, but is adjusted for inflation. The current rate is 2.1%, with the figure typically hovering between 2% and 3%.<sup>189</sup>

Repayment rates differ according to earnings. For those earning less than AUS\$54,126 [£28,500], no repayment is necessary. The repayment rate increases by degrees above this salary, with 4% of salary being contributed to debt repayments by those earning between AUS\$54,126 [£28,500] and AUS\$60,292 [£31,800], up to 8% for those earning AUS\$100,520 [£53,000] and above.<sup>190</sup> Voluntary repayments of AUS\$500 [£260] or more receive a bonus of 5% of the repayment value, providing an incentive for borrowers to repay early.<sup>191</sup> This is, then, a key difference between the English and Australian systems: “in England repayments are fixed at 9 per cent of income above £21,000 [£11,100], whereas in Australia repayments begin at a higher threshold but are imposed on *total taxable income*, at different rates depending on salary.”<sup>192</sup>

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Given the different salaries associated with professions, there are significant differences in the proportion of students with particular degrees that are estimated to repay all, some or none of their debt. Over 90% of students that enter the medical profession, for example, will repay all of their debt and the remainder will repay some; in visual arts and crafts, 50% of students will repay none of their debt at all.<sup>193</sup> This aligns with findings from the US, which suggest that those most likely to default on their student debts are actually those with the lowest, because they are earning less and so less able to repay, amongst other factors. This stresses, again, the importance of considering lifetime returns to degrees in any discussion of this type.

## 2.8 New Zealand

As in the UK, "The [New Zealand] Government has suspended Consumer Price Index (CPI) adjustments to the student loan repayment threshold [currently \$19,084 [£8,900] per annum/ \$367 [£170] weekly] until 2017. The repayment threshold was set at \$19,084 [£8,900] from 1 April 2009 and will remain at that level until the end of the 2016/17 tax year – 31 March 2017."<sup>194</sup> In real terms, this is potentially to the disadvantage of the borrower, for the same reasons identified in the UK context.

### *Discussion of loan repayment terms and conditions*

As with other student funding system characteristics, there are multiple variables that need to be considered when appraising the relative merits of loan repayment arrangements. In terms of repayment rates, loan fees and the proportion of debt held in private hands, conditions in the US appear to be some of the most challenging for the borrower. At the same time, loan repayment terms need to be situated alongside average debt levels. Poor repayment terms are naturally exacerbated when the average student's debt level is relatively high, but ameliorated, to a degree, when it is relatively low. At the same time, lower levels of debt are often associated with lower individual earnings, making even smaller levels of debt more difficult to repay.

Similarly, repayment terms and conditions, however potentially poor for the borrower, are redundant for those that never meet the requirements for repayment. As mentioned, up to 50% of students in some academic fields of study in Australia never repay any of their debt.<sup>195</sup> In the UK, even government figures, which have been criticised as an underestimate, recently suggested that 35-40% of outstanding student loans will never be repaid.<sup>196</sup> Given the predicted value of the student loan book by 2042 that means that up to £80 billion worth of loans could be written-off, according to some projections.<sup>197</sup> In many countries, including Australia and the UK, there are also difficulties in reclaiming debt from those students that move overseas after they have graduated. In some cases, this has led to dedicated efforts to recover such debt.<sup>198</sup> While in the former case, repayments will not be made because the student is earning a low salary, in some, including overseas residence, it will be for reasons that are not necessarily related to an individual's capacity to repay.

In the UK, repayment conditions are broadly comparable with some of the more generous systems analysed here. While, by many metrics, the debts faced by UK students are the most substantial in the world, UK students benefit from the fact that the majority of these are held in public hands, or at least have government legislated repayment terms and conditions that are transparent and clear to the borrower. In the US, tens of millions of dollars-worth of loans are held by private providers, whose terms and conditions are harsher and exist largely outside of public oversight.

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### 3. Debt at graduation, starting salaries and lifetime returns; by country

#### 3.1-3.4 England, Wales, Northern Ireland, Scotland

In England, the 2015 summer budget has the potential to affect significantly student debt levels, especially for the most disadvantaged students. Prior to the budget, the Institute for Fiscal Studies with the Sutton Trust estimated that the poorest 40% of students were facing debts at graduation of approximately £40,000; after the budget, this increased to over £50,000.<sup>199</sup> The average debt for all students, after the budget, has been placed at £44,500.<sup>200</sup>

In the wake of the 2015 summer budget, there has been criticism that, not only has average student debt in the UK now exceeded that in the US, but that with the repeal of maintenance grants, less provision is now made for those from disadvantaged backgrounds. Jason Dittmer, Professor at University College London, has commented that, “while the UK is increasingly moving to the US model with regard to fees... there is very limited uptake of the more altruistic side of the US model – scholarships, needs-based grants and so on”.<sup>201</sup>

UK students rely on an eclectic mix of sources for their funding, according to the NatWest Student Living Index 2015.<sup>202</sup> While tuition fee and maintenance loans are the largest source of income, students also rely on funds from their parents, bursaries and scholarships, grants (although the importance of maintenance grants will decrease as those cohorts still entitled to them graduate), holiday work, current account overdrafts, other bank loans and sponsorship, in that order of precedence.<sup>203</sup> (The same survey suggests that students conduct just over four hours of part-time work each week and it is unclear why this does not feature as a source of funding. The figure of four hours suggests that any financial contribution that part-time work makes to UK students is small – and it should be borne in mind that some universities limit term-time work – but this cannot be verified).<sup>204</sup>

Numerous estimates exist of the average starting salary for graduates in the UK. High Fliers Research annually publishes a figure, which is derived from the UK’s top employers only. For 2015, this suggests that, “Graduate starting salaries at the UK’s leading graduate employers are expected to increase for the second year running in 2015, reaching a median of £30,000 for the first time.”<sup>205</sup> The latest data from HESA suggests that the average UK graduate’s first full-time salary is about £21,500 for the year 2013/14; the same as for graduates from English institutions, specifically.<sup>206</sup>

The aforementioned Institute for Fiscal Studies debt estimate applies to graduates from English institutions only, falling under the new tuition fee regime (of up to £9,000). The Student Loans Company has published the average debt levels of students graduating from other institutions in the UK, but these are not predictions, but results, thus they refer to students that have not had to pay the higher fees that were implemented in 2012/13. With reference to these figures, therefore, it is more instructive to consider the proportional difference between them, rather than the actual figures. Of those graduating in 2015, the Student Loans Company states that debts for those that studied at English institutions stood at £21,200; at Welsh institutions, £19,000 (90% of the English total); at Northern Irish institutions, £18,200 (86% of the English total); and Scottish institutions, £9,400 (44% of the English total).<sup>207</sup> It should be noted that these are figures for undergraduates studying in the countries, not necessarily ordinary residents of the same.

In addition, these averages occlude a large amount of complexity, especially in the comparison of different UK countries. Lucy Hunter Blackburn has found that, “For debt, it [Scotland] will compare favourably with England, but so will the low fee/ high grant systems in Wales and Northern Ireland, with some low-income students having less debt if they come from the other devolved jurisdictions.

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This will be particularly true for mature students. The debt benefits of the Scottish system disappear for those who wish to study outside Scotland, who become among the most indebted anywhere in the UK, particularly at low incomes. There is only one significant group for which it is clearly accurate to describe the Scottish system as the best in the UK, which is the most well off, provided they study in-country.”<sup>208</sup> Such observations are testament, again, to the pitfalls in international comparison, which for the purpose of clear presentation necessarily overlook individual experience within averages.

Similarly, HESA has disaggregated its figures for typical graduate starting salary by UK nation. The average graduate from an English institution, as mentioned, earned about £21,500 in 2013/14; from a Welsh institution, £20,000 (93% of the English total); from a Northern Irish institution, £20,500 (95% of the English total); and from a Scottish institution, £22,500 (105% of the English total).<sup>209</sup> In the case of England, the figures suggest that the typical graduate completes their studies with debts about twice the size of the initial annual salary that they can expect to earn; but again, this ratio is the product of averages, considering typical students only.

It is also instructive to consider lifetime returns to degrees, given that these affect a person’s ability to repay loans that can take decades to fully clear. Recent research for the Sutton Trust identified that Oxbridge graduates, on average, earn nearly £1.8m across a lifetime; Russell Group (exc. Oxbridge) graduates, just under £1.6m; and those with any degree, on average, about £1.45m.<sup>210</sup> (By comparison, students that leave school only with A-levels typically earn just under £1m across a lifetime and those that leave school with no qualifications, about £700,000.)<sup>211</sup> Again, these figures show the difficulties in coming to any definitive conclusions about the relative fairness of student funding systems in the UK: different graduates will be able to manage different levels of debt according to their earning power, which is affected by where and what they studied, amongst other factors.

Are English graduates facing double the debt of their US counterparts? (*Telegraph*, June 30, 2015)<sup>212</sup>

*The comparison [between the US and UK] isn't quite as straightforward as the numbers might suggest. The debt figures don't account for factors such as graduate prospects, interest rates or differences between the loans systems themselves. Consequently, it wouldn't be fair to say that English students are twice as badly off, although the contrast remains surprisingly stark when studied in more detail.*

*In America there are multiple types and levels of degree granting institutions and multiple funding sources, versus England's comparatively streamlined affair. In the US, each state and university runs their own system, with admissions and funding decisions often being made separately. In England, the national student finance system kicks in automatically once a university place is granted, making the process much more straightforward.*

*Taking a look at a typical student from each system helps to illustrate some of the differences. On the American side, Emily Byrne, 23, an international business major from Boise State University, has just graduated after 4.5 years of study with \$27,000 (£17,000) in loans debt, including time spent studying abroad in Germany.*

*She received a government grant for under a year, and some small scholarships totalling no more than \$2,000 annually, whilst her entire \$150 a week earnings from part time work went towards living costs. Her parents then helped to minimise her loans debt by assisting with rent, textbooks and as much of her tuition fees as they could manage.*

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*By comparison, Sophie Pratt, 21, a psychology student at the University of Bath, will be graduating in 2016 with around £44,000 in loans debt, after a 4 year course which incorporates a lower cost placement year. Her tuition fees are automatically covered by a student loan, but the basic maintenance loan leaves her with a shortfall for rent and living costs.*

### 3.5 United States

Student debt in the United States has increased dramatically over recent years, with one estimate suggesting that, "In the past three decades, the cost of attaining a college degree has increased more than 1,000 percent."<sup>213</sup> "In 2010, student debt surpassed credit cards to become the second largest form of household debt after mortgages whereas prior to 2008, the student debt was the smallest of household debts."<sup>214</sup> The total student debt burden in the US now stands at over US\$1 trillion [£706 billion].<sup>215</sup>

In the US, it is important to differentiate between debt levels at public and private (profit/non-profit) universities. The latest figures from the Institute of College Access and Success suggest that, while 69% of graduates at public and non-profit private universities hold debt, the figure for the latter alone is 74%.<sup>216</sup> Figures for graduates from private for-profit universities are less recent, but as of 2012 were estimated at 88%.<sup>217</sup> While average borrower debt at graduation stands at about US\$29,000 [£20,500] for graduates at public and non-profit universities, this also differs when disaggregated by university type.<sup>218</sup> For graduates from public four-year universities, average debt is US\$27,100 [£19,100] per borrower; for graduates from private non-profit four-year universities, US\$32,600 [£23,000].<sup>219</sup> Figures for graduates from private for-profit universities are less recent for the reasons specified (and less accurate, given that very few of these universities report figures for average student debt), but as of 2012 average debt was estimated to stand at around US\$40,000 [£28,200].<sup>220</sup>

Given the higher proportion of student debt held by private providers in the US, which the latest estimates place at 17% of all student debt, there are signs that the current arrangement is putting increasing pressure on borrowers and threatening financial security later in life.<sup>221</sup> "Nearly one third of the borrowers in repayment are delinquent on student debt, a fact that is masked by the large numbers of borrowers who are in either deferment or grace periods... it appears that the higher burden of student loans and the associated high delinquency rate negatively affect borrowers' home purchases, other debt repayments and access to credit."<sup>222</sup>

The Center for American Progress, describing the US situation as a 'student debt crisis', note that students from particular backgrounds fare worse than others, with poverty mapping onto race in particular ways. "African American and Latino students are especially saddled with student debt, with 81 percent of African American students and 67 percent of Latino students who earned bachelor's degrees leaving school with debt. This compares to 64 percent of white students who graduate with debt."<sup>223</sup>

Lauren Rivera of Northwestern University has described the situation at the United States' top universities, where economically disadvantaged students are also fairing particularly poorly. "As of 2014, at many elite colleges it [undergraduate university tuition] approached \$60,000 [£42,400] annually, including room, board, and fees [...] Including fees, living expenses, and the social activities and trips that are an essential part of the informal curricula of these schools (and of the social networks formed within them) pushes the bill closer to \$100,000 [£70,600] per year. Costs such as these lead many students to take on six-figure debt to fund their degrees. Unless they claim a financial hardship deferral, students must begin making loan payments several months after graduation."<sup>224</sup>

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It is the United States' elite universities that feed the popular perception that student fees and debt in the US must exceed the UK equivalent. Actually, the majority of undergraduates at US public institutions graduate from state universities in which they are resident, where their fees (and ultimately debt) are often lower than the UK average.<sup>225</sup> Similarly, as Rivera indicates, debt at graduation is a better international comparator, because many US students benefit from financial aid that is more generous than the UK equivalent.

At the same time, there are questions over the need-blind admission policies instituted by many of the country's top universities. Need-blind admissions policies are designed to ensure that the financial status of an applicant is not considered during the admissions process (although there is debate about the extent to which this is actually hidden from assessors). But need-blind admissions do not require that that student, if awarded a place, is then awarded funding, whether at the level of meeting-full-need, or otherwise. Thus, Monks has found that, "colleges and universities that are need-blind in admissions, a practice that is usually perceived to be advantageous for less affluent students, may lead to higher levels of average student debt, *ceteris paribus*, while institutions that pledge to meet the full demonstrated need of all enrolled students will likely have lower levels of student borrowing."<sup>226</sup> In addition, it is important to note that, "Meeting-full-need may mean dramatically different things across institutions. For example, a student with demonstrated need of \$20,000 [£14,100] may have all of that need met with grant at one institution, while another institution meets half that need with loans and half with grant aid. Clearly, the borrowing implications of these meeting-full-need policies are quite different."<sup>227</sup> Need-blind admissions, then, are an important starting point for improving the participation of less affluent groups in US higher education, but only a starting point.

For those graduates in receipt of public Pell Grants (typically meaning family incomes of less than US\$40,000 [£28,200]), debts are greater than their peers, too; in terms of both their frequency and amount.<sup>228</sup> Of those who have ever received a Pell Grant during their student careers, nearly 90% graduate with debt; of those who have never received a Pell Grant, this figure falls to just over 50%.<sup>229</sup> Of those that have ever received a Pell Grant, average debt for graduates upon completion is US\$31,200 [£22,000]; of those who have never received a Pell Grant, approx. US\$26,000 [£18,300].<sup>230</sup>

According to the National Association of Colleges and Employers, the US has one of the highest graduate starting salaries in the world, certainly of the countries considered here, standing at around US\$48,200 [£34,000] for the class of 2013/14.<sup>231</sup> This is higher than the debts that are incurred by US students at all but the most expensive US institutions, with the caveat that these are approximate averages. Placing this in the context of the lifetime returns of a college education has led some to claim that, "there is no student debt crisis: student debt levels are not large relative to the estimated payoff to a college education in the US. Rather, there is a repayment crisis, with student loans paid when borrowers' earnings are lowest and most variable".<sup>232</sup>

According to the American Community Survey, published by the US Census Bureau, "a bachelor's degree holder can expect to earn about \$2.4 million [£1.7 million] over his or her work life. [But] There is a great deal of diversity among the 20 million full-time, year-round workers whose highest degree is a bachelor's."<sup>233</sup> As the report continues, "The difference in work-life earnings between workers with a high school diploma and those with a college degree is about \$1 million [£706,000] and the difference between the estimate for workers with a college degree and the estimate for those with a doctorate is another \$1 million [£706,000]."<sup>234</sup> As previously mentioned, these figures are intended to place levels of debt at graduation into greater context.

### 3.6 Canada

According to the most recent figures, the average Canadian undergraduate is graduating with debts (from all sources) of about CAN\$26,300 [£13,900].<sup>235</sup> About 50% of graduating students in Canada hold

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some kind of debt related to their studies. About 40% of graduating students hold government student loans, 15% hold loans from financial institutions, 13% hold loans from parents and family and 5% hold loans from other sources.<sup>236</sup>

More specifically, according to the Canadian University Survey Consortium, “About 92% of graduating students have at least one credit card, and... 23% of those with a credit card do not pay off their balance each month.”<sup>237</sup> With reference to other sources of student funding, “On average students use about three sources to fund their education, most commonly *parents, family or spouse* (60%), with many also using earnings from *current* (49%) or *summer* (44%) *employment* and *government loans or bursaries* (41%).”<sup>238</sup>

According to Statistics Canada, the average graduate’s starting salary is about CAN\$57,300 [£30,200], which is double the average debt accrued by undergraduates during the course of their study.<sup>239</sup> Again, bearing in mind methodological difficulties in comparison, this suggests that the average Canadian graduate’s first year of pay will be significantly higher than the debt that they accrued during their studies. But, their ability to pay this off expeditiously will depend on the structure of that debt, as well as the repayment terms and conditions discussed previously.

As with other countries, such as Australia (see below), official statistics do not track lifetime earnings in Canada, but do track earnings across the first 20 years of a person’s life post-graduation; the period during which the majority of student loans are repaid. Statistics Canada state that, “Bachelor’s degree and college graduates earned considerably more than did high school graduates. From 1991 to 2010, the median cumulative earnings (expressed in 2010 constant dollars) of male high school graduates amounted to \$882,300 [£465,000]. In comparison, male college graduates earned about 1.3 times more (\$1,137,000 [£600,000]), and male bachelor’s degree graduates earned about 1.7 times more (\$1,517,200 [£800,000]).”<sup>240</sup> “Although women generally earned less than men did, the patterns were similar. Women with a bachelor’s degree earned \$972,500 [£513,000] (about 2.1 times more than high school graduates), and those with a college certificate earned \$643,200 [£339,000] (about 1.4 times more than high school graduates).”<sup>241</sup>

### 3.7 Australia

Recent figures suggest that average debt upon graduation in Australia has been increasing significantly over recent years: “even full-time undergraduates, who in other respects appear to have changed little from the 2006 cohort, also had higher estimated levels of debt: from \$28,861 [£15,200] in 2006 (plus CPI) to \$37,217 [£19,600] in 2012. Low SES undergraduates estimated higher levels of debt on completion of their studies than others, and particularly part-time low SES students, with an estimate of \$54,938 [£29,000] compared with \$45,397 [£23,900] for others.”<sup>242</sup> It should be borne in mind that these are estimated levels of debt.

For full-time domestic undergraduates, Universities Australia suggest that just under 80% of their debt is held through the HECS-HELP and FEE-HELP schemes (AUS\$29,490 [£15,500]).<sup>243</sup> For those from lower socio-economic backgrounds, though, the proportion of their debt held by lenders other than the government is greater, with HECS-HELP and FEE-HELP accounting for just under 70% of all debt.<sup>244</sup> Their debt is also higher, with an average of AUS\$39,918 [£21,000] at graduation.<sup>245</sup> In other words, for those from poorer backgrounds, debt at graduation is both higher and more likely to be held by non-state providers. As we have seen in previous discussion, the repayment conditions of such debt are often worse for the borrower than loans taken against the state provider.

According to Graduate Careers Australia, “In 2014, the median starting salary for bachelor degree graduates aged less than 25 and in their first full-time employment was \$52,500 [£27,700] (essentially unchanged from \$52,450 [£27,600] in 2013, and \$52,000 [£27,400] in 2012) [...] The median starting

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salary for male and female graduates was \$55,000 [£29,000] and \$52,000 [£27,400] respectively”.<sup>246</sup> This is median, rather than mean, but suggests that a typical Australian graduate might expect to earn an initial annual salary greater than their total debt. Again, this is not necessarily as important as repayment terms and conditions, but does place the debt figures into further context.

Data on lifetime earnings by qualification type is limited. As the Australia Group of Eight, which represent leading Australia universities, have stated, “Little information is collected on graduate incomes after their initial five years, particularly in regards to career progression. The Census provides some information here, however, because of the way the Census data is collected, we are limited in the extent to which [one] can assess income growth over a graduate’s entire career. The Census asks respondents to report their gross weekly income between income bands (for example, between \$600 [£320] and \$799 [£420]). The highest income band is “\$2000 [£1,050] or more”. As a greater proportion of graduates fall into this category, it is difficult to identify how much they are actually earning.”<sup>247</sup>

However, a report by the Grattan Institute, an Australian public policy think tank, has concluded that, “A large body of Australian evidence suggests that graduates earn above-average wages. For women, the median bachelor-degree holder earns roughly \$800,000 [£422,000] dollars more in a lifetime than the average year 12 graduate who completes no further study. For men, the lifetime income gap between a bachelor degree and year 12 is \$1.1 million.”<sup>248</sup> “In percentage terms, these are large numbers: the median man with a bachelor degree earns 65% more over a lifetime than a median year-12 completer who does no further study. For women the difference is nearly 80%.”<sup>249</sup> This suggests that, across a normal working life (18 to 65), the median female with a bachelor’s degree will earn approximately AUS\$1.8m [£950,000]; the median male, AUS\$2.8m [£1,480,000].<sup>250</sup> At the same time, a series of caveats apply: “First, there is variation across levels of education. Some people who do no further study post year 12 do better financially than many graduates. Second, there is variation across disciplines. Lawyers, for example, tend to do better in the labour market than humanities students. Last, there is variation within disciplines: the average corporate lawyer earns a lot more than the average family lawyer.”<sup>251</sup>

### 3.8 New Zealand

Total student debt in New Zealand has recently been estimated at NZ\$15 billion [£7 billion].<sup>252</sup> The New Zealand Union of Students’ Association (NZUSA), drawing from its annual income and expenditure survey, has recently stated that, “The typical Bachelor’s degree student in 2015 would [b]orrow for fees (74% do) and the maximum \$176 a week for rent and all other living costs, totalling about \$50,000 [£23,300] of debt when combined with loans for fees.”<sup>253</sup>

The typical graduate starting salary in New Zealand has been recorded as NZ\$39,000 [£18,200].<sup>254</sup> This exceeds the average borrower debt owed to the state loan provider, but is lower than the NZUSA’s estimate of typical graduate debt.<sup>255</sup> As previously mentioned, these provide broad figures, in which graduate debt can be placed into context, but individual experience will vary.

The same caveats apply to estimates of lifetime earnings for New Zealand recipients of bachelor’s degrees. Universities New Zealand recently suggested that, “A typical university graduate will earn around \$1.6 million [£750,000] more over their working life than a non-graduate. This is much higher for a medical doctor (\$4m [£1.9 million]), professional engineers (\$3m [£1.4 million]) and information technology graduates (\$2m [£930,000]), but is still high for arts graduates – with an average earnings premium of around \$1m [£470,000] to 1.3m [£610,000] (depending on subject).”<sup>256</sup> The figures are approximate, but suggest that while graduate debt is significant, the typical graduate is well-placed, at least in terms of earning power, to pay this back across their working life.



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### *Discussion of debt at graduation, starting salaries and lifetime returns*

There are several issues in considering debt at graduation between countries. Perhaps most crucially, it is necessary to differentiate between state-held student loan debt and all debt. The former considers only debt accrued by the individual to the government loan provider. In some countries, such as the UK, this accounts for the vast majority of a student's debt. In other countries, such as the US and New Zealand, the proportion of debt owed to creditors other than the state is higher (although it should be noted that, because of its nature, data on this form of debt is more difficult to acquire and validate). Over one quarter of New Zealand students, a report by NZUSA suggests, have credit card debt, and two thirds have two or more forms of debt.<sup>257</sup> In the US, it has been estimated that 17% of student debt is held by private creditors.<sup>258</sup> Naturally, figures for debt accrued to state providers are more accurate than for all forms of debt, which necessarily rely on students' self-reports. This is a largely occluded area of student funding arrangements in all of the countries considered here.

As has been a theme of this report, and because of caveats such as those above, international comparison of debt at graduation is a vexed undertaking. With particular reference to the US and UK, for example, it was recently noted (see text box above) that, "In America there are multiple types and levels of degree granting institutions and multiple funding sources, versus England's comparatively streamlined affair. In the US, each state and university runs their own system, with admissions and funding decisions often being made separately. In England, the national student finance system kicks in automatically once a university place is granted, making the process much more straightforward."<sup>259</sup> Thus, "The comparison [between the US and UK] isn't quite as straightforward as the numbers might suggest. The debt figures don't account for factors such as graduate prospects, interest rates or differences between the loans systems themselves."<sup>260</sup> It is because of such caveats that the previous sections of this report discuss the wider aspects of national student funding systems and it is important to keep this discussion in mind.

However, while it is difficult to make claims about the precise sterling difference between the average debt in one country and another, broader claims, of greater validity and robustness, are possible. It appears that no other country approaches England in terms of the total debt accrued by the average student during their bachelor's studies since the introduction of higher (max. £9,000) fees, according to any estimate that this report has been able to discover. In England, average graduate starting salary is about half average borrower debt at graduation. In all the other countries considered here, graduate starting salary is either higher than average student debt, under the most lenient conditions (considering, for example, only publicly-held debt and students at public universities), or lower, but only by a small degree. At the most expensive US institutions, students can leave with debts that would be impossible for any English student to incur, but the averages are in favour of the US student, rather than English. Again, it is important to remember that these flat figures disguise a wealth of complexity, but there appears a significant disparity here, which is worthy of further investigation.

## CONCLUSION

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Student funding systems in different countries are complex, vary internally according to student group, and are not particularly amenable to straightforward comparison. Nonetheless, it is instructive, as far as is possible within these constraints, to offer some idea of how the UK's systems sit with reference to their international counterparts.

This report has attempted to provide an overview of student funding in the Anglophone world, highlighting particular issues, weaknesses and strengths with each system. Again, it should be noted that this is a discussion that has attempted to capture the multifariousness of the international student funding landscape, rather than a definitive judgement on which system is the 'best'; a judgement that is largely subjective and will differ significantly for particular student groups within countries, as well as for wider structural factors, such as the strength of the national economy, general living costs, the graduate employment market, etc. For example, institutional grants and subsidies are significant at US universities, but repayment terms for loans, even government loans, would probably be considered harsh by a UK audience. The Australian system has been praised for the financial support that it provides through its FEE-HELP scheme to students other than first-degree students, but repayments above a certain threshold apply to total taxable income, rather than only those earnings above the threshold.<sup>261</sup> This imposes different burdens, but also offers different advantages, to borrower and lender, respectively.

This complexity is especially true of student funding systems in the UK. On paper, England can appear the least fair for the student, with its fees capped at £9,000 and no government waiver scheme, but as one of the leading experts on UK student funding, Lucy Hunter Blackburn, states, "no one system can be claimed as best in the UK, other than subjectively and on the basis of partial comparisons."<sup>262</sup> For example, "For low- to middle-income students who live away from home, who are likely to need the greatest help, the total value of living cost support provided to Scottish students is unexceptional in UK terms and sometimes relatively poor. Scotland does however provide relatively high support for high-income students and most of those who live at home."<sup>263</sup> In this way, "Scotland is unique in having a system which assigns the highest student debt to those from the lowest income homes, due to its much lower use of student grant [...] In absolute terms, over time and relative to other parts of the UK the Scottish system for financing full-time students in higher education does not have the egalitarian, progressive effects commonly claimed for it."<sup>264</sup> In other words, while the Scottish system might be beneficial to particular groups of students, especially those that study in Scotland, for other groups, because of its lesser provision of student grants, it can actually be more financially challenging. Similar nuances are presented when other UK systems are considered in detail.

At the same time, it is possible to make broader judgments with some confidence. No estimates for average debt at graduation by any analyses of the countries considered in this report match now widely accepted figures for England. The Institute for Fiscal Studies with the Sutton Trust recently placed average English student debt at over £40,000.<sup>265</sup> As Table 2 suggests, this exceeds the average figures for the other countries considered in this report. At the same time, the centralised, state-run repayment system in England and other UK countries is relatively advantageous for the borrower, in the sense of providing clear, transparent instructions for repayment, often with terms and conditions of greater generosity than other countries with broadly similar systems.

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