

SIES - Comparisons between Scotland and England - Summary

To begin, it is necessary to state the key features of the funding systems in each country at the time of the survey:

Key features of the Scottish student funding system

- Means-tested student loans for living costs;
- Means-tested bursaries for young people from low-income families (Young students' bursary) and discretionary bursaries for older students (Mature Students' Bursary Fund – accessed via HEIs);
- Supplementary allowances such as a school meals grant; childcare grant; lone parent's grant; disabled students' allowances; dependants' grant; the two homes grant; and help with travel expenses; and
- Contributions to a Scottish Graduate Endowment Scheme which students pay £2,000 into, on graduation. Students have the option of paying their contribution as a lump sum and/or via a student loan. Approximately 50 per cent of students, including mature students, lone parent and disabled students are exempt from contributing to the Graduate Endowment.

Key features of the English student funding system

- Means-tested fee contribution of up to £1,150 paid up front;
- Means-tested student loans for living costs;
- Means-tested Higher Education Grant of up to £1,000 (introduced for new students in 2004/05); and
- Supplementary allowances such as Parent's Learning Allowance, Child Care Tax Credit, childcare grant; adult dependants' grant; disabled students' allowances; care leavers grants.

Therefore, we see that the significant differences are the means-tested fee contributions in England and the Graduate Endowment Scheme in Scotland. There are also different sets of eligibility criteria to receive a bursary/grant, but support of this type exists in both countries.

Student and Institutional Characteristics

The comparisons discussed in this report are based on the common scope of these two surveys, i.e. full-time domestic undergraduate HE students (excluding those in first year at HEIs and excluding Allied Health Professions). Only Scottish and English students studying in their home country are considered.

These are some of the differences between students from each country:

- *Ethnicity* – Scottish students were less likely than English students to come from a minority ethnic family (4% compared with 14%). This reflects the ethnic composition of the Scottish and English populations at large. According to the 2001 Census, 98% of the population of Scotland give their ethnic origin as White British compared with 87% of the population of England.

- *Family background* – Scottish students were less likely than English students to come from a managerial and profession family background (45% compared with 54%) and so were also less likely to have parents who had been to university (44% compared with 53%).
- *Living and housing arrangements* – Students in Scotland were more likely than their English peers to have lived at home with their parents while studying (37% compared with 20%), and consequently, were less likely to live independently of their parents (52% compared with 67%).

There were also some marked differences in the institutional characteristics of the students surveyed in Scotland and England:

- Scottish students were less likely than English students to have studied at a higher education institution (73% compared with 92%) and were much more likely to have been attending a further education college. Consequently, fewer Scottish students were studying on a degree course (71% compared with 96%) and more were taking other undergraduate qualification. These differences reflect broader country differences in the composition of their respective HE student populations.
- Year of study – First year students studying at higher education institutions were excluded from the Scottish SIES, and for this analysis so have their English counterparts. So the higher proportion of 1st year students in Scotland than in England (20% compared with 4%) is a reflection of the higher proportion of Scottish students taking one year sub-degree courses at further education colleges. In addition in Scotland honours degrees typically last four years while in England they last just three years.
- The differences in student composition and institutional characteristics will have an effect on student income, expenditure and debt. On the whole the following analysis does not control for these effects. The report therefore compares one country and its higher education system with another country and its different higher education system.

1. HE Students' Income

In order to make comparisons of Scottish and English students' income and expenditure as similar as possible, English students' **income and expenditure on tuition fees were excluded from the analysis in the report.**

Summary

- Overall, students in Scotland had £1,247 less income than students in England over the academic year (mean incomes).
- Of this total, students in Scotland received, on average, £302 more from the various bursaries/grants than students in England, but less by way of student loan (£1,135), family (£287) and paid work (£156).
- Comparing median incomes the gap was slightly less, £1,164

Income

If we only look at students who actually declared a particular source of income in the average calculation, the figures change quite substantially:

- Of the 71% of Scottish students surveyed who took out a loan, the average payment was £2,267. This compares with an average of £3,348 for the 82% of English students taking a loan. The lower level of loan payments in Scotland is primarily the result of the greater means testing of loans in the Scottish, and to a lesser extent, differences in students' living arrangements, especially the higher proportion of Scottish students living at home while studying.. **Therefore a higher proportion of English students take out a loan, with the average they receive being higher too.**
- In terms of paid work, 66% of Scottish students surveyed received income from this source, and an average of £2,558. This compares with 57% of English students and an average of £3,218. **This suggests that proportionately more Scottish students work but their income from work is lower¹.**
- 52% of Scottish students surveyed received support through a bursary/grant, the average paid to these students being £1,340. Only 23% of English students received support of this type, with the average payment being £1,768. In Scotland young students receive a means-tested bursary, whereas in England most of the supplementary grant support to second and third year students goes to students with children. **The result is that, although a smaller proportion of English students get grants, those that do get paid more.**

There are three main reasons why the income of Scottish students was lower than their English counterparts:

- Household incomes across the population at large are lower in Scotland than England
- Earnings across the population at large, are lower in Scotland than England
- The average amount received in student financial support was lower in Scotland, reflecting differences in student and institutional characteristics and in student support policies between the two countries

Variations in average income, by socio-economic and institutional characteristics

¹ Either by working shorter hours and/or for a lower wage.

There are considerable variations in Scottish and English students' total average income by their socio-economic and institutional characteristics. The most pronounced differences between Scottish and English students' incomes, which were higher than the average difference of £1,247, were associated with students':

- *Age* – students aged 25 and over in Scotland had £1,509 less income than their English peers;
- *The presence of dependent children in the household* – Scottish students with children had £1,571 less money than their English counterparts – these figures depend on the allocation formula of household income where there is a partner; the researchers were not able to confirm whether or not that was dealt with identically in the Scottish and English Surveys;
- *Type of institution attended* – Scottish students at further education colleges had £1,840 less money over the year than English students at such colleges;
- *Student loan take-up* – students in Scotland who had not taken out a loan had £1,994 less money than similar students in England.

A detailed breakdown of the differences in students' total income and sources of income by their socio-economic and institutional characteristics can be found in the publication itself (tables 2.8 to 2.15).

2. HE Students' Expenditure

Summary

- Average total expenditure for students in Scotland was £2,168 lower than average total expenditure for students in England.
- This difference was much greater than the £1,247 difference in average total income.
- Using the median as a measure, the gap in expenditure between Scotland and England is much smaller: £1,044 and similar to the gap between the two countries in income.
- It is also worth noting that in Scotland the difference between average total expenditure and average total income was £809 compared with £1,730 in England.

The gap could possibly be met by earnings during the summer vacation (not covered in the two surveys) withdrawals from savings or commercial borrowing.

The main reason for the higher average expenditure was that 20 per cent of students in England had total expenditure of at least £12,000 compared with just seven per cent of students in England with total income of at least £12,000. The corresponding figures for Scotland were three per cent with total expenditure of at least £12,000 and six per cent with total income of at least £12,000.

So in the England survey there was a big mismatch or unaccounted shortfall between income and expenditure levels that was much less evident in the Scotland survey. This issue was not discussed in the English SIES report.

Issues around methodological differences are discussed in the main report (last para, page 35).

Summary

There are four main types of expenditure detailed in the report:

- Housing
- Participation
- Living
- Children

In all cases the average spend by students in England was higher than for Scotland, therefore each contributed to the difference of £2,168 between countries, although almost all of the difference was the result of the differences between housing and living costs for each group of students.

- Average housing expenditure in Scotland was £1,197, with the English figure being £2,478 (a difference of £1,281).
- Average living costs were £4,515 in Scotland, with the comparable figure for England being £5,325 (a difference of £810).
- We see that these two added together give a difference of £2,091, not massively different from overall difference in expenditure of £2,168.

Incurred Expenditure

There are a number of similarities, as might be expected, between those students in each country **who actually incur certain types of expenditure**.

- For instance, 100% of Scottish and English students incur living costs, and nearly 100% of all students incur participation costs (98% in Scotland, 100% in England).

- There are comparable percentages of students in each country who incur costs relating to their children. 7% of students in Scotland incur these types of costs, the figure for England being 9%.
- On the subject of child costs, when all students were included in the average, the difference in average payment was only £71. This was because so few students incurred these costs that any actual differences for these students were diluted by all students being included in the calculation. When we look at the average expenditure on child costs **for those students incurring that type of expenditure**, the picture changes massively.
- Of the 7% of students incurring child costs in Scotland, the average amount paid out was £762. For the 9% of English students incurring these costs, the average paid out was £2,080, a difference of £1,318 (massively different from the earlier figure of £71).
- Only 71% of students in Scotland had any housing expenditure, compared with 84% of English students. Scottish students who had housing expenditure paid out an average of £1,690, whilst English students paid out an average of £2,941, a difference of £1,251.

In addition to the main explanation for differences in average expenditure in Scotland and England, namely the shortfall in income and expenditure, there were other factors that also help explain Scottish students' expenditure. The shortfall aside, we would expect expenditure to reflect income. Thus, because Scottish students' incomes were lower, it is likely that their expenditure would be too.

There are three main reasons why the expenditure of Scottish students was lower than their English counterparts:

- Household expenditure across the whole population is lower in Scotland than England
- Housing costs across the whole population are lower in Scotland than England
- Students' living arrangements are different in Scotland than England

Variations in average expenditure, by socio-economic and institutional characteristics

There are considerable variations in Scottish and English students' total average expenditure by their socio-economic and institutional characteristics. The most pronounced differences between Scottish and English students' levels of expenditure, which were well above the average difference of £2,169, were associated with students':

- *Student loan take-up* – students in Scotland who had not taken out a loan spent £2,684 less money than similar students in England;
- *Gender* – female students in Scotland spent £2,754 less than their female peers in England.
- *Age* – students aged 25 and over in Scotland spent £5,024 less than their English peers;
- *Living arrangements* – those living with a partner and/or children spent £5,499 less over the year than similar students in England; and
- *The presence of dependent children in the household* – Scottish students with children spent £7,389 less money than their English counterparts.

Except for loan-take up, all these characteristics were highly correlated. For example, older students were far more likely than younger students to have dependent children as were female students. Again some of the expenditure differences in older students and those with children could be accounted for by a different method of allocation of resources in the household which could not be fully researched by the authors.

A detailed breakdown of the differences in students' expenditure patterns by their socio-economic and institutional characteristics can be found in the publication itself (tables 3.5 to 3.12).

3. HE Students' Savings, Borrowing and Debt

'Incomings' and 'Outgoings'

- Over the 2004/05 academic year students augmented their income by withdrawing from savings; increasing their overdrafts; taking out new commercial credit commitments; and borrowing from friends and relatives.
- Through these sources students in Scotland increased their average 'incomings' by £589 to a total of £6,384 over the academic year, while students in England increased theirs by £991 to a total of £8,021 over the academic year.
- There often were costs associated with these ways of boosting income. Students' outgoings increased by putting money into savings, and servicing their overdrafts, commercial loans and hire purchase repayments.
- Thus, students' spending over the academic year in Scotland increased by £287 on average, so that their total 'outgoings' amounted to an average of £6,863. And in England students' spending increased by £530 on average, so that their total 'outgoings' amounted to an average of £9,302.

This leaves a shortfall between total 'incomings' and 'outgoings', an overspend of £479 in Scotland and by £1,281 in England. It could be that students used income from their summer jobs to meet this shortfall. However, such overspend was found in the Expenditure and Food Survey among low-income households but it is unclear why it occurs.

Savings

Students in Scotland had much lower savings than their English peers and far fewer students had any savings at all.

At the start of academic year 2004/05, Scottish students had an average of £487 in savings, compared with £1,900 for English students. At the end of the academic year, Scottish students expected to have £445 in savings, with the English figure being £1,862.

Turning now to students who **actually had savings** at the start of academic year 2004/05 (only 38% of Scottish students compared with 63% of English students), the average savings per student in Scotland was £1,278 and £3,311 for English students. At the end of the year 34% of Scottish students and 57% of English students expected to have savings. The average savings for this group was £1,304 and £3,613 respectively.

Borrowing

English students borrowed far more money on average than Scottish students in 2004/05. The average amount borrowed by Scottish students was £5,099, with the comparable English figure being £8,127. The vast majority of this (84% of the Scottish figure and 85% for English students) came from outstanding student loan debt.

As a result, the difference between the borrowing levels was driven by the average outstanding student loan debt in Scotland, which was directly a result of the lower student loan take-up rates and amounts available to Scottish students.

Debt

Overall, students in Scotland had an average of **£1,611** less debt than their English peers. Again, this can largely be accounted for by the differences in the student loan systems in the

two countries and the different loan take-up rates. This is borne out by the small difference in levels of debt among students in both countries who had not taken out a student loan. Indeed, in these cases Scottish students had an average of £308 more debt than English students

The variation in debt levels by various socio-economic/institutional characteristics can be found in the main report (table 4.7).

Debt on Graduation

It is important to highlight final-year student' debt, as this shows the level of debt these students can expect on leaving university/college, having completed their course. It shows the average debt of students graduating in 2005. Below are the key findings.

- 83 per cent of all undergraduates in their final year in 2004/05 in Scotland anticipated leaving university or college with debts, compared with 85 per cent in England.
- All final year students expected to leave with an average debt of £5,685 in Scotland compared with £7,911 in England. A half of students in Scotland anticipated leaving with debts averaging £3,996 or more; and a half of students in England anticipated leaving with debts averaging £8,662 or more.
- Part of the lower final debt in Scotland is associated with the composition of the sample and the higher proportion of students on shorter courses at further education colleges in Scotland than in England. Thus, it is important to differentiate debt on graduation by the type of institution students' attended.
- 86 per cent of students in Scotland in their final year studying at a higher education institution anticipated leaving university with debts when they graduated in 2005, compared with 87 per cent in England. For students attending further education colleges the figures were 77 per cent and 71 per cent.
- The average debt on graduation of students at higher education institutions was £7,561 in Scotland and £8,062 in England.
- Of the 86 per cent higher education institution students in Scotland with debts, their average debt on graduation was £8,960. Of the 87 per cent of higher education institution students in England with debts, their average debt on graduation was £9,550.

