

The 2011 Education Bill: a higher education perspective

1. While the Education Bill is mainly focussed on schools, there are two key areas that will have an impact on universities:
 - The clause on charging real interest rates on student loans will enable a more progressive student support system to be implemented.
 - Given the significant role of universities in providing teacher training, changes here will also have a big impact.

Charging real interest rates

Why are the Government seeking to charge real interest rates on student loans? Doesn't this disadvantage low earning graduates?

2. Actually, no. IFS research firmly establishes that having 'zero real interest rates' on all student loans was a regressive subsidy - it did not benefit low-earning graduates.¹ The current system of charging no real interest rate on loans is a blanket subsidy for all graduates - even those earning the highest salaries. Ultimately, this system was very costly to the tax-payer who was subsidising these loans and was not sustainable, even in the short-term.

How can charging a real interest rate be more progressive?

3. The Government is seeking to introduce a real interest rate on student loans so that graduates repay the actual cost of borrowing the money. However, low-earners will be protected through targeted, progressive subsidies. This is affordable only if a real interest rate is charged.
4. The Government will not be making a profit from this interest rate - in fact they will still be subsidising the cohort as a whole. The difference is that they will be using targeted, progressive subsidies so that only low earning graduates receive the subsidy from the tax payer. These targeted subsidies include:
 - ensuring that graduates pay nothing back until they earn over £21,000²
 - interest rate protection for graduates who have periods of time out of work
 - writing off loans after 30 years

¹ L Drearden et al, Institute for Fiscal Studies, Future arrangements for funding higher education, April 2010, <http://www.ifs.org.uk/comms/comm115.pdf>

² This threshold figure will also increase annually with inflation

5. Crucially, this protection means that those that don't benefit financially, will never pay anything back. To be clear, a system that charges real interest rates to cover the cost of borrowing to graduates earning over £21,000, whilst providing targeted subsidies to protect low earners is fairer and more progressive than the current system.

**We must ensure that students are not put off applying to university:
communication and public understanding will be key**

6. All of the research shows that it is the upfront cost of going to university that can be a barrier - not future contributions that depend on your salary. To be clear, there is no upfront cost in the new system and with grants available there should be no reason why anyone should be put off going to university. Furthermore, the contributions that a graduate will be asked to make should not be burdensome because they are based on a person's earnings (graduates will contribute 9% on earnings over £21,000 which works out at £30 a month for graduates earning £25,000 or £68 a month earning £30,000 for example).
7. However, it is important to recognise that perception of cost can be just as big a barrier as the actual cost itself. This is why communication and public understanding is so important to ensure that nobody is put off from applying to university. University Alliance has repeatedly called for the Government to undertake a major public information campaign to make sure that every potential applicant knows there is nothing to pay upfront, graduate contributions will not be burdensome and low earners will be protected.

Teacher training

Despite Government's focus on school-based teacher training, there is considerable evidence that university-based training is of higher quality and that it is preferred by head teachers

8. Universities currently deliver around 75% of training for new entrants to teaching³ with successive Ofsted inspections showing that their provision is of higher quality.⁴ A recent survey of head teachers also demonstrated the value that they place on this route with the majority saying that they would prefer university trained teachers at their schools.⁵
9. When considering school-based routes it is also important to understand the extent of support and involvement provided by universities. Universities have long been involved in helping schools provide "on-the-job" training. These well-established partnerships have been described by Ofsted as adding greatly to the coherence of courses.⁶
10. The Education Bill abolishes the body responsible for allocating funding for teacher training⁷ and transfers these powers to the Secretary of State for Education. The Government has also announced cuts of 14% in the number of students training to teach in secondary schools. Amidst these changes, it is clear that the government should seek continuity and recognise that universities are still the best and most efficient route for providing teacher training.
11. The critical underlying issue is to ensure that the future supply of high quality teachers is not affected. A stable planning environment is needed to provide and maintain a quality environment within which our future teachers can be adequately prepared.

³ Based on figures in the 'Good teacher training guide 2008'

⁴ According to the 2007-08 Ofsted annual report, 83% of secondary ITT providers in HE and 96% of primary providers in HE were judged to be in the top two quality categories

⁵ Times Education Supplement, Heads cool on Gove's pledge to shift teacher training into schools, 24 December 2010 <http://www.tes.co.uk/article.aspx?storycode=6066489>

⁶ Ofsted, 2007/08 annual report

⁷ The responsibilities of the Training and Development Agency for Schools (TDA) will pass to the Secretary of State for Education and Welsh Ministers.

About University Alliance:

University Alliance represents 22 major, business-focussed universities at the heart of the sector that deliver world-leading research with impact.

Alliance universities educate 26% of all UK students and achieve some of the highest graduate-level employment rates. These universities offer a research-informed, academic learning environment and a culture of entrepreneurialism, equipping graduates for the 21st century.

For further information, please contact the University Alliance office on 0203 178 7491, email info@university-alliance.ac.uk or view [our briefing for new MPs](#).