

H.E.L.P. UK

Background evidence report



#HELPUK

UA
UNIVERSITY ALLIANCE

About University Alliance

University Alliance brings together leading global universities for science, technology, design and the professions to tackle the big issues facing universities, people and the economy.

Our aim is to help build a strong future for UK universities by creating a constructive and positive space for debate and new ideas.

Authors:

Liz Shutt, Head of Policy, University Alliance
Liz Bell, Senior Executive Officer, University of Greenwich
Matt Robinson, Data Analyst, University Alliance

June 2014

© Copyright University Alliance 2014

The content may not be copied, distributed or dealt with in whole or in part without prior consent of University Alliance.

University Alliance
49 Whitehall
London SW1A 2BX
Tel: 0207 839 2757

General enquiries:
info@unialliance.ac.uk

Press enquiries:
press@unialliance.ac.uk

www.unialliance.ac.uk

Follow us on Twitter: [@UniAlliance](https://twitter.com/UniAlliance)

Table of Contents

Executive summary: key findings	3
Acknowledgements	5
20 years of significant change: timeline of teaching funding reform.....	6
Section 1: shared investment in higher education – achieving a balance of contribution..	8
A strong case for public investment in Higher Education	8
Figure 1: BIS Quadrants: the market and wider benefits of higher education to individuals and society	9
The case for the individual to contribute to the cost of higher education	10
Figure 2: There is still a significant graduate premium	10
What is the optimum balance of public: private contribution to higher education?	11
Shared contribution remains a core feature in comparator countries	12
What did £9,000 fees do to the balance of contribution?	12
Figure 3: Direct and indirect investment in higher education: Government vs. individuals.....	13
Figure 4: What happened when £9,000 fees were introduced	14
Section 2: Transparency and public understanding	15
Public understanding of fees and fee loans.....	15
Market failure and misinformation	15
Transparency	16
Language.....	17
Section 3: Sustainability – protecting Government’s ability to invest long-term	18
Balancing the books	18
Figure 5: Increased upfront cost to government with only a third recouped by 2017-18	18
Understanding income contingent loans	19
Managing loan repayments and directing public subsidy: international comparisons	20
Figure 6: The US and Australia – to publically subsidise loans or not to publically subsidise loans?	21
Future investment in higher education.....	22
Figure 7: Expansion took place against corresponding reduction in the unit of resource per student	22
Figure 8: Competitor countries are investing more than the UK.....	24
Section 4: students at the heart of the system - a constrained market	25
Student driven-market: examining the intentions of the White Paper	25
High private returns make higher education a rational choice	25
Demand: future trends in participation in higher education	26
Figure 9: expansion of higher education	26
Figure 10: Increasing participation in contrast to declining population of 18 year olds.....	27
Figure 11: Overall growth remains steady	27
Supply: the UK higher education market	28
New forms of supply: private and alternative providers	29

Section 5: fair access and social mobility – a system that is affordable for all	31
Social mobility: a social and economic imperative	31
Participation and access are determined by attainment, not fees.....	32
Figure 12: Participation in higher education is determined by educational attainment, not social class	32
Deferred payment of tuition fees (it is the up-front cost that matters)	33
Figure 13: applications continue to rise regardless of changes to student fees.....	33
Figure 14: applications continue to rise across all socio economic groups.....	34
Maintenance loans: an overlooked part of the package?.....	35
Figure 16: complex range of student support available.....	36
Section 6: Forgotten students – addressing the imbalance for part-time students, postgraduates and those seeking to re-train	38
Current system – access to government subsidised loans is not universal.....	38
Figure 17: What is covered and what isn't? Current coverage of government subsidised loans.....	38
Figure 18: English criteria for accessing fee loans and public funding	39
Forgotten students.....	39
Figure 19: the 'hourglass'	40
Postgraduate students	40
Figure 20: Decline in UK students studying at PGT level.....	41
Figure 21: Majority of PGT students are self-funded	41
Those seeking to retrain	42
Figure 22: Decline of part-time students by degree	43
Reducing the cost to government would increase the options for supporting these students. .	44
Section 7: progressive graduate contribution system – that protects low earners	45
A progressive repayment system.....	45
Figure 23: Little or no financial risk carried by graduates: the 2012 repayment system.....	46
Government subsidies are directed at those most in need	46
Figure 24: Average loan subsidy by lifetime earnings decile.....	46
Bibliography	47

Executive summary: key findings

The UK cannot predict or plan for the future with any certainty. However, we do know that much is changing in the world around us: how we work, create, share and receive knowledge; how we deliver value; and how we connect to communities around the world. Our education system needs to adapt to this rapid pace of change, as individuals and the economy place new and changing demands on how and what higher education delivers.

This was the starting premise for the work University Alliance has been undertaking to look into the challenges facing the higher education funding system and to identify solutions. Our uni_funding work has taken us on a journey towards the development of H.E.L.P. UK, a new Higher Education Loan Programme providing universal student loan access for the first time. It has been an open process of collaboration with many people across the sector and beyond. The process has incorporated extensive modelling and research from funding systems across the globe. The resulting model has also been tested, and shaped, by the views of students and parents through workshops and from newly commissioned research by Ipsos Mori.

This paper sets out the significant background evidence as to why a new approach is needed and draws out the key findings that have helped to inform and shape the development of our H.E.L.P. UK proposals. We make the following recommendations:

1. **Shared investment:** Shared investment in higher education from both Government and graduates is an important principle that should remain.
2. **Public understanding:** The current system lacks transparency and is not well understood by the public. Re-designing some elements of the system as well as continued communication efforts should seek to counter this.
3. **Sustainability:** A well-designed income contingent loan system that is cost-efficient for Government is central to our ability to support a genuinely flexible and expandable system that will meet the needs of our future economy.
4. **University funding:** £9,000 fees are enabling the universities to invest in the student experience and outreach work. However, global competitors continue to invest at higher levels and it remains difficult to assess what levels of investment are needed to ensure the sustainable future that Browne envisaged. The sector should commission a new evidenced based look at the investment levels needed for a sustainable and competitive future.
5. **Market-driven higher education:** Despite the 2011 White Paper's intention, reforms to date have struggled to put students at the heart of the system within a constrained market. Reforms to the loan and regulatory system alongside the removal of the Student Numbers Cap could help to revive this intention.
6. **Room to grow:** To date, there has been a lack of space for new and private providers in the system without taking numbers away from established providers. Reforms should be considered that will create greater flexibility to allow for this.
7. **Fair access:** Higher education is a critical engine of social mobility - an economic as well as social imperative that justifies public investment. A system that is free at the point of use is an essential feature of our system that must remain so as not to deter these students.
8. **Maintenance:** Alongside considerable change to the tuition fee system since 1990, there has been relatively little attention on maintenance loans. Support has become increasingly

confusing as well as inadequate over time and should be looked at to ensure higher education remains affordable for all.

9. **Forgotten students:** The lack of access to loans to help cover the cost of studying for part-time students, taught postgraduates and those seeking to re-train must be addressed
10. **Graduate repayment:** A progressive repayment system, based on income-contingent loans, that protects low earners and removes financial risk from individuals should remain central to any reform although some adjustments may be worth considering to enable graduates to pay off their loans faster.

Acknowledgements

We would like to thank those experts and leaders from across the sector who have guided our work:

- Professor Ian Diamond, Vice-Chancellor, University of Aberdeen;
- Julian Gravatt, Assistant Chief Executive, Association of Colleges;
- Professor Bruce Chapman, Crawford School of Public Policy, Australian National University;
- Vicki Thompson, Executive Director, Australian Technology Network;
- Professor Tim McIntyre-Bhatty, Deputy Vice-Chancellor, Bournemouth University;
- Tessa Stone, Chief Executive, Brightside;
- Tim Oates, Group Director, Cambridge Assessment;
- Richard Copland, Principal Innovation Consultant, CGI;
- Julie Mercer, Head of Education Consulting, Deloitte;
- Professor David Maguire, Vice-Chancellor, University of Greenwich;
- Andy Westwood, Chief Executive, Guild HE;
- Yvonne Hawkins, Associate Director, HEFCE;
- Professor Quintin McKellar, Vice-Chancellor, University of Hertfordshire;
- Caron Wright, Principal and Chief Executive, Hull College Group;
- Professor Mary O'Mahony, Professor of Applied Economics, King's College London;
- Ben Deverell, Relationship Director, South West, Lloyds Banking Group;
- Irfan Zaman, Manager, Money for Life, Lloyds Banking Group;
- Professor Nicholas Barr, Professor of Public Economics, LSE;
- Dr Gill Wyness, Research Officer, LSE;
- Dr Alison Johnston, Asst. Professor, Oregon State University;
- Jane Turner, Associate Dean, Newcastle Business School, Northumbria University;
- Roxanne Stockwell, Principal of Pearson College;
- Jonathan Simons, Head of Education, Policy Exchange;
- Vivienne Stern, (when) Head of Political Affairs, Universities UK; and
- Dr Lynne Sedgemore, Executive Director, 157 Group.

These proposals represent the position of the University Alliance and not necessarily the views of these contributors.

20 years of significant change: timeline of teaching funding reform

- 1990** Mortgage style loans introduced for student support. Only 17% of the loans made remain outstanding and the Government has sold this outstanding debt to a debt management consortium.
- 1997** Sir Ron Dearing's National Committee of Inquiry into Higher Education submits its final reports to Government, establishing the principle of shared investment by all those who benefit from higher education – namely, the state, the graduate and the employer.
- 1998** Tuition fees first introduced in the UK for domestic undergraduate students. This was in the form of a means-tested up-front fee of up to a £1,000 per annum. Students from low income families were not required to pay the full fee.
- The student maintenance grant was abolished at the same time and replaced by a new maintenance loan which would be repaid on a fixed term basis of equal payments over 60 months (5 years) once earning over a threshold of £15,000.
- 2001** Maximum Allocation of Student Numbers (MaSN), first introduced in 1994, abolished to allow universities to recruit students in line with demand and to facilitate further expansion of the system.
- 2004** Higher Education Act 2004 passed allowing universities to set their own tuition fees up to a cap of £3,000 from 2006/07 academic year. Alongside this, income contingent loans were introduced for the first time. Fees would not be payable up-front, instead students would receive a tuition fee loan which would be repayable after graduation, once a graduate's salary was above £15k and on an income-contingent basis.
- The student maintenance grant was re-introduced on a more generous basis for students from low income families. Maintenance loans continued to be available for all students with these loans accumulated with fee loans and paid off as a single loan value on the same income contingent basis.
- 2006** Higher Education Act 2004 comes into effect and from September 2006 new entrants are paying up to £3k per annum. Income contingent loans come into effect for the first time.
- 2008** HEFCE announced that it would no longer provide funding to higher education institutions (HEIs) and further education colleges (FECs) to teach students who are studying for a qualification that is equivalent to, or lower than, a qualification which they have already achieved (with some exceptions).

2009 Re-introduction of Student Number Control limits for institutions in an effort to constrain the overall numbers of students eligible for funding.

2010 The Independent Review of Higher Education Funding and Student Finance (Browne review) was published in October 2010. The Browne Review made a number of wide-ranging recommendations to the way in which Universities were funded, included allowing further increases to tuition fees, changes to the repayment thresholds and loan access for part-time students.

The Government White Paper, Students at the heart of the system, subsequently announced proposals to increase the tuition fee cap to £9k and implement the Browne proposals on repayment thresholds and loans for part-time students.

2012 The changes proposed by the Government in response to the Browne Review in 2010 came into effect in September 2012.

2013 The Government announced its intention to make an extra 30,000 student places available in 2014-15 before removing Student Number Controls for publicly funded institutions entirely by 2015/16. This would be financed in the short-term by selling tranches of the student loan book.

Section 1: shared investment in higher education – achieving a balance of contribution

“The purpose of education is life-enhancing: it contributes to the whole quality of life. This recognition of the purpose of higher education in the development of our people, our society, and our economy is central to our vision. In the next century, the economically successful nations will be those which become learning societies: where all are committed, through effective education and training, to lifelong learning. So, to be a successful nation in a competitive world, and to maintain a cohesive society and a rich culture, we must invest in education to develop our greatest resource, our people.”¹

Sir Ron Dearing

When Sir Ron Dearing looked at the higher education sector in 1997, he mapped out a broad and multi-faceted sector with extensive reach into and across society and the economy. Since that time our higher education sector has grown and diversified yet further and with recent policy changes, to liberalise the market and remove the student numbers cap, the stage is set for this change to intensify.

However, despite these developments the evidence remains clear that the benefits for both individuals and society are far reaching and thus there remains a clear case for a balance of contribution.

A strong case for public investment in Higher Education

There continues to be a strong case for some public investment in higher education, the UK invests 1.1% of GDP in the higher education sector and Universities. Universities contribute 2.8% to GDP and generate over £7.3bn for the UK economy.² Recent research by the National Institute of Economic and Social Research also found that higher education contributes to long run productivity and growth in the UK. Between 1982 and 2005 NIESR estimates that 20% of UK economic growth came from increased graduate skills. Furthermore, a 1% increase in the share of the workforce with a university degree raises long run productivity by between 0.2 and 0.5%.³ There are also substantial exchequer benefits that are associated with undergraduate degree holders, for example through increased national insurance and income tax. The mean gross benefit is £110k in present value terms and the net benefit is £89k.⁴

Since the recession, this role has been largely recognised by the Coalition and Treasury, for example, this has been most recently demonstrated by the commitment to remove the student numbers cap in 2015-16, as announced in the 2013 Autumn Statement. David Willetts referred to this bold move in a recent speech at Bournemouth University:

“I am sometimes asked how we can afford such a move [...] The short-term answer is that BIS budgets have been increased during this spending review period to take account of the extra students we expect universities to recruit [...] The long-term answer is that we are investing in graduates who will deliver a substantive return to our economy and the Exchequer [...] This is why in our new finance system we have a public contribution as well as a private one.”⁵

¹ Dearing, R. (1997) [Report of the National Committee of Inquiry into Higher Education](#)

² Universities UK (April 2014) [The impact of universities on the UK economy](#)

³ National Institute of Economic and Social Research / BIS (August 2013) [The relationship between graduates and economic growth across countries](#)

⁴ London Economics / BIS (June 2011) [The returns to Higher Education qualifications](#)

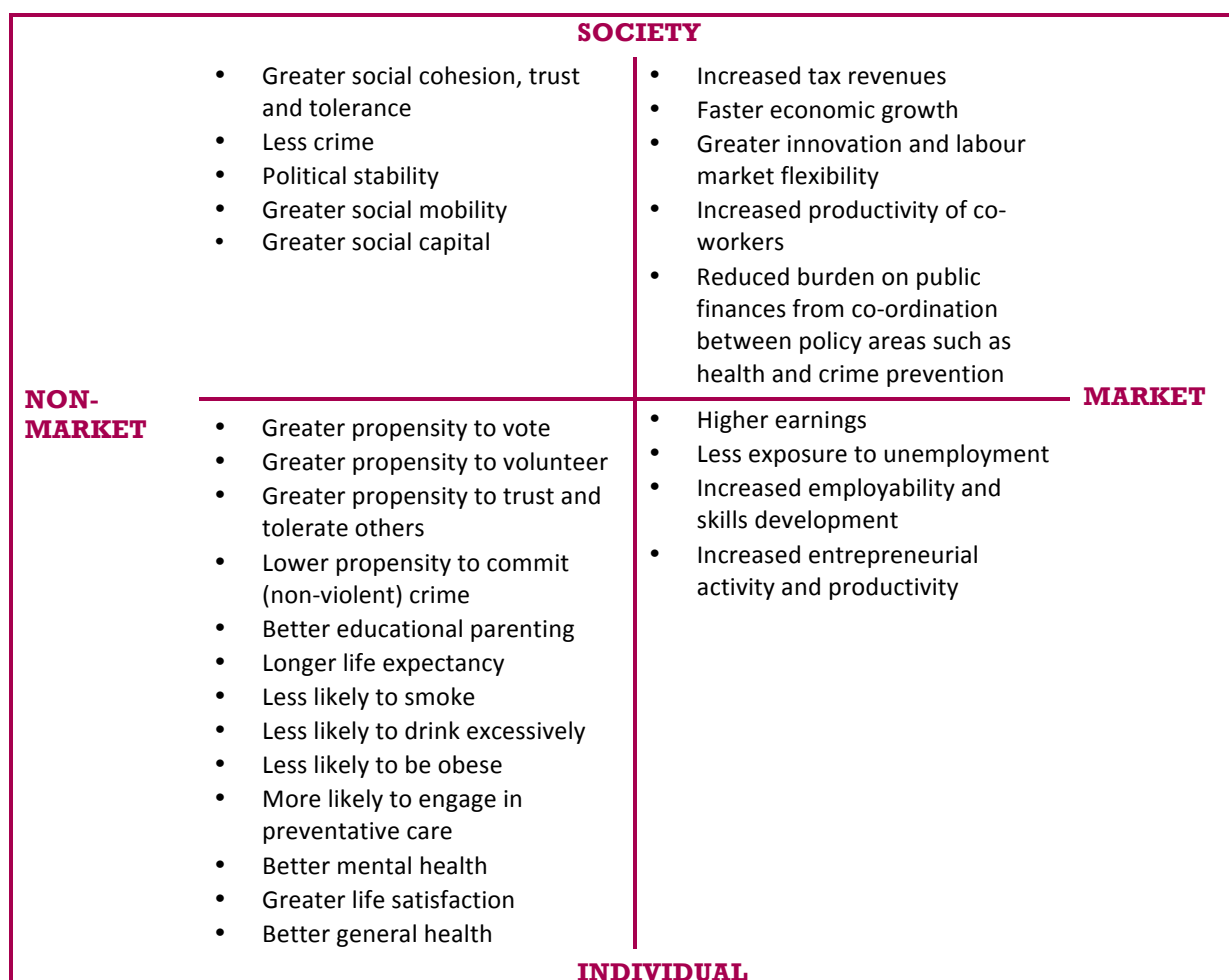
⁵ Willetts, D. (9 June 2014) Speech at Bournemouth Festival of Learning

Moving beyond economic benefits, Dearing outlined four clear reasons that the state should continue to be a major source of funding for higher education:

- It has a direct interest in ensuring that participation in the UK matches that of its competitors.
- It needs to ensure that tomorrow’s workforce is equipped with the widest range of skills and attributes.
- It must ensure that access to opportunities for individuals to benefit from higher education is socially just.
- It needs to secure the economic and cultural benefits which higher education can offer the whole nation.⁶

Indeed, as research pulled together by the Department of Business, Innovation and Skills (BIS) has highlighted, there is growing evidence as to both the market and non-market benefits for both individuals and society.

Figure 1: BIS Quadrants: the market and wider benefits of higher education to individuals and society⁷



⁶ Dearing, R. Op cit

⁷ Source: BIS, [The benefits of higher education participation the quadrants](#), October 2013

The case for the individual to contribute to the cost of higher education

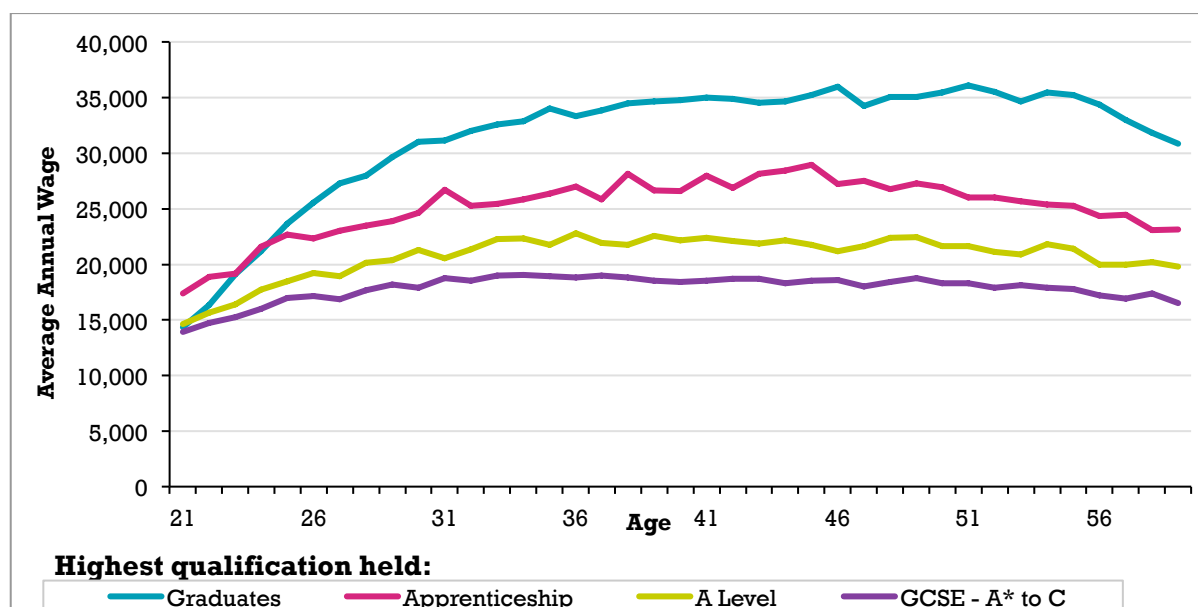
Given the considerable private rate of return to the individual it is appropriate that individuals should make some contribution to the cost of their university education. This case was well made in the 1997 Dearing review and led to the introduction of the £1,000 flat fee in 1998. The 2006 system made a stronger connection between graduate earnings, or private returns, and contributions by introducing deferred fees repaid on an income-contingent basis after graduation and the 2012 system carried this principle on through.

Notwithstanding the numerous non-market benefits for individuals as outlined in the BIS quadrant above, there remains a graduate premium. Whilst it is popularly believed in the UK that increasing numbers of graduates has meant that obtaining a degree is now less worthwhile, we should not forget that in comparison to those that do not go to university, graduates have a significant step up. As our work on the hourglass shaped economy has demonstrated, the UK is not presenting any of the labour market signals that would suggest a saturation of graduates:

- graduate vacancies continue to grow;
- jobs in high skill areas are an increasing proportion of the total workforce; and
- there is still a significant graduate premium⁸

As Figure 2 shows, despite the rapid expansion in the number of graduates in recent years, the graduate employment rates have been maintained and the earnings premium for university graduates remains high, in comparison to those with lower level qualifications. The recession has not changed this picture with employment in professional occupations continued to grow while the largest job losses have been in routine manual and non-manual occupations.⁹ Those with university degrees have suffered far fewer job losses during this period than those who left school without qualifications.¹⁰

Figure 2: There is still a significant graduate premium¹¹



⁸ Hackett, L. Shutt, L. Maclachlan, N. University Alliance (2012) [The way we'll work: labour market trends and preparing for the hourglass](#)

⁹ Sissons P. The Work Foundation (2011) [The hourglass and the escalator](#)

¹⁰ OECD (2011) Education at a glance

¹¹ Source: ONS, [Graduates in the UK Labour Market](#), November 2013

Furthermore, there is a strong social justice argument for individuals to contribute to the cost of higher education. It is an uncomfortable truth that there remains a stubborn correlation between participation in higher education and social class. As long as this correlation continues then a fully publicly funded system for higher education would actually be highly regressive. Tax payers as a whole would be paying for what is still a minority of young people – largely from higher income backgrounds – to go to university. This would be particularly regressive when the private economic benefit that those individuals attending university are likely to receive in terms of higher salaries is brought into consideration.

Some have argued that graduates already contribute to the cost of higher education through paying higher taxes as a result of higher earnings. Additional tax revenue from graduates compared to non-graduates, however, does not go directly to fund higher education – it is not like a National Insurance contribution. Given the proportion of public funding that is invested in universities, calculations have shown that graduates contribute around 9% of the cost of their degree in additional tax payments as a result of higher salaries.¹²

What is the optimum balance of public: private contribution to higher education?

This is an issue that we considered in our recent report comparing Australian and UK higher education funding.¹³ As described above, it is widely recognised that there are considerable private and public benefits to higher education. The question of what the balance of contribution should be in an ideal system to match the balance of private and public benefit is an almost impossible question to answer, although many have tried. The difficulty is primarily because of the complexity of attempting to estimate the public benefit – although the private benefit carries its own complexities such as the considerable variation underlying average figures.

Based on international comparisons of data across OECD countries, Schleicher has found that the UK Government benefits to the tune of \$95,000 (US) per graduate, just in increased tax and social contributions. He found that the public long-term gains in higher education are almost three times the size of the investment in the UK.¹⁴ This is still likely to include an underestimate of the non-market benefits as discussed above.

Professor Nicolas Barr has always emphasised both the private and public returns to higher education and the need to achieve a balance of private: public contribution within the context of a regulated national framework in order to protect the public interest.¹⁵ Critical studies were built on by McMahon¹⁶ in a comprehensive and up-to-date consideration of the private and social benefits of higher education. McMahon found total externalities of higher education to be around 52% of total benefits, both market and non-market.

The estimate that social benefit externalities constitute about 52% of the total benefits of higher education is an approximate guide to how far the privatisation of higher education should proceed before public investment falls below the levels for optimum efficiency. To be clear, this is not a social rate of return – rather an estimate of the per cent of the total benefits that are social benefit externalities. 52% is, therefore “an estimate of the per cent of the total investment in higher education that needs to be publicly financed if economic efficiency is to be achieved”.¹⁷

¹² Calculations are based on average lifetime earnings (IFS), average tax contributions for these earning profiles, and HE expenditure as a % of total public expenditure.

¹³ Hackett, L. University Alliance / HEPI (May 2014) [Help from Down Under? A comparison of higher education funding in England and Australia](#)

¹⁴ Schleicher, A. (September 2010) Is the sky the limit to educational improvement?, UUK Annual Conference

¹⁵ Barr, N. Shepherd, N. (December 2010) [Towards setting student numbers free](#)

¹⁶ McMahon, W. (2009) Higher learning, greater good: the private and social benefits of higher education. Baltimore: Johns Hopkins University Press

¹⁷ Ibid.

At any point in time there will be numerous pressures on government investment and drivers to priorities particular areas of public spending. That said, as a principle we believe that there should be some balance of contribution in line with the considerable economic and social benefits for both individuals and wider society. In this case, it is helpful to be aware of the research that suggests that, as a rough guide, a 50:50 balance of public: private contribution may be appropriate to aim for in order to achieve optimum economic efficiency.

Shared contribution remains a core feature in comparator countries

There is general consensus in most countries that both students and the state should be contributing to the cost of Higher Education. This varies by country but the principle is broadly the same. There are also differences as to how this shared contribution is perceived:

- In the USA the cost of higher education is largely borne by the student and this is the expectation. Parents will typically begin to save for their children's college education from an early age. There are various financial support packages that vary by both state and institution. This is not true of the whole system, with Community Colleges receiving large proportions of funding from the State alongside much lower fees but at all stages and in all areas, there is an expectation of private contribution to higher education.
- In Australia the shared contribution model is widely accepted and understood. The name of the scheme, first Higher Education Contribution Scheme (HECS) and now Higher Education Loan Programme (HELP) makes it very clear that the intention is for the Government to provide financial support to students to facilitate their contribution towards the cost of studying through offering income-contingent loans. The Government's own contribution (Base Funding) is also highly visible so that students and parents can clearly identify who is contributing what towards the cost of higher education.
- In Canada, the contribution from the Province is variable. In Ontario, students make a contribution of less than 50% to their total cost of tuition. However, in Quebec there has been very strong opposition to the introduction of higher tuition fees. The issue has become very political charged and the Government continues to fund a relatively high proportion of the cost.

What did £9,000 fees do to the balance of contribution?

As interest has increased in the total cost to Government of £9,000 fees, particularly in relation to the Resource Accounting and Budgeting (RAB) charge¹⁸, an estimation of the amount of money that will not be repaid, so too has awareness that this sticker price does not tell the whole story.

¹⁸ For example, BBC (22 March 2014) [More student loans won't be repaid government believes](#), The Guardian (21 March 2014) [Student Fees policy likely to cost more than the system it replaced](#), and Times Higher Education (21 March 2014) ['Massive' budget hole predicted as RAB charge rises](#)

Figure 3: Direct and indirect investment in higher education: Government vs. individuals

DIRECT	
<p>Teaching: the £9,000 fee has entirely replaced direct funding for teaching (HEFCE 'T') on most undergraduate programmes. High cost subjects (over £9,000), some postgraduate courses, as well as the recognised additional cost of supporting non-traditional students still attract some direct investment.</p> <p>Capital: largely ceased – as with direct funding for teaching this was re-directed into higher loan subsidy. Universities invest in capital from their fee income.</p>	<p>Upfront fee: the upfront payment of a fee directly to the university by those who cannot access a fee loan.</p>
GOVERNMENT	INDIVIDUAL
<p>Fee loan subsidy: the subsidy that arises from the cost of borrowing including non-repayment. As we describe in more detail later, the 'RAB charge'¹⁹ is now estimated at 45% even without an interest rate subsidy.²⁰</p>	<p>Graduate loan repayment: this refers to the loan repayments made by graduates through the tax system. It is the percentage of the fee loan that will be repaid within 30 years.</p>
INDIRECT	

Figure 4 on the next page shows how the flow of public and private investment shifted for first time undergraduates in England after the 2012 reforms that introduced a £9,000 fee – from around 35:65 to nearer 50:50.

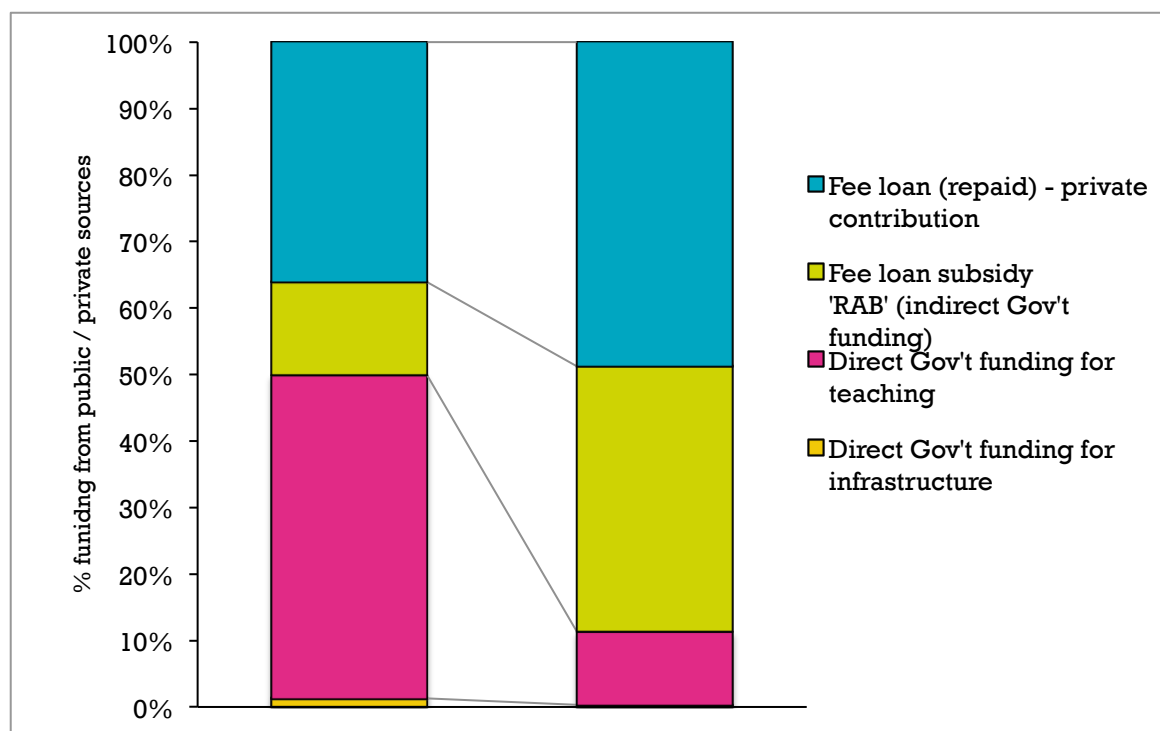
This was undoubtedly a substantial shift away from government investment towards the individual but perhaps not as significant as most people think. The fact that a 50:50 balance of contribution remains in the system overall would likely surprise most students, parents and public commentators on the reforms who presumed a £9,000 fee meant that student were paying 100% of costs.²¹ We look into issues of transparency in relation to the current system later.

¹⁹ Resource Accounting and Budgeting charge, based on the use of accrual accounting methods

²⁰ Willetts, D. Hansard (20 March 2014) [House of Commons](#)

²¹ Hackett, L. University Alliance / HEPI op cit.

Figure 4: What happened when £9,000 fees were introduced²²



Notes:

1. Figures are based on all full-time undergraduates in pre-2012 and all first time undergraduate students (FTE) in £9,000 system (approx. 95% of all full-time undergraduates and 30% of part-time undergraduates). The post 2012 system changed to allow 1/3 of part-time undergraduates to access fee loans – those doing first degree and studying over 0.25 workload.
2. These figures are based on 100% uptake of fee loans – they do not take account of those choosing to pay their fees upfront. Our best understanding is that this is a small proportion of students and the percentage paying upfront has not changed significantly in the new system compared to pre-2012 figures.
3. £9,000 system calculations are based on projections for 2015-16 when three years of students will be in the system. Based on 2012-13 student numbers. Based on an average fee of £8,425, the average fee after fee waiver in 2014-15 (OFFA, 2013).
4. Figures based on a 28% RAB charge in the pre-2012 system (BIS, 2012) and [45% RAB charge in the £9,000 system](#) (House of Commons, March 2014).

RECOMMENDATION 1: Shared investment in higher education from both Government and graduates is an important principle that should remain.

²² Sources: HESA figures for student numbers. HEFCE figures for public funding (HEFCE, 2013).

Section 2: Transparency and public understanding

“To the mums and dads in the room: if you’ve always hoped to one day see that framed graduation photo of your son or daughter on your mantelpiece – you can still have it. Whatever you heard in the past, don’t let it lower your sights for the future. University may not be for everyone, but it is open to everyone. Getting a degree depends on ability, not ability to pay.”²³

Rt. Hon Nick Clegg

"We've a great story. A girl's saved up nearly £30,000, so her parents don't have to borrow for her £9,000 tuition fees. She's a role model - I almost shivered with fear when a journalist told me this. Bravo for the saving habit, but the idea of this being a role model to follow couldn't be further off the financial mark for many. It's a symptom of the widespread misunderstanding of the changes to English student finance."²⁴

Martin Lewis

Public understanding of fees and fee loans

Since fees and fee loans were initially introduced there has been a fundamental misunderstanding about the nature of cost, debt and the impact on students. As fee levels have increased so have concerns based on a number of myths, largely based on an understanding of commercial loans and debt rather than a system for graduate contribution paid through the tax system with Government owning the risk. As Martin Lewis points out there are clear differences:

- Student loans don't go on credit files.
- Student loan repayments are proportionate to income.
- If you lose your job or take time off, so you've no income, you don't need to repay student loans.
- Student loans don't employ debt collectors and won't chase you.
- You can't lose your house if student loans aren't repaid (unlike secured debts).²⁵

As University Alliance highlighted in our submission to the Browne Review of Higher Education Funding and Finance in 2010²⁶, in reforming the funding system it was critical to focus on both getting the system right and getting the message right. There have been efforts to rectify this but there is still a big hill to climb and it isn't helped by a system design that is confusing and that hides government investment. As such the concerns we raised in relation to the 2006 system largely still stand.

Market failure and misinformation

One of the most important outcomes of a system that is based on graduate contributions, on an income-contingent basis, with no cost at the point of entry, is that it remains rational for all qualified students – including those from low-income backgrounds – to choose to enter higher education. This is especially the case when we take into account the considerable advantages that going to university still provide, as described earlier.

However, market failure remains a risk where consumers are ill-informed or have misconceptions about either the cost or the expected return on their investment. Given the widely held

²³ Clegg, N. (25 February 2014) Speech to Bishop Challoner Catholic Collegiate School in East London

²⁴ Lewis, M. (May 2014) [Beware paying uni fees upfront](#), MoneySavingExpert.com

²⁵ Ibid

²⁶ Aston, L. Shutt, L. University Alliance (January 2010) [The impact of fees: a review of the evidence](#)

misconceptions around fee cost and the student support available²⁷ it is possible that some individuals might be put off from applying to university. Even though behavioural data demonstrates that this does not apply to many individuals (given the pattern of increased applications from students from low-income backgrounds since fees were introduced and after the most recent increase) survey data has suggested that concerns might exist with some individuals – especially first generation entrants. The fact that this is a small number of individuals does not allow for complacency - it is not acceptable for any qualified applicant to be denied access to higher education on the basis of cost or misinformation about cost, financial risk and support available.

Transparency

We have still yet to deliver a simple and comprehensive system that allows individuals to clearly understand the cost of going to university, the support available to them and what government will be contributing. As described above the £9,000 sticker price hides significant government investment, but is also gives an inaccurate impression of what an individual's degree will eventually cost – it may be more if they go onto graduate into a high paying job or equally it may well be less.

Indeed students, parents and commentators would likely be surprised to realise that the average private contribution of English students is actually only just over £5,000 because of the high public subsidies that apply to fee loans.

There is undoubtedly a significant problem with the transparency of the English system post 2012. It could be characterised as the worst of both worlds where the Government is still putting nearly 45% of all investment into humanities subjects through generous loan subsidies but is getting absolutely no credit for doing so – quite the opposite in fact. Equally, students are convinced that they are paying the full cost of their degree, which is far from the truth of the matter for the cohort as a whole.²⁸

As we illustrated in our recent report with HEPI, a look at the public contribution for humanities particularly highlights the level of misinformation. Despite the much discussed removal of direct government investment for humanities, or more accurately the replacement HEFCE T grants for subjects in band C and D subjects with fees, public contribution remains at £3,370. This is particularly important to recognise in light of reaction to the 2012 reforms in England from those in the humanities as well as many public commentators. It was widely reported that the government was removing all funding for the humanities. This is an excellent illustration of the problem the English Government has with the transparency of its chosen approach to move public investment away from direct funding for teaching and into fee subsidy. Yes, it is true that there is no longer direct funding for teaching in the humanities in England but public investment remains significant. The problem the Government has is that fee subsidies are not well understood – they are not transparent. The result is that students think they are paying the full cost of humanities subjects and that government are lambasted for pulling out all public investment in the humanities – neither is true. Transparency, however, is a very real issue.²⁹

²⁷ BIS Research Paper no. 9, The role of finance in the decision making of higher education applicants and students, 2010. While this work has not been revisited in relation to the 2013 system, indeed this might be helpful, press and public discourse continues to document widespread misunderstanding.

²⁸ Hackett, L. University Alliance / HEPI, Op cit.

²⁹ Ibid.

Language

University Alliance has long argued that the language we use to describe the student finance system should be revised. Is it any wonder that there is confusion linking student loans to commercial loans when we have borrowed that language? It is here that there are helpful lessons to be learned from the Australian system as highlighted in our recent report. Australia uses the language of HELP – the Higher Education Loan Programme – and the public understanding of this system, broadly speaking, is that this is about the Government providing ‘help’ for students to meet the cost of studying at the point of purchase. HECS fees are called student contributions and direct funding is called the Commonwealth contribution in official documents.

We would argue that the Australians got this right from the start. While we were establishing the language of ‘fees’ and then ‘top-up fees’ the Australians were establishing the language of the Higher Education Contribution Scheme or ‘HECS’ in the public mind-set. The idea of HECS was that graduates made a contribution towards the cost of gaining a degree. This has since evolved in Australia to HECS-HELP and FEE-HELP – a shared language that is built on graduate contribution and Government help to finance the upfront cost of your studies. Over exactly the same period of time, England was battling against public misconception of the upfront cost fees and burdensome graduate debt. It is a fascinating contrast when you realise that before 2012, these were almost identical systems with almost identical levels of graduate contribution and Government support.³⁰

RECOMMENDATION 2: The current system lacks transparency and is not well understood by the public. Re-designing some elements of the system as well as continued communication efforts should seek to counter this.

³⁰ Ibid.

Section 3: Sustainability – protecting Government’s ability to invest long-term

“An important principle of a well-designed loan system is that the loan is repaid, in full, by the majority of borrowers”

*Nicholas Barr and Alison Johnston*³¹

As well as this first principle about full repayment, Barr and Johnston have also argued that a well-designed loan system should protect low earners and achieve progressive repayments on an income-contingent basis. We discuss the importance of a progressive system later but here we consider the issue of affordability. It is a stark truth that the projected public subsidy on existing student loans is currently too high; 45%, because 45% of the loan value will not be repaid, and growing.³² If these projections are right, that means that for every £1 the Government gives out in student loans, they will only get 55p back. Ultimately we all have an interest in ensuring that the system is sustainable for longer-term. Otherwise, we will continue to find that rational policy choices, such as removing the student numbers cap, are restricted, and that more unpalatable alternatives, such as private loans, may emerge.

Balancing the books

The current system requires a huge level of investment which is backed by government borrowing. Repayment levels are low and extend for a considerable period of time. Using the Government’s repayment calculator it is estimated that the average student will take just over 26 years to repay loans taken out during their studies.³³ This means that there is a significant upfront outlay that is recouped at a relatively slow rate.

The outlay on student loans makes up a substantial component of the Government’s balance sheet. The impact of the student loan portfolio on net debt is expected to peak in the early 2030’s at around £103bn or 6.7% of GDP. In 2012, student loan assets were £33bn, this is calculated by looking at the new loans issued, less the repayments received and the write-offs. As the table below shows the total amount of repayments is only a small proportion of the outlay, around one third by 2017-18.

Figure 5: Increased upfront cost to government with only a third recouped by 2017-18³⁴

	£ billion					
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Student loans (net)	5.8	7.3	8.6	9.3	9.6	9.6
Cash spending on new loans	7.8	9.6	11.2	12.3	12.9	13.4
Repayments	2.0	2.3	2.6	2.9	3.4	3.8
Student loan interest	0.8	1.1	1.6	2.4	3.2	4.2

³¹ Barr, N. Johnston, A. (2013) Student loan reform, interest subsidies and costly technicalities: Lessons from the UK experience, *Journal of Higher Education Policy and Management*

³² Willetts, D. Hansard (20 March 2014) [House of Commons](#)

³³ Average tuition fee loan of £9k, average maintenance loan of £5,500 and average starting salary of £25,500.

³⁴ Source: Office for Budget Responsibility, [Economic and fiscal outlook](#), March 2013

The above forecasts are themselves based on some assumptions that need to be reviewed. The estimate of the outlay on student loans is based on an average loan of £7k for tuition fees and £3.3k for maintenance. According to the most recent statistics from the Student Loans Company the average tuition fee loan for all types of providers under the post 2012/13 regime is £7,490 and the average maintenance loan is £4,030.

The OBR provides a periodic estimate of the level of repayments that are expected each year. These estimates are based on various factors including estimates of wage growth and levels of employment. The most recent estimates of repayments are lower than had been expected due to lower than expected growth in wages. In the 2012/13 academic year this was offset by lower than anticipated take up of student loans. According to the SLC statistics the outlay on student loans was £7,643m which is marginally lower than the OBR forecast, as are maintenance loans at £4,030m. However, in the current academic year the numbers of students has seen a significant recovery. Recent reports suggest that a significant increase in the number of students from Alternative Providers accessing public funds through the SLC has led to increased pressure on the BIS budget. In order to manage student loan expenditure BIS has had to reduce expenditure in other areas, namely research and widening participation. This is of significant concern and is an unsustainable way of managing expenditure on higher education.

The current system of funding provides limited mechanisms for the government to manage the outlay on loans. It also lacks transparency in the way in which funding flows to higher education. As touched on above, there are a number of components that make up the expenditure flows to higher education:

Core Grant Funding: This is funding that is distributed directly to institutions through the form of block grant funding or through targeted funds.

Tuition fees: This is predominantly public funding from the SLC, that is directed by individual students who choose where to allocate this. Median net tuition fee is £8,700³⁵

“Invisible” funding: This is funding from the public purse that is spent on higher education but is largely unseen by either Universities or students. This cost to the Government comes in the form of interest rate subsidies and in loan write-offs. On the former this cost arises when the interest payable on loans is lower than the cost of government borrowing. On the latter the cost of loans that are not repaid must be borne by the lender, in this case the Government. Known as the RAB charge the write off for loans is currently estimated to be 45% - although there have been numerous estimations over the past year.

The IFS also identified this “invisible funding”. According to their work they found that the average taxpayer contribution was just 5% lower than their cost estimate had the higher education reforms not been introduced. The implication being that the saving to the taxpayer was minimal. In fact they found that of the £24,592 that the taxpayer contributes to each student, £17,443 comes in the form of loan subsidy. This is a substantial contribution which is largely absent from the debate about higher education funding.

Understanding income contingent loans

In a small higher education system it is feasible, albeit highly regressive, for the government, in other words the taxpayer, to fund higher education in full.³⁶ Where we have a mass higher education system alongside a political consensus to limit tax increases, such as we have in England, however, it is necessary to bring in private finance of some sort. Assuming most governments would share the broad objectives of seeking to improve quality, access, expansion and control of public expenditure, there are two big questions for any government about higher education: how

³⁵ HEFCE (April 2014) [Higher education in England 2014](#)

³⁶ Barr, N. (February 2010) [Paying for higher education: what policies, in what order?](#)

to bring in private investment, and; how to distribute the remaining, significant public investment to best achieve these objectives.

Income contingent loans (ICLs) are a method of bringing private finance into higher education and, therefore, relate primarily to the first question but the loan design will have implications for the second. ICLs facilitate private contribution without requiring upfront payment. In effect, the Government offers the student an upfront loan to cover the cost of a 'fee' or 'contribution' and, in the case of England, an additional loan to help with living costs, which the graduate then starts to repay as a percentage of their salary once they cross a specified earnings threshold. This repayment is then automatically deducted from the graduate's salary through the central system for income tax payments.

The main benefits of an income contingent loan system are:

- Everyone can afford higher education at point of entry (discarding issues of living cost).
- Government carries the financial risk, not the individual – i.e. low earners are protected.
- The impact on demand for higher education of any fee increase will necessarily be muted because of the nature of ICLs – designed to minimise the effect of upfront 'fee' level on demand for higher education.

That said, getting the design right is critical if we are to avoid the sustainability issues discussed above. Tackling this issue has been central to the uni_funding work University Alliance has been undertaking. Ultimately, a well-designed student finance system should be based on system of well-designed student loans. A well-designed student loan system would be based on the following principles:

- The vast majority of graduates should repay their loans in full over time (over 85% of graduates will not pay back their loans in the current system, leading to the high cost of loans to the government).
- Student loans should be available to virtually all students to cover the cost of fees.
- Repayments must be affordable for graduates, based on income-contingent repayments and protection for low-earners Ensure affordability for government by minimising public subsidy on loans.

Managing loan repayments and directing public subsidy: international comparisons

Figure 6 considers two international comparisons of student loans that throw up interesting contrasts for England to consider. In the USA, there is increasing recognition of the need for government to share the risk for loans with graduates. In Australia a system has developed over time that enables government to direct public subsidy to some places whilst maintaining loans that run at zero subsidy across the rest of the system (for both undergraduates and postgraduates).

Figure 6: The US and Australia – to publically subsidise loans or not to publically subsidise loans?

US STUDENT LOAN BUBBLE: MOVING TOWARDS ICLS?

While the USA has long been cited as an example of a system with private loans, running alongside a variety of federal and university level loans - the amount of federal loans permitted is low relative to the cost of a US university education meaning that there is a gap often covered by private loans.³⁷ The main federal loan programme, the Federal Direct Stafford Loan Programme can be taken out on a subsidized (with interest frozen during study) or unsubsidised basis, depending on an assessment of financial need. There are a range of complex repayment options with students given advice on graduation.³⁸

In recent years, there has been considerable coverage of the so-called “student loan bubble”. Students graduating in the USA typically have a much higher level of debt than in other nations. According to the New York Federal reserve, student loan debt in the USA is the only form of consumer debt that has grown since the peak of consumer debt in 2008. The balances of student loan debt in the USA are now higher than all other types of consumer debt with the exception of mortgages.³⁹

National default rate has almost doubled over the past decade from 5.4% in 2001-02 to 10% in 2011-12. The default rate by type of institution varies significantly from 5.2% for private institutions, 9.6% for public institutions and 13.6% for profit making private institutions.⁴⁰

President Obama has introduced a loan forgiveness plan in order to try to redress the growing concerns about the amount of student loan. This is only for graduates with federal loans who have made regular repayments for a significant period of time. Those with private loans are not eligible. This is in effect moving the USA towards an income contingent repayment method for a small number of existing graduates. Monthly repayments are 15% of income and after 25 years unpaid debt is forgiven making this proposal more in line with ICL schemes in other countries.

AUSTRALIA HECS-HELP AND FEE-HELP: CLEAR CHOICES ABOUT WHERE TO DIRECT PUBLIC SUBSIDY

In Australia, an ICL system has developed over time that is sensitive to government choices about where to direct public subsidy. The Australian example demonstrates that a zero-cost to government design is possible but also that designing the ICL’s in this way opens up considerably more options for higher education investment. For example, FEE-HELP loans (the ones that run at zero-cost) are available for all students that cannot access subsidised places, whether at undergraduate or postgraduate level. FEE-HELP loans run alongside subsidised HECS-HELP loans:

- HECS-HELP: subsidised, part of mainstream system of courses that still attracts direct funding for teaching (base funding). The ratio of HECS-HELP to base funding, currently stands at about 40:60 overall but varies significantly by subject (as there are different fee levels and base funding levels for different subjects). Some postgraduate programmes also attract HECS-HELP loans and the corresponding base direct teaching funding.
- FEE-HELP: non-subsidised for all students that cannot access HECS-HELP, around 75,000, 17 per cent of all places in 2012-13.⁴¹ Higher education provider fees are not limited and usually cover 100% of cost (fees are set according to both cost and market value). There is a lifetime loan allocation of \$96,000 (about £56,000) to allow students to re-train and re-skill throughout their lifetime. Undergraduate FEE-HELP loans carry a surcharge of 25% (not for postgraduate FEE-HELP). The surcharge gets added to the total loan value at the point of graduation. In effect, this covers the Government’s cost of borrowing and any non-repayment meaning that the loan is virtually non-subsidised.

³⁷ Universities UK (2013) [The Funding Challenge for Universities](#)

³⁸ StaffordLoan.com (2014) [Federal Stafford Loan Repayment Options](#)

³⁹ Federal Reserve Bank of New York (March 2013) [Student Loan Debt by Age Group](#)

⁴⁰ U.S. Department for Education (July 2013) [Comparison of Default Rates](#)

⁴¹ Parliament of Australia [Higher Education Loan Program \(HELP\): a quick guide](#)

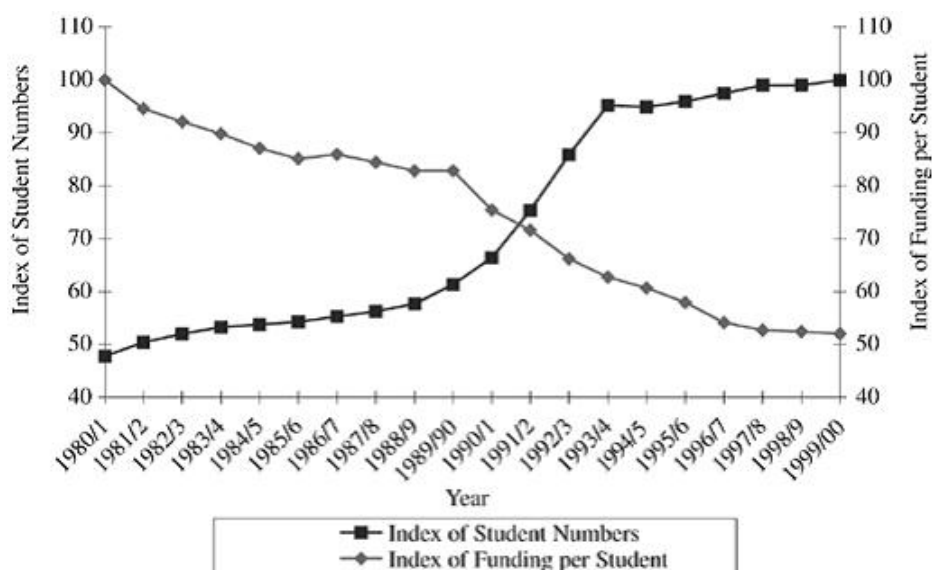
RECOMMENDATION 3: A well-designed income contingent loan system that is cost-efficient for Government is central to our ability to support a genuinely flexible and expandable system that will meet the needs of our future economy.

Future investment in higher education

Despite the issues described above in relation to the post 2012 system, we should acknowledge that £9,000 fees, alongside continued government investment in areas such as student opportunity funding, has protected higher education funding relatively well despite increasing pressures on departmental budgets following the 2009 recession.

It is worth considering some history here. In 1989-90 funding was around £9,500 per student (in 2009-10 real terms) but in the early 1990s, during the largest expansion of higher education in the UK's history, the unit of funding saw major decline - falling below £6,000 per student in 1998-99 (see Figure 7). Young participation doubled from 15% to 30% in just 5 years from 1989 to 1994. The expansion was as a result of demand-push from the introduction of GCSEs causing a rapid rise in staying-on rates at 16 and 17, supply-pull from the needs of a growing knowledge-based economy, and was facilitated by the end of the binary divide which enabled an expansion of the university sector.⁴²

Figure 7: Expansion took place against corresponding reduction in the unit of resource per student⁴³



As a result of this decline in funding, capital backlogs became prevalent among UK HEIs. According to the Higher Education White Paper⁴⁴ estimated backlogs in teaching and research infrastructure were £8bn in 2003.⁴⁵ HEPI calculations showed that the £3,000 variable fee would bring UK universities an additional £1.5 billion in annual income by 2009. Even with the full additional fee income, three years after the introduction of variable fees in 2006, the sector was still 22% below

⁴² HEFCE (2001) [Supply and demand in higher education](#) and Aston, L. HEPI (2003) HE Supply and Demand to 2010

⁴³ Source: D Greenaway and M Haynes, [Funding Higher Education in the UK: The Role of Fees and Loans](#), 2003

⁴⁴ DfES (2003) The future of higher education

⁴⁵ Bekhradnia, B. HEPI (2004) HE Bill and Statement: Implications of the Government's Proposals

1989 funding levels in real terms when University Alliance submitted its evidence to the Browne review in 2010.⁴⁶ Many others who submitted made a similar case and indeed, it could be argued, that this has been the enduring take home message from Browne's final report, "Securing a sustainable future for higher education".⁴⁷ It has certainly appeared to be a guiding principle for the Coalition since, despite increasing pressure on the higher education budget.

Indeed, institutions already report that the 2012 reforms have enabled critical investment into the student experience, as Universities UK has found "universities are continuing to develop, change and improve the student experience – from access and outreach through improved teaching and learning opportunities, to careers advice and help with finding jobs."⁴⁸

In 2012-13 the unit of resource, per undergraduate student, has risen slightly to just over to £7,500, which is around 80% of 1989-90 levels.⁴⁹ However, of course 1989 is an arbitrary baseline. As we suggested in 2010, an evidence-based look at the funding levels needed for a sustainable future in higher education is well overdue. This is evidence that could become increasingly important if IFS projections and indeed the forecasting of individual institutions is to become a reality. Analysis undertaken by the Institute for Fiscal Studies for Universities UK estimates that the real change in BIS's resource DEL from 2014-15 to 2017-8 could range from a cut of 14.6% up to one of 30.2%.⁵⁰

The most recent HEFCE forecast for the financial health of the sector reports that institutions have identified the following risks in relation to their financial forecasting and performance:

- fall in student recruitment and retention in an increasingly competitive market
- further unanticipated public spending cuts
- failure to effectively manage major capital investment programmes and their financial impacts
- rise in the cost of borrowing
- failure to achieve overseas student recruitment targets
- rise in staff and pension costs
- non-compliance with visa regulations
- failure to achieve staff recruitment and retention targets⁵¹

The question of future sustainability cannot be looked at solely in reference to the UK, there is a growing international competitiveness issue here as other countries recognise the gains to be made from investment in higher education. Figure 8 shows uses OECD data on expenditure per student. In 2010, the UK was ranked 10th in spend per higher education student and although above the OECD average of £13,528, this was well below the USA who spent, on average, £25,576. The continued investment in England, albeit through the different route of fee loans, has been important to help us keep pace in the short term but this should be put into context globally. As OECD Secretary-General Angel Gurría concludes: "In a global economy, it is no longer improvement by national standards alone; the best performing education systems internationally provide the benchmark for success"⁵²

⁴⁶ Aston, L. Shutt, L. University Alliance, Op cit.

⁴⁷ Browne, J. (2010) [Securing a sustainable future for higher education](#)

⁴⁸ Universities UK (2013) [Where student fees go](#)

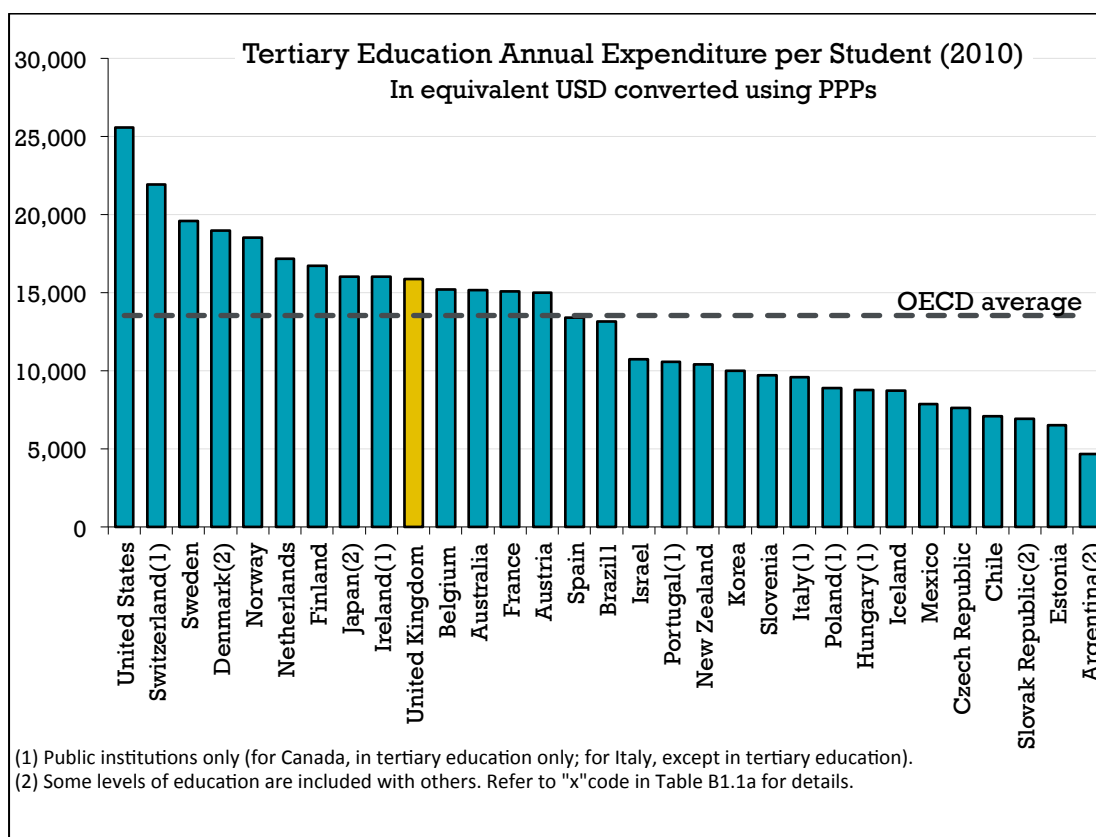
⁴⁹ Based on HESA EU/UK undergraduate numbers, HESA fee income and HEFCE Teaching Grant figures

⁵⁰ Universities UK (2013) [The Funding Challenge for Universities](#)

⁵¹ HEFCE (October 2013) [Financial health of the higher education sector: 2012-13 to 2015-16 forecasts](#)

⁵² BBC (7 September 2010) [UK slipping down graduate league](#)

Figure 8: Competitor countries are investing more than the UK⁵³



Whatever balance of funding we go towards in the future, it will be important to keep an eye on levels of overall funding for universities. Well-funded institutions are the bedrock of a system that is able to fully deliver the range of benefits outlined in Section 1. As is well established, the quality of the student experience and the reputation and contribution of English higher education is inextricably linked to the level of funding.⁵⁴

RECOMMENDATION 4: £9,000 fees are enabling the universities to invest in the student experience and outreach work. However, global competitors continue to invest at higher levels and it remains difficult to assess what levels of investment are needed to ensure the sustainable future that Browne envisaged. The sector should commission a new evidenced based look at the investment levels needed for a sustainable and competitive future.

⁵³ Source: OECD. Argentina, Indonesia: UNESCO Institute for Statistics (World Education Indicators Programme). OECD, [Education at a Glance 2013](#), June 2013

⁵⁴ JM Consulting (2008) The sustainability of learning and teaching in English HE. A report prepared for the Financial Sustainability Strategy Group

Section 4: students at the heart of the system - a constrained market

“We will move away from the tight number controls that constrain individual higher education institutions, so that there is a more dynamic sector in which popular institutions can grow and where all universities must offer a good student experience to remain competitive.”

*BIS White Paper, Students at the heart of the system*⁵⁵

Student driven-market: examining the intentions of the White Paper

The announcement in the 2013 Autumn Statement that government would be removing student number controls (SNCs) from 2015-16 and initially increasing student numbers by 30,000 in 2014-15 may have come as a surprise to some but the Coalition had previously set out its stall fairly clearly in the 2011 White Paper.

That the White Paper wanted to grow the market in higher education has been well documented but the Paper also recognised the corresponding need for expansion. “Better information will enable students to make informed choices about where to study. But that will not be enough unless popular higher education institutions and courses can expand, and new providers, including those who offer different models of higher education, can enter the market.”⁵⁶

As discussed earlier, to date, government policy choices in this area have been necessarily constrained due to the overall cost of student loans and as such SNCs have been a well-established mechanism, administered by HEFCE, to control expenditure. The White Paper recognised the drawbacks of this approach, meaning that a true market could not be realised. “The current system of controls limits student choice, because institutions are prevented from expanding in response to demand from applicants. That in turn protects institutions with lower levels of demand, which fill their places with students who cannot get to their first-choice institution.”⁵⁷

The paper concluded, “to enable the sector to respond to student demand, both in relation to choice of institution, and expansion to meet volume of demand, we want to introduce ways to free up SNCs, while ensuring that overall costs are managed.”⁵⁸

High private returns make higher education a rational choice

The Autumn Statement announcement essentially restored the “Robbins Principle” that anyone who is qualified and able to benefit from going to university should have the opportunity to do so. A bold step indeed when you consider that the higher private returns described in Section 1 continue to make higher education a rational choice. To date this fact has meant that demand for higher education has not been particularly price sensitive (it has a low price-elasticity of demand), especially given that demand has far outstripped supply due to the constraints described above.

As both David Willetts and the Chancellor have set out, this decision, at a time when there is continuing demand for graduates and a corresponding demand for higher education, has been made in recognition of the benefits of investing in high-level skills in an innovation-driven economy.⁵⁹ The policy is one of the central levers government has decided to pull as a route to growth; as Andreas Schleicher describes: “In the past, monetary policy and fiscal policy could be

⁵⁵ BIS (June 2011) [Students at the heart of the system](#)

⁵⁶ Ibid.

⁵⁷ Ibid.

⁵⁸ Ibid.

⁵⁹ Hackett, L. Shutt, L. University Alliance (2010) [21st Century Universities: engines of an innovation driven economy](#)

seen as a way to growth, but today, what remains is human capital. You can no longer bail yourself out of a crisis, you can't stimulate your way out of a crisis, the only way is to provide better skills."⁶⁰

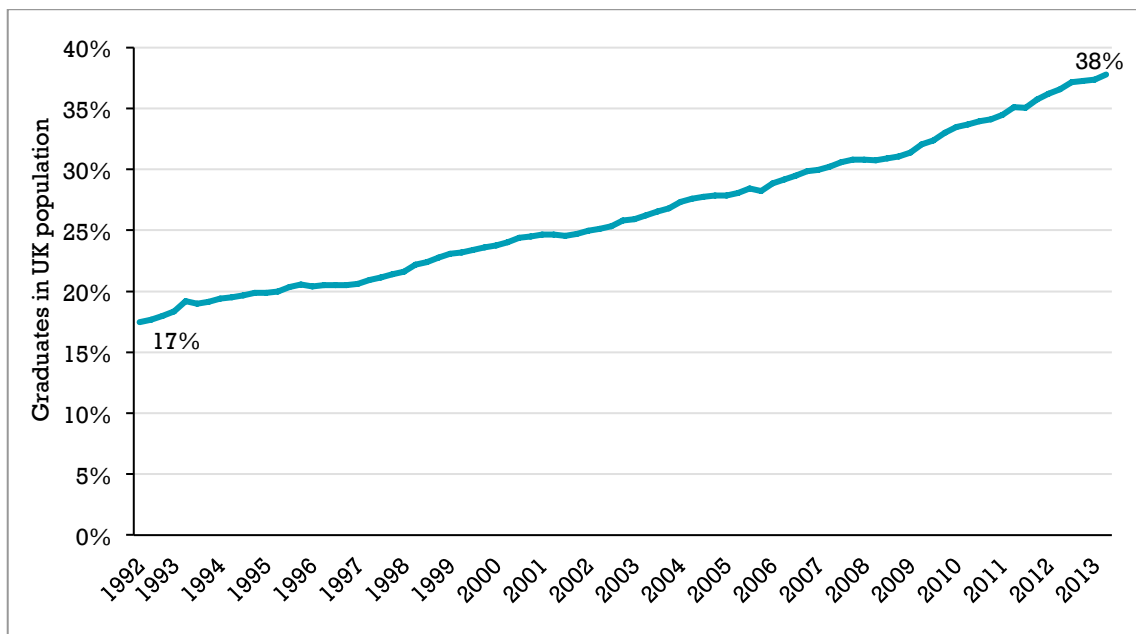
So what are the patterns of demand for higher education and how is participation likely to change following this policy change?

Demand: future trends in participation in higher education

Of course nobody has a crystal ball but it is worth reflecting on some history in relation to demand and growth in higher education.

The UK has experienced huge expansion of higher education in the past 50 years. In the 1960s, as few as 5% of 18-21 year-olds went onto university. This increased gradually over the following decades but was still as low as 15% in 1989.⁶¹ We then had the very rapid expansion up to 1994 when participation rates doubled to reach 30% in just 5 years. In the last 20 years we have seen steadier, gradual growth (often not reported as such) to a place where 38% of the population now hold a Higher Education qualification compared with 17% in 1992.⁶²

Figure 9: expansion of higher education⁶³



It is interesting to note that despite commentary about the falling value of a degree and forecasting that higher fees would deter students from going to university, young people continue to vote with their feet. Time and time again we have seen more cautious predictions about the growth of higher education overtaken. Kenneth Baker famously predicted a decline in higher education numbers in the 1988 White Paper based on raw demographic data alone. Over the next five years (1989 to 1994) there was the fastest growth in higher education ever experienced in the UK - the population of the highest social class groups did not decline and participation rates doubled from 15% to 30%. More recently, in the lead up to the Browne review some commentators again

⁶⁰ Coughlin, S. BBC news (12 June 2013) [Bail out universities rather than banks?](#)

⁶¹ BIS (2013) [The Impact of University Degrees on the Lifecycle of Earnings: Some Further Analysis](#)

⁶² Office for National Statistics (November 2013) [Graduates in the UK Labour Market](#)

⁶³ Source: Office for National Statistics (November 2013) [Graduates in the UK Labour Market](#)

predicted a decline in relation to the demographic downturn in the overall population of 18-20 year olds after 2010.⁶⁴ But of course the reality has been an increase in demand and participation. As BIS analysis of the Higher Education Participation Rate demonstrates, increased participation has been in direct contrast to the decrease in 18-20 year olds post 2010.

Figure 10: Increasing participation in contrast to declining population of 18 year olds⁶⁵

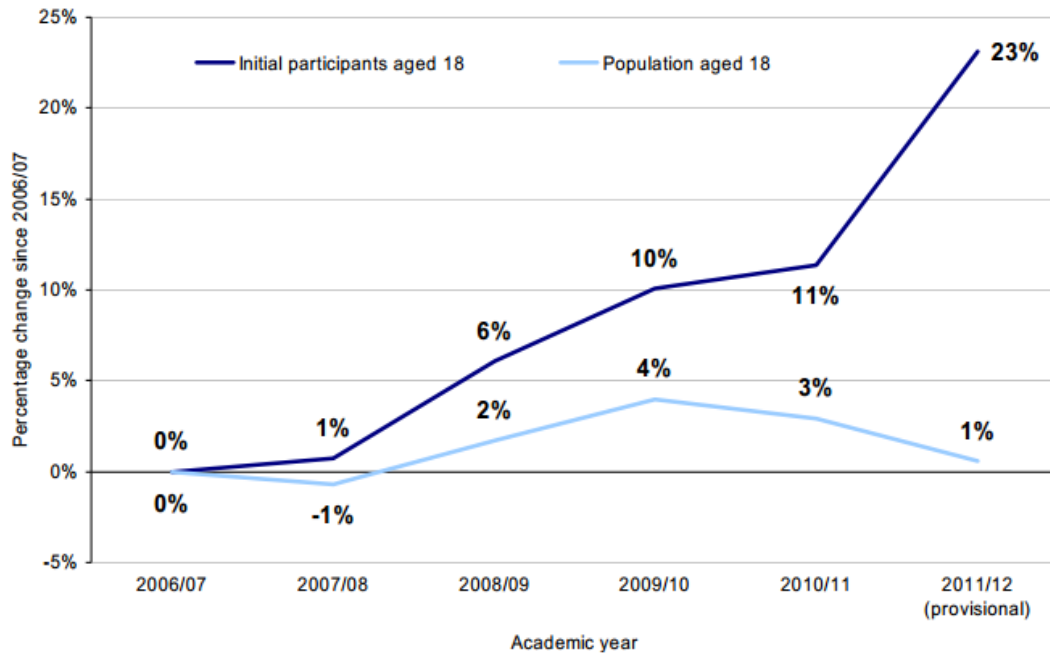
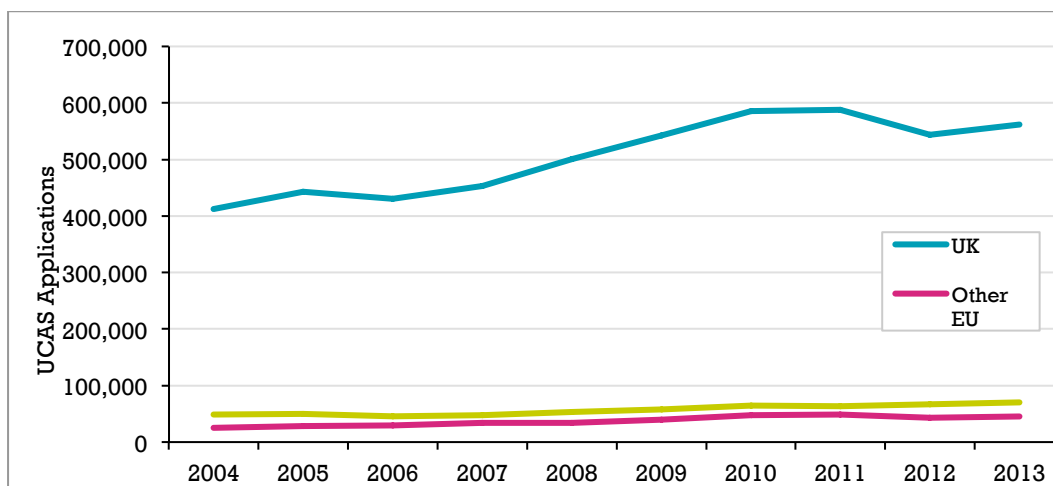


Figure 11 on the next page shows a sharp increase in applications in 2011/12, the year before £9,000 fees were introduced. This follows patterns in previous years prior to fee changes and was predictable. A small dip the year immediately after proved temporary once 2013/14 application numbers were known; there are continuing issues for part-time students as we will go onto discuss.

Figure 11: Overall growth remains steady⁶⁶



⁶⁴ Universities UK (2008) [The future size and shape of the sector](#)

⁶⁵ Source: BIS (2013) [Participation rates in higher education: academic years 2006/2007 – 2011/12](#)

⁶⁶ Source: UCAS

Alongside historical participation evidence the following factors all suggest strong, continued growth in demand for full-time higher education:

- projected increase in educational attainment and staying-on rates resulting from introduction of compulsory leaving age extended to 19
- graduate salaries and private rates of return likely to remain high because economic demand for graduates is projected to continue to increase in a knowledge economy⁶⁷
- in a mass higher education market, opportunities for non-graduates continue to decline - access to job opportunities will continue to drive demand for higher education
- during a recession when there is higher unemployment, many individuals are continuing to take the opportunity to improve their high-level skills

Indeed, the Treasury estimates that releasing SNCs will bring an additional 60,000 entrants into the system each year.⁶⁸

Supply: the UK higher education market

“At school they were set on me doing a straight biology degree and they just didn’t understand that Plymouth was the best place to do what I wanted. I had to find that out for myself.”

*Sophie Cousens, MRes Marine Biology, University of Plymouth*⁶⁹

Over recent years, there has been an increasing focus on the market in higher education. As outlined above, it was a key theme in the 2011 White Paper. However, there are a number of myths that get wrapped up in this narrative that we would challenge:

- **That operating in a market is a new experience for universities:** We would strongly argue that the UK higher education system is already highly competitive on the basis of quality and reputation, closely related to the outcomes for graduates. Institutions have been competing for many years to attract the best students. And for postgraduate and international students a deregulated market is well established.
- **That the market operates at institutional level:** If we want to maximise our country’s human capital and economic potential we need to encourage students to make the best choices for them. That means changing the discourse around higher education choices. The labels ‘best’ or ‘highly selective’ are misnomers. These labels, applied to a whole institution, only demonstrate existing assumptions and prejudices. We need to ensure that all students are encouraged to make choices based on the best evidence available. And this evidence shows that excellent programmes exist right across the sector. If we encourage students to think otherwise, it will be those with the least resources who are unable to make the best decisions.⁷⁰
- **That all institutions will choose to expand:** The period of rapid expansion in the early 1990s taught us many things but one important lesson is that growth across the sector was not even or, in other words, there will always be a significant number of universities that choose not to expand. Recent history and international comparison further support this fact. Furthermore, this decision does not follow a particular pattern by 'type' of university but rather is based on a particularly university's strategy and where it sees its market advantage (or 'vision and purpose' for the more publicly-minded amongst us). For some,

⁶⁷ Hackett, L. Shutt, L. Maclachlan, N. University Alliance, Op cit.

⁶⁸ Lifting of the student numbers cap from 2015-16- This is costed on the basis of an additional 30,000 higher education entrants in 2014-15 and 60,000 in 2015-16 onwards. HM Treasury (December 2013) Autumn Statement, p54

⁶⁹ Shutt, L. University Alliance (2011) [More than just a degree: stories of empowered students](#)

⁷⁰ Hooper, D. University Alliance (2014) [Closing the gap: unlocking opportunity through higher education](#)

this will mean growth but for many others this will mean consolidation, specialisation, a focus on strengths or growth in other markets.

Universities operate within a complex system of regulation, funding and market incentives from a wide range of sources (public and private). These are large organisations with multi-million pound turnovers that are balancing responsibilities and regulatory requirements as both public and private institutions.⁷¹ So there is already much experience within the sector to draw upon and that there are many complex and varied reasons why a student chooses the course and university that is best for them and their future career aspirations. As universities develop their strategies for the new funding and regulatory environment further, this diversity and complexity of the market seems only likely to increase with institutions increasingly focusing on their strengths and how their offer can stand out.⁷²

RECOMMENDATION 5: Despite the 2011 White Paper's intention, reforms to date have struggled to put students at the heart of the system within a constrained market. Reforms to the loan and regulatory system alongside the removal of the Student Numbers Cap could help to revive this intention.

New forms of supply: private and alternative providers

The increase in alternative providers of higher education is an important component of a healthy, diverse system that is constantly adapting to meet the changing needs of an evolving labour market and society. Alternative providers - that is, providers of higher education, whether for profit or not-for-profit, who are not funded by HEFCE - are quickly increasing in size and prominence, boosted by access to the student loans system.⁷³ Students at alternative higher education providers have been eligible to apply for a tuition fee loan of up to £6,000 since 2012-13. The Government estimates that it will provide £900m in student finance to students studying in the private sector in 2014-15⁷⁴. In the words of Jack Grove writing in the Times Higher, "that expenditure is roughly equivalent to the total income received by four or five mid-sized public universities."⁷⁵ It is nearly nine times more than in 2011-12.⁷⁶

Historically, the UK system has distinguished between 'public' and 'private' institutions, based on the principle that private for-profit universities should not receive public investment. The introduction of fee loans – or more importantly fee loans that carry public subsidy – alongside the diversification of providers, including the growth of private for-profit providers, has made this issue more complicated.

⁷¹ Aston, L. Shutt, L. University Alliance (2010) [Efficiency, leadership and partnership: an approach that delivers shared economic priorities](#)

⁷² For work on these issues see two HEFCE funded projects: [Distinct](#) run by Oxford Brookes University, Bournemouth University and University of Bradford and [Enterprising Universities](#) led by Plymouth University and Teesside University

⁷³ Hoban, F. University Alliance (2014) [How do we ensure quality in an expanding system?](#)

⁷⁴ David Willetts written parliamentary answer 26 March 2014. The response notes that forecasts of expenditure at alternative providers remain especially uncertain, due to not yet knowing how many students will receive support in 2013-14

⁷⁵ Times Higher Education (28 March 2014) [Private college funding to hit £1 billion](#)

⁷⁶ SLC funding (fee and maintenance loans, plus grants) to alternative providers rose from £104 million in 2011-12 to £270 million in 2012-13, according to SLC data released on 28 January 2014 and analysed by the Times Higher. The SLC dataset can be found at: <http://www.slc.co.uk/statistics/national-statistics/newnationalstatistics1.aspx>

Before looking at this issue further, we need to remind ourselves that all ‘public’ universities are actually autonomous, private, charitable organisations that receive public income. They are often referred to as ‘public’ institutions because of their long-standing commitment to delivering, and having concern for, the ‘public good’, as described in Section 1.

There is also an important distinction to make between private not-for-profit and the rise of the new for-profit institutions in the higher education market. The former have existed, albeit on a limited basis, for a long time in the UK and may indeed have elements of the ‘public good’ in their objectives. By contrast, for-profit universities are, by definition, driven by delivering a profitable product to market and are very unlikely to be concerned about the wider public good.

Historically, HEFCE has been explicit in constraining higher funding to ensure that public investment in higher education does not go to for-profit providers. The 2012 reforms and the introduction of £9,000 fees have shifted the landscape for for-profit providers. Whilst alternative providers (APs) currently have a lower fee cap of £6,000 their students can access fee loans for the first time. When you consider that these fee loans carry a significant public subsidy, this is a major shift in the flow of public investment in higher education in England but again government policy choices have been restricted due to the high cost of the student loan system.

The greater flexibility afforded by the Australian system – with a range of different student loans available targeted at different institutions, students and subject may offer a way forward here. It is interesting to recognise, however, that there is growing pressure from for-profit providers in Australia to allow their students access to the subsidised HECS-HELP loans. It is, therefore, possible that Australia might move closer to the English system on this issue rather than the other way around.⁷⁷

RECOMMENDATION 6: To date, there has been a lack of space for new and private providers in the system without taking numbers away from established providers. Reforms should be considered that will create greater flexibility to allow for this.

⁷⁷ Hackett, L. University Alliance / HEPI, Op cit.

Section 5: fair access and social mobility – a system that is affordable for all

“If we really believe we need a dynamic society, we need new ways of thinking, new ideas and different approaches. A socially mobile society is essential to this; diversity in the workplace, in senior roles, on boards and so on is crucial to our future success.”

*Mary Stuart, Vice Chancellor, University of Lincoln*⁷⁸

Social mobility: a social and economic imperative

Higher Education is an engine of social mobility: the expansion of the UK’s higher education sector since the late 1950s has created huge opportunities for a large number of people and supported a positive transformation of society.⁷⁹

In England close to 65% of students from upper socio-economic groups (SEGs) participate in higher education, whereas for lower SEGs this figure falls to less than 20%. This is a pattern repeated around the world, from the United States and Australia,⁸⁰ to Mexico, to France, and to sub-Saharan Africa.⁸¹ This is both socially unjust and economically inefficient since evidence suggests state school pupils outperform their privately- or grammar-educated peers once they get to university,⁸² showing little correlation between ability and socio-economic status. Excluding these students leaves talent going to waste.

Given these facts, there began in England, a concerted drive in the latter half of the 20th century to ensure fair access to university. In recognition that individuals outside of society’s elite might have the aspiration and ability to attend higher education and succeed there, the 1963 Robbins Report recommended dramatically increasing the number of people going through higher education. This aim was taken further when, in 1992, more than 30 higher-level education providers were given university status and the number of universities has continued to increase since then. The approach to widening participation has intensified in recent years with the UK government setting up the Office for Fair Access (OFFA) and publishing the National strategy for access and student success,⁸³ which takes a lifecycle approach to social mobility and higher education. These have been important steps, which have made a difference, with the number of students from lower SEGs entering (English) universities, increasing.⁸⁴

Social mobility has been a central concern in relation to increased tuition fees but the evidence shows that students from lower SEGs have not been deterred. Like their peers, they are recognising the high private returns that continue to make higher education a rational choice. There are two key reasons as to why we have not seen an impact on participation for these groups:

- firstly, because attainment continues to be the central pre-condition for entry into higher education – those who are qualified and able to go to university continue to do so; and
- secondly, because income-contingent loans mean that there is no up-front cost.

⁷⁸ Stuart, M. (May 2014) [A socially mobile society is essential for a dynamic UK](#)

⁷⁹ Hooper, D. University Alliance, Op cit.

⁸⁰ Milburn, A. (October 2012) [University Challenge: How Higher Education Can Advance Social Mobility](#)

⁸¹ Salmi, J. UNESCO (2013) Equity in tertiary education: facts and misconceptions’ in Making Education Work for All

⁸² HEFCE (2014) Differences in degree outcomes: key findings

⁸³ BIS (2014) National strategy for access and student success

⁸⁴ HESA (2013) [Widening Participation: Summary of performance indicators 2011/12](#)

Participation and access are determined by attainment, not fees

Attainment remains the single strongest determinant of participation in higher education – not cost. Those who are qualified and able to go to university continue to do so, on a like for like basis, across all SECs and have demonstrated that they are willing to make a deferred contribution after graduation in relation to the private economic benefit they are receiving.

Educational attainment remains the strongest determinant of entry to higher education. Figure 12 demonstrates that when you factor in attainment, students across different SEGs participate in higher education on a like for like basis. Attainment, not social class, is the main determinant of entry into higher education. The introduction of variable fees in 2006 did not change this fact.

Figure 12: Participation in higher education is determined by educational attainment, not social class⁸⁵

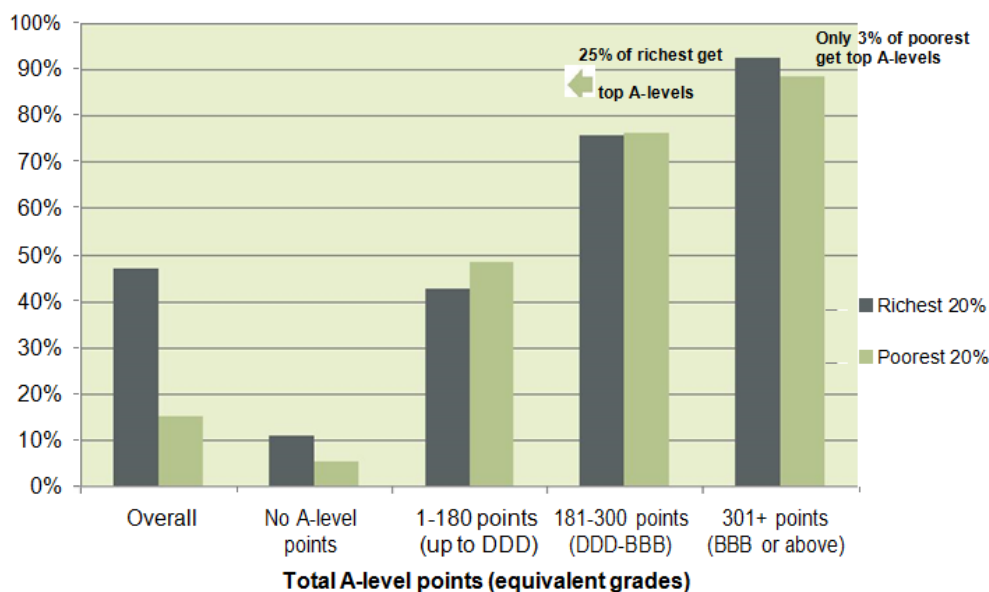


Figure 12 illustrates the disparity in overall participation in higher education between students from the richest 20% and poorest 20% of families. It shows that by A-level point score participation of these two groups is almost identical. It shows, again, that the reason for the differential in access to higher education overall is because of the correlation between social class and attainment; for example, 25% of the richest 20% get top A-level results compared to just 3% of the poorest 20%.

The root causes of this stubborn correlation between educational attainment and class are both deep and complex. It is a correlation that starts to have an effect from as early as 22 months and that is embedded as early as age 6. By the age of 6, those from low SEGs with high attainment scores at 22 months have been overtaken by children from high SEGs who had low attainment scores at 22 months. The attainment gap then widens through secondary education. Students from the highest SEGs are nearly three times more likely to achieve five GCSEs A*-C compared to students from the lowest SEGs. 25% of the richest 20% of students get top A-level results compared to just 3% of the poorest 20% – more than 8 times as many. Improving prior attainment is therefore the main route to improving access to higher education – and this needs to start at a very young age.⁸⁶

⁸⁵ Source: IFS submission to Independent Review of Higher Education Funding and Student Finance, January 2010

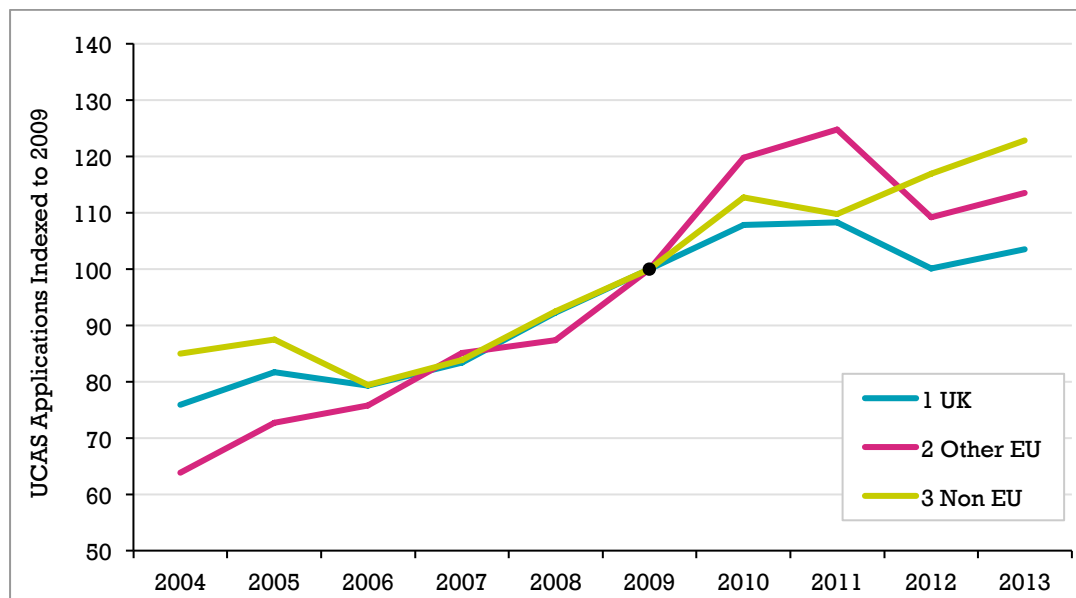
⁸⁶ Feinstein, L. (2003) Inequality in the early cognitive development of British children in the 1970 cohort

Deferred payment of tuition fees (it is the up-front cost that matters)

As described above, there are critical design features of the student loan system intended to ensure that no individual is deterred from going to university because of cost. Income contingent loans are the right mechanism to use to facilitate private contribution without deterring those without the means to access higher education. Students are able to mitigate against the risk that might come with a commercial style loan scheme but the UK benefits from having more of the population with higher level skills.

Analysis of the impact of both the £1,000 up-front fee in 1998-99 and the variable-fee introduction in 2006-07 clearly demonstrates that participation was not affected by the introduction and increase of student fees. A similar pattern was seen after the most recent increase. Figure 13 shows a comparable response to both the 2006/07 and 2012/13 increases. In the year immediately prior to the change there is a small peak in applications – as students who may previously have chosen to take a gap year decide to bring forward their entry into higher education – this contributes (in part) to evidence of a dip immediately after higher fees come in with numbers levelling off and back on the increase in the following year.

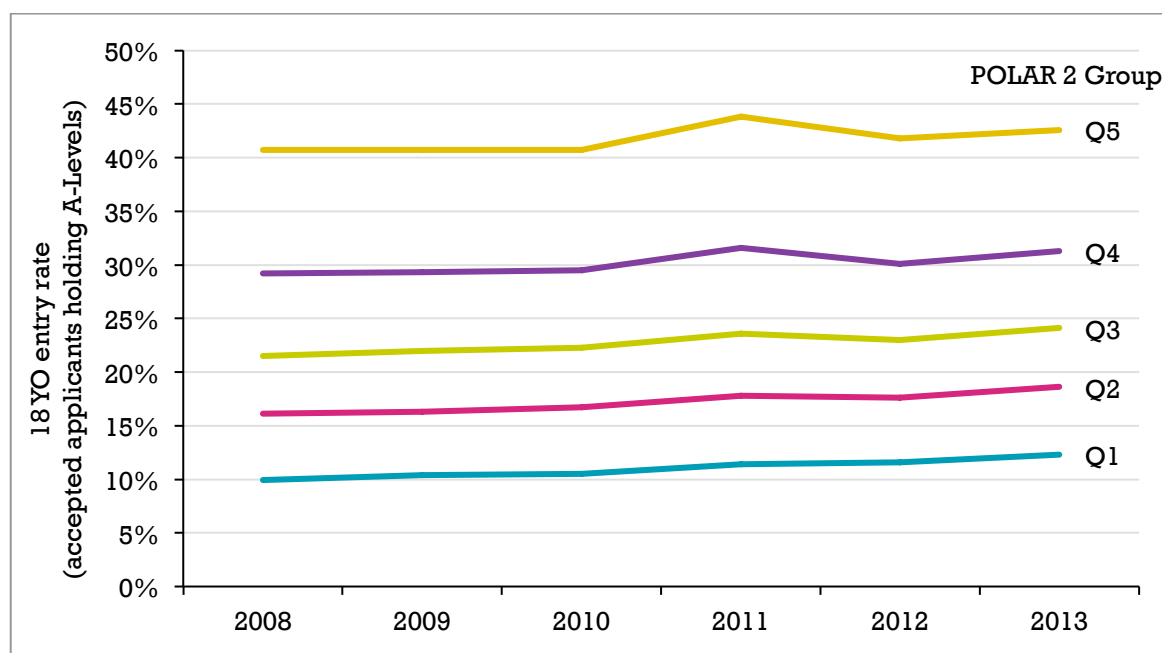
Figure 13: applications continue to rise regardless of changes to student fees⁸⁷



Nor have these changes had a particular impact on students from lower SEGs. As Figure 14 shows a similar trend for all groups; even students from areas with lowest participation are still choosing to go to university despite higher tuition fees.

⁸⁷ Source: UCAS

Figure 14: applications continue to rise across all socio economic groups⁸⁸



Note: The POLAR (Participation of Local Areas) classification groups small areas across the UK into five quintile groups according to their rate of young participation in higher education in the early 2000s. In quintile 1 fewer than one in five young people enter higher education compared to well over half in quintile 5. Each quintile represents around 20 per cent of the young population. These tables follow the POLAR2 grouping (definition window for 18 year olds 2000-2004) rather than the POLAR3 grouping (definition window for 18 year olds 2005-2009) to minimise the impact of the definition window boundaries on the data trends.

IFS research conducted to feed into the Browne review in 2010 demonstrated the point. They found that a £1,000 increase in upfront fee cost results in a 4.4 percentage point decrease in participation. IFS concluded that “increasing fees without increasing loans and/or grants by the same value or more will result in a negative impact on participation.” IFS also found that for both low and medium income students the increase in loan eligibility seems to have counteracted the negative impact of increased costs. They concluded that: “The estimated overall impact of the reforms for low income students... is close to zero and statistically insignificant.”⁸⁹

The positive impact of a system that defers payment of fees is evident again when we compare the domestic undergraduate with the domestic postgraduate market. An earnings premium exists for graduates with a postgraduate qualification yet the demand for postgraduate qualifications from UK students has not risen in the same way that undergraduate demand has. Whilst there are likely to be a number of factors affecting demand it is probable that the lack of financial support combined with upfront tuition fees acts as a barrier to studying at postgraduate level. A recent survey of postgraduate students by the NUS found that for full-time students 70% agreed that accessibility of funding or finance was a major factor in deciding whether to undertake postgraduate study.⁹⁰

⁸⁸ Source: UCAS

⁸⁹ IFS (January 2010) Submission to Independent Review of HE Funding and Student Finance

⁹⁰ NUS (2010) [Broke and broken, Taught postgraduate students on funding and finance](#)

RECOMMENDATION 7: Higher education is a critical engine of social mobility - an economic as well as social imperative that justifies public investment. A system that is free at the point of use is an essential feature of our system that must remain so as not to deter these students.

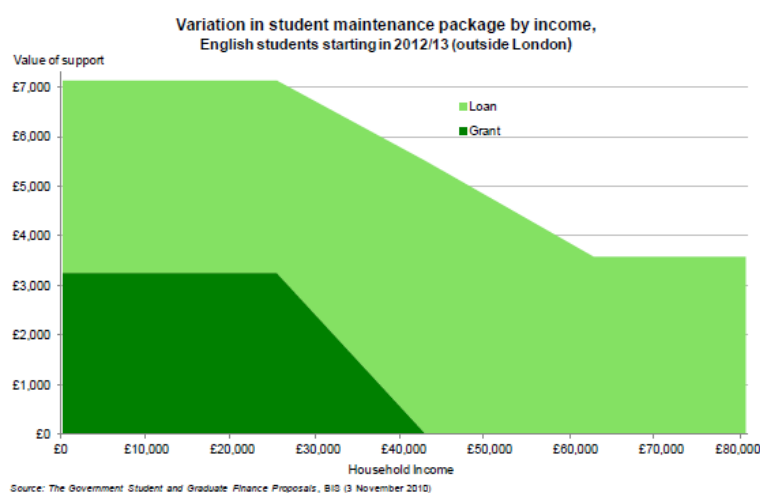
Maintenance loans: an overlooked part of the package?

So, bearing in mind that up-front costs have an important bearing on participation, maintenance loans are an important element to consider. And yet in comparison to the various reviews and changes in relation to tuition fees, there has been relatively little attention paid to the student support package.

Until 1998, support for maintenance was provided to students as a grant. This was not repayable by students in receipt of the grant. Following the higher education reforms introduced by the Labour Government in 1998, students were now offered maintenance loans rather than grants. These were repayable after graduation on an income contingent basis. UK/EU students studying for a full-time undergraduate degree are eligible to apply for a maintenance loan to help with living costs whilst at University. The maximum amount available is £6,016 or £9,096 for students studying at London institutions. This system has been in place since 1999 when the Labour government replaced the existing system of maintenance grants with loans, repayable after graduation.⁹¹

Maintenance grants are still available for students on low incomes but these are deducted from the total amount available as a maintenance loan. As Figure 15 shows, all students are able to access the same amount of funding for maintenance; the only difference is that students from low income families will have a smaller loan amount to repay.

Figure 15: distribution of grant and loan by household income



In addition there are other targeted funds to provide support for students including DSA, childcare grants etc. These are specific funds that are targeted at particular groups or types of student and are typically in addition to any maintenance grant or loan. As Figure 16 demonstrates the range of support available is complex.

⁹¹ House of Commons Library (March 2014) [Value of student maintenance support](#)

Figure 16: complex range of student support available

Student support	Help with	Amount	Threshold	Notes
Maintenance Grant	Living costs	Up to £3,250 per year	Income dependent: <£25,000 = £3,354 <£30,000 = £2,416 <£35,000 = £1,478 <£40,000 = £540	The Maintenance Loan is reduced by £0.50 for every £1 of Maintenance Grant students are entitled to.
Special Support Grant	Extra course-related costs e.g. books, equipment, travel, or childcare	Up to £3,250 per year	Same as Maintenance Grant	Those entitled to a SSG cannot receive a Maintenance Grant but it does not affect the amount of Maintenance Loan students may be entitled to. Criteria for entitlement includes: lone parents, those entitled to disability support, aged over 60.
Maintenance Loan	Living costs	Up to £7,675	Any student eligible for student finance is eligible for a Maintenance Loan. The amount depends on household income and whether living at home.	Maintenance loans are repayable alongside fee loans, through the tax system once graduates are earning over £21,000 per year. The amount of Maintenance loan available will be reduced if a student received a maintenance grant.
Disabled Students Allowances	Extra costs because of disability, mental health condition or specific learning difficulty	Up to £20,520 per year	Not dependent on income	They help to pay for specialist equipment, a non-medical helper, travel or other extra costs.
Childcare Grant	Childcare costs	85% of actual weekly childcare cost up to max £255 per week	If students have dependent children <15 (or <17 if SEN) and in registered approved childcare	1 child: up to £148.75/ week 2+ children: up to £255
Parents' learning allowance	Course related costs	£50 to £1,508/ year	Dependent on household income	F/T students with child dependents
Adult Dependents Grant	To support an adult who is financially dependent	Up to £2,642 per year	Income dependent	Money is usually paid in three instalments, one per term
Access to Learning Fund	If need extra financial support to stay on your course		Must apply for student loans, grants and bursaries before entitled to ALF	University decides who gets the money and how much they get Most awards are grants but they can be loans.

Further support for living costs comes from institutions in the form of bursaries to students. As part of the introduction of variable tuition fees in 2006/07 institutions wishing to charge higher tuition fees are required to provide additional non-repayable financial support to students who are in receipt of the maintenance grant. This principle was extended to the 2012/13 higher education reforms. Institutions wishing to charge more than £6k were required to have an access agreement which was approved by OFFA. The Access Agreements would outline the access and outreach

activities that an institution planned to undertake but also required that institutions set out a comprehensive scholarship and bursary offer. Although a large proportion of the funding that Universities committed to scholarships and bursaries went on fee waivers, a substantial amount is also awarded in the form of a bursary. The most recent data from OFFA suggests that institutions currently spend around 28% of the additional fee income on access agreement expenditure. Around £495m was estimated to be spent on financial support in 2014-15.

Institutions are free to set the criteria for these as they choose and often use eligibility criteria such as household income, eligibility for free school meals, academic achievement and programme of study. The bursary amount and eligibility criteria will vary by institution and there is no central information repository that students can use to compare institutional bursaries. As a consequence the maintenance support packages for students are confusing and lack consistency. It is very difficult for students to compare the total support package available across different institutions.

A further consideration is the limited impact that fee waivers and bursaries have on the propensity of students to embark on degree level study and the likelihood that they will complete their studies. Given the high level of fee loan subsidy it is unlikely that many students will see the benefit of a fee waiver. Fee waivers effectively reduce the 'sticker price' for a course, but as we have seen the price sensitivity of students seems to be very low. There is little evidence to suggest that student decision making is affected by the fee that is charged for a particular course. The prevailing consensus thus far has been that students are more heavily influenced by the prospect of money upfront in the form of a bursary. However, recent research from OFFA finds no evidence that bursaries have a positive effect on continuation with studies.⁹² This builds on other research by OFFA which found that the level of bursary offered did not influence the choice of University.⁹³

Over the past decade there have been several periods in which the government has decided not to increase the maintenance loan in line with inflation. This has often reflected the broader political climate around capping inflationary increases on welfare payments. Maintenance support was frozen for 3 years post-recession and has only been increased from 2012-13. The 2012-13 increase saw a 12% increase on the pre 2009 level. Most of the changes were to the maintenance grant ensuring that students from lower income backgrounds were receiving more. Very little change was made to the loan part of the maintenance support.

This has led to some concerns about the affordability of living costs during study. The NUS has conducted some research on the affordability of higher education and the extent to which state support for maintenance is covering the cost of maintenance. According to the NUS, the average student sees a shortfall of around £650 each month between the maintenance support from the government and the cost of living.⁹⁴ Students are increasingly taking on part-time jobs to help with the cost of living and also to improve their employment prospects after graduation. There is perhaps some scope for considering what an appropriate contribution through part-time working might be and how this would impact on the students' studies.

RECOMMENDATION 8: Alongside considerable change to the tuition fee system since 1990, there has been relatively little attention on maintenance loans. Support has become increasingly confusing as well as inadequate over time and should be looked at to ensure higher education remains affordable for all.

⁹² OFFA (March 2014) [Offa research finds 'no evidence' of positive effect of bursaries on student retention](#)

⁹³ Corver, M. OFFA (September 2010) [Have bursaries influenced choices between universities?](#)

⁹⁴ NUS (2010) [What are the costs of study and living?](#)

Section 6: Forgotten students – addressing the imbalance for part-time students, postgraduates and those seeking to re-train

“In an hourglass shaped economy effective progression routes are essential. There needs to be a focus on providing meaningful retraining and development opportunities as well as robust in-work and in-education progression routes.”

University Alliance, The way we’ll work⁹⁵

“Taught postgraduate study in the United Kingdom is world class, and so are the graduates who are fortunate enough to take advantage of the diverse and intellectually stimulating courses on offer. Sadly, however, many students of equal ability and motivation are denied this life-changing opportunity because they cannot access the necessary funding to pay for their tuition or to support themselves for another year at university.”

Rachel Wenstone and Luke James, NUS⁹⁶

Current system – access to government subsidised loans is not universal

The current funding system is based predominantly on funding for the Home/EU student population. Home/EU undergraduate students make up just over 70% of the total student population. If we take out part-time students this falls to just over 50%. In terms of total tuition fee income to English institutions, in 2012/13 Undergraduate student tuition fees contributed just over 50% of the total amount the Universities receive in income from tuition fees.⁹⁷

Figure 17: What is covered and what isn’t? Current coverage of government subsidised loans

	No fee or maintenance loans			Government subsidised loans		
Providers	<ul style="list-style-type: none"> All HE providers have some provision in this category 			<ul style="list-style-type: none"> All HE providers (including for-profits) 		
Students	<ul style="list-style-type: none"> All postgraduates Full-time undergraduates studying an equivalent or lower qualification (ELQ) than the one they already hold Other part-time undergraduates (ELQ) All international Full-time undergraduates at some for-profits (full fee)⁹⁸ 			<ul style="list-style-type: none"> Full-time undergraduate first degree Exempt full-time ELQ undergraduates⁹⁹ Part-time undergraduate first degree 		
Public investment	Limited direct investment for postgraduate / part-time	No loan subsidy	No SNCs, no fee cap	Direct investment for high-cost subjects and high-cost students ¹⁰⁰	Loan subsidy (45% RAB charge)	SNCs (until 2015-16), fee caps

⁹⁵ Hackett, L. Shutt, L. Maclachlan, N. University Alliance, Op cit

⁹⁶ NUS (2012) [Steps towards a fairer system of postgraduate taught funding in England](#)

⁹⁷ HESA 2012/13 data

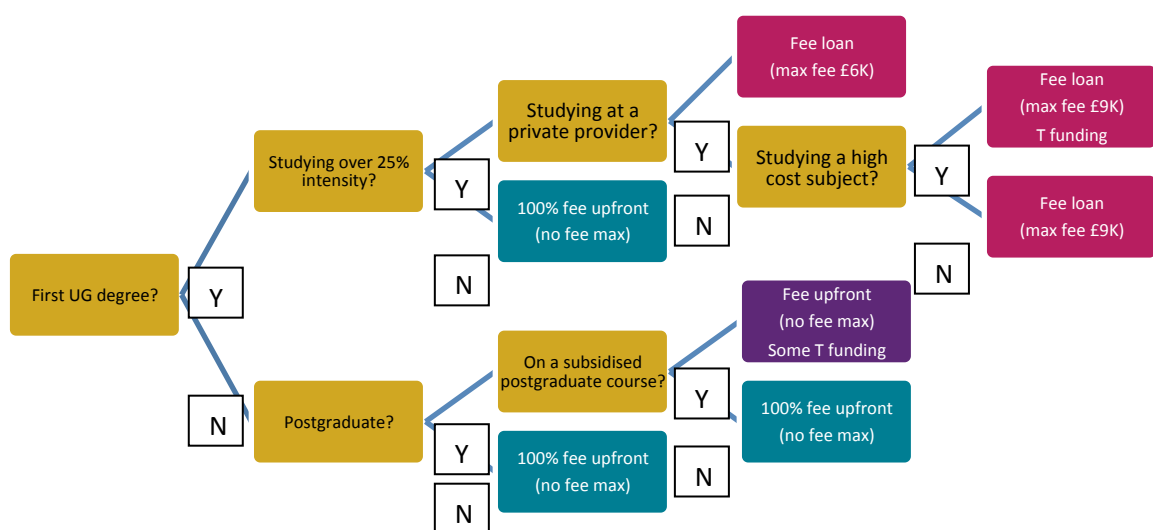
⁹⁸ That have chosen to stay out of the system

⁹⁹ See HEFCE (2011) [HESES11: Higher Education Students Early Statistics Survey 2011-12, Annex K](#) for a fuller description of this policy

¹⁰⁰ Through Student Opportunity Funding

Figure 18 below describes the allocation of funding from the perspective of the student. The primary distinction in the allocation of public funding (including access to publicly subsidised fee loans) is whether you are a first time undergraduate entrant; i.e. whether this is your first degree. If yes, (approximately 95% of all full-time undergraduates and 33% of all part-time undergraduates)¹⁰¹, you will have access to a fee loan and your university will receive direct funding if you are on a high-cost course and (a much lesser amount) if you are from a low-income background. If, however, you are re-training in a different area, studying at less than 0.25 full-time equivalent (FTE), or a postgraduate student you do not qualify for a fee loan and your university is much less likely to receive any direct funding for the cost of your course, meaning you are likely to be on a full fee programme where you have to pay 100% of the price of the course upfront (shown in dark blue).

Figure 18: English criteria for accessing fee loans and public funding¹⁰²



If you do not qualify for a Government subsidised fee loan (all students in turquoise or purple), you have to pay the fee upfront in full. In most cases, this will be the full cost of the programme.

Forgotten students

It is clear that then that current tuition fee policy has been focused on a very small proportion of the overall student population – necessarily so due to the total cost of the system, as already discussed. Other groups of students are largely forgotten in policy making and there is a need to address some of the issues that exist. As with the overriding issue of social mobility, the resulting disparity is both an economic and social imperative to resolve.

As described above, in an advanced innovation-driven economy, such as in the UK, investment in high-level skills and innovation is the best approach to stay competitive.¹⁰³ Within this, the rise of an hourglass economy¹⁰⁴ means that for individual citizens rising to the top is increasingly linked to skill levels.

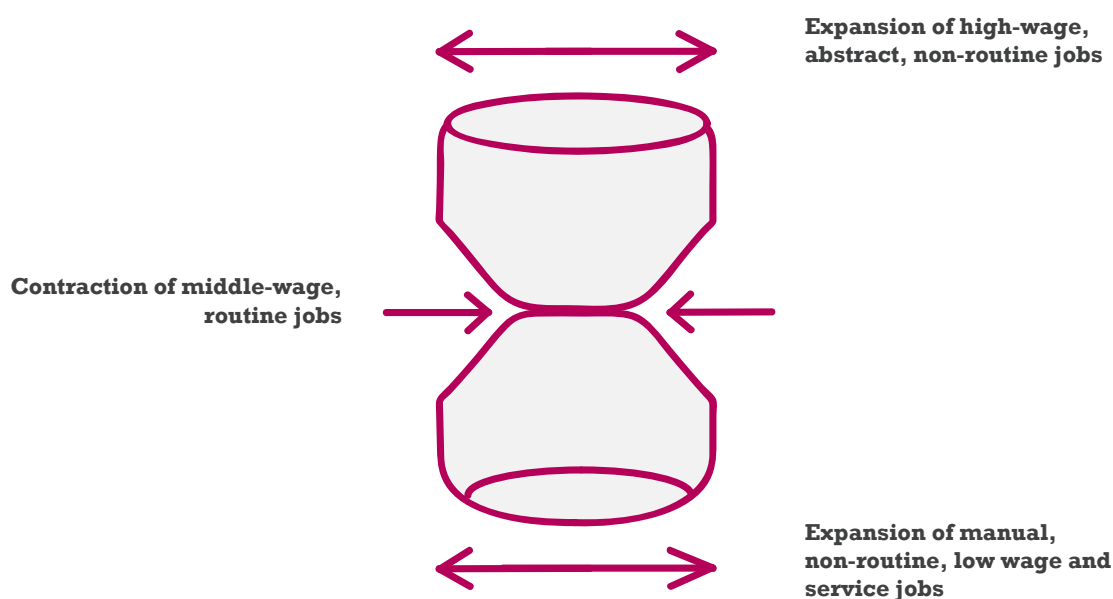
¹⁰¹ For part-time students there is a second qualifying criteria in that you have to be studying at an intensity or workload of more than 25% of a full-time equivalent to qualify for a fee loan

¹⁰² Applies to all home and EU students, excluding international student who pay 100% upfront fee and attract no public investment. Post-graduate research students are also excluded.

¹⁰³ Hackett, L. Shutt, L. University Alliance, Op cit

¹⁰⁴ Hackett, L. Shutt, L. Maclachlan, N. University Alliance, Op cit

Figure 19: the 'hourglass'



As the number of graduates has increased so the gap for those that don't go to university has become ever more apparent. As more graduates have gone onto postgraduate study, so have postgraduate qualifications moved up the value-chain. As our recent report outlined, to support social mobility through higher education, it is essential that opportunities to study, gain additional skills that are relevant for a rapidly changing economy, and offer progression and job satisfaction are open to all.¹⁰⁵

As Figure 17 outlines, aside from international students, it is postgraduates and those seeking to retrain (including part-time, mature entrants and those that already have a degree) that fall outside of the current government subsidised loan system. It is within these two groups that the impact of no government support (either direct or indirect through loan subsidy) is really being felt. It is for these two groups that we should have concerns about social mobility and universal access as we go on to consider next.

Postgraduate students

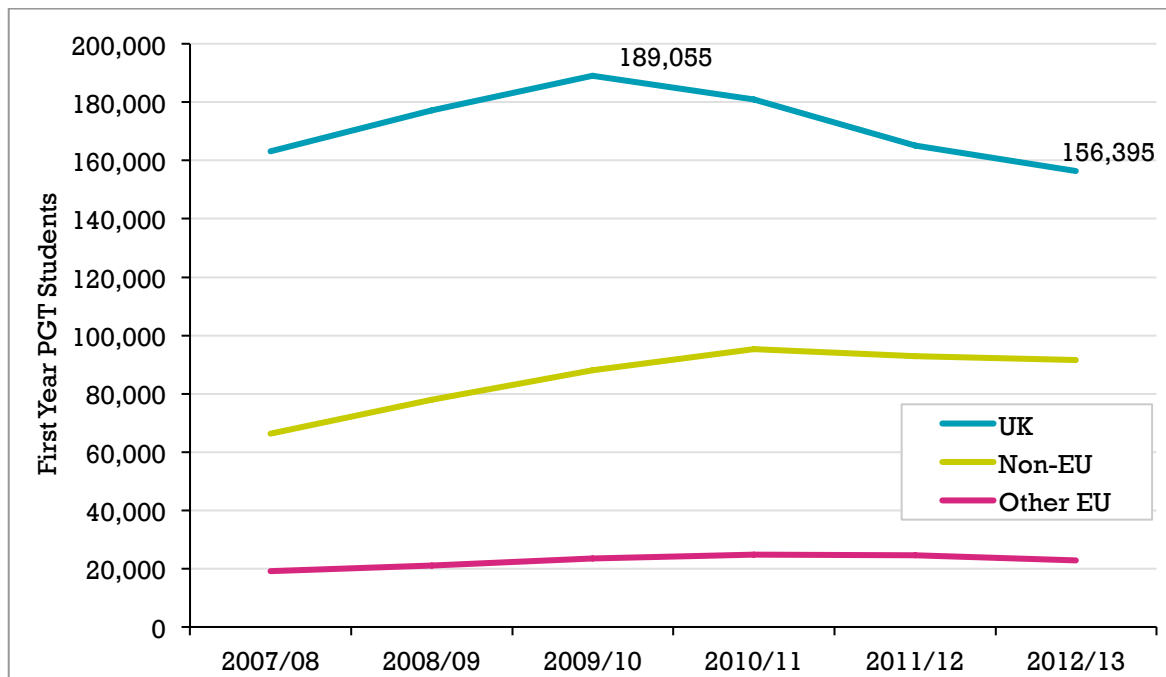
Students undertaking postgraduate taught programmes (PGT) receive very little funding from the Government. In 2013/14 around £130 million was allocated to support postgraduate students out of a total teaching funding allocation of £2.3m. Students do not receive any direct Government support for tuition fees or living costs.

As Figure 20 shows, over the last 4 years there has been a decrease of over 17% in the number of UK students undertaking PGTs. There was some temporary moderate growth in the period following the recession which is typical of patterns seen in previous recessions.¹⁰⁶ The overall decline of UK students has been somewhat offset by an overall increase in the number of international students, who now make up over a third of all first year PGTs. Students from the rest of the EU are the smallest proportion of PGT students, making up under 10%.

¹⁰⁵ Hooper, D. University Alliance, Op cit

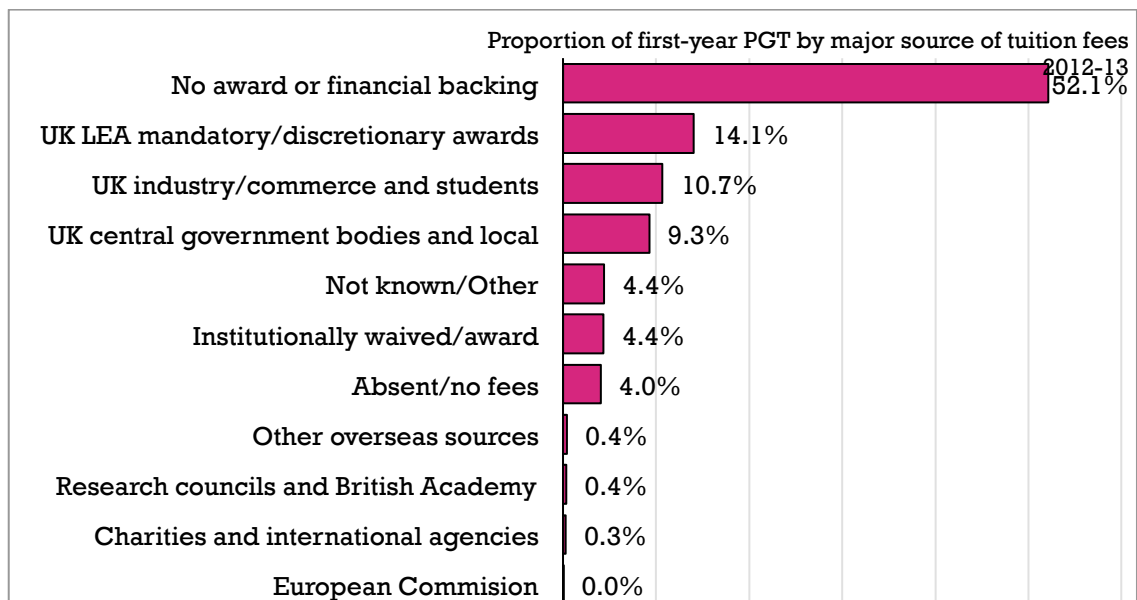
¹⁰⁶ In a difficult Labour Market there is often an increase in University enrolments.

Figure 20: Decline in UK students studying at PGT level¹⁰⁷



NUS research has suggested that students may find the cost of postgraduate study prohibits them from pursuing higher study.¹⁰⁸ Most students studying for taught Masters are self-funded, through savings, family support or private loans. Figure 21 highlights the lack of support available to PGT students, with over half of the 156,000 2012/13 UK first year PGT students receiving no financial backing.

Figure 21: Majority of PGT students are self-funded¹⁰⁹



¹⁰⁷ Source: HESA, 2012/13

¹⁰⁸ NUS (2010) [Broke and broken, Taught postgraduate students on funding and finance](#)

¹⁰⁹ Source: HESA, 2012/13

The Government provides a limited amount of funding for Professional and Career Development Loans (PCDL). Up to 80 per cent of course fees can be borrowed to a maximum of £10,000 and the Skills Funding Agency covers the interest payments for the duration of the course making it affordable for postgraduates while studying. Around 9,000 individuals took out a PCDL in 2011–12, and the total lent was £67 million.¹¹⁰ PCDLs are difficult to access and expensive. The alternative is a commercial loan which can be expensive but also relies on the applicant having a strong credit history. Many students who will want to undertake postgraduate study will not yet have a sufficiently long credit history to make them eligible for a commercial loan.

The overall picture is that there is a lack of support for postgraduates and that this creates a barrier to access for those that cannot self-fund. A number of studies¹¹¹ have considered this issue over recent years with a growing consensus that some form of publicly subsidised loan should be developed – although the cost to government is obviously an important consideration.

The lack of support is particularly concerning for those students wanting to pursue careers in industries which now require a Postgraduate level qualification. Some of these professions, for example Law, require that students hold a postgraduate qualification before they can train as a practicing solicitor. The fees for the Legal Practice Course range from £8,500 to £13,000. Other professions have gradually evolved to the position whereby employees are expected, rather than required, to hold a postgraduate qualification. Examples include Journalism and areas of Public Policy.

For those individuals unable to meet the cost of a postgraduate qualification these professions are to all intents and purposes off limits. In a recent report, Alan Milburn described postgraduate study as a potential ‘social mobility time bomb’.¹¹² The problem is two-fold, lack of information and lack of access to financial support. The postgraduate student population is markedly different to the undergraduate population; students are more likely to study part-time and are likely to be mature students. Much less is known about postgraduate students in terms of motivation for study, financial circumstances and barriers that exist although a recent study has found that, unsurprisingly, those with greater financial resources are more likely to gain a postgraduate qualification and that holders of these qualifications have continued to benefit from an earnings premium over time.¹¹³

Those seeking to retrain

Mature students are defined as anyone over the age of 21. So the definition includes more students than one might at first realise. They are looking for the opportunity to up-skill in order to progress within the workplace or to gain greater job satisfaction. Many mature students prefer to study part-time, to balance higher education with other commitments such as caring for a family or continuing their career alongside their education.¹¹⁴

Students who are looking to return to University in later life or indeed to study as a mature learner are often disadvantaged by the current funding system. The withdrawal of funding, in 2008, for ELQ’s affected around 8% of the total student population; the withdrawal of this funding is hampering people looking to re-train or re-skill.¹¹⁵ In an effort to redress this problem, the Government have been re-instating access to fee loans for some groups of ELQ students but this is

¹¹⁰ Parliamentary written answer to question from Baroness Garden of Frognal, 14 March 2013

¹¹¹ For example: Leunig, T. (2011) [Mastering Postgraduate Funding, Centre Forum](#), British Academy (2012) [Postgraduate funding: the neglected dimension](#), Higher Education Commission (2014) [Postgraduate education, an independent inquiry](#), Universities UK, [Postgraduate taught: the funding challenge](#), NUS (2012) Op cit.

¹¹² Milburn, A. (October 2012) [University Challenge: How Higher Education Can Advance Social Mobility](#)

¹¹³ Wakeling, P. Hampden-Thompson, P. HEA (2013) Transition to higher degrees across the UK: an analysis of national, institutional and individual differences

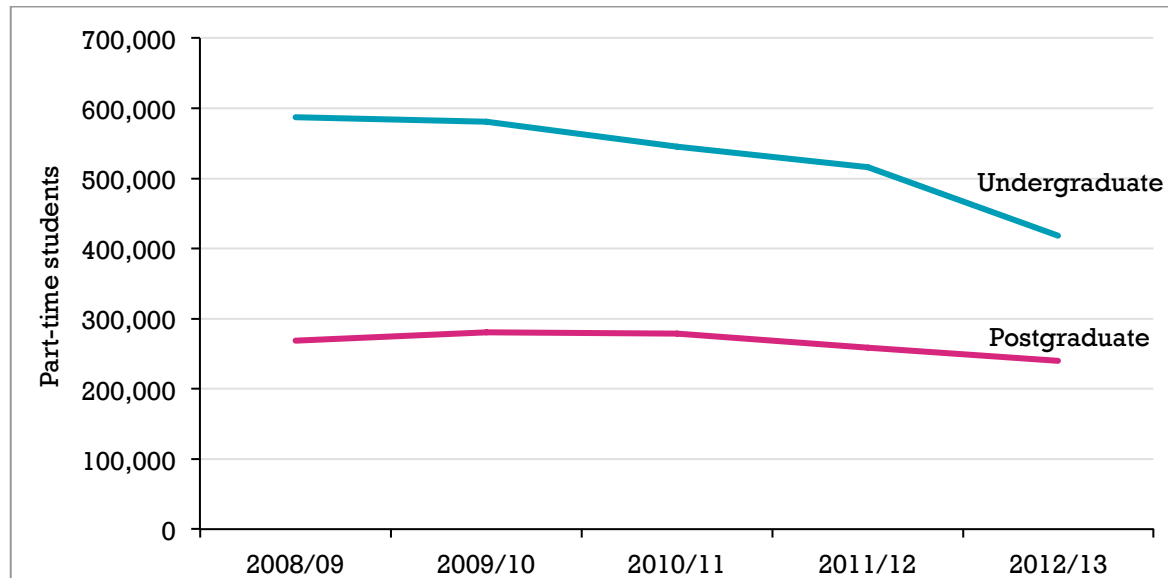
¹¹⁴ Hooper, D. University Alliance, Op cit

¹¹⁵ Universities UK (2013) [The power of part-time: review of part-time and mature higher education](#)

piecemeal (for example, part-time ELQ engineering students can now access a fee loan but not if they are studying full-time).

In a recent report, HEFCE drew attention to the sharp fall, of 46%, in the number of entrants to part-time study, falling by around 120,000 entrants between 2010-11 and 2013-14. First degree studying part-time has fallen by 14% or around 8,500. Those studying for other undergraduate programmes have fallen by 46% or 84,700.¹¹⁶

Figure 22: Decline of part-time students by degree¹¹⁷



This is a worrying development which has implications for the capacity of the UK to up-skill its workers in the face of international competition, particularly as the drop in part-time has also varied geographically, with already weaker northern economies seeing the largest fall in applicant numbers.¹¹⁸ Between 2010-2020 the UKCES found that the proportion of the UK workforce required to be qualified to higher levels is predicted to rise from 34% to 44% (an increase of 4.7 million people). But the majority of the 2020 workforce will be beyond the compulsory age of education, meaning that most of these skills will need to be developed during an individual's working life.¹¹⁹

According to HEFCE, part-time fee income to institutions increased as numbers fell suggesting that there is a higher cost per student, with an estimated increase of 27% between 2007-08 and 2010-11. Universities UK found that people undertaking part-time study are much more likely to be deterred by the cost, or perceived cost of study. Part-time students are often working alongside study and are likely to be under more financial pressure and so may be more price sensitive than their Full-Time colleagues. Universities UK's research found that part-time students were more concerned with their ability to repay loans and more risk averse. Changes to fees and funding as a result of the recent higher education reforms may have further exacerbated these concerns.¹²⁰

The combination of reduced funding for students who are considered to be ELQ and the rise in tuition fee levels make part-time study less accessible. The introduction of tuition fee loans for

¹¹⁶ HEFCE, [Pressure from all sides: Economic and policy influences on part-time higher education](#), 2014

¹¹⁷ Source: HESA, 2012/13

¹¹⁸ Universities UK (2013) [The power of part-time: review of part-time and mature higher education](#)

¹¹⁹ Universities UK (April 2013) [Briefing on Part-time Participation in Higher Education](#)

¹²⁰ Universities UK (2013) [The power of part-time: review of part-time and mature higher education](#)

part-time students does not appear to have resolved this problem. Again this may be as a result of attempts to implement a ‘one size fits all’ approach to funding policy.

Reducing the cost to government would increase the options for supporting these students

So there is a clear issue related to the lack of access to publicly subsidised loans for these students but keeping control of public finances remains imperative for government. Again, the greater flexibility afforded by the Australian system is of interest.

If you qualify for a Government subsidised place in Australia (one that receives direct Government funding for teaching, referred to as ‘base funding’ or ‘commonwealth funding’ – the same as HEFCE teaching funding in England) you can also access a subsidised loan, called a HECS-HELP loan. This applies to most undergraduate students and 40% of postgraduate students.

If you don’t qualify for HECS-HELP you can, in nearly all cases, access a FEE-HELP loan instead. FEE-HELP is a Government-administered fee loan that is split into two types – undergraduate (UG) and postgraduate (PG). All loans, HECS-HELP and FEE-HELP, have the same terms and conditions of repayment (income contingent after graduation, collected through the tax system) but undergraduate FEE-HELP carries a surcharge of 25%, which, broadly speaking, covers the Government’s cost of borrowing and any non-repayment across the cohort. The Government does not, however, impose a surcharge for underwriting and administering the loan. There is no surcharge for postgraduate FEE-HELP loans, which means they continue to be subsidised.¹²¹

As a result, FEE-HELP is a universal entitlement: it is available to all domestic students enrolled in approved higher education providers, regardless of level of qualification or previous qualifications, up to a lifetime maximum of around \$96,000 (around £56,000).¹²²

We would not suggest that the Australian system should be implemented wholesale but the opportunity to offer loans to these students for the first-time is one that we would argue should not be missed.

RECOMMENDATION 9: The lack of access to loans to help cover the cost of studying for part-time students, taught postgraduates and those seeking to re-train must be addressed

¹²¹ Hackett, L. University Alliance / HEPI, Op cit.

¹²² This is slightly higher (£70,000) for students in medicine, dentistry or veterinary science programmes

Section 7: progressive graduate contribution system – that protects low earners

“It’s not surprising that more and more people are now entering higher education. They are getting a great deal compared to those who don’t. The amount graduates can expect to earn will on average greatly increase, and the cost is the repayment of one of the most progressive loans available.”

Tim Stacey, The Equality Trust¹²³

A progressive repayment system

Despite concerns raised about the level of contribution following the increase in the fee cap to £9,000, many have now recognised that the repayment system itself is progressive. Indeed this is the reason why the cost to government is so high.

In a recent report for The Sutton Trust,¹²⁴ IFS considered the question of whether the 2012 system is more progressive and found that:

- **The lowest-earning graduates¹²⁵ will pay less:** the 10% lowest-earning graduates would only repay £3,879 in 2014 prices under the new system, compared with £6,120 under the old system¹²⁶
- **Higher-earning graduates will pay back substantially more:** the highest-earning 10% of graduates would repay £60,601, on average, in 2014 prices under the new system compared with £25,564 under the old system.
- **45% to repay more than they borrow, 75% will have some debt written off:** this is due to the introduction of a real (above-inflation) interest rate of up to 3%. The average amount written off will be substantial – about £30,000.
- **Most graduates will repay slightly less per year up to their mid-30s:** annual repayments between ages 22 and 30 will be £609, on average under the new system, £198 per year less than under the old system (in 2014 prices).
- **Most graduates will repay more in their 40s and early 50s:** average repayments will be £1,308 per year, £1,087 more than before (in 2014 prices).

The repayment system protects low earners and ensures that repayments are progressive. Those who are able to repay more do so. As with its predecessor, the 2012 system carries little or no financial risk to the individual graduate – broadly speaking when the system is looked at as a whole, graduates will pay directly in relation to the benefit (in terms of pay) they receive from their degree.

The system is equitable in that all students earning the same salary repay the same amount towards their student debt. The repayment system therefore reflects the benefit that is derived from the degree, those earning more repay more quickly. As Figure 23 outlines, the current loan system carried very little financial risk to the individual taking out the student loan. If a graduate does not earn enough to repay it, then the loan will not be repaid. The Government bears this risk in order to protect low earners.

¹²³ Stacey, T. (2014) [Student loans: all for one and one for all](#)

¹²⁴ Crawford, C. Wenchao, J. IFS (2014) [Payback time? Student debt and loan repayments: what will the 2012 reforms mean for graduates?](#)

¹²⁵ Whose income rarely exceeds £21,000 a year

¹²⁶ Largely due to the increased repayment threshold of £21,000

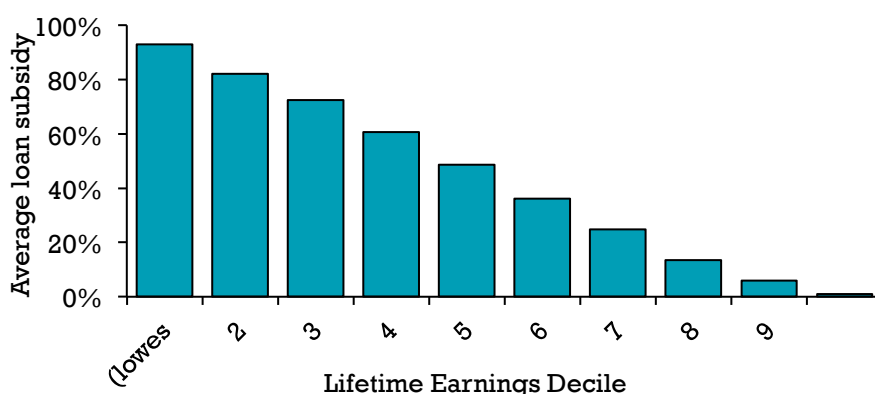
Figure 23: Little or no financial risk carried by graduates: the 2012 repayment system

Feature of system	Mechanism for achieving this
Simple system of contribution	➡ Repayments collected through the tax system
Affordable payments related to earnings / economic benefit not to the loan value	➡ Income contingent repayments at 9% of earnings over £21,000
Accumulation of debt is balanced by protection for low-earners and write-off period	➡ Unlike the 2006 system, there is now a real interest rate applied to loans of 3%. Income contingent repayment and debt write off after 30 years means that while debt accumulates it isn't repaid in full by 75% of graduates.
Government still carrying financial risk:	
Low earners protected	➡ £21, 000 earnings threshold (increased from £15,000 in the 2006 system)
Low life-time earners protected	➡ Income-contingent repayment and debt write off after 30 years

Government subsidies are directed at those most in need

IFS's report also looks at the subsidy for student loans in relation to low and high earning graduates. They find that the lowest earning decile of graduates will receive an average subsidy of 93%, while the highest earning decile would receive an average subsidy of just 1%.

Figure 24: Average loan subsidy by lifetime earnings decile



This further illustrates the progressive nature of the 2012 system. It may not be transparent or that well understood but government has chosen to direct investment to those most in need in order to continue protecting low earners despite the high sticker price of up to £9,000 fees. While regulated fee levels have increased over time, it could be argued that so has the progressivity of the system in recognition of the potential for higher-levels of debt.

RECOMMENDATION 10: A progressive repayment system, based on income-contingent loans, that protects low earners and removes financial risk from individuals should remain central to any reform although some adjustments may be worth considering to enable graduates to pay off their loans faster.

Bibliography

- Aston, L. HEPI (2003) HE Supply and Demand to 2010
- Aston, L. Shutt, L. University Alliance (2010) [Efficiency, leadership and partnership: an approach that delivers shared economic priorities](#)
- Aston, L. Shutt, L. University Alliance (January 2010) [The impact of fees: a review of the evidence](#)
- Barr, N. (February 2010) [Paying for higher education: what policies, in what order?](#)
- Barr, N. Johnston, A. (2013) Student loan reform, interest subsidies and costly technicalities: Lessons from the UK experience, Journal of Higher Education Policy and Management
- Barr, N. Shepherd, N. (December 2010) [Towards setting student numbers free](#)
- BBC (22 March 2014) [More student loans won't be repaid government believes](#)
- BBC (7 September 2010) [UK slipping down graduate league](#)
- Bekhradnia, B. HEPI (2004) HE Bill and Statement: Implications of the Government's Proposals
- BIS (2013) [The Impact of University Degrees on the Lifecycle of Earnings: Some Further Analysis](#)
- BIS (2014) National strategy for access and student success
- BIS (June 2011) [Students at the heart of the system](#)
- British Academy (2012) [Postgraduate funding: the neglected dimension](#)
- Browne, J. (2010) [Securing a sustainable future for higher education](#)
- Clegg, N. (25 February 2014) Speech to Bishop Challoner Catholic Collegiate School in East London
- Corver, M. OFFA (September 2010) [Have bursaries influenced choices between universities?](#)
- Coughlin, S. BBC news (12 June 2013) [Bail out universities rather than banks?](#)
- Crawford, C. Wenchao, J. IFS (2014) [Payback time? Student debt and loan repayments: what will the 2012 reforms mean for graduates?](#)
- Dearing, R. (1997) [Report of the National Committee of Inquiry into Higher Education](#)
- DfES (2003) The future of higher education
- Federal Reserve Bank of New York (March 2013) [Student Loan Debt by Age Group](#)
- Feinstein, L. (2003) Inequality in the early cognitive development of British children in the 1970 cohort
- Hackett, L. Shutt, L. Maclachlan, N. University Alliance (2012) [The way we'll work: labour market trends and preparing for the hourglass](#)

Hackett, L. Shutt, L. University Alliance (2010) [21st Century Universities: engines of an innovation driven economy](#)

Hackett, L. University Alliance / HEPI (May 2014) [Help from Down Under? A comparison of higher education funding in England and Australia](#)

HEFCE (2001) [Supply and demand in higher education](#)

HEFCE (2011) [HESES11: Higher Education Students Early Statistics Survey 2011-12, Annex K](#)

HEFCE (2014) Differences in degree outcomes: key findings

HEFCE (2014) [Pressure from all sides: Economic and policy influences on part-time higher education](#)

HEFCE (April 2014) [Higher education in England 2014](#)

HEFCE (October 2013) [Financial health of the higher education sector: 2012-13 to 2015-16 forecasts](#)

HESA (2013) [Widening Participation: Summary of performance indicators 2011/12](#)

Higher Education Commission (2014) [Postgraduate education, an independent inquiry](#)

HM Treasury (December 2013) Autumn Statement

Hoban, F. University Alliance (2014) [How do we ensure quality in an expanding system?](#)

Hooper, D. University Alliance (2014) [Closing the gap: unlocking opportunity through higher education](#)

House of Commons Library (March 2014) [Value of student maintenance support](#)

IFS (January 2010) Submission to Independent Review of HE Funding and Student Finance

JM Consulting (2008) The sustainability of learning and teaching in English HE. A report prepared for the Financial Sustainability Strategy Group

Leunig, T. (2011) [Mastering Postgraduate Funding, Centre Forum](#)

Lewis, M. (May 2014) [Beware paying uni fees upfront](#), MoneySavingExpert.com

London Economics / BIS (June 2011) [The returns to Higher Education qualifications](#)

McMahon, W. (2009) Higher learning, greater good: the private and social benefits of higher education. Baltimore: Johns Hopkins University Press

Milburn, A. (October 2012) [University Challenge: How Higher Education Can Advance Social Mobility](#)

National Institute of Economic and Social Research / BIS (August 2013) [The relationship between graduates and economic growth across countries](#)

NUS (2010) [Broke and broken, Taught postgraduate students on funding and finance](#)

NUS (2010) [What are the costs of study and living?](#)

NUS (2012) [Steps towards a fairer system of postgraduate taught funding in England](#)

OECD (2011) Education at a glance

OFFA (March 2014) [Offa research finds 'no evidence' of positive effect of bursaries on student retention](#)

Office for Budget Responsibility (March 2013) [Economic and fiscal outlook](#)

Office for National Statistics (November 2013) [Graduates in the UK Labour Market](#)

Parliament of Australia, [Higher Education Loan Program \(HELP\): a quick guide](#)

Parliamentary written answer to question from Baroness Garden of Frognal (14 March 2013)

Salmi, J. UNESCO (2013) Equity in tertiary education: facts and misconceptions' in Making Education Work for All

Schleicher, A. (September 2010) Is the sky the limit to educational improvement?, UUK Annual Conference

Shutt, L. University Alliance (2011) [More than just a degree: stories of empowered students](#)

Sissons P. The Work Foundation (2011) [The hourglass and the escalator](#)

Stacey, T. (2014) [Student loans: all for one and one for all](#)

StaffordLoan.com (2014) [Federal Stafford Loan Repayment Options](#)

Stuart, M. (May 2014) [A socially mobile society is essential for a dynamic UK](#)

The Guardian (21 March 2014) [Student Fees policy likely to cost more than the system it replaced](#)

Times Higher Education (21 March 2014) ['Massive' budget hole predicted as RAB charge rises](#)

Times Higher Education (28 March 2014) [Private college funding to hit £1 billion](#)

U.S. Department for Education (July 2013) [Comparison of Default Rates](#)

Universities UK (2008) [The future size and shape of the sector](#)

Universities UK (2013) [The Funding Challenge for Universities](#)

Universities UK (2013) [The power of part-time: review of part-time and mature higher education](#)

Universities UK (2013) [Where student fees go](#)

Universities UK (2014) [Postgraduate taught: the funding challenge](#)

Universities UK (April 2013) [Briefing on Part-time Participation in Higher Education](#)

Universities UK (April 2014) [The impact of universities on the UK economy](#)

Wakeling, P. Hampden-Thompson, P. HEA (2013) Transition to higher degrees across the UK: an analysis of national, institutional and individual differences

Willetts, D. (9 June 2014) Speech at Bournemouth Festival of Learning

Willetts, D. Hansard (20 March 2014) [House of Commons](#)

