

# ANNEX TO SUBMISSION FROM LUCY HUNTER BLACKBURN

## STUDENT SUPPORT: SUPPORTING EVIDENCE

“Student aid is widely used as a tool to promote higher education participation among individuals from disadvantaged groups. ... However, there is a severe lack of evidence on the effectiveness of student aid outside of the US, and none at all for the UK.”

*(Dearden, Fitzsimons and Wyness in 2014: research cited below)*

### The basis for a causal relationship between student funding and applications

Asserting a causal link between student funding and applications assumes that individual decisions about participation are influenced by funding. However, evidence suggests that **at the point that young people decide whether to apply to HE they often have a limited understanding of student funding**. The best recent evidence here comes from interviews conducted in 2013 by [Sarah Minty of the University of Edinburgh](#). It seems very likely that broad impressions are often as influential as detailed knowledge; and these impressions may be mistaken. For example, Minty’s Scottish interviewees consistently reported that they did not expect to have to borrow to fund their studies: yet 70% of all Scottish-domiciled students take out a loan in practice, rising to almost 80% at the lowest incomes.

Further, **young people’s hypotheses about what is likely to influence them is not at first sight reflected in actual behaviour**. Thus, young people from more disadvantaged backgrounds considering higher education or already in it persistently report to researchers that higher debt would reduce their willingness to participate. However, applications from this group have grown at least as fast as for other groups even as debt has risen in all parts of the UK over the past two decades. This article from 2008 (<https://www.tes.co.uk/article.aspx?storycode=387873>) shows this difference between hypothetical responses and actual behaviour is replicated in other countries.

### UK Comparisons

Student funding policies have developed distinctively in each of the four UK nations over the past decade. There is a lack of systematic research comparing differences in funding and access across the UK. However, **at first sight it is very hard to discern any differences between countries which can be clearly matched to differences in student funding**. It is likely that other factors, such as the state of the wider economy, improving exam results and other access initiatives have had more effect.

There is, nonetheless, a strong tendency by governments everywhere to cherry-pick data to “prove” causal links between student behaviour and particular policies. For example, the Scottish Government has in the past cited the fact that *the absolute number* of applications in England through UCAS fell sharply in 2012, while it rose in Scotland, as evidence that free tuition supports access.

By contrast, the table below looks *over a number of years* (using the most recent UCAS figures, covering the decade up to 2015), specifically *at young students from disadvantaged backgrounds* (using POLAR3 Q1, UCAS' measure of disadvantage for this purpose), and takes into account *differential demographic change in each part of the UK* by looking at application rates rather than absolute numbers. On this assessment, **the greatest growth in young applicants from disadvantaged backgrounds has been in England, followed by Scotland.** Looking over the past 5 years, the pattern is different again, with Wales (lower fees, higher grants than England) increasing the most, followed by England and then Scotland, but all three very close.

Application rates: POLAR3 Q1

POLAR3 Q1	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	5yr	9-yr
England	12.2%	13.0%	14.0%	15.2%	18.0%	18.6%	17.9%	18.9%	20.4%	21.0%	17%	72%
Northern Ireland	18.7%	17.4%	16.9%	17.8%	23.6%	22.0%	22.6%	23.2%	23.3%	25.4%	8%	36%
Scotland	9.6%	9.0%	9.2%	9.8%	13.4%	12.1%	13.0%	13.2%	15.3%	15.6%	16%	63%
Wales	13.6%	12.6%	13.9%	14.4%	15.9%	16.6%	16.8%	16.5%	18.5%	18.9%	19%	39%

[Note: Source: UCAS. Trends are more comparable than absolute percentages, given the difficulty of judging how to deal with the fact that a substantial minority of HE in Scotland is sub-degree, provided in FE colleges.]

This data relates to young students: applications from mature students have fallen across the UK, including Scotland, but most strongly in England, particularly since 2012.

Entry rates – arguably more critical in terms of actual access - show yet another pattern. The entry rate will be affected by further variables, particularly the availability of places, institutional selection practice and exam results. However, if students fall away late in the process as they gain a better understanding of the financial issues, it might also be expected to show here.

Entry rates: POLAR3 Q1

	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change 2006-14	Change in applications 2006-14
England	11%	12%	13%	14%	14%	15%	15%	16%	18%	61%	67%
Northern Ireland	12%	13%	13%	14%	14%	14%	15%	16%	17%	49%	25%
Scotland	6%	6%	7%	7%	9%	8%	8%	8%	9%	49%	59%
Wales	12%	11%	12%	13%	12%	12%	14%	14%	17%	39%	36%

[Note: Source: UCAS. **UCAS uses POLAR2 Q1 for entry rates, which may affect comparisons with applicant rates.** Trends are more comparable than absolute percentages, given the difficulty of judging how to deal with the fact that a substantial minority of HE in Scotland is sub-degree, provided in FE colleges

Scotland is tied in second place with Northern Ireland. In Scotland a 59% increase in applicants over the period 2006-14 falls to a 49% increase in entrants. The particularly large drop between entrants and applicants in Scotland probably reflects the tighter availability of places here. However, it could also reflect an element of interest from poorer Scots dropping off, as understanding of the reality of funding overtakes awareness of the rhetoric. The Commission may want to explore this possibility. **More generally, the data on entrants deserves at least equal attention to that on applicants.**

One further area where funding differences might in theory show in the comparative data is **retention**. Either the fear of accumulating debt or inability to manage on the upfront living cost support available

might result in students dropping out. Unfortunately, published retention data is not available by socio-economic background, although the Commission may want to explore further what further analysis may be available from researchers or organisations collecting data. However, in 2012-13, the most recent year for which comparable HESA figures are available, projected non-completion was very similar in all parts of the UK (10% in England, 10.2% in Scotland, 10.4% in Wales and 11.2% in NI). Again, it is hard to see any immediately clear pattern connected to student funding policy.

## Research in individual parts of the UK

The two most substantial pieces of research into the relationship between national student funding policy and participation have been done in relation to England by Lorraine Dearden, Gill Wyness and others.

The first of these, [The Impact of Higher Education Finance on University Participation in the UK](#) (2010), used a complex model which attempted to disentangle separate changes in different elements of student support (fees, loans and grants) at different points in England over several years. The researchers demonstrated that **it is the combined effect of changes in all three elements which matters.**

In 1998-99, when means-tested fees were introduced, total upfront living cost support increased but grants replaced with loans, the researchers note: “the increased costs of university participation imposed in 1998/99, while reducing participation of high income groups, did not appear to sacrifice the goal of widening participation of low income groups.”

In 2006, means-testing was removed and fees increased, but dedicated loans made available for fees. Grants, reintroduced for those at lower incomes in 2004, were increased further. The report notes: “In the case of the 2006 reforms, there was no overall change in participation for any of the groups. For the low income group, the large increase in grants and fee loans was sufficient to outweigh the impact of the £3000 deferred fee introduction, so that the net result was no significant change in participation. The same is true for medium and high income students though in each case the separate components of loans, grants and fees are themselves significant.”

As the researchers put it [*emphasis added*]: “These results are highly relevant for policy makers, who ought to be aware of the negative impact of upfront fees – **i.e. those not covered by a fee loan** – and the positive impact of aid on participation. Maintenance grants can potentially be used to offset the negative influence of fee increases, given their opposing influences on participation. **Policy makers should also be aware of particularly vulnerable groups when setting levels of fees and grants, and may need to target specific groups with more generous aid** to counteract any increases in tuition fees.”

The study further suggested that the form of aid provided was a far less significant factor in determining applications than “parental education and prior attainment” which are the “key drivers of participation”.

A more recent study, [Money for nothing: Estimating the impact of student aid on participation in higher education](#) (2014), examining the effect of introducing a £1,000 grant in England in 2004, suggested a stronger role for grant than the 2010 research. Over the period examined there was no other change to student funding. Fees remained at £1,000 (mean-tested, paid upfront) and the grant substituted for loan: total living costs did not increase. The research used students above the grant cut-off as a control group, as their funding did not change at all. The authors report that the grant increase resulted in a 3.95% increase in participation rates in the group affected (which was students from households with incomes below £22,500). The piece also includes useful links to research in other countries on this theme, with which its findings are compatible.

**The Commission is strongly advised to consider these reports in full and any other similar material it may be able to obtain from the authors**, bearing in mind that in 2013-14 in Scotland grants were reduced, with additional loan filling the gap.

Although assertions about Scottish policy and access have been a recurring theme of the past decade, I am not aware of any substantial empirical research undertaken in Scotland or commissioned by the Scottish Government which seeks to test for correlations between changes in funding policy and access, as in the examples above. The Commission may wish to check this with the Scottish Government.

However, a [report laid before the Parliament by the Scottish Government in April 2013](#) did record (emphasis added) that:

19. When asked about fees, costs and the Graduate Endowment Fee in 2007-08 students said that costs for books/ equipment, rent/ housing, food/drink, entertainment, travel, and commercial loans were of greater concern to students than the Graduate Endowment Fees. This suggests, as noted in previous reports laid in Parliament, that while the Fee could have been a factor in a student's decision to study at the time, **it would be more accurate to consider the Fee in the wider context of costs and debt generally, and how both the fear of, and actual debt, impacts on student behaviour and outcomes.** ...

21. Other evidence sources suggest that **the fear of debt and cost of study can potentially dissuade prospective students to going to university. People from disadvantaged family backgrounds are especially vulnerable in this respect.**

22. BIS research notes that most young people see debt as a normal part of life, but that those with the most negative attitudes to debt are among those least likely to apply to HE. It suggests that students from low income households see the costs of HE as a debt rather than an investment. **Those from less privileged backgrounds were more likely to be concerned about debt**, and those most averse to debt were among the less willing to participate in HE.

24. While research from BIS has shown that the **tuition fees introduced in England in 2006-07 did not impact on participation levels (even by those from deprived backgrounds)**, they seemed to have an impact on people's **choices of where to study**. The research showed that people from more deprived backgrounds tended to choose a university closer to home, often a less prestigious institution. **As such those from disadvantaged backgrounds are at risk, unless counterbalancing policies (such as loans and grants) are available to them.**

25. The OECD reports similar findings. **In OECD countries where students are required to pay tuition fees, and can benefit from public subsidies, there are not lower levels of access to university-level education than the OECD average."**

## International Experience

[Commenting in January](#) on the UK (in practice appearing to mean mainly the English) system, the OECD's Director of Education and Skills, Andreas Schleicher, noted:

"OECD data show absolutely no cross-country relationship between the level of tuition countries charge and the participation of disadvantaged youth in tertiary education. In fact, social mobility is worse in Germany which pays for all university education through the public purse than it is in the UK...

a combination of income-contingent loans and means-tested grants ... basically means risk-free access to financing for prospective students with governments leveraging, but not paying, for the costs...

But even the best loan system is often not sufficient. There is ample evidence that youth from low income families or from families with poorly educated parents, but also youth who just don't have good information on the benefits of tertiary education, underestimate the net benefits of tertiary education. That's why it has paid off for the UK to complement the loan scheme with means-tested grants or tuition waivers for vulnerable groups...

There is lots the UK can do to further improve its approach to financing universities... But among all available approaches, the UK offers still the most scalable and sustainable approach to university finance."

Eurostudent produces extensive information on student background and finance across Europe: most recently, [Social and Economic Conditions of Student Life in Europe 2012 - 2015](#). It is difficult to draw any clear conclusion about the links between access and funding from the very complex sets of figures provided: however, there are signs that the total amount of support and the extent to which a system offers wider access may be connected. The previous edition of the document, covering the period to 2011, suggested that "[making] sufficient funds available to students can be viewed as a necessary financial condition for taking up and successfully completing HE".

## Issues for Scotland

Against this background, any conclusions about the impact of student funding on access in Scotland have to be cautious.

### (i) Largely loan-based living cost support

While fees are fully cash funded at all incomes, non-repayable living cost support is very limited in Scotland, particularly since grants were reduced in 2013-14. Most assistance with living costs is provided as loan: see table below for 2014-15 figures.

Household income	Bursary	Loan	Total	% as loan	Implied 4 yr debt
£0 to £16,999 (young)	£1,750	£5,750	£7,500	77%	£23,000
£0 to £16,999 (mature)	£750	£6,750	£7,500	90%	£27,000
£17,000 to £23,999 (young)	£1,000	£5,750	£6,750	85%	£23,000
£17,000 to £23,999 (mature)	£0	£6,750	£6,750	100%	£27,000
£24,000 to £33,999 (young)	£500	£5,750	£6,250	92%	£23,000
£24,000 to £33,999 (mature)	£0	£6,250	£6,250	100%	£25,000
£34,000 and above	£0	£4,750	£4,750	100%	£19,000

Data produced in response to parliamentary questions in February 2015 reveals a potential difficulty with this approach.

In 2013-14, the most recent year for which figures are available, showed that 34,670 students were on the maximum grant and therefore in theory able to claim the maximum support (the "minimum income guarantee"), worth £7,250 that year. However, only 25,130 actually received maximum support in practice.

In particular, only 66% of young students at the lowest incomes benefited from the maximum support. Those who did not cannot have been taking out the full loan required.

	Actual on full grant	Actual on maximum living cost support	% take up of maximum living cost support
YSB claimants	17,330	11,485	66%
ISB claimants	17,340	13,645	79%
<b>Total</b>	<b>34,670</b>	<b>25,130</b>	<b>72%</b>

Other information from these PQs shows that of those on any level of grant, only 2,075 took out a loan worth less than the maximum, while a further 10,710 of all students on a grant borrowed nothing (see table below). **Most of those who could in theory have received £7,250, but did not, must have borrowed nothing.**

That means that of the 9,540 students who did not take up their full £7,250 of support, the vast majority limited themselves to £1,750 or £750 in grant, depending on whether they were young or mature. That suggests that **somewhere between one-fifth and one-quarter of the lowest-income students were attempting to manage on their grant alone.**

	YSB	% of all YSB takers	ISB	% of all ISB takers	Total	% all YSB/ISB takers
Taking no loan	8,090	25	2,620	15	10,710	21
Taking part of loan	1,775	5	300	2	2,075	4
Taking whole loan	23,065	70	14,480	83	37,545	75
<b>Total</b>	<b>32930</b>	<b>100</b>	<b>17,400</b>	<b>100</b>	<b>50,330</b>	<b>100</b>

Source: PQs S4W-24400 and S4W-24402

In establishing the new arrangements, the Scottish Government appears to have taken little account of the possibility that many poorer students would not be willing to take out a loan, either at all or at a high enough level to get their full support, despite the contents of the analysis presented in its report to the Parliament in April 2013, quoted above.

**In the light of these findings, the Commission ought to consider the possibility that the heavy dependence on loans to provide living cost support may have a deterrent effect on certain low-income students** or otherwise be limiting the choices these students make and may also be making them more vulnerable to non-completion, due to hardship and excessive term time working.

In particular, these findings need to be read against evidence that **participation rates are particularly low in rural areas**. Avoiding debt will be easier for students who can live at home while they study. This option is more available to those who live within affordable daily commuting distance of one or more institutions offering higher education. Other groups likely to be unable or unwilling to live at home will include those with families in poor housing, or whose family homes are physically or emotionally unsafe.

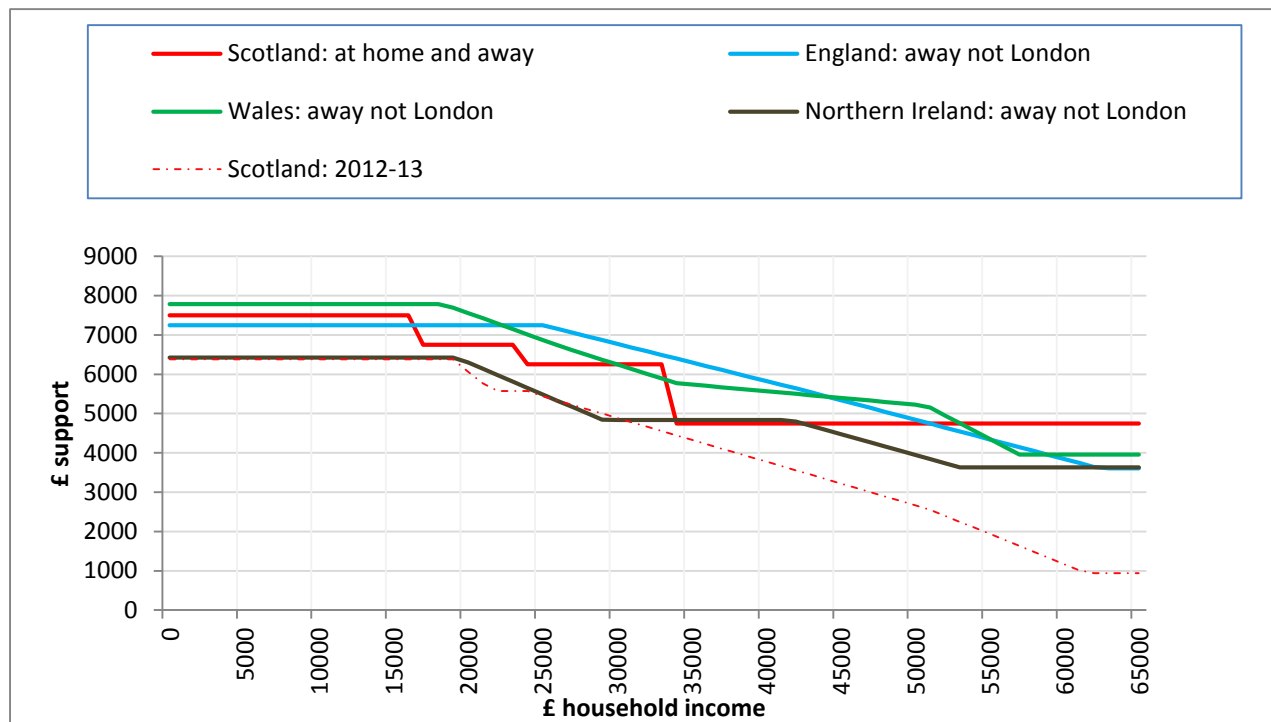
## (ii) Information about loans

The Commission may want to test the understanding of students, and advisers, of the student loan system. [Figures reported on 1 July](#) suggested that students in Scotland are disproportionately likely to engage with

payday lenders. Misunderstandings about the student loan system may be contributing to this, although limitations on total living cost support are also a potential factor.

### (iii) Living cost support away from home

The international evidence and the 2010 IFS study both suggest that the *total support* available at low incomes *in whatever form* is relevant to access. The figure below compares total support (grant plus loan) for students away from home, commonly acknowledged to be the ones in greatest need of help, from the different UK nations in 2014-15. The figures will only change marginally in 2015-16.



Source: official student finance calculators in each part of the UK and SAAS figures.

The Scottish Government increased living cost support substantially for many students in 2013-14, as the 2012-13 Scottish line included above shows. This increase was achieved through the release of additional loan (at the same time, grants were reduced, with total spending on income-related bursaries falling by £40m).

However, for those away from home living cost support in Scotland remains less generous compared to the rest of the mainland UK for most students between £17,000 (£19,000 from this autumn) and around £45,000. In particular, Scotland has adopted a stepped system, which results in a sharp drop in support as soon as income reaches £17,000 (£19,000 once again from the autumn). This leaves the families of students at some relatively low incomes facing a greater expectation of “ability to pay” towards students’ upfront living costs than applies in most other parts of the UK, with potential implications for access.

Scotland compares more favourably in comparisons of support for those who live at home, as it is the only nation which does not reduce support for this group.

#### (iv) Investment choices

The 2013-14 figures on which the submission draws are provided below.

Category	Sub-category	£m
SFC grants	HEIs: teaching grants	641
	HE in FECs teaching (est)	132
SAAS: fees	Fees to Scottish HEIs	183
	Fees to Scottish colleges	36
Total teaching support		992
SAAS: grants	Students in HEIs	42
	Students in colleges	21
	Students in rUK	2
Total grants		65

Numbers of students in receipt of fee support from SAAS: 130,990; total average spending on teaching calculated as £992m/130,990 = £7,570; total cost per £1,000 = £992m x 1000/7570 = £131m. Rough estimate of cost of £1,000 per head for the highest 50% by income = £131m x 50% = £65m

#### (v) Long-term equity

My ESRC-funded report *The Fairest of Them All?* (February 2014) contains a full comparison of the systems used in each part of the UK and their effects on debt distribution by income. It is available here:

<http://www.centreonconstitutionalchange.ac.uk/papers/creid-working-paper-3-fairest-them-all-support-scottish-students-full-time-higher-education>

The report was published before figures for actual borrowing in 2013-14 became available in October 2014. Income-related figures are less clearly available for that year than previous ones, as a combined category has been used for those exempt from a contribution (in effect, deemed to have zero income and entitled to maximum support) and those on too high an income to qualify for any mean-tested support. This combined group is shown in the first row in the table below. For the remaining income categories, lower average borrowing is evident as income rises.

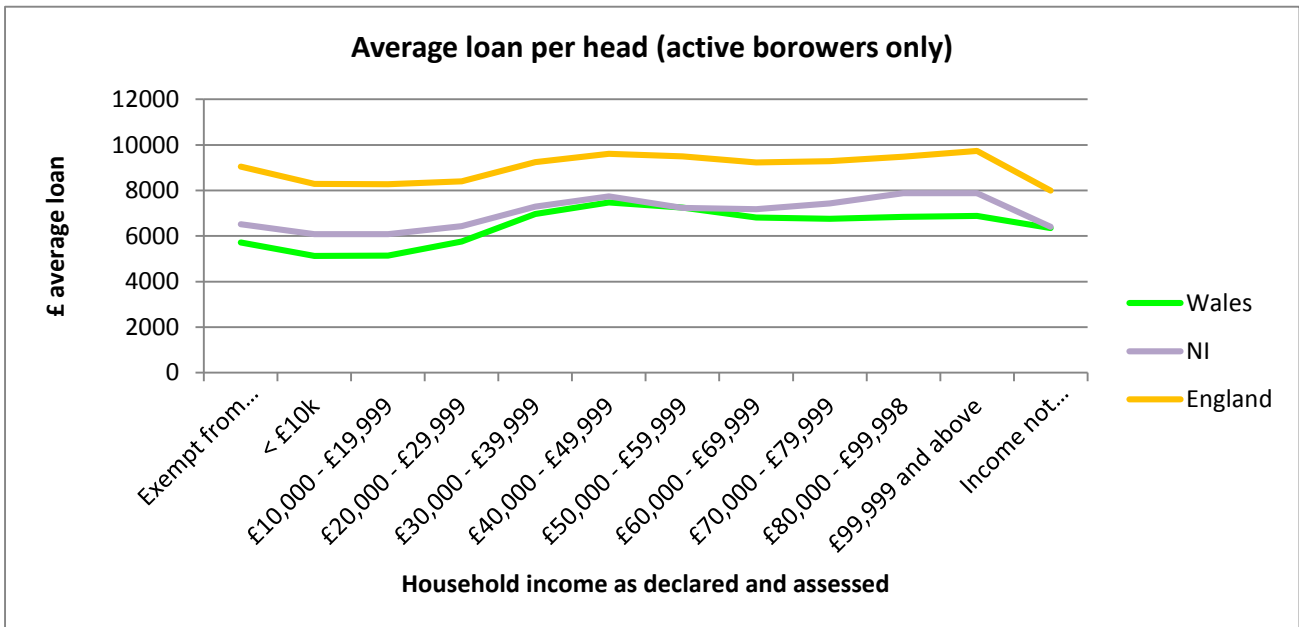
	Loans		
	Number of Students	Average Amount (£)	Loan take-up
<b>All</b>	<b>85,655</b>	<b>5,020</b>	<b>69%</b>
Income not declared / required	48,840	4,710	64%
Up to £16,999	19,375	5,610	79%
£17,000 to £23,999	7,175	5,430	78%
£24,000 to £33,999	7,510	5,320	78%
£34,000 and above	2,755	4,340	73%

Source: SAAS. Take-up figures for "All" and "income not declared/required" adjusted to remove EU students from the baseline, to reflect that EU-domiciled students generally have no access to loans or grants and are likely to be concentrated in the "not declared" group. The "not declared/required" group comprises a minority of very low income students likely to have a take-up closer to 80% and an average over £6,000 and a better-off majority likely to have a take-up rate closer to 60% and an average closer to £4,500.



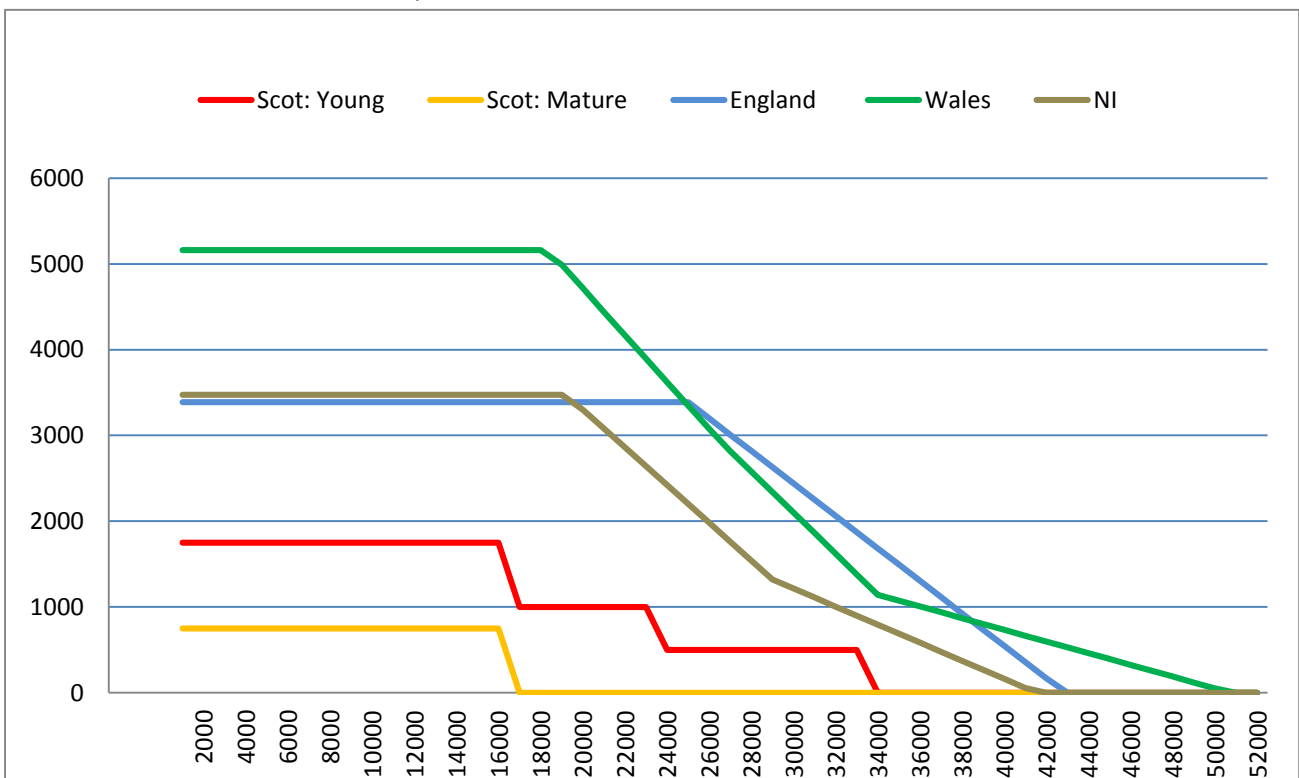
Separate figures from SAAS show average borrowing of £ 5,780 for those claiming means-tested loan (requiring an income below £34,000) and £4,140 for those not using means-tested loan, who will predominantly have incomes over £34,000.

A different, flatter pattern of borrowing is found elsewhere in the UK, with a tendency to lower borrowing at lower incomes (2012-13 data the latest available in this form): this is shown below.



Source: Student Loans Company

These different effects are due to the greater use of income-related grant in other parts of the UK. Grant entitlements for 2014-15 for each part of the UK are shown below.



Source: Official student finance calculators; SAAS

The Scottish Government routinely quotes **final debt figures issued by the SLC** in defence of the present arrangements. The difficulties with these [are discussed in more detail here](#). In summary:

- They are historic, reflecting the debt of students have who left college or university in the previous year, not those affected by current policy.
- Scotland has a higher proportion of students on one- and two-year HN-level courses, which pulls down its average. The Scottish figure represents the equivalent of a little under 3 years' worth of borrowing, while the standard length degree is four years. Figures for the other UK nations also equal around 3 years' borrowing on average – but that is much more typically the length of time it takes to obtain a degree in those places. So to compare the *average experience of a university student*, the Scottish figure needs to be “grossed up” by one-third.
- Importantly, the average conceals variation by income. This is particularly true in Scotland where – uniquely – those from lower incomes tend to borrow *above* average, rather than *below*.

The figures derived from SAAS data give a much more accurate reflection of what poorer Scots at university in Scotland will typically have borrowed. Degree-length borrowing for poorer students in Scotland is now comparable with that in the other devolved administrations and not, as the SLC figures are often wrongly used to imply, significantly lower.