Tuition fees: teetering on the brink

New official forecasts suggest that write-off costs have reached 45% of the £10bn paid out in student loans each year

Editorial
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It is generally assumed that when Nick Clegg dies, or if his Liberal Democrats suffer a comparable fate at the May 2015 election, the words "tuition fees" will be found engraved on his heart. But now it seems he won't be alone. On the latest calculations, the whole system of student funding introduced by the coalition four years ago – when the maximum permissible university tuition fee was hoicked up from £3,000 to £9,000 – is in serious trouble. In essence, the system in England requires graduates, once they're earning £21,000 a year, to repay their fees over a 30-year period. But that has been made more severe by fixing the interest rate at the highest level of any such system in Europe. Thus a graduate earning £40,000 a year will not only be faced with a basic bill of £1,800 a year but also with a burden of interest that guarantees that the total debt will never be met before the 30-year rule comes to the rescue and the rest of the debt is written off. On £55,000 a year, you could just about make the final reckoning; make £100,000 a year and you'll be free in seven years.

This clear understanding that, for most, the total will never be paid makes the system, in essence, more like a steady graduate tax of 9% per annum, an alternative course which the Liberal Democrats would have preferred but which their Conservative coalition partners would not accept. Indeed, Vince Cable, addressing a sceptical audience last year, claimed: "What we have done in government is to create a form of graduate tax. It is not described in that way, but that is what it is. It means nobody goes to university and has to pay upfront fees." But that makes it sound more egalitarian than it is. A graduate tax would not include the provision that those with the necessary resources can pay off the cost of their education in two or three years, as the present system allows. And a graduate tax would not entail the shadow of perpetual debt, a condition which in most other contexts governments always warn against.

But this week the plight of the government has begun to look as daunting as that of graduate students, as the universities minister, David Willetts, responding to a question from his Labour shadow, Liam Byrne, revealed that the shortfall is proving to be far worse than anyone bargained for. New official forecasts suggest that the write-off costs have reached 45% of the £10bn in student loans paid out each year – a figure perilously close to the 48.6% (some say 47%) at which the arithmetic moves from ominous into fatal. At this point, the tripling of tuition fees will fail to produce any more money than would have accrued had the figure been left at the £3,000 where the coalition found it in 2010. There are various reasons for that, some of which may be amendable, although others will not; a calculation that will no doubt be lustily trumpeted by the Scottish government, which declined to go down this road. It's simple enough to have the money collected through PAYE, but increasing numbers of graduates are freelances to whom that does not apply. It's simple enough to track home-based debtors; those who leave for overseas destinations are more elusive. But even more crucial is the present and projected state of the graduate jobs market, so much bleaker now than when these calculations were made back in 2010, with large numbers finding nothing more remunerative than stacking the shelves of supermarkets, or not finding work at all.

Mr Willetts's figures, of course, are mere forecasts; and as everyone is well aware in budget week, the best-intentioned forecasts can prove hopelessly wrong. But the one substantial hope of invalidating these figures would be a strong and sharp improvement in graduate earnings. And while other groups were left with something to celebrate, the graduate young, and the young in general, were given only very limited grounds for expecting that.