MiSoC ESRC Research Centre on Micro-Social Change

Student preferences over fees, grants and loans

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Introduction

Undergraduate students in England are charged tuition fees and receive support for living costs primarily through a complex system of income-contingent loans.

The Department for Education is conducting a Review of Post-18 Education and Funding, with a view to reforming this system for new undergraduates. We sampled a cohort of third-year Home undergraduates at one UK higher education institution to collect evidence on their understanding of the current system; what changes to the system they would favour; and what trade-offs they would be willing to accept if the system were to change in a fiscally neutral way.

Key findings

- Some features of the current system are well understood by the majority of students, such as that they will need to repay the loan using a proportion of their income above a certain threshold and that the duration of the repayment will be limited to 30 years. Other features are less well known with most confusion being generated by the different interest rates charged during and after studying.
- In April 2018 the Government raised the repayment threshold from £21,000 to £25,000. Awareness of this change was weak. Students show little desire to revert to the lower threshold even when this would be associated with a reduction in the proportion of income going towards the repayment.
- Students are collectively against different fees being charged for different subjects, especially where this would entail lower fees for STEM courses.
- Students appear to be unhappy that their debt will continue to grow after graduation and would trade off a higher interest rate during study instead.
- Students favour those from lower-income households receiving larger maintenance loans than those from higher-income households, even when shown that this results in higher debt for the latter group.
- Although all students would strictly prefer to receive more support for living costs through the re-introduction of grants, they are not prepared to trade off higher fees or higher repayment rates after graduation to obtain this.
- Students seem prepared to trade off higher debt at graduation in exchange for (i) a higher repayment threshold and (ii) less steep interest rates after graduation. This possibly reflects the fact that they expect to face substantial uncertainty about their earnings during the first few years after finishing their studies.

Authors' main message

Current students are in favour of retaining the feature of the current system in which students from lower income households receive more maintenance support while they are studying. Any move towards different fees for different courses would be unpopular.

Overall, students would favour a simplified system in which everyone would pay in proportion to their income above a threshold for a limited (albeit long) time after they have graduated. Such a move would enable some changes to the language associated with Higher Education funding.

In general, such a system could be well described as a 'time-limited income-linked graduate contribution'. The terms 'debt' and 'loan' would cease to play a role, and all maintenance support could be reframed as 'grants' or 'allowances', with students' future obligations at the time of graduation depending only on their future earnings and not their parental background.

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MiSoC/HE18/E01 © MiSoC July 2018
DOI: 10.5526/74jy-a846