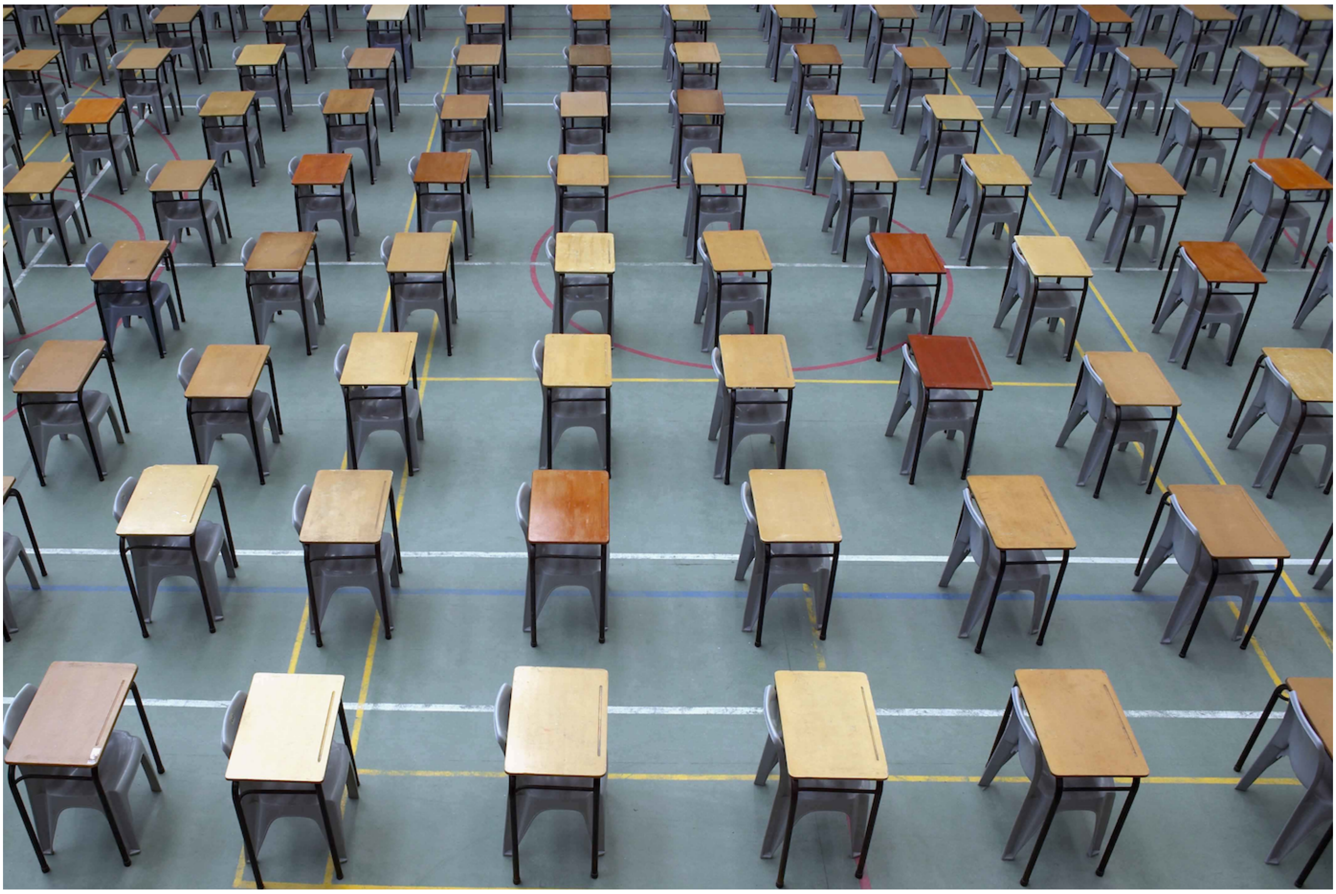

Achieving Access for All

A policy discussion paper

THE STRATEGIC SOCIETY CENTRE
ANALYSIS • EVIDENCE • POLICY

James Lloyd

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This discussion paper accompanies, and provides related policy analysis to, Access for All. The research was undertaken by Andy Ross and James Lloyd.

Access for All comprises analysis of data from Waves 1 to 6 of the Longitudinal Study of Young People in England (LSYPE). The LSYPE is directly managed by the Longitudinal Surveys Team in the Department for Education (DfE). However, due to the wide ranging issues raised in the survey, other Government Departments (including BIS and DWP) are also involved in the project and participate in the Steering Group. All fieldwork for the LSYPE is contracted out. The current contractors are a consortium led by BMRB and including GfK NOP. In past waves Ipsos MORI has also been involved. Wave 7 of LSYPE will be the final wave managed by the Department for Education. Further information on LSYPE can be found at the interactive LSYPE website: https://www.education.gov.uk/ilsype/workspaces/public/wiki/Welcome

The data creators, depositors, copyright holders and funders of the LSYPE bear no responsibility for the analysis or interpretation of the data presented here.

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Executive Summary

The evidence base available to policymakers to understand which young people may feel put off university by the cost and why has always been limited in scope and detail. To contribute to this evidence base, the Strategic Society Centre undertook original quantitative research entitled 'Access for All'. The research used data from the Longitudinal Study of Young People in England (LSYPE) for the years 2004-09, and focused on the 34% of young people who had achieved Key Stage 4 qualifications at the age of 16 or 17 (Year 11), expressed the motivation to go to university, but answered positively to the question:

- "Have the financial aspects of going to university, that is the costs of fees and living expenses, ever made you think about not applying?"

Deploying multivariate regression analysis, Access for All identified a number of factors displaying a statistically significant relationship with a young person feeling deterred from university by the cost, even after controlling for other factors. These factors included:

- Ethnicity;
- Parental education;
- Parental earnings;
- Parental occupation
- Believing that a degree means a better paid job in later life;
- Believing that owing money is wrong;
- Reporting that most friends are planning to go to university;
- Believing that "people like me" don't go to university;
- Feeling informed about financial support;
- Certain 'funding plans' for university, including expecting to borrow from a bank, or receiving money from a parent;
- How involved a parent feels in their child's school life;
- Whether a parent expects their child to go to university.

This discussion paper provides accompanying policy analysis and commentary on the findings of this research. The paper argues:

- Although negative attitudes to debt are observable among young people, these negative attitudes do not appear to drive young people to feel deterred from university by cost. As such, although the 2012 reforms will leave students with larger loans on graduation, the fact of bigger loans is not incompatible with ensuring young people are not concerned by the costs of university;
- Using household income measures in allocating financial support for the costs of university is appropriate given the strong association observable between household income and financial concerns with higher education. However, financial concerns may extend higher up the household income scale than current policy takes account of, and policymakers may wish to review the income thresholds and tapering rates applied in the 2012 reforms to student financing;

- Alternative criteria besides household income could be used for allocating financial support for the cost of university if the government wants to ensure young people are not put off university by the cost, including parental education and occupation;
- Given the financial concerns of young people appear strongly related to the decisions and choices of their peers, policymakers should further emphasise and explore ‘widening participation’ (WP) measures that deploy peer-influence and groups;
- Policymakers should ensure that WP activities are appropriately focused on parental expectations given evidence that these are also important drivers of young people’s concerns with the cost of university;

More broadly, this report recommends that policymakers:

- Undertake further research to understand how the perceived rewards to higher education are influenced by parental experiences and other factors given evidence in Access for All indicating the influence of such factors on whether young people have financial concerns;
- Identify and seek to address the full range of ‘subjective’ factors influencing perceived rewards to higher education among young people;
- Ensure all young people have access to appropriate information on the financial rewards to higher education;
- Make knowledge and understanding of the 2012 student financing regime among parents a specific policy objective alongside equivalent policy aims in relation to young people;
- Undertake a bi-yearly survey to measure and track knowledge of different aspects of the 2012 reforms, such as ‘ability to pay’ loan repayments, among the adult population in England;
- Identify and pilot relevant interventions using key ‘touch points’ with parents, such as the provision of information and material on student financing support at school meetings;
- Undertake more research into which teachers young people consult about their decisions on higher education;
- Survey secondary school teachers regarding their understanding and knowledge of the 2012 reforms;
- If appropriate, require those teaching Year 12 and 13 students to undertake training or courses on the post-2012 student finance regime to ensure definitively that teachers understand, for example, the role of income-contingent loan repayments.

The report concludes that Access for All shows young people – and by extension, wider society – undertake complex judgements drawing upon a range of experiences and perceptions that are individual to them in framing the costs and benefits of higher education. As such, in the wake of the 2012 reforms to student finance, policymakers need to not just inform young people and target financial support, but to develop new social ‘norms’, perceptions and expectations around investment in higher education.

1. Introduction

In 2012, the government lifted the cap on higher education tuition fees for students from England to £9,000 per year.

The reforms were accompanied by a range of new or reformed policies to help students participate in and fund higher education, particularly those from poorer backgrounds: tuition fee loans, maintenance loans and the National Scholarships Programme.

While the reforms saw the potential private cost of higher education to individuals over their life course increase significantly, the reforms simultaneously aimed to minimise the number of students who would be put off higher education by the cost.

However, the evidence base available to policymakers to understand who may feel put off university by the cost and why has always been limited in scope and detail.

Access for All

To contribute to the evidence base on this topic, the Strategic Society Centre undertook original quantitative research entitled 'Access for All'.[1] The research was made possible by the support of Universities UK and Pearson.

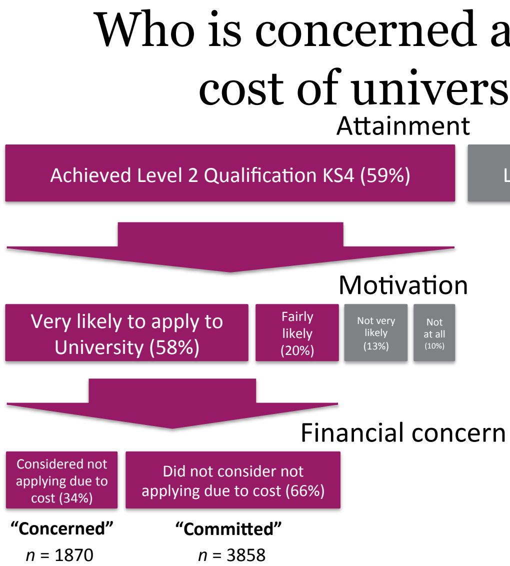
This discussion paper provides accompanying policy analysis and commentary on the findings of this research.

Access for All used data from the Longitudinal Study of Young People in England (LSYPE) for the years 2004-2009. The research comprised three, distinct analytical stages, all focused on those young people who had achieved Key Stage 4 qualifications at the age of 16 or 17 (Year 11) and answered positively to the question:

- "Have the financial aspects of going to university, that is the costs of fees and living expenses, ever made you think about not applying?"

Stage 1 of the research explored the characteristics of this "concerned" group at age 16 in both descriptive and associational terms, in relation to a range of factors, notably: gender; ethnicity; parental education, earnings and occupation; attitudes to debt; attitudes to higher education; and, peer influences. The characteristics of this "concerned" group were compared to a "committed" group who answered 'No' to the question above.

Defining the "Concerned" and "Committed" groups in Access for All



Stage 2 explored early precursors of financial worries among the "concerned" group identified in Stage 1 during school Years 9-11, including school type and parental factors.

Stage 3 explored the subsequent decisions of this "concerned" group, i.e. who in this group did and did not choose to go on to university, and what factors predicted this decision.

The data for LSYPE were collected several years prior to the 2012 reforms and the young people who participated in the LSYPE survey therefore confronted a significantly different regime of tuition fees, loans and maintenance support than later cohorts following the 2012 reforms.

However, using LSYPE to explore the dynamic influences on young people's attitudes to the cost of higher education and subsequent decisions is particularly useful because:

- LSYPE data contain a much broader, richer array of information on young people and their parents than is available from other sources, including bespoke, one-off surveys of young people's attitudes to debt;
- LYSPE is a longitudinal survey, which enabled Access for All to explore the characteristics of young people aged 16 who report feeling deterred from university by the costs, and then track backwards to explore the characteristics of this group when they were under 16, as well as the factors predicting their subsequent decisions regarding whether or not to participate in higher education;
- The broad range of variables included in LSYPE enabled Access for All to deploy multivariate regression analysis to identify and measure the strength of association of individual, distinct factors with concerns at the cost of higher education, after controlling for the effect of multiple other potentially relevant factors.

As such, LSYPE data provided the opportunity to unpick and understand the dynamic factors associated with young people feeling deterred from university by the cost, early precursors of these concerns and the factors influencing their subsequent decisions.

Access for All: Key findings

The research found that 34% of those who had achieved Key Stage 4 and expressed a motivation to go to university reported that the financial aspects of higher education, such as fees and living expenses, had made them think about not applying.

Indian young people were far less likely to be concerned (18%), along with Pakistani (20%), Bangladeshi (19%) and Black African young people (22%), compared to those who were White (36%), Black Caribbean (41%) or had a mixed race background (33%).

Young people who lived in a household with an annual income of £52,000 per annum or more were far less likely to be concerned (26%) than those who lived in a household with lower annual incomes, particularly incomes lower than £26,000 per annum (in which 41% to 43% of young people were concerned). A similar pattern of findings is evident in relation to parental occupational class. Young people who lived in a 'Higher Managerial or Professional' households were less likely to be concerned (23%) than young people who lived in lower occupational class households. Young people who lived with a degree-educated parent were far less likely to be concerned (22%) than other young people.

By deploying multivariate regression analysis, Access for All was able to identify a number of factors which displayed a statistically significant relationship with a young person feeling deterred from university by the cost, even when all other factors had been controlled for. These key factors included:

- Ethnicity;
- Parental education;
- Parental earnings;
- Parental occupation
- Believing that a degree means a better paid job in later life;
- Believing that owing money is wrong;
- Reporting that most friends are planning to go to university;
- Believing that "people like me" don't go to university;
- Feeling informed about financial support;
- Certain 'funding plans' for university, including expecting to borrow from a bank, or receiving money from a parent;
- How involved a parent feels in their child's school life;
- Whether a parent expects their child to go to university.

Tracking young peoples' subsequent decisions, Access for All found that 36% of those who had previously expressed concern at the cost of university ultimately decided against university in the final instance, compared to just 16% of those that had not expressed concerns about cost. As such, the research found that during 2006-2008, before the introduction of the 2012 reforms, 34% of young people reported feeling deterred from university by the cost, and a higher proportion of this groups subsequently decided against university than those who did not have concerns.

Among those factors that predicted 'concerned' young people deciding against university, after controlling for all other factors, statistically significant associations were found for:

- Ethnicity;
- Parental education;
- Parental earnings;
- Having friends who applied to university;
- Feeling informed about financial support;
- Receiving information and advice on university from a teacher.

Achieving Access for All

This policy discussion paper accompanies the publication of the Access for All research, and examines the implications of the research findings for relevant policy design, in particular, the aim of minimising the number of young people who feel put off university by the cost.

In **Chapter 2**, this report considers the implications of the Access for All findings for the 2012 reforms to student finance and higher education funding.

Chapter 3 of the report considers the implications of Access for All for the 'widening participation' agenda, i.e. those activities undertaken by higher education institutions to ensure that the demographic, social and economic characteristics of undergraduate students are fully reflective of broader society.

Chapter 4 takes a wider view to identify the strategic priorities for policymakers seeking to minimise the prevalence of young people feeling deterred from university by the cost.

Chapter 5 concludes with key messages.

2. The 2012 Reforms: Access for all?

This chapter uses the findings of Access for All to evaluate the 2012 reforms to tuition fees and financial support for English students, specifically in relation to the policy objective of ensuring that no young person is deterred from university by the cost.

The principal tenets of the 2012 reforms were:

- Increased cap on university tuition fees for English students to £9,000 per year;
- Universal option to defer the full tuition and maintenance costs of higher education until after graduation;
- Repayment of deferred costs proportional to 'ability to pay' from earnings, with interest charged on loans following graduation;
- Means tested maintenance grants for students from poorer households;
- Means tested financial support in various other forms, such as tuition fee waivers.

More information on the 2012 reforms, and the path to these reforms during a decade of policy changes to fee levels and other aspects of higher education funding, are set out in the Appendix.

Underpinning the government's 2012 reforms to tuition fees in England are four important, interrelated outcomes that policymakers are trying to achieve, and which merit description.

- **OUTCOME 1: Academically qualified young people not deterred from university by the cost**

The 2011 White Paper from the Department for Business, Innovation and Skills (BIS) 'Students at the Heart of the System' makes the case for wide-ranging participation in higher education:[2]

> "Higher education can be a powerful engine of social mobility, enabling able young people from low-income backgrounds to earn more than their parents and providing a route into the professions for people from non-professional backgrounds."

The White Paper goes on to set out:

> "a range of measures to tackle the various barriers that prevent bright young people from disadvantaged backgrounds from participating in higher education."

More broadly, for reasons of economic growth, productivity, fairness and social mobility, it is usually considered undesirable for academically qualified young people to not participate in higher education because of concerns about the cost.

Commentary and political concern with the effect of tuition fees on participation in higher education has grown commensurately with increases in the cap on tuition fees that universities can charge English students from 1998 through to 2012.

Using quantitative analysis of the Longitudinal Study of Young People in England (LSYPE), Access for All did indeed find that among those young people who had demonstrated the aptitude and motivation to go to university, 34% had considered not applying because of the cost. Subsequently, over one third of this 34% 'concerned' group decided against university, which is more than twice the rate of those who had not expressed financial concerns.

Concerns about the financial cost of university may influence decisions around participation, and may have been exacerbated by rising tuition fee levels over the last decade. Previous research by Dearden et al. (2011) using the Labour Force Survey for 1992–2007 found that tuition fees have had a significant negative effect on participation.[3] However, other research analyzing UCAS data on the social, ethnic and education backgrounds of students who applied to university in England, Scotland, Wales and Northern Ireland between 1996 and 2010 found that despite a significant expansion in higher education during this period, the proportions of students from different social backgrounds remained static, with only a slight increase in the proportion of ethnic minority students.[4] Further research using university admissions data for the UK and Ireland over the last decade found that tuition fees influenced decisions on where to study, and whether to live at home.[5]

Crucially, young people examined in such data confronted lower tuition fees than subsequent cohorts entering higher education following the 2012 reforms. As such, although financial support has also become more generous in some respects since 2012, it is reasonable to hypothesise that among subsequent cohorts, the number that may consider not applying to university because of concerns about the cost may be proportionately higher.

Although UCAS application data is available for 2012-13, it is still too early to reliably assess the effect of increases in tuition fees, in particular, to disaggregate any 'tuition fee effect' from:

- Effects of the post-2008 economic slowdown, which may affect long-term perceptions of the financial value of higher education;
- Young people delaying enrolment;
- Demographic changes in the number of young people leaving school each year.

Nevertheless, the table below shows applications to higher education by individuals living in England immediately prior to and following the increase in the cap on tuition fees:

Total applicants for all courses (2009-2013) by domicile of applicant					
Applicant Domicile	2009	2010	2011	2012	2013
England	380,386	442,873	448,315	404,491	412,907

Source: UCAS (2013)

Analysis of UCAS data for the 2012 university intake found that:[6]

- The fall in acceptances did not have any disproportionate impact on less privileged areas of the country - however this masks a decline in male acceptances from these areas, offset by a small increase in female acceptances;

- There is some evidence that the differential fee regimes in place across the four home countries are having an impact;
- The most selective universities recorded an increase in acceptances. However, this increase appears to have been drawn disproportionately from the more privileged areas of the country.

The role of the 2012 reforms in ensuring academically qualified young people are not deterred from university by the cost

The 2012 reforms have been carefully designed in order to minimise the number of young people who feel deterred from university by the cost. In particular, access to loans for tuition fees and maintenance is universal, and the repayment costs of such loans will be determined by ‘ability to pay’ (i.e. total cost of loans is determined by graduate earnings). In addition, various means tested up-front financial support for maintenance and tuition has been introduced to reduce the cost of university to the poorest households.

OUTCOME 2: To increase private contributions to the cost of higher education

In arguing for an increase in the cap on university tuition fees, the Browne Review of higher education funding in England noted:

> “Funding levels remain below those of other countries. Institutions have no scope to raise additional funds through tuition fees to invest in improving quality. That is not a sustainable position for the future. It is made worse by the start of public spending reductions, which will accelerate over the next spending review period.”

Source: Browne J et al. (2010)[7]

In addition to the long-term sustainability of higher education institutions, it has long been noted that graduates earn more on average over their life course, as the 2011 White Paper noted:

> “graduates do, on average, earn more than non-graduates and their higher education is one reason for this. So it is fairer to finance the system by expecting graduates to pay, if and when they are in better paid jobs... Graduates who become high earners will contribute the full cost of their tuition... At the other end of the spectrum, we estimate that up to one quarter of graduates – those with the lowest lifetime earnings – will pay less overall than they would under the current system.”

As such, the decision by policymakers to transition English higher education from a ‘free’, taxpayer-funded entitlement to one for which students must pay fees reflects both the requirement to increase overall levels of funding for higher education institutions, and recognition of the financial rewards that accrue to graduates.

More widely, demographic changes in the UK population, increasing numbers of young people participating in higher education and from the need for English universities to have funding levels broadly comparable with competing institutions in other countries in order to retain their position in global quality rankings, have all driven policymakers to examine ways to increase the proportion of funding for universities coming from private contributions rather than the taxpayer.

The role of the 2012 reforms

The increase in the cap on the fee levels that universities can charge English students, in addition to higher rates of interest charged on tuition and maintenance loans, will see a greater proportion of university funding come from private sources, i.e. the students themselves.

OUTCOME 3: Continuous improvements in the quality of higher education provision

To fulfil their role in driving UK economic growth and productivity, as well as to maintain competitiveness with institutions overseas, the government requires higher education institutions to continuously improve the quality of provision.

In its 2011 White Paper, the government makes clear that it regards increased competition for English student 'consumers' as a key mechanism to drive quality improvement in the sector:[8]

> "The changes we are making to higher education funding will in turn drive a more responsive system. To be successful, institutions will have to appeal to prospective students and be respected by employers. Putting financial power into the hands of learners makes student choice meaningful... 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."
>
> Source: BIS (2011)

Although various policy levers can be deployed to raise standards – such as regulation, teacher training, etc. - the government clearly sees 'student consumers' as a key mechanism to lifting standards, and variable fee levels as one way in which universities can compete.

The role of the 2012 reforms

In theory, variable tuition fees will force universities to compete on price. However, as described in the Appendix, the proportion of universities opting to charge the highest possible fees has raised questions over the efficacy of this policy.

OUTCOME 4: For the student population to be reflective of the diversity of society

Usually referred to as 'widening participation', successive governments have sought to ensure that the university population is reflective of the wider population, and that different social groups – whether delineated by income, gender, ethnicity, etc. – are not under-represented.

The 2011 BIS White Paper noted:

> "We will ensure that widening participation for students from all backgrounds remains a key strategic objective for all higher education institutions. All universities will produce widening participation strategic assessments, with HEFCE and OFFA continuing to work together to ensure coherence and avoid duplication with Access Agreements. They are encouraged to draw on the evaluation of outreach activities and build on good practice developed through the Aimhigher programme and their own initiatives to further develop their work in this area."

More recently, the Coalition Government has created the Social Mobility and Child Poverty Commission as an advisory non-departmental public body with responsibilities for monitoring the progress of government and others social mobility.

In some respects, policy interventions over the last decade to widen participation have been successful, and there has been evidence of a growth in higher education participation among more disadvantaged groups.[9] However, there remains a significant in applications from the least advantaged backgrounds compared with those from the most advantaged backgrounds entering university and specifically within the more selective institutions.[10]

The role of the 2012 reforms

Full deferral of costs and means tested support is available to all social groups, and is accompanied by ongoing work by the Office for Fair Access (OFFA), universities and other organisations under the 'widening participation' agenda.

EVALUATING THE 2012 REFORMS: ACCESS FOR ALL

The availability of the findings of Access for All, based on quantitative analysis of LSYPE, provides a new opportunity to evaluate the design of the 2012 reforms in relation to the aim of ensuring no young person is deterred from university by the cost.

The Access for All research explored which young people who had achieved Level 2 qualifications at the age of 16 or 17 answered positively to the question:

- "Have the financial aspects of going to university, that is the costs of fees and living expenses, ever made you think about not applying?"

By providing new insights into which young people feel deterred from the cost of university and why, the findings of Access for All can be used to evaluate the policy design choices of the 2012 reforms to higher education funding, particularly in relation to:

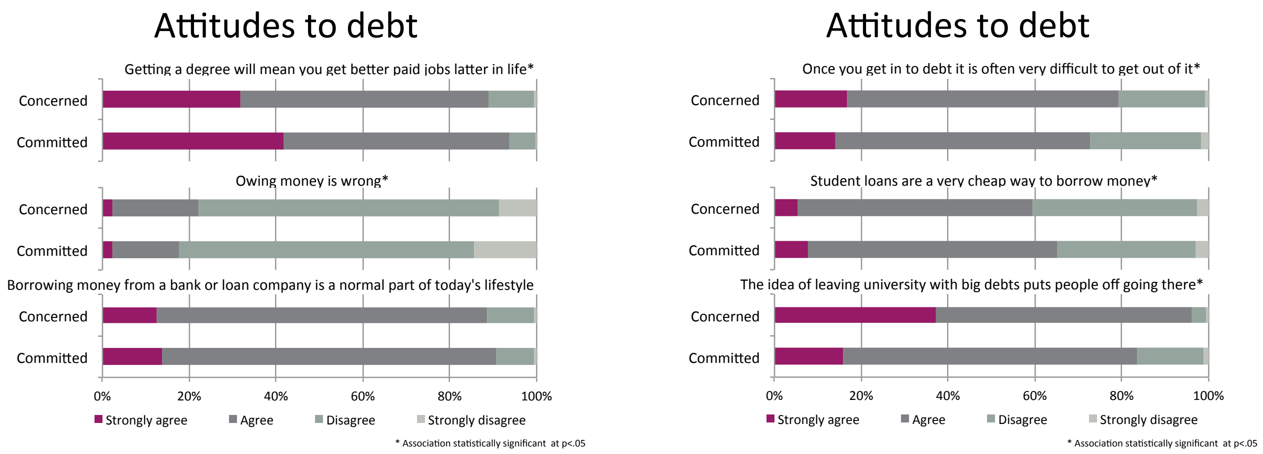
- Tuition fees and deferral through loans
- 'Ability to pay' loan repayments
- The role of means testing in allocating financial and other support
- Income thresholds for means testing and financial concerns
- Targeting concerned pupils via other household characteristics
- Informing young people about financial support

Tuition fees and deferral through loans

The 2012 tuition fee regime will see large numbers of young people take on loans upon leaving university of a size unprecedented in the context of the UK.

Given the centrality of student loans in English higher education funding policy, is the prospect of these bigger loans likely to result in more young people considering not going to university because of the cost?

Access for All did find a statistically significant difference in attitudes to debt – measured through multiple attitudinal questions – among those who did and did not report that the cost of university had made them consider not applying:



However, after controlling for household income and multiple socio-economic and other characteristics, Access for All did not find a strong relationship between attitudes to debt and young people feeling concerned with the cost of university such that they had considered not attending, with the exception of the belief that 'owing money is wrong'.

What does this mean? Negative attitudes to debt are more frequently found among those young people who have thought about not applying to university because of the cost.

However, young people's debt attitudes – specifically, whether borrowing is an acceptable part of everyday life, concerns about being able to get out of debt once in it, and whether they believe student loans are a good deal or not - do not appear to be driving the financial concerns of the 34% of young people who reported concerns about the cost of higher education such that they had considered not applying.

Although the data does suggest that those who feel it is 'very wrong' to be in debt are far more likely to be put off, only a minority (around one in 10) young people hold this view.

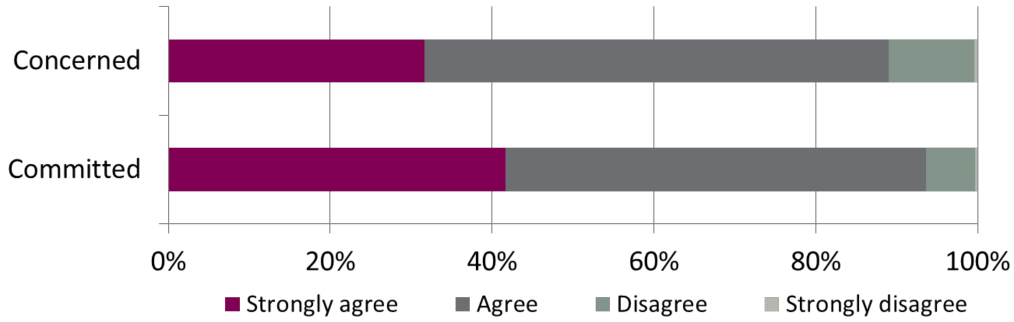
In conclusion, these **findings from Access for All suggest that although negative attitudes to debt are observable among young people, these negative attitudes do not drive them to consider deciding against university because of the cost. As such, although the 2012 reforms will leave students with bigger loans on graduation, the fact of higher loans is not incompatible with ensuring young people are not deterred from university by the cost.**

Nevertheless, it is important to note that nearly half of young people who reported feeling concerns with the cost of university also said that getting into debt and having to borrow money was a disadvantage of going to university. This is a statistically significant difference with those who did not report those concerns, among whom around 35% thought this a disadvantage.

‘Ability to pay’ loan repayments

The 2012 university funding regime applies ‘ability to pay’ as a central principle in determining lifetime costs of university: repayments are only made above a defined earnings threshold and – together with interest costs – are linked to level of graduate earnings.

Is this policy design choice supported by the findings of Access for All? The study did find that those young people with concerns about the cost of university were less likely to agree with the statement that getting a degree means you get better paid jobs in the future.

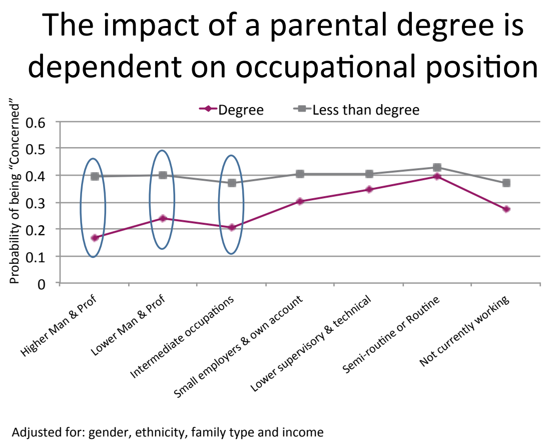


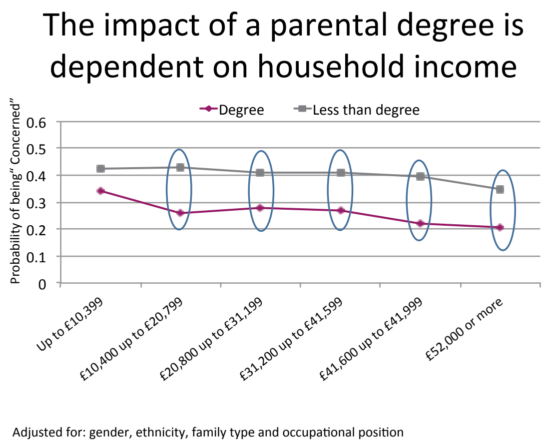
Getting a degree will mean you get better paid jobs in the future

Crucially, even after controlling for multiple other factors, the analysis found that those who disagreed with the claim that getting a degree means better paid jobs in later life were more likely to have financial concerns about the cost of university.

These findings appear to suggest a link between scepticism about the financial rewards of higher education and concerns about the cost.

This interpretation is also underpinned by findings in Access for All which found that although having a parent with a degree made young people less likely to feel concerned with the cost of university, this ‘protective effect’ was itself dependent upon the relative occupation-level and earnings of degree-educated parents. Put simply: if a young person’s degree educated parents earn a low salary not commensurate with their education, the fact their parents have a degree does not reduce their chances of having financial concerns.





These findings appear to show that variations in the ‘returns to investment’ of higher education that young people observe in their parents has a key influence on whether or not they have financial concerns with the cost of university.

Ensuring that the cost of university is income-contingent - i.e. the overall cost is proportional to level of earnings after university – and ensuring that young people are aware of this, therefore appears appropriate policy design given the way in which financial concerns appear linked to the ‘investment-risk’ of higher education.

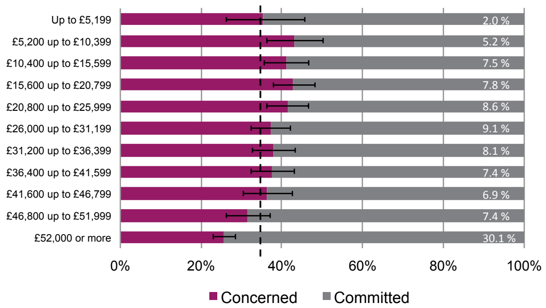
As such, **designing the loan repayment system – and linking the cost of higher education – to ‘ability to pay’ does appear to be the right approach for ensuring that young people are not put off university by the cost.**

Role of means testing in allocating financial support

A strong feature of the 2012 funding regime is the core role given to the means testing of household income in allocating financial support for the costs of university. Will this approach help ensure that young people are not put off university by the cost?

Access for All identified a significant relationship between household income and financial concerns with the cost of university.

Total Household Income



Association statistically significant at p<.05

Importantly, a statistically significant relationship between household income and concerns with the cost of university was also observable even when multiple other factors had been controlled for.

In addition, subsequent analysis found that among those who reported concerns at the financial cost of university at age 16, household income was also significantly associated with whether or not such ‘concerned’ young people did or did not go on to university.

As such, the **findings of Access for All do support the use of household income measures in allocating financial support for the costs of university to address young people’s concerns about the cost.**

Income thresholds for means testing and financial concerns

From September 2012, the amount available as a maintenance grant for those with parental income up to £25,000 increased to £3,250, but is then tapered at an 18% withdrawal rate, and no grant is therefore available to those with parental income above £42,600.

Various criteria have been used by the government to set these income thresholds. However, are these criteria appropriate given the government's aim of ensuring that young people do not feel put off university by the cost?

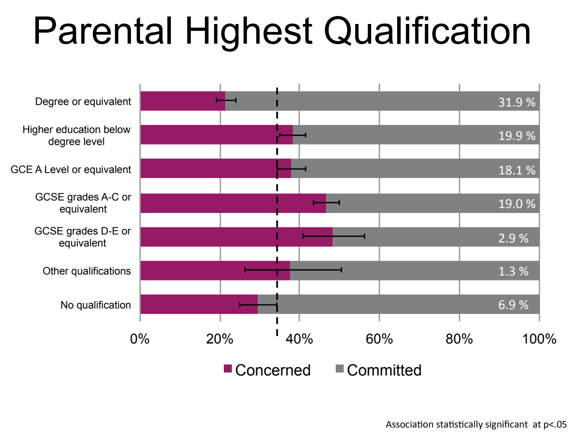
The findings of Access for All suggest that the statistically significant 'income threshold of concern' – the level of household income below which students are more likely to be concerned by the cost of university than average – was relatively high at around £46,800 (or £58,500 in 2013 prices) under the previous £3,000 tuition fee regime. Importantly, this is higher than the benchmark income used to determine eligibility to financial support following the 2012 reforms, i.e. around £42,600, which has also been accompanied by an increase in the cap on fee levels to £9,000.

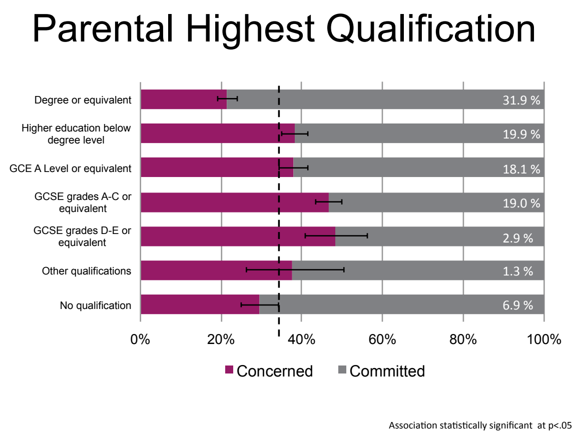
In short, the **findings of Access for All suggest student concerns with the cost of university may extend higher up the household income scale than current policy on means tested support takes account of. Policymakers may therefore wish to review the income thresholds and tapering rates applied in the 2012 reforms.**

Targeting concerned pupils via other household characteristics

Although household income is an important predictor of financial concerns with the cost of university, Access for All found two other notable household characteristics also display a significant relationship to financial concerns:

- Parental education – degree, A' level, O' level, etc.;
- Parental occupation – routine, semi-routine, managerial, etc.





Crucially, these factors continued to be significantly associated with financial concerns even after controlling for the influence of multiple other factors, including household earnings.

As such, although the principle of allocating financial support proportional to household income is central to the post-2012 university fees regime and the National Scholarship Programme, these **findings from Access for All do suggest alternative rationales for allocating some financial support for the cost of university by other household characteristics besides income, if the government wants to ensure young people are not put off university by the cost.**

For example, rather than relying solely on household income, awards made under the National Scholarship Programme, whether in terms of eligibility or level of award, could also be explicitly linked to parental education and parental occupation. In this way, such awards would provide a form of recognition that young people from households with lower levels of education or in less skilled occupations are 'taking a bigger leap' than other households. Such a move would also complement the increasing use of 'contextual' data on a young person's socio-economic characteristics by universities in reviewing applications.

Indeed, it is worth highlighting that such alternative approaches would help overcome a key limitation of relying solely on household income for the purposes of targeting financial support for the costs of university: any household income threshold is necessarily arbitrary in the context of wide disparities in earnings and the cost of living across England, and within regions.

Nevertheless, targeting households by parental education and occupation would clearly be more challenging than targeting via income using the tax and benefits systems. In this sense, income-based targeting of households represents a more feasible proxy measure than targeting education or occupation.

Informing young people about financial support

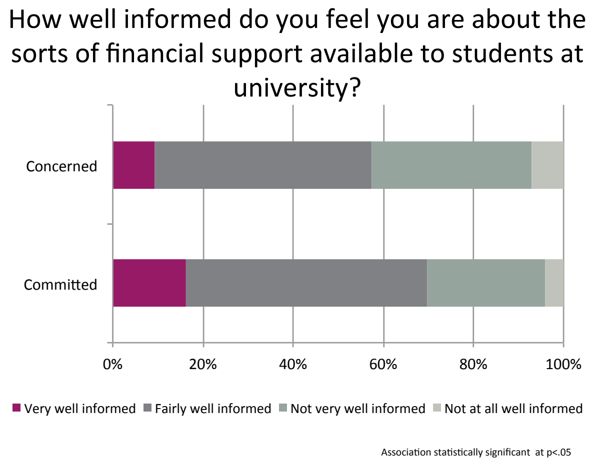
Financial concerns among young people regarding the costs of higher education may be reflective of a lack of knowledge about the financial support on offer. The 2011 BIS White Paper notes:

> "Potential students need high quality advice and guidance to make informed decisions about whether higher education is the right option for them and, if so, which route to take and what subjects to study to prepare them for their desired course."

Importantly, previous research has found that engagement with and use of information about the costs and benefits of higher education is associated with parental education. A Canadian experiment offered students a website with information about the costs and benefits of going to college, and found that the educational attainment of parents influenced the time students spent accessing information on the website. In particular, if a student had a father with a university degree, that student spent more time on the site than others.[11]

The analysis above has explored how the findings of Access for All support the design of the 2012 fee and loan regime, in terms of ensuring young people do not feel deterred from university by the cost.

However, to be effective, this regime and the financial support available will clearly have to be communicated to young people. In this context, it is particularly important to highlight the strong relationship identified by Access for All between young people reporting that they do not feel well informed about financial support available, and young people reporting that they have considered not applying to university because of concerns about the cost.



Importantly, this association remains even after multiple income and other socio-economic characteristics have been controlled for.

Indeed, among those who report feeling concerned with the costs of university at age 16, feeling not very well informed about financial support is also a significant negative predictor of not subsequently going to university. In short, this factor may affect not just financial concerns at age 16, but subsequent decisions to go to university, among those most concerned with the cost of higher education.

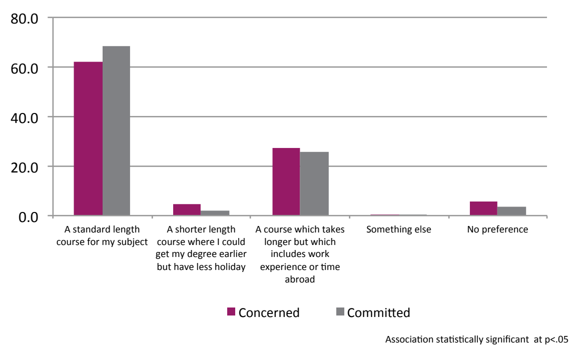
As a framework to ensure young people are not put off university by the cost, the **findings of Access for All underline that the 2012 reforms will be more successful if the financial support available is properly and effectively communicated to young people.**

This suggests that an important area of work for policymakers, universities and other stakeholders will continue to be developing, refining and implementing best practice mechanisms for informing young people about the financial support available as part of the 2012 reforms. Indeed, this finding provides support to the conclusion of Sir Martin Harris that the government and national agencies should redouble their efforts to provide better information on bursary packages, including raising awareness about the variability of bursary size.[12]

Choices around degree-type

Access for All found a small, but statistically significant relationship between young people reporting financial concerns at the cost of university, and being interested in non-standard degree lengths, or degrees that include a work experience component.

Type of degree course preferred



Although, the large majority of young people wanted to study the standard length of time for their subject of study, a sizeable minority said they would prefer a longer course with the option of work experience or time spent abroad, and those with financial concerns at the cost of university appear to be a little less likely to want to follow the standard route for their particular course.

Given the increase in average tuition fees since the LSYPE data analysed in Access for All was collected, **this finding suggests one consequence of the 2012 reforms may be increased interest in non-standard degree formats. Conversely, it suggests that for policymakers, ensuring such degree formats are available may be one way to address financial concerns among young people.**

Key points:

In summary, the findings of Access for All:

- Suggest that although negative attitudes to debt are observable among young people, these negative attitudes are not important drivers of feeling deterred from university by the cost. As such, although the 2012 reforms will leave students with bigger loans on graduation, the fact of larger loans is not incompatible with ensuring young people are not deterred from university by the cost.
- Support the use of household income measures in allocating financial support for the costs of university to address young people's concerns about the cost.
- Suggest student concerns with the cost of university may extend higher up the household income scale than current policy on means tested support takes account of. Policymakers may therefore wish to review the income thresholds and tapering rates applied in the 2012 reforms.
- Suggest alternative criteria for allocating some financial support for the cost of university by other household characteristics besides income, if the government wants to ensure young people are not put off university by the cost.
- Underline that the 2012 reforms will be more successful if the financial support available is properly and effectively communicated to young people.

3. Supporting Decision-making: Widening participation and other measures

The previous chapter used the findings of Access for All to evaluate and offer insights on the 2012 reforms to higher education financing in England, in particular, relating to the aim that no young person is deterred from university by the cost.

However, in addition to policies to support young people's participation in higher education, such as loans, grants, etc., ever since the original 2006 tuition fee reforms and the creation of the Office for Fair Access, policymakers have looked to the 'widening participation' (WP) agenda to ensure young people from lower socioeconomic groups do not feel deterred from university by the cost.

The WP agenda deploys both financial and non-financial interventions to influence young people's decision-making, particularly focused on exposing to a university environment those young people who may have little tradition or experience of higher education in their own family.

Indeed, although the 2012 reforms have been carefully designed to ensure that rational, cost-benefit analysis by young people would always see them unafraid of the costs of participating in higher education – via maintenance grants and income-contingent loan repayments - there is also deep and wide-reaching acceptance that social, peer and behavioural factors influence young people's decision-making. Various stakeholders have suggested that it is these influences on decision-making that explain variation in higher education participation among different groups.

In the context of the government's aim of ensuring that young people are not deterred from higher education by the cost, this chapter therefore reviews the 'widening participation' agenda to explore what the findings of Access for All suggest about the potential effectiveness of these activities for addressing young people's concerns with the costs of higher education.

WIDENING PARTICIPATION

The term 'widening participation' (WP) has been used since the Dearing Report in 1997 to describe policy measures and university activities that seek to address the under-representation of some groups in higher education, or certain types of institution.

The Higher Education Funding Council for England (HEFCE) provides funding to universities and colleges specifically for WP activities. In 2011-12, HEFCE funding for WP activity totalled around £368 million, comprising three distinct streams: widening access (£129 million); improving retention (£226 million); and disability (£13 million).[13] Data from the Office for Fair Access suggest total spending in 2011-12 on WP activities was around £612 million.[14]

Those universities wishing to charge more than £6,000 in tuition fees must draw up ‘access agreements’ regarding both the financial support for students they will provide, but also outreach work such as summer schools. These ‘access agreements’ require approval by the Office for Fair Access if universities are to charge higher fees.

In a survey of 104 HE institutions, Bowes L et al. (2013) found that the most common WP activities were:[15]

- Campus visits (open days, taster days, master classes) with schools and colleges (90);
- Visits to secondary schools and colleges to raise aspirations (89);
- Provision of information, advice and guidance to schools and colleges (86);
- Work to improve progression to the institution (79);
- Summer schools other residential activities (70);
- Preparation for HE study (69);
- Visits to secondary schools and colleges to improve attainment (66);
- Mentoring of target groups within schools and colleges (61);
- Work in primary schools (51).

The researchers also noted that a total of 80 out of 104 respondents reported that their institution targeted individuals from low participation neighbourhoods measured using the classification method (POLAR) that HEFCE uses to allocate WP funding. A further 69 universities target individuals with low socio-economic status (SES) based on parents’ occupational classification and 68 target state secondary school pupils.[16]

Many HE Institutions now have a specific WP-strategy, often run from a distinct business unit within the organisation. This reflects the fact that institutions have been encouraged to define their own priorities and approach. Following this national survey, Bowes L et al. (2013) conclude:

> “A wide range of factors shape and influence WP priorities but they are, to a large extent, determined by the nature of the institution, the composition of the local population, the existing student body and the available resources... Institution type has an impact on the strategy and approach to WP. Inclusive and small institutions are typically more focused on improving retention; selective and specialist institutions tend to be more concerned with widening access.”
>
> Source: Bowes L et al. (2013)

How effective have WP activities been over the last decade? Some one-off studies have been able to evaluate specific interventions. For example, a recent study to evaluate the effects of a bespoke ‘information campaign’ providing simple facts about economic and financial aspects of educational decisions was able to measure a discernible effect on young people’s attitudes to the benefits of higher education.[17]

Many institutional providers have implemented systems designed to track and monitor their widening participation activities; however, systematic evaluation of the full breadth of widening participation activity is made difficult by:

- Limited availability of evidence that looks at the impact systematically over the long-term;
- Variation in individual schemes and overall programmes across institutions making it hard to disaggregate the impact of individual measures;

- A tendency for universities to focus on their local communities, the characteristics of which influences their activities.

Bowes L et al. (2013) therefore argue for the “introduction of an evaluation framework to enable institutions to systematically capture data and demonstrate the impact of their activities across all stages of the student lifecycle.”[18] This point was also made by Alan Milburn as the Independent Reviewer on Social Mobility and Child Poverty, who noted: “Hundreds of millions of pounds are spent each year on access initiatives, and there are some outstanding examples of good practice. It is unacceptable, however, that a more robust evidence base on what works has not been developed.”[19] In part to address such issues, HEFCE and the Office for Fair Access are developing a national strategy for access and student success, which is due to be published in late 2013.[20]

EVALUATING WIDENING PARTICIPATION AND OTHER ACTIVITIES: ACCESS FOR ALL

The findings of Access for All can be used to provide insights on the targeting and design of measures under the WP agenda in relation to the government’s aim of ensuring young people are not put off university by the cost.

However an important caveat should be noted from the outset: the findings of Access for All relate to young people aged 16 to 17 who had achieved a Level 2 qualification, and who had expressed a desire to go to university. As such, the WP agenda seeks to target a broader group of young people than the narrower group under study in Access for All, i.e. all young people with the academic potential to go to university, rather than just those who have expressed a desire to do so.

Targeting WP activities

As described in the previous chapter, financial support for the cost of university is typically targeted by household income. As part of the WP agenda, most universities apply the POLAR method in targeting outreach activities. Do the findings of Access for All suggest other characteristics for targeting could be used?

The findings of Access for All suggests financial concerns with the cost of university may be associated with various characteristics:

- Parental education;
- Parental occupation;
- Tenure (i.e. living in owner-occupied housing, social housing, etc.);
- Study and degree preferences;
- Those most focused on degree as key to employment;
- Doubts about the value of university education;
- Parental preparedness for their children to go to university;
- Parental involvement in child’s school life.

As such, targeting young people with WP activities using these attitudes or characteristics may also be potentially effective, in order to minimise the number of young people who feel put off university by the cost.

Individual identity

Access for All also found ‘identity effects’ influencing concerns with the cost of university.

Young people were asked how much they agreed with the statement “People like me don’t go to university”. Given respondents had already been successful in Key Stage 4 and had already expressed an intention to attend university, unsurprisingly, over 90% disagreed with this statement. However, more pertinently, the strength of disagreement differs considerably between those with and without financial concerns. 62% of ‘committed’ young people strongly disagreed compared to just 40% of those who were concerned about cost. Even after controlling for gender, ethnicity and social background, the research found that young people who strongly disagreed with the statement “people like me don’t go to university” were significantly less likely to report financial concerns with higher education.

As such, these findings suggest a strong link between concerns at the cost of university, and self-identity factors, perhaps because young people who identify themselves as different to those who go to university doubt their ability to ensure this would be financially rewarding.

These results therefore **suggest WP activities that identify individuals who think people like them don’t go to university, and which actively seek to challenge these views, may be effective in reducing the prevalence of young people who feel concerned with the cost of university.**

Role of peers

Access for All found that ‘peers’ were an important predictor of financial concern at the cost of university. Even after controlling for socio-economic and other characteristics, the research found that those who strongly agreed with the statement “most of my friends are planning to go to university” were significantly less likely to have concerns with the cost of going to university.

Conversely, subsequent analysis of the decision of whether to participate among those who had previously reported financial concerns found that those who decided against university were significantly more likely to report that few of their friends had gone to university.

These **findings suggest that the financial concerns of young people are related to the decisions and choices of their peers, i.e. financial concern is peer-influenced, and young people may be relatively protected from financial concerns when their peers are also planning to go to university. As such, policymakers should emphasise and further explore WP measures that use peer-influences and groups – such as the creation of networks among young people who are considering participating in higher education - which are able to recreate and deploy such peer influences. Access for All suggests such approaches may be effective in insulating young people from concerns with the cost of higher education.**

Parental expectations

Access for All was able to identify a significant relationship between young people's financial concerns with the cost of university, and a range of parental attitudes and behaviour.

The parents of "concerned" young people were much less likely to report their child as *very likely* to go university than the parents of non-concerned young people.

Importantly, this relationship remains significant even after controlling for a variety of social and economic characteristics.

These findings **underline the importance of parental expectations in potentially shaping young people's attitudes to the cost of university, and suggest that WP activities should include parents. These activities could include targeting those who do not expect their children to go to university, and measures by schools to actively challenge these views.**

Role of teachers

Even after controlling for a range of individual and social characteristics, Access for All found that among those who reported concerns with the cost of university at age 16, those who did in fact go on to university were far more likely to have spoken to their teachers about their future during the previous 12 months during Key Stage 5, than those who didn't.

This **finding, which is independent of socio-economic characteristics, does suggest that teachers can play an important role in young people overcoming their concerns with the cost of university, and teachers will therefore likely be an important agent in the effectiveness of WP activities.**

Key points:

In summary, the findings of Access for All:

- Suggest that the financial concerns of young people are related to the decisions and choices of their peers, i.e. financial concern is peer-influenced. As such, policymakers should further emphasise and explore WP measures that deploy peer-influence and groups.
- Underline the importance of parental expectations in potentially shaping young people's attitudes to the cost of university, and suggest that WP activities should include parents. These activities could include targeting those who do not expect their children to go to university, and measures to challenge these views.
- Confirm that teachers can play an important role in young people overcoming their concerns with the cost of university, and teachers may therefore be an important agent in the effectiveness of WP activities.

4. Achieving Access for All

The previous chapters evaluated the 2012 reforms to student financing and the 'widening participation' agenda in light of the findings of Access for All.

As described in the introduction, Access for All found that 34% of young people surveyed for the fourth wave of the Longitudinal Study of Young People in England (LSYPE) who were academically qualified and had an expressed an interest in higher education reported they had considered not applying because of the cost. Subsequent surveys of similar young people following the 2012 reforms may be expected to find a higher prevalence of concern with the costs of university.

Using the findings from this research, this chapter asks the question: how can policymakers ensure academically qualified young people do not feel deterred from university by the cost?

1. Do more to understand and address subjective influences on young people's perceptions of the returns to higher education

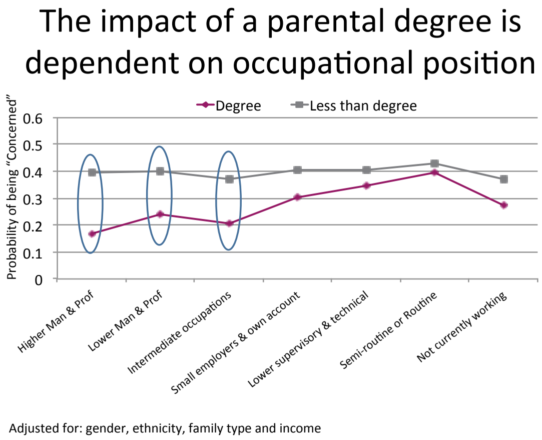
Behavioural economists identify two types of decision-making processes:[21]

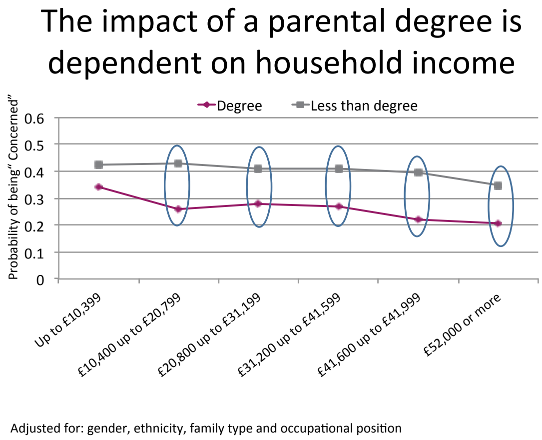
- System 1 thinking involves intuition, unconscious reasoning and the influence of experiences, emotions and memories;
- System 2 thinking involves conscious reasoning, judgements based on critical examination, and logical reasoning.

Public policy on student financing in England implicitly recognises the role of both types of decision-making among young people considering higher education:

- The 2012 reforms involve various measures, notably income-contingent loan repayments, which significantly reduce the 'investment risk' posed by participation in higher education, and appeal to the capacity of young people for rational, cost-benefit analysis;
- Means tested financial support and activities under the 'widening participation' agenda recognise the potential influence of socio-economic factors on decision-making, such as the educational decisions of peers.

In this context, one of the most notable findings of Access for All is the apparent subjective influence on financial concerns that young people experience: although children of degree-educated parents are significantly less likely to feel concerned by the cost of university, the power of this 'parental education effect' is itself determined by parental earnings and occupation.





In short, if a young person's degree educated parents earn a low salary not commensurate with their education, the fact their parents have a degree does not reduce their chances of having financial concerns.

This finding suggests that **young people certainly do engage in a cost-benefit analysis of participation in higher education, but this analysis is informed by subjective influences and experiences**. These subjective influences and experiences include the financial and occupational rewards of higher education experienced by others, in particular, their parents, but there may well be other influences which were not recorded in the LSYPE questionnaire.

Previous international research has highlighted that the perceived 'rate of return' to higher education has a significant effect on the students' intention to pursue higher studies.[22] A UK study using first-year HE students – who had already decided to attend university – found that students perceive higher education to be a profitable investment, but that perceived rates of return vary by gender as well as by country and place of study.[23]

It is clearly important for policymakers to ensure young people have access to information on the financial rewards of higher education, and recent UK research has identified the potential effectiveness of information campaigns on the value of higher education.[24] However, more broadly very little research exists in relation to young people in England on the determinants of perceptions of rate of return to higher education

In order to minimise the prevalence of young people who feel put off university by the cost, the findings from Access for All therefore suggest that policymakers should:

- **Undertake further research to understand how the perceived rewards to higher education are influenced by parental experiences and other factors**;
- **Identify and seek to address the full range of 'subjective' factors influencing perceived rewards to higher education among young people**;
- **Ensure young people do have access to appropriate information on the financial rewards to higher education**.

Importantly, the results of Access for All suggest the mere provision of information to young people, as well as the introduction of income-contingent loan repayments, may not be adequate. Rather, policymakers need to identify and address the individual, subjective factors that lead young people to doubt whether higher education will be a sound financial investment for them.

2. Direct more policy interventions and resources toward parents

Multiple findings from Access for All indicate the importance of parental factors – their characteristics, experiences, attitudes and behaviour - in determining whether or not young people feel deterred from university by the cost:

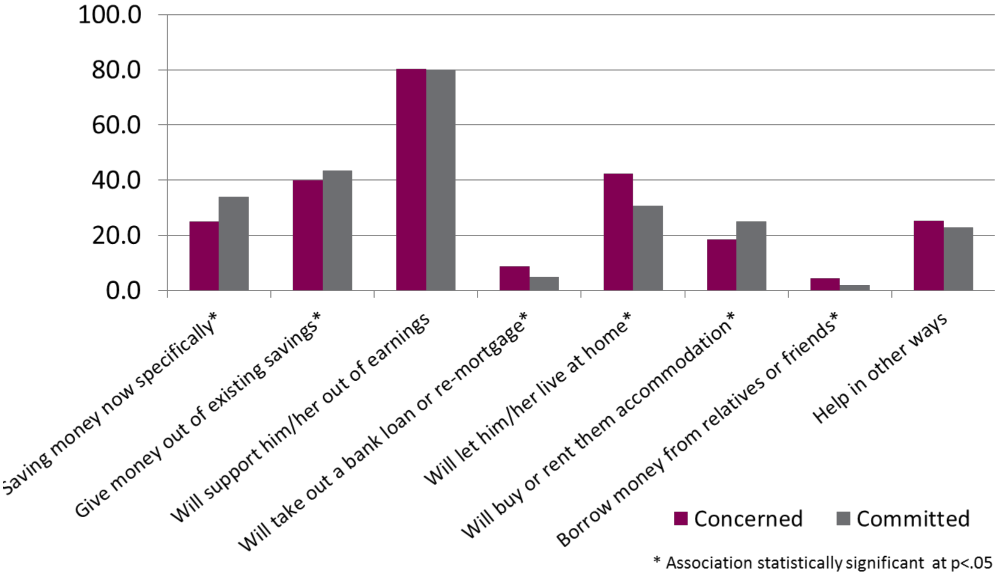
- Parental education, earnings and occupation are all predictors of young people's financial concerns with the costs of university;
- The 'return on investment' of a degree for parents, i.e. whether 'graduate parents' are in 'graduate jobs', is independently associated with how likely it is their children will have concerns at the cost of higher education;
- Parental expectations (at Year 9) of their child going to university are independently associated with whether or not a child has financial concerns at Year 11.

These findings should be no surprise, but underline the multiple ways in which a young person's attitude to the cost of university following the 2012 reforms may be influenced by parental attitudes, perceptions and knowledge of student financing. Indeed, it can be hypothesised that young people are unlikely to be convinced of the financial rewards to higher education if their parents are not also convinced; more likely, parents and children will tend to hold similar attitudes.

Importantly, parents may be both passive or active agents of influence. For example, a degree-educated parent earning a non-graduate salary may be simply a 'case study' to their child, or such a parent may deliberately seek to warn their child against university on the basis of their experience.

In this regard, it is particularly important to note differences among parents of young people with and without financial concerns in preparing for financing their child's higher education, even if such differences are not independent associated with financial concerns.

Among parents who reported their child was at least *fairly likely* to go to university, the LSYPE then asked whether they were saving or making other financial arrangements to help with costs. Access for All found that just under half of all parents said that they were, with the parents of committed young people a little more likely to be doing so than the parents of concerned young people. Around 80% of the parents whose children were studied by Access for All expected to be providing financial support to their children at university. The most prevalent strategy parents said they would use to help support their child was directly through current earnings:



What parents are likely to do if their child goes to university

Other prevalent strategies include using existing savings, saving now in preparation, and in addition, allowing their child to continue to live at home, or buy/rent their accommodation for them. Parents of 'concerned' young people were more likely to report that they would let them live at home and a little less likely to save money now, use existing savings, or buy/rent their accommodation for them.

These findings underline the extent to which among parents who expect their children to go to university, their participation in higher education is regarded as an economic activity affecting the whole family.

The 2012 reforms

The 2012 reforms to student financing in England will see young people expected to take on far larger loans than previous cohorts.

However, in addition to being a challenge to young people, the extent of financial preparedness among parents suggests this historic change also represents a challenge to parents.

Indeed, many parents may be uncomfortable with the notion of having children who in effect have larger loans than they have, and it is clear from the findings above that even in the context of the 2006 fee regime, many parents saw contributing to the cost of higher education as their responsibility. Indeed, it can hypothesised that some parents may be against their children going to university precisely because they are worried about having to ultimately meet the cost themselves, or because they feel bad about not being able to meet these costs upfront.

These findings, and more broadly the notable influence of parental factors on whether or not young people report feeling put off university by the costs, all suggest that in addition to focusing interventions on young people, policymakers should be just as focused on parents, for whom the post-2012 student finance regime is also new and potentially challenging.

In this context, a striking feature of both the WP agenda and student finance policy more broadly is the extent to which it is focused on young people themselves, rather than their parents.

Importantly, adult parents often have a longer time horizon and better understanding of the jobs market, than adolescent teenagers. This means that policy interventions to address the role of parents in influencing young people's attitudes to the cost of university do not have to be concentrated in the years immediately prior to a young person's application.

In short, rather than simply targeting financial support and WP activities by parental characteristics, the findings of Access for All do suggest that policymakers should make parents themselves a significant target of policy intervention.

As such, **the government should:**

- **Make knowledge and understanding of the 2012 student financing regime among parents a specific policy objective alongside equivalent policy aims in relation to young people;**
- **Undertake a bi-yearly survey to measure and track knowledge of different aspects of the 2012 reforms, such as 'ability to pay' loan repayments, among the adult population in England;**
- **Identify and pilot relevant interventions using key 'touch points' with parents, such as the provision of information and material on student financing support at school meetings or, as US pilots have explored, assistance with tax returns.**[25]

As an example of positive interventions, Wyness G (2012) argues government data on parents receipt of child tax credits or income support could easily be used to calculate the maintenance grant and loan eligibility of their children, and that such information could be included on the parents tax credit statement.[26] More broadly, employers may also have a role in workplace interventions to inform parents about the financial support that students are entitled to, and options to defer payments and income-contingent repayments. In this regard, it is important to note the activities of the Independent Taskforce on Student Finance Information, headed by the financial journalist, Martin Lewis, which pioneered a range of informational interventions to promote understanding of the 2012 student finance reforms, including student finance calculators, lesson plans and online videos.[27]

3. Strengthen the influence of teachers

Access for All found that among those who had financial concerns at the cost of university at Year 11, receipt of information and advice from teachers is independently, positively associated with a subsequent decision to go to university, even after controlling for parental earnings, education and other factors. More than any other factor identified in the analysis, guidance from teachers had a positive influence on the choices of those with financial concerns.

As with parental influences, the potential role of teachers should not be a surprise, but the strength of this finding reinforces the crucial role of teachers in shaping young people's decisions about higher education.

Many schools have careers advisers or designated teachers with responsibility for offering advice on university applications. However, there is an absence of evidence regarding whether the teachers with the most influence on young people are those with designated 'advice' or 'HE' responsibilities, or in fact, individual teachers who happened to have developed mentoring-type relationships with individual pupils.

Given the important potential role of guidance from teachers for those with financial concerns at the cost of university identified by Access for All, policymakers should evaluate and target the level of knowledge and understanding of these reforms across the whole teacher workforce.

As with parents, it is important to underscore that, secondary school teachers will have personal experience of an entirely different student finance regime to that implemented in 2012. Some teachers may themselves hold negative attitudes to having loans, and may struggle, despite their potentially influential role, to offer advice a decision that has such important financial consequences.

For these reasons, **the government should:**

- **Undertake more research into which teachers young people consult about their decisions on higher education;**
- **Survey secondary school teachers regarding their understanding and knowledge of the 2012 reforms;**
- **If appropriate, require those teaching Year 12 and 13 students to undertake training or courses on the post-2012 student finance regime.**

Key points:

The findings from Access for All therefore suggest that policymakers should:

- Undertake further research to understand how the perceived rewards to higher education are influenced by parental experiences and other factors;
- Identify and seek to address the full range of 'subjective' factors influencing perceived rewards to higher education among young people;
- Ensure young people do have access to appropriate information on the financial rewards to higher education;
- Make knowledge and understanding of the 2012 student financing regime among parents a specific policy objective alongside equivalent policy aims in relation to young people;
- Undertake a bi-yearly survey to measure and track knowledge of different aspects of the 2012 reforms, such as 'ability to pay' loan repayments, among the adult population in England;

- Identify and pilot relevant interventions using key ‘touch points’ with parents, such as the provision of information and material on student financing support at school meetings or, as US pilots have explored, assistance with tax returns.[28]
- Develop a much broader public information campaign to ensure awareness of, and positive attitudes toward, the full breadth of student finance reforms introduced in 2012;
- Undertake more research into which teachers young people consult about their decisions on higher education;
- Survey secondary school teachers regarding their understanding and knowledge of the 2012 reforms;
- If appropriate, require those teaching Year 12 and 13 students to undertake training or courses on the post-2012 student finance regime to ensure teachers understand, for example, the role of income-contingent loan repayments.

5. Conclusion

Access for All exploited the opportunity to use high-quality longitudinal data on young people in England to understand which young people feel deterred from university by the cost and why.

This discussion paper has explored the implications of the findings of Access for All for current policy design, and the efforts of policymakers to minimise the prevalence of young people being put off university by financial considerations in the wake of the 2012 reforms.

Although Access for All analysed data on a preceding cohort of young people, the insights it has provided into influences on young people's attitudes are nevertheless highly pertinent and valuable in the wake of the 2012 reforms.

Overall, the findings of Access for All underline the need for a rigorous, evidence-based, conception and understanding of young people's decision-making processes around higher education, and the full range of influences on these decisions. As critics of financial inducements targeting poorer students have previously noted, such young people "focus on local universities, and… eschew those that are seen as incompatible with their own values and norms."[29] Policymakers need to understand not just how young people perceive the costs and benefits of higher education, but wider choices around location, subject and living arrangements.

The transition to a regime of £9,000 annual tuition fees and income-contingent loans for English students represents an historic change - relating to both 'who pays' for higher education, and the role of the state in protecting individuals from the 'investment risk' associated with going to university - that many people in society will find new and challenging. The 2012 reforms have been designed to ensure that higher education remains a sensible, rational investment. However, as Access for All shows, young people – and by extension, wider society – undertake complex judgements drawing upon a range of facts, experiences and perceptions that are individual to them. In this sense, the 2012 student finance regime requires policymakers to not just inform young people and target financial support, but to manufacture new social 'norms', perceptions and expectations around higher education. Achieving Access for All and the research it draws upon indicates the scale of this challenge.

Appendix: The 2012 Reforms to Tuition Fees and Financial Support

The government wants to ensure that no school pupils are put off university by the cost.

This Appendix therefore reviews:

- The background to the current tuition fee policy during 1998-2012;
- The 2012 reforms to tuition fees, loans and means tested financial support;

BACKGROUND TO CURRENT TUITION FEE POLICY: 1998-2012

For many years, undergraduates at higher education institutions in the UK paid no tuition fees. However, by the late 1990s, several factors directed policymakers to the introduction of tuition fees for undergraduates:

- It had become clear that UK universities had inadequate resources, with real funding per student nearly halved in the two decades up to 2000;[30]
- Various commentators felt that the introduction of tuition fees as 'price signals' in a higher education market would also serve a useful purpose in stimulating competition and quality improvements;
- Labour market economists also pointed to the need to increase participation in higher education in order to increased productivity in the workforce, which in turn would require more private or public funding.

However, the earliest reforms to university tuition fees were relatively cautious: in 1998, the government introduced up-front means tested tuition fees of £1,200 affecting all but the least well-off students.

Nevertheless, by the mid-2000s, there was still concern that student financial support was inadequate, English universities were under-funded, and that lower socio-economic groups were under-represented.

Further reforms were therefore implemented in the 2004 Higher Education Act, coming into effect for the 2006-7 academic year:

- The cap on tuition fees increased to £3,000 per year and ceased to be means tested;
- Instead of being payable up front, students could defer paying for their tuition fees until after graduation, with specific tuition fee loans available at a zero real interest rate, repayable according to income (at 9% above a threshold of £15,000);

Raising the cap on tuition fees to £3,000 sharpened concerns that this would deter poorer students. For this reason, the 2006 reforms also saw the creation of the Office for Fair Access

(OFFA), with the central objective of ensuring that higher fees did not inhibit equity of access. Where universities wanted to increase their fees above the previous level, they had to draw up an 'access agreement' demonstrating how 'fair access' would be ensured, and requiring approval by OFFA. Universities also became required to offer bursaries to students from low-income backgrounds of at least £300 per year.

What was the effect of the 1998 and 2006 reforms on participation?

Detailed quantitative analysis by Crawford (2012) for this period found that HE participation increased, particularly for those from more deprived backgrounds. Indeed, between 2004-05 and 2009-10, the gap in HE participation between those from the top and bottom socio-economic quintile groups fell from 40.0 percentage points to 37.3 percentage points.[31]

Nevertheless, as Crawford notes, these outcomes potentially reflect multiple factors, including improvements in performance in school tests among more disadvantaged groups, changes in the financial support on offer to poorer students to encourage participation in higher education, and an enhanced focus among schools and universities on widening participation. More broadly, the period under study featured significant investment by government and HE institutions in widening participation activity. As such, while the introduction of university tuition fees may have had an independent negative effect on participation rates, other factors may have also acted to counteract this negative effect.

CURRENT FEES AND RELATED FUNDING POLICY

Despite the changes represented by the 2006 reforms, the government still regarded further reforms as necessary and commissioned the Independent Review of Higher Education Funding & Student Finance chaired by John Browne ('Browne Review') to look at the issues again.[32] The Browne Review identified a number of challenges to the reforms of the previous decade:

- No change in the balance of contributions between private individuals and the taxpayer;
- Investment insufficient to deal with the international challenge;
- Insufficient number of student places;
- No resilience against future reductions in public spending;
- Limited progress on fair access;
- Inadequate support for part time students;
- Higher education system not responsive to the changing skills needs of the economy;
- Limited improvements in the student experience.

The proposals of the Browne review, which formed the basis for further reform, were therefore built around six principles:

- 1: There should be more investment in higher education – but institutions will have to convince students of the benefits of investing more;
- 2: Student choice should increase;
- 3: Everyone who has the potential should have the opportunity to benefit from higher education;
- 4: No student should have to pay towards the costs of learning until they are working;

- 5: When payments are made they should be affordable;
- 6: There should be better support for part time students.

The government published its response to the Browne Review in 2011 in the form of a White Paper - 'Students at the Heart of the System' – that laid the ground for the implementation of further reforms in 2012. The principal components of these reforms were as follows:

- Increased cap on tuition fees;
- Tuition fee loans;
- Maintenance grants;
- Maintenance loans;
- Revised rules on loan repayments and interest costs;
- National Scholarship Programme to benefit individual students from disadvantaged backgrounds directly as they enter higher education.[i]

Increased cap on tuition fees

The government lifted the cap on deferred university tuition fees from £3,375 per year to £9,000 in September 2012.

However, those universities wishing to charge more than £6,000 per year in tuition fees remained required to fund and engage in activities to widen participation – i.e. increase participation amongst individuals from poorer or non-traditional backgrounds – under the supervision of the statutory Office for Fair Access (OFFA).

Tuition fee loans

A university student may now apply for a loan to cover all or part of the cost of tuition fees. The tuition fee loan is a non-financially assessed loan to meet the cost of tuition fees, payable to the Higher Education (HE) provider. The maximum amount of tuition fee loan available is either the amount of tuition fees charged by the institution or the maximum set out by government, whichever is less. In this way, students can defer the entire cost of their tuition fees until after graduation and they are earning above a defined threshold, or, they may opt to pay the entire amount up-front if they have the resources.

Previously, tuition fee loans did not accrue interest costs during study or after graduation. However, since 2012, tuition fee loans have accrued interest costs. During study, the interest rate is 3%.

Tuition fee loans are repayable through income contingent repayments, as set out below.

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[i] In the 2013 Spending Review, the government announced:
2.32 The Government will refocus the National Scholarship Programme to support postgraduate students from disadvantaged backgrounds. The £50 million fund will be administered by the Higher Education Funding Council for England (HEFCE). HEFCE will allocate the money competitively to higher education institutions, and will attract additional scholarship funding from the private sector or from the institutions' own resources.
2.33 In higher education, student maintenance grants will be maintained in cash terms in the 2015-16 academic year saving £60 million. At least £45 million will be saved through asking HEFCE to reprioritise teaching grant spend. In further education at least £260 million savings will be made by prioritising higher value qualifications, and reducing non-participation spending.

Maintenance grants

A maintenance grant is non-repayable financial support from the government for students from poorer families, to provide help with accommodation and other living costs.

From September 2012, the amount available as a maintenance grant for those with parental income up to £25,000 increased to £3,250, but is then tapered at an 18% withdrawal rate, and no grant is therefore available to those with parental income above £42,600.

Maintenance loans

A maintenance loan is the main student loan product for living costs for full-time undergraduate students. Maintenance loans comprise:

- A non-financially assessed portion which all students who are eligible for the loan can receive;
- A financially assessed portion, which depends on household income; and
- A provision for extra weeks study, which is also financially assessed.

The value of maximum entitlement for a maintenance loan is determined by place of residence, (parental home, away from parental home or away from parental home in London), year of course (final or non-final), and entitlement to other financial support.

From 2012, those with parental income of up to £25,000 per year are entitled to loans of:

- £3,875 if living away from home outside London;
- £2,750 if living with parents;
- £6,050 if living away from home in London;

Beyond parental income of £25,000 per year, the amount that students can borrow as a maintenance loan increases by 50p for every £1 reduction in maintenance grant until parental income reaches £42,875.

Maintenance loans accrue interest both during study and following graduation on the same basis as tuition fee loans.

Loan Repayments

Tuition fee and maintenance loans are repayable through ‘income contingent repayment’ at a rate of 9% of earnings.

The background to income-contingent loans

It is generally agreed that for reasons of equity and fairness, the amount that students pay for higher education should be proportional to ability to pay. However, this simple principle provides a dilemma to policymakers in relation to what stage in someone's life their ability to pay is assessed. Barr (2004) sums up the 'ability to pay' dilemma as follows:[i]

> "Should it be based on current income – i.e. on where people start? The strategy to which this leads is support for people whose family is poor, even if recipients end up becoming rich. Or should ability to pay be based on future income – that is, on where people end up? This approach leads to finance based on income-contingent loads or graduate taxes, with more generous support, ex post, where someone derives little financial benefit from his or her degree."
>
> Source: Barr N (2004)

Previously, the earnings threshold for loan repayments was £15,795. However, in 2012, this increased to £21,000 (in 2016 prices). The government also increased the repayment term on loans from 25 to 30 years. Loans outstanding beyond this point are written off by the government.

Following the 2012 reforms, loans for tuition fees and maintenance are only paid back when someone is earning more than £21,000. Each month a graduate will pay back 9% of any income over £21,000.

Income per year	Monthly repayments
£21,000 and under	No repayments
£25,000	£30
£30,000	£67
£40,000	£142
£50,000	£217
£60,000	£292

The interest rate on loans is also variable:

Income	Interest rate
While studying	Rate of inflation (Retail Price Index) plus 3%
£21,000 or less	Rate of inflation
£21,000 to £41,000	Rate of inflation plus up to 3%
£41,000 and over	Rate of inflation plus 3%

The three key facets of the post-2012 student loan regime – earnings threshold for repayment, variable interest rates, 30-year write-off – are designed to ensure that the amount individuals pay to go to university is linked to 'ability to pay' over their working-life. For young people considering university, the 'guarantee' provided by this repayment framework is effectively: "your repayments will be affordable."

Indeed, the post-2012 repayment framework effectively represents a ‘guarantee on investment return’: students only have to pay for the cost of higher education if their earnings rise above a defined level during their working life. Indeed, if a graduate’s earnings are lower than expected, they will pay less. If a graduate spends time out of the labour market owing to illness or caring responsibilities, they do not have to make repayments during this time.

National Scholarship Programme to provide means tested financial support

In addition to the maintenance grant, the 2012 reforms saw the government bring together various items of means tested, non-repayable financial support.

Previously, universities were required to award a bursary of at least £347 per year to students from the poorest background, defined as those eligible for the full potential value of the maintenance grant.

However, universities were also allowed to offer more than this amount, and were allowed to offer bursaries to those from households with parental income above that required for full maintenance grant eligibility. This system was therefore complex, variable and not consistently transparent.

The unforeseen ‘market’ in bursaries

Under the system of fee waivers and loans that preceded the National Scholarship Program, various commentators identified that in the absence of a university marketplace built around meaningful variations in fee levels, “a form of market in bursaries has… arisen, with variations in the effective prices of courses, both within and between universities.”[i] As such, various criticisms have been levied at bursaries and tuition fee waivers.

- Universities have used bursary schemes as a device to differentiate their academic ‘product’;
- Given the complexity and diversity of bursaries on offer, students have inadequate information with which to make choices;
- Because fewer low-income students apply to elite universities, these universities have been able to offer proportionally more generous bursaries to those that do apply;
- Deadweight costs – among high-achieving applicants from low-income households, many will not be particularly affected by whether a bursary is available.

As a result, the Office For Fair Access (OFFA) concluded in 2010 that “the introduction of bursaries has not influenced the choice of university for disadvantaged young people”, and “applications from disadvantaged young people have not changed in favour of universities offering higher bursaries”.[i]

In part, the National Scholarship Programme introduced in 2012 has sought to simplify means tested financial support for students by capping at £1,000 the value of tuition fee waiver and bursary per year per qualifying student.

Under the 2012 reforms, the previous bursary system was replaced by the National Scholarship Programme (NSP). Each eligible full-time student awarded a scholarship will receive a benefit of not less than £3,000. The Government has provided a 'menu' of options from which institutions may choose how to offer their scholarships:

- A fee waiver or fee discount;
- A free or discounted foundation year;
- Discounted accommodation or other similar institutional service;
- A financial scholarship/bursary, capped as a cash award at £1,000.

The purpose of the National Scholarship Programme (NSP) is to provide a direct benefit to individual, eligible students from disadvantaged backgrounds as they enter higher education.

The Government's contribution to the programme will be £100 million in 2013-14 and £150 million from 2014-15.[33] Higher education institutions that wish to charge more than £6,000 per year for any of their full-time fees (or above £4,500 for part-time fees) are expected to match the government's contribution at a ratio of at least 1:1.

Clearly, the policy value of the NSP will only be realised if potential applicants know of it and understand it. The Higher Education Funding Council for England (HEFCE) therefore encourages institutions to put details about the NSP alongside information about other institutional/course bursaries, scholarships and awards for which applicants might be eligible, to ensure that NSP applicants do not overlook other opportunities for support. HEFCE says such information should include:

- The total number of scholarships the institution intends to award
- The total value of each scholarship
- The number of years each scholarship would be awarded for
- The national and institutional eligibility criteria (if it is likely that an institution will have more students meeting its eligibility criteria than it will have scholarships to award, then it should clearly state that meeting the eligibility criteria will not guarantee receipt of a scholarship)
- The application process for full- and part-time applicants
- How the scholarship will be awarded (for example tuition fee waiver/reduction, free foundation year, discounted accommodation); if institutions intend to offer a number of models the relevant information must be provided for each model
- How the NSP relates to and interacts with the rest of the institution's student support arrangements.

Source: HEFCE (2012)

Tuition fee waivers are available to UK and EU undergraduate students whose household income is £25,000 or less. Students eligible for the full £3,000 scholarship can opt to receive up to £1,000 in the form of a fee waiver, and up to £1,000 in the form of a cash bursary for maintenance costs.

EVALUATION OF THE 2012 REFORMS

Although the 2012 reforms are still relatively new, analysis of the reforms has been undertaken using administrative and social survey data in relation to three sets out of outcomes:

- Competition through variable fees;
- Distributional consequences of the 2012 reforms to financial support;
- Participation rates following reform.

Competition through variable fees

Although the 2012 reforms allowed universities to set annual tuition fee levels at any level below £9,000 per year, the government was surprised at the proportion of universities who opted to set their fees at the maximum level. One explanation proposed for this has been that universities are mindful of the 'signalling effect' regarding their quality, status and reputation that a lower tuition fee would send to potential students.

Distributional consequences of the 2012 reforms to financial support

In detailed modelling of the 2012 regime of fees and financial support, Chowdry H et al. (2012) show that students across most parts of the distribution of parental income will receive more up-front support under the new system than under the previous system in Year One, although the increases generally fall as parental income rises.[34] The authors note that overall, while the 2012–13 reforms involve a substantial increase in (deferred) tuition fees, they also involve an increase in up-front support for students across most parts of the distribution of parental income.

In relation to loan repayments, Chowdry et al. argue that the overall picture is one of progressivity, in that graduates with lower lifetime earnings are expected to make smaller lifetime repayments and receive a larger subsidy. The authors observe:

> "The poorest 10 per cent of graduates repay roughly a tenth of the amount that the richest 10 per cent of graduates repay. Graduates in the bottom earnings decile are heavily subsidised by the repayment structure, paying back only 11 per cent of the amount they borrow. This is largely due to the write-off of any outstanding debt after 30 years. Virtually all of the poorest 30 per cent of graduates reach this point and have some debt written off. Effectively, it is as if they face a 30-year graduate tax set at a marginal rate of 9 per cent. The richest graduates, on the other hand, actually pay back more than the amount they borrow. This is due to the higher interest rate (up to 3 percentage points above inflation) that high-earning graduates face, which exceeds the government's real discount rate of 2.2 per cent (which is used in the [net present value] calculations)."
>
> Source: Chowdry H et al. (2012)

However, it is important to note that while the overall system of tuition fees, loans and repayments is progressive in its design, the progressivity of outcomes will ultimately be determined by the extent to which some higher income families pay for the full cost of tuition fees and maintenance up-front to their children, such that some graduates leave university with no loans.

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