

Education Select Committee – Inquiry into Value for money in higher education

Sutton Trust submission

The Sutton Trust

1. The Sutton Trust was founded by Sir Peter Lampl in 1997. We are a foundation which improves social mobility in the UK through evidence-based programmes, research and policy advocacy.
2. From early years through school, college and university to the workplace, we work to combat educational inequality and prevent the subsequent waste of talent. We are concerned with breaking the link between educational opportunities and family background, so that young people are given the chance to fulfil their potential, regardless of their family background, school or where they live.

SUTTON TRUST KEY POINTS

- The typical English student faces debts of over £50,000 at graduation, and £57,000 if there are from a disadvantaged background with higher maintenance loans (IFS 2017)
- Earlier IFS research for the Sutton Trust put the average debt at £44,000 (before grants were abolished) Even compared with graduates of US private for-profit universities (who graduate with about £29,000 of debt), estimates suggest that English students fare worst. (Degrees of Debt, 2016)
- In cash terms, we estimated in 2014 that, on average, graduates will now repay a total of £66,897, compared with £32,917 under the old. (Sutton Trust, IFS, 2014)
- Most graduates will repay more in their 40s and early 50s under the new system than under the old one. (Sutton Trust, IFS, 2014)

Introduction

3. Having a university degree can lead to better life chances, with graduates overall being more likely to be employed and to earn more over their lifetimes than non-graduates.
4. This has been examined in the Sutton Trust's pioneering research into the educational backgrounds of those at the top of the UK's professions. Our Leading People series has consistently found that our professional elite is disproportionately made up of those from more advantaged backgrounds; those who were privately educated and have gone to one of the top thirty universities in the country.
5. Our 2016 report on the professional elite found that in medicine 40% of top doctors were educated at Oxbridge and 60% at one of the top thirty universities in the country; in the senior civil service at university, about half had attended Oxbridge (51%), over a third UK top thirty institutions (38%) and a

small minority other UK universities (7%). And in law, nearly three quarters of the top judiciary were educated at Oxbridge (74%).¹

6. Sutton Trust research consistently shows how important it can be to a person's life chances where they went to school and which university they attended. More than ever, it is important that the same chances that are offered to the most advantaged backgrounds are extended to those from disadvantaged backgrounds, and that means being offered the same chance to get a good quality university education.

7. For some students from disadvantaged backgrounds, the cost of higher education is too high. The Sutton Trust worked with the Institute for Fiscal Studies in 2014 to publish research showing that English students would graduate with an average of £44,000 in debt, the highest levels of debt in the English-speaking world) and the inflation adjusted tuition fee rise will increase further still leaving poorer students in considerable debt.² A more recent IFS update of this model showed that as a result of the abolition of the maintenance grant, higher fees and interest rates, and a freezing of the repayment threshold, the average student would graduate with £50,000 in debt, and students with full maintenance loans from poorer backgrounds would have average debts of £57,000.³

8. It is this debt which is seen as a deterrent for those from disadvantaged backgrounds. Our Aspirations Polling shows that the 2012 changes are having an impact on the numbers of students who are considering going to university with the proportion who say they are unlikely to attend the highest we have seen since our polling on this topic began in 2003.⁴

9. Under the old system, nearly half would have repaid their debt in full by the age of 40; only a very small fraction – about 5% – will achieve that under the new system.⁵ The research carried out by the Institute for Fiscal Studies for the Sutton Trust found that almost three-quarters of graduates will not earn enough to pay back their loans in full, being left with an average debt of around £30,000 to be written off.⁶ In light of the recent changes announced, the IFS has revised this figure now arguing that 83% of graduates will not pay back their loan in full.⁷

10. We welcome the changes that were announced by the government at the beginning of October 2017 which look to freeze the fee cap at £9,250 and increase the repayment threshold to £25,000. Along with consumer champion Martin Lewis, the Trust had campaigned against the decision in 2015 to freeze the threshold and had shown that it would cost average graduates an extra £2,800.⁸ However, we remain concerned that these changes do nothing to decrease the overall debt burden take on by young people.

¹ Sutton Trust. Dr Philip Kirby, 'Leading People 2016', February 2016

² Sutton Trust, Dr Philip Kirby, 'Degrees of Debt', April 2016

³ IFS, 'Higher education funding in England: past, present and options for the future', July 2017

⁴ Ipsos Mori, Aspirations Polling, August 2017

⁵ Claire Crawford, Wenchao Jin, IFS, Payback Time? Student debt and loan repayments: what will the 2012 reforms mean for graduates?, April 2014

⁶ Ibid

⁷ IFS, Higher education reform: Raising the repayment threshold to £25,000 and freezing the fee cap to £9,250, October 2017

⁸ Sutton Trust, 'Unfair Deal', September 2015

11. The Sutton Trust believes that the government needs to look again at the system of tuition fees, examining how a means tested system could decrease the debt burden for those who are the most disadvantaged, and that means tested maintenance grants should be reintroduced to support poorer students in higher education.

Social justice in higher education and support for disadvantaged students

12. Whilst we welcome the changes announced by the government to freeze the fee cap and to increase the repayment threshold, we remained concerned. We believe that the changes do not go far enough and do little to lower the overall debt burden to students, which Sutton Trust polling has shown to be putting young people off university.

13. Our recent polling shows that the proportion of young people who say they are likely to go into higher education as fallen to its lowest level since 2009.⁹ Just under three-quarters (74%) of young people think that they are either very or fairly likely to go into higher education, down from a high of 81% in 2013. The figure was 77% in 2016. The proportion who say they are unlikely to attend is the highest we have seen since our polling on this topic began in 2003.¹⁰

14. It also asked young people what they were most worried about when it comes to higher education. Just over half of young people intending to attend university are worried about the cost of higher education (51%). While this proportion had been declining steadily since 2014, it has risen again from 47% in 2016, and is back at its highest level we have recorded. Financial worries are particularly pronounced in families with low levels of affluence (66% compared with 46% in 'high affluence' households).

15. The proportion of pupils from 'low affluence' households (61%) intending to attend university is the lowest in seven years for which we have data, and the socioeconomic gap in likelihood between high and low affluence households is also the highest it has been. These are worrying trends.

16. 46% of those likely to go to university say they are most worried about tuition fees, with 18% saying the paying back of loans and 16% the cost of living as a student. Of those unlikely to go into higher education 70% cited reasons related to not enjoying it, while 64% cited a financial reason (up from 57% in 2013).

17. The recent UCAS End of Cycle Report 2016 further reiterates the gap between students from different socio economic groups going to university. Whilst students from disadvantaged backgrounds are 80% more likely to enter higher education than they were in 2006, the increase in the entry rate in 2016 is lower than it has been in previous years.¹¹

18. According to the Multiple Equality Measure used by UCAS to analyse the background of students, in 2006 young people in group 5 (the most advantaged) were 6.0 times more likely to enter higher education than those in group 1 (most disadvantaged).¹² Although there has been some improvement

⁹ Ibid

¹⁰ Ibid

¹¹ UCAS Analysis and Research, End of Cycle Report 2016, December 2016

¹² Ibid

with this ratio declining to the most disadvantaged students being 3.8 times more likely to enter higher education by 2014, this ratio has not decreased any further and remained the same in 2016.¹³

19. Data from the same report also shows the difference in entry rates to higher tariff providers between the two groups. In 2016 entry rates to higher tariff providers for students from the most advantaged backgrounds was 24.5% in comparison to just 2.3% for students from the most disadvantaged backgrounds resulting in young people from the most advantaged backgrounds being 10.8 times more likely to enter higher tariff providers than the most disadvantaged students.¹⁴

20. 2016 also saw the difference in entry rates between men and women increase with the entry rate for 18 year old women at 36.8% and men 27.2%. Data also shows that young women are more likely to enter all types of higher education provider than young men and our own research shows that white working class boys are being left behind.¹⁵

21. The data shows that whilst some improvement has been made in the number of disadvantaged young people going to university, there is work yet to be done. The impact of the changes to the student loan system are becoming apparent and when paired with our polling, the numbers suggest that the current fees and the lack of support with living costs are deterring those from the most disadvantaged backgrounds going to university.

The role for the Office for Students

22. The Sutton Trust cautiously welcomes the new Office for Students (OfS) and efficiency opportunities it may bring but we are concerned about the independence of the Director for Fair Access and Participation given that they do not report directly to Ministers or to Parliament.

23. The business case for the Office for Students says that “day to day responsibility for operations and decisions relating to the OfS’ Access and Participation functions” should sit with the Director. We fear that the director’s subordination to the head of the OfS – a body that universities fund and therefore may make it less inclined to challenge institutions on access – will lead to them being overruled on major decisions related to widening participation.

24. It is crucial that the Director of Fair Access has the independence to challenge universities robustly so that universities who dislike an access ruling – designed to help able young people from low income homes – are not able to appeal to the head of the OfS.

25. The Sutton Trust believes that the role of the Director for Fair Access and Participation needs to be strengthened further by ensuring that the Director of Fair Access is required to give evidence in front of the Education Select Committee annually in order to maintain independence and accountability.

Conclusion

¹³ Ibid

¹⁴ Ibid

¹⁵ Ibid

26. The Sutton Trust believes that the government needs to look again at the system of tuition fees, and should reintroduce means tested maintenance grants to encourage more students from disadvantaged backgrounds to apply. We believe that the government should consider means testing tuition fees and we are currently in the process of modelling what impact this may have on student debt.

27. The Trust also believes that students should get a fair deal on repayment, with the repayment threshold index linked again, coupled with lower interest rates. We believe that this will go some way towards encouraging disadvantaged students to apply to university and paired with effective outreach programmes run by universities, will help to widen access to higher education.

28. As mentioned above, the Trust is currently working on some research which looks at a means tested fee system and would be happy to share this research with the Committee once it is completed to help inform its conclusions.

Note: Since this evidence was submitted to the Education Select Committee, Sutton Trust report 'Fairer Fees' was released. Fairer Fees assesses reforms to student finance that would introduce lower fees for less well-off students and reintroduce maintenance grants, and analyses how this could increase fairness and widen access to higher education. Please visit our website for further information.