RUSSELL GROUP

Policy options for the post-18 review: improving communications with prospective students and their parents and advisers

Summary

1. There is a real need to ensure that prospective students, their parents and advisers have clear and unambiguous information about the student finance system. The genuine concerns raised around issues such as debt, fairness and affordability need to be addressed, not least to ensure that all students with the ability and desire to attend university know they have the opportunity to do so.

2. The fee and loans system is complicated, especially for those who may be grappling with it for the first time. To help raise awareness of what support is on offer and how the system is designed to be progressive, we recommend that:

(a) **The terms of repayment for student loans are better articulated** - in particular, the crucial 'fairness factor' benefits of an income-contingent, time-limited student loan compared to any other form of loan available on the commercial market

(b) **More appropriate terminology is developed to describe the funding system** recognising that the language of loans and debt is a real deterrent for some prospective students. It should more accurately be characterised as a form of 'graduate contribution' where the overall cost of the system is split roughly 50:50 between the individual and Government

(c) **Government and universities work together to ensure prospective and current students have access to better information** about how their tuition fees are spent and the benefit they can expect to receive from their education and broader student experience.

3. To be effective, this approach, as part of any wider consideration on changes to the post-18 system, will require coordinated and sustained efforts across Government, relevant agencies (including the Student Loans Company [SLC]) and universities.

Better articulation of how the loan system works

4. Recent media coverage has highlighted how complex the fee and loan system is and that many are concerned about the cost of going to university. In particular, there has been real concern about student debt at graduation and, unsurprisingly, a desire to know more about the benefits of a university education. What has been missing from much of the debate has been an understanding of how progressive the current system is – in other words, that there is a 'fairness factor' built in.

5. There are two key elements here that are not widely appreciated and where greater transparency would help to build public awareness of, and confidence in, the system:

    - The minimum repayment threshold of £25,000, the 30-year forgiveness period and the fixed repayment rate (of 9%, but only on earnings above the threshold) all make the current loan system substantially different from either a commercial loan offer or an open-ended graduate tax model. These elements mean the majority of graduates will not repay their SLC loan in full and that the 'debt' is in fact notional. This is specifically designed into the system to ensure it is progressive: ensuring individuals on lower incomes ultimately pay less towards their degree. Indeed, the Government expects around 45% of student loan debt to be written off with higher earners expected to repay in full, and lower and medium earners repaying significantly less[1].

[1] Analysis by the IFS has shown that the bulk of the costs (c.85%) are met by the top two earning quintiles of graduates plus the Government, rather than by medium or low earners.

- The Government also makes a valuable contribution to universities to cover additional costs associated with teaching high cost subjects, recognising that the capped level of tuition fees is below the real cost of teaching in a wide range of subjects.[2] This allows students to choose courses suited to their abilities and interests without concerns over whether they should opt for a less suitable course based on price alone. Somewhat surprisingly, this additional upfront investment by Government remains largely hidden to students and parents, which in turn means that the real cost of delivery for such subjects is also currently hidden.

6. While improving transparency, the Government should also consider how to improve information and advice to encourage students from all backgrounds to make the choices that are right for them. This is particularly important for students from under-represented backgrounds who are more likely to lack the support networks of teachers, friends and relatives that their more advantaged peers often enjoy. This could include, for example:

   - Earlier and more extensive outreach work in schools (and particularly those with low progression to university) to provide unambiguous information about student finance and address concerns about the affordability of student loan repayments. This work could be undertaken alongside broader outreach work already done by universities.
   - New online tools, such as a 'student repayment calculator' to help quantify likely monthly repayments across a range of chosen professions. This would help show, for instance, that someone on an average graduate salary of £27,500 would only be making monthly repayments of less than £20 a month, no matter what the size of their Student Loans Company (SLC) loan.

New terminology to describe the funding system

7. The language of 'loans and debt' is misleading in the context of the income-contingent and time-limited nature of the current funding system. We can recognise that it has been adopted as a shorthand summary for an inherently complex system, but a more appropriate terminology would be one of "graduate contributions". Lessons can be learnt from Australia which for many years has had a similar income-contingent loan system with the loan element termed as a "student contribution".

8. But rather than just changing the words, there is now a real opportunity to reset the dialogue and demonstrate how the system actively works to ensure there is a balance between costs to individuals and the state – recognising that the country, as well as the individual, benefits from higher education, and that both should contribute fairly to the costs. Ultimately, though, higher education is not free: it must be paid for either by the individual, tax payers or a combination of both.

9. There is also a need to look at how communications between the SLC and prospective students and graduates can be improved. In particular, the tone of communications about what is 'owed' needs to change. For graduates, annual SLC statements could, for example, more closely resemble pension statements – detailing the number of years of repayments remaining on current earnings trajectory rather than focusing on the outstanding balance.

Improving transparency on the cost and benefit of higher education

10. Universities clearly have the lead role in ensuring prospective and current students have access to appropriate information about their course. This includes the wider benefit they can expect to receive from their education and broader student experience. Through open days and other routes, they also provide extensive information on student finance – but will look at how this can be improved further.

11. We recognise the importance of ensuring there is transparency in how tuition fees are spent and Russell Group universities are exploring ways in which this can be achieved, reflecting that high quality education is intimately linked with other university activities, including student support and welfare and, in particular, research. Perhaps less well known is the important role universities play in their local communities and how this also feeds back into the wider student experience.

12. Finally, we welcome that new information on graduate earnings is starting to become available, but would caution that the value of a degree is much more than the salary a graduate ultimately earns.

[2] The Government provides additional funding for Band A (e.g. clinical years of studying medicine), B (e.g. laboratory-based science) and C1 (e.g. archaeology and IT) subjects: currently £10,000, £1,500 and £250 respectively per undergraduate student/per year.