

# Is 'progressive universalism' the answer? The new student funding arrangements in Wales

Nick Hillman

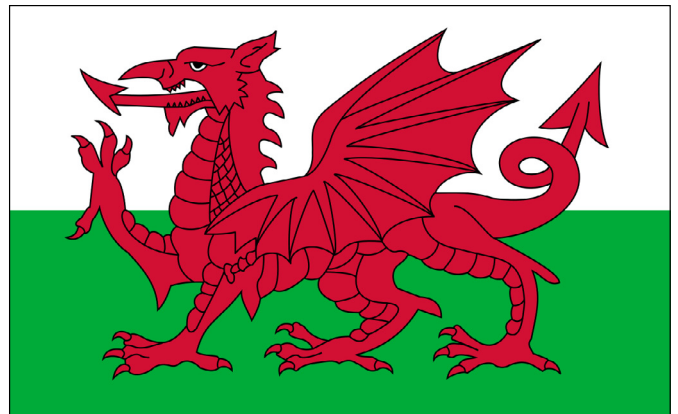
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## Introduction

The new student funding regime in Wales has, rightly, won many plaudits:

- for the evidence-based way in which it has been put together;
- for attempting to build consensus around a sustainable system;
- for rebalancing upfront public spending towards living costs;
- for its progressive universalism, with all students entitled to a maintenance grant;
- for protecting the income of higher education institutions;
- for the continued transferability of support for students studying outside Wales; and
- for treating part-time and postgraduate students more equitably.<sup>1</sup>



The new system deserves close scrutiny, including in England as the Augar Review of Post-18 Education and Funding enters its final phase. Professor Janet Beer, President of Universities UK, has described the Welsh system as 'very interesting' and has said: 'it looks to me like they have taken the best bits of other funding systems and they have put them together in a very sensible package.'<sup>2</sup>

This paper looks at the new system, particularly in relation to full-time students. The figures provided are generally for Welsh-domiciled students attending institutions in Wales and living outside the parental home who start higher education in 2018/19.<sup>3</sup> It focuses on support during the period of study rather than the repayment phase of student loans.<sup>4</sup> Numbers are generally rounded (to the nearest £100).

As with pretty much all major new public policies funded through existing resources, there are losers as well as winners. Some of the political spin around the new package, based in part on the imperative to differentiate the Welsh package from the system in England, risks hampering wider understanding of how it works.

'I believe that in being the first in the UK, indeed perhaps the first in Europe, to deliver parity, fairness and consistency in maintenance support across modes and levels really does move us to a system that provides for all. Of course, a commitment to widen access is what motivates my politics and is how I will judge the success of these reforms.'

Kirsty Williams, Cabinet Secretary for Education, 2018

## New versus old

Under the new system, **full-time tuition fee loans are rising to £9,000**, just under the current English maximum of £9,250. **This is roughly double the previous amount** typically borrowed by students from Wales for their fees, as they were previously entitled to a fee grant worth around £5k which reduced their tuition fee and loan to around £4k.<sup>5</sup>

Entitlement to living-cost support is changing as well, in two important and inter-linked ways.

- 1. In the old system, students were guaranteed different levels of total maintenance support depending on their background.** Students from the poorest backgrounds, that is from households on incomes of less than around £18k, were entitled to a loan (£4.3k) and a grant (£5.2k) that, together, amounted to £9.5k. Students from richer backgrounds were not entitled to a grant but were entitled to a loan worth £6.9k where household income was around £50k falling to a flat-rate of £5.2k where household income was above £60k. For all except students from the lowest-income households, there was an expectation that families would top up the available support. **From 2018/19, all full-time, first-time undergraduate students will have an entitlement to maintenance support that amounts to £9,000 a year, irrespective of household income.** In other words, the expectation placed on parents to support their student children is much less than in the past – and much less than in England, Scotland and Northern Ireland.
- 2. The balance between grants and loans will also be different.** In future, all full-time students from Wales, not only students from less well-off backgrounds, will be entitled to a (non-repayable) maintenance grant. A pure means test, which has strong negative connotations in Welsh history, has been rejected in favour of ‘progressive universalism’. Everyone receives something but the poorest receive the most. As the table shows, the balance between loans and grants depends a great deal on household income. **Previously, the maximum maintenance loan (£6.9k) was less than double the minimum maintenance loan (£4.3k), which was on offer to the poorest students. Now, students from the richest families are expected to borrow around nine times more than students from the poorest households to cover their living costs.**

*Maintenance support for full-time Welsh students living away from home and studying outside London, 2018/19*

Household income	Welsh Government Learning Grant	Maintenance Loan	Total for living costs
£18,370 and under	£8,100	£900	£9,000
£20,000	£7,817	£1,183	
£25,000	£6,947	£2,053	
£30,000	£6,078	£2,922	
£35,000	£5,208	£3,792	
£40,000	£4,339	£4,661	
£45,000	£3,469	£5,531	
£50,000	£2,600	£6,400	
£55,000	£1,730	£7,270	
£59,200 and over	£1,000	£8,000	

## Debt levels

The new levels of expected debt are very different to those in the previous system. In 2017/18, Welsh students typically took on a much lower tuition fee loan (typically worth around £4.0k a year) than their English counterparts (who tend to borrow £9.3k), while their entitlement to maintenance depended on their household income to a greater degree than in the new system. For example, there was previously no entitlement to any maintenance grant for students from households on more than around £50k a year.

- In 2017/18, **a student from a relatively poor background** typically took out a full tuition fee loan (£4.0k) but was entitled to a bigger non-repayable maintenance grant (£5.2k) than others as well as a smaller maintenance loan, typically worth £4.3k each year – meaning **a total debt over three years of a little under £25k** (roughly £12k for fees plus £13k for maintenance), excluding interest.
- In 2017/18, **a student from a better-off household** had the same tuition fee arrangements, no entitlement to a maintenance grant and a higher maintenance loan entitlement. The highest loans (£6.9k) were for students from households on around £50k a year and the value fell to £5.2k for those from the very highest-income households of all (those on over £60k a year). This means, over a three-year course, **a student from a £50k household would borrow around £33k** (£12k for fees and £21k for maintenance) and **someone from a £60k household would borrow £28k** (£12k for fees plus £16k of maintenance), excluding interest.

Under the new system, new graduates emerging from full-time three-year courses (and who have been not living in the family home while studying) are expected to accrue very different levels of debt to the past as well as to one another.

- Over a three-year course, **those from the lowest-income households can expect around £30k of debt in total**, made up of £27k for fees and just under £3k for maintenance, excluding interest.
- **Those from the highest-income households can expect to take on £51k of debt in total**, made up of £27k for fees and £24k for maintenance, again excluding interest.

*Entitlement to student support for Welsh students studying in Wales, 2017/18 and 2018/19<sup>6</sup>*

		Tuition loan	Maintenance loan	Total
2017/18	Student from household on £18k	£4,046	£4,342	£8,388
	Student from household on £50k	£4,046	£6,897	£10,943
	Student from household on £60k	£4,046	£5,191	£9,237
2018/19	Student from household on £18k	£9,000	£900	£9,900 (+18%)
	Student from household on £50k	£9,000	£6,400	£15,400 (+41%)
	Student from household on £60k	£9,000	£8,100	£17,100 (+85%)

All figures are for Welsh students living outside the parental home who study in Wales and who take up their maximum entitlement to tuition and maintenance loans. Household income is rounded to the nearest £1,000. Further information is available at <https://www.studentfinancewales.co.uk>.

In other words, under the new system everyone will owe more than now. But the increase in debt is much more substantial for those from better-off households:

- **graduates from the poorest households will see their debts rise by just under 20%**, from around £25k to around £30k (excluding interest) over an entire three-year degree programme;
- **graduates from households with £50k annual income will see their debts rise by around 40%**, from £33k to £46k; and
- **graduates from households with £60k+ annual income will see their debts rise by a considerable 85%** (from £28k to £51k).

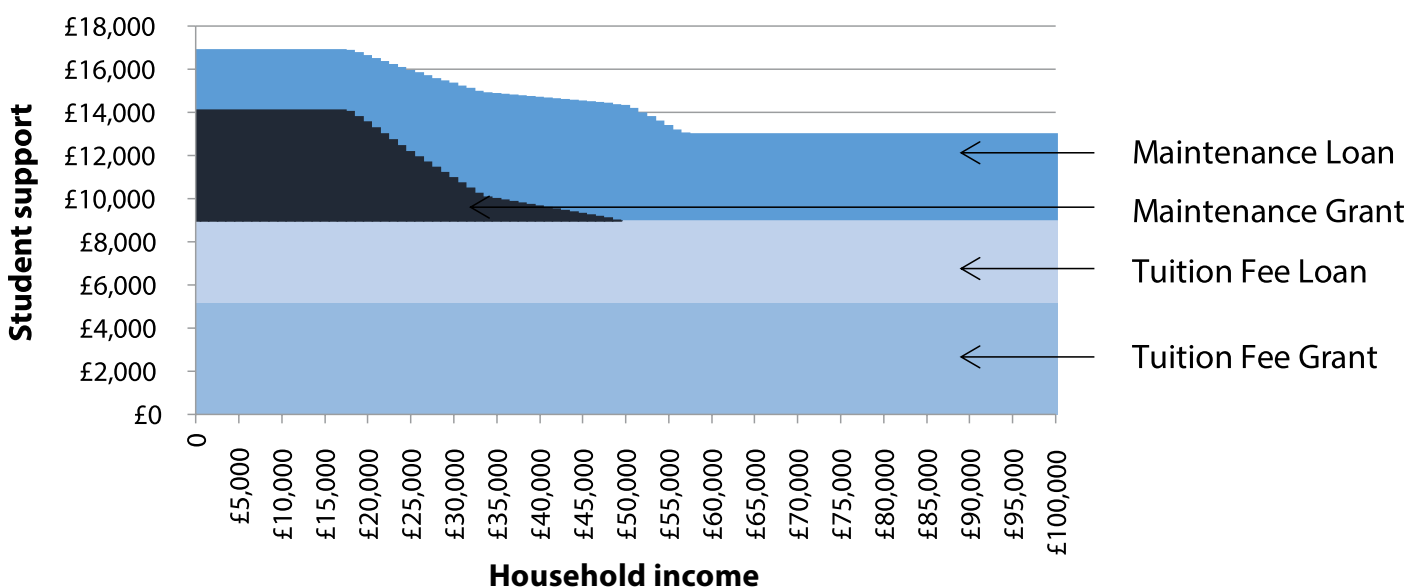
Those from better-off backgrounds will owe much more than graduates from poorer households and much more than they do now, assuming they make full use of their loan entitlement.

However, the maximum total loan of £51k for a three-year degree is – progressively – reserved for those from the richest households and is somewhat lower than the maximum loan in England of £54k which – regressively – is incurred by those from the lowest-income households.<sup>7</sup> Moreover, because the loans are income-contingent, the amount you will end up repaying is not solely dependent on the size of your debt.

### Discussion points

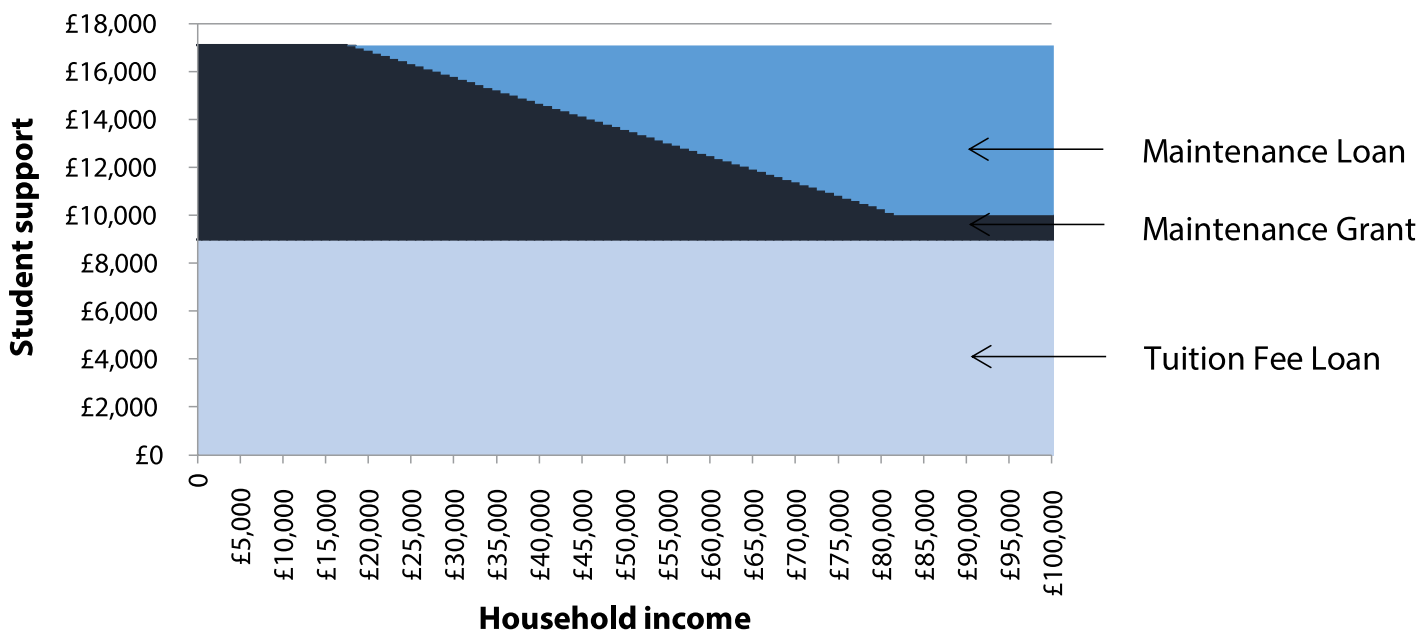
The rough outlines of the old and new systems are shown in the illustrative charts below, which are taken from the Diamond review on which the new system is largely (but not entirely) based.<sup>8</sup> One key difference is that the Diamond review assumed the very poorest students would have no maintenance loan entitlement at all whereas the Welsh Government has opted for a limited one. Another important difference is that the Diamond review assumed the minimum £1,000 maintenance grant would be only for those from households on even higher household incomes (above £81k) than is the case.

*Baseline full-time student annual support\*, by household income*



\*Maintenance Loan displayed is for a student living away from home, outside of London

## Recommended full-time student support\*, by household income



\* Maintenance support displayed is for a student living away from home, outside of London

Many people will say the new system is an improvement on the old one, has strengths compared to support available for those from elsewhere in the UK and is good public policy. After all, richer higher education entrants are:

There is something counter-cultural in how briskly the [Diamond] report proposes a move to £9,000 fees, clearly confident from its research that, combined with much better grant, the effect of these is not to be feared. Thus a committee chaired by a Scottish university Principal has come to conclusions almost exactly opposite to those adopted in Edinburgh, where a 100% fee subsidy has been protected while grants have been cut to the minimum.'

**Lucy Hunter Blackburn, freelance higher education expert, 2016**

- less debt averse;
- more likely to be supported by their parents; and
- tend to end up being paid more after study (even when they have undertaken the same course at the same university as someone from a poorer background).<sup>9</sup>

So it is arguably right that they should take on larger debts.

Perhaps of most interest are the trade-offs that have to be made when designing affordable student support.

**First, while the over-riding principle of income-contingent student loan systems is that the amount you pay depends on your earnings *after* leaving university, upfront means-testing means the total amount you are left owing depends a great deal on your parental income.** This can make for rough edges: someone who comes from a poor family and ends up as a millionaire will owe much less than someone who comes from a rich family but ends up in averagely-paid employment.

As a society, we say new young undergraduates are fully-fledged adults for most things – that is one reason why universities struggle to disclose episodes of serious mental ill-health among young students to their parents, for example. Yet they are treated as dependent children when it comes to student finance. This is, in part, because it keeps the costs to taxpayers down and, in part, because many decades ago school leavers were not yet



typically adults in law. There is little incentive to change the rules given the costs to the public finances of treating students as independent adults. (This has much in common with the way the Government continues to use the lower CPI measure of inflation when giving out benefits but the higher, discredited, RPI measure for setting student loan interest.)

Parental income continues to be central to the new system of student support in Wales, despite the fact that all students are entitled to the same tuition fee loan and the same cash-in-hand support for maintenance, and despite the fact that the new Welsh system avoids the worst feature of the English system whereby the poorest students take on the largest debts.

**Secondly, because different parents in similar income brackets have varying propensities to support their student children, even people from similar backgrounds will be left with different levels of debt.**

When the first modern UK student loans were introduced in 1990, they were not means-tested partly because it was thought many better-off parents did not pay what was expected of them. When parents do not contribute the sums expected, students from relatively well-off households can end up with less cash-in-hand than those from poorer households who are entitled to more government-backed support. This continues to be a problem for student finance regimes that expect material contributions from parents (and it is currently compounded in England by the opacity of the information on how much parents are expected to hand over).<sup>10</sup>

Yet giving everyone the same total maintenance support, as is happening in Wales, does not entirely solve such problems. The sort of people your parents are and their attitudes towards supporting their (adult) children is still likely to determine how much students borrow. The Diamond review said the new system:

*endorses parental support to help students cover their costs while studying, in place of taking out the maximum loan, but recognises that provision must be made to ensure that the availability of this support is not a pre-requisite for middle and higher income students to be able to undertake higher education.*

Put simply, some middle-class students will feel obliged to borrow the maximum loan entitlement to live and others will not because their parents will subsidise them directly, leaving students from similar backgrounds with very different levels of debt.

Governments have always found it difficult to become involved in intra-family finances. It is particularly difficult in relation to non-dependent adults who have opted to attend higher education – sometimes against their parents' wishes – rather than to join the labour market directly.

But none of this should obscure the fact that the clearest winners from the new package could be parents, who are no longer under the same expectation to contribute. This could be said to fly in the face of widespread concerns about inter-generational fairness and the need to do more to support young people using resources accrued by older generations.

'Welsh Labour has always been clear that education should be free and if funding allowed, there should be no tuition fees. We recognise that higher education operates within a UK context. When a Labour Government is elected at Westminster we will undertake a further review of the impact of any changes made in England on universities and students in Wales and follow the Diamond Review model of consulting with students, universities and employers about any changes in Wales.'

**Standing Up For Wales, Welsh Labour Manifesto 2017**

**Thirdly, although the Welsh support package is regarded as progressive for treating students from poorer families more generously than students from richer families, its level of progressivity depends on your comparator. The poorest students in Wales will actually be worse off in terms of cash-in-hand under the new system compared to the old one.**

A student from a poor family living away from home and studying outside London will get £9.0k of living cost support (made up of a large grant and a small loan) while a similar student who entered university last year would have received a little more (£9.5k, made up of a substantial grant and a substantial loan). Indeed, because the maintenance package is being set at £9.0k for all in 2018/19, all students will have less entitlement to maintenance support than the poorest students had under the old system.

There are other ways too in which the available resources are not being directed towards students from less well-off households:

- the new maintenance grant is – unlike the old one – universal in that even students from the highest-income backgrounds are entitled to a non-repayable grant of £1,000;
- students from better-off households now have a higher entitlement to subsidised maintenance loans than before; and
- the increase in (subsidised) tuition fee loans is the same irrespective of a student's background.

These trade-offs have not generally had the attention they deserve, despite the impact on students' incomes, debt levels and expected parental contributions. However, *Wales Online* has shown the effect that they can have in an interesting case study of a family that has one member on the new system and one on the old system.<sup>11</sup>

**The poorest students will be worse off under Wales' new student loans package**

One new student says she feels cheated as her brother gets more under the old system

Professor Sir Ian Diamond, Kirsty Williams AM and the Welsh Government have done a good job in devising a balanced new financial package that will help many students and ensure well-funded universities.<sup>12</sup>

This is despite the limited room for manoeuvre that comes with the current devolution arrangements, whereby Cardiff must keep a very close eye on student funding arrangements in England.

But no one should pretend that the new arrangements solve all the challenges or will settle all debate. For one thing, if the Post-18 Education and Funding Review in England leads to radical changes, it could have knock-on consequences for Wales.<sup>13</sup> So too could the current review of the way in which student loans appear in the national accounts.<sup>14</sup>

## A final thought

The current reforms in Wales highlight, yet again, the challenges for political parties raised by student funding. In England, high tuition fees were introduced during the Conservative-led Coalition Government by a Liberal Democrat Secretary of State (Vince Cable), who had previously promised to oppose tuition fees. This is thought to have done considerable damage to the political fortunes of his party and, in his current role as party leader, Vince Cable is now said to be flirting once more with an alternative graduate tax model.<sup>15</sup>

Meanwhile, although modern tuition fees were originally introduced by the Labour Party in 1998 (before devolution took hold) and then tripled later (after devolution) by them to £3,000, the Labour Party at Westminster have since adopted a policy of opposing all tuition fees. Yet, in Wales, high tuition fees are being introduced once again by a Liberal Democrat Cabinet member, this time serving in an administration dominated by the Labour Party.

No one can accuse Kirsty Williams of breaking her election promise. She has remained loyal to the 2016 Liberal Democrat manifesto for the Welsh Assembly elections, which proposed moving 'government assistance for students from tuition fee debt relief to maintenance support'.<sup>16</sup> However, at the 2017 general election, Labour's manifesto blamed the devolution settlement for necessitating tuition fees in Wales and stressed its continuing opposition to fees.<sup>17</sup> Given the salience of tuition fees in the 2017 UK general election, which led to the current Post-18 Education and Funding Review, many people expect England's high fee levels to fall in future. This could happen, though it is not clear if it would be a modest or substantial fall, and – if it did occur – there would be consequences for public spending in the other parts of the UK. On the other hand, recent history could be interpreted as suggesting that, with the notable exception of the Scottish National Party, the UK's political parties have a continuing tendency to oppose high tuition fees and loans when out of office and to implement them when in office.

Indeed, the fact that two parts of the UK, Wales and England, now have tuition fees and loans that are high enough to cover the entire costs of teaching many subjects without upfront subsidies while a third, Northern Ireland, also has substantial fees and loans, could suggest high fees are becoming more, not less, embedded in the UK in the 2018/19 academic year.

## Endnotes

- <https://www.studentfinancewales.co.uk/undergraduate-students/continuing-students/what-financial-support-is-available/tuition-fee-support.aspx>
- All figures are for Welsh students living outside the parental home who study in Wales and who take up their maximum entitlement to tuition and maintenance loans. Household income is rounded to the nearest £1,000. Further information is available at <https://www.studentfinancewales.co.uk>.
- All figures for students living outside the parental home and studying outside London.
- <https://beta.gov.wales/sites/default/files/publications/2018-02/higher-education-funding-final-report-en.pdf>
- [http://www.manifesto.com/wp-content/uploads/2016/04/small\\_Lib\\_Dems\\_Summary.pdf](http://www.manifesto.com/wp-content/uploads/2016/04/small_Lib_Dems_Summary.pdf)
- [http://www.manifesto.com/wp-content/uploads/2017/05/Standing\\_up\\_for\\_Wales\\_-\\_Welsh\\_Labour\\_Manifesto.pdf](http://www.manifesto.com/wp-content/uploads/2017/05/Standing_up_for_Wales_-_Welsh_Labour_Manifesto.pdf)
- All figures for students living outside the parental home and studying outside London.
- <https://beta.gov.wales/sites/default/files/publications/2018-02/higher-education-funding-final-report-en.pdf>
- <https://www.ifs.org.uk/uploads/publications/wps/wp201606.pdf>
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