



Higher Education Policy Institute

At what cost? Students' views on Augar, funding and the cost of living

HEPI / YouthSight Monitor Wave 7
Rachel Hewitt, HEPI Director of Policy and Advocacy

HEPI Policy Note 17

October 2019

Key points

- Students' views are split between the current tuition fee model and Augar's recommendation to lower fees: 40% prefer the current system of £9,250 paid back over 30 years; 41% prefer Augar's approach of £7,500 paid off over 40 years; and 18% have no preference between the two.
- The majority of students (79%) say the level of interest charged is one of the most important aspects of the funding system, compared to only 11% who say it is unimportant and 10% who are unsure.
- Students are supportive of Augar's recommendation to bring back maintenance grants, with 53% of students advocating for a mixed system of maintenance grants and loans and 32% saying they would prefer grants only. Only 16% support the current maintenance system in England, which is loan only.
- Cost of living is a higher priority for students than tuition fees, with 59% saying it is their top funding concern. For 18% tuition fees are a more pressing issue, and 23% place them equally.
- Over half (52%) of students' parents contribute to their living costs, while 46% of students' parents do not.
- Of the students whose parents contribute towards their living costs, half (50%) receive more than £1,000 every year, 29% of students receive between £500 and £1,000 and 21% receive less than £500.
- Many students see living away from home as critical to their university experience, with around half (49%) saying they would still choose to live away from home even if this came at a great cost, compared to 38% who say they would choose to live at home to save money. Just 13% are undecided.
- Over half (57%) of students say living away from home was important to them when they applied to university, compared to 28% who said it was unimportant and 15% who are indifferent.

Introduction

The recent report from the Independent Panel for the Post-18 Review of Education and Funding in England, known as the Augar review, was eagerly anticipated and has dominated the coverage of higher education policy in recent months. It now seems unlikely the recommendations from the report will be implemented in full, given the change in Prime Minister and the political turbulence of the moment. To date, the current Higher Education Minister, Chris Skidmore, has been less vocal about the report than his predecessor, Jo Johnson, who opposed the review since its inception. However, in June 2019 at the HEPI Annual Conference, Skidmore did highlight the necessity of providing government top-up if tuition fees were to be cut.¹

Regardless of the current political position of the Augar report, a critical part of the debate on student funding is the views of students themselves. It is often assumed that tuition fees are the most important element of university funding to students, and that students would prefer a lower headline fee. In this Policy Note, we test those assumptions, surveying students to gather their views on funding, cost of living while studying and whether Augar's recommendations should be put into practice.

Tuition fees

One of the key recommendations in the Augar report was that the level of tuition fees should be lowered. Lowering tuition fees was also seen to be the impetus for beginning the review, seeking to draw in younger voters drawn to Labour's offer of removing tuition fees altogether.

However, the recommendation made in the Augar report was not simply to reduce the tuition fee but also to extend the repayment period from 30 to 40 years.

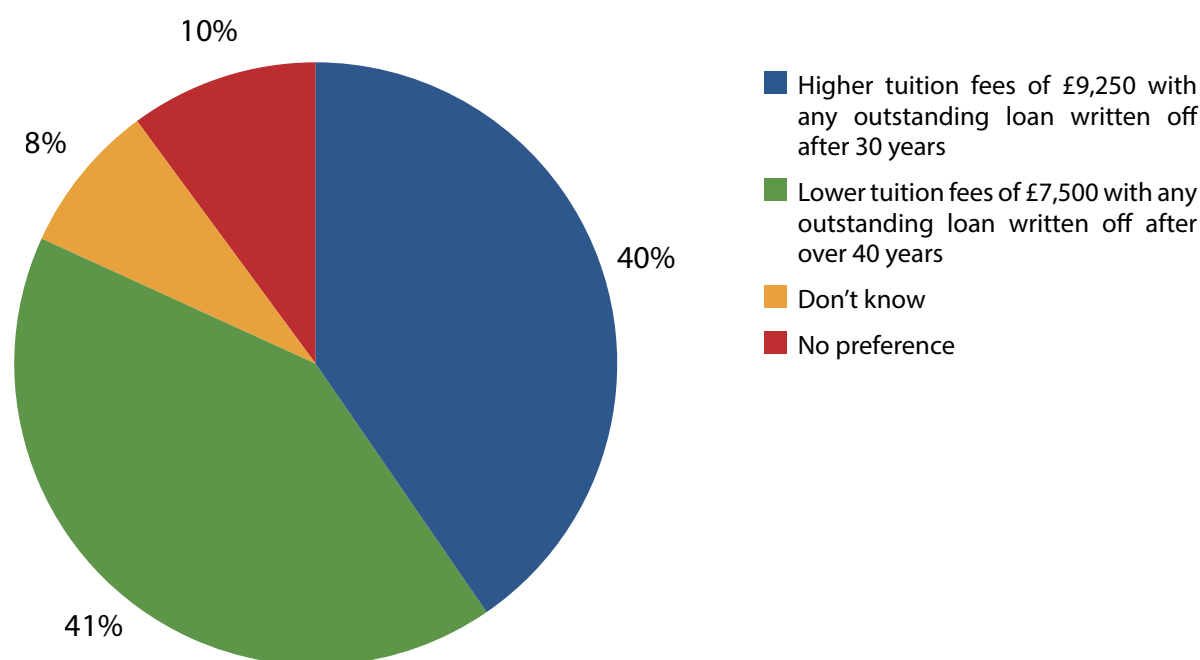
	Annual tuition fee loan	Repayment period
Current model	£9,250	30 years
Augar recommendation	£7,500	40 years

When we asked students whether the current system was preferable to the system proposed by Augar, the response was almost evenly split:

- 41% of students support Augar's proposal;
- 40% would prefer the current system; and
- 18% of students did not hold strong views.

A more clearly defined response is seen when these results are broken down by gender, with 44% of women supporting £7,250 fees compared to only 36% of men. This goes against what might be expected, as if the system were to change, it is expected to have the greatest impact on women with moderate earnings, who would repay more over the extended repayment period.²

A recent government review of student funding recommended reducing tuition fees from the current £9,250 to £7,500 but the repayment terms being increased from 30 to 40 years. Which of the following would you prefer?



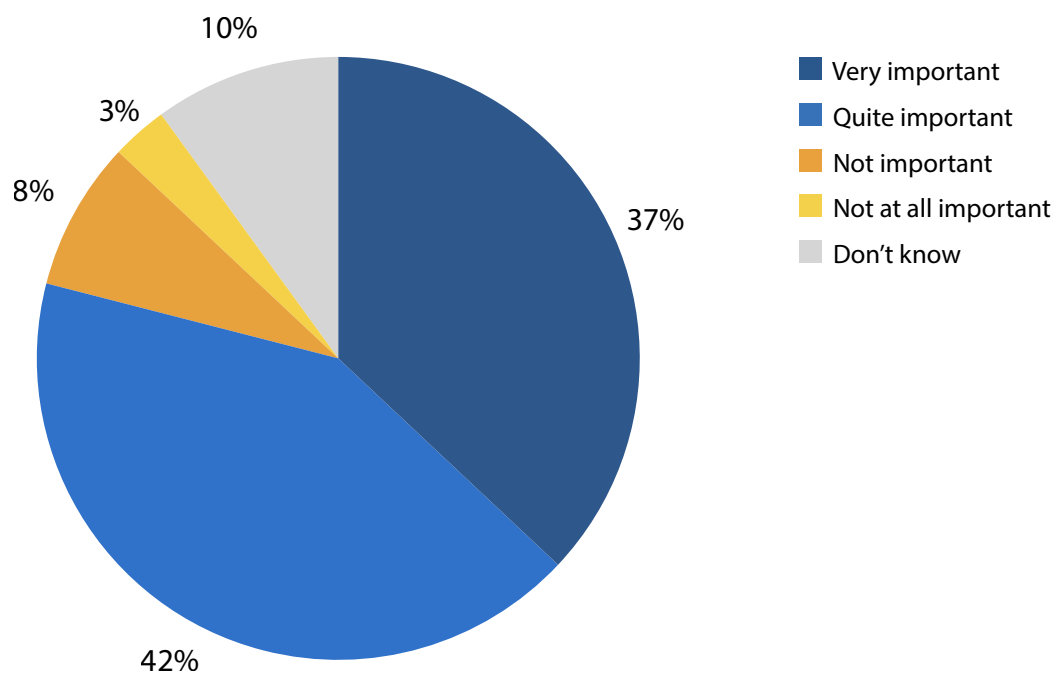
Interest rates

The Augar report also focuses on the level of interest applied to student loans. Many feel the level of interest paid is too high and should be reduced. However, changing the level of interest is not without consequence. Reducing the level of interest comes at a cost and, because the poorest graduates have much of their loans written-off, would only benefit students who go on to have higher earnings and pay back the entirety of their loan.

	Interest level	Cap
Current model	During study: RPI + 3% After study: RPI to RPI + 3% (dependent on earnings)	None
Augar recommendation	No interest charged during study After study: RPI to RPI + 3% (dependent on earnings)	1.2 times the original loan

However, our survey shows students say the level of interest is one of the most important aspects of the student loan system. 79% of students say the level of interest accumulated on their loan is very or quite important compared to the other repayment terms, whereas only 11% say it is not or not at all important. One in ten (10%) of students say they do not know.

How important is the level of interest accumulated on your student loan, compared to the other repayment terms (such as the fee level or time limit of repayment)?



Maintenance loans and grants

One area of the Augar report that has received much praise is the recommendation to reintroduce maintenance grants. HEPI's own submission to the Post-18 Review Consultation described the abolition of maintenance grants in 1998 as:

an error that had to be reversed in 2004, when it was recognised that too little progress had been made in improving access to higher education among more disadvantaged parts of society. It was just as big an error when the abolition of grants was repeated in 2016.³

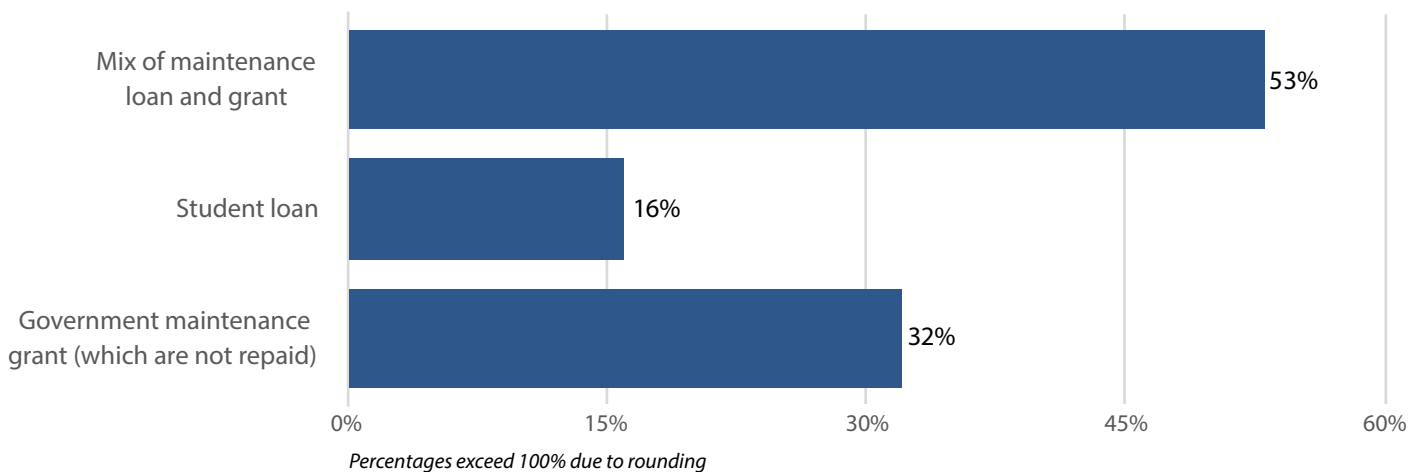
This was quoted in the Augar report, as part of the higher education sector's call for the reinstatement of a fairer system. The removal of maintenance grants has been a regressive step for the current funding system as it requires students from the poorest backgrounds to draw down larger state-backed debts than all other students.

	Maintenance loans	Maintenance grants
Current model	Level available set by parental income	None (since 2016)
Augar recommendation	Level available set by parental income	At least £3,000 per year for students from disadvantaged backgrounds

At the moment, the maintenance system in England is provided entirely through loans, whereas Augar recommends reintroducing grants for the poorest students. This recommendation was supported by the students we surveyed.

- 53% of students stated the maintenance model should be operated through a mix of loan and grant funding;
- 32% supported a fully grant-based system; and
- only 16% supported a model entirely based on loans.

Do you think students living costs should be covered by:



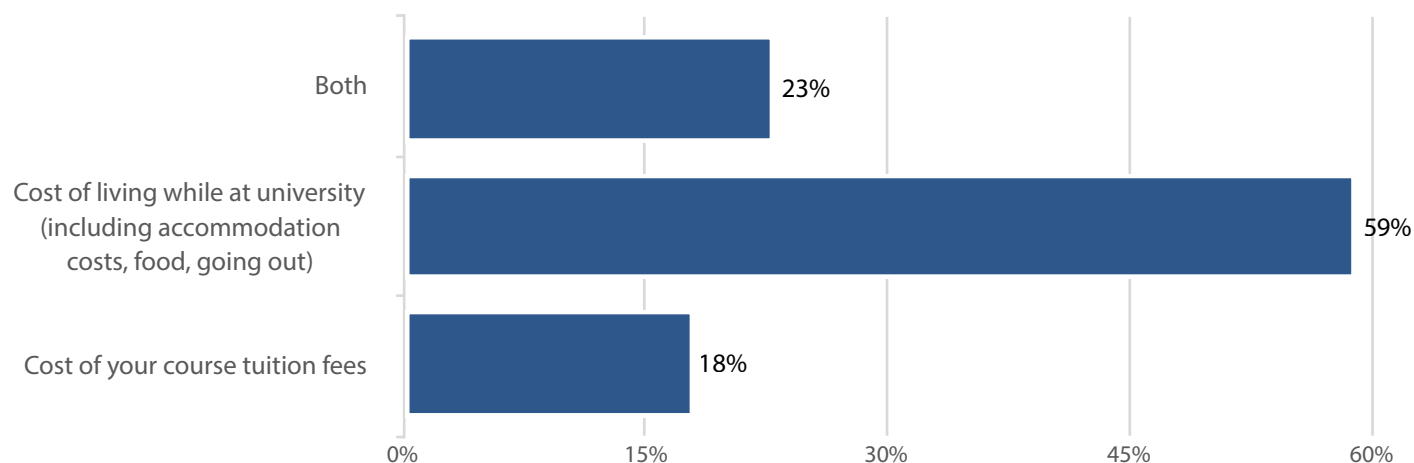
Living costs

Much of the debate about the current funding system focuses on tuition fees. However, rising living costs, including on accommodation, mean students are focusing their attention on the maintenance loans available to them. Research by the National Union of Students and Unipol found that, in 2018/19, the average rent made up 73% of the maximum maintenance loan available - a significant increase since 2011/12 when it accounted for 58% of the maximum maintenance loan.⁴

Our survey of students revealed:

- more than half of students (59%) say that the cost of living was their greatest concern when considering the cost of going to university;
- around a quarter (23%) state cost of living and tuition fees are equally important;
- while only 18% put tuition fees as their greatest concern around cost.

When thinking about the cost of going to university, which is of the greatest concern to you:



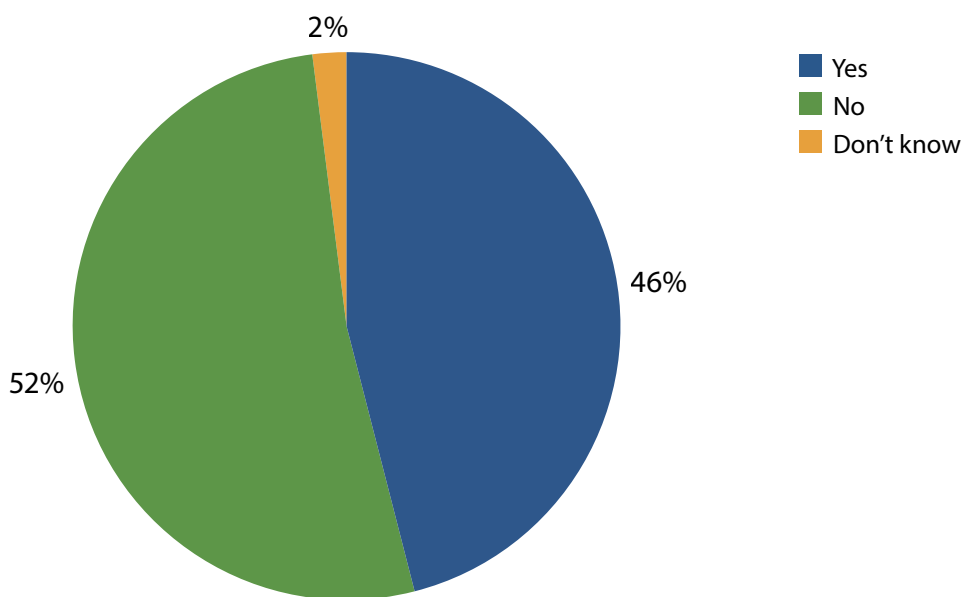
Parental contribution

The maintenance system presumes a level of parental contribution, as parents are expected to make up the gap for students who do not receive the full maintenance loan. While some, such as the MoneySavingExpert website, have provided information about parental contributions, the Government have failed to provide clear information on this, something HEPI have previously criticised.⁵ This criticism was echoed in recommendation 7.2 of the Augar report: 'The expected parental contribution should be made explicit in all official descriptions of the student maintenance support system'.⁶

Over half (52%) of students we surveyed say their parents contribute towards their living costs while they are at university, compared to 46% whose parents do not. This tallies with the results found by the *Student Income and Expenditure Survey*, which stated that '50 per cent of students received little or no financial support from their parents/other relatives.'⁷ This is lower than the expected level. Figures obtained in the analysis for the Augar report found that 60% of students should be receiving some level of parental contribution, as they do not receive the maximum maintenance loan amount.⁸

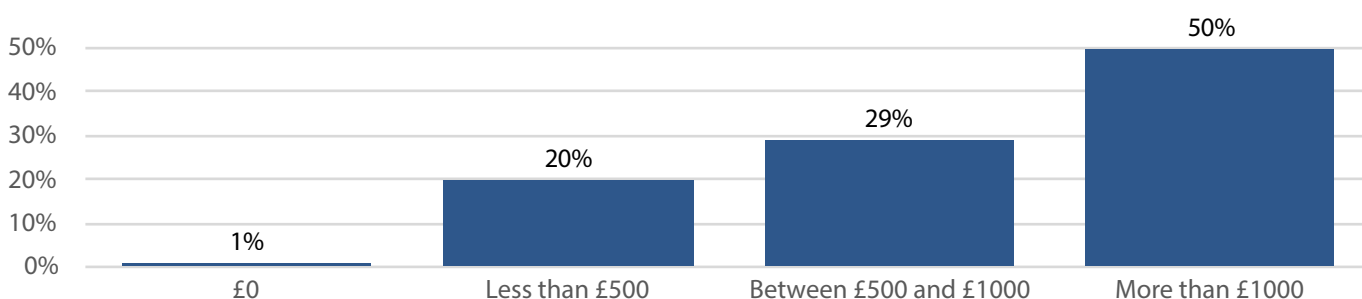
Our results showed significant differences in parental contribution by socio-economic background. Only 34% of students from areas with low participation in higher education (POLAR 1) stated their parents paid towards their living costs compared to 58% of students from areas with the highest participation levels (POLAR 5).

Do your parents pay towards your living costs while you are away at university?



Of those students who state their parents contribute to their living costs, half (50%) say they receive more than £1,000 per year. 29% say they receive between £500 to £1,000 and one-fifth (20%) receive less than £500. Parental contribution is expected for households with an income of £30,000 or above. For students living away from home and outside of London, the level of parental contribution required to equal the maximum amount of loan available is between £641 and £4,776, dependent on income.⁹

How much do your parents give you each year?



Living environment

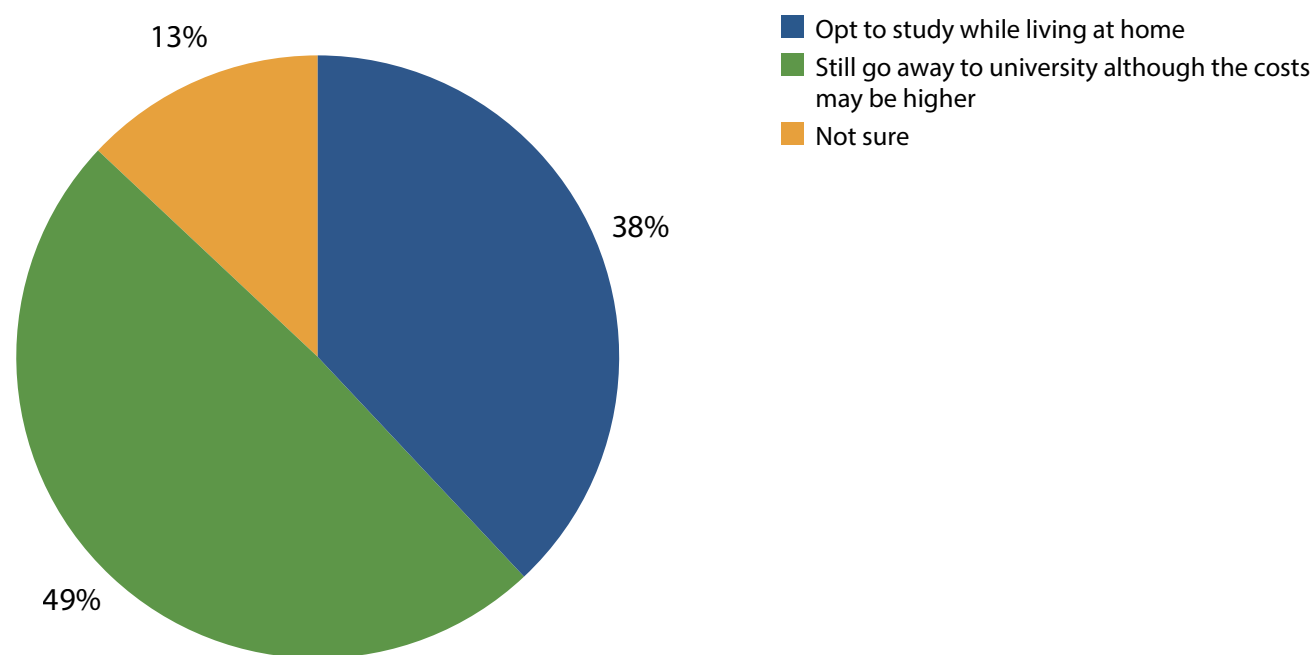
The UK system of higher education differs from many others around the world, in that students are significantly more likely to live away from home during their time at university. Data from the Higher Education Statistics Agency show only 19% of students live in their parental/guardian

home during their studies.¹⁰ It was rumoured that the Augar report would propose a move away from this residential model of higher education, partially due to the costly nature of delivering it. However, the report steered away from this, seeming to acknowledge the ingrained nature of our current system.

While the previous survey questions have noted that living costs are one of the greatest concerns to students, the majority of students surveyed would still prefer to live away from home, despite increased costs.

- 49% of students say they would still choose to go away to university even if costs were higher, compared to;
- 38% of students who say they would opt to study while living at home to save money; and
- 13% of students are unsure.

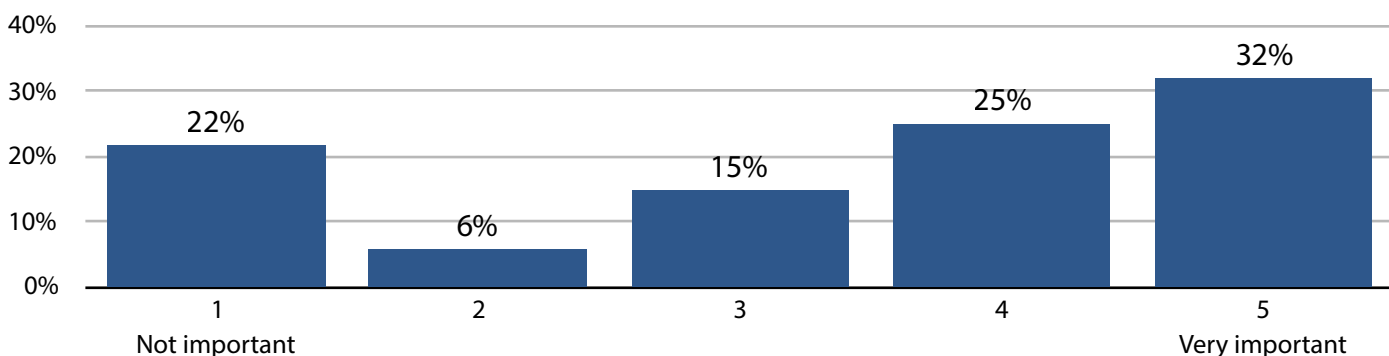
If the amount of your student loan could be reduced by opting to live at home when studying for your degree, would you:



Unsurprisingly, students from disadvantaged backgrounds are more debt-averse, with only 43% from POLAR1 saying they would still go away to study if there were additional costs, compared to 55% from POLAR5. However, this gap is small, and the analysis relies on fairly small samples.

When we asked students how important it was to be able to live away from home when they applied to university, 57% of students rated it as important, compared to 28% who rated it not important. Just 15% rated it in the middle of the scale.

On a scale of 1 - 5, how important was being able to live away from home to you when you applied to university?



Conclusion

If one of the key aims of the Post-18 Review of Education and Funding was to win over younger voters by offering lower tuition fees, it is clear the recommendation offered in the Augar report does not persuade the majority of students, given the almost even split between them supporting the current system and the Augar recommendation. More critical to students are the interest rates charged on their loans, suggesting perhaps policymakers should review the high levels charged both during their studies and after.

Like many of us working in the higher education sector, students are supportive of the reintroduction of maintenance grants to make the system fairer. The majority of students rely on their parents to support them during their time at university, with most of those who receive support receiving upwards of £1,000 a year. However, despite their focus on the cost of living, students see living away from home as an important part of their university experience, opting to do so even when it costs them more. If policymakers want to seek students' approval of the funding system, they may be better off focusing on improving the maintenance loan and grant offer, rather than focusing on tuition fees.

Methodology

Wave 7 of the HEPI / YouthSight Monitor was answered by 1,078 full-time undergraduate students and undertaken between the 16th August and the 20th August 2019. Weights have been used to ensure the sample is representative by age, gender and university type. The margin of error is +/- 3.09%, based on a 95% confidence level.

Respondents received a £1 Bonus Bond gift voucher for answering these questions and others on a different topic.

Quotas were set to reflect the UK student population in terms of age, gender and university type. Targets for the quotas were acquired using data supplied by UCAS.

While the Post-18 Review of Education and Funding is only applicable to England and funding systems differ across the UK, the survey sought the views of students from across the UK.

Endnotes

- 1 <https://www.timeshighereducation.com/news/skidmore-top-funding-absolutely-needed-if-fees-are-cut>
- 2 <https://wonkhe.com/blogs/winners-and-losers-from-the-augar-review-part-ii/>
- 3 <https://www.hepi.ac.uk/2018/04/30/post-18-review-10-points-note-fixing-broken-parts-education-training-system-based-recent-hepi-output/>
- 4 <https://www.unipol.org.uk/acs2018.aspx>
- 5 <https://www.hepi.ac.uk/2018/04/30/post-18-review-10-points-note-fixing-broken-parts-education-training-system-based-recent-hepi-output/>
- 6 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/805127/Review_of_post_18_education_and_funding.pdf?_ga=2.222154527.60040036.1566912335-1904985517.1545039572
- 7 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/693184/Student_income_and_expenditure_survey_2014_to_2015.pdf
- 8 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/805127/Review_of_post_18_education_and_funding.pdf
- 9 <https://www.moneysavingexpert.com/students/student-loans-tuition-fees-changes/#tips-9>.
- 10 <https://www.hesa.ac.uk/data-and-analysis/students/where-study>



99 Banbury Road, Oxford OX2 6JX

Tel: +44 (0) 1865 284450

admin@hepi.ac.uk

www.hepi.ac.uk