Higher Education Policy Institute

Does the Lifelong Loan Entitlement meet its own objectives?

Rose Stephenson, Director of Policy and Advocacy, HEPI

Foreword by Professor Tim Blackman, Vice-Chancellor, The Open University

HEPI Policy Note 45

May 2023

Foreword by Tim Blackman, Vice-Chancellor, The Open University

The new Lifelong Loan Entitlement (LLE), due to start in 2025, is a major and positive improvement to how the student support system in England enables lifelong participation in higher education. It also has the prospect of commanding cross-party support, at least in broad design if not in the detail. However, in this timely Policy Note, Rose Stephenson raises important questions about how it will work. These are questions mainly about its scope.

The scope of the LLE is fundamental to whether it will achieve its most important policy objective, which is to improve the country's economic prospects. Although there is more to higher education than meeting economic needs, the whole of the UK is facing a serious problem with productivity. If this is not solved the consequences will be far reaching, from falling real wages and unaffordable pensions to lack of investment for public services and new green technologies.

These are the terms in which the LLE needs to be considered, although not the only ones. Improving productivity needs to be achieved in a way that reduces the wide inequalities in wealth and income that persist in the UK, and themselves are a drag on economic performance.

Unfortunately, some aspects of the LLE perpetuate the inequities of the current system. As Rose points out, the starkest example is the continuing exclusion of most distance learning students from maintenance loans. These students are generally mature with family and financial commitments, in low-paid employment and either did not go to university straight after school or failed to complete due to personal or financial problems. They are the people who the LLE needs to reach if it is to have a transformative impact.

As Rose also discusses, other aspects are likely to limit the LLE's impact, including the very variable use of credit transfer across the sector. Credit transfer will be a hard issue to solve without interfering in institutional autonomy. Articulation agreements may be the best approach, supported by encouraging shorter initial qualifications than the traditional honours degree, giving students opportunities to articulate in time from a certificate or diploma to a degree, for example. While stacking modules from different providers towards a qualification is an attractive idea, it is fraught with issues. Modules are better regarded as complementing qualifications, such as updating a specific area of expertise or adding a complementary skill. There is also a question about how best to fund small volumes of learning below 30 credits in size. A freestanding module of 10 to 20 credits will often not have the same long-term currency or portability as a larger module of a qualification, which qualifies a learner *for* something. The arguments for student loan funding for such small volumes of learning, generally meeting shorter-term needs, are weaker compared to funding from employers or local skills budgets, and potential issues include the risk of employers passing on existing training costs to their employees via the LLE.

The initial range of single modules that will be funded by the LLE will also be very narrow, confined to modules that are part of the new and small range of Higher Technical Qualifications. This could easily be widened to modules that form part of higher and degree apprenticeships, keeping these courses aligned with occupational needs but enabling much more choice for students.

There is, though, an elephant in the room, which is the full-time undergraduate degree, especially the costly residential versions that dominate provision by the most academically selective and therefore most socially exclusive universities. The LLE will not work in spreading the benefits of higher education over a working lifetime as well as across a wider social spectrum if this type of provision still consumes such a large share of student support, with students who choose this option using up almost all their LLE in one qualification that, in today's world, dates rapidly.

While one solution is to expand funding support significantly beyond current levels, the present system is going to struggle financially just to keep up with growth in the current pattern of participation. There are difficult choices ahead about how to divide up the cake. The measure of success will be how far these choices create a stronger economy and a fairer society.

Introduction

This HEPI Policy Note considers the Government's response to the Lifelong Loan Entitlement (LLE) consultation. Specifically, it considers whether the LLE will meet its own objectives.

The LLE is part of the Government's reforms to post-18 education and training in England. It will offer students a loan equivalent to four years' worth of tuition fees (currently £37,000), which can be used flexibly over their working lives. This can be used to pay for short courses, modules or full courses at colleges or universities.

The Lifelong Loan Entitlement has five main objectives:

1. *to enable greater parity of access between technical and academic courses;*
2. *to fund modules regardless of whether they are provided in colleges or universities;*
3. *to ensure that credit-bearing provision will support flexible, lifelong learning;*
4. *to transform the way learners access funding to enable learners to study, train, retrain or upskill at any stage in their lives; and*
5. *to encourage individuals to train, retrain and upskill in response to changes in labour markets and employment patterns.*

Objectives 1 and 2: Enabling greater parity of access between technical and academic courses, and funding modules in both colleges and universities

The LLE appears to meet the first two objectives. There will be greater parity of access to funding between Higher Technical Qualifications, including Higher National Certificates and Diplomas, and academic courses, such as undergraduate degrees. The LLE also sets out that it will fund modules in colleges and universities. So far, so good.

Objective 3: Ensuring that credit bearing provision will support flexible lifelong learning

In theory, this objective looks set to be met. Breaking longer courses down into credit-bearing modules and stacking modules from the same, or different, institutions together will support flexible lifelong learning. However, there are implementation questions that need to be addressed:

How will credits transfer? The Government's response states:

> *The government recognises that having clear credit transfer mechanisms in place could be a positive contributor to delivering the beneficial flexibility that the LLE seeks to achieve.*

However, a credit transfer mechanism is not a 'positive contributor', it is an essential part of delivering flexible lifelong learning. Without this, the system will not work how the Government says it should.

There is an uncomfortable question here for the higher education sector. Are all modules and all higher education institutions (HEIs) considered equal? Would a module from a less selective university be transferable to a more selective university?

Can credits transfer between the four nations of the UK? The LLE applies to England. There is little information on how or if credits will transfer between institutions in different UK nations.

Who is responsible for oversight of the make-up of modular degrees? Could a student study 12 modules on Jane Austen, and be awarded an English Literature degree? Could a student study 12 unconnected modules from a host of different subjects and still be awarded a degree? Will we therefore see a significant increase in the number of students being awarded Combined Studies degrees? Could a student study 12 first-year (Level 4) modules, and still be awarded a degree? Could we be heading for an American-style higher education system with major and minor aspects of study? Who will oversee this and provide students with clear guidance?

Who is responsible for regulatory compliance? Let us test the boundaries of the LLE. A student could study 12, 30-credit modules to make up a 360-credit undergraduate degree. In theory, these modules could come from 12 different institutions. This causes issues within the current regulatory framework.

For example:

- For a student studying at multiple providers to complete a degree, which institution will be the awarding body?
- Is outcomes data going to be scrutinised on a module-by-module basis? Or will the degree-awarding institution be responsible for attainment gaps influenced by other providers?
- How do modules affect access and participation data? If one disadvantaged student registers at 12 providers to complete an undergraduate degree, that is still only one disadvantaged student. How is this attributed in access and participation figures?
- What are the data-sharing implications between institutions? This may include:
  - information on mental health risks;
  - outcomes of disciplinary processes; and
  - academic information.

What is the impact on providers of this regulatory complexity? This issue was highlighted by Rachel Sandby-Thomas (Registrar at the University of Warwick, and former Director General for Skills, Deregulation and Local Growth at the Department for Business, Innovation and Skills) during the Committee Stage discussions of the Lifelong Learning (Higher Education Fee Limits) Bill:

> *There are quite a lot of concepts in the current OfS regulatory system that sit unhappily with this new system. For example, the concept of the completion of an award is key to the current system, but of course a student might not be completing an award as such when they are doing a module at one's institution, so that needs to be changed. In the current degree system, there is quite an emphasis, for perfectly understandable reasons, on continuation and the importance of having a student continue for a year from the beginning of the course. Quite a lot of judgement is implied in that continuation being a good thing, whereas actually whether or not a student completes a module within or outside a year is a neutral thing, judgement-wise, in a modularised approach.*

Not only does a credit transfer mechanism need to be in place, but so does a regulatory framework that can flex to modular learning.

To ensure that credit-bearing provision can support lifelong learning, this must be a financially viable option for providers. Institutions will need to consider the fixed costs of taking on a student, regardless of their time (and therefore tuition fee) spent at an institution. The consultation response explains: 'The government agrees that providers should have autonomy on whether or not to modularise a course'. Given the increased regulatory burden, and the fee-limits placed on modules, will oversubscribed high-tariff institutions have any incentive to provide modular learning?

If we take the simplistic view that a 30-credit course will be able to charge one twelfth of the current tuition fee, this would be £2,312.50 per 30-credit module. However, the costs of advertising to, recruiting and inducting a 30-credit student will be similar to those for a student paying the full £27,750 fees for a three-year undergraduate degree. There may also be an expectation that universities provide wellbeing, skills and careers advice to these students, as well as sports, library, laboratory and study facilities.

LLE policymakers, and institutions, may look to the Coventry University (CU) Group's offer, a separate provider for operating a different model to the university, for lessons on how to successfully navigate these challenges. Students at CU Coventry, Scarborough or London have access to the teaching and learning aspects of their courses, but not the broader social side of university. There is limited access to sports, IT or general library facilities for students paying the lower tuition fees at these institutions. The CU Group also offers learning into the evening six days a week, and during the day on weekends. Innovative and flexible approaches like this could be the key to the success of the LLE.

In the Committee Stage discussions of the LLE, Rachel Sandby-Thomas raised the idea that students between modules could continue to be supported by a university as an 'associate student'. While this would provide a positive benefit to lifelong learners, there are serious questions that need to be addressed in terms of funding costly mental health, careers and skills support for large numbers of associate students.

There is another important question relating to the concept of associate students. If an associate student is accused, for example, of sexual misconduct while taking a break between modules, can a university use their misconduct processes to investigate? If so, this becomes dangerous and powerful territory for universities in policing the wider population. If not, can a university keep their communities safe if they allow an associate student to return to study at their institution without investigating the allegation?

Several universities, including high-tariff institutions, already offer modules through ed-tech partnerships. A number of these courses are not accredited and attract no regulatory burden. This includes the excellent London School of Economics and Political Science's Public Policy Analysis course, delivered by Get Smarter. These courses do not need campus infrastructure, wellbeing provision, skills or sports facilities. Using the model outlined above as a comparator, they already generate income several times greater than may be allowed under the LLE. Students will not be able to take out loans to study these modules. Therefore, when it comes to flexible lifelong learning, there is a risk of a two-tier system developing:

- Tier 1: Take out a loan and study an accredited, regulated course at an undersubscribed institution.
- Tier 2: Pay upfront for an unaccredited, unregulated and more expensive course. One that comes with a shiny stamp of approval from a selective UK university. There is little to no selection for these unregulated courses.

Tier 1 provides a welcome opportunity for learners who cannot afford to pay upfront for a course. But will their options be limited to innovative and locally focussed providers who struggle to fill their undergraduate courses with traditional students? And will employees skimming CVs be able to recognise the difference in these modules? Or will recruiters just see the name of the institution?

A final question on Objective 3 (ensuring that credit bearing provision provides flexible lifelong learning) is whether the 30-credit minimum required for accessing funding is too large. As outlined by the Quality Assurance Agency, 30-credits equates to 300 hours of notional learning (including self-study). A busy professional with caring responsibilities may be able to carve out 10 hours a week. This is still a 30-week commitment – almost a full academic year. Is a 10-credit (or 20-credit) minimum a more accessible limit?

Lord Johnson of Marylebone reflected at a Policy Exchange event in April 2023:

> *[The] second big problem with the LLE, as we are currently proposing to launch it, is the insistence that it must fund a study that bears a minimum of 30 to 40 credits, at a cost to the learner of £2,300 – £3,080. Those big chunks of study are too large for the needs we need to meet. They represent a barrier to the reskilling and upskilling that the policy is intended to promote, and other countries that have tackled lifelong learning have recognised this and found smaller units of study, worth perhaps 10 to 15 credits. I think perhaps the Government would be wise to go down a route of allowing smaller chunks of learning.*
>
> *Finally, and perhaps most fundamentally of all, learners desiring specific skills do not necessarily want just courses that are necessarily, as we are currently proposing it, derived from existing university qualifications. As Andreas Schleicher put it, in his excellent recent HEPI Lecture, individuals already in the workplace will want to pick from a wide range of micro-credentials modules and short courses, to shape a programme tailored to their specific needs, possibly, spanning several disciplines and types of provider. This is surely, what is needed, not more of the same university qualifications, but in smaller pieces.*

Reducing the course minimum to 10 credits would increase the number of learners, and therefore increase the cost to government of supporting the student finance system. Modelling the cost and benefit (including the labour market return) of reducing the course credit minimum should be undertaken.

Whether the smallest increment of learning is 10, 20 or 30 credits, careful consideration must be given to the regulatory burden of running modules of this size. Imposing the current framework onto these smaller pieces of learning does not feel feasible.

To summarise, modular learning does provide a flexible lifelong approach to learning. However, the implementation must be considered. There should be a focus on regulation, how this will impact providers, the financial cost and benefit to institutions and the cost and benefit to the wider economy.

Objective 4: To transform the way learners access funding to enable learners to study, train, retrain or upskill at any stage in their lives

The LLE could make promising strides towards this – particularly in relation to shorter courses. Students will have greater access to fee loans and maintenance loans for modular study. This is welcome, particularly for students who are already working, or have caring responsibilities and may find it difficult to commit to a full-time three-year degree.

Relaxation of the current Equivalent or Lower Qualification (ELQ) rule is also welcome. Under the LLE, a graduate looking to start their own business, for example, will be able to access funding to complete a Higher National Diploma in Business and Management.

Part-time students will benefit from the increased flexibility of the LLE in the same way that full-time students will. That is, being able to access loans for single modules without having to register for a full qualification. However, in terms of financial support for study, the current model already offers tuition fee and maintenance loan support for part-time students, providing their course has a 25 per cent intensity level, in other words, if they complete at least 25 per cent of the number of credits an equivalent full-time student would study. The Lifelong Learning (Higher Education Fee Limits) Bill sets out that there will be a course year, lasting 12 months from the start of the course. If we presume a student must complete their course within a course year, and that the 30-credit minimum is 25 per cent of a full-time undergraduate degree, there is therefore no change in the financial support for part-time students within the LLE.

There seems to be another obvious gap. There is no access to maintenance support for students who study from a distance, either full or part-time (with exceptions for some students with disabilities).

Objective 4 focuses on transforming the way learners' study at any stage of their lives. This suggests that the LLE is targeting students outside of the '18-year-olds moving away from home' cohort.

However, to be truly transformative, the LLE must include maintenance support for distance learners. If the Government is aiming to target those already in work, or those of working age who are not currently in work, these learners may be constrained in their ability to travel for study.

Consider again our busy professional student who has caring responsibilities. They could be studying at a distance for 10 hours a week, over 30 weeks. They may need to negotiate a day a week of unpaid leave to complete their 30-credit module. Given the cost-of-living crisis, most people cannot afford to lose 20 per cent of their income for several months. Being able to study part-time and online is the most flexible way to learn. Being able to access a maintenance loan to fund this would open these opportunities to more students. Possibly the very students the Government wish to target with this policy intervention.

Students who want to study at a distance on a full-time basis also cannot access maintenance loan support. Given the current housing crisis in universities, it seems perverse that the Government is incentivising in-person study over at-a-distance alternatives.

It is not clear why the Government is excluding distance learners from being able to access maintenance support – this issue was not addressed in the Committee Stage discussions following the publication of the Government's consultation response. This exclusion could be in place due to concerns over the cost of the policy. This could simply be due to the increased number of learners, if distance learners can also access maintenance loans. There may be concerns about being able to confirm attendance with distance learners and so confirm that a student is genuinely in need of the maintenance loan, but providers would argue that they have robust systems for tracking engagement and attendance online.

There is also a theory that distance learners do not need a maintenance loan, as they already have somewhere to live. Given the cost-of-living crisis, and squeezed household incomes, this feels like an outdated view of learners. Afterall, distance learners still need to pay for their rent or mortgage and bills.

If we look at statistics from the Open University (OU) website, we can see the sort of people likely to study at a distance:

- 71 per cent of directly-registered OU students work full or part-time during their studies.

- 25 per cent of OU UK undergraduates live in the 25 per cent most deprived areas.
- 37,078 students declaring a disability studied at the OU in 2021/22.
- 33 per cent of students had one A Level or a lower qualification at entry.

With a small number of exceptions for some disabled students, none of these learners would have access to a maintenance loan.

Providing maintenance loans to distance learners would open learning opportunities to an increased number of students, particularly those who are excluded from higher education for logistical reasons. The weight on the Treasury in supporting the student finance system, including distance learners, would need to be considered. There are two key questions here:

1. Would this increase in eligibility lead to significantly greater demand?
2. How strong is the evidence that lifelong learning opportunities benefit the economy?

The LLE also purports to be for lifelong learning. However, funding is only available to students under the age of 60. Given that the Government is keen to re-engage the over-55s in the workplace, and with the state pension age at 66 and rising, it seems misplaced that a learner in their 60s could not complete a module that would upskill them into a new role. Safeguards may need to be in place to prevent retirees undertaking government-subsidised leisure learning knowing they are unlikely to pay back much of the loan, but careful thought is needed here to ensure that the Government is not failing to meet its own agenda.

Objective 5: To encourage individuals to train, retrain and upskill in response to changes in labour markets and employment patterns

There are two parts to this objective. First, 'encouraging individuals to train, retrain and upskill'. Increased access to funding, modules and simplicity of access to a wider range of courses should support this part of the objective.

Secondly, 'In response to changes in labour markets and employment patterns'. This is more interesting. The objective places responsibility on the individual to meet the changes in the labour market. There is no responsibility placed on the education provider or the employer. To be successful, all three of these players need to have responsibility for this objective. Learners cannot respond to changes in the labour market if the course does not exist.

Courses previously funded by the Advanced Learner Loan (ALL) will need to meet two new criteria to be funded under the LLE. These are:

> *1. That the qualification's purpose and outcome statements support student progression into employment and / or higher education and training.*
>
> *2. That there is clear employer endorsement for the qualification. This could include existing professional body recognition, an existing inclusion as a mandated qualification in an apprenticeship or other types of endorsement.*

The ALL courses therefore bring together the needs of the learner, the provider and the employer.

Some courses outside the ALL bracket already have mechanisms in place which link employer need with course design. This includes courses that are accredited by professional bodies, such as Pharmacy and Social Work, and the work being undertaken by Local Enterprise Partnerships and devolved mayoralties to link their course offer with local employer needs. Modular learning has the further potential to adapt and respond quickly to the ever-changing jobs and tech market. This is made trickier by the need for all modules to be part of an overall parent course.

It is worth noting that the Government's response to the consultation sets out that the Government will:

> *Expand out new modular funding to broader level 4, 5 and 6 provision in AY27/28 where we can be confident of positive outcomes for learners.*

The definition of positive outcomes for learners is not clear. Will this link to continuation rates or graduate outcomes of the parent course? Will this, and the parent course rule, stymy flexibility and responsiveness, and therefore hinder the opportunity for Objective 4 to be fully met?

Conclusion and recommendations

The LLE is a significant and exciting policy proposal. However, without further tweaks, the policy risks neatly wrapping up current provision into one tidy funding stream but not going much further. Technical courses are already available, as is tuition and maintenance funding for part-time learning. LLE funding will only be available for Higher Technical Courses until at least 2027. Following this, the LLE will fund modules that the Government can be confident will produce positive outcomes for learners – an as yet undefined quantity. While increasing the simplicity of access to funding is welcome, there is a risk of the LLE becoming a policy molehill, rather than the mountain it could – and needs to – be. What the LLE really brings to the table is the concept of modular learning and short courses. But only funding modules which belong to parent courses of complete qualifications risks restricting new opportunities to engage citizens in learning, entrenching inequalities and failing to be adaptive enough to meet the needs of employers.

To illustrate the point; if there was a sudden workforce need for a module on 'advanced use of Chat GPT', higher education institutions would currently have to put this into a full qualification course, before being able to offer it as a standalone module.

While we lack detailed information on the credit transfer mechanism, it is unclear whether the LLE will meet its own objectives. There are many questions still to be answered.

These include:

- How will the credit-transfer mechanism work?
- What will be the rules for students building their own degree?
- How will a wide range of providers be incentivised to provide flexible learning?

- How will the needs of employers be met?
- Does failing to provide distance learners with maintenance support risk preventing the very students the Government is trying to reach from accessing the LLE?

Policy recommendations:

- The Department for Education will need to work with institutions across the four nations to build a viable credit transfer mechanism that maintains academic standards and integrity.
- When there is certainty on how the credit transfer mechanism will work, UCAS may be the best-placed organisation to provide guidance on how degrees can, and cannot, be stacked.
- The Office for Students will need to provide clear guidance on how modularised degrees will be awarded.
- The Treasury should consider modelling the cost and benefit of reducing the minimum course size from 30-credits to 10-credits (or 20-credits).
- The Treasury should consider modelling the cost and benefit of providing maintenance support to distance learners.
- Universities UK, GuildHE and Independent HE should work with their members to amplify good practice from innovative institutions working with local employers to develop short courses.

The potential for flexible, accessible lifelong learning that meets the needs of learners and employers is the golden ticket for higher education policymakers. And if it was easy, the policy would already be in place. The LLE makes brave steps towards this future but there are elements of the proposal and response that fall back into the trap of expecting students to be 18-year-olds who move away from home. To meet its own objectives, the LLE needs to embrace fully flexible learning. COVID-19 proved that working and learning online is possible, and in many cases, preferable. The Minister for Skills, Further and Higher Education's 'ladder of opportunity' would be available to more learners if they could climb this virtually, not just in-person. In further developing this policy the Government should keep in mind a mid-life student, who is time poor, whose job is at risk from technological developments, who has significant financial responsibilities and limited access to travel for study. It is time to fully embrace the potential of the LLE, and really deliver flexible lifelong learning.

The Open University

hepi
Higher Education Policy Institute

99 Banbury Road, Oxford OX2 6JX
admin@hepi.ac.uk
www.hepi.ac.uk