Department for Education

Impact of the student finance system on participation, experience and outcomes of disadvantaged young people

Literature review

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GOVERNMENT SOCIAL RESEARCH
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Executive summary

This report describes the findings from the Rapid Evidence Assessment (REA) literature review undertaken for the Department for Education (DfE). It considers the published research literature (including grey literature[1]) and particularly evaluation evidence on the impact of the post-18 student financial support system on socioeconomically disadvantaged young people; and assesses the evidence on the impact of the recent and major changes in student financial support. In total 69 papers/reports were reviewed alongside statistical data on student funding from administrative data sources.

Nature of the student finance system

- The HE and FE sectors have seen great change in the system of student finance. The system is constantly evolving which can make it challenging to estimate the number of learners affected, the amount spent and the average amount received and particularly to evaluate impact.
- There have been 2 major reforms to student finance in HE since 2000: in 2006/07 when up-front tuition fees were removed and fees increased for full-time undergraduates; and in 2012/13 when maximum tuition fees for full-time undergraduates were increased three fold, the loan repayment terms were changed and eligibility to tuition fee loans was extended to part-time students. Further changes saw a shift from grants to loans, and the closure of the National Scholarship Programme that had provided institutional bursaries. The FE system also saw changes: in 2011/12 with the introduction of new targeted support for disadvantaged students; and in 2013/14 with a consolidation of the funding for adult skills and introduction of tuition fee charges (where previously these had been government funded) and loans to pay for these for older learners 24+ (and later extended to those aged 19-23).
- The spending in the HE and FE sectors on student financial support and the number of students taking up the key government backed support (tuition fee loans, maintenance loans and maintenance grants in HE; and Bursary Funds, Discretionary Learner Support and Advanced Learner Loans in FE) is considerable. Although the overall spend in FE is harder to determine because many budgets are devolved directly to providers to administer and target at a local level.

[1] **Grey literature** is any information that is not produced by commercial publishers. It includes research reports, working papers, conference proceedings, theses, preprints, white papers, and reports produced by government departments, academics, business and industry. https://library.leeds.ac.uk/info/1110/resource_guides/7/grey_literature

- The average amounts received by individual HE students in financial support can be significant, according to the SLC, (2017):
    - for maintenance loans at over £4,000 in 2015/16 increasing to over £4,700 in 2016/17 with the switch from grants to loans,
    - for full-time fee loans at approximately £8,200 in 2016/17, and for part-time fee loans at approximately £3,000 in 2016/17.
- Before grants were abolished these too provided significant levels of support to individuals at approximately £2,600 (on average) and were supporting around half of all students in 2014/15 (Mayer et al, 2018).
- Over and above the universal support for students, in the form of tuition fee loans and maintenance loans, many HE students are eligible for additional financial support – most often in the form of bursaries from HE providers.
    - Bursary support from HE providers ranged from an average of £1,000 to £1,900, and fee support could represent almost £2,500 (OFFA, 2017b; Mayer et al, 2018).
    - Figures from OFFA (2017b) show that in 2015/16 there were 296,000 higher education students from lower income backgrounds and under-represented groups in HEIs and FECs (with access agreements) who received a financial award from their institution. This represents 31% of the total of fee regulated students. Among those in receipt of support in 2015/16 the vast majority (240,000, 81%) were from households with incomes of £25,000 or less, and this group received 87% of the total that institutions spent on financial support; whereas 56,000 (19%) were from other low income backgrounds, with incomes between £25,000 and £42,620.
    - The Student Income and Expenditure Survey SIES for 2014/15 (Maher et al, 2018) found that bursary and scholarship support was most commonly received in the form of a cash award or money paid into the student's account (83%) followed by discounted university accommodation (12%), pre-paid cards for university goods or services (6%) and vouchers for textbooks (4%).
- For FE, the average amounts of support were also considerable, with the latest estimates at: £1,200 for vulnerable group bursary support (a fixed level), £500 for discretionary bursaries in 2013/14 and £2,910 in Advanced Learner Loans in 2017/18.

Influence on access and participation

Concerns about the costs and student debt

- Many students/prospective students are concerned about the cost of HE (with particular anxieties about more immediate living costs such as accommodation, travel etc), potential student debt and student finance. Potential students anticipate high levels of debt and the prospect of debt is troubling and uncomfortable especially for those with a more pessimistic outlook on the benefits to HE and among those with parents who have negative attitudes to debt.
- Some groups are more vulnerable to debt or have more concerns about debt. Worries about costs and debt aversion are higher/more prevalent among students and prospective students from lower socioeconomic backgrounds. These disadvantaged students are more likely to feel they would be affected by costs or to feel worried about finances; to see costs of HE as a debt rather than an investment; to anticipate higher debts and longer repayment periods and also to anticipate that they will not repay their debt in full. The greater pessimism about benefits of HE could reflect a lack of knowledge of the graduate labour market. Concerns about debt among students from lower socioeconomic backgrounds appear to have become stronger over time. However there are indications that those from middle-income groups/middle classes are also becoming more concerned about debts.
- Research into Advanced Learner Loans (for FE study) states that a fear of 'debt' is a key reason for some not to take out a loan and a reason for expressing general concerns to their FE providers. Having more detailed knowledge, particularly about not having to pay back loans until earnings reach a certain threshold can help to allay these fears.

Impact of costs and student debt on HE participation

- Significant proportions of potential students reported anxieties about HE costs and/or student debt and felt their decision about whether to go to university could be affected. Perceptions of higher costs, anxieties about the size of student loans and repaying these loans, and stronger debt aversion were all negatively associated with plans to apply to university. Some young students have such anxieties about repaying student loan debts that it can cause them to seriously consider their decision to go on to university after school/college, particularly those with lower achievement (at Level 3), not wholly decided about HE, and those with no parental experience of HE.
- However, concerns about costs and debt do not necessarily translate into deciding against or postponing HE entry, and, despite applicants' and potential applicants' concerns, most do continue on to HE. The key reforms of 2006 and 2012 have not

deterred disadvantaged students from HE. Analysis of administrative data show there has been no decrease in the HE participation rates of those from lower socioeconomic backgrounds.

- The lack of influence on actual participation has been ascribed to belief in the graduate premium (the benefits of HE outweigh costs and the expense of HE study), the perception that HE is the only viable option, and the normalisation of fee costs and student debt. For some students debt is a future rather than immediate concern, an investment in their future (that will lead to improved employment prospects) and not real or 'bad' debt (and the amounts involved too abstract). Many students are aware that the debt is written off after a set period although there appears to be a limited understanding of other aspects of student loans particularly the interest that is charged (and which increases the loan debt). For others there is more grudging acceptance that loans and debt are unavoidable.
- There has been a small deterrent effect, in relation to HE participation, on the most advantaged students which has (slightly) narrowed the participation gap between social classes.
- Little research has explored the reasons for not planning to go to HE amongst those eligible but who do not go on to university. However there are indications that financial issues could be influential, and involve a combination of: pull factors such as individuals and their families wanting them to start earning as soon as possible; and push factors such as worries about getting into debt and family being unable to pay for them to be a student. More research is needed with those who do not progress into HE particularly about the impact of student debt.

Impact of costs and concerns about debt on other HE decisions

- Worries about costs and student debt, whilst not impacting on whether people enter HE or not, do indirectly impact upon wider HE choices particularly the choice of institution. The impact is noticed in 2 very distinct ways.
    - Firstly there is the increasing localisation of university study brought about by a desire to reduce costs or manage finances by living at home or reducing travel costs.
    - Secondly, there has been an increase in the importance of institution reputation, quality and proven employment prospects in making choices about universities in order for students to feel they can maximise the return on their investment.
- Similarly there is some evidence that FE students are more discerning in a loans-based environment: looking at a greater number of providers, assessing provider

costs, and assessing potential employment and career benefits, and perhaps setting increased expectations for their learning.

Influence of FE Finance on access and participation

- Feedback from FE learners indicates that the availability of Advanced Learner Loans provided a substantial group with access to learning and others with a wider range of study options including studying at a higher level of qualification and/or starting their studies sooner. However, there is evidence that the introduction of the Advanced Learner Loans is linked with a reduction in the overall volume of learners, although there has been no impact on the participation in access courses leading to HE entry, especially as outstanding Advanced Learner Loans liability for access courses is cancelled on completion of an eligible HE course.

Impact of additional financial support on HE participation

- A complex market for additional financial support – for example, in the form of institutional bursaries, which students receive over and above the universal loans for tuition fees and maintenance – has emerged.
- Studies conclude the additional financial support available in HE has had no influence on decisions about whether to go to university and decisions about where to study. These studies suggest a number of reasons why a positive impact of additional financial aid may not be found: a lack of awareness of the financial support options available to students; the complexity and variability of the support on offer; lack of clarity about what support a student could expect at the point of making their decisions; failure in reaching the most disadvantaged students (those most in need); potential stigma attached to applying for financial support; and insufficiency of the level of award. These aspects can interact to reduce take-up of support, or reduce the measurable efficiency of the award. More specifically, research finds that the offer of an institutional bursary did not appear to directly influence choice of institution, this is partly explained by a lack of awareness of bursaries (and wider finance issues) but also financial considerations were not judged to be important when deciding where to study. This decision was felt to be an academically driven rather than a finance driven decision.
- Other studies do highlight potential positive impacts of additional financial support, in relation to participation. Recipients of financial support tend to be very positive about the impact of financial support on their decisions but this could be influenced by post-hoc rationalisation.
- There are some indications that support in the FE sector has a positive impact on participation in learning, achievements in learning, and, for young people, retention in learning which could lead to increased participation in HE.

Awareness of student finance

- The research reviewed finds low levels of awareness of the detailed aspects of student finance (including additional financial support, such as institutional bursaries) among prospective HE students including HE applicants. Often those from disadvantaged backgrounds (and thus the most likely to qualify for support) had less knowledge of student finance than those from more advantaged backgrounds. The lack of knowledge was variously ascribed to poor and limited proactive search for information, limited usefulness of the information provided to students, and the speed of change of the finance system making it difficult for students to keep up to date with the current system.
- The main policy implications outlined in the research included the need to raise awareness, and provide useful and timely information and advice and guidance to help students make informed decisions about HE. Recommendations included: work to help students search for information alongside encouragement from schools; a simple guide about sources of finance, the finance system and the economic and financial aspects of HE participation; and developing a finance curriculum delivered in schools.
- Evidence from the evaluation of Advanced Learner Loans for FE students shows that there is similarly a need to improve awareness, particularly about the detailed aspects of the loan. There were misconceptions in particular about how the loan is repaid.

Influence on HE retention and the student experience

Impact on the student experience and retention

- Withdrawal from HE is a multifaceted decision covering a range of factors, however financial issues can play a part in retention. This is linked to financial preparation before entry (including awareness of the true costs of studying, and financial planning), students' starting resources and student spending patterns whilst at university; as well as being able to meet living expenses, deal with debt anxieties, and/or access additional financial support. Research finds that disadvantaged students are more worried about the financial aspects of HE, including accruing future debt and balancing finances whilst at university, and are less likely to feel in control of their finances. This can lead to an increased likelihood to consider withdrawing from the course and a reduced student experience.
- Research exploring the impact of additional financial support on retention provides mixed findings but there appears to be a larger body of evidence suggesting a

positive impact of financial support on on-course experiences and retention than found for participation.

- Some research finds that retention rates amongst recipients of additional financial support are no greater than for non-recipients but as disadvantaged students (the target for bursary and grant support) have lower expected continuation rates this may mask a levelling affect that bursaries are having.
- Institutional feedback about the impact of bursaries on retention is becoming more positive over time. Research with recipients of additional financial support, in the form of institutional bursaries, finds they are generally very positive about its ability to help them continue and complete their studies. However these individuals may be self-selecting/biased as they have remained in HE or their actual withdrawal behaviour has not been tracked, and therefore analysis of retention rates using student data may be more persuasive.
- The research indicates 4 key ways in which bursary and grant support impacts positively on retention (and the wider student experience): a) by reducing worries and stress about making ends meet and accumulating debt, and improving perceptions of the worth of a degree; b) by providing access to resources to fund a better living environment or purchase of course materials; c) reducing the need for undertaking (lengthy) paid work and thus freeing up time to engage in social activity; and d) by feeling invested in leading to greater confidence and effort. All these aspects can impact positively on a student's sense of belonging which is critical in supporting student retention, and can allow recipients to enjoy a similar experience to more advantaged students.
- Research suggests that cash bursaries rather than fee waivers appear to have a greater impact on retention, as students have greater concerns over meeting immediate living costs rather than long-term debt levels. Cash bursaries therefore ease such liquidity concerns and provide access to resources students might not have otherwise afforded.
- Additional financial support can also impact positively on students' wellbeing by providing them with freedoms and choices to engage more fully in their academic studies and with university life. Conversely perceived shortfalls or inadequacy of student finance can have a negative impact on wellbeing: directly through increased worry and anxiety about money matters; and indirectly through having to undertake paid work and juggle this commitment with the demands of study.

Making up the shortfall in income

- Concerns about building debt or worries about meeting day to day expenses leads students to develop a range of strategies to attempt to reduce their expenditure and/or top up the income received from student loans. These strategies include combinations of: taking on paid work whilst studying, looking for support from their institutions (where available), living with their families whilst studying (close to home), gaining financial support from their families, and taking on other, commercial, forms of debt.

  - **Working while studying**: Prospective students often anticipate they will need to take on paid work while they study to cope with financial pressures; and indeed many students do engage in paid work alongside their studies to reduce their student debt and/or to help to manage their day to day expenses. Around 50% of students undertake paid work during the academic year. The more robust studies show that, on average, HE students from disadvantaged backgrounds are not more likely to work longer hours compared with students from more advantaged backgrounds but for those that do work longer hours research shows it is linked with poorer wellbeing
  - **Support from institutions**: Institutional bursary support is important, particularly for disadvantaged students to whom these are targeted. These help students manage their costs and reduce their debt burden but research with bursary recipients finds some still feel the need to harness additional sources of income or adopt cost reduction strategies to meet their expenses such as living with their families and/or working part-time or taking on other forms of debt/credit such as overdrafts and credit cards. So bursary support alone may not be sufficient to allay expenditure concerns.
  - **Support from families**: Whilst research shows that the majority of students receive at least some financial support from parents and family, those from disadvantaged families are less likely to access this safety net/debt reduction strategy. One study found that, even for those that can access this form of support, it may feel uncomfortable for some students to rely on family support.
  - **Other forms of borrowing**: Many HE and FE students have other forms of debt alongside student loan borrowing including commercial debt. Bank overdrafts are the most common followed by owing money to family, whilst less common, the amounts owed in commercial and high risk credit (credit cards, payday loans etc.) can be substantial.

Influence on outcomes and graduate debt

Outcomes

- There are early indications that additional financial support in the form of institutional bursaries targeted at disadvantaged students has positive impacts on degree completion, attainment of a good degree and progression to further study or employment. However, the evidence on the impact of the student finance system on outcomes is scarce and so this area requires further and sustained research.

- The impact of means-tested support may be greater for poorer students and those with high levels of prior achievement which could help institutions to target their additional financial support.

Graduate debt

- Graduate student loan debt since the 2012 reforms to student finance has increased substantially and is estimated to be between £30,000 and £44,000 (for those who studied full-time at undergraduate level). This is due to the threefold rise in fees and loans to cover these and the real rate of interest attached to the loan. When the shift from maintenance grants to loans is factored in to the modelling, estimates for full-time graduate debt increases to between £46,000 and over £50,000. The reforms also see graduates on average paying back more and for a longer period of time.
- The recent shift from maintenance grants to loans has meant that although disadvantaged students have seen an increase in their 'cash in pocket' they have also seen an increase in their graduate debt, and more disadvantaged students are more likely to fail to repay their loan in full.

Conclusions for supporting disadvantaged students

- There are a range of barriers to FE and HE entry. These include: situational barriers including costs; institutional barriers; and dispositional barriers. Students can also face wider social, educational and cultural barriers, and a key factor determining participation in HE is prior attainment. Similarly in making the transition to study and once in learning students can also face a range of challenges that can impact upon their experience and potential to stay on course. These include: academic concerns, wider commitments, personal issues (health and relationships), future aspirations, study motivations and a sense of belonging, all of which can change over time. Finance is therefore just one of many challenges a potential FE or HE student can face along the pathway to and through higher level learning.
- Student finance does play a role in study decisions and student experiences. Financial issues and worries can: create concerns about whether studying is worth the costs; serve to narrow institutional choices (to those closer to home and/or those perceived to offer better employment prospects); create concerns about the day to day management of finances; limit time and resources to engage fully in

student life; and create concerns about the impact of lifestyles and choices beyond studying.

- There are number of approaches that institutions (schools, colleges and universities) and sector bodies do take or could adopt to help tackle financial issues and challenges, help potential students make fully informed decisions, help prepare them for entry to HE or FE, and to help ensure financial support mechanisms are as effective as possible, particularly for those from disadvantaged backgrounds. These include actions to:

  a) offer outreach programmes;
  b) raise awareness of the costs and benefits of HE and of the support available;
  c) simplify the support available and the application process;
  d) improve the targeting of support (and join up targeting criteria with evaluation criteria);
  e) help students with managing their finances before and during their studies;
  f) combine financial support with wider pastoral care and academic support such as mentoring; and
  g) consider making larger cash awards paid regularly and throughout the time at college or university.

1. Introduction and methodology

This report describes the findings from the Rapid Evidence Assessment (REA) literature review undertaken for the Department for Education (DfE). The report also sets out the aims of the literature review, the search and sift processes adopted, maps the literature identified, and provides an assessment of the adequacy and coverage of the research evidence.

Background and context

The learning landscape beyond compulsory education has changed considerably, with:

- a broadening of learning pathways after age 18, and work to raise the profile and equivalency of technical/vocational education pathways;
- policies to improve access to/and widen participation in Higher Education (HE) across all providers with particular focus on young people from disadvantaged backgrounds and/or in disadvantaged neighbourhoods;
- policies to broaden options within HE and increase flexible learning modes; and
- work to focus on the entire student lifecycle to improve the student experience and engagement, and support student success.

At the same time, the costs associated with learning and related financial support have seen the greatest changes in more than 30 years. Most recently, the HE sector experienced a threefold increase in maximum tuition fees for undergraduate degree courses, a shift from means-tested maintenance grants to higher levels of maintenance loans for students from low-income households, a reduction in central support for institutional bursaries and removal of many subject specific bursaries. The Further Education (FE) sector has seen changes to learning funding, with government grants refocused on lower levels of study while loans have been introduced at advanced and higher levels of study for older learners 24+ (later extended to those aged 19-23); and also new targeted support for disadvantaged students.

These changes have created some tensions, for although there are more choices than ever before it potentially raises the risks and thereby costs of making the wrong choice, which can be considerable and largely borne by the student.

Aims of the review

This review considered the published literature and grey research and particularly evaluation evidence on the impact of the post-18 student financial support system on socioeconomically disadvantaged young people. More specifically it looked at the impact of the changes in financial support and drew together and synthesised the findings and conclusions of the best examples to answer the Department's research questions. The review focused on the nature of existing financial support, the impact of this support on individuals, and the wider impact of student finances on disadvantaged students.

The research questions were grouped around a set of themes which are noted below.

- Nature of the student finance system: variation in different forms of financial support and how this has changed, and the take-up and reliance on financial support by disadvantaged students. The questions posed were:
    - What is the level of additional support (in total and per head) from providers through their Access Agreements and how is this directed (bursaries, fee waivers, support on course etc.)?
    - What is the level of additional support from government and what is it based on/intended to cover?
    - How does the existing balance of contributions differ for disadvantaged young people vs. non-disadvantaged?
    - What targeted funding for disadvantaged students is available at individual and institutional level in post-18 FE?

- Influence on choices: influence and effectiveness of funding models and mechanisms on the HE and FE decisions of young people and particularly those from disadvantaged backgrounds; and extent to which, the student finance system facilitates or hampers HE/FE choices for students. The questions posed were:
    - What does the more robust evidence tell us about the impact of the different forms of additional financial support in supporting the post- 18 choices and participation, of disadvantaged students?
    - Do financial incentives matter and do subsidies / bursaries for certain subjects influence student choice?
    - What effect has / would changes to the level of financial support have on applications from disadvantaged groups?

- Influence on experiences: Influence and effectiveness of funding models and mechanisms on the wider HE experience of young people and particularly those from disadvantaged backgrounds; and the extent to which the student finance system facilitates and encourages or hampers retention, student experiences and achieving positive outcomes. The questions posed were:
    - What does the more robust evidence tell us about the impact of the different forms of additional financial support in supporting the progression, retention and outcomes of disadvantaged students?
    - Do financial incentives matter?

- Student debt: Concerns about and attitudes towards student debt and how this influences choices, expectations and experiences, the methods students use to reduce potential student debt or make-up for shortfalls in income, and the debt they accrue during their studies. The questions posed were:
    - How far does the existing level of maintenance support through loan cover the necessary day-to-day expenditure for students?
    - How do disadvantaged students make up any shortfall e.g. part time work? What is the impact of this on choice and progression/outcomes? (How does this compare with how non-disadvantaged students make up the shortfall?)
    - How does the level of debt on graduation differ for disadvantaged graduates?
- Supporting disadvantaged students: to what extent is finance a barrier for disadvantaged students and how best can financial barriers be addressed. The questions posed were:
    - How much are financial considerations a barrier for disadvantaged students?
    - What is the most effective way to support disadvantaged young people financially through their studies?

Approach

A Rapid Evidence Assessment (REA) approach was taken to allow for 'mapping' of the literature and extraction of key findings from the most robust and relevant research to be undertaken with limited time resource. REA assessments constrain: the research question(s), the search process, including screening or sifting, and also data extraction. It involved three stages: search, sift and review.

- The search process involved setting clear boundaries (to focus the search), a limited number of specified search locations (databases and websites) and a number of hierarchical search terms linked to the review questions.
- The sift process involved assessing the identified materials using a set of criteria to ensure that only the most relevant, informative studies were put forward for full review. It involved a number of sifts – each one applying more stringent criteria – to reduce the long list of materials to a manageable shortlist of the best examples of evidence. This shortlist was discussed and agreed with the Department.
- The review process involved critically reading the shortlisted papers and extracting key information against a standard set of headings which reflect the research questions and allow for an assessment of quality and relevance.

For further details of the process see appendix one.

Mapping the evidence

Reflections from the search and sift phase

The terms ‘participation’ and/or ‘access’ identified the greatest number of potential papers. These terms lead towards the large body of research focused on widening participation and access in HE which is concerned with the lower take-up of HE among those from less advantaged backgrounds and the lower rates of progression to more selective higher tariff or research intensive (e.g. Russell Group) universities. Interestingly more recent papers in this body of work have focused on postgraduate study (which is outside the scope of this review and so were rejected in the sift phase) and the evidence here is growing. Generally the papers on widening participation and access tended to take a whole system perspective to look at how higher tuition fees may have impacted upon HE participation among socially disadvantaged groups and thus the implications for social mobility. These studies also tended to focus on fees and costs rather than financial support systems put in place to support student income. Included within this body of work were papers capturing perceptions, attitudes and expectations of debt and fees, and the impact of these on choices and decisions about HE.

The terms ‘choice(s)’ and also ‘outcomes’ identified a significant volume of further papers although these often concerned young people overall and were not necessarily linked to measures of disadvantage and/or differential experiences of those from lower socioeconomic backgrounds. With regards to ‘choice(s)’, there were many papers exploring the drivers which influence student choices and decisions around HE but student finance (costs of study and/or the support package available to students) was either not considered as a specific factor in its own right or was examined collectively with other potential influencing factors including for example the perceived monetary returns/employability offered by HE which can be weighed against ‘costs’.

There was a body of work focused on progression to HE but this largely identifies prior educational attainment as the key predictor, or suggests that young people from deprived communities have lower social and cultural capital, suffer from ‘poverty of aspiration’ or perceive themselves to have low(er) capabilities (academic self-concept) which they need to overcome – often referred to as a deficit discourse – and which can negatively impact upon HE decisions. Interestingly the language of access or participation sometimes moves into discussions around aspiration.

There was also a body of work focused on outcomes from HE but again student finance tended not to feature strongly as there has been insufficient time to be able to track the impact of the most recent reforms (in 2012) on the outcomes for students. Instead much of the research on outcomes has looked at pathways to HE and student and study characteristics to explore differential outcomes. Across these papers the outcomes examined included qualification attainment at HE, satisfaction with HE student choices and, particularly, employment after graduation (immediately or longer-term). Where financial issues were not explicitly covered, these papers were rejected during the sift phase.

The search identified far fewer papers when using the terms ‘progress’, ‘retention’ or ‘success’ (although success appears to be a more commonly used term than outcomes in some academic journals with a HE focus which reflects the policy terminology). The smaller volume of materials here may reflect that research (and indeed measures of institutional performance) has only more recently been concerned with the whole student life-cycle and the factors influencing experiences across the student life-cycle. There appears to be a recent shift towards discussions of resilience when examining retention and/or student success. There were however a number of papers exploring the impact of support at an institutional level on retention and the student experience (e.g. HEIs including Liverpool, Hertfordshire, Bristol and Buckinghamshire New University), reflecting the encouragement from OFFA/Office for Students to monitor and evaluate their access agreement spending on widening participation activity and financial support.

Overall relatively more papers were identified using the terms ‘student’ in combination with ’income’ or with ‘finance’, and fewer when using terms for specific types of finance such as ‘grant’ or ‘loan’ or with using the term ‘debt’.

Other aspects noticed during the search included:

- Generally where papers do focus on the impact of student finance they take a snapshot approach exploring the influence of the whole or particular aspects of the student finance system on students at a particular decision point or stage in the student journey rather than tracking impact over time and taking account of changes to the student finance system. Where tracking has taken place, this has tended to use administrative data and take an econometric modelling approach.
- Some papers focus specifically on certain groups of students either according to education pathway, subject studied (e.g. medical, psychology students) or background characteristics (e.g. gender, ethnicity/race, and also intersecting identities such as disadvantaged British Asian women). These papers often explored how these groups perceive the increase in fees and the impact on their choices and/or how they may access different kinds of support. It was decided that these were not the focus of this review as the main remit was to understand the research evidence around socioeconomic disadvantage.
- There were a set of papers specifically focused on the needs and issues of part-time learners, the paucity of financial support available to them, and the impact on this group of funding reforms; but as the majority of part-time students are mature individuals this work was deemed less relevant to the focus of this review as the main remit was young people and their experiences and choices.

- A range of measures of disadvantage appear to be used across the literature including socioeconomic group, low-income households, no parental experience of HE, living in areas with low HE participation, and attending state rather than independent schools; as well as lone parents, and care leavers. Some other protected characteristics are associated with disadvantage (or used to indicate disadvantage) including ethnicity, disability and age (mature students). However often when disadvantage is directly addressed it is not always clearly defined, and in some cases economic and cultural class barriers to access or participation are presented as synonymous. Given the remit of the review, papers were rejected if they did not cover disadvantage (e.g. did not explore differential experiences of student groups or focused solely on certain characteristics such as gender or ethnicity).

Reflections from the review phase

There were over 60 papers in the final set for review. This was much larger than planned for but reflected the wide scope for the review and the volume of robust studies. The shortlisted papers assigned for full review were research studies of good quality. The majority of these research studies were empirical. They included primary quantitative studies generally involving surveys of large numbers of students or potential students, and qualitative studies involving depth interviews with small(er) numbers of research subjects. Some research studies covered a number of institutions or the whole HE sector but others were based solely within one institution. The empirical studies also included research that used wider administrative data to undertake complex analysis of impacts including modelling outcomes. Where researchers were found to have produced a number of papers from the same project/study the most relevant (or recent) paper was reviewed. There were also a small number of literature/evidence reviews covering robust empirical studies.

The vast majority of the material reviewed focused on the HE sector as this is where the majority of changes to student finance affecting young people have taken place. A much smaller number of papers were identified that focused on the FE sector and these tended to be government commissioned large scale evaluations rather than journal articles or small studies.

The evidence reviewed tended to be grouped into papers focusing on fees, debt and loans; and papers focused on targeted/discretionary support such as grants and bursaries; although some studies covered the whole finance system. Given the search terms used and the strict application of criteria during the sift process, there were very few papers in the final review that covered hardship funds, Disabled Students Allowance and subject specific funding.

To answer the research questions relating to the spending on student finance and the take-up of various funding streams, a number of statistical sources were consulted including those from DfE, the Student Loans Company (SLC), and the Office for Fair Access (OFFA).

Structure of the report

The following chapters reflect the grouping of the research questions and cover:

- Chapter 2: The nature of the student finance system
- Chapter 3: Influence of student finance on access and participation
- Chapter 4: The influence of student finance on the student experience and retention
- Chapter 5: The influence of student finance on outcomes and graduate debt
- Chapter 6: Conclusions for supporting disadvantaged students

The papers reviewed and statistical sources consulted are listed at the end of the report, along with further details of the approach to the review. Also in the appendices are additional details on the spending on student finance and a brief discussion of the pertinent issues for mature and part-time students.

2. Nature of the student finance system

This chapter sets out the major changes to the student finance system in England – particularly the two key HE reforms in 2006 and 2012 that provide the context and often impetus to the research that has been assessed for this review. It also notes the aspects of the system in place in 2017/18 (at the time of this review) and the latest statistical data on the various strands of government provided student support and the financial support provided by institutions through their access agreements.

Over time the systems and policies within the UK with regard to funding learning in HE and FE and providing financial support for students have developed and diverged. The key focus of this review is the system in place for English-domiciled students, and this is therefore likely to differ substantially to the situation in other UK nations, particularly Scotland. Details of systems in place in Scotland, Wales and Northern Ireland (and indeed in other countries) are beyond the scope of this review.

The key research questions the review sought to address were:

- What is the level of additional support (in total and per head) from providers through their Access Agreements and how is this directed (bursaries, fee waivers, support on course etc.)?
- What is the level of additional support from government and what is it based on / intended to cover?
- How does the existing balance of contributions differ for disadvantaged young people vs. non-disadvantaged?
- What targeted funding for disadvantaged students is available at individual and institutional level in post-18 FE?

This chapter therefore covers:

- Changes to the student finance system, including the HE and FE financial landscape
- Take-up of and reliance on financial support by disadvantaged students.

Changes to the student finance system

Much of the research focused on student finance has documented the changes to the student finance system over time, as have the key sources of statistics on the volume and value of student funding. These indicate that the system is constantly evolving, which can create difficulties in researching the impact of the student finance system on individuals as there is rarely a steady-state. The key changes in the HE and FE sectors in regards to student financial support are noted below.

The higher education financial landscape

Eligible undergraduate students can apply for fee loans to meet the full costs of their tuition and also apply for partially means-tested loans for living costs which are a contribution towards those costs while attending university. Students may qualify for additional support from their University in the form of a Bursary or Scholarship.

2006 reforms: A key set of changes to the student finance system in HE were introduced in the 2006/07 academic year for new full-time undergraduate students. These continued to shift the balance of funding responsibility towards individual recipients of HE, a move that was originally set in motion in 1998/99 with the introduction of tuition fees for full-time students. The key changes of the 2006 reforms to the main elements of student support included:

- Removal of up-front charges for HE, and the introduction of an income-contingent loan (backed by government) to cover fee costs. Loan debt to be written off after 25 years, repayments to start once the threshold of £15,000 earnings is reached, with a repayment rate of 9% of earnings, and with a low interest cap (to not exceed 1% above RPI) but interest rates to be applied during studies as well as after graduation.
- Rise in maximum tuition fees for full-time undergraduate students to £3,000 per year.
- New full-time students attending courses in 2006/07 also qualified for partial means-tested maintenance loans of up to £4,405 for students living away from home and studying outside of London; or up to £6,170 for students living away from home and studying in London.
- Provision of means-test maintenance grants for new full-time students from low-income households attending university[2] in 2006/07, maximum set at £2,700 per year.
- Universities charging the maximum fees (of £3,000) were required to offer bursaries to low-income students, defined as those in receipt of the full maintenance grant. The minimum bursary was £300 (and later changed to 10% of fees charged which in 2011/12 was £338). Although in practice many institutions offered considerably more than this.

Between the 2006 and 2012 reforms changes were made to maintenance grants (expanding eligibility to include more students from middle-income households by increasing the qualifying income thresholds for both maximum and minimum grants for

[2] These were not available to students studying by distance learning

full-time students in 2008/09; and increasing the maximum value to £2,900 a year in 2011/12 and later to £3,250 for 2012/13).

2012 reforms: The most recent key set of changes was introduced in the 2012/13 academic year as a result of the Browne Report on higher education funding and student finance (2010). The changes included:

- A rise in tuition fees for full-time undergraduate courses with a maximum set at £9,000 per year and a corresponding rise in student loans for tuition fees. Alongside these changes in fees, there was also a rise in the threshold for repayment of the student loans to £21,000 per year, and an increase in the debt repayment period to 30 years (after which the debt is written off). Additionally the low interest cap was removed, and a positive real interest rate was introduced (to vary between RPI for those earning £21,000 or less per year, rising to 3% above RPI for those earning over £41,000 per year).
- Increase in 2012/13 in maintenance loans for students attending full-time courses to £5,500 available to students living away from home and studying outside of London, or up to £7,675 for students living away from home and studying in London. Part of the loan is means-tested (35%, a rise from the previous level of 28%).
- Increase in maintenance grants to a maximum of £3,250 (full grant for students with household incomes of less than £25,000, and partial grant for those with household incomes between £25,001 and £42,600). The threshold at which an undergraduate student starting a full-time course in 2012/13 could be eligible for a grant was reduced to £42,600 (from £50,020 in 2011/12).
- Introduction of the National Scholarship Programme (NSP) for disadvantaged students to provide a package of support (fee waivers or discounts, cash bursaries, reduced accommodation costs and vouchers HEI goods or services). Institutions could set their own eligibility criteria. The value to each student was at least £3,000[3]. This programme was part funded by government and part funded by institutions from their increased fee income (where institutions were charging above the £6,000 basic fee for any of their undergraduate courses). This support could be provided in addition to other loans and grants for which students could apply. Both full-time and part-time students could be eligible for NSP support but the programme's purpose was to benefit individual students from disadvantaged

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[3] Awards for eligible full-time students were initially worth a minimum of £3,000 (with a maximum cash bursary amount of £1,000) and were only available for the first year of study, institutions could decide to make support available to students beyond their first year. In 2014/15 the minimum amount was changed to £2,000 for new full-time entrants and the limit on the cash bursary was removed (Maher et al, 2018)

backgrounds as they enter HE. Institutions could set their own eligibility criteria and award amount but support was targeted at those with a household income of £25,000 or less (in line with the Maintenance Grant eligibility) and largely targeted towards first year students. As such the National Scholarship Programme represented a significant investment by the sector.

- Course grants and fee grants for part-time students were discontinued and up-front fee loans were extended to new part-time undergraduate students starting courses from September 2012 onwards (to be eligible students had to be studying on a course which was at least 25% FTE for each year and for the duration of their course, and, for most courses, studying for a qualification that was higher than they already held). These students could apply for an up-front fee loan of up to £6,750 to meet the full costs of their tuition (or up to £4,500 towards their tuition for courses at privately funded universities and colleges). The loan repayment terms matched those of full-time tuition fee loans, although part-time students earning over £21,000 begin to repay their loan in the April four years after the start of their course so may start repayments during their studies. At the same time part-time fees were subjected to a cap of £6,750 per year.

Also in 2012 changes were made to student number controls, at first allowing increases ‘at the margins’ (allowing unlimited enrolment for students achieving at least AAB A-level grades or equivalent), and then after 2012 unlimited enrolment was extended to at least ABB, and then the cap on domestic student numbers was removed completely in 2015/16.

More recent changes have included:

- A gradual increase in the maximum maintenance grant /special support grant until it was frozen in 2015/16 at £3,387 and then removed for new full-time students in 2016/17 and replaced with a higher level of maintenance loan (to £8,200 in 2016/17, increasing to £8,430 in 2017/18 and £8,700 in 2018/19 for those students living away from home and studying outside of London). Students starting their courses between 2012 and 2015 saw the maximum loan increasing to £5,878 in 2016/17, £6,043 in 2017/18, and £6,236 in 2018/19 (rising in line with inflation) – rates quoted for students living away from home and studying outside of London. SLC (2017) note that this increased support for living costs for new full-time students from the lowest income backgrounds by £766 a year when compared to living costs, grant and loan support in 2015/16.
- Increase in the maximum part-time tuition fee loan in 2017/18 to £6,935 for HEFCE funded institutions with a Teaching Excellence and Student Outcomes Framework (TEF) Award but remaining at £6,750 for HEFCE funded institutions without a TEF Award. Maximum fee rates have been frozen at 2017/18 levels in

2018/19. Eligible part-time students can apply for an up-front fee loan to meet the full costs of their tuition up to £6,935.

- Introduction of postgraduate master's loans of up to £10,000 in 2016/17, increasing to £10,280 in 2017/18 and £10,609 in 2018/19 for English-domiciled students studying in the UK and EU-domiciled students studying in England on master's courses. These are intended as a contribution to the cost of study rather than to specifically cover tuition fees or living costs. This has a repayment threshold of £21,000, a real rate of interest (RPI + 3%), and is paid at 6% of earnings over the threshold. Repayment of master's loans are concurrent with undergraduate degree loans (the repayment threshold for undergraduate loans in 2018/19 will be £25,000), so where students have both they pay 15% of their earnings.
- Tuition fee cap for full-time undergraduate degree courses increased in 2017/18 to £9,250 for HEFCE funded institutions with a Teaching Excellence and Student Outcomes (TEF) Award but remained at £9,000 for HEFCE funded institutions without a TEF Award. Maximum fee rates have been frozen at 2017/18 levels in 2018/19. Eligible students can apply for an up-front fee loan to meet the full costs of their tuition up to £9,250. The latest data from OFFA (now Office for Students) (OFFA, 2018) shows that 99% of HEIs and 16% of FECs with an access agreement plan to charge the maximum fee for at least one of their courses in 2018/19, and 13% of universities and colleges plan to charge £9,250 for all their courses. The average full-time fee is predicted to be £9,012 in 2018/19 (or £9,001 after fee waivers).
- A repayment threshold rise to £25,000 in 2018 for undergraduate loans (and to apply retrospectively to all students starting HE courses from September 2012).
- Introduction of fee loans and full-rate partially means-tested maintenance loans in 2017/18 for full-time students on most healthcare courses, as many NHS bursaries have ceased.
- Introduction of maintenance loans for new part-time students for degree level and equivalent courses attending universities from 2018/19

(Sources: Chowdry et al, 2012; Crawford et al, 2014; Murphy et al, 2017; Wyness, 2016; Cullinane and Montacute, 2017; Bolton, 2017[4], Maher et al, 2018, SLC, 2017a; SLC, 2018)

[4] BOLTON, P. 2017. HE in England from 2012: Funding and finance, Briefing Paper 6206, House of Commons Library

The further education financial landscape

The Education and Skills Funding Agency (ESFA), an executive agency of the Department for Education, funds FE for young people in England. Every individual aged 23 or below is legally entitled for full funding for their first full Level 3 qualification. This funding is paid directly to providers based on a national funding formula and estimated student numbers. ESFA also funds other support such as funding for higher needs students and student support schemes in creative arts (such as the Dance and Drama awards).

ESFA funds adult further education (for those aged 19+) as well as young people. Grant funding has been consolidated into a new adult education budget that combines the non-apprenticeship part of the adult skills budget, community learning, and discretionary learner support. Under these new arrangements learners aged 19 to 23 who are studying for their first full qualification at Level 2 and/or 3 (i.e. GCSE or A level and equivalent qualifications) still qualify for free funding. In the main[5] adults aged 24 and over, are now responsible for paying for their learning as some grant funding for these learners studying at Levels 3 and 4 was removed in 2013/14 and replaced with Advanced Learner Loans.

There are a number of sources of financial support available to learners in FE to help with costs associated with study, and in 2017/18 these included: the Discretionary Learner Support, the 16-19 Bursary Fund and the Advanced Learner Loan Bursary Fund; and also Care to Learn, Dance and Drama Awards, and Professional and Career Development Loans. The latter two also can contribute towards fees. Previous funding sources have been closed or amalgamated in recent years. Depending on the age of the learner, these were: the Adult Learning Grant (which was combined with the adult Discretionary Learner support from 2011/12); the Residential Support Scheme which was closed to those new learners aged 19+ in 2012/13; and the Education Maintenance Allowance which closed in 2011/12.

The key sources of support for FE students are:

- The **16-19 bursary fund** which replaced the Education Maintenance Allowance in 2011/12. This fund has two streams:
    - A non-repayable vulnerable support bursary of up to £1,200 a year for young people in one of the defined vulnerable groups (in care or care leavers; or in receipt of income support, employment Support Allowance, Universal Credit, Disability Living Allowance or Personal Independence Payment).

[5] Those and individuals aged 19+ who have not previously attained a GCSE C or grade 4 or higher and are studying for a qualification in English or Maths do not have to pay for their fees

    - Discretionary bursaries which institutions award to meet individual needs, for example, to help with the cost of transport, meals, books and equipment. The bursary fund differs from EMA as it allows providers to set the level of benefit and detailed eligibility criteria (whilst following national guidance set by ESFA).

  For both aspects of the fund, applications are made via the education institution in the first instance.

- **Discretionary Learner Support** which absorbed the Adult Learning Grant and the Residential Support Scheme and aimed to help those aged 19 or over who are on a FE course and facing a specific financial hardship preventing them from taking part in learning. Generally this support is provided as a grant but it can be provided as a loan. It has three strands: childcare, hardship and residential (but monies can be varied between strands). Applications are made to the education/training provider; and providers also decide how much support a learner receives. The money can help pay for accommodation, travel, fees, course materials and equipment, and also childcare for those over the age of 20. The support can be applied for in conjunction with other forms of financial support such as Care to Learn, or Professional and Career Development Loans.
- **Advanced Learner Loans**, which were introduced in 2013/14 for UK and EU-domiciled learners aged 24 or older on eligible Level 3 and 4 FE courses. ALLs are for tuition fee costs. The amount learners can borrow is the lesser of either the fee charged or the maximum loan available as set by the Government. Where providers fees are greater than the maximum loan available the learner has to self-fund the difference. The loan is not means tested. Individuals can apply for up to 4 loans subject to the type of qualification. Similar to the HE student loans the repayment threshold is £25,000 in 2018/19 (£25,725 in 2019/20), and repayments are 9% of income earned above the threshold. Interest rates on loans are set at RPI +3% during study and, upon leaving the course, a variable interest rate of (RPI to RPI +3%) is applied based on borrower earnings. From 2016/17 loan eligibility was extended to those aged 19 to 23 and to Levels 5 and 6. Applications are made to and processed by the Student Loans Company, and funding is paid directly to the provider. The loan balance for any access to HE courses is written off once a student completes a Student Finance eligible HE course.
    - The Advanced Learner Loan also has a **bursary fund,** available to those taking out the loan, to help with costs associated with study such as travel, course materials and equipment, and childcare. Students apply direct to their provider for the support.

Additional funding includes: the Care to Learn scheme which covers childcare and related travel costs for those aged up to 20; Professional and Career Development Loans of up to £10,000 for those aged 18 or older that are provided by The Co-operative Bank but the government pays the interest during the course (given the range of student finance since these were introduced in 1988, lending ceased after 25 January 2019); and Dance and Drama Awards offering income assessed support for tuition fees and living costs at a number of high quality dance and drama institutions in England.

Take-up of and reliance on financial support by disadvantaged students

HE Student loans

Statistics from the Student Loans Company (SLC, 2017) provide data on the student loan and grant support for English-domiciled students and EU-domiciled students on HE courses in universities, colleges and alternative providers in the UK. It gives provisional payment figures for 2016/17, and also early in-year awards made to students in 2017/18 (awarded within the first 2 months) which provide an indication of the impact of the change to larger maintenance loans in place of maintenance grants. These data also cover part-time students.

In 2016/17 there were 1.33 million students supported by the Student Loans Company. In terms of awards made in 2016/17 to English-domiciled students: 985,000 were awarded a tuition fee loan; and 1,011,000 were awarded a maintenance loan. In terms of take-up (across publicly funded and alternative providers):

- In 2015/16 986,000 students were awarded a maintenance loan, receiving on average £4,050. It is estimated that in this year 89.5% of the total eligible full-time English-domiciled student population (in publicly funded HE only) took up a maintenance loan. In 2016/17 1,010,880 English-domiciled students were paid a maintenance loan and this was on average £4,730 (and is explained by the change from grants to loans for low-income students).
- In 2015/16 934,200 students were awarded a tuition fee loan, and it is estimated that in this year 93.8% of the total eligible English-domiciled student population (full-time and part-time) at a publicly funded institution took up a tuition fee loan. The average fee loan was £8,120 in 2016/17 and was £8,030 in 2015/16 for full-time students studying in England. For English-domiciled students operating under the post 2012 system and at publicly funded institutions the average fee loan was £8,240 in 2016/17 (provision figures) and £8,170 in 2015/16
- Provisional figures for 2016/17 (which are likely to increase) suggest 74,100 part-time students (EU and English-domiciled students) received a tuition fee loan, and the figure was 74,700 in 2015/16. The average amount paid was £2,980 in 2016/17 and was £3,040 in 2015/16.

Figures from the Student Income and Expenditure Survey 2014/15 (Maher et al, 2018) find that in 2014/15 84% of full-time English-domiciled students took out fee loans with an average fee loan of £8,165. As the take up was so high no additional analysis of the propensity to take out a tuition fee loan was undertaken. Across all full-time English-domiciled students (including those who do not take up a fee loan), the study showed that tuition fee loans accounted for 40% of the total average income for the academic year 2014/15. In contrast, SIES found that a much lower proportion, 67%, of part-time English-domiciled students took out a fee loan, with an average of £3,785; and across all part-time students this income from fee loans accounted for 15% of their total average income.

In terms of maintenance loans, the survey found 79% of full-time English-domiciled students took out a loan with an average amount of £4,066. At this time part-time students were not eligible for maintenance loans. Across all full-time English-domiciled students (including those who do not take up a maintenance loan), the study shows that maintenance fee loans account for 28% of the total average income for the academic year 2014/15. As noted above, part of the maintenance loan (35%) is means-tested which meant those from lower income households could access a higher level of loan, as could those living away from home during term-time and/or studying in London. However it is worth noting that, at the time of the survey, means-tested maintenance grants were also available which could help to supplement the income of students from low income households.

Logistic regression indicated that parental experience of HE, age and a student's living arrangements were associated with likelihood of taking out a maintenance loan in 2014/15. Holding other factors constant, those with parents who had not been to university (sometimes a proxy for disadvantage) were more likely to take out a maintenance loan. Those who lived with their families during term-time were significantly less likely to take out a maintenance loan (68%) as were older students (those aged over 25, just 65% did so). Socioeconomic background was not found to be significant in the model and overall the proportion of those from routine and manual work backgrounds taking out a maintenance loan was the same as found for those from managerial and professional work backgrounds at 79%. However in the regression model, when controlling for other factors students from routine/manual work backgrounds were significantly more likely to take out a maintenance loan than those from managerial/professional backgrounds. Also those from routine and manual work backgrounds took out larger maintenance loans on average (£4,253) than those from managerial and professional work backgrounds (£3,922). Similarly first generation students (those who parents had not been to university) took out larger maintenance loans on average than those with parents who had been to university (£4,172 compared with £3,954). These findings are likely to reflect the facility to borrow a larger amount for those in low-income households. However the amounts borrowed still fall short of the maximum available (£5,555) which could suggest that the availability of maintenance grants could have reduced the amount of loan taken out.

HE Grants

Statistics from the Student Loans Company show that in 2016/17 354,000 English-domiciled students were awarded a maintenance grant/special support grant. This represents a significant fall from 549,000 awards made in 2015/16. This reflects the change in policy from grant based support for some students to higher levels of government-backed student loan funding for all students (as noted above), with maintenance grants no longer available to new students from 2016/17. Among publicly funded HEIs, 40.5% of their students received a full grant, 14.1% received a partial grant, but 45.4% received no grant support. No figures were provided for the average maintenance grant (SLC, 2017).

In 2016/17 2,600 part-time students (EU and English-domiciled) studying in England received course grants and 2,500 received tuition fee grants (compared to 6,900 and 6,600 in 2015/16). The average amount received in course grants was £280 in 2016/17 and 2015/16; and the average amount received in tuition fee grants was £810 in 2016/17 and 2015/16 (SLC, 2017).

Figures from the Student Income and Expenditure Survey in 2014/15 (Maher et al, 2018), before grants were discontinued, show that in 2014/15 48% of full-time English-domiciled students received a maintenance or special support grant, most received between £2,500 and £3,500 and the average received was £2,654. Logistic regression found that when controlling for other variables, the propensity to receive grant support was influenced by socioeconomic background, parental experience of HE and age (amongst other characteristics). Students from routine and manual work, and intermediate work backgrounds were significantly more likely than those from managerial/professional work backgrounds to receive a grant, and to receive higher amounts: 60% from intermediate work backgrounds, 58% from routine and manual work backgrounds and 30% from managerial professional backgrounds received a grant; and the average amounts received were £2,740, £2,674 and £2,363 respectively. Students whose parents had not gone into HE were more likely to have received a grant than those whose parents had experienced HE (59% compared with 36%). These patterns reflect the targeting of grant-based support towards disadvantaged students. In terms of age, older students were more likely to have received a maintenance grant (58% of those 25 and over compared to 45% for those aged under 20).

Additional financial support from institutions

Figures from OFFA (2017b) show that in 2015/16 there were 296,000 students from lower income backgrounds and under-represented groups in HEIs and FECs (with access agreements) who received a financial award from their institution. This represents 31% of the total of fee regulated students. The number and proportion of students receiving support, and the average value of awards, has been falling from the peak in 2014/15 of 328,000 and 35%. OFFA noted that this was in line with their expectations given the end of the National Scholarship Programme (NSP). Among those in receipt of support in 2015/16 the vast majority (240,000, 81%) were from households with incomes of £25,000 or less, and this group received 87% of the total that institutions spent on financial support; whereas 56,000 (19%) were from other low income backgrounds, with incomes between £25,000 and £42,620. The average award for students in low household income households (£25,000 or less) was £1,550 (a fall from the average of £1,750 in 2014/15) and for students with higher household incomes the average was £1,007 (virtually unchanged from the average of £1,001 in 2014/15). In addition, figures from OFFA (2017b) indicated that 39,463 students across HE providers benefitted from hardship funds in 2015/16.

The Student Income and Expenditure Survey SIES for 2014/15 (Maher et al, 2018) also looked at institutional support, and at the time of the survey the NSP was still in operation and aiming to target first year students from disadvantaged backgrounds. The survey found that across all full-time English-domiciled students (recipients and non-recipients) the income from institutional bursaries and scholarships accounted for 3% of average total income. Over a quarter (26%) of full-time students received financial support from their institution: 24% received a bursary or scholarship from their university or college, and the average was £1,865; and 3% received support for fees (including fee waivers and fee discounts) and the average was £2,467. The survey found that bursary and scholarship support was most commonly received in the form of a cash award or money paid into the student's account (83%) followed by discounted university accommodation (12%), pre-paid cards for university goods or services (6%) and vouchers for textbooks (4%). Logistic regression analysis indicated that students from routine/manual work backgrounds and from intermediate work backgrounds were significantly more likely to have received a bursary or scholarship than those from managerial/professional work backgrounds (reflecting the aims of NSP): 27% from routine/manual backgrounds received this support, receiving on average £2,029; and 30% from intermediate socioeconomic groups received support, on average £1,880. Other groups of students more likely to receive institutional support were those with no parental experience of HE (another indicator of disadvantage), and those in HEIs rather than FECs.

The Student Income and Expenditure Survey 2014/15 (Maher et al, 2018) also found that just 2% of full-time students received money from the Access to Learning Fund, although they received fairly substantial amounts on average, £976. This fund has been a source of money given to institutions by the government (with responsibility transferring to HEFCE in 2014/15) so that they can provide financial assistance to students on low incomes who need extra financial support or who are in financial difficulty.

FE support

16-19 Bursary Fund: There is no publicly available year-on-year data on the take-up of discretionary bursaries, but the DfE commissioned impact evaluation (Britton and Dearden, 2015) estimated that the number of discretionary bursaries in 2012/13 was around 360,000 representing 23% of the cohort in education and work-based learning (and this represents 56% of those in receipt of EMA in 2010). Similarly a process evaluation of the fund (Lloyd et al, 2015) undertaken in 2013/14 estimated that the total number of recipients was 357,300 representing approximately 23% of 16-18 year olds in education and work-based learning. The evaluation also found that the amount of discretionary bursary spend per student in 2013/14 varied considerably, from £60 to around £4,000. The median level of spending per student was £447. Also a much higher proportion of applicants were students with parents who hadn't been to HE (42% compared to 20% with parents who had been to HE) and were in receipt of state benefits (52% compared to 36% of those who didn't receive state benefits). The evaluation found the most frequently used criteria for awarding discretionary bursaries were: household income, entitlement to free school meals and benefit receipt within the household.

In terms of the vulnerable group bursary (one aspect of the 16-19 bursary), the process evaluation (Lloyd et al, 2015) found only a small number of individuals were eligible for these, and just 23,900 students or approximately 2% of the cohort in education and work-based learning received them in 2013/14. The largest group receiving vulnerable student bursaries were those in receipt of Income Support (41%), followed by those in care (37%), care leavers (15%) and those receiving DLA and/or ESA (8%). Data on 16-19 Bursary payments for vulnerable groups is now available on an annual basis[6].

Discretionary Learner Support: An evaluation of the scheme in 2011/12 (BIS, 2013) analysed Individualised Learner Record data to find 83,634 recipients of DLS which is suggested to be a sample of recipients rather than the full number (as noted in the report this was much lower than found in 2010/11 where an evaluation used provider data and found approximately 200,000 recipients). DLS recipients were more likely to be female, from a minority background, younger, and to have a learning difficulty, disability or health problem. It also found recipients were more likely to live in deprived areas concentrated in the North of England as opposed to the South (with the exception of London and Cornwall), and suggested that this indicated that the funding appeared to be working effectively.

[6] https://www.gov.uk/government/publications/16-to-19-esfa-payment-data-for-care-to-learn-and-bursary-fund-for-students-from-vulnerable-groups-schemes?utm_source=0e9f4153-dd59-415b-bf32-c388c01ce752&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

Advanced Learner Loan: Figures show that £208.0 million was paid during the 2017/18 year on behalf of 71,460 learners and the average amount paid was £2,910[7].

ALL Bursary Fund

The evaluation of the first phase of the Advanced Learner Loan (IFF, 2018a) showed that the proportion of loans-funded learners being supported by the ALL Bursary Fund in 2015 was slightly higher than in 2013/14, increasing from 4% to 6%. One fifth of those who were in receipt of bursary funds (19%) reported receiving less than £200, a quarter (26%) between £200 and £400 and one in eight (13%) between £400 and £800. The remaining learners (42%) were relatively spread in terms of the amount they received. Values required are discussed between the learner and the provider.

ALL bursary funding was most likely to be used by learners to help with course-related costs such as books and equipment (66% of those in receipt of Bursary funds), travel costs (63%) and childcare costs (30%).

The vast majority of loans-funded learners aged 24+ (86%) stated that they were aware of the ALL Bursary Fund. However interviews with the learners aged 19-24 suggested that although some had received one there seemed to be low awareness of the bursary among this group (IFF, 2018b).

[7] https://www.gov.uk/government/statistical-data-sets/fe-data-library-further-education-and-skills

3. Influence of student finance on access and participation

This chapter presents the research literature covering the impact of the student finance system on young people on their access to HE and participation decisions – in terms of whether to study and where to study. It also captures the research literature covering attitudes to, and concerns about, student debt, and the influence this has on HE decisions and choices. The key research questions the review sought to address were:

- What does the more robust evidence tell us about the impact of the different forms of additional financial support in supporting the post-18 choices and learning participation, of disadvantaged students?
- Do financial incentives matter and do subsidies / bursaries for certain subjects influence student choice?
- What effect has / would changes to the level of financial support have on applications from disadvantaged groups?

Introduction

There has been a great deal of research attention placed on the potential influence of the student finance system on student choices about FE and HE. Much of this work has focused on the influence of costs on choices, particularly tuition fee charges, but has also explored the influence of wider living expenses and other (often hidden) course costs on student choices. There is also a body of work that has explored attitudes to student debt and debt aversion, and how the prospect of student loan debt influences HE decisions.

These cost and debt studies often explore costs alongside expectations about the benefits from studying at a higher level. Much of this work has focused on HE rather than FE participation decisions, and has followed the changes in HE student finance policy to examine impact on participation – following the introduction of full-time undergraduate fees in 1998 (see Dearden et al, 2010), the increase in fees in 2006 (see for example Crawford, 2012), and more recently the increase in fees in 2012. Although the focus of this review is the financial situation following the 2012 reforms, key studies are included that explore the impact of the 2006 reforms as they can provide valuable insights and help to fill gaps in the evidence base as the current system beds in. Studies undertaken on the cusp of the 2012 changes have also been included to explore how prospective students viewed the prospect of substantially increased costs but also increased benefits.

The research on participation includes large scale studies using administrative data over several years to model actual participation. It also includes studies capturing primary research data on planned participation either with prospective students who are making, or have made, their HE choices and those already in HE and looking back at the influences on their choices. However researchers have asserted that there has been relatively little research, if any, with those choosing not to go to university because of the changes in funding (Clark et al, 2017).

There are also numerous studies that have looked at the influence of financial support or aid, and of particular financial support mechanisms or packages of support (such as maintenance loans, maintenance grants, institutional bursaries), on HE decision-making and participation. These tend to take a widening participation or widening access perspective – so are looking to see if participation in HE amongst those from lower social class backgrounds/lower socioeconomic groups has been affected by changes in student finance policy and practice, or looking to see if participation of these students at more elite universities has changed. Much of this research has focused on institutional bursaries rather than loans or grants, and includes national studies as well as institutional level studies. However there appears to be no substantive research or evidence that has explored Hardship Funding (e.g. Access to Learning Funds), and very little on other forms of support such as Disabled Students Allowance, Parents Learning Allowance, Childcare Grant, Adult Dependents Grant, Teacher Training Bursaries etc. (NUS, 2012a). The exception is the Student Income and Expenditure Survey series (Maher et al, 2018) which looks at take up and average awards from these funding sources but not the impact.

Overall these studies on the linkages between (aspects of) student finance and access and participation tend to note how researching the impact of financial support is challenging and cite several factors which hamper their endeavours:

a. not being able to explore financial support in isolation of other support and factors influencing participation decisions;
b. not being able to link intention to participate with actual enrolment;
c. not being able to establish the true starting point of individuals and thus the possible advantages acquired;
d. not being able to provide a true counterfactual as to what would happen to students without the support, and instead proxies for control groups are often used such as those who just fall outside of the eligibility criteria for support;
e. potentially missing out on the wider impacts and consequences or explanatory factors (e.g. development of reliance and coping strategies amongst disadvantaged students by overcoming barriers earlier in their education, Harrison and McCaig (2017));
f. the high degree of heterogeneity of institutional support, as universities can decide how they implement their own bursaries, which makes it difficult to generalise about impact and/or effectiveness.

This chapter covers:

- the discourse of the marketisation of HE;
- estimating the impact of the changes to student finance;
- exploring the influence of costs on participation;
- exploring the influence of financial support on participation;
- researching the influence of student finance on wider decisions;
- understanding levels of awareness of student finance.

The marketisation of HE

Some of the work exploring the impact of student finance on student choices is set within a discourse of the marketisation of HE with students acting as consumers which it is argued has been brought about by the increased level of tuition fees and the greater focus on employability outcomes (Clark et al, 2015; ICOF, 2015; Minty, 2015). Research on HE participation and choices can explore how students make decisions in this new paradigm, and examine the concept and discussions of 'value for money' from the student/consumer perspective. Minty (2015) for example notes how prospective students want greater transparency about how fee income is spent by universities. The UUK work with students (2015) found that despite high levels of satisfaction, *'there was a clear concern among current undergraduate students about whether their financial investment represents value for money'* (p18) (46% feeling their university experience had been poor value for money), and this is related to subject studied, contact hours and access to staff, availability of careers advice and support, and quality facilities. The research found that students also factored in employability into their views on value for money. Research by NUS (2016) with the first cohort of graduates affected by the 2012 reforms found that, although the majority of new graduates enjoyed and valued many aspects of their degree, the majority (56%) did not believe it was worth the fees charged. Those who paid higher fees were much more likely to believe their degree was not worth the costs.

Also within this theme is the potential for institutions to vary fees and financial support to affect recruitment, to essentially use these as marketing tools (with institutions competing for students). Indeed, the research argues that the policy ambition for institutional bursaries was to introduce a differentiated market of bursaries using price competition to encourage shifts in HE recruitment (Harrison et al, 2018; Harrison and Hatt, 2012; Wyness, 2016; McCaig, 2014). The research finds the **market for fees** has not materialised and institutions have clustered at the top end of the allowable charges (ICOF, 2015). Bowl and Hughes (2016), who were interested in how institutions responded to the tension between financial viability (the need to recruit students) and public good (the need to support social mobility), found a greater tendency to mimetic isomorphism (mirroring strategies of other institutions) than they had anticipated suggesting less differentiation across institutions. Murphy et al (2017) also commented on the potential market and note how institutions bear none of the risk of non-repayment of student loans and so have no incentive to vary prices to reflect quality, and could be charging prices that are higher than the cost of provision.

However a pseudo **market in additional financial support** has emerged (HEFCE, 2013b). The research suggests a complex and highly varied system of institutional support has resulted (Harrison et al, 2018; Wyness, 2016) with institutions using support as part of their general recruitment activities and using it to target the brightest and best students (McCaig, 2014; Nursaw Associates, 2015). Elite universities tend to offer a few high value bursaries whereas lower status universities tend to offer a greater number of lower value bursaries (which Harrison et al, 2018, refer to as an 'ossification by status'). Wyness (2016) notes: *'as a direct consequence of the decentralized nature of the bursary system, there are vast inequalities in aid receipt among poor students. With universities compelled to award bursaries to the poorest students (those receiving full maintenance grants), those universities with high numbers of poor students have to spread their limited resources more thinly. Hence students attending these universities – usually less elite, non-Russell Group institutions – get less than their (often better off) counterparts at more prestigious universities'* (p5). Also 'cliff edges' in support can occur whereby small changes in parental income can result in large differences in support received (Wyness, 2016).

However critically a higher level of bursary appeared to make no difference to students HE choices (Corver, 2010; Harrison and Hatt, 2012; HEFCE, 2013b; Bowes et al, 2013; Nursaw Associates, 2015). Indeed the review undertaken by HEFCE (2013b) found evidence indicating that increased participation of disadvantaged young people had been in institutions offering lower bursaries. Lower entry offers appeared to have a stronger influence on choice of institution, with disadvantaged applicants wanting to reduce the risk of being unplaced. There have been concerns raised that this market for support whilst not affecting decisions could however benefit a few high achieving individuals whilst ignoring the needs of the mass of students from widening participation backgrounds (HEFCE, 2013b). Similarly, Harrison and Hatt (2012) were critical of the underpinning market-based assumption for bursaries that students respond to price incentives and act without barriers: '*It is only the most academically able and the most socially and geographically mobile students who are able (or feel able) to compete for the largest bursaries offered by the top universities. Due to the strong hierarchical segmentation in the bursary market, the majority of students are only able to seek the significantly smaller bursaries available at lower status universities. For these students, there is little or no price differentiation in a limited marketplace'* (p704)

Estimating the impact of the changes to student finance on costs and participation in HE

There are several studies that have examined or modelled the likely impact of the changed funding regime including increased fees and changes to loan repayment terms on less advantaged students and social mobility. These are large studies involving considerable volumes of data taken from administrative datasets or national surveys such as the Labour Force Survey (LFS). These tended to have been undertaken following the 2006 reforms (e.g. Crawford, 2012, Dearden et al, 2010) or in the run up to the changes introduced in 2012/13. More recent studies have explored changes to grants (shifting from grants to loans) and some have proposed different models for financial support for students. All these studies note that finance is just one aspect in HE participation and other important explanatory factors include level of parental education and the prospective student's level of prior attainment.

Generally these studies find that the increased level of fees have been offset by increases in financial support with no discernible negative impact on participation rates, and particularly no impact for young students from lower income or less advantaged backgrounds to the extent that the gap in HE participation by socioeconomic backgrounds has remained stable or in fact decreased (Dearden et al, 2010, Crawford, 2012; Ghazala and Simion, 2018).

Crawford (2012) found that after the 2006 changes HE participation increased more rapidly among those from deprived backgrounds thus reducing the participation gap. Ghazala and Simion (2018) found the 2006 reforms had a small negative effect on enrolments overall (reducing enrolments by less than 1%). More detailed analysis showed the reforms had no substantive impact on those from lower socioeconomic groups and instead had a stronger negative effect on those from higher socioeconomic groups - thus reducing the HE participation gap among wealth groups. Ghazala and Simion found the 2012 reforms led to no overall change in enrolment rates among those from lower household incomes as the structure of the finance system ensures no upfront enrolment costs while at the same time means-testing of grants and loans mean students from lower income households 'experience a releasing of financial constraints' (p22).

Murphy et al, (2017) also found that although the 2012 reforms meant all students faced higher net costs, with even the poorest students having a net cost of £6,000 (although not paid upfront), all students faced positive liquidity. Indeed students may be better off in the short-term with more financial support whilst at university. Chowdry et al (2012) estimated that the 2012 reforms could see students in families with incomes of less than £25,000 receiving between £670 and £880 more in up-front support due to the increases in maintenance loans and grants.

These quantitative studies tend to conclude that the changes to student finance – including increases in fees – should therefore not deter prospective students from lower income backgrounds (based on parental incomes) from HE, but they acknowledge this requires both a lack of debt aversion amongst such students and provision of clear information about the likely costs of HE participation/likelihood of the debt being written-off (Chowdry et al, 2012). The latter requirement is problematic as discussed below.

Recent studies have challenged these assertions. Jones' (2016) work with Year 10 and 11 pupils challenges the attraction of *'the safety net of non- or partial payment'* (p289) for those from low participation backgrounds and asserts that the prospect of paying less does not incentivise participation as much as assumed, and that increases in fees raises the stakes and may further entrench cost and price aversion. The author also argues that young people from low participation backgrounds may exclude themselves from HE because *'non-participation is seen as a lesser lifestyle gamble'* (p291). Work by Cullinane and Montacute (2017) for the Sutton Trust looked at the impact of grant withdrawal and modelled a range of scenarios for the 2017/18 cohort. They assert that the current system now creates a regressive debt profile, with those from the least well-off households accruing the most debt on graduation (of £51,600 compared to £38,400, 34% more debt) as those from less advantaged background have fewer alternative resources and thus take out larger maintenance loans (see Chapter 5).

Influence of costs on participation

Concerns about costs and debt aversion

Weighing costs against benefits for HE

Research finds significant proportions of applicants/potential applicants (or HE students in retrospect) felt their decisions could be affected by the costs of HE study, showed anxieties about the financial issues of HE, and were uncomfortable about debt. Uncertainty about the costs and benefits of HE, as well as negative perceptions of these aspects, could also deter plans for HE.

Many individuals were concerned about or put off to some extent by the costs associated with university, particularly tuition fees, believing that going to university is expensive (Fagence and Hansome, 2018 surveying HE applicants; Maher et al, 2018 surveying HE students; Sutton Trust, 2017 polling potential HE students; Atherton et al, 2016 surveying HE applicants; ICOF, 2015 polling potential HE students; Wilkins et al, 2013 surveying potential HE students; McGuigan et al, 2012 surveying potential HE students). In general, however, expectations of the benefit of HE study outweighed cost concerns with individuals referring to the graduate premium and individual benefits (Fagence and Hansome, 2018; Minty, 2015; Ertl et al, 2013; McGuigan et al, 2012; NUS, 2012a).

Studies have explored the cost-benefit decision either directly or indirectly. Fagence and Hansom (2018) in their work with HE applicants and first year undergraduates (post 2012 reforms) found that financial factors were not the largest influence on the final decision to apply to university. The most important factors were the desires to be more employable, to achieve the qualification and to pursue an interest in a subject; and this was the case for applicants from across the social spectrum. McGuigan et al (2012) in their experimental work with Year 10 pupils found a perception of higher cost was negatively associated with plans to apply to university, and conversely an increased perception of benefits was positively associated with plans to stay on in education and apply to university. The HEFCE review (HEFCE, 2013b) found evidence that prospective students who were unsure about HE tended to: be unsure about the benefits and risks of participation; and have lower levels of knowledge about financial support and what participation in HE would be like (citing Davies et al, 2009). Researchers working with potential HE students acknowledged this cost-benefit decision was therefore rooted in having sufficient awareness of these aspects of HE, that media reporting (particularly around the announcement of the 2012 reforms) could have a damaging impact, and the decision could also be affected by the economic downturn (McGuigan et al, 2012; Ertl et al, 2013; and Wilkins et al, 2013). One research team working with participants of a HE widening participation programme noted that the cost benefit decision could also be influenced by outreach work, and were troubled that participation in outreach activities could reinforce messages that loans and debt are necessary, fair and reasonable (Clark S et al, 2015).

Some research has sought to explore price sensitivities of prospective students, to try to understand where costs become too great, and overcome any perceived potential benefits. Fagence and Hansome (2018) in their large scale survey of HE applicants in 2015 found: raising fees to £10,000 a year would have a minimal 1% negative impact on applications, but raising fees to £11,000 would have an 8% negative impact; also if the £10,000 fee was combined with replacing maintenance grants with loans this would lead to a 10 to 12% fall in applications. Atherton et al (2016) in their work with Year 13 students across 106 providers in 2014 found that if fees were increased to over £15,000 the majority would re-consider applying to HE, and established a debt threshold of £40,000 beyond which only a minority of prospective HE students were prepared to borrow (although this was the highest option available in their survey). Both these studies suggest there is a tipping point beyond which cost does matter.

Debt aversion

Other work has specifically focused on attitudes to student debt acquired during FE and particularly HE study, notably the work by Callender and colleagues who developed a measure of debt aversion to capture the psychological costs associated with carrying debt (building on the work of Davies and Lea).

Research finds relatively high levels of concern about debt – among prospective HE students (Minty, 2015; Atherton et al, 2016; Callender and Mason, 2017), HE students (NUS, 2012b; Minty, 2015), FE students (NUS, 2012b), and graduates (NUS, 2016).

These studies find that the prospect of debt is troubling and anxieties around repaying the student loan debts can cause potential students to (re)consider their plans for progressing on to HE - particularly those with lower achievement or those not wholly decided that they want to go to university (NUS, 2012a). These attitudes can also link to more negative projections of future benefits of HE (affecting the cost-benefit dynamic) and also to their parents (negative) attitudes to debt (Ertl et al, 2013; Fagence and Hansome, 2018; Atherton et al, 2016; and Clark et al, 2017; Callender and Mason, 2017).

Recent work by Callender and Mason (2017) with potential HE applicants (those studying towards HE entry-level qualifications) found that debt averse attitudes were negatively related to planned HE participation. Fagence and Hansom (2018) who surveyed English-domiciled UCAS applicants applying for 2015/16 entry and first year undergraduates in 2016/17 found that a significant proportion were almost put off HE due to worries about debt: 25% reported that they nearly did not apply because of worry about debt (rising to 29% among applicants from lower socioeconomic groups, and 30% of those expecting to receive a full maintenance grant).

Atherton et al (2016) found most prospective students did not feel that debt was a normal part of life and felt uncomfortable about the potential of being in debt even if it meant they could go to university. Clark et al (2017) also found a general aversion to debt in their qualitative study with undergraduates at one ‘red-brick’ university. Students’ aversion to debt was linked to uncertainty of the financial outcome of their study and a perceived inequality between themselves and earlier cohorts paying lower fees. Students also made comparisons between themselves and their parents with a quarter reporting that their parents had a negative attitude to acquiring debt for education. The HEFCE review (2013b) also found research which identified that parents from lower socioeconomic groups appeared to be more debt averse; and that this may be a contributing factor to young people’s debt aversion (citing the work of Allen and Prendergast 2009; Atherton, McNeill and Okonkwo, 2010).

The impact of costs and debt on students from lower socioeconomic groups

Research indicates that young people anticipated that HE would lead to high levels of debt, and those from disadvantaged backgrounds were the most pessimistic about debt.

Studies generally undertaken with potential HE students have found that those from lower socioeconomic or less advantaged backgrounds are: more likely to feel they would be affected by the costs of HE and regard costs as a debt rather than an investment;

more worried about finances; and more likely to find the prospect of debt troubling; and the most pessimistic about debt and have stronger debt aversion (Maher et al, 2018 surveying students in HE reflecting back on their HE decisions; Callender and Mason, 2017 surveying prospective HE students studying towards HE entry-level qualifications in 2002 and 2015; Sutton Trust, 2017 polling young people aged 11 to 16; Atherton et al, 2016 surveying prospective students; Ertl et al, 2013 surveying Year 13 students; NUS, 2012b surveying HE and FE students before the 2012 fee increase; and the review by HEFCE, 2013b citing Callender and Jackson, 2008).

The Sutton Trust aspirations polling study (2017) with young people aged 11 to 16 found that financial worries about HE were much higher in less affluent families than those in high affluence households (66% compared with 46%). Similarly Ertl et al (2013) surveying Year 13 students in 2012 (on the cusp of the reforms) found first generation HE applicants tended to be more pessimistic about the financial benefits of going to university (specifically about the graduate premium and more likely to anticipate earning below the repayment threshold) and were more concerned about student debt. Those who were the first in their family to enter HE were more likely to expect to accumulate a high level of debt (of more than £44,000) during their studies compared with other students: 28% compared with 21%; they were also relatively less likely to say that they didn't know or hadn't thought about expected debt: 16% compared with 23%; and were more likely to expect a long debt repayment period: 59% compared with 46%. Students who expected to accumulate large amounts of debt were more likely to expect not to be able to repay their debt in full, and over one third of students in low HE participation neighbourhoods anticipated that they would not be able to pay back their debt in full (in contrast to just over one tenth of those from the highest participation neighbourhoods). The authors felt this potentially demonstrated a lack of knowledge of the graduate labour market among this group with limited familial experience of HE.

These concerns could act to disrupt plans for HE, and there appear to be a range of factors that could exacerbate financial worries for disadvantaged students. These include: fear of failing (i.e. borrowing large sums of money with nothing to show from it), lack of confidence, less optimism about the benefits of HE outweighing the costs (HEFCE, 2013b), and lower attainment (NUS, 2012a).

Research undertaken by Callender and Mason (2017) involving large scale surveys of prospective HE students in England, in 2002 and 2015 (during which time tuition fees increased substantially), found strong evidence that debt aversion is consistently stronger among lower class students (indicated by parental occupation), and that debt averse attitudes were still negatively related to planned HE participation for those from lower class backgrounds. Critically the authors noted how this relationship had strengthened over time: *'lower-class students are still far more likely than students from other social classes to be deterred from planning to enter HE because of fear of debt'* (p41). They also found that perceptions of higher costs of HE study were also negatively associated with plans to apply to HE. Additionally Callender's earlier work (Callender and Jackson, 2008 cited in HEFCE, 2013b) found that individuals from lower socioeconomic groups were more likely to consider the cost of HE as a debt rather than an investment.

Earlier studies also linked debt aversion and concerns over costs among disadvantaged students with decreased perceived likelihood of progressing to HE. The HEFCE (2013b) review of widening participation research (undertaken before the 2012 changes) identified research findings that students from less advantaged backgrounds were more likely to be affected by fear of debt, financial constraints, and to be deterred by higher fees (less likely to view HE as worth the cost) whereas those from more advantaged backgrounds attached more importance to price as an indicator of reputation and were less affected by high fees. Similarly the NUS (2012a) literature review, exploring the student finance systems for FE and HE prior to the 2012 reforms, found fear of debt and financial concerns do affect some aspects of decision-making especially for students from lower socioeconomic backgrounds with lower prior academic performance (citing Callender and Jackson, 2008; Callender, 2008; Adnett and Tlupova, 2008; Davies et al, 2008; Maringe and Foskett, 2009). The review found those students from areas with low levels of participation in HE and whose grades were borderline for attending HE could be dissuaded from entering HE through concern about levels of debt (citing Davies et al, 2008). Similarly, those who were not sure about whether to enter HE for various reasons were also more likely to be discouraged by the prospect of accruing debt (citing Callender, 2008; Davies et al, 2008). This suggests that those who were less certain of their HE plans or abilities were more susceptible to the dissuasive effect of debt. More recently, the work of Jones (2016) also found the effect of debt-aversion and concerns about student finance intercepted with ability, and these worries generally appeared to have only a limited effect on the decision-making of high achieving disadvantaged students. Jones conducted surveys and qualitative research with Year 10 and 11 students in deprived areas of England and found 90% were indifferent to the £9,000 fee cost (seemingly as the size felt abstract to them) whereas other factors such as concerns about failure and the cost of failure played a role.

However some studies have indicated that students from disadvantaged backgrounds – despite having stronger debt aversion - may be no less likely to consider entering HE and/or may be no more likely to consider postponing HE or to consider cheaper alternatives: *'students from working class backgrounds may feel compelled not to lose out and therefore opt to enrol in higher education'* (Wilkins et al, 2013, p10, with Year 12 students). Similarly the research using participation data, noted above (Dearden et al, 2010, Crawford, 2012; Ghazala and Simion, 2018), finds no discernible impact on actual participation rates for young students from lower income or less advantaged backgrounds. So although a significant minority of applicants and students report they were almost deterred from HE entry out of concerns about debt they appear to have overcome these worries by virtue of the fact that they did actually apply or start a HE course.

Research also indicates other groups of students who are more likely to be concerned about costs and debt; these include full-time and mature FE students, Scottish students, and more recently students from middle (intermediate) socioeconomic backgrounds. NUS (2012b) surveyed students in FE and HE in late 2011/early 2012 and found the majority of FE students (63%) were concerned about future levels of debt. This appeared to be a particular concern among full-time students and older students (those aged over 19). Whereas Minty (2015) looked at the attitudes of English and Scottish students, and found the majority of Scottish students were debt averse (despite debt levels being significantly lower than in England) and described feeling worried or stressed about the prospect of acquiring debt and were planning to avoid or keep any debt to a minimum. In Minty's study, those who planned to avoid debt tended to be from disadvantaged backgrounds (in families with intermediate or lower occupational backgrounds, with no parental experience of HE, and from the lowest SIMD[8] quintiles).

Callender and Mason (2017) found that debt aversion may now also be affecting students from middle socioeconomic groups. They found similar levels of debt aversion among middle and lower class prospective students in 2015 which they feel reflects the squeeze on middle income groups resulting from restrictions in eligibility for grants and institutional aid and limitations on family disposable income. There were also suggestions in Minty's (2015) qualitative study that middle income students were concerned by debt; and in the work by Wilkins et al (2013) Year 12 students from middle-class backgrounds were marginally more likely to consider cheaper alternatives to HE than those from unskilled backgrounds.

The role of finance in deciding against HE

It is worth noting that very few studies have researched the reasons for deciding against HE to see whether finance, and concerns about debt in particular, played a role; and where research has been undertaken the numbers of research subjects involved tend to be small. There appear to be no studies that have tracked those who report deciding against HE to follow their actual actions

The research in this area indicates that financial considerations and debt worry are a small but growing concern. Research by the Sutton Trust (2017), which surveyed young people aged 11 to 16 years in England and Wales about aspirations to Higher Education (thus potential HE students), found a small group who had been deterred: 13% felt that they were unlikely to go into HE and 64% of these young people cited financial reasons

[8] Scottish Index of Multiple Deprivation

(up from 57% for the equivalent group in 2013). This category of ‘financial reasons’ included wanting to start earning as soon as possible, being worried about getting into debt as a student, feeling that their family can’t afford to pay for them to be a student, or feeling that family want them to start earning as soon as possible. However the main reasons given for not anticipating going on to HE were that they don’t like the idea of or don’t enjoy studying (70% in 2017). Ertl et al (2013) also surveyed individuals who decided against HE, and among this group the most common reason for not wanting to go to university was wanting to earn money (60%) followed by not wanting to get into debt (45%). Polling survey data of 11-16 year olds for the 2015 Independent Commission on Fees (ICOF, 2015) found that among those unlikely to go into HE: 24% cited worry about getting into debt as a reason (up from 21% in 2010).

Which costs are more problematic

Several research studies with potential and current HE students have explored the nature of costs looking in more detail at which costs are problematic – including costs of accommodation, costs of living, costs of travelling between home and university, costs of fees, and costs of repaying loans (Wilkins et al, 2013 with Year 12 prospective HE students; ICOF, 2015 drawing on polling data of students in Years 7 to 11; Sutton Trust, 2017 with young people aged 11 to 16; UUK, 2015, with current undergraduates; and UUK, 2018 with current and prospective HE students).

Studies with potential HE students have found fee costs were of a greater concern than living costs. For example one study found 49% of those aged 11 to 16 considering themselves likely to go into further education were worried about the costs of HE, and the level of tuition fees is the greatest concern (rather than the repayment period, costs of living or lost earnings). The authors conclude that *‘ financial concerns are on the radar for young people, even at this relatively early age’* (ICOF, 2015, p26) In contrast other studies have tended to find that cost of living was more of a concern than the cost of fees, with students worrying about how they would meet living costs (ICOF. 2015; UUK, 2015; UUK, 2018). For example the ICOF research (2015) also reports findings of a poll of 16 to 18 year olds where a higher proportion felt the cost of living as a student were a concern (77%) than felt high tuition fees were a concern (68%).

Similarly the UUK research (2015) with undergraduates found 58% of young undergraduates surveyed felt living costs were a greater concern than fees, whereas 42% were more worried about fee levels; and whilst 63% were worried about their ability to repay their loan 79% were worried about meeting their livings costs. The research found there were worries that the current funding system did not provide them with necessary levels of support to meet their living (particularly accommodation) costs. This was also reflected in research undertaken by the NUS (NUS, 2012a, NUS, 2018). The UUK study also found that students were more concerned about paying off other kinds of debt after graduation such as overdrafts and credit cards rather than feeling greatly concerned about student loans (which may be driven by a lack of understanding of the how the repayment system worked), and that students reported greater concern about maintenance costs than longer-term debts. This tendency to focus on immediate short-term costs (or benefits) above longer-term costs (or benefits) was explained as hyperbolic discounting (Universities UK, 2015).

The most recent study (UUK, 2018) involving both potential HE students as well as undergraduate students found a large proportion of respondents were concerned about the levels of debt and the living costs associated with HE. Undergraduates in particular were more concerned with living costs whilst at university than the level of tuition fees; but prospective students also had concerns about their financial security whilst studying. The contrasting findings about which costs are most troubling (shifting from concerns about fee costs towards concerns about living costs) suggest that financial concerns may change as individuals get closer to HE and gain greater awareness of the realities of being a university student.

Yet increased costs have not deterred participation

The primary research exploring the costs of HE on participation has found that despite personal costs of participating increasing over time - they have risen three-fold for full-time undergraduates since 2012/13 - participation rates in HE have not declined overall (NUS, 2012a; HEFCE, 2013a; ICOF, 2015; Murphy et al, 2017) and student satisfaction rates continue to be high (UUK, 2015). Some research does note an immediate fall in enrolments after the 2012 changes but attribute much of this decline to fewer students deferring entry in 2011 possibly to try and avoid higher tuition fees in 2012 (deferrals fell by nearly 60%, HEFCE, 2013a; also Sa, 2014); and after which applications increased again in 2013/14. Research also found the diverging student finance regimes in England and Scotland (where the differences between UK nations are most pronounced) was reducing cross-border flows with a sharp decline in 2012/13 in the number of students from Scotland enrolling in English HEIs (HEFCE, 2013a). Although other research finds cross border flows from Wales to England could increase reflecting the extra support available to Welsh students to study in England without financial penalty (Maher et al, 2018).

Participation rates have also not declined for disadvantaged students (HEFCE, 2013a) and the participation gap has not worsened (Murphy et al, 2017). HEFCE (2013a) reported a slight increase of 0.3 percentage points in the participation of young people from the most disadvantaged neighbourhoods; and that application numbers for these groups grew between 2012 and 2013 (growing to the highest levels recorded at the time). Murphy et al (2017), in their analysis of administrative and national survey data, found HE enrolment from young people from the lowest family incomes increased substantially between 1997 and 2014, and increasing enrolment rates amongst the most disadvantaged students (using POLAR, an area-based measure of disadvantage) from 2004 to 2016. Researchers have suggested several aspects of the English system that have helped moderate the impact of rising tuition fees (increased costs): no upfront payment; increasing liquidity (in the form of maintenance loans, grants, bursaries etc.) to cover living costs; and auto-enrolment into income-contingent loan repayment system (reducing administrative burden) (Murphy et al, 2017). These studies do note however that there remain considerable socioeconomic differences in HE participation rates (HEFCE, 2013a; Atherton et al, 2016; Callender and Mason, 2017; Cullinane and Montacute, 2017). For some, this is the conclusion to their research (particularly the modelling work described in the section above) but for others this provided a starting-point to explore whether cost or the possibility of debt upon graduation really matters when applying to HE and whether prospective students really understand the costs of going to university.

Explanations for the lack of influence of costs/debt

Research with HE applicants and with students in HE finds that in general the costs of HE study and potential student debt had no bearing on participation decisions, and other factors are more important (Atherton et al, 2016; NUS, 2012a).

Some research has attributed the limited influence on actual participation, at least in part, to the normalisation of debt. Here students are: justifying student debt as a necessary and feasible investment in their future earnings and potential; and regarding debt as something of a future concern rather than a current and pressing concern, or not real debt when compared to other credit. This may be influenced by a rudimentary awareness of the debt terms particularly that the debt would be written off after a set period; although students may not be aware of the potential size of their debt. (e.g. Wilkins et a, 2013; Clark, S et al, 2015; Minty, 2015; UUK, 2015; OFFA, 2016; Callender and Mason, 2017; Clark T et al, 2017). There may be a grudging acceptance that loans and thus debt (though a worry) are necessary if individuals want to go to university (Fagence and Hansome, 2018), and this may be seen across all socioeconomic groups including those from more disadvantaged backgrounds.

The large scale study by Callender and Mason (2017) with prospective undergraduates found attitudes to taking on student loan debt were overall more favourable in 2015 than in 2002. The study found over time students were increasingly tending to: believe they will get well-paid jobs when they graduate, understand that loan repayments are income contingent, and perceive having ‘little choice but to take out a loan if they want to go to university’ as tuition fees are so high. Similarly the OFFA review of evidence (2016) following the 2012 reforms found that although previous studies had found that disadvantaged students were more likely to be debt averse (citing Callender and

Jackson, 2008; Gorard et al, 2006), more recent studies suggested that prospective students and undergraduates from disadvantaged backgrounds had come to accept the student debt (citing Harrison et al, 2015; Esson and Ertl, 2014). Also the recent survey of English-domiciled UCAS applicants applying for 2015/16 entry to HE (Fagence and Hansom, 2018) indicated an acceptance of debt. This study found that although a significant minority were almost deterred by concerns about debt, 76% of all those surveyed would prefer to have access to loans to comfortably support them through their studies, rather than not borrow at all in order to avoid debt. However fewer (65%) applicants intending to live at home, fewer (69%) English first year students (studying outside of London), and considerably fewer Scottish students and applicants (63%), were comfortable taking out a loan to invest in their future. Overall the research found very little difference in attitudes to borrowing and debt between those from lower socioeconomic backgrounds and other students. The most important factors across all socioeconomic groups driving participation decisions were found to be employability, the desire to gain a qualification and interest in their chosen subject. The research indicates that for many, HE is their only real option despite the costs, and there was minimal serious consideration of other options.

Minty (2015) in a small study exploring the attitudes of young people aged 14-19 in Scotland and Northern England also found an acceptance of debt among English prospective students. Students from England tended to be less debt averse (than Scottish students even though average debt in England was much higher than in Scotland), and many English students from working class background had accepted the debt and believed that a degree would lead to improved employment prospects, a graduate salary premium, or an opportunity to study a subject they enjoyed. She concluded: *‘young people interviewed in England have grown up in an era of tuition fees and have clearly internalised the message that higher education delivers private benefits, and as a result individuals are expected to contribute to its cost’* (Minty, 2015, p13). Similarly, another study focused on students who had participated in a widening participation programme found these prospective HE students were not concerned about fees or accumulation of debt, and instead *‘framed higher fees as an additional challenge that would need to be met by individual students’* (Clark S et al, 2015, p5).

The work by the independent Student Funding Panel established by Universities UK found that despite the increase in fees in 2012 the decision to enter university was not in question for the majority of current HE students and there was a strong expectation that university was the best option for them and a degree was needed to get a good job (UUK, 2015). Similarly a small study exploring the impact of the 2012 changes on HE entry at one university in 2013 (Clark T et al, 2017), found HE students had a general debt aversion but had little more than a surface understanding of terms and conditions of the student loan debt, and felt they had no alternative and would risk being left behind if they didn’t continue into HE (on their well-established path to university): *‘the* *uncertainties associated with the alternatives outweighed the disadvantages of the status quo'* (p8) and so *'going to university was the path of least resistance'* (p10). Most students interviewed saw the debt accrued as a future concern and perceived it as different to other commercial debt as payments would be taken out of their salary and it was recognised that they may never pay it off.

However, some research has found that the worries about the costs of HE study could lead students to considering postponing their studies or other cheaper options such as studying abroad, entering paid employment or undertaking an apprenticeship (Wilkins et al, 2015 with Year 12 students; UUK, 2015 with HE students).

Influence of financial support on participation

A number of studies have specifically looked at the influence and effectiveness of financial aid in HE, and of particular financial support mechanisms or packages of support (such as maintenance loans, maintenance grants, and discretional support such as institutional bursaries) on HE decision-making and participation. These studies have involved primary research with recipients or potential recipients (Mangan et al, 2010; NUS, 2012b; Bowes et al, 2013; HEFCE, 2016; Harrison et al, 2018; Fagence and Hansome, 2018) or have reviewed wider evidence (Harrison and Hatt, 2012; Dearden et al, 2014; Britton et al, 2015; Nursaw Associates, 2015; Wyness, 2016). These tend to investigate whether participation in HE and/or in more elite universities amongst those from lower social class backgrounds has been affected by changes in student finance policy and practice. Much of this research has focused on institutional bursaries rather than loans or grants; and there is very little research on Hardship Funding (e.g. Access to Learning Funds), and other forms of support such as Disabled Students Allowance, Parents Learning Allowance, Childcare Grant, Adult Dependents Grant, Teacher Training Bursaries etc. (NUS, 2012a, Maher et al, 2018). There are also few studies or reviews of financial support in FE (NUS, 2012a; BIS, 2013; Britton and Dearden, 2015; and Adams et al, 2016).

Overall the research on financial support is inconclusive as there are studies that find a positive impact on participation and others that find no impact.

The positive impacts of financial support in HE

Several studies have found positive impacts from the overall package of financial support on HE participation and there are indications that maintenance grants or loans may have the strongest/clearest associations with increased participation rather than institutional bursaries (Dearden et al, 2014, and Britton et al, 2015 using administrative data on applicants; Maher et al, 2018 researching undergraduates; Fagence and Hansome, 2018 researching applicants to HE).

A literature review by NUS (2012a), which took place before the 2012 reforms, concluded that the level and type of financial support available in HE can play a significant role in the choices, experiences and outcomes in HE. Similarly the 2014/15 wave of the Student Income and Expenditure Survey (Maher et al, 2018), undertaken after the 2012 reforms in 2015 and which involved a survey of almost 5,000 English HE students, also found that financial support was felt to have made a difference. This research found: 41% of full-time students felt their HE decisions had been influenced by the system of student finance (which at that time included Maintenance Grants), and 26% reported that they would not have been able to study without funding. Students from lower socioeconomic groups or with no parental experience of HE were more likely to say their decisions had been affected. However fee loans made the largest difference (rather than maintenance loans, maintenance grants, NHS bursaries and university bursaries).

Work by Dearden et al (2014) explored the impact of maintenance grants (which were reintroduced in 2004 but have recently been replaced by loans) for students in low income families, using data from the Labour Force Survey. They found a positive impact, and that an increase of £1,000 in grants resulted in an increase of 3.95 percentage points in participation. They concluded that maintenance grants positively affect degree participation among under-represented groups but that this does little to reduce the gap in participation between those from poorer and richer backgrounds. Recent modelling undertaken by IFS (Britton et al, 2015) using simulated graduate earnings to estimate the impact of replacing maintenance grants with loans notes how this will result in substantial increases in debt amongst low income students and suggest that this is likely to have negative effects on the participation of the poorest students. However the authors do go on to suggest that, as the value of the increased loan is larger than the sum of the previous loan plus grant, up front support will rise and so may have an offsetting effect particularly among low income students who are more short-term focused and/or credit constrained: *'only time will tell what the overall effect on university participation will be for the poorest students'* (p18).

Most recently work by Fagence and Hansome (2018) with applicants to HE found that maintenance funding appeared to play a key role within the finance support package. Among applicants who were put off applying to some extent by the costs associated with university (half of those surveyed), it was fee loans, the repayment threshold and maintenance loans to cover living costs that were considered the most important (and appealing) aspects of the student finance package that would help persuade them to apply to university despite the costs. Also the fact that loans were administered by government and not a commercial company was appealing. In addition, the report noted that the maintenance loan, maintenance grants, and university assistance were more important to those from lower socioeconomic groups in alleviating cost concerns (these forms of support were also more important to older applicants). In a scenario where no maintenance support was available (neither loans nor grants), one third of applicants, rising to over half of those from lower socioeconomic groups, reported they would no longer apply to university. The report therefore concluded that *'government support towards living costs appeared to have a strong effect safeguarding applications to higher education'* (p13) particularly among key groups such as the less advantaged. However the scenario of replacing maintenance grants with loans had little impact on potential HE decisions amongst HE applicants, and respondents envisaged using paid work (especially those from lower socioeconomic groups), savings or help from their parents as a source of replacement funding (see next chapter for a further discussion of the actions taken by students to fund their studies).

In addition there are several studies undertaken by individual institutions with their own undergraduate students, which conclude that institutional level additional financial aid (over and above the universal support provided by maintenance and tuition fee loans) does make a difference to participation, at least to a significant minority. This work suggests that it is perhaps not the level of award but rather the receipt of support that makes a difference (Harrison et al, 2018; Maher et al, 2018; HEFCE, 2013b citing Whitehead et al, 2006; all these studies involved research with bursary recipients in HE). Much of this institution-specific research is comprehensive and robust but the approaches taken and questions asked vary which makes it hard to fully understand the impact of additional financial support at institutional level (Nursaw Associates, 2015). It is interesting to note that despite the formative evaluation of NSP finding no evidence that these bursaries influenced participation decisions (see below) the research did indicate that financial support (cash bursaries, help towards fees, help with accommodation) *could* have an impact on those with the potential to study at HE but who are not yet actively considering it (Bowes et al, 2013, involving potential HE students as well as bursary recipients).

Where research finds additional financial support, particularly institutional bursaries, has a positive impact on participation (and these studies by their very nature are with HE students in receipt of support) it does so by easing concerns about liquidity, essentially the ability to pay for costs whist studying. However studies tend to find a closer association between receipt of financial support and experiences on course, not least because financial support policy has been refocused away from access towards retention (e.g. Bowes et al, 2013; see the next chapter). For example work by Harrison et al (2018), synthesising two qualitative institutional case studies, concluded that *'for the majority of students, it was only once the bursary had been received that the impact was felt'* (p15, see chapter on the student experience).

Explanations for the lack of influence of additional financial support on participation

Some studies find that additional financial support, including bursaries and maintenance grants, does not appear to greatly influence participation overall or for widening participation or improving access to elite universities (e.g. the review of Harrison and Hatt, 2012; Bowes et al, 2013; Nursaw Associates, 2015; HEFCE, 2016; Harrison et al, 2018). Studies have found that considerations of additional financial support have not featured highly in participation decisions, and that the support available is just one of a number of economic and cultural factors influencing decisions.

Evaluations of the National Scholarship Programme, NSP, find that prospective students and also key staff in institutions are not convinced that these bursaries influence participation decisions. However in contrast, once in university and in retrospect, recipients of bursaries do tend to feel the bursaries made a difference to their decisions (Bowes et al, 2013; HEFCE, 2016). The comprehensive formative evaluation of the NSP (Bowes et al, 2013) found recipients when looking back on their decisions were more likely to report that the NSP and/or the possibility of receiving financial aid had had an impact on their decision-making, and had enabled them to take up their studies. However further probing in qualitative interviews with recipients indicated that the NSP had helped to alleviate concerns and worry about financing HE and improved the experience of HE, rather than overcome decisions against HE. The authors therefore concluded that: affordability is a key, but not the only, factor when considering HE; that is was unclear the extent to which the availability of financial aid is a deciding factor; and *'the failure to secure additional financial support in the form of scholarships and bursaries is not necessarily fatal to their [a student who has already decided on HE] ambition'* (Bowes et al, 2013, p59).

Similarly the final comprehensive impact evaluation report of the NSP (HEFCE, 2016) found 40% of NSP recipients said financial aid had greatly influenced their decision about whether to study but the authors again note there may be some degree of post-hoc rationalisation at play. Interviews with HE students found the cost of studying was a general concern for recipients but the increase in fees had not deterred them from going to university as they understood fees were not an immediate cost. Also that it was a range of support, not the bursary alone that had enabled them to go to university. The authors conclude that *'it appears that the NSP or similar scheme alone is unlikely to be sufficient to affect decision-making, but in combination with maintenance grants and tuition fee loans they make a difference'* (HEFCE, 2016, p46).

A report published by OFFA (Nursaw Associates, 2015) collected and synthesised a range of research evidence including that submitted by universities and colleges on the impact on under-represented groups of institutional financial support – such as fee waivers, in-kind support and bursaries and scholarships (but not hardship or emergency funds). This built on earlier work published in 2014 as 'Do bursaries have an effect on retention rates?'. The final review concluded there was little evidence that financial support had any effect on participation; and, although there were indications from research undertaken by individual institutions that the participation of some (unspecified) groups of students might be influenced, this needed further research as again it could be partly driven by post-hoc rationalisation.

The research, which finds no (measurable) impact of financial support, tends to suggest that there are a number of interlinked factors which contribute to this lack of impact (NUS, 2012a; Bowes et al, 2013; HEFCE, 2013b citing Long 2008; Nursaw Associates, 2015; Harrison et al, 2018). These factors are:

- **A lack of awareness of financial support coupled with complexity of arrangements.** The lack of awareness is often set within a wider lack of knowledge of student finance (Mangan et al, 2010 surveying sixth form students; Bowes et al, 2013 surveying recipients and potential HE students), and is exacerbated by the complexity of available support. Jones (2016), in his work with Year 10 and 11 students, argued the complexity of the bursary system is problematic, and most of those in his study were unaware that some students would be eligible for financial help (only one of the 189 students he surveyed knew what the word bursary meant). Harrison et al (2018), synthesising two qualitative institutional case studies, found most bursary recipients interviewed felt they had no impact on their choice of university either because they were unaware of bursaries or presumed the sums they could get would be broadly comparable across institutions. Instead *'finding the right course at a university that suited them was considerably more important'* (p12).
- **The variety of support available** (NUS, 2012a; Wyness, 2016). This links with the narratives around the marketisation of HE and the market for bursary support that has been encouraged by policy (see above). Wyness (2016) undertook a large scale analysis of bursary receipt using an administrative dataset collected from a sample of 22 UK universities and found that, due to the decentralised nature of the bursary system, bursaries were not spread equally between HEIs, and awards vary widely. Across the sector students from similar income backgrounds could receive substantially different awards: *'students with parental incomes of less than £10,000 per year could receive as little as £350 and as much as £2,800 per year depending on the university attended'* (P13/14).
- **Paucity of information/lack of clarity about what support a student could expect**. The large NUS survey (2012b) of students already in HE found a minority were clear about how much financial support they would receive; whereas a larger group of students (39%) felt it was not easy to understand what support they were entitled to, and this was higher among students with parents who do not have a

HE qualifications. Bowes et al (2013) in the formative evaluation of NSP found that students tend to make their mind up about going to HE before finding out about financial support; and that, as awards don't tend to be made until after enrolment, awards have little chance to impact upon participation decisions (this was also a finding of research by Long, 2008 who talked about financial aid at the last minute, cited in the HEFCE review of widening participation research, 2013b). Similarly Harrison et al (2018) in their work with bursary recipients noted how students were unclear about their eligibility (as well as having very limited knowledge of bursaries) so could not rely on bursaries when deciding whether HE was affordable. Also during piloting of OFFA's tool for evaluating impact of financial support (OFFA, 2016); among the small group of bursary recipients surveyed, just 27% were aware of the amount of support they would receive before starting their course.

- **Failure of targeting**. The comprehensive review by Harrison and Hatt (2012) argued that bursaries may not be reaching the students the government intended them to support due to differences in the measures used to identify disadvantaged students. Student support policy (and success measures) tends to focus on socioeconomic classifications based on parental occupations (and thus aligning with social mobility policy) whereas bursary eligibility and calculation of the value of award has tended to be focused on household income (through means-testing); and the authors suggest these are not perfectly correlated. They conclude that this severely limits bursaries ability to produce measurable changes in entry profiles. Wyness (2016) researched targeting of bursaries among undergraduate students and found the highest awards were not always going to the poorest students. However within different income groups the highest ability students received more than those from lower ability groups, and so the most able poorest students get the highest awards (on average £1,692 per year compared to £417 received by the richest, least able students).
- **Potential for stigma**. Harrison and Hatt (2012) in their review note that the bursary application processes administered by universities requires some active application by the student, and so relies on students having an awareness of eligibility and a willingness to provide sensitive information and claim support (which can feel stigmatising).

The influence of funding support in FE in terms of progression to HE

There are some indications from the research that the various forms of financial support provided to students in the FE sector is regarded positively and has a positive impact on participation in learning (with students reporting they wouldn't have been able to study without the support), which is often expressed as retention. These studies are included here as increased retention in FE and learning could lead to increased participation in HE.

Evaluations of the **Education Maintenance Allowance** EMA (see NUS, 2012a) found this support increased participation among 16/17 year olds, particularly for those from lower socioeconomic groups and those on level 2 qualifications, and improved motivation and performance (such as higher A level grades) which would increase their potential to progress to HE. Work by Dearden et al 2009 (cited in Bolton, 2011) found EMAs increased Year 12 participation in learning by 4.5 percentage points for recipients but noted the EMA was costly and found to have high deadweight costs as many recipients would have stayed in education regardless.

Evaluations of the **16 to 19 Bursary Fund**, which replaced the EMA, also found it increased participation. The review by Roberts and Hubble (2017) (citing Lloyd et al, 2015) reported that most recipients and providers viewed the bursary support available positively: 83% of providers reporting it had a positive impact on participation, 28% of recipients saying they wouldn't have been able to stay in education without it, and 75% of recipients saying they were better able to cope due to the bursary. Providers also felt the bursary fund was effectively targeting those in need. However there was considerable variability across providers and there were concerns about the sufficiency of the awards to support full participation post-16. The Roberts and Hubble (2017) review also cites the National Audit Office report (2014) which concluded the bursary fund targeted those in need more effectively than EMAs but which also notes that many factors influence participation rates including the health of the economy and changes to the education participation age. Conversely an evaluation by Britton and Dearden (2015) using administrative data to track post-16 outcomes after the introduction of the bursary found a slight fall in full-time participation in Year 12 among the lowest income pupils (of 1.6 percentage points) and in Year 13 (of 1.7 percentage points). The authors concluded that replacing EMA with the 16 to 19 discretionary bursary fund had a *'relatively modest effect on participation and attainment in the first two-years of implementation, but that this disproportionately affected low-income young people'* (Britton and Dearden, 2015, p12).

An evaluation of the **Adult Discretionary Learner Support** DLS (which replaced the Adult Learning Grant), aimed at older learners in FE (those 19+), found DLS is valued, and stakeholders felt it helps to retain learners who would otherwise drop out due to financial constraints; and recipients were more likely (than non-recipients) to continue in education including moving into HE, and to stay on course (BIS, 2013). The research found 62% of learners reported they wouldn't have started the course without financial support offered through DLS, and 64% reported they wouldn't have been able to continue and complete their course without the DLS support. Only one third of DLS recipients would have participated in and completed their learning without DLS support which, according to the authors, suggests there is little deadweight compared to other grant based learner support such as Education Maintenance Allowance.

Evaluations of the **Advanced Learner Loans** ALL finds overall learner numbers have fallen but that generally the loans are viewed positively and, as found with the grant-based support, enable learners to study. Most recently a large scale evaluation of the first year of the Advanced Learner Loans, when the loans were available to those aged 24 and above (Adams et al, 2016), found providers reported a drop in learner numbers. Learner record data showed a fall of 31% in the volume of learners aged 24+ on courses eligible for the loans however the authors cautioned that it was not possible to isolate the effect of the loans from other factors. The more recent impact evaluation (IFF, 2018a) showed that the negative impact on learner volumes that can be directly attributed to the introduction of a loans-based environment is equivalent to a drop of 26%, although again it was noted this was likely to be a slight over-estimate.

The 2016 study showed that learners generally viewed the loans positively, and 76% of recipients stated they wouldn't have been able to take their studies without the loan, and the loan enabled many to take a higher or longer course and/or taking their course sooner than otherwise. The loans had the greatest impact on those less advanced along the 'learning pathway' and gave these individuals opportunities to progress to HE. Those that took out loans (in comparison to those who didn't take out loans) were less likely to be employed, were less qualified but more likely to consider progressing in learning; and the costs of learning were more important than other factors.

Similarly in the more recent evaluation (IFF, 2018a), amongst those students who had taken up the Advanced Learner loan, 80% said they would not have been able to do their course without the loan and the majority felt it had allowed them to start studying or training sooner (88%), to take a higher level of qualification than they would have been able to otherwise (83%), to take a course that lasted for a longer period of time (73%), and, for those who were studying full-time, it allowed them to undertake studying on a full-time basis as opposed to part-time (79%).

The evaluation in 2018 of the extension to the Advanced Learner loans (IFF 2018b) - introduced in the 2016/17 - found the number of 19-23 year old learners on Level 3 or Level 4 courses remained roughly unchanged between 2015/16 and 2016/17 but the number of learners on Level 5 or Level 6 courses had reduced by approximately 50% - reducing the potential pool of learners eligible for Level 5 and 6 Advanced Learner Loans. Interviews with those who took out the new loan (in the extension study) suggested they were extremely grateful for the loan and positive about the role it has played in their education. The majority took on an ALL out of financial necessity: they could not otherwise afford the course at all, at that time, and/or without substantial personal and financial sacrifice

For FE students, as with HE students, when making the decision to undertake study, the cost of learning was less important than other factors but fear of debt is still a key barrier to take up of the Advanced Learner Loans. Providers reported that students approach them with concerns about the loans. However it was felt that reassuring students about payment terms particularly around not having to pay back ALLs if their earnings do not reach the repayment threshold helped them to overcome this fear (IFF, 2018a).

In the 2016 (Adams) study there were some concerns among providers that the additional Advanced Learner Loan bursary fund would not be sufficient to meet learner needs as one third of providers surveyed who had accessed these funds had already used their entire allocation (3 to 5 months into the year). However in the more recent evaluation (IFF, 2018) although a greater proportion of providers had accessed their bursary funds, fewer had committed all of it: 19% had committed all of it in the reporting year.

Influence of student finance on wider decisions

The research suggests that decisions about what and where to study in HE are academically-driven rather than finance-driven decisions, and can be limited by social, educational and practical barriers (Harrison and Hatt, 2012, see the final chapter). However some research studies find that the cost of HE study, concerns about finances, and availability of financial support can have some influence on wider HE decisions (beyond participation) particularly on where to study; and can be more important to students from lower rather than higher socioeconomic groups (Harrison and Hatt, 2012; Ertl et al, 2013; Bowes et al, 2013; HEFCE, 2013b; HEFCE, 2016; Fagence and Hansome, 2018; NUS, 2015).

There are two clear themes in this research. Firstly that student finance has an influence on the likelihood of young people choosing to study near their family homes in order to make savings and avoid higher living costs, thus narrowing potential choices of where to study (Mangan et al, 2010; NUS, 2012a; Nursaw Associates, 2015 citing Callender and Jackson, 2008; NUS, 2015; UUK, 2018; Fagence and Hansome, 2018;). The availability of financial support may not broaden choice horizons, and bursaries in particular – where institutional differentiation has been encouraged - appears to have little impact on institutional choice (Crockford et al, 2015; Nursaw Associates, 2015; Corver, 2010). A key study for OFFA (Corver, 2010) undertaken before the 2012 reforms specifically looked at whether institutional bursaries influenced choices between universities. The study tested the hypothesis that disadvantaged young people (using area-based measures of disadvantage) in England would become more likely to choose universities which offered higher levels of bursaries. The research found clear and consistent evidence that the introduction of bursaries did not influence institutional choices: it made no difference in the application patterns of young disadvantaged people; young disadvantaged people were not more likely to accept offers from institutions offering higher bursaries; and participation of young disadvantaged people has increased most in universities offering lower bursaries. Similarly a review conducted for OFFA (Nursaw Associates, 2015) on evidence from 2006 onwards concluded that institutional financial support didn't have any impact on institutional choice on the majority of students.

Secondly, the research tends to conclude that beyond wanting/needing to study near home, the costs of HE study and the finance available does not directly influence the course or institution chosen. However there may be an indirect effect in that the employment prospects offered by HE providers and institutional reputation of universities have an increased importance in decision-making given the increase in fees, as students seek to secure a return on their (greater) investment (HEFCE, 2013a). These aspects are explored in greater detail below.

Increasing localised study

Research indicates that student geographical mobility is strongly linked to measures of disadvantage/advantage. A large online survey of current HE and FE students undertaken by NUS (NUS, 2012b) found students from low HE participation neighbourhoods (using POLAR2) were more likely to live with their parents than those from more advantaged areas (NUS, 2012b), and students from low-income households were also more likely to choose an HEI which would allow them to live near home and work during term-time (also cited in HEFCE, 2013a).

Some research links the greater tendency to localised study to cultural norms. Donnelly and Gamsu (2018) using administrative data on undergraduate students before and after the 2012 reforms in a report for the Sutton Trust also found social class (as measured by parental occupation) drives the mobility choices of young people. Their study found that overall the majority of students stay within 91km of their home address, suggesting a local pattern of recruitment for most universities, However students in the lowest socioeconomic group were over three times more likely to commute to university from home than those from the highest group; and those from state schools were more than twice as likely to stay at home and study locally than those from private schools (when controlling for other factors e.g. achievement, university choices and locality). The authors speculate that differing cultural norms among socioeconomic groups may account for some of this pattern and its persistence across cohorts. They suggest that: *'moving out of home and far away is something that young people from more advantaged backgrounds have been socialised into from an early age, perhaps encouraged by parents who themselves been to university and see this mobility choice as the expected route to take'* (p18). However the authors also discuss the potential influence of costs, noting that *'the cost of moving out of home and travelling a longer distance is prohibitive for lower class students'* (p20).

Other studies also indicate the tendency for students to consider applying to a local university to reduce costs (Mangan et al, 2010; Harrison and Hatt, 2012; Minty, 2015; NUS, 2015; Atherton et al, 2016; UUK, 2018). A large survey undertaken after the 2006 reforms (Mangan et al, 2010) with prospective students at sixth form found a significant minority (37%) were considering studying locally to reduce costs; and interviews suggested that, for some students, decision-making reflected anxiety about finances at university. This was more common among students from low-income families with no experience of HE, and these students talked about staying at home to study to enable them to reduce living costs but also to be able to continue in a part-time job or look for a job in a familiar labour market. Among those intending or considering attending a local university 76% indicated they would live at home, and 72% indicated the need to avoid or minimise debt had played an important part in this decision. The authors suggest that locality and finance were therefore entwined.

Similarly, Atherton et al (2016, p27) in their work with HE applicants after the 2012 reforms found reduced mobility was a particular issue for those from less advantaged neighbourhoods, and that pupils living in the 20-40% lowest participation neighbourhoods were nearly 20 percentage points more likely to report agreeing or strongly agreeing that they will go to university nearer home or live at home as a result of the costs when compared to pupils living in the 20% highest participation neighbourhoods. Fagence and Hansom (2018) in their work also found that applicants from lower socioeconomic groups were more likely to report that continuing to live at home had at least some influence on their final choice of institution compared with applicants in the higher socioeconomic groups (61% compared with 29% respectively), and this research was undertaken in the context of the shift from maintenance grants to loans for students from low-income families.

Clark. T, et al (2017) in their work with undergraduates concluded that students from lower income families can attempt to minimise costs and thus the amount of debt they will accumulate by choosing alternative accommodation such as living with their parents, particularly if they construct indebtedness as an immediate rather than future (or not yet real) concern. However the research found that students generally dealt with their indebtedness through non-fiscal means such as questioning the likelihood of ever earning enough to pay it back.

Research has attempted to investigate whether changes to student finance (in 2006 and in 2012) has impacted on location decisions.

The large-scale national 2014/15 Student Income and Expenditure Survey: English Report (Maher et al, 2018) found that among undergraduates who felt their HE decisions had been influenced by the system of student finance (in place after the 2012 reforms, and which at that time included generous institutional bursaries and government funded maintenance grants), a significant minority reported that funding and student support had influenced their decisions regarding where to study: 34% said it affected their decision to study at a nearby university so they could live at home with their families; and 24% affected their decision of which institution to attend. Both of these figures represent an increase on the results from the 2011/12 survey undertaken before the recent reforms. However students from lower socioeconomic backgrounds were no more likely than those from higher socioeconomic backgrounds to report these affects. A similar question was asked in relation to the influence of tuition fees: 25% of full-time students said fees had affected their HE decisions; and of these, 28% said it affected their decision to study near home, and 23% said if affected their decision of which institution to attend.

In contrast, Ghazala and Simion (2018) using linked administrative datasets found the reforms to student funding reduced student geographical mobility overall but increased the mobility of those from lower socioeconomic groups. The 2006 reforms reduced the overall distance to university by 2.7%, and increased the probability of a student choosing a university within the same commuting area as their home. However the changes in 2006 were more likely to reduce the mobility of those from higher socioeconomic backgrounds and to increase the mobility of those from lower socioeconomic backgrounds (thus reducing the gap by wealth in geographical mobility). The 2012 reforms produced similar results, reducing the mobility of students from higher socioeconomic groups and increasing the mobility of those from lower socioeconomic groups. They also found the 2012 changes reduced the likelihood across all students of choosing to study in an affluent area, and with a larger effect on those from lower socioeconomic backgrounds. Their research also found that 2012 changes to student finances meant students across all socioeconomic groups were more likely to attend a better ranked university (see below) but they found little impact on choice of course and no real differential impact by socioeconomic group.

However Donnelly and Gamsu (2018) using administrative data on undergraduate students before and after the 2012 reforms concluded that the increase in fees in 2012 has not substantially affected overall trends in the student mobility of young full-time students: *‘since the increase in fees there have been only small changes in these relationships, making it hard to say that there has been a substantial change in mobility for university by social class’* (p18). However they do note larger negative changes when part-time and mature students are added into their analyses and suggest that social class may combine more powerfully with age to affect mobility decisions. The authors make a number of recommendations to help address the financial realities of commuting to university including: greater financial assistance to ensure equal access to university choices and access, petrol vouchers and subsidised bus services in rural areas, and flexible timetabling of lectures to reduce the need for travelling during peak/expensive times. Indeed the experiences of ‘commuter’ students appears to be a new and growing area for research.

Increasing importance of university reputation and employability in HE decisions

The research indicates that an indirect impact of changes to the student finance system has been to increase the importance of institutional prestige and reputation, and the employment prospects and track record offered by institutions, when making decisions about where to study. Work by Ertl et al (2013 with sixth form students), HEFCE (2013a using HE student data), Sa (2014 using applicant and enrolment data) and Clark. S et al (2015 with participants in a widening participation programme) all found that changes in student finance, particularly raising tuition fees, led to increased importance of these factors.

HEFCE (2013a) reported findings from the UCAS annual follow-up surveys in 2011 and 2012 of those who decline offers of a place, noting that although the most common reasons were course content and distance from home, the issue of institutional reputation became more important as did employment prospects. Sa (2014) in analyses of applicant and enrolment data found the impact of the 2012 reforms in England, in comparison to the other UK nations, caused applications to decrease to courses with lower salaries and lower employment rates after graduation suggesting these factors are more sensitive to changes in fees. This contrasts to findings in Scotland where, when fees were removed, applications to lower earning courses or with weaker employment prospects increased. Ertl et al (2013) and Fagence and Hansome (2018) in their studies of university applicants, and Harrison et al (2018) in their work with bursary recipients, found content of the course and study facilities and critically institutional reputation and potential for higher future earnings were an important part of institutional choice; and that generally financial aspects were secondary in the decision of which university to attend.

Work by Clark, S. et al (2015) following a group of students on a pre-HE widening participation programme found that although students were not deterred by increased costs and debt, these aspects meant they took ‘more rational calculations’ about the type of university and course to apply to, taking account of certain factors in their HE choices such as institutional reputation and status, programme structure and inclusion of work placements, location, and career prospects (employment rates). The authors felt that their participants *‘displayed a high level of understanding of the HE market, and necessary procedures to access it’* and *‘where increased fees are not deterring university plans, they can be seen to increase students’ discrimination between universities as well as the type of programme linked to the prospects of a job afterwards’* (p7). They argued that this was working class students attempts to mitigate the higher risks and financial investment associated with HE participation by looking to assure security post-graduation, and to ‘*off-set the costs of their studies as soon as possible after graduation’* (p8). However the authors were concerned that this could narrow choices to vocational subjects with clear career paths and to institutions featuring in the top of league tables.

Interestingly the work of Bowl and Hughes (2016) that explored how 8 very different English institutions responded to the policy push to support social mobility found that, in the quasi-market where institutions could set their own fees and support (such as waivers), status and reputation appeared particularly important for institutions rather than price. Also institutions look to appeal to applicants' self-interest by stressing competitiveness in the jobs market.

Influence of Advanced Learner Loans on FE decisions

The recent Impact Evaluation of the Advanced Learner Loans ALLs (IFF, 2018a) similarly found that the loan-based learning environment might lead to more discerning learners. Although the differences were small, there was evidence that, compared to those aged 19-23, 24+ learners were somewhat more likely to look at a larger number of providers before making a decision, were more likely to notice differences in costs, and to set higher expectations for their learning; and were more likely to motivated by career and employment benefits.

Low levels of awareness of student finance

Much of the research reviewed for this current study suggests there is a low level of awareness among many prospective HE students of the details of student finance including the true costs of HE study (and thus debt accrued) and the support available, despite feeling well informed. Also there remains a sizeable minority over time who feel ill-informed even with efforts to provide more information to prospective HE entrants during their decision-making (Mangan et al, 2010 with sixth form students; Ertl et al, 2013 with Year 13 students; UUK, 2015 with undergraduates; Jones, 2016 with Year 10 and 11 students). Although many students felt well informed about universities and courses, they tended not to feel well informed about finances. Many young people making decisions about HE were found to be ignorant of grants, loans and bursaries; were unaware of the support that might be available to them; and did not have an understanding of the detailed aspects of student finance (such as fee levels, repayment terms, interest rates, the amount of maintenance loan they could take out, and eligibility for grant support). Jones (2016) in his work with Year 10 and 11 students in deprived areas of England found a limited understanding of some aspects of student finance. For example almost all students assumed that repayments started immediately after graduation and that repayments would be a flat charge rather than a proportion of their income; few appreciated that the total payment could be larger than the amount borrowed (due to interest); a few were concerned that their family may inherit the debt if they died. Jones refers to this as information asymmetry which results in market inefficiencies. Often those from disadvantaged backgrounds were found to have less knowledge of student finance than those from more advantaged backgrounds (Minty, 2015; Jones, 2016; Atherton et al, 2016; all research involving potential or actual HE applicants).

More recent research for BIS (Fagence and Hansom, 2018) found that most (93%) applicants to HE felt they knew at least a fair amount about the costs of HE and many (60%) sought out detailed information about the costs of going to university. Those most likely to feel well informed or to seek out information were older and studying at lower tariff universities. However the research found some indications of limited real (rather than perceived) understanding of the details of student finance. The authors noted how applicants to HE found it difficult to answer detailed questions about student finance and the size of fee loans appeared to cause some difficulty: 19% reported not knowing how much they expected to take out in fee loans, and that even among first year HE students a sizeable minority (13%) did not know how much fee loan they had taken out. Similarly a study for UUK (2018) specifically explored the financial concerns of students. This involved an online survey of undergraduate students, prospective HE students and young people who had not and were not considering applying to HE; and focus groups with Year 12 and 13 students. This found: less than half of those surveyed felt they had sufficient information about the long-term costs of studying at university (although a higher proportion felt informed about the benefits of HE); a lack of understanding about how much students contribute to their studies through tuition fees; a general uncertainty about what fee income was being used for; and prospective students were not always aware of the obligations of the student loan system.

The research provides different explanations for the lack of (detailed) knowledge. A large study of prospective students' decision making (Mangan et al, 2010) established that students' lack of knowledge was largely due to lack of searching for information rather than searching and not finding relevant information, suggesting that students tended to wait for whatever information came their way. The authors felt that the information provided to students was often too late to be of use and was focused on personal money management rather than the financial package available (this was also echoed in the findings of Minty, 2015). A study by Ertl et al (2013) with Year 13 students found high levels of uncertainty about the costs and potential benefits of HE among the first cohort of prospective students affected by the 2012 changes. They felt was partly driven by the speed at which the changes were introduced and partly as these students had no comparable experience of earlier cohorts to draw from.

The research tends to conclude that the lack of understanding of student finance can act as a barrier to participation in itself (as opposed to lack of financial resources or concerns about costs acting as a barrier) and that this can explain the lack of impact of costs and/or financial support on HE decisions. Lack of awareness/knowledge of student finance can be particularly problematic for students from lower socioeconomic groups, as this could exacerbate their risk aversion tendencies (Mangan et al, 2010). Jones (2016) notes *'higher fees change the terms of a participation 'bet' for young people of all backgrounds'* (p290). Several studies with prospective students have shown that students most likely to qualify for additional financial support (low income students) were unaware of their eligibility (Mangan et al, 2010; Jones, 2016; Atherton et al, 2016).

The research therefore also stresses the need for information-raising and awareness-raising, and better advice and guidance, to help students to be able to make more informed and effective decisions. This aligns with the small but growing body of work exploring financial literacy more generally amongst young people. It also blurs into the wider literature (not included in this review) around the need for careers support for young people making decisions about HE and how the careers infrastructure has been subject to erosion/change over many years.

Mangan et al (2010) conclude *'although considerable effort has been put into providing sources of information on finance for students, this study suggests that these are not 'hitting the mark' for a sizable proportion of students, including a good number of those that the Government specifically wants to target'* (p472) and recommends work is needed to adjust the approach of students to decision-making rather than simply providing more information. They suggest perhaps a 'short and dirty guide' about sources of finance, providing information earlier and encouragement from schools towards proactive searching may be useful. Similarly, the UUK Student Funding Panel report (UUK, 2015) suggests that the description and communication of the system needs to be clarified and simplified (p8). More recent research from UUK (UUK, 2018) however suggests students need more detailed and tailored information about the benefits and costs of HE, including how tuition fee income is spent; and that a student finance curriculum could be developed to outline what prospective students should know at each stage in compulsory education.

McGuigan et al (2012) also suggest a simple information campaign would be helpful. They found in their experimental work with Year 10 students that providing information about the economic and financial aspects of educational decisions increased perceptions that going to university would lead to a better chance of getting a good job, and had a greater (positive) impact on disadvantaged young people (eligible for free school meals). Atherton et al (2016) found widening participation work here could make a difference. His research with Year 13 applicants to HE found that those in schools with regular widening participation activities had a better understanding of the student support system, and were marginally more likely to feel they know as much about the costs of going to university as they would need to know. Atherton et al (2016) also suggest that a finance curriculum should be developed for schools.

Levels of awareness of the Advanced Learner Loans for FE students

The impact evaluation of age 24+ learners (IFF, 2018a) showed that awareness of ALLs could be improved - although awareness levels have increased since the 2013/2014 academic year (57% in 2014/15 were not aware of the Loans compared to 64% in the previous year) – as the majority of eligible learners who took part in the quantitative survey were not aware of ALLs before they started their studies. Eligible learners undertaking Level 4 qualifications were more likely to state that they were aware of the new Advanced Learner Loans prior to starting than those undertaking Level 3 qualifications. A key information channel about the ALL were colleges, as the majority of those aged 24+ who were aware of the loans had heard about them via a college or other training provider.

When learner understanding of specific terms and conditions of ALL was tested, some significant gaps were revealed. The message that learners do not have to pay the loan(s) back until they are earning a specific wage and that the loan will be written off for those taking Access to HE Diplomas who progress and complete in Higher Education seems to have resonated strongly. However a much smaller proportion of learners were clear on the other terms and conditions. Examples of misconceptions were that they would need a credit check to take out a loan; that any subsequent HE loans would not be rolled into one payment; and that interest rates on loans were not linked to inflation and based on income (all aspects which are false).

Similarly, the evaluation of the Advanced Learner Loan Extension (extended to include those aged 19-23) showed there was mixed awareness amongst those interviewed in the study. Awarding organisations felt the lack of demand for loans-eligible courses was driven by a general lack of awareness (and understanding) of the extension of ALLs.

4. Influence of student finance on the student experience and retention

This chapter presents the research literature covering the impact of the student finance system on young people's student experience and retention on course. It also explores how concerns about finances, either the potential to accrue debt but also to manage day to day expenses, affect student experiences; and particularly the strategies used by students to make up for perceived or experienced shortfalls in income. The key research questions the review sought to address were:

- What does the more robust evidence tell us about the impact of the different forms of additional financial support in supporting the progression and retention of disadvantaged students?
- Do financial incentives matter?
- How far does the existing level of maintenance support through student loans cover the necessary day-to-day expenditure for students?
- How do disadvantaged students make up any shortfall e.g. part time work? What is the impact of this? How does this compare with how non-disadvantaged students make up the shortfall?

Introduction

There has been a relative paucity of research exploring the impact of student finance beyond entry, as access and participation have been a key focus for student finance policy and HE policy more broadly for some time. However in recent years there has been a move to focus on the whole student lifecycle including on-course progress and progression from studies. This shift is indicated in the National Strategy for Access and Student Success in Higher Education (BIS, 2014), the guidance provided by OFFA (now the Office for Students) to universities about how to develop their access agreements, and with the refocusing of the (now defunct) National Scholarship Programme to concentrate on wider conceptualisations of participation (beyond access) to include the impact on retention and student success. Research is still catching-up with policy and so this review of evidence found fewer studies focused on the impact of student finance on retention, on-course academic progress, on the student experience overall, and on outcomes – following students through their HE programmes - than found for impact on access and participation. However the refocusing of the National Scholarship Programme (NSP) in particular has provided more recent opportunities for research to gather evidence on this aspect of HE engagement (Harrison and McCaig, 2017; Harrison et al, 2018).

Researching the impact of the student finance system on other aspects of the student lifecycle has many of the challenges outlined in the previous chapter, but it can be easier to research the student experience as students in HE and FE are easier to engage in research, to capture their feedback and to track over time, and the nature of the bursary system (with varying eligibility criteria across institutions and years of operation) provides natural control groups (Murphy and Wyness, 2015).

This chapter covers:

- retention and on-course progress;
- the student experience;
- working whilst studying and the student experience;
- combining income streams to support the student experience.

Retention and on-course progress

Impact of the student finance system on retention

Student retention has been a key concern for the HE sector for many years and there is a large body of research focused on the causes and potential solutions for early withdrawal, these are largely outside of the scope of this review as they do not examine student finance. These studies (particularly from the 1970s onwards) show there are a wide range of factors that can impact on retention and indicate withdrawal to be a multifaceted decision but one that is closely linked to: academic concerns, wider commitments, future aspirations (and worries about achieving these), study motivation, and a student's sense of belonging. These aspects can be influenced by the transition to university and feelings of preparation for university (HEFCE, 2013b).

There is some research which does explicitly link broad financial considerations with retention, which fall within the scope of this review. A key study is the large scale survey of FE and HE students undertaken by the NUS as part of their Pound in Your Pocket research (2012b) which found that among those who seriously considered leaving their course, financial difficulties was the key reason. Other common reasons identified in the study were personal, family or relationship problems, health problems, and volume or level of work. For full-time FE students approximately 40% seriously considered leaving, and 50% of these cited financial difficulties; and for full-time HE students approximately 40% had considered leaving and 49% of all undergraduates who considered leaving cited financial reasons. Disadvantaged HE students (from low HE participation neighbourhoods and/or with parents who don't have HE qualifications) were more worried about financial aspects than more advantaged students and were also more likely to consider withdrawing from their courses; particularly those with high course costs and those who were working alongside their studies. The research suggested that these students don't have a sense of financial control and this can affect retention, as well as the wider student experience.

Work by Ghazala and Simion (2018) looked at the whole finance system to explore the impact of changes in the student finance system on performance whilst at university. They used linked administrative data to track students but were only able to explore the impact of the 2006 reforms, noting that it was too early to study the medium to long-term impacts of the 2012 changes. They found the 2006 reforms increased the likelihood of drop-out amongst those from lower socioeconomic groups relative to those from higher groups, and increased the likelihood of those from lower and middle socioeconomic groups to switch degree programmes.

Impact of additional financial support (e.g. bursaries) on retention

Bursaries and institutional support are important to the significant minority of HE students who receive them, and recipients who by virtue of their targeting are disadvantaged students. The Student Income and Expenditure Survey 2014/15 (Maher et al, 2018) found 26% of full-time undergraduate students received financial support from their university or college (mainly funded through the National Scholarship Programme NSP) and students from routine/manual work backgrounds and those with no parental experience of HE were the most likely to receive institutional financial support, reflecting eligibility criteria and policy intention. The NUS Pound in Your Pocket survey (NUS, 2012b) found over 20% of HE students had received an institutional bursary or scholarship, and 11% had applied for Access to Learning or hardship funds.

Some research studies have explored the impact of these forms of financial support on retention. These studies tend to report that as a baseline, students from disadvantaged backgrounds have lower retention rates than other students, but have mixed findings and come to different conclusions around impact of financial support on disadvantaged students (Bowes et al, 2013 involving research with institutions; OFFA, 2014 using administrative data; Nursaw Associates, 2015 which reviewed available research evidence; HEFCE, 2016 involving research with institutions and bursary recipients; Wyness, 2016 using administrative data collected from 22 universities).

Some studies find no impact of targeted support on students from disadvantaged backgrounds and suggest that retention decisions are complex and involve considerations other than finance.

OFFA (2014) looked at the impact of means-tested student bursaries (resulting from Access Agreements after the 2006 reforms but before the NSP was introduced), in particular on retention. They used national student data from 2006/07 to 2010/11 and found no measurable effect on first year retention for young full-time degree students receiving support. Across the period measured, retention rates increased for all groups but improvements were no greater among disadvantaged students, where bursaries are targeted. The report noted how disadvantaged students overall (using income and/or area-based measures) had the lowest rates of expected continuation. This was also noted in the work of Wyness (2016) who felt this could be due to poorer preparation for HE and/or liquidity constraints. Similarly, in their commissioned evidence review, OFFA (Nursaw Associates, 2015) concluded that additional financial support (whether receipt alone or level of award) has no significant direct effect on actual retention rates as such decisions are multifaceted and are linked to a student's sense of belonging. The study reported that generally recipients of financial support were found to have similar non-continuation rates to those who don't receive support. Yet importantly the authors suggest that this may mean that '*financial support provides a levelling effect, enabling students who receive financial support to continue with their studies and have comparable non-continuation rates'* (p38).

The HEFCE review of research on widening participation following the 2006 changes to student finances (HEFCE, 2013b) noted how research evidence indicates the issues underlying student withdrawal are complex and interlinked but suggests students accessing support might feel better prepared for HE and it is that which affects retention behaviours (rather than the financial support per se). The final evaluation of NSP (HEFCE, 2016) also found some recipients felt the financial support had no impact on their retention because they were determined to complete their degrees whatever steps were needed to make their finances work.

In contrast, other research finds that additional financial support has a positive influence on retention of students from disadvantaged backgrounds, and on students' HE experiences. These tend to be smaller studies focused on the impact of the NSP on recipients in individual HE institutions (Harrison and Hatt, 2012; HEFCE, 2013b; Bowes et al, 2013; Byrne and Cushing, 2015; Farenga, 2015; O'Brien, 2015; HEFCE, 2016; OFFA, 2016; Sneyers and DeWitte, 2018). In some cases these studies also provide examples of how the impact of additional financial support can be improved through a focus on cash bursaries to ease immediate liquidity concerns, providing financial support beyond the first year, and combining financial support with wider pastoral support

The national evaluations of the National Scholarship Programme (Bowes et al, 2013; HEFCE, 2016) gathered attitudinal evidence from recipients that it made a difference to the quality of their experience. Recipients of NSP support were overwhelmingly positive about its ability to help them continue and complete their studies (reporting they would have found it difficult to stay on course without it). Although conversely those who didn't receive support did not generally think this would affect their ability to stay the course. The final evaluation also gathered evidence from 8 institutions who had undertaken their own impact research, and these showed a positive effect of financial aid on continuation or retention (although the authors note the quality of this evidence varied): such as high levels of students' self-reported impact on retention, and positive comparative retention data between recipients and non-recipients (but who met the national eligibility criteria).

The national NSP evaluations also found some support from participating institutions, with 38% agreeing that NSP improves retention rates of disadvantaged students; but fewer felt it helped improve their achievement (Bowes et al, 2013). The final evaluation found that institutions' views became marginally more positive across the life of the (4 year) evaluation. Institutions recognised that financial aid in general could alleviate financial pressures on students and bring about increased confidence. However institutions also felt that other factors affected retention such other commitments and challenges, and changes in aspirations and motivations (reflecting the conclusions of other studies).

The NSP evaluation reports also indicate that cash bursaries rather than fee waivers (which are a deferred benefit) have a greater impact on retention (citing the work by Universities UK, 2015; Chowdry et al, 2012; and Dearden et al, 2014). This is because students have greater concerns over maintenance costs/living costs than long-term debt and fee levels (as noted above), and this reflects individuals' tendencies to be more concerned with present finance issues than future issues (known as 'hyperbolic discounting'). There were also suggestions that NSP could have had a greater impact if it involved a larger cash element and was paid beyond the first year but the authors argue that more research into the most effective format of financial aid is still required.

Various research studies conducted by individual institutions also find a positive impact for bursary support. These also indicate how financial support can be combined with other initiatives to have a greater impact upon the student experience. The OFFA review (Nursaw Associates, 2015) notes how institutional level research finds: lower rates of considering withdrawing among bursary recipients; students reporting that the financial support had helped them stay on course; and students reporting that financial support was important to cover their living costs. Similarly a national review of widening participation (HEFCE, 2013b) found a small number of local studies supporting the view that financial support is associated with improved student retention and success - via the accrual of economic and psychological benefits. The early testing of OFFA's tool for institutions to use to evaluate their financial packages, found the majority (85%) of students surveyed reported financial support was important to their ability to continue their studies, and only 2% said it was not important at all (OFFA, 2016). Other studies include:

- A mixed method study focused on the impact of NSP on recipients at Buckinghamshire New University. This found a positive impact on retention when targeted financial support is combined with complementary activities such as pastoral support and is delivered throughout the life of the programme (taking a holistic approach). This additional support was felt to reinforce any financial help received. The research found consistently higher levels of retention among NSP recipients when compared with those just in receipt of full state support (i.e. maintenance grants but not institutional bursaries) and/or the total academic year group (Byrne and Cushing, 2015).

- An institutional case study at the University of Hertfordshire that followed NSP recipients across their first year in 2013/14. This did not examine actual withdrawal behaviour and retention, but gathered attitudinal data. The research found that the vast majority (77-78%) of recipients disagreed that they would have been fine without the support, and agreed it had helped them achieve their goals. Over one third of recipients (31%) had considered dropping out, and one fifth (22%) agreed that they might have dropped out or considered not returning without the support. The study concluded that the NSP package relieved immediate financial pressures and provided access to resources recipients might not otherwise have afforded. The research also looked at satisfaction with achievement in the first year among recipients and interestingly found overconfidence amongst recipients and so some achieved lower grades than expected and were dissatisfied with their marks. This suggests that recipients could benefit from support beyond purely financial assistance which could help with their transition to HE courses. Some aspects of the NSP package at Hertfordshire were felt to have a greater impact on academic performance, these were laptop vouchers, book vouchers, and mentoring – making it easier to access resources and perform course-related tasks (Farenga, 2015).
- A further study at the University of Liverpool which looked at progression rates for final year disadvantaged students who had entered in 2012, and attitudes of second year students who had entered in 2013. This study compared recipients of financial support to those narrowly missing the eligibility criteria (O’Brien, 2015). The research found positive effects of financial support on: improving progression, reducing anxieties and long-term concerns about money-issues, and increasing perceptions of the worth of a degree programme. The author suggests that financial support plays a levelling role for disadvantaged students; but that other aspects impact upon retention such as participation in academic departments and student life. The research found a greater impact of financial support for recipients in departments with low retention (assumed to have less supportive cultures) indicating that financial support acts as an inclusivity factor - helping students to feel they belong and become involved. However financial support appears to act more strongly as an inclusivity factor in departments with an inclusive ethos.

In addition, Sneyers and DeWitte (2018) undertook a meta-analysis of quasi-experimental evaluation studies (mostly non-UK) exploring the effectiveness of HE interventions including needs-based grants. They note that policy assumptions are that grants remove financial barriers for students and found that needs-based grants had significant positive effects on enrolment, retention and graduation (of 2.5%).

How additional financial support makes a difference to retention

Where bursary and grant based support is found to have a positive impact on retention and progression this is felt to be driven largely by reducing worries/stress about finances, making ends meet and accumulating debt; relieving immediate financial pressures; and reducing debt (HEFCE, 2013b; Bowes et al, 2013; Murphy and Wyness, 2015; HEFCE, 2016). For example, the HEFCE review of research (2013b) indicates that the psychological effect of financial worries may have a more pronounced impact on those with no family background in HE; and that even small sums of additional money have a reassuring effect, and relieving anxiety in the early stages of HE may be a key factor in longer-term retention. Murphy and Wyness (2015) in their study using national administrative data talk about bursaries reducing liquidity constraints; and, similarly, Wyness (2016) in her work using administrative data gathered across 22 HEIs notes how bursaries have a role as a tool to assist poorer students to ease liquidity constraints that impact upon retention.

Additional financial support can also positively impact on retention by reducing the need to underkate paid work or to work long hours alongside studies and thus allowing more time for academic work and social activities (HEFCE, 2013b; Bowes et al, 2013; Harrison et al, 2018; see below). Critically the additional resources (time and money) allows students to engage in social activity which supports social integration and increases a sense of belonging which in turn has been found to be important in supporting student retention (Nursaw Associates, 2015, citing the work of Thomas, 2012). Bowes et al (2013) in the evaluation of NSP found a small number of institutional case studies that reported cash bursaries had helped retention by reducing the need for students to undertake paid work and thus enabled them to participate in wider HE activities such as field visits.

Receipt of additional financial support can help students to feel ‘invested in’. Murphy and Wyness (2015) refer to literature (largely from the US) that suggests financial aid may provide psychological benefits, and students can view an award as a gift and thus gain confidence and increase their academic effort in return. Similarly the final evaluation of NSP (HEFCE, 2016) found some of the students interviewed felt the financial support had helped them stay on their course as it not only helped them meet essential costs but it made them feel that an investment had been made in them which motivated them to continue with their studies. The evaluation concluded that, for some, financial aid not only provides practical help but contributes to their sense of worth and belonging (a key feature in the widening participation literature).

Student experience

There has been relatively little research that directly connects the student finance system with the experience of being a student. Indeed, researchers are keen to express the challenges in attempting to do this, given the many aspects that can influence how students experience and feel about their time at university or college. However there is now a small, but growing, body of literature capturing the wider impact of student finances including additional financial support on the broad student experience including student wellbeing and mental health (or resilience) (e.g. NUS, 2012c); and studies looking at 'integration' and 'inclusion' and the student experience. This is in part driven by the desire to evidence what works in supporting students espoused by the Office For Fair Access (and now the Office for Students), and which has led to the development of a standardised framework to enable institutions to evaluate their bursary schemes and identify impact (OFFA, 2016). This work includes the OFFA review that found research suggesting additional financial support (eg institutional bursaries) can help a student participate more fully in university life, build social networks and enhance their sense of wellbeing; although OFFA recommend further research is needed on this aspect (Nursaw Associates, 2015).

Ways in which the student experience is affected

The studies exploring the wider student experience (beyond considerations of retention) often suggest a range of ways in which the student experience can be affected by student finance issues. These studies focus on:

- how the costs of study can act to reduce or constrain experiences; that worries about meeting day to day living costs can impact negatively on wellbeing and the ability to concentrate on academic work, and can lead individuals to feel they need to take on paid work whilst studying (NUS, 2012a,b,c; HEFCE, 2013b; Atherton et al, 2016; Clark S et al, 2015; Mangan et al, 2010);
- how the financial support available acts to fill a gap in finances, provides more freedom to engage in wider student life, and reduces anxiety (HEFCE, 2013b; Bowes et al, 2013; Harrison et al, 2018; Harrison and Hatt, 2012; Crockford et al, 2015; Nursaw Associates, 2015; HEFCE, 2016); and
- how students' finances (savings, credit card debt, owing money to family etc.) before entry can combine with student financial aspects once in HE to affect the student experience, reminding us that students do not necessarily start HE with a blank balance sheet. Also their spending habits and behaviours can play a part in the student experience, as students may not always spend wisely. The student experience can also be affected by the functioning of the finance system itself for

example whether or not students receive their loan payments on time (Harding, 2011; Harrison et al, 2018).

Research finds many students are worried about managing finances whist studying, but does not tend to put a value on the real or perceived shortfall in the day to day finances of students. However, Chester and Bekhradnia (2014) in their discussion paper estimated that the maximum government package of maintenance support covers 71.4% of estimated average costs[9], and more recent work by NUS (2018) suggests there is a shortfall from maintenance loans of over £10,000 for students studying in London and just under £9,000 for those studying outside of London. The research does indicate that some students face liquidity constraints (a lack of ready income). The NUS survey (2012b) found 50% of students regularly worry about not having enough money to meet their basic living expenses such as rent and utility bills. A smaller study focused on one institution (Harding, 2011) found that although two thirds of students predicted that they would find it very difficult or quite difficult to meet their day-to-day expenses when they were surveyed at the start of their first year, 54% reported that they had found it not very difficult or not difficult at all to meet their basic needs. This may be because their fears did not materialise or that they had adopted strategies to manage their finances and supplement their income (see below).

The NUS series of research ‘Pound in your pocket’ (NUS, 2012a, b, c) also highlighted the constraining factors of the student finance system, and how these had a greater impact on disadvantaged students. This work found associations between finances in HE, financial support policy and practice and student wellbeing: with one third of students reporting a negative impact on their wellbeing through worries about meeting the cost of basic living expenses, and worries about finances impacting on their ability to concentrate on their studies. Other financial aspects negatively affecting wellbeing were: excessive hours of paid work alongside studies, hidden course costs, and high accommodation costs and transport costs. NUS found that adults (19+) in FE and older students in HE were under particular financial strain. The research also found that disadvantaged students (from low HE participation neighbourhoods and/or with parents who don’t have HE qualifications) had particular difficulty balancing their financial commitments, more worries about future debt, and thus found it more difficult to concentrate on their studies without worrying about finances than found for students from more advantaged backgrounds. The study also looked at FE students’ wellbeing and found a high proportion of young FE students (53%) and adult FE students (51%) felt they had little control of their financial situation.

[9] Based on a maximum maintenance loan and grant of £5,855 for a student in a household with income of less than £25,000 and the NUS estimate of living costs of £8,204, producing a shortfall of over £2,000. This appears to be based on data from 2008

The final evaluation of NSP (HEFCE, 2016) looked at the impact of financial aid on the student experience and success. The found some students in the interviews felt the NSP provided additional benefits which enhanced their overall student experience: being able to take part in trips, and university social life more broadly, purchase resources to take part in activities beyond the direct aspects of their course, and buy the same materials and equipment as their peers which helped them feel more integrated. The interviewees also indicated how NSP had impacted upon their overall wellbeing by relieving some of the financial stress whilst studying (although despite the support received some students still experienced financial difficulties largely due to their lack of knowledge about the true costs of studying, and the unanticipated costs of living away from home which caused challenges in managing budgets).

There are also a number of smaller and largely qualitative studies that have focused on the freedoms resulting from additional financial support and how this support can help disadvantaged students to have a similar student experience to students from more advantaged backgrounds (Harrison et al, 2018; Harding, 2011; Crockford et al, 2015).

The work of Harrison and colleagues (2018) examined the meanings and experiences of bursaries among recipients in 2 English HEIs (the Universities of the West of England and Bristol). They found recipients valued bursaries as a flexible source of extra income, which they could choose how best to spend. Bursaries were used (alongside government grants and student loans) to: reduce the need for part-time work, improve accommodation, support social integration (participation in clubs, societies and general social activity), and/or increase academic spending (e.g. on books, equipment, learning experiences etc.). Students balanced these uses in ways that aligned with their preferences and variously reported: reduced stress/anxiety resulting in increased mental wellbeing, stronger student identity, greater feelings of community membership and social bonding, and better academic results. The authors refer to this balancing as a complex web of spending decisions and noted how the bursaries act within this web to have a 'lubricating effect' as they make more resources available and *'enabled students to assemble a student experience that was closer to those enjoyed by wealthier peers'* (p13). However Harrison et al (2018) found that even with bursary support some students were struggling. They suggest the risk factors associated with struggling included impulsivity, an overactive social life and complex financial circumstances prior to HE.

Another institutional focused study, at Northumbria University (Harding, 2011), found a connection between students starting resources and their student experience in terms of academic achievement. Students on social science courses were surveyed twice: at the start of their programmes and at the start of their second year. The research found those who started their academic programme with savings and no debts were more likely to expect and to actually meet their daily living expenses during their first year. They were also more likely to pass all their first year modules than those with debts and no savings (and particularly those with 'other' forms of debt such as credit cards, or owing money to family). Late payment of loan support was also associated with lower academic achievement. The author suggests that students might be facing financial difficulties as a result of their spending choices, as well as their lack of initial resources and potential delays in payment of financial support. Students from low-income backgrounds were more likely to have other forms of debt; however the research found they were not significantly more likely to experience difficulties meeting their daily living costs or to achieve inferior academic outcomes. The author suggests that measures to support the financial management of young people may be a way to ensure fewer students start their programmes under-resourced, and timely and efficient loan or grant payments would also help bring benefits in terms of academic achievement.

A study undertaken in the University of Sheffield (Crockford et al, 2015) also looked at the relationship between additional financial support and the student experience, and found this support provided freedom to not have to take-on paid work. The authors argued that the student finance system *is' implicitly structured around an assumption of the availability of familial support, where this is not available or requested, students are forced to depend on their own resources' and that this is problematic* (p97). Largely drawing on interviews with undergraduate students who entered the university in 2013, they found an indirect relationship between levels of financial support and the time available for university studies, the ability to participate in extra-curricular activities and opportunities to socialise, and this was mediated by the need to take on paid work during term time.

Working whilst studying and the student experience

A key theme in the research is the link between student finance and the perceived need to take on paid work whilst at university or college. Indeed, there is a body of research that focuses on this aspect of the student experience. The work here connects concerns about student debt and more generally worries about the costs of HE study, with the strategy of taking on part-time work during term-time in order to minimise potential student debt and/or help meet day to day living costs and thus make up any shortfalls in income (Atherton et al, 2016; Clark S et al, 2015; Mangan et al, 2010; all involving research with prospective HE students; Maher et al, 2018 involving research with undergraduates). Some of these studies suggest that disadvantaged students are more likely to expect to work and to expect to work longer hours, and this is likely to have a greater detrimental impact on their experiences and outcomes. However other robust research with undergraduates finds that there is no link between propensity to work and socioeconomic background (Maher et al, 2018).

The HEFCE (2013b) review of widening participation research found some evidence that, following the 2006 changes to student finance, the expectations of some students about the student experience may be shifting from an emphasis on social aspects towards studying at home and combining study with part-time employment, and with part-time work considered essential for many socially disadvantaged students. Indeed studies with prospective students finds many expect to work alongside their studies.

Focusing on potential HE students, a small study of Year 11 and 12 students who participated in a widening participation outreach scheme for a Russell Group Institution (undertaken between 2011 and 2013) found that many were planning to work part-time during their studies to cope with financial pressures and living at home was another key strategy for this. Similarly, Atherton et al (2016, p25) found in their study of Year 13 students applying to university, that the level of fees (and thus anticipated debt) influenced their expectations around undertaking paid work whilst studying. The vast majority of HE applicants surveyed expected to work at least ten hours a week during term-time and those from disadvantaged backgrounds (eligible for free school meals) anticipated working slightly longer hours. They also found that the level of fees charged influenced prospective students expectations around part-time work: 60% of respondents would reduce the hours of paid work they would do during term-time if fees were reduced (from £9,000 to £6,000). Work by Mangan et al (2010) involving surveys and interviews with students in their final year of post-16 schooling in an area of low HE participation found 90% of students expected to work part-time at university to support the financing of their degree, and 25% expected to work more than 16 hours per week. Students from higher incomes were more likely to expect to work few or no part-time hours.

Research with HE students confirms that working whilst studying is common, although perhaps not to the extent expected by prospective students; and this is often undertaken as a debt reduction technique and to make-up for a (unspecified) shortfall in their available income alongside other strategies. All of the research exploring this issue has been undertaken before the removal of maintenance grants which could arguably have an impact.

Some of these research studies, often with smaller cohorts based in a small number of institutions, suggest that working while studying and/or working longer hours is more common for students from disadvantaged backgrounds; and that paid work is used to contribute towards essential living costs and to cover immediate financial needs (Harding et al, 2011; OFFA, 2016; Crockford et al 2017; Clark T et al, 2017; HEFCE, 2013b citing Stuart et al, 2008; NUS, 2012b; NUS, 2012a citing Callender and Jackson, 2008). However, the most recent robust research shows that disadvantaged students, on average, are not more likely to engage in paid work compared with other students (Maher et al, 2018).

The large national study undertaken by NUS (2012b) of over 14,000 English-domiciled students in both FE and HE in 2011/12 found that 28% of HE and 35% of FE students worked during term-time and the summer holidays (and 46% and 41% respectively worked during holidays and/or term-time). This is much lower than found in other research. The majority of full-time HE students and FE students tended to work less than 16 hours a week (77%). This research found that across all HE respondents in the sample, students from low HE participation neighbourhoods were more likely to work more than 16 hours per week compared with those from higher participation neighbourhoods (36% compared with 30%). Some students who worked felt their wellbeing had been affected, particularly disadvantaged students. Across all HE students who worked, those from lower HE participation areas were more likely to report difficulty balancing their commitments and their studies.

OFFA (2016) in their testing of the evaluation tool in 2015 across 4 institutions showed that although the majority of bursary recipients had undertaken paid work, larger bursaries appeared to ease the need for recipients – those from disadvantaged backgrounds – to undertake work in term time or to work longer hours.

The large nationally representative student income and expenditure survey undertaken in 2011/12 and in 2014/15 (Pollard et al, 2011/12; Maher et al, 2018) involving undergraduates found that just over half (52%) of full-time students did some form of paid work during the academic year – a consistent finding in both surveys. In 2014/15 the average number of hours worked by full-time students was 10 hours per week. However a logistic regression (controlling for other factors) found that for both full-time and part-time students in 2014/15, those from lower socioeconomic groups were less likely to have undertaken paid work during the academic year. Whereas those students who lived at home with their parents during term-time, were more likely to work alongside their studies and to work longer hours.

The research finds that while there are many positive aspects of working during the academic year (see for example Pollard et al 2013[10], Mc Culloch et al 2013[11]), term-time working can sometimes impact negatively on perceived wellbeing and on studies and academic performance through reducing the time to study, making it difficult to balance commitments, creating difficulties in being able to concentrate on studies, and making working students more likely to consider dropping out (NUS 2012a citing Callender, 2008; NUS, 2012b; Crockford et al, 2015; HEFCE, 2013b citing Stuart et al, 2008).

Combining income streams to support the student experience

The research exploring student finance and the student experience indicates that often students do not feel able to rely on one source of income to sustain them, and instead

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[10] Pollard, E., Williams, W., Arthur, S. & Kotecha, M. 2013. Woking while studying: a follow-up to the Student Income and Expenditure Survey 2011/12. Research Paper 142, Department for Business, Innovation and Skills.

[11] McCulloch, A. 2013. Learning from Futuretrack: The impact of work experiences on higher education student outcomes, Research Paper 143, Department for Business, Innovation and Skills

look to combine income streams to address their financial needs (to pay their study costs including fee costs but also living costs, travel costs and extra course costs) or allay concerns around finances. Students combine income from government through loans and where possible through grants, income from institutions through bursaries and scholarships, income from paid work, income (or support in kind such as free accommodation) from their families, and income from other sources of credit. The strategies used may differ depending on a student's socioeconomic background/access to resources. For example, in a qualitative study with one 'red-brick; institution (Clark, T. et al, 2017) students from both lower and higher income backgrounds attempted to reduce their debt during study. The wealthier students drew upon parental support, the maintenance loan and part-time jobs; whereas the lower income students combined alternative accommodation such as living at home, maintenance grants and any savings such as from a gap year with earnings from part-time work.

Institutional support

As discussed, institutional support from bursaries, scholarships and fee waivers were particularly important to those from less advantaged backgrounds, who felt they wouldn't be able to cover basic living costs without it (Nursaw Associates, 2015 in their review for OFFA). However some students still needed to adopt additional strategies to manage their expenses, and this relates to criticisms about financial support that the support is not linked to students' needs but to students' backgrounds (Harrison and Hatt, 2012; and Wyness, 2016).

The final evaluation of the National Scholarship Programme NSP (HEFCE, 2016) found that some bursary recipients interviewed had accrued debt despite receiving the NSP. They attribute this to a combination of factors such as the format, value or timing of the support offered especially for second or third year students, unexpected or increased costs, and also trying to reduce paid work hours as their studies progressed. They found that approaches taken to address financial difficulties included borrowing from family, overdrafts, pay-day loans and credit cards, and that this caused some students increased stress and worry which impacted on their wellbeing.

Harrison et al (2018) in their qualitative study at two Bristol universities undertaken in 2014 found most bursary holders were managing financially but had adopted additional strategies to achieve this: some had chosen to live with family; and others were working part-time. Similarly OFFA (2016) found the majority of bursary recipients engaged in paid work but they also found that the size of bursary awarded was linked with whether or not students undertook paid work and, if they did work, to the hours worked. They found that 50% of those receiving £500-£1,000, 27% of those receiving £1,001-£1,500, and 23% of those receiving £4,000 or more undertook paid work. Other research also suggests that grant based support such as institutional bursaries reduces the need to undertake paid work (or to reduce the hours worked) alongside studies (Nursaw Associates, 2015; although they found a high level of variability between institutions in this respect which could reflect the variability in the bursary system itself as discussed above; Crockford et al, 2015; HEFCE, 2013b citing West et al, 2008; and Harrison and Hatt, 2007).

Support from families

Support from families was also important to many students; and parents, where they could, often contributed to their children's study costs to reduce their potential debt (West et al, 2015). However this source of additional financial support did not appear to be available to disadvantaged students (Maher et al, 2018).

Data from the national 2014/15 Student Income and Expenditure Survey (SIES) found that support from students' families, particularly from their parents, was important to many students, and this can include financial contributions towards tuition fees, rent and living costs as well as gifts of money and other goods such as computers and books. The majority of full-time students (81%) received at least some financial support from their families, but overall this support accounts for 9% of total average income (or 14% if income from the fee loan is excluded from total income calculations) for full-time undergraduate students. However there has been a downward trend in the proportion of total student income accounted for by family support over the years. Full-time students from lower socioeconomic groups (from routine/manual background) received the least financial support from their family, as did those students with no parental HE experience and those living at home with their parents during term time (these were all significant in a multiple linear regression model to understand what factors were associated with levels of financial support from family).

The large scale NUS Pound in Your Pocket survey (NUS, 2012b) found that 56% of students received support from their family including financial support, accommodation and living support, childcare, transport, and food and groceries. The research found that although most students living in rented accommodation or university halls used a student loan to pay for their accommodation (first rent instalment), one third used support from their families to pay this. Additionally, one quarter of HE students with transport costs (to attend their course) used family support to pay for these. Overall those students most likely to get help from their families were younger and full-time students (and FE young students were more likely to get family support than HE students, 66% and 61% respectively). The research found that receipt of family support had an impact on worries about finance: 57% who did not receive family support regularly worried about not having enough money to meet basic living expenses compared to 44% of students who were in receipt of family support.

A smaller study, undertaken by Crockford et al (2015) at the University of Sheffield, found that many of the students interviewed felt that the financial system assumed an additional source of income and that this translated to dependence on parental or family income, this was uncomfortable for some students who either did not want to rely on family support or whose parents were unable to provide this.

Commercial credit

Another potential source of income for students was commercial loans, and reliance on this form of high risk borrowing was not uncommon (Maher et al, 2018; NUS, 2012a; NUS 2012b, Harding et al, 2011). The review undertaken by NUS (2012a) prior to the 2012 reforms found evidence that students whose parents couldn't contribute to their support (citing Adnett, 2006) and students from lower social classes or who worked during term-time (citing Callender et al, 2006) had higher levels of this debt.

The NUS research 'Pound in Your Pocket' (2012b) found a substantial group of full-time HE students (62%) also had other debt (excluding student loans and mortgages) and for the majority of this group this came to between £1,001 and £5,000. Overdrafts were the most common type of debt with 50% of undergraduates (excluding NHS students) having an overdraft; but approximately 20% owed money on credit cards (11% of those aged 17-20 on entry, and 29% aged 21-24, and 30% of those 35 and over). Owing money to family was also relatively common (23%). The report notes that although the proportion of HE students taking up high risk debt (payday loans etc.) is low, disadvantaged students were much more likely to have these forms of debt. Indeed, disadvantaged students (from low participation HE areas) were three times more likely to report having high-risk debts compared with advantaged students. The research also reported how 30% of mature HE students (aged 25 or over at the start of their course) had debts of over £5,000 on entering HE. The study also explored the experiences of FE students, and found that whilst many young FE students had not taken on any borrowing (80%, excluding mortgages and student loans), adult FE students were more likely to have taken out a bank overdraft (25%) or high-risk loan such as a payday loan (10%) or to have borrowed from their families. Indeed, overdrafts, and credit cards were the most common forms of debt. At the time of the survey in 2011/12 the majority of young FE students (79%) reported having less than £1,000 of debt. Whereas among adult FE students, 55% had debt valued at less than £1,000, 29% reported having £1,001-£5,000, and 10% had more than £5,000 of debt.

The more recent nationally representative Student Income and Expenditure Survey 2014/15 (Maher et al, 2018) found that 33% of full-time undergraduates had an overdraft (a fall from 39% found in the 2011/12 survey), and 14% had taken out commercial credit (such as bank loans, credit cards and hire-purchase agreements). The average amount owed in commercial credit by those using this form of support was considerable at over £3,500. This also increased with age but was not found to differ by socioeconomic background.

In addition, a small study in one university (Harding, 2011) found most students started their courses with at least one form of debt, generally a small bank overdraft (34% with a median value of £750) but 16% had other (non-student) commercial loans and the averaged owed was high (median of £3,500), and 6% had other debt (commonly credit card debt). The number of students with these forms of debt didn't change between the first and second year but the average level of some of these debts (particularly commercial loans) had increased substantially *'suggesting again that this was the form of debt most likely to reach worrying levels'* (p 490). The research also indicated that students from low-income backgrounds were more likely to have other debt (most frequently credit card debt) in both first and second year, and this was problematic as these other forms of debt were likely to increase sharply.

5. Influence of student finance on outcomes and graduate debt

This chapter presents the research literature on the impact of the student finance system on study outcomes and the levels of debt (student debt and wider debt) on graduation. The key research questions the review sought to address were:

- What does the more robust evidence tell us about the impact of the different forms of additional financial support in supporting the outcomes of disadvantaged students?
- How does the level of debt on graduation differ for disadvantaged graduates?

Introduction

There has been very little research that has explored the impact of student finance on the later stages of the student journey in terms of degree attainment and classification and progression from undergraduate studies either to postgraduate study or the graduate labour market. As noted for the research on retention and the student experience, there has been a recent move to look beyond the impact on access and participation that has been encouraged by HE national strategy and the guidance from OFFA (now Office for Students) but the research on outcomes is still way behind. Similarly there are very few robust survey-based studies that have looked to estimate the value of student debt, particularly the level of debt accrued at the end of a student's time in HE or FE (arguably another outcome of study). There is however a small number of studies that have used national administrative data to model potential graduate debt; and to estimate how much a student will owe at the end of their studies, and how much individuals are likely to pay back with the system of income-contingent loans over their lifetime. These studies have often sought to explore the impact of the various changes to student finance policy on the level of graduate debt and repayments.

This chapter covers:

- HE outcomes
- Levels of student debt following FE/HE participation

HE outcomes

This review found very limited research that linked student finance with outputs such as degree attainment and outcomes of HE study such as progression. This is, in part, due to the time lag in identifying outcomes, which means the impact of the student finance reforms will take time to emerge and has largely not yet been captured in the research.

OFFA (Nursaw Associates, 2015) in its review on the impact of additional financial support (one aspect of student finance) found no national research on the effect of financial support on outcomes such as progression to postgraduate study or employment and suggested institutions could be encouraged to include this in their own evaluation plans. The sector body therefore developed a statistical model that institutions could use to evaluate the effectiveness of their additional financial support packages on outcomes and to help them effectively target their support (OFFA, 2016). The model uses student record data to track recipients from enrolment to graduation and to compare outcomes for recipients against those with slightly better and also significantly better household-incomes; as well as a survey instrument and interview tools to capture feedback and perceived benefits of the support from recipients. Early testing of the research materials with 4 institutions in 2016 (using data from 2009/10 and 2012/13) provided some results on the impact of institutional financial support. This early pilot work suggests that outcomes for additional financial support recipients are at least equivalent to those from their comparator groups (i.e. of students not in receipt of this additional financial support). Outcomes tested were: retention to 2nd year, completion of degree within 5 years, attainment of a good degree, and progression to further study or employment six months after graduation.

One of the few large-scale studies explicitly focused on outcomes was undertaken by Murphy and Wyness (2015). The work argues that it is important for policy to understand the link between financial aid and student outcomes, particularly in relation to social mobility. The study explored the impact of means-tested financial support on the outcomes of student recipients in terms of completion rates, annual course scores and degree quality. This study followed students enrolled between 2006 and 2011, using administrative data from 9 English HEIs (a sample of almost 36,000 students). The research was focused on the higher education bursary scheme (the forerunner to NSP). At the time of the research 44% of students received a bursary and the average amount was £800 a year. The research presented evidence that for every £1,000 of financial aid awarded the chances of obtaining a good degree increases by 3.7 percentage points against a mean rate of 62%. The authors posit that this impact is driven by increased likelihood of completion and improvement in course scores. The study also found poorer students (based on parental income) gain more in bursary support than richer students, and the impact on their outcomes is much greater: *'suggesting that means-based aid is not simply subsidising infra-marginal students in terms of their ability who would not gain from the university experience, but actually acting to improve their outcomes at university'* (p26). Also the impact of bursary support was found to be greater for previously high achieving students (up to three times the impact in terms of course scores, first year retention and final degree result):*'this suggests that there are some high ability students facing liquidity constraints which bursary aid is acting to relieve'* (p26). However the research found that within universities the impact of their financial support is only really significant among high achieving students. They therefore conclude that bursaries are effective in improving the persistence, performance and critically the outcomes of disadvantaged students; but the best use of these bursaries would be to provide more support to lower income students (to ease liquidity constraints), and consider using a merit-based component alongside means-testing (to gain the greatest returns) – a method commonly found in the USA in the form of scholarships. They go on to suggest that: a) highly selective institutions tend to give large awards to a small number of students but they should distribute their resources to more students (given decreasing returns to aid, and the likelihood of their students being highly able); and b) less selective institutions who tend to give smaller awards to more students, should give out more aid to the most able of their students.

Levels of student debt following FE/HE participation

Another outcome of HE study for students is the level of debt they have at the time of completing their studies (their graduate debt) and the implications this has for repayments across their working lives and the decisions they make after leaving FE or HE. As found for degree attainment and progression, there are few primary research studies with graduates to explore levels of graduate debt, concerns about graduate debt and the impact this has on choices beyond undergraduate education. In addition, there have been very few studies that have been table to take account of the most recent reforms to the student finance package - in 2012 (tripling the tuition fee for undergraduate students) and in 2016 (increasing the maximum possible maintenance loan to replace the maintenance grant/special support grant which was removed for new full-time students) - as relatively few cohorts affected by these changes have graduated to date.

Impact of graduate debt

Focusing on the perceived impact of graduate debt, a key study is the recent research undertaken by NUS (2015 and 2016). This surveyed a small group of English-domiciled graduates – the first to graduate under the 2012 reforms - as they graduated in summer 2015 and then again approximately seven months after they had completed their full-time undergraduate degrees in spring 2016. The research found the majority of graduates (78% in 2015 and 71% in 2016) were worried about the level of their student debt, and under half expected to fully repay their loan. The work also found that graduates end their studies with commercial credit: 60% reported they had existing debts from their time in HE (other than their student loan debt), 30% had bank overdrafts, 12% had credit card debt, 11% owed money family or friends, and 3% had high risk debt. Although many felt that student loans were not ‘as bad’ as other forms of debt such as credit cards, 59% were worried about the interest they would need to pay. There was some concern among the graduates surveyed about the impact of student debt on future lifestyle choices: 43% felt that their standard of living would be affected by the cost of repaying their loan; 66% felt that repayments would mean that it would take longer to save up for a house, and

46% felt they would have to wait longer before paying into a pension. Graduates who had received maintenance grants were however more likely to report that they were not at all worried about their student debt compared with other students (27% compared with 18%).

A new study is underway which will build on the small NUS study. This is funded by the Economic and Social Research Council (ESRC) and led by the Centre for Global Higher Education at University College London[12]. It aims to investigate the effects of rising graduate indebtedness on graduates' life choices and is set to report in 2020. The research involves a literature review; and will also include analysis of existing data, a large scale online survey of English graduates graduating in different years and with different levels of debt, and follow-up interviews. The research will look specifically at behaviours, such as: house purchases, getting married and having children, and participation in pension schemes; and will explore factors influencing job choices, alongside perceptions of the impact of debt on life choices. Early findings from the literature review undertaken as part of the research (de Gayardon et al, 2018) finds that most of the existing research is US-based and so reflects a different HE and student loan system to that in place in England (i.e. mortgage style rather than income contingent loans); and is largely based on econometric analysis of secondary data. This US research however points to no consensus around the impact of student loan debt on decisions about progressing to postgraduate study but that student debt has a negative impact on: career choices particularly entrepreneurial activity, to home ownership (owning lower value properties and/or delaying home ownership), and to forming families although this appears to be a finding for women only. The literature review also finds that in the US: *'the relationship between student loan debt and lifetime financial wellbeing is also negative. Those with student loan debt have lower levels of net worth, experience more financial distress, and have lower savings and retirement savings'* (p2).

Level of debt on graduation

This review identified a number of research studies with students or prospective students which focused on debt but many of these tended to explore attitudes to debt (and are reported in Chapter 3) rather than attempt to measure the levels of debt of students or the level of debt on graduation. A few studies were identified which do explore graduate debt – either by surveying students approaching the end of their studies or by using administrative datasets. However these use different techniques, cover different groups of students/graduates and use different definitions of debt which make comparisons difficult and lead to differing conclusions. Some studies find graduate debt levels were

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[12] http://www.researchcghe.org/research/social-and-economic-impact-of-higher-education/project-2-4/; and http://www.researchcghe.org/research/social-and-economic-impact-of-higher-education/project-2-4/project-methods/

lower for students from lower socioeconomic backgrounds but this was during the period when maintenance grants were available for this group (Chowdry et al, 2012; Crawford et al, 2014); whereas others find graduate debt was higher for students from disadvantaged backgrounds when looking at broad definitions of debt (Maher et al, 2018) or when looking at the impact of the most recent reforms to the student finance package (Britton et al, 2015; Cullinane and Montacute, 2017).

A key study is the Student Income and Expenditure Survey which captures data from a large but specific group of students (English-domiciled and Welsh-domiciled students, studying in Welsh or English Institutions). This is a series of surveys over time which has sought to explore the income, spending, borrowing and debt of students under different student finance regimes through self-report surveys with a large number of undergraduate students. This series provides a measure of student loan debt on graduation (the debt accrued by the end of the period in HE), and the most recent wave in 2014/15 (Maher et al, 2018) gives figures for student loan debt since the 2012 reforms. This research aims to calculate student debt but also looks more broadly at all types of debt and takes account of both borrowing and savings. In terms of graduate net debt – calculated as borrowing (across all forms including commercial sources of credit, bank loans and arrears as well as student loans for maintenance and tuition fees) minus predicted year-end savings – this was found to vary substantially according to the length of the course. The average net debt for English-domiciled full-time students at the end of a 3 year degree programme in 2015[13] was calculated to be £28,811. This represented a real rate increase of almost two thirds compared with 2011/12 graduates (up from £17,719). A regression model found socioeconomic status was associated with the level of graduate net debt, and levels of net debt were higher for disadvantaged graduates (those from a routine or manual work background). When focusing solely on student loan debt of full-time undergraduate students in their final year of a 3 year course (and for whom previous student loan debt was recorded), the average amount owed was higher at £29,997 and the median was £33,860.

Actual student loan debt on graduation is also calculated by the Student Loans Company (SLC), the body responsible for administering student loans. The latest statistics from the SLC (SLC, 2018) show that the average ‘student loan balance’ for the HE 2018 repayment cohort[14] was higher still at £34,800 (an increase of over £2,000 on the average of £32,420 for the 2017 cohort). This estimate however covers all borrowers including those on shorter courses and part-time students; and crucially the loan balance is the amount paid to the individual plus interest added whilst they were studying minus

[13] Those who had previous student loans and for whom data on previous loan was available
[14] This is the cohort that became eligible to repay their student loan in 2018, based on their earlier statutory repayment due date which is normally the April after graduating or otherwise leaving their course.

any voluntary repayments made. The average student loan balance for the FE 2018 cohort was £2,890 (an increase on the £2,550 for the 2017 cohort).

Other studies that have sought to measure the level of graduate debt include large studies using administrative datasets. Murphy, Wyness and colleagues (at the Centre for Economic Performance), and Chowdry, Crawford, Britton and colleagues (at the Institute for Fiscal Studies) estimate graduate debt using modelling techniques, and look to examine the impact of the changes to student funding on debt levels. These studies have concluded that graduate debt has increased substantially after the 2012 reforms, and have tended to identify higher levels of graduate debt than either SIES or SLC, but indicate that graduate debt is relatively lower for students from lower socioeconomic backgrounds (prior to the change from maintenance grants to increased maintenance loans).

Using data from LFS as well as other administrative sources Murphy et al (2017) found, when comparing levels of debt upon graduation following the 2006/07 and 2012/13 reforms, that the average level of debt for all students increased from £25,000 to £42,000. Although the authors argue that as loan debt is income contingent *'student debt is purely notional: what every student eventually repays need not bear much relation to their total debt'* (p15), see below.

Chowdry et al (2012) estimated graduate debt after the 2012 reforms[15] (i.e. the increase in tuition fees but prior to the shift from student maintenance grants to maintenance loans) and calculated the average debt (in 2012 prices) to be £40,302 compared to the average debt of £23,195 under the system in place in 2011/12. They concluded that the poorest 30% of students would graduate with the lowest amount of debt (£37,713 to £38,739) compared with students with higher parental incomes. Under the previous system, debt levels for the poorest 30% had been similar to those of the richest 30%, and those with middle incomes accrued the largest debts.

Crawford et al (2014) also modelled likely debt for undergraduates entering HE in the years 2011/12 and 2012/13 to explore the impact of the 2012 reforms. They too predicted that students would have larger debts than under the previous student finance system, with graduates estimated to leave university with average debts of £44,035 which is almost double the graduate debt under the previous system (£24,754 in 2014 prices). The authors note this is driven by students taking out larger loans to cover the higher

[15] Chowdry and colleagues created a simulation of a single cohort of individuals assumed to enter full-time HE in 2012; and constructed graduate lifetime earnings drawing on: findings from graduates in the British Household Panel Survey, and the specific financial package available to individuals in each HEI including fee loans, maintenance loans, grants, bursaries and scholarships (and assumes 100% take-up). The modelling therefore differs from the research with individual students as it cannot take into account earnings from paid work, and students' starting resources such as savings.

fees plus the real rate of interest charged on the loan debt whist they are studying. However the average real student debt on graduation for the 10% of students from the poorest households was estimated to be £41,283 (in 2014 prices) compared with £48,766 for students in households with the highest levels of income.

Most recently work by Britton et al (2015) modelled the potential impact on students entering HE in 2016/17 of replacing maintenance grants (abolished in 2016/17) with higher levels of maintenance loans. They found that although the increased loans would increase the 'cash in pocket' of students from low-income households (increasing liquidity whilst at university, up to £550 extra a year) there would be a substantial increase in their debt – rising from £40,500 to £53,000. They concluded that transferring grants to loans means students from the poorest backgrounds are likely to graduate with the most debt. Those from richer families would be unaffected by the change from grants to loans.

Another recent study (Cullinane and Montacute, 2017) used HESA data to model likely future debt among all students entering HE in the 2017/18 academic year under the latest reforms to the student finance system (announced October 2017: a freeze in tuition fees capped at £9,250 and an increase to the debt repayment threshold from £21,000 to £25,000 which would apply to all those who graduated post-2012), and under a range of scenarios. Their models include English and EU domiciled students, those studying full-time and part-time, and those studying sub-degree as well as first degrees (so differ from the IFS models). The study estimates average student debt on graduation at £46,000 per student, including an average maintenance debt of £19,200; and notes that the average graduate debt doesn't change with the October 2017 reforms (although it does affect lifetime repayments). The research finds that young people from less advantaged backgrounds take on the most debt (due mainly to the abolition of maintenance grants and so have much higher maintenance loan debt). Students in the lowest 40% of household-incomes accrue £51,600 in debt compared to £38,400 for the top 20% of households.

Interestingly Kirby (2016) in his work that compared student finance systems across eight Anglophone countries: England, Wales, Northern Ireland, Scotland, USA, Canada, Australia and New Zealand noted how the average graduate starting salary in England is around half the average student debt at graduation, whereas in all other countries average starting salary was either higher or just a little lower that the average debt at graduation

Graduate loan repayments and lifetime debt

In addition some studies have modelled the debt profile across the lifetime (the long-term costs of HE study in terms of the amount graduates will pay in total to pay off their student loans) to explore the nature of the reforms to the student finance system. These have found that the 2012 reforms were the most progressive: as lower income students and lower earning graduates owe and repay the least over their lifetimes (in part due to the debt being written off after 30 years and the more generous grant/bursary support which has since decreased with the majority replaced by maintenance loans); whereas higher income students and higher earning graduates owe and repay the most (Chowdry et al, 2012; Crawford et al, 2014; Britton et al, 2015; Cullinane and Montacute, 2017). More specifically these studies conclude:

- Raising fees and thus student loans (resulting from the 2012 reforms) means that in general students' accrue more debt on graduation and this leads to higher repayments and a longer payment period. Graduates may therefore be worse off in the long-term (Chowdry, 2012; Crawford and Jin, 2014). Chowdry et al (2012) estimated that the average graduate would be £8,850 worse off over their lifetime with the 2012 reforms. Whereas Crawford and Jin (2014) estimated average total repayments of £66,897 under the 2012 reforms (compared to £32,917 before the 2012 reforms), which equates to 2.1% compared to 1.1% of nominal lifetime earnings. They also calculate that 45% of graduates would pay back more than they borrowed in real terms (after accounting for inflation) and that repayment times would be longer under the new system. The average length of time required to clear student loan debt among those who do repay in full increased from 16 years under the previous system to 22.5 years under the 2012 reforms.
- However many graduates will not fully pay back their loans, as their loans are written off after 30 years. The distribution of graduate lifetime earnings is likely to be highly varied and estimates suggest that almost three quarters of graduates will not earn enough to pay back their loans in full (with an average of £30,000 written off).
- The lowest earning graduates will be better off under the new system (Crawford and Jin, 2014) and therefore the system is progressive as poorer graduates will be making smaller lifetime payments and receiving greater subsidy (Chowdry, 2012; Crawford et al, 2014; Murphy et al, 2017).

  Chowdry and colleagues' economic modelling (2012) of lifetime earnings for graduates predicted that, with the 2012 reforms, the poorest 10% of graduates would be expected to pay a tenth of the amount that the richest graduates pay. This was mostly attributed to outstanding debt being written off after 30 years for almost all of this decile. The authors likened this to *'a 30-year graduate tax set at a marginal rate of 9 per cent'* (p227). In contrast, the richest graduates pay back more than they borrow. Similarly Crawford and Jim (2014) estimated that the lowest 10% of earners are expected, on average, to pay back £6,460 over a lifetime compared with £9,658 under the previous system largely due to the higher repayment threshold. Whereas graduates in the highest earning decile are expected to pay an average of £103,691 rather than £35,952 under the previous system. Furthermore, whereas under the previous system average total

> repayments comprised a lower proportion of gross lifetime earnings for higher earners than for lower earners, under the new system mid- to higher-earning graduates will pay a higher proportion of their income. Almost all of graduates in the lowest four earning deciles (99%) are predicted to have their debt written off after 30 years, whereas only 1% of graduates in the top three deciles would not repay in full.

More recent modelling suggests that removing maintenance grants means students from lower income families will be expected to pay back more than before and over a longer time. However in reality this will impact only on those who gain high paying employment. Britton et al (2015) estimates suggest that although the majority (65%) of those who would have been entitled to a full maintenance grant are likely to experience no change in how much they can expect to repay due to the debt being written off, 35% of low-income students (those who end up in high earning jobs) will be expected to repay their loan for an extra four years and contribute an extra £9,000 (Britton et al, 2015). Also modelling suggests that increasing the debt repayment threshold (introduced in 2017) reduces lifetime debt repayments. Estimates propose that changing the repayment threshold to 25,000 would mean that average lifetime debt repayments would fall from £33,200 to £25,200, and 81% of students will not repay their loan in full compared with an estimated 72% under the previous system (Cullinane and Montacute, 2017).

6. Conclusions: supporting disadvantaged students

This final chapter brings together the research literature covering the broader issues around the degree to which financial considerations are a barrier for young disadvantaged students (from low-income, low parental education, low socioeconomic status and/or low HE participation areas) to entering, progressing and succeeding in HE and FE, and what appear to be the most effective ways to support students to overcome these barriers. It also draws on the findings presented in the preceding chapters. The key research questions the review sought to address were:

- How much are financial considerations a barrier for disadvantaged students?
- What is the most effective way to support disadvantaged young people financially through their studies?
- How effective are other means of non-financial support to help disadvantaged individuals navigate the different options open to them post 18; and the choices they make, including the financial aspects of post-18 choices?

Introduction

There is a substantial and growing literature on the practices and outcomes of widening participation and access for young disadvantaged students which has researched the barriers to participation, progression and completion, and the approaches to overcoming these (see for example the work of the Higher Education Academy, Action on Access and the Aimhigher networks). This review did not seek to cover this literature in detail but the materials gathered and assessed do touch upon barriers to HE participation, and these suggest that finance is just one potential barrier within a wider set of challenges and factors which influence not only participation in HE but also experiences once in HE and beyond. The literature also suggests that approaches aimed at minimising financial barriers or worries about student finances may be more effective when combined with other practices, and with financial support provided in cash, at frequent intervals and throughout HE study.

This chapter covers:

- the relative weight of financial barriers;
- effective practice to ameliorate disadvantage.

The relative weight of financial barriers

A key evidence review undertaken for HEFCE (Gorard et al, 2006) into the barriers to HE participation indicates how individuals can face situational, institutional and dispositional barriers, as well as there being personal, social and economic determinants of participation in education which can include family and initial schooling. Gorard and colleagues are however somewhat critical of the notion of barriers, as they assert this can over-simplify the issues, but their review suggests that a focus on barriers to participation is common. In terms of the 3 key barriers they note how **situational barriers** are created by an individual's personal circumstances and include direct and indirect costs, and distance from a learning opportunity. **Institutional barriers** are created by the structure of available opportunities and include admissions procedures, timing and scale of provision, and general lack of institutional flexibility. Whereas **dispositional barriers** include an individual's motivation and attitudes to learning which can be influenced by a lack of suitable learning opportunities or poor previous educational experiences.

The programme of research undertaken by Thomas (2012) moves beyond participation to look at 'what works' to support student retention and success and suggests there are additional social and cultural barriers that can prevent a student from fully engaging in student life and developing a sense of belonging (i.e. feeling related and connected to their institution). Some students may lack social and cultural capital – ways of speaking, behaving and interacting that are learned from family and social interactions - and feel that they don't fit in with their institution. These findings were echoed in the comprehensive evidence review by Harrison and Hatt (2012) on the role of bursaries. They found the academic research literature suggested the strongest (or most examined) barrier is the institutional 'habitus' (a term also used by Thomas) which is the norms, values and practices of the university and which influence the student experience. The authors note how some individuals, particularly those from lower socioeconomic groups, can find this excluding and intimidating: *'The idea of the free-ranging agent, able to exercise choice across the whole gamut of higher education, is misleading… The reality is that students from the target groups tend to focus on local universities, and to eschew those that are seen as incompatible with their own values and norms'* (p704). This can therefore partly explain the lower propensity among students from lower socioeconomic groups to apply to high status universities (despite having the qualifications for entry). Another key barrier or limiting factor identified by Harrison and Hatt in the research literature is that of entry qualifications (prior educational outcomes) which are strongly linked to socioeconomic group, partly through school attended. This effectively biases the admissions system against applicants from poorer areas and/or with less school support. Work to address this barrier has been spearheaded by the moves to use contextual information in admissions and offer reduced entry criteria for disadvantaged students (outside the scope of this review).

More recently a literature review was undertaken to support the development of the national strategy for access and student success and this sought to explore the key issues and challenges to widening participation (rather than the notion of barriers) and the effective practices to address these (HEFCE, 2013b). The report noted how there had emerged a large body of new widening participation research literature since the seminal study was undertaken by Gorard et al in 2006. The review follows the student journey and highlights the challenges at each stage. Before HE there are challenges in raising awareness and aspirations to HE, engaging with students early on in their educational careers, and providing appropriate information, advice and guidance and preparation for HE. When in HE there are challenges in managing the transition/induction to HE, fostering a sense of belonging/nurturing engagement (especially in the first year), overcoming academic concerns, developing supportive peer relations and meaningful interactions with staff. The review also explores issues of finance in terms of arrangements to cover tuition fees and mechanisms to support wider costs, and notes how: *'There is general agreement that HE financing systems should aim to prevent 'market failure' in HE by minimising the financial barriers to participation, as it is in everyone's interest that no one with the potential to succeed in HE is put off'* (pV).

Thus financial barriers can be viewed as a situational barrier, one that affects some potential students more than others, but they are just one of the issues potential HE students face. Gorard et al (2006) note: *'there is a danger that the widening participation debate is being hijacked by fees and finance issues at the expense of more far-reaching institutional, lifelong and societal change'* (p120).

As noted in our review, the literature relating to student finance also finds that finance is just one barrier to participation but the research reviewed has explored how it impacts on decisions and experiences. Our review finds the following:

- For those planning to go to HE there are concerns about whether the costs/risks of HE (tuition fee, student loan debt, loss of immediate earnings) will bring sufficient benefits in terms of future employability; and that understandings and perceptions of the costs, risks and benefits of FE/HE are shaped by students' academic and financial resources. For most individuals the benefits are felt to outweigh the cost, or HE is felt to be the only viable option so cost does not act as a barrier. Overall finance does not appear to impact on participation unless individuals are less motivated about HE, have no parental experience of HE, and/or have low prior attainment. It also has no differential (e.g. greater) impact on disadvantaged students.
- There is limited research among those not planning to go to HE or considering not applying but this finds individuals do tend to cite financial issues as a key factor in their decisions (although this may reflect post-hoc rationalisation). Individuals and their families may want to start earning as soon as possible and this is combined with worries about getting into debt and family being unable to pay for them to be a student.

- For some there are concerns about the day to day management of finances, which can affect retention and the student experience. Worries about living costs can lead students to consider dropping out or feel the need to take on part-time work to fill the gap in their income. Grant-based financial support such as maintenance grants and bursaries can greatly help to: ease liquidity constraints once in HE, provide resources to reduce worries about finances and access additional materials and experiences, and reduce the need to work (or work long hours). This in turn can help social integration and sense of belonging in HE. However the financial support offered by institutions does not directly influence choice of institution, nor appear to influence participation decisions due to a general lack of information about this source of support during decision-making.
- Costs can have an indirect effect on the HE choices of potential students as worries about finance can act to narrow choices to institutions closer to home, in locations that are perceived to be cheaper and/or offer part-time job opportunities, and to institutions perceived to offer a greater potential return on the fees (based on reputation and employability).
- The finance system can also lead to concerns about the wider impact on lifestyle and choices beyond HE with worries coalescing around interest payments, and the potential for student debt to impact upon lifestyle choices (saving for a house, standard of living, pension contributions etc.). Very little is known about these impacts and this is a key area for further research.

Effective practice to ameliorate disadvantage

The research assessed in this review indicates that increasing financial costs and provision of financial support does not appear to impact on FE or HE participation or directly influence choice of institutions. It does however have a role to play; and financial support and the way it is provided can help to reduce anxieties about costs by reducing immediate concerns about resources and make HE free at the point of entry thus potentially consigning worries about costs to the future. The HEFCE review (2013b) concluded that financial support is not necessarily a solution to underrepresentation of disadvantaged students in HE but *'Its role may be more in mitigating the effects of rising costs of HE on demand for places (as in the US), and supporting the success of low-income students who do progress'* (pvi). Finance is not the only or indeed the greatest barrier faced by potential students from disadvantaged backgrounds, and universities and sector bodies therefore encourage and undertake a range of activities to support and critically widen HE participation and to support student success that include financial and non-financial support.

The research indicated that there are a number of actions and approaches that could be undertaken to help tackle financial issues and challenges, and to help ensure financial support mechanisms are as effective as possible. These are reflected in the earlier discussions around why costs and financial support may lack impact, the marketisation (or not) of HE, and the low levels of awareness of student finance and additional support available to students from disadvantaged backgrounds. But this is an area that perhaps needs further research, particularly around how support activities and approaches can be combined to have a greater impact (as indicated in the OFFA review, Nursaw Associates, 2015). The key approaches suggested by the review are:

- Involvement in outreach programmes

  Work by Atherton et al (2016) found that involvement in outreach activities during compulsory schooling – specifically Aimhigher activities – could help overcome concerns about the costs of studying, and/or help prospective students feel positive that going to university would improve their employment prospects so they could pay off their debts. Their research found that one third (over 35%) of the HE applicants surveyed agreed that participation in Aimhigher activities made them think university was an option for them and didn't want to let cost put them off. The HEFCE review on widening participation (HEFCE, 2013b) also found that concerns about costs of HE can be mitigated by widening participation interventions through provision of information and advice and work to raise aspirations, and through integrating financial information within HE outreach programmes.

- Raising the awareness of the costs of HE and support available

  Informational barriers exist which reduce the potential for financial support to have a positive impact. Several studies find that prospective students generally have low levels of detailed knowledge about student finance including loans and especially bursaries; and that disadvantaged students, who tend to be the target for much of the additional financial support, have the least knowledge. Students may feel they need more information; and, although financial information is available and provided to prospective HE students, this may not be hitting the mark – as it is covering the wrong aspects and/or delivered too late. The HEFCE review on widening participation (HEFCE, 2013b) reported evidence that interest in HE is increased among groups who receive accurate and timely financial information, especially when accompanied with support to allay other academic and social concerns.

  Research suggests that information could be improved to focus on: providing clear and comparable information on costs (including the 'hidden costs') as well as the financial support provided; outlining the costs but also the potential benefits of HE; and explaining the progressive nature of the current system which could help overcome fears about debt. Students can also be negatively influenced by unbalanced media reports of student finance, suggesting the need for information when aspects of the student finance system change to help to address any potential concerns about what the changes may mean for those thinking about HE. Additionally information could be provided to prospective students earlier in their education journey, perhaps as part of a student finance curriculum delivered in schools; and students could be helped and encouraged to search for information themselves rather than being passive receptors of information (Mangan et al, 2010; Chowdry et al, 2012; McGuigan et al, 2012; Bowes et al, 2013; Atherton et al, 2016; UUK, 2015; Minty, 2015; Harrison et al, 2018).

- Simplification of support and application processes

Research finds some aspects of student finance are fairly uniform and understood by potential students, such as the level of undergraduate tuition fee which tends not to vary across the sector, the notion of a debt repayment threshold and that the student loan debt is written off after a set period. However other aspects vary considerably, frequently change, and are more complex (or too abstract) to understand and this particularly applies to institutional bursaries and scholarships. As institutions set the eligibility criteria and value of support, bursaries vary considerably (within and across institutions with ‘cliff edges’ where small changes in parental income can result in large differences in bursary awards) and can confuse students. Students rarely know before starting a course if they will get support and how much this will be. The complexity and lack of certainty reduce their potential impact on HE choices (Bowes et al, 2013; Wyness, 2016; Jones, 2016; Harrison et al, 2018; OFFA, 2016).

The HEFCE review of widening participation (2013b) concluded that financial support is most successful when it is relatively easy to understand and apply for, and financial support may not be as effective as it could be due to the complexity in HE finance systems. They found research (largely in the USA) that indicates that simple (simpler) design (including eligibility and the application process) of schemes coupled with extensive advertising and training of careers advisors could have a positive impact upon the take up of financial support and thus recruitment to HE. However institutions do need to be careful about managing expectations among potential HE recruits. It was suggested that a simplified criteria, perhaps even guaranteed entitlement, could therefore help to overcome the deterrent effect of perceptions of ineligibility and fears about the stigma of applying (Harrison and Hatt, 2012; HEFCE, 2016).

- Better targeting of financial support

Harrison and Hatt (2012) in their evidence review suggest that bursaries may not be reaching the students the government intended them to support due to differences in the measures used to identify disadvantaged students. They note how policy and impact monitoring focuses on measures based on parental occupations but that bursary eligibility tends to focus on household income (through means-testing) which arguably aligns more closely with need. There is a discussion in the research about whether financial support should be needs-based or merit-based or a combination of both. The literature also argues that it can be misleading to measure absolute impact as there needs to be some recognition of relative starting point (Crockford et al, 2015; Wyness, 2016; Murphy and Wyness, 2015; Sneyers and DeWitte, 2018). The evaluation of the NSP suggested more evidence was needed on whether financial aid is helping those who need it most, especially when there are devolved eligibility criteria (Bowes et al, 2013). Murphy and Wyness (2015) suggest that support aimed at poorer students has a greater impact on outcomes but within institutions the impact of financial support is only really significant among high achieving students. They go on to suggest highly selective institutions should give more smaller awards (given decreasing returns to aid and the likelihood of their students being highly able), and less selective institutions should give larger awards to their most able students.

- Support with managing finances

The final evaluation report of the NSP (HEFCE, 2016) suggested that as well as providing financial aid, students should be provided with help with finance, budgeting and managing money. This support may help them to be better prepared and able to cope. Research finds that some students start HE with (commercial) debt and that spending choices can push students into debt, both of which can impact on the student experience and reduce the impact of financial support (Harding, 2011; Crockford et al, 2015).

- Combining financial support with pastoral and academic support

A key theme in the research is that financial aid could be more effective for disadvantaged students (and others) if it could be integrated with other pastoral support such as mentoring, other academic support such as remedial classes, or more general work to develop supportive and inclusive cultures within HE. This acknowledges that wider factors impact on participation and retention decisions including personal, family and relationship issues and/or health problems; concerns about the volume or level of academic work; and worries about achieving future aspirations (NUS, 2012b; HEFCE, 2013b). Financial aid can ease liquidity constraints but disadvantaged students may also suffer from a lack of preparation for university, wider personal challenges and academic concerns (HEFCE, 2016; Byrne and Cushing, 2015; Farenga, 2015; Sneyers and DeWitt, 2018; Wyness, 2016; Wilkins et al, 2013). Research in the University of Hertfordshire found that the academic and pastoral support gained through mentoring from an experienced student gave bursary recipients a sounding board for concerns and guided them through the academic process. The combination of financial aid and academic and pastoral support could act to smooth transitions to HE (Farenga, 2015). Similarly the evaluation work of Sneyers and DeWitt (2018) suggests that needs-based financial support such as a grant has a positive impact on enrolment, retention and success but that student-faculty mentoring has a larger effect. Mentoring had a positive and significant effect on retention (7.5%) and graduation (5%); and this compared to needs-based grants which also had significant positive effects on enrolment, retention and graduation (of 2.5%). Other work has looked at the culture within universities and how this can interact with financial support. O'Brien (2015) suggested that financial support works best when combined with other types of support such as an inclusive departmental culture.

- Larger awards, more regular and continued support

Although research doesn't tend to put a value on it, it suggests there is a shortfall between the value of standard student financial support available to all students (loans for fees and loans for maintenance) and students' actual expenses (NUS, 2012a; Chester and Bekhradnia, 2014). Even with additional targeted financial aid this may still fail to fill the gap. Students, particularly those from disadvantaged backgrounds, may need to resort to taking up commercial credit and/or undertaking paid-work alongside their studies both of which can (directly or indirectly) have negative effects on wellbeing, academic performance and the student experience (Crockford et al, 2015; Harding et al, 2011; Clark T et al, 2017; HEFCE, 2013b citing Stuart et al, 2008; NUS, 2012b; NUS, 2012a citing Callender and Jackson, 2008; Mangan et al, 2010; Clark S et al, 2015; Atherton et al, 2016). This may indicate a need to increase the level of financial aid but research does suggest decreasing returns beyond a certain (unspecified) point. Recommendations in research therefore include offering greater financial support to help address the financial realities of studying and to help towards equal access to university choices. Some research also calls for support (financial and non-financial) to help deal with specific challenges of the student experience such as commuting, suggesting subsidised bus services, petrol vouchers and flexible timetabling to reduce the need to travel during peak times (Donnelly and Gamsu, 2018).

In addition, the research finds that although students welcome the range of ways financial support is provided, there is a general preference among disadvantaged students for cash support to help towards immediate costs (rather than fee waivers), and for this to be paid in regular monthly instalments. There is also a recognition that the need for financial aid is not limited to the first (transition) year but students continue to need this support. Indeed students may need larger amounts in later years to allow them to focus on their studies and spend less time in paid work (NUS, 2012b; HEFCE, 2013b; HEFCE, 2016; Nursaw Associates, 2015). For example, the NUS research with students (2012b) found all HE students preferred cash bursaries (64%) and to be paid monthly (48%), but this preference was highest for those from the lowest HE participation neighbourhoods (70%). Whereas those from more advantaged areas were relatively more likely than disadvantaged students to prefer a fee discount or other subsidies such as lower rent or meals.

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Appendix one: further details of the methodology

Scope of the review

After an initial set-up meeting with the Department the following boundaries were agreed:

- Limit the search to materials from 2011 to present date (with only seminal studies from before this time to be included), and to prioritise more recent material. It was acknowledged that even with this time-boundary the majority of the research evidence is likely to be situated in a different context as it is still too early for much research to have recorded the impact of recent policy changes.
- Limit the search to English domiciled students studying at UK HEIs, and prioritise the impact on students (although how institutions have responded to recent policy changes are of interest).
- Focus on young people i.e. those under 21, but with a particular interest in those aged 18/19 making decisions and entering FE or HE, but to include a small number of the most relevant papers relating to mature students.
- Focus on the whole student life-cycle - access, experience, retention, outcomes.
- Focus on decisions about and experiences of educational pathways after age 18, this will encompass FE and HE but HE is of greater interest to the Department given the under-representation of individuals from lower socioeconomic groups in HE.
- Focus on disadvantage and identify what measures of disadvantaged are used in the research literature, prioritise income-based measures rather than area-based measures of disadvantage.

The search process

The agreed locations used to search for research evidence and policy materials were:

- Online portals: Google Scholar, Web of Science, Scopus, British Education Index, and HEER.
- Specific journals: Studies in HE, Research into HE abstracts, Policy reviews in HE, Quality in HE, and Perspectives.
- Research institutes and sector bodies: Action on Access, AoC, DfE, ESRC, ESFA, ETF, HEA (now AdvanceHE), HEFCE (now OFS), HEPI, IoE, IER, IFS, NEON, OFFA (now OFS), Sutton Trust, UCAS.

The final set of search terms used was:

- Student (primary filter)

- Financ*, Income, Grant, Loan, Debt (secondary terms)
- Paricipat*, Access, Choic*, Progress*, Outcomes, Success (tertiary terms)

However for the HEER database the inherent themes and sub-themes were used to focus the search rather than a combination of search terms. For Google Scholar, in order to reduce the number of papers identified to a manageable number, just the combination of ‘student finance’, ‘United Kingdom’ and ‘disadvantage’ was used. Also for searching the research institute and sector body websites a different approach was taken. Here the sites were searched for research or analysis reports, and where possible (depending on the website capability) the following search terms were used: Higher Education, University, education and skills, student, young person, costs or student finance.

The initial search process produced a large number of materials as illustrated in the table below:

Table 1: Search results

Category	Search location	Number of materials identified
Database	Scopus	749
Database	Web of Science	707
Database	British Education Index (BEI)	521
Database	Higher Education Empirical Research Database (HEER)	1,025
Database	Google Scholar	292
Research institutes and bodies	AoC, DfE, ESRC, ESFA, ETF, HEA (now AdvanceHE), HEFCE (now OFS), IoE, IER, IFS, OFFA (now OFS), Sutton Trust, UCAS	648
Journal*	Research into HR abstracts	834
Journal*	Policy reviews in HE	278
Journal*	Quality in HE	840
Journal*	Perspectives: Policy and practice in HE	1,391

Source: IES searches April to May, 2018

* Note that for the journal searches it was not always possible to place limitations on the date range or to limit to UK only based articles

The sift process

The numbers above included a great many duplicates: both within each source location as different combinations of search terms could identify the same paper; and also across the different sources. At the end of the initial search, the research team removed the duplicates and removed papers deemed irrelevant (based on an initial assessment from their titles). Papers were mainly removed if they were not related to student finance and further reasons for rejection at this stage included:

- studies focused on wider institutional funding rather than student funding/finance,
- studies focused on niche aspects of HE study such as studying abroad,
- studies focused solely on progression to or access to postgraduate study,
- generic studies on disadvantage,
- generic studies on access, experiences or outcomes, with no specific exploration of student finance such as studies focused on the cultural elements of disadvantage with little attention to the potential impact of financial support in tackling these barriers,
- theoretical discussions or development of practical tools with no empirical evidence e.g. discussions of class difference and the culture of HE/FE,
- studies based in other (non UK) countries.

At the end of the initial sift process the long-list of papers were merged (from across the different search locations) and entered into EndNote. In total 114 references were identified for a comprehensive sift.

A second comprehensive sift reduced the number of papers to 54. At this stage the abstract or summary along with explanation of the methodology was reviewed to identify the most relevant papers and those using the most robust methodologies. The scope and coverage of the paper was logged in an excel spreadsheet. This enabled the team to identify which papers were focused on barriers for disadvantaged students, access and choice, retention, outcomes, student experience, student debt or effectiveness of funding; and where papers covered a range of relevant topics. Key aspects of the methodology were also logged on the spreadsheet to identify the approach taken (quantitative research, qualitative research or literature review), the numbers of individuals surveyed or interviewed or the approach taken to identify relevant evidence. It was originally planned to identify a shortlist of 30 papers for full review but given the wide ranging scope of the review and the interests of the Department, and the volume of relevant and robust research identified this was later extended to 50-60, and then again to 70.

The review process

The shortlisted papers were reviewed and key material (findings, conclusions and recommendations) was extracted into a standard proforma which set out the research questions. The scope and coverage, and the timing and context for research were also documented; and at this stage the methodology was critiqued. Papers were given an assessment of their quality and relevance:

++: answers one or more research questions/themes, is focused on young disadvantaged students, and has a strong methodology

+: answers one or more research questions, has a weaker methodology or broader scope (beyond young disadvantaged students).

-: doesn't address research questions, insufficient focus and/or weak methodology

The bibliographies were also checked to see if any additional papers should be added to the review process, and several additional papers were added to the shortlist (the final number reviewed was 69.

In addition to the papers identified and shortlisted, statistical evidence on the levels of financial support for students was gathered through: Student Loans Company covering fee loans, maintenance loans, and grants; Office for Students (formerly OFFA) covering Access Agreements and the financial support provided by individual institutions including scholarships and bursaries, hardship funding and fee waivers; and the Department for Education including details on Advanced Learner Loans, and the bespoke national survey of Student Income and Expenditure (SIES) last undertaken in 2011/12 before the increase in full-time undergraduate fees and most recently in 2014/15 after the rise in fees. It is worth noting that these statistical sources are often used in the shortlisted research into student finance to provide context or in data analysis to explore relationships and hypotheses.

Appendix two: Spending on student finance

Student loans and grants

The Student Loans Company statistical release (SLC, 2017) provides provisional figures for 2016/17 payments and shows that in 2016/17 there were 1.33 million students supported, and the total amount of support provided was £15.3 billion. Focusing on English-domiciled students only, this included:

- £7,983 million in tuition fee loans,
- £4,783 million in maintenance loans,
- £1,054 million in maintenance grants or special support grants (a decrease of 36% on the previous year).

Also in 206/17 provisional figures suggest that £220.7 million was paid towards part-time tuition fee loans, and just £2.8 million on part-time course/fee grants (which by 2016/17 had largely been placed with fee loans, introduced in 2012/13). The first year of operation of fee loans for part-time students cost £99.6 million.

In addition, the Student Loans Company data (SLC, 2018) shows that in 2017/18, £15 billion was lent to HE borrowers, representing an increase of 12% on 2016/17. This is broken down into support for English-domiciled students: £5,458 million in maintenance loans, £8,505 million in tuition fee loans, and £538 million Master's degree loans; and support for EU-domiciled students: £444 million in fee loans, and £45 million in Master's degree loans. In addition a total of £222.3 million was lent to FE borrowers (an increase of 6% on 2016/17): £193 million to English-domiciled students and £30 million to EU students

As of April 2018 there were a total of 5 million borrowers. Since the introduction of student loans in 1998, 880,400 borrowers have repaid their loans in full.

Institutional support

This review found a number of studies exploring the impact of institutional level support (presented throughout the rest of this report). These often note how bursaries can be viewed as education interventions to address structural inequality[16] to try to 'level the playing field' (as well as potential marketing devices to increase an institutions' competitiveness). However it is the data collated and presented by the Office for

[16] This is the unequal treatment of certain groups or categories of people which is perpetuated or reinforced by established structures of the education system.

Students and previously the Office For Fair Access that provide an assessment of the scale of this support.

The latest data on institutional spending on financial support (OFFA, 2017a) notes that for 2018/19 institutions plan to spend £382.7 million on financial support, which is equivalent to 11% of the higher fee income (i.e. over £6,000). This represents a fall from £408.7 million in (2017/18, and continues the trend in the reduction of spending on financial support from its highest level in 2014/15 of £478.8 million. OFFA note the reduction is explained by institutions rebalancing their spend towards activity to support access, student success and progression (in line with policy and guidance), but also reflects the end of the National Scholarship scheme in 2015/16.

Generally institutions with low proportions of students from disadvantaged backgrounds spend proportionally more of their access agreement expenditure on financial support (71% in 2015/16, in contrast to 46% in institutions with high proportions of students from disadvantaged backgrounds), rather than widening participation and supporting student success activity. This is likely to continue as institutions with low proportions of under-represented students plan to spend significantly more on financial support than other institutions (18% of their higher fee income, compared to 8% among those with high proportions of under-represented students).

Overall, the planned distribution of the £382.7 million[17] financial support in 2018/19 includes:

- £300.9 million (79%) provided as bursaries, scholarships or in-kind support. This proportion is the same as found for 2017/18
- £41.4 million (11%) as 'student choice' allowing students to decided how they want to receive financial support
- £10.2 million (3%) provided as fee waivers (a decrease on the proportion of overall spend from 2017/18, and a substantial decrease from £71.6 million in 2014/15)
- £30.2 million (8%) for hardship funds (an increase on the proportion of overall spend in 2017/18 and continues the trend of increasing spending on hardship funds – which were first measured by OFFA in 2014/15 with a spend of £15.2 million representing 2% of total access agreement expenditure).

[17] OFFA note that the expenditure on financial support is that covered by Access Agreements: it is not the total amount spent by institutions but represents the additional amount they have committed following the introduction of variable fees in 2006/07; the figure is only the amount spent on students falling below the support threshold set at £42,875; and institutions can offer other financial support outside of their Access Agreements

Detailed figures for 2015/16 on actual spend through access agreements are shown in the table below.

Table 2: Spending through Access Agreements in 2015/16

	Spend (£ million)	Students
Total institutional support	£428.8	296,248
spending by HEIs	£420.3	286,505
spending by FECs	£8.5	9,743
spending on bursaries	£357.2	-
spending on fee waivers	£71.6	-
spending on hardship funding	£18.7	-

Source: OFFA, 2017b, Outcomes from OFFA's monitoring of access agreements for 2015/16, 2017/02

Spending on FE support

The Association of Colleges (AOC, 2014) report notes that the change from Education Maintenance Allowance to the **16-19 Bursary Fund** reduced spending on support for 16-18 year olds from low-income families by around £300 million (60%)[18]. They calculate that the Bursary Fund costs approximately £180 million a year, compared with the cost of the previous EMA, which was approximately £560 million in 2010/11. A process evaluation of the funds (Lloyd et al, 2015) estimated that £23.5 million was spent on Vulnerable Group bursary awards in 2013/14. No value for total spending on Discretionary Bursaries was given however the evaluation noted that the average (median) spend per institution was £11,000 (with a minimum institutional spend of £0 and a maximum of £3.5 million). The research also found that 51% of providers provided cash bursaries, 37% only awarded in-kind bursaries (e.g. meals, travel passes, books, fieldtrips, clothing), and 13% provided a combination of cash and in-kind support for Discretionary Bursaries.

The review of the Adult **Discretionary Learner Support** Fund (BIS, 2013) estimated that expenditure on DLS in England for 2011/12 was £109 million: £60 million (58%) on 19+ hardship, £42 million (41%) on 20+ childcare, and £1.7 million (2%) on residential bursaries. This was less than the allocated amount of £124 million (allocated to 432 providers including colleges, local authority providers, private training providers and

[18]https://www.aoc.co.uk/sites/default/files/College%20Funding%20and%20Finance%201%20May%202014%20FINAL_0_0.pdf

HEIs). The expenditure on DLS increased between 2007/08 and 2011/12 due to the merger of the Adult Learning Grant and Discretionary Learner Support into the fund, but in the main it has been the 19+ hardship strand which increased (by 56% between 2007/08 and 2011/12). It was estimated that the cost per learner was £463, but when adjusted to remove those who would have participated in learning anyway the cost per additional learner was estimated to be £746.

Figures provided by the Student Loans Company (SLC, 2018a) report that the amount paid in 2017/18 (from August 2017 to July 2018) in Advanced Learner Loans in England was £217.2million. The amount for new starters represents a decrease compared with £249.7 million in 2016/17

Appendix three: Issues for mature and part-time students

In addition to findings on the impact of student finance on young full-time FE and HE students, the materials reviewed also touched upon particular issues and challenges for mature students and part-time students (which are highly correlated). This appendix is not all meant to provide an exhaustive exploration of these issues, as the key focus of the review was young people, but instead to provide insights into how older individuals experience the student finance system that was elicited from the research evidence assessed.

Key findings:

- Research indicates that mature students and part-time students are potentially another group of disadvantaged students, and this group has been affected by the changes to student finance from 2012 (along with wider economic challenges). Since 2012 (when fees increased but fee loans were introduced for part-time students) there has been a significant and sustained fall in their numbers in recent years.
- Mature students in HE tend to be more anxious about finance, more price sensitive and debt averse than younger students. Part-time students may therefore be reluctant to take on student loans and unwilling to pay higher fees, and the take-up of part-time fee loans has not been as great as expected. At the same time, employer support which had been a key source of finance for mature and part-time students has seen a significant decrease over time.

Recent research has explored the financial challenges and issues for mature and/or part-time learners, as another group that are under-represented and perhaps disadvantaged in HE. This research suggests that financial barriers may be greater for these students, and require more tailored solutions.

A key finding noted in the research was that, whilst recruitment to HE among young people saw no real detrimental change with the major reforms to student finance in 2006 and 2012, there has been a significant and sustained fall in the numbers of part-time and mature students (in their 30s, 40s and older) corresponding with the 2012 reforms. The Universities UK Student Funding Panel report (UUK, 2015) reported how mature entrant numbers fell by 37% between 2010/11 and 2013/14, largely due to substantial decreases in the numbers on other undergraduate degree programmes, and in part-time study. It is argued that the fee change has been a major factor in this decrease, as part-time undergraduate fees have seen an increase (following cuts to teaching grants). The Student Income and Expenditure Survey (Maher et al, 2018) found the average part-time tuition fee cost was £3,760 against the maximum level of £6,750. Other aspects argued to have an influence were the eligibility criteria for loans which restricted access to loans to those studying towards qualifications higher than already held and studying at least 25% FTE.

Work by Callender and Thompson (2018) also identified the dramatic decline in the numbers of part-time undergraduate students in England including young part-time entrants as well as mature entrants, and compares patterns in England with those of other UK nations to explore the impact of the changes in student finance since 2012. Using data on entrants, they too argue that the changes introduced in 2012 (fee increases and fee loans for part-time students) have increased the decline in part-time entrant numbers in England (relative to other UK nations where there are different funding and support arrangements). They calculate that 40% of the decline in English domiciled part-time entrants can be attributed to the 2012 reforms. Wider factors that could have contributed to the decrease include the economic downturn which reduced employer funding; and reductions in public sector employment (ICOF, 2015; HEFCE, 2013a; UUK, 2015; Maher et al, 2018; Callender and Thompson, 2018).

Other findings include:

- Mature students in HE tend to be more anxious about finance and to be in greater debt than younger students (NUS research, 2012b, found 30% of mature HE students had debts of over £5,000 on entering HE); and mature students are more likely to be price sensitive and debt averse (find HE a riskier investment) than younger students and this can act as a barrier to HE participation. These individuals also tend to have fewer sources of information about finance; and their HE participation and choices are more constrained than those of younger students (not least by caring responsibilities and existing financial commitments). Indeed the work of Donnelly and Gamsu (2018) found the increase in fees in 2012 had impacted upon on the geographical mobility of part-time and mature students thus further constraining their choices. Part-time students may therefore be reluctant to take on student loans, may not be persuaded by the value argument of HE (benefits outweighing the costs), and/or unwilling to pay higher fees (NUS, 2012b; Bowes et al, 2013; HEFCE, 2013a, 2013b; Nursaw Associates, 2015; Callender and Thomson, 2018).

  Indeed fewer part-time students had taken out a loan than had been predicted by government (21% compared to 33%., HEFCE, 2013b citing work by Callender , 2013). The latest Student Income and Expenditure Survey (Maher et al, 2018) found 67% of eligible part-time students took out a fee loan (the part-time population surveyed excluded those who were ineligible for fee loans: those with existing HE qualifications and those studying at less than 25% intensity). The survey also found that 29% of part-time students felt their HE decisions had been influenced by the cost of fees, but 48% reported student funding and the financial support available to them (e.g. student loans, employer support) had affected their

HE decisions and 35% said they wouldn't have studied at all without funding (an increase of 10 percentage points from the previous survey in 2011/12). Older part-time students and those from middle socioeconomic groups were more likely to be influenced by funding support and feel they couldn't have studied without such support; whereas those from mid or high socioeconomic groups were more likely to report being influenced by the costs of HE study.

Callender and Thompson (2018) suggest that the introduction of maintenance loans for part-time students in 2018 is *'unlikely to lead to a significant increase in mature entrants'* and suggest *'a tuition fee grant* [limited to the first two years of study] *instead of a loan could reduce the risk to students in considering a part-time programme by providing an alternative to student loans'* (p57-58).

- Mature students are more likely to be motivated by financial drivers (Nursaw Associates, 2015; NUS, 2012a). The NUS review (2012a) undertaken before the 2012 reforms found little research had focused specifically on part-time students and financial support. However the report cites the work of Callender (2009) that, although the heterogeneity of part-time students makes it difficult to draw conclusions about the group as a whole, generally their reasons for engaging in HE were financial.
- Employer support has been an important source of finance, particularly as part-time students had no real access to student loans until recently, but this has seen a significant decrease over time (Maher et al, 2018; NUS, 2012a; HEFCE, 2013b). The Student Income and Expenditure Survey (Maher et al, 2018) found the proportion receiving financial support from their employer was 23% (a fall from 28% found in the previous survey in 2011/12) although the amounts received in 2014/15 were higher (even when taking account of inflation) which is likely to reflect the increase in tuition fees for part-time study.

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