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The Impact of Tuition Fees on Higher Education Enrolment and Equity in England

Review of the Existing Literature

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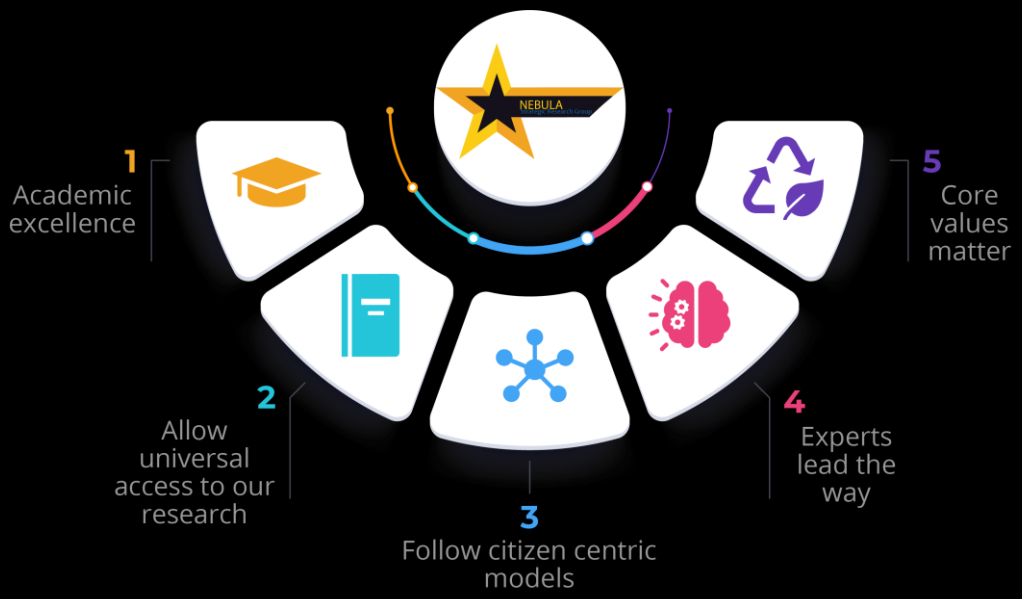

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Research Summary

Since 1997, the policy changes encompassing higher education in England have been frequent and substantial.

In the buildup to 1997, the demand for higher education had been exponentially increasing. Between 1961 and 1986, there was an increase of 387,000 students studying at university. In the decade following 1986, student numbers grew by ~125%. Mounting financial pressures meant that governments and local authorities could no longer support the financial burden of offering free tuition. Instead, tuitions fees were introduced, and maintenance grants - which had systematically been eroded in the years leading up to 1997 - were in line for further changes.

What originally started as a £1,000 upfront fee for education, tuition fees transformed in the years that followed to income-contingent loan repayment schemes. Currently, tuition fees for home-grown students studying in England are £9,250 per year. In the most recent bout of policy changes, maintenance grants (with a maximum value of £3,387) for students with parental income of £25,000 or less was abolished. In its place, a maintenance loan system based on a commensurate amount was introduced.

Around the time of 1997, many experts felt that an introduction of tuition fees would unfairly benefit those from wealthier households and that there would be an overall decline in demand for university places.

What unfolded was the opposite of this. From 1985, where full-time student numbers were ~ 600,000, a substantial increase has since been realised. In 1998, full time student numbers were ~ 1,600,000. In 2003, they were ~ 1,700,000 and in 2012, they were ~ 1,900,000. The latest figures covered in this paper (for the academic year 2019-2020), higher education student enrolments had reached a new record with 2,076,465 enrolments. While full-time students numbers have increased, part-time student numbers have decreased, partly due to the typical part-time student profile and the income-contingent loan repayment scheme.

This same scheme has benefited full-time student numbers who tend to be younger and not in full time, high salaried employment. Maintenance grants have also helped increase enrolments as it provides students with much-needed liquid capital at the start of their studies.

Over the period of time covered in this paper, equity has improved. Prior to 1997, there was a large discrepancy between enrolment and attainment between high and low-end economic households. This gap has since decreased and, while still significant, does show that introducing tuition fees and making changes to maintenance loans has not adversely affected the lower-income households as first feared.

Elsewhere, BAME groups now have greater representation than ever before after ten years of almost total upward trends in these groups.

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Introduction

Higher education in England has been a long-standing and highly respected path for academic enrichment. The universities of Oxford and Cambridge were both established long before the discovery of North America by Christopher Columbus. So strong in fact is their heritage and educational delivery, that they rank numbers one and six respectively in the World University Rankings 2021 (Times Higher Education, 2021). There is little argument over the well-established quality of the higher education system in England. However, just before the turn of the millennium, tuition fees were introduced, and, in and amongst a plethora of policy changes since then, fees, enrolment criteria, loans and grants have substantially changed.

This paper documents these changes in policy and analyses the official statistics to determine the effect these policy changes have had on the English higher education system.

Defining a University

As part of the Education Reforms Act (1988), the number of Universities across England increased as Polytechnic Colleges were redefined under this umbrella, with a number of higher education colleges to follow. (Further and Higher Education Act, 1992). In recent years it has been easier for private institutions to be established as Universities after further reforms were introduced (Higher Education and Research Act, 2017). Allowing a greater number of institutions to award their own degrees has seen the competition in the market significantly increase.

Introducing Student Fees

The first of the major changes in the funding model for universities was seen in 1998. Prior to this, universities were funded by the State and Local Education Agencies. Students from low-income households had access to grants for maintenance, and all students were able to apply for maintenance loans which required repayment after the culmination of studies (Dearden, Fitzsimons, & Wyness, 2014).

With a backdrop of increasingly stringent financial parameters and an increase in suitably qualified students, likely driven by the introduction and success of GCSE qualifications in 1988, the Government had to transition to a model whereby they were not solely responsible for funding each student's higher education. In the ten years following 1986, the use of institutional resources per full-time student saw a decline of more than 39% (Murphy, Scott-Clayton, & Wyness, 2018). By 1998, funding per student was at a then-record low (£7,054) (Murphy, Scott-Clayton, & Wyness, 2018). In this same year, students began having to pay £1,000 upfront fees for university enrolment, albeit with means-tested exclusions and income-contingent repayment packages for those earning over £10,000 per year. The loan was interest-free in real terms, and to be repaid at 9% of the additional income over £10,000 per year.

This was only the beginning of financial changes brought about by new government policy. By 2006-2007, tuition fees rose to £3,000 (Higher Education Act, 2004) and then another substantial rise was

introduced just five years later, this time increasing tuition fees to £9,000 per annum. Fortunately for students, these rises also saw a change in the payment plan whereby the loan model just discussed was introduced in place of the upfront fee. Repayments only began once an individual started to earn over £21,000 a year. Individuals earning over £41,000 per year would incur a 3% interest rate on their loan repayment. Loan repayments would cease upon full recuperation of the fees or after 30 years, whichever condition was met first.

After 2012, the maximum tuition fee chargeable has been allowed to increase in line with inflation, which meant in 2017, without the need for legislative change, tuition fees rose slightly to £9,250 per year.

Maintenance Loans

Much like tuition fees, maintenance loans have changed over time. As previously mentioned, prior to 1998, tuition was covered by the state and Local Education Authorities. Students had access to (what were formally referred to as) undergraduate grants, and these were easier to access for low-income households (Dearden, Fitzsimons, & Wyness, 2014). The amount eligible under an undergraduate grant had gradually decreased in the years leading up to 1997. If applying for a grant in 1997, a disadvantaged student could receive just over £1,000, whereas in 1991, the same student was eligible for ~ £4,000. These grants were replaced by loans in 1999 (Welch, 2020).

In the following years, the Government realised the importance of maintenance grants, this time increasing the amount available to £2,700 per year in the 2006 reforms. This began to reflect advice given by Friedman (1955), who suggested that students need increased capital support at the start of their studies as this is when they are most invested in undertaking their tuition. He went on to say that this is often the time when they are at their most financially constrained and unable to obtain credit to cover the rising tuition fees. Lenders cannot collateralise human capital, and nothing can be recovered should the individual default; while students are marketed aspirations of higher-paid job opportunities post-graduation, lenders are not.

With universities able to charge greater fees from 2006, a contingency was established that instructed universities to use a minimum of 10% of fee revenue for grants for low-income students (Murphy, Scott-Clayton, & Wyness, 2018). Maintenance grants and loans were expanded to incorporate middle- and higher-income students from 2008-2009 onwards, and the means-tested high-end threshold for this form of financial support was increased twice, first in 2009-2010 to £2,900 per year and secondly in 2011-12 to £3,250 per year (Murphy, Scott-Clayton, & Wyness, 2018).

In 2016-2017 maintenance grants (with a maximum value of £3,387) for students with parental income of £25,000 or less was abolished. In its place, a maintenance loan system based on a commensurate amount was introduced.

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Summary of Policy Changes

The English education system has been host to a plethora of changes over the last 25 years. Tuition fees have been introduced and risen significantly over that time in steep trends corresponding to policy changes. Maintenance grants have increased over the same period but have changed somewhat in their application. The report will now review the available literature and discuss the impact that these changes have had on key areas.

Enrolment Numbers

It would be fair to assume that the main driver for the introduction of tuition fees was the increasing number of people undertaking higher education. Over a 25-year period from 1961-1986, a steady increase in student numbers was noted (387,000). In the following ten years, student numbers grew massively, by ~ 125%. Students were becoming more suitably qualified through the introduction of GCSEs and desired to attain differentiating higher qualifications to meet the market demand for skilled labour (Blanden & Machin, 2004).

It could have been expected that from 1998, with university tuition no longer comprehensively covered by the state, student numbers would decrease, but what was clear in hindsight is that demand for university places was incredibly high, and in time, there would be less scrutiny on universities to limit enrolments.

As tuition fees increased over time, this allowed for maintenance grants/loans to be increased, thus allowing students a significant amount of liquid capital upfront when required most. Furthermore, as just touched upon, an increase of tuition fees in 2012 to £9,000 a year enabled universities to remove enrolment limits for students achieving at least AAB A-level grades. A year later, this was extended to students with ABB A-Level grades, and in 2015 the final remaining domestic student number caps were removed.

Data provided by the Higher Education Statistics Agency (HESA) shows clearly that any fears regarding reduced student enrolment as a result of tuition and maintenance policy changes were unfounded. From 1985, where student full-time student numbers were ~ 600,000, a substantial increase has since been realised. In 1998, full time student numbers were ~ 1,600,000. In 2003, they were ~ 1,700,000 and in 2012, they were ~ 1,900,000. This change in applications does not correlate with changes in birth rate data for the specific periods as published by the ONS (Office of National Statistics, 2021).

The following table shows the total enrolments over the past five years:

Enrolment Year	Higher Education Student Enrolments
2015/16	1,913,340
2016/17	1,951,075
2017/18	1,984,510
2018/19	2,015,715
2019/20	2,076,465

Table 1: Student Enrolments in Higher Education (Higher Education Statistics Agency 2021)

It should be noted that in the immediate aftermath of policy changes that increased tuition fees, a small, sharp decline in student numbers was experienced. However, all declines were short-lived, with numbers continuing to rise.

While the policy changes have not negatively impacted overall student enrolment, there has been a substantial reduction in the number of part-time students – particularly after 2012. It is fair to assume that this is because the fee for part-time students, raised to £6,750 in 2012, was significantly higher than in the past. Furthermore, there are several requirements that restrict the access of students to loans for part-time higher education.

Loans are restricted to those who have not already received a qualification of a similar level or those studying on courses with an overall workload of 25% or more of capacity. Loans are also only available to those following a full course with a specified curriculum. Since 53% of part-time students have already attained a previous (similar) qualification and many are studying on small, short courses (HEPI, 2015), many part-time students have restricted access to income-contingent fee loans and would instead have to pay their fees up-front.

Furthermore, while income-contingent loans appear to work well for the most common type of full-time student (19–21-year-olds studying straight after college/sixth form), they do not work as well for part-time students as ~ 80% of part-time students work during their studies (HEPI, 2015), placing them above the earnings threshold for loan repayments. Most of these students, therefore, have to begin paying off their student debt before even acquiring their degree – a factor that could deter potential part-time students.

Policy Changes and Equity Between High and Low-End Economic Classes

Prior to the educational reforms, starting with the initial introduction of tuition fees in 1998, financial support was heavily favoured towards those from high-income families. As stated previously, the amount of funding for student resources had fallen to an all-time low (£7,054 per student in 1998 compared with twice that amount – in real terms – in 1973) (Murphy, Scott-Clayton, & Wyness, 2018). This was likely down to the increased number of students attending university over the period.

With a limited number of places available at universities and an increasing demand for these places, the ability to attain a place at university, and therefore receive free tuition, was increasingly going to those students from the wealthier households. Chowdry, *et* al (2013), state that typically, students from this background attain higher grades at school, and, therefore, are more likely to gain a free university place when compared with those from disadvantaged backgrounds. This was further evidenced by Blanden & Machin (2013) who showed the disproportion between lower and higher household incomes and the percentage of individuals with a bachelors degree before the age of 23.

This disproportionate issue in class was compounded by the maintenance grant system at the time. While students from lower-income households found it easier to access these grants, the amount available had decreased steadily between 1991 and 1997. Able to access up to £4,000 in 1991, the poorest students found themselves unable to attain anything more than £1,000 by 1997. Maintenance grants are so important as they provide a cash injection to students at what is often their most financially constrained time of studies. With studies showing how important maintenance grants are in university enrolment and participation (Dynarski, 2003; Dearden, Fitzsimons, & Wyness, 2014), reducing the size of these grants affected the poorest students most and is likely to have increased enrolment inequality.

The Government felt the pressure to reduce maintenance grants due to the mounting financial burdens presented by tuition fees and a rapidly increasing number of students studying at university. However, all indications suggest that this disproportionately favoured individuals from higher-income households over those from households with lower income.

When the response was to implement tuition fees, first payable as a lump sum at the start of tuition and then, through later reforms, post-graduation as part of an income-contingent loan scheme, many people felt this would reduce equity.

Murphy, Scott-Clayton, & Wyness (2018) used the same scale first utilised by Balden & Machin and found that despite an increase in tuition fees, the equity remained relatively similar until 2009-2011 where a substantial increase in enrolment from students categorised as being from the richest 20% of households was noticed. The authors noted that the increase for the high-income group of students coincided with the broadening of the eligibility criteria for maintenance grants and loans that occurred around this time.

Data from UCAS shows that in 2020, there was an increased acceptance across the most disadvantaged group of students, increasing by 9.3% proportionally to 14.4% overall. While the equity gap still exists, it is narrowing by an average of 1.1% year on year. Furthermore, the enrolment of BAME students is consistently increasing with 2019 data highlighting the fact that entry rates rose for pupils of all ethnic groups who had attended state schools in England. (UCAS, 2019) This can be seen in Figure 1.

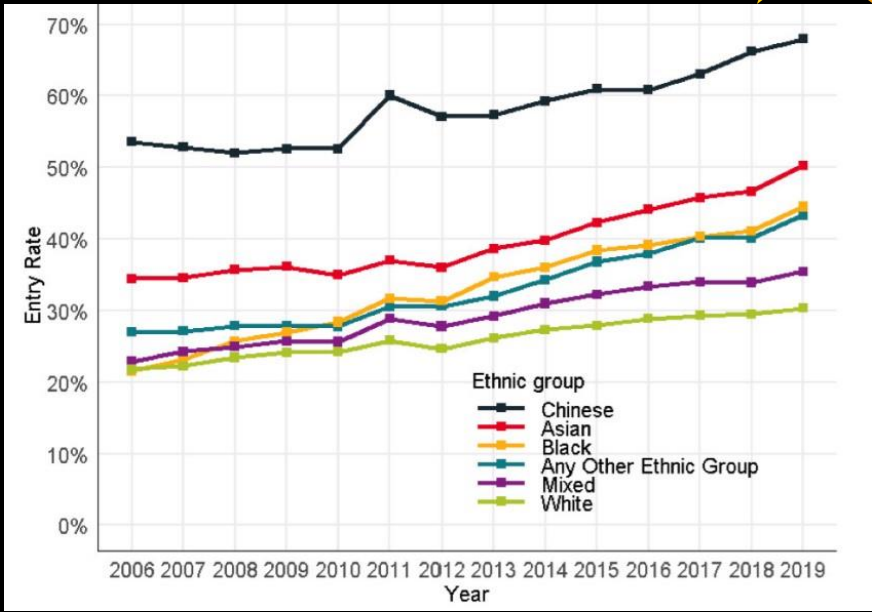

Figure 1: Entry rates for England domiciled 18-year-old state school students

All data, therefore, points towards the fact that increasing tuition fees has had no negative impact on equity in higher education – something that many experts feared initially. On the contrary, over this period, equity has somewhat improved, and a steady upward trend would suggest that improvements in inequity will continue to be realised. This is likely due to factors including, but not limited to, income-contingent loan repayments and maintenance grants.

Conclusion

Over the past quarter-century, there have been multiple policy changes regarding higher education. With an increasing demand for higher education and rising student enrolment, the Government found itself unable to afford to cover the cost of enrolment. A decision was made to introduce tuition fees. This, coupled with changes to maintenance grants, led many at the time to believe that enrolment would decrease along with demand and the equity gap would increase.

In retrospect, none of these concerns materialised. Instead, enrolment numbers have trended upwards with only slight dips noticed around national reforms and policy changes. Equity, although still needing to be addressed further, has improved over the discussed period and has not widened as a result of changes in tuition fees. BAME groups now have greater representation at universities in England than ever before.

Future research should seek to establish how the policy changes covered in this paper have affected educational delivery and student and staff wellbeing (particularly mental health). There are also grounds for research on how to further improve equity in higher education and reduce the gap in inequality.

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