

The Dearing Report 25 years on: Student loan reform in U.K. - Did it work?

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Each funding reform adds to the burden on student loan debt

New aim: to reduce public expenditure - increases individuals' cost and responsibility

1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016

Tuition fees – up to £1,000 (means-tested)

- Income-contingent maintenance loans
- Maintenance grants: abolished



Tuition fees: £3,000 (no longer means-tested)

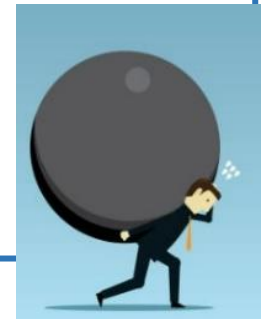
- Tuition fees + maintenance repaid via income-contingent loans
- Maintenance grants for the poorest: reintroduced

Tuition fees: £9,000

- Tuition fees + maintenance repaid via income-contingent loans
- Maintenance grants
- Various changes to the repayment system (inc. higher interest rates)

Maintenance grants: abolished

Replaced with larger loans



As a result of the reforms today.....

- All but the wealthiest students take out student loans to fund their studies
- More students than ever take out student loans
 - 2019/20 94% of full-time undergraduates took out loans for tuition fees and living costs, compared with 81% in 2009/10.
- Students borrowing more money than ever before
 - Graduating with higher levels of student debt.
 - Students graduating in 2022 left HE with average student loan debts of £45,150, four times the amount owed by those graduating in 2009.
- Taking graduates longer to repay loans
 - most will be repaying loans for most of their working life
 - 75% will never repay loans in full.

a significant minority – of university students are left stranded with poor earnings and mounting “debt”. This has personal consequences for those whose expectations have been disappointed and economic consequences for the state that foots the bill. (DfE, 2019, p. 65)

Advantages and disadvantages of income-contingent loan system: graduates' perspectives

Advantages

➤ Facilitate access to higher education – enabler and equalizer

- *I take the loan or I don't go to university.*

➤ Repayment system

- Protective repayment threshold: *if I had been in a position where I couldn't pay it, I wouldn't be paying it.*
- Affordable monthly repayments: *it's just a little bit, so it's not hindering anything.*
- Repayments automatically deducted from graduates' wages: *The only number that I'm looking at when I'm looking at my payslip is **the amount that's going to my bank account**.... So, anything before that is a short-lived burden because I consider it as spent money and so it's that: I pay tax, I pay National Insurance, so therefore, I pay student loan as well. Beyond that, it's then **put to the back of my mind**. (D45 – cohort 1)*

Disadvantages

- Tuition fees are too high
- Amount of debt too high
 - *it is like a ball and chain... it's always present and you know it doesn't get paid off and I feel like it's currently almost like a heavy bag that I have to carry.*
- Interest rate too high
 - *it makes you feel sick and horrible... an absolutely horrible feeling inside your chest, your stomach*
- Repayments which feels never-ending
 - *a 'lifelong' debt which will follow them 'till pretty much I die.' I don't see a light at the end of the tunnel... I will just be in debt for the rest of my life*

The influence of student loan debt on graduates' behaviour and lives

➤ **Job decisions:**

Being contacted by Student Loans Company, that probably exacerbated feelings of, 'all right, so I should get a job that's going to earn me enough to pay back at the threshold.' That's the expectation. And that's reinforced by government.

➤ **Postgraduate studies:**

I was driven in the end not to choose to do a master's because I was aware of the considerable debt I had and not wanting to increase that further.

The influence of student loan debt on graduates' behaviour and lives

- **Housing options:** Existing debt limits graduates' ability to save for a deposit to buy a house.
- **Other financial decisions:** e.g. day-to-day spending, such as cutting out some discretionary spending so they can afford their loan repayments, as well as their long term-saving, pensions, emergencies, children – affecting graduates' quality of life and life goals.
- **Marriage and family formation**

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