

Press Release

Reforms to tuition fees and student support had no overall impact on the number of 18 or 19 year olds attending university in England

Today IFS staff will give evidence at the first public hearing of the Independent Review of Higher Education Funding and Student Finance, chaired by Lord Browne. The Review has been set up by the Government in order to make recommendations to Government on the future of fees policy and financial support for university students.

We have submitted evidence to the Review, summarising our research findings on the effects of the 2006 introduction of variable tuition fees, and the package of reforms to student support which accompanied it.

This set of reforms, introduced as a result of the 2004 Higher Education Act, included the introduction of variable tuition fees, combined with increases in grants and loans payable to students, especially those from low-income backgrounds.

Our research has found:

1. The reforms reduced the total costs *over a lifetime* of attending university for young people from low and middle income backgrounds, and increased them for young people from higher income backgrounds.
2. The reforms had no *overall* impact on HE participation at age 18 or 19 in England. But grants, fees and loans *do* impact on participation and in different ways:
 - A £1000 increase in fees has a negative impact on participation of around 4.4 percentage points (compared to an age 18/19 participation rate of around 1 in 5)
 - This outweighs the positive impact of a £1000 increase in loans (3.2 percentage points) or grants (2.1 percentage points)
 - Thus, increasing fees without increasing loans and/or grants by the same value or more, *will* result in a negative impact on participation.
3. The reforms were paid for by an increase in graduate contributions, and by increased funding from the taxpayer. These resulted in a significant increase in funding to universities, and an increase in the up-front funds available to students while at university.
4. An important part of the taxpayer contribution to higher education comes through the heavily subsidised systems of loans, that cover both fee deferral and maintenance loans. Our research found that loan subsidies benefit graduates with the lowest lifetime earnings the most, mainly

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because of the provision for debt write-off after 25 years that was introduced in 2006.

5. Finally, our research shows that the most important cause of low attendance at university by young people from low income backgrounds is *not* the cost attending university. More important is the typically very low attainment of children from poor backgrounds throughout their schooling careers.

Further work is ongoing at IFS looking at the possible effects of some hypothetical future funding reforms. The reforms we are considering include raising the fees cap, and introducing a positive real interest rate on student loans. This work is funded both by Universities UK, and the Nuffield Foundation. Our findings will be submitted to the review's second call for evidence, which we expect to be issued in due course.

ENDS

Notes to Editors:

1. For further information, please contact the IFS press office on 020 7291 4818 or the authors, Lorraine Dearden (lorraine_d@ifs.org.uk), Alissa Goodman (alissa_g@ifs.org.uk) and Gill Wyness (gill_w@ifs.org.uk) on 020 7291 4800.