PRESS RELEASE
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HIGHER EDUCATION: How to pay for university?
New #ElectionEconomics policy briefing from the Centre for Economic Performance

University financing has again emerged as a key battleground issue. Should fees be regulated lower and if so, how will the cost be financed?

A new report from the Centre for Economic Performance (CEP) – the latest in a series of background briefings on key policy issues in the May 2015 UK general election – explores the evidence on the demand for university students, the impact of the fees hike and potential fee cuts.

- The lifetime rewards for having a BA degree compared to only A-levels lies between £105,000 and £250,000. The demand for graduates continues to rise. Despite more than a fivefold increase in the proportion of UK workers holding a degree since 1979, the wage premium for graduates has continued to rise.

- The tuition fee cap increased from £3,375 to £9,000 per year for students beginning their courses in 2012/13. More generous maintenance grants were made available for the very poor and no graduate had to start paying back the loan until they earned over median wages (£21,000).

- Despite higher tuition costs, university applications have shown no signs of slowing, and applications from disadvantaged students (those that were eligible for free school meals) have grown at a faster rate than those from their richer counterparts.

- The fraction of disadvantaged pupils enrolled in university remains low, standing at 15% in 2014 (up from 13% in 2011). This is half the rate of those from advantaged groups.

- The 2012 reforms have not yet achieved much financial savings to the government. It appears that there is a large cost of financing the government-backed student loans – with a predicted loss to the exchequer of 45p in every £1 loaned out.

- Labour intend to reduce the fee cap to £6,000 a year. This policy does not help poor graduates as they do not earn enough to repay their fee loans so will not benefit from a fee cut. The policy also makes universities more reliant on government rather than their students.

- In an attempt to limit immigration the government introduced tough regulations on universities’ right to sponsor overseas students and abolished post-study work visas. This has harmed universities. Domestic students benefit from the presence of overseas students, as their unregulated fees boost university finances, increasing the number of places for all students.

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Gill Wyness, the report’s author, comments:

‘The fear that higher university fees would discourage poorer students from applying to university has not materialised. Applications are up from all groups.

Employer demand for graduates compared to non-graduates has been strong over the last 30 years and shows no sign of abating.

Poorer students and graduates would not benefit from reducing fees to £6,000. The main beneficiaries are wealthier graduates.

The reforms have not saved the government nearly as much money as they hoped for.’

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Notes for editors:

‘Paying for Higher Education’ by Gill Wyness is the latest in CEP’s #ElectionEconomics series.

Objective, brief and non-technical, CEP Election Analysis is a series of background briefings on the policy issues in the May 2015 UK General Election

This series discusses the research evidence on some of the UK’s key policy battlegrounds, including immigration, austerity, living standards, productivity, business, Europe, health, education, crime, inequality, gender, urban and regional policy, housing and planning, climate change and energy.

These analyses are provided by some of our expert researchers and draw on some of our past and current research.

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