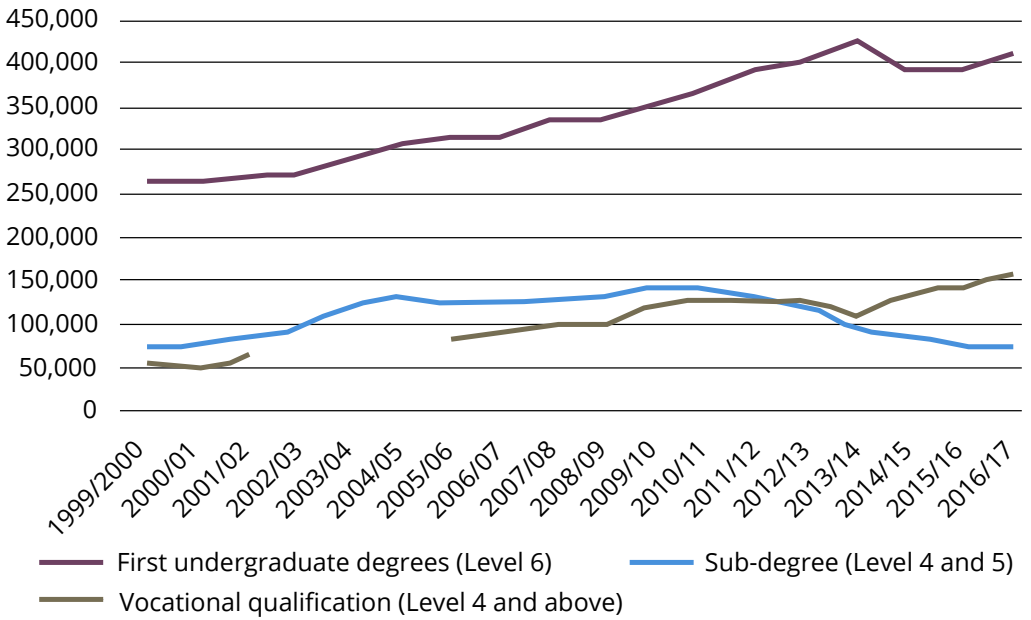




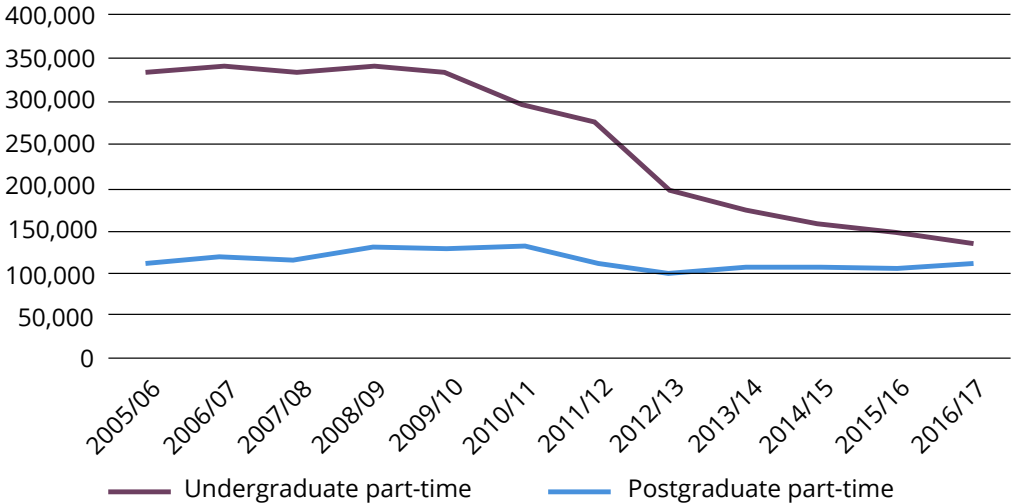
HOUSE OF LORDS

Treating Students Fairly: The Economics of Post-School Education

Economic Affairs Committee
2nd Report, Session 2017–19



▲ Graph 1: Higher education qualifications awarded in the UK, 1999/2000–2016/17



▲ Graph 2: Part-time students (first year entrants), 2005/06–2016/17

Introduction

The system of post-school education in England is not a system. It is unbalanced in favour of full time university degrees, and as a result offers poor value for money to individuals, taxpayers and the economy. It requires immediate reform.

The 2012 reforms to university financing have failed to create an effective market allowing undergraduate degrees to dominate when this might not be in the student or the country's best interest. The low quality and inconsistent availability of options, caused in part by a lack of funding, have made the problem worse.

The decision to switch almost all higher education funding to tuition fees financed by student loans has hidden the true cost of public spending on higher education. The changes have distorted the education system in favour of undergraduate degrees at the expense of other options.

The 2012 reforms have also led to a collapse in flexible and part-time learning, with student numbers decreasing over the last six years by 60 per cent. Careers for life are disappearing, and the ability to retrain will become increasingly necessary to succeed in the modern economy. Compared to other countries, England is producing far fewer people with Level 3 (A-Level equivalent) qualifications, and not providing the skills employers in the UK need.

A new deal for post-school education funding is needed which promotes all types of learning regardless of where or how it takes place.

Our recommendations

The Committee's report sets out a package of reforms to post-school education. Its key recommendations are:

£ Other post-school options need more funding. Funding for post-school education is too heavily skewed towards degrees. Public funding across all forms and institutions in higher and further education should be better distributed. There should be a single regulator for all higher education (Level 4 and above) and a single regulator for other post-school education (Level 3 and below).

£ Reversing the decline of part-time and flexible learning.

The decline in part-time learning in higher education is a result of restrictions around accessing loans for students who already have a degree, the increase in tuition fees in 2012 and the lack of maintenance support for part-time students (which will be available from 2018/19). Similar funding restrictions have also led to a decline in part-time study in further education. A credit-based system whereby people can learn in a more modular way and at their own pace should be introduced.

£ Apprenticeships. The Government's target of three million apprenticeships has prioritised quantity over quality, and should be scrapped. The apprenticeship levy has encouraged the rebadging of training activity. Over half of apprenticeship training providers did poorly in recent Ofsted inspections. The Government must renew its vision for apprenticeships, concentrating on the skills and choices that employers and individuals really need. The Institute for Apprenticeships should be abolished and replaced with a new regulator for Level 3 and below qualifications, and the Office for Students should take responsibility for those at Level 4 and above.

£ The national accounts mask the true cost of higher education. The Government expects that around half of the value of student loans being issued currently will never be paid back. These write-offs will not appear in the national accounts for more than 30 years. A recognition of this by including projected write-off in public spending at the time the loan is issued would allow for a better discussion of where public money in post-school education should be directed. It has been estimated that the student loan book will be worth 11 per cent of GDP in the late-2030s—an increase from around 5 per cent of GDP in 2017/18. The Department for Education have forecast that the total student loan book will be worth £1.2 trillion in nominal terms by 2049/50.

£ Reforms to student loans and widening maintenance support. The Government claims the high level of interest charged on student loans makes the system progressive, but it is middle-earning graduates who end up paying back most in real terms. The interest rate should be reduced to the 10-year gilt rate, currently 1.5 per cent, from the current rate of RPI plus 3 per cent.

The switch to maintenance loans from maintenance grants in 2016 will mean poorer students graduate with the largest debt. The same maintenance support should be available for all full- and part-time students studying at Level 4 and above. The means-tested system of loans and grants that existed before 2016 should be re-instated, and total support increased to reflect the true cost of living.

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Economic Affairs Committee

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