



Department
for Business
Innovation & Skills

**HIGHER EDUCATION:
POSTGRADUATE STUDY**

Government response to the
Consultation on Support for
Postgraduate Study

NOVEMBER 2015

The consultation response is relevant to:

- **students considering postgraduate Master's study**
- **individuals planning to undertake Doctoral study**
- **Higher Education Institutions**
- **Research funders**
- **Employers.**

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1. Support for Postgraduate study

“A postgraduate Master’s qualification can help people advance their careers and provide invaluable skills to support our innovation and growth. We want anyone who has the ability to study at this level, regardless of their circumstances, to be able to do so. We are offering a new postgraduate Master’s loans of up to £10,000 to help more people do just that.”

Jo Johnson MP, Minister of State for Universities and Science.

1. More students are now being admitted to higher education than ever before. We want to build on this success by increasing the number of people who achieve a postgraduate qualification. So, for the first time, the Government will provide direct financial support to help students fund study for a Master’s qualification.
2. Postgraduate study benefits individuals and the nation as a whole. In addition to the personal, social and cultural benefits of a postgraduate degree, this level of education boosts earnings, contributes to higher employment, provides a well-educated and highly skilled labour force that attracts employers, and increases tax revenues for the Exchequer. Men and women who have Master’s qualifications will take home an extra £59,000 and £42,000 respectively over their lifetimes compared to their peers whose highest qualifications are undergraduate degrees¹. However, the number of UK-domiciled Master’s students has been declining relative to our overseas competitors, in part because of the challenge of accessing funding for study. This Government is determined to reverse that trend.
3. The new loan scheme for postgraduate Master’s study will provide financial support of up to £10,000. As with the undergraduate loan system, this will be repayable when and at a rate graduates can afford. It will be the first time that the Government has provided student loan finance to enable students to progress on to Master’s study.
4. There are further benefits to Doctoral study. Estimates suggest that the earnings premium for Doctoral graduates compared to those with a Master’s degree is around 9%². There are significant economic benefits from increasing the supply of workers with the highest level of skills in terms of both stimulating innovation and increasing productivity. Therefore the Government plans to increase support for postgraduate research study by providing income contingent loans for Doctoral study. These postgraduate research loans will be offered in addition to grant funding, not as a replacement.
5. The consultation and all responses were passed securely in line with data sharing protocols to Pye Tait Consulting for independent analysis and to develop an anonymised

¹ London Economics (2011) “The Returns to Higher Education Qualifications”, BIS Research Paper 45

² This is a mid-point estimate of earnings premium from BIS research by London Economics (2011), ‘The Returns to Higher Education Qualifications’ BIS Research Paper Number 45 (2011 prices) and research by Lindley, J and Machin, S (2011), Rising Wage Inequality and Postgraduate Education <http://cep.lse.ac.uk/pubs/download/dp1075.pdf>

report. Over 400 responses were analysed, offering a wide range of perspectives from educational sector organisations, representative bodies, businesses, charities, societies, students and individual members of the public. This document summarises the response to the consultation and sets out the Government's response in relation to support for both postgraduate Master's and Doctoral study. The consultation invited views on a range of issues; these and others have been raised by respondents and the Government has reviewed its approach in light of these suggestions.

6. This document confirms the position with regards to loans for postgraduate Master's study and the terms and conditions for accessing it. It also includes next steps on support for Doctoral students. An Equality Analysis on the postgraduate Master's loans policy has been completed. The impact on families and employers from a policy perspective has also been considered. During the consultation period BIS commissioned a study by YouthSight seeking students' and graduates' views about the proposed postgraduate Master's loan proposal announced at Autumn Statement 2014. These will be made available shortly.

2. Postgraduate Master's loans

2.1 Context

1. The Government consultation on Support for Postgraduate Study, launched in March 2015, set out the rationale and proposed terms for a new government backed loan available to support postgraduate Master's study.
2. The Government's action has been stimulated by a number of key developments:
 - i. Recognition of the need to improve the supply of highly skilled individuals and fill skills gaps to support economic growth priorities - a supply of skills that Master's courses can help to meet, and quickly.
 - ii. Concerns about the fall in domestic take-up and demand for Master's level study, when ideally we would be seeing higher volumes of UK graduates transition, to Master's courses so the benefits to the individual, employers and the economy can be accrued sooner and for longer.
 - iii. The lack of options to date to finance postgraduate study, particularly for those from lower socio-economic backgrounds.
3. The Government recognises that there are limitations to the commercial lending available, particularly in relation to accessing finance to pursue postgraduate Master's level study. In the absence of a funding framework akin to other parts of the higher education funding system 72% of postgraduate Master's students self-finance. Hence, it is increasingly the better off who engage in postgraduate study at this level. Financial concerns are among the most significant and commonly reported barrier for progression into postgraduate Master's study. Significantly, it is younger postgraduate Master's students who are more likely to be in a financially weaker position to support themselves, with typically lower earnings, fewer savings and a lack of credit history compared to older students. For these younger students, access to sources of finance - whether family or external institutions such as banks, employers, universities and/or Research Councils - is an enabler for pursuing study at this level, and evidence suggests there is unmet demand.
4. The demand for finance is shown by the Professional and Career Development Loan (PCDLs), a Government subsidised commercial loan available on commercial terms, which has largely been adopted by those undertaking a Master's under the age of 30 and studying full-time. PCDLs were not designed specifically for postgraduate students. Borrowers undertaking a postgraduate Master's course account for approximately 75% of take-up³. The approval of a loan is a decision for banks. Some students have reported they are put off by the fact that PCDLs are not income contingent and repayments commence four weeks after course completion, making affordability of repayments a key concern.
5. The trend in decline in UK Master's entrants, the relative low take-up of PCDLs compared

³ Figures supplied by the Skills Funding Agency. Figures reflect academic year 2013/14.

to Master's numbers overall, and the low numbers of students from lower socio economic backgrounds undertaking postgraduate courses suggest the current market for postgraduate finance provision is incomplete. Action is needed so that more domestic students of all backgrounds are able to pursue Master's level study and transition earlier than they otherwise would. It is also crucial to support those emerging from the current undergraduate system to help them advance their knowledge and career prospects; and to do so quickly by making the loans available at the earliest opportunity, particularly to meet demand from employers.

2.2 About the consultation

6. The Government set out its policy objective to introduce postgraduate Master's loans to support the highest levels of skills in the UK economy. It proposes to do this by introducing new postgraduate finance options enabling those who previously could not afford further study to pursue Masters. The Government also set out that it does not wish to duplicate the provision of support available through existing funding mechanisms.
7. The consultation set out a number of principles underpinning the proposal: to make the Master's loan income contingent; offering it on better than commercial rates or on better terms; offering it as a contribution towards the costs of and not intended to cover all costs associated with studying at this level; and targeting those most likely to repay in full to ensure value-for-money and the scheme's affordability. We proposed to make the loan available from academic year 2016/17.
8. The consultation set out the following terms and conditions of the proposed Master's loan:
 - Individuals will be able to borrow up to £10,000 maximum, for the purpose of completing an eligible postgraduate Master's qualification.
 - The total loan amount will be paid directly to the student/ borrower.
 - Individuals must demonstrate the relevant residency criteria.
 - Individuals must be under age 30.
 - Individuals are eligible to undertake study, using the loan, at a Higher Education Funding Council for England (HEFCE) fundable institution or any Alternative Provider who has obtained Degree Awarding Powers.
 - The loan can be used to support individuals undertaking a postgraduate Master's course in any subject.
 - Eligible courses must be either 1 or 2 year full-time or 2 or 4 years part-time. Part-time must be a minimum of 50% intensity at the start of the course, compared to the duration of the equivalent full-time course per academic year.
 - For 1 year full-time courses, the loan is paid to the borrower in 3 tranches across the academic year, subject to the institution confirming student attendance. For 2 year part-time courses, at a minimum 50% intensity of the 1 year full-time equivalent, the

maximum loan amount of £10,000 is also available for which the loan is split and paid £5,000 per academic year over the two years of study.

- Borrowers are charged interest at RPI+3%.
 - The repayment income threshold will be set at £21,000 frozen for 5 years; and repayments will commence when this is met. Repayment will be 9% of salary above the income threshold.
 - Repayments will be made concurrently alongside any outstanding undergraduate student loan repayments due.
 - Any outstanding Master's loan will be written off after 30 years from the date at which the interest started accruing.
9. The consultation invited views on associated issues such as tuition fee levels, safeguards and other sources of support. It also invited views from employers and business on the best way of designing the loan scheme and arrange repayments through payroll in order to minimise burdens on employers and business.
10. The Government commissioned an independent company, Pye Tait Consulting, to analyse the responses to the consultation. The Government has used this independent analysis in coming to its conclusions on the terms and conditions of the new postgraduate Master's loan. A summary of the consultation responses is set out below and the full independent report by Pye Tait Consulting is available alongside this response.

2.3 Response to the consultation

11. The findings from the consultation reveal a mix of views and opinions within and between different groups which have been broadly grouped into three main themes:
- Barriers to postgraduate Master's study
 - Eligibility for the Master's loan, including wider impact
 - Design of the Loan

1) Barriers to postgraduate Master's study

- Almost all consultation respondents (99%) share the view that access to finance is a significant barrier to progression into postgraduate Master's study.
- The cost of tuition fees and the need for individuals to cover these in addition to maintenance/living and other course costs is a key challenge for students.
- Raising sufficient finance to pursue Master's study is particularly challenging for individuals from lower socio-economic backgrounds.
- Study at this level is a challenge for those with substantial financial commitments for example mortgage and household bills.
- Other potential barriers include balancing work and family commitments, including childcare costs.

- A minority of respondents said Professional and Career Development Loan (PCDL) can be difficult to access, pointing to the application process and obtaining commercial credit approval. It was felt this may marginalise some students who need finance most for the purpose of Master's study.
- Respondents also raised concern about the requirement for PCDL repayments to commence one month following course completion.

2) Eligibility for the Master's loan, including wider impact

Age eligibility

- The proposal to set an under age 30 eligibility criterion was of concern for all respondent groups.
- Respondents felt this would be unfairly discriminatory; furthermore that women, black and minority ethnic groups (BMEs) as well as those with disabilities, may be adversely affected as they argue individuals from these groups delay/ can enter postgraduate study later.
- Some respondents thought women would be unfairly disadvantaged where they have taken time out of education, or work, or care for children.
- Respondents suggested that additional financial commitments - such as a mortgage, household bills and costs associated with raising a family - are experienced more by the age 30 and over group. These commitments were seen to represent a financial barrier to pursuing postgraduate Master's study.

Mode and intensity of learning

- The proposed exclusion of all distance learning courses caused concern.
- A number of respondents pointed out that the move towards online learning is accelerating and offers considerable economies and advantages for individuals, so to exclude this form of learning would be counter-productive.
- It was felt this would limit flexibility for people in work, for some disabled people, and for people with caring responsibilities.
- Respondents felt that the minimum 50% study intensity criteria could potentially discriminate against individuals with a disability or suffering other health issues who might need greater flexibility in learning. More than half of respondents (59%) felt that a reduced study period of less than 50% intensity should be permitted.

Proposed exclusion of other postgraduate qualifications

- A minority of respondents commented that Postgraduate Certificate and Postgraduate Diploma routes should be eligible for the Master's loan. These courses are considered most attractive to people already in work and those who prefer to upskill and progress more gradually towards a Master's qualification due to other commitments, such as work and family.

- A small minority of respondents highlighted the importance of Postgraduate Certificate of Education qualifications (PGCE). They sought assurance that existing funding would continue, and suggested the postgraduate Master's loan should be made available to teachers for 'shortage' subjects. They also raised concern that were PGCE students to be excluded this could act as a disincentive to those considering entering teaching.

Support for individuals out of scope

- Some 174 respondents suggested ways of better supporting individuals who would fall out of scope for the Master's loan. Examples included stimulating greater employer involvement in funding for postgraduate Master's degrees (such as scholarships); small grants and loans which could be offered by grant-giving institutions; and ways to improve the PCDL.
- Government could go some way to alleviating not only financial, but also some non-financial barriers to postgraduate Master's study through a combination of support measures and clear information. Examples of non-financial barriers include finding the time to study around other commitments and the potentially "daunting prospect" of returning to education later in life.

Domicile

- A small minority of responses addressed the eligibility criteria that students must be English domiciled and/or EU nationals, and must have been resident in England or the EU over the past three years.

Impact on tuition fee levels

- Just over half of respondents (55% - including universities) believed that the loan will lead to increased demand for postgraduate Master's courses, which could in turn impact tuition fee levels, depending on the strength of demand and places being made available.
- To counteract this risk, respondents suggested that some form of tuition fee cap be imposed and/or that institutional fee changes should be subject to greater scrutiny or be made more transparent to mitigate this risk. Recognising the Government does not intend to introduce new or additional regulation, there could be a monitoring role for Higher Education Funding Council for England (HEFCE) and/or the Office for Fair Access (OFFA).

3) Design of the loan

Proposed loan amount

- Almost all respondents (91%) agreed that the availability of an "up to £10,000 income contingent loan" will increase an individual's likelihood to pursue a one-year postgraduate Master's qualification.
- Just over half (51%) felt that £10,000 is the right amount, although some thought more could be needed.

- Tuition fees and maintenance/living and course costs vary due to a number of factors. For example, some courses (particularly STEM subjects) tend to be more expensive, and living costs in London and some other locations are higher than average.
- Almost all respondents (95%) expected students to borrow more than 50% of the maximum available loan on offer.

Repayment terms

- Just under three quarters of respondents (72%) agreed that the proposal strikes the right balance of repayment terms to achieve an affordable scheme for borrowers whilst also meeting the principle of borrowers repaying in full.
- However, a key concern was that, when an individual's salary reaches £21,000, the proposed repayment interest rate of 9% of salary would be on top of concurrent undergraduate student loan repayments.

How loan payments should be made

- Just under three quarters of respondents (72%) agreed that the loan should be paid to the borrower in instalments.
- It was felt that payment direct to the borrower would help to mitigate the potential risk of tuition fee inflation, as well as enabling students to balance this funding alongside other forms of support; for example where tuition fees may already be covered by an employer.
- However, this approach may require institutions to make budgeting adjustments where they currently require tuition fees to be paid in full upfront.
- Some suggested that the student finance system would be more efficient if it worked in a similar way to the current undergraduate student loan system, i.e. course fees are paid directly to the course provider, and then living costs paid separately to the student through a maintenance loan.
- The majority (88%) of respondents agreed that confirmation of attendance would be an appropriate trigger to release instalments to the student. To minimise administrative burdens, universities want the new confirmation process to align with that for undergraduate student loans.

Institutional eligibility

- More than four-fifths of respondents (84%) agreed that institutional eligibility should be restricted to institutions and Alternative Providers who have obtained Degree Awarding Powers and are funded by the Higher Education Funding Council for England (HEFCE).
- Those disagreeing argued Alternative Providers, specifically those validated at postgraduate level and subject to review by the Quality Assurance Agency (QAA), should be eligible. These respondents felt that if they are offering valid programmes which are scrutinised by external quality assurance processes, there was no reason they should be excluded.

2.4 The Government's response

12. The Government is grateful to all the organisations and individuals who responded to the consultation on *Support for Postgraduate Study*. It has considered carefully the views set out in these responses as analysed by Pye Tait and drawing on these and its own analysis has come to its decision in respect of its proposal to make government backed postgraduate Master's loans available.
13. The Government can confirm postgraduate Master's loans will be available for academic year 2016/17.
14. The Government's decision on the terms of the loan reflects the need to balance a range of objectives - these include:
 - realising the expected benefits to the UK economy by raising high-end skill levels amongst the population;
 - enabling more individuals to be able to pursue postgraduate Master's qualifications and incentivising them to transition onto 1 year full-time Master's study earlier than they otherwise would;
 - supporting the take-up of Master's degrees;
 - widening access to Master's level education by supporting those most likely to be deterred, who delay or are restricted due to financial barriers; and
 - meeting demand from employers by increasing the supply of workers with high level skills, whilst encouraging employers to also contribute.
15. Evidence supports the case for using under age 30 as a proportionate means to achieve the government's objectives for this policy. However, because of the likely returns to the UK economy and increasing importance of Master's qualifications to individuals and employers we have decided to extend eligibility of the new Master's loan scheme to more individuals and not adopt the under age 30 eligibility criterion. The new loans to postgraduates will be available to all those under 60.
16. Widening access in this way will mean we can still reach all those who face the greatest access to finance barriers, focus on the type and level of qualifications we want to encourage individuals to pursue whilst ensuring we have a funding landscape for postgraduate Master's qualifications which meets the diverse needs of students, employers, and the UK economy more specifically. Reflecting this ambition, we will widen the scope of the eligibility criteria as consulted on. This will now include: distance learning; it will give greater accessibility within the United Kingdom, by enabling students to undertake Master's study at an institution within the United Kingdom but outside England; and it brings research Master's (on entry) into scope - subject to meeting each and all of the other terms and conditions of the loan. Further details are provided below.

17. The other eligibility terms and conditions offer the new postgraduate Master's loan as a contribution to the costs of supporting full-time Master's courses, with part-time study eligibility set at minimum 50% intensity of full-time study; paid directly to the borrower in instalments; and institutional eligibility for Alternative Providers to those with Degree Awarding Powers, as consulted upon. For clarification, professional Master's courses are included as consulted upon. The repayment terms are also broadly the same as consulted upon. We have listened to concerns about concurrent repayments at 9% and have decided to lower the postgraduate repayment rate to 6%. The new loan scheme will be administered by the Student Loans Company (SLC) on behalf of BIS. Repayments will be collected by Her Majesty's Revenue and Customs (HMRC). Full details of the terms and conditions can be found at Annex 2.
18. We have estimated demand for the scheme, based on the final terms, to be in the region of 57,500 in 2016/17⁴ but recognise there is no equivalent evidence on postgraduate behaviours to base loan uptake assumptions in the first instance. Our estimates are in part based on the behaviours of the undergraduate student cohort. This approach therefore has significant uncertainties as the postgraduate Master's population is far more heterogeneous and has different motivations for studying which creates significant uncertainties.
19. The Government is aware that introducing a progressive new Master's loan product for academic year 2016/17 is an ambitious delivery timetable. Normally borrowers will be liable to repay the loan from the April after study completion - April 2018 at the earliest. However, to allow the Student Loans Company and HMRC to develop the new Master's loan product, repayments will commence from April 2019. Individuals will be able to make voluntary repayments prior to this if they choose. The benefits of pursuing an ambitious timetable outweigh the arguments to delay. We are committed to this timescale because of the significant advantages to be gained by individuals, employers, the economy and society. Delay will also miss the opportunity to widen participation and support social mobility. The rationale for the key decisions are summarised below.
20. Age: BIS modelling shows that participation at a younger age accrues greater average benefits to the individual, to employers, to the economy and society more widely. It also significantly increases the likelihood that the individual will repay. As a Government we acknowledge the benefits of a postgraduate qualification for the working population. The Government has decided to lift the cap above age 30 so more of the working age population can access the loan product and, on completion, have the opportunity to commence repayments.
21. This loan will support individuals at various stages in their career paths. We will make these loans available to all those under 60, mirroring the undergraduate student maintenance system. This will allow the loan to provide support for those changing or developing careers, whilst also ensuring value for money. In this way the loan will be available to those able to repay their loan and to make a significant contribution to the economy. The precise detail of the requirements will be set out in Regulations.

⁴ Internal BIS modelling, based on Higher Education Statistics Agency data for new Master's students in 2013/14. 81% of students in that year were found to be self-funding – the model assumes that 65% of them will take loans out. Additionally, a 10% uplift in student numbers is assumed as a result of the loans 10% of students in 2015/16 are assumed to postpone their study to 2016/17 as a result of the loans.

22. *Course Eligibility:* We have taken on board the wide variety of types of Master's courses and qualifications, and have concluded that up to £10,000 maximum should be available for eligible 1 or 2 year full-time postgraduate Master's courses, in line with the existing qualification framework for England. Effectively, eligible postgraduate Master's courses will be full-time, at Level 7, typically involving 180 credits of which 150 are at Level 7, and culminate in a Master's qualification. These may be taught, research, distance learning or professional Master's courses across all disciplines, subject to meeting all the other eligibility criteria.
23. We are now including research Master's on entry. The financial barriers faced by these students are similar to other Master's students. There is currently no evidence to suggest research Master's courses have lower societal returns than other Master's courses. A single loan scheme for all Master's courses delivers an efficient and straight forward Master's funding landscape without artificial differentiation. We now also better understand the interaction with PhD qualifications, which have a distinct funding system. To exclude research Masters on entry from this policy may result in this type of Master's qualification being ineligible for support from this and the Doctoral funding systems.
24. *Course Intensity:* One of the objectives for this policy is to secure early investment in the skills of individuals so that the benefits can be accrued earlier and for longer. The Government's expectation is that the largest take-up of these loans will be by students applying for 1 year full-time postgraduate Master's courses. However, some individuals may wish to study at a lower intensity and therefore study at a minimum 50% intensity of eligible full-time study is also in scope. We recognise some Master's courses are also available on a 2 year full-time basis, and if so, the same maximum £10,000 loan amount is available for these courses overall, including (part-time) study at a minimum 50% intensity of equivalent full-time study in each year, subject to meeting all the other eligibility criteria.
25. *Distance Learning:* The consultation proposal was not to include distance learning courses. The Government has considered the response to the consultation and benefits this mode of study offers, which include an increasingly important source of flexibility for students and assisting those with caring responsibilities or who are disabled. As a result, courses offered by distance learning are in scope, subject to meeting all the other eligibility criteria, including the minimum part-time study intensity.
26. *Other Postgraduate Courses:* The Government has considered whether Other Postgraduate Courses (OPG) and OPG at 25% intensity should be in scope. These courses tend to be shorter in duration than equivalent 1 year full-time Master's courses and offer fewer credits. They do not lead directly to a Master's qualification even if cumulatively over time they may, for some students, amount to an equivalent standard. We currently believe these students would not face the same access to finance barriers because they may continue to work while undertaking lower intensity courses, have access to employer support and are less likely to be as credit constrained. The Government has concluded that while providing Master's loans for OPG courses and/or for courses undertaken at a lower than 50% intensity would be desirable for some students and the universities that offer them, it would not achieve the Government's objectives.

27. *Equivalent Level Qualifications:* Individuals who already have a postgraduate Master's qualification including an Integrated Master's qualification will not be eligible for the new Master's loan. The rationale for this is to avoid duplication of funding and to focus limited resources on those who have not, as yet, acquired a postgraduate Master's qualification.
28. *Institutional Eligibility:* Institutional eligibility will include institutions that have already met and continue to maintain the standards required to hold Degree Awarding Powers. This is because holding the power to award the postgraduate Master's qualification is an important quality criterion. The Government has considered whether it could extend institutional eligibility to include Alternative Providers that offer validated degrees but do not hold their own Degree Awarding Powers. To do so we would need to take the same approach to quality and the safe-guarding of public expenditure we have now established for the undergraduate system. This would require the development of specific process and guidance to support applications for designation for individual postgraduate courses and the involvement of BIS, the QAA and HEFCE in assessing these applications. The Government is however committed to a level playing field in Higher Education and so intends to extend institutional eligibility from 2017/18. It will monitor in particular the quality and quantity of demand for postgraduate Master's loans from Alternative Providers.
29. *Devolution and Loan Portability:* Postgraduate Master's funding is devolved. The new postgraduate Master's loan is not intended to be available to individuals who plan or have moved to England from one of the other nations for the purpose of undertaking the Master's course. The Government has considered whether the Master's loan should be portable - i.e. available to eligible borrowers to undertake Master's study at an institution within the United Kingdom, outside England. Concerns to do otherwise included a strong disincentive to postgraduate mobility, the detrimental impact on centres of excellence in Wales, Scotland and Northern Ireland which would not be in the national interest. The Government has considered this and agrees that it would be preferable to avoid any such distortionary effect and give more choice to English students. Widening the scope in this way will replicate the situation in the undergraduate system, albeit initially there will only be an English Master's loan scheme on offer in 2016/17. The Devolved Administrations (DA) are currently reviewing their own funding for postgraduate study support. The Government encourages the DAs to follow our lead and ensure that any postgraduate Master's loan schemes they introduce mirror or have similar portability built in so the benefits can be realised across the country for all potential postgraduate Master's students.
30. *Repayment:* The loan repayment terms have been largely welcomed and some respondents to the consultation considered the repayment terms to be progressive, although concern was expressed about the impact of concurrent repayments for those who also have an undergraduate student loan to. The concurrent repayment approach is essential in order to achieve the affordability of the loan scheme for the public purse. However, we have reviewed the repayment terms and can confirm the loan will be repaid as 6% of income above a threshold of £21,000. We have also taken the decision that the income repayment threshold of £21,000 will be frozen until 2021.

31. The Government is committed to monitoring this new policy and will review it within three years against its objectives, including value-for-money. The contribution to costs principle is an important dimension in student finance and we will want to test the impact on students, institutions and employers. The widening of scope will also have a range of implications which will all need to be monitored. We also want to consider the impact of the loan on social mobility outcomes, and assess the appetite, in particular of students emerging from the undergraduate system, for this new loan product. We are also alert to the need to monitor closely any unintended consequences, specifically in relation to student and institutional behaviour. We intend to gather more evidence and review the various aspects of the policy terms and conditions, including in light of take-up, other developments across Higher Education and changes to public finances.
32. We see this new Master's loan as a significant new opportunity for employers, universities and individuals to work together to invest in Master's level skills and will track such developments closely.

3. Postgraduate research

3.1 Introduction

1. The UK Research Base is both highly productive and internationally competitive. With less than 1% of the world's population, the UK produces 16% of top quality published research.⁵ The Government is committed to supporting a world-class research base in the UK, and committed to being the best place in Europe to innovate. Realising this ambition requires a highly skilled workforce. The Government is therefore committed to supporting postgraduate research and expanding opportunities for postgraduate research study.
2. The consultation invited views and supporting evidence on the proposal to extend support for postgraduate research students.
3. The consultation asked for responses on three broad themes:
 - a) Support for postgraduate research students
 - b) Income contingent loans to support postgraduate research students
 - c) Partnering to support postgraduate research students
4. The Government is grateful to all the organisations and individuals who responded to the consultation. It has considered carefully the views set out in these responses as analysed by Pye Tait. A summary of the responses on each theme is set out below. This is drawn from the full independent report by Pye Tait that is published alongside this response.

3.2 Response to the consultation

5. The responses to the consultation show that postgraduate research is valued by employers and students, and that there is unmet demand for people with Doctoral qualifications. There is broad support for the existing funding mechanisms that support postgraduate research students and the valued contribution these make to the UK research base. The responses are grouped into the three themes, as set out in the consultation.

a) Support for postgraduate research students

- Demand for postgraduate skills: 47 respondents suggested that there is unmet demand for research skills among employers. Respondents reported that highly qualified staff are in short supply in agriculture, the arts, physical sciences, the heritage sector, the financial sector, engineering and IT. The OECD report (2013)⁶ and the Vitae (2013) study⁷ were both cited as evidence of demand for postgraduate skills within the labour market.

⁵ <https://www.gov.uk/government/speeches/one-nation-science>

⁶ OECD (2013) *Making the most of knowledge. Key findings of the OECD-KNOWINNO project on the careers of doctorate holders*

⁷ Vitae (2013) *What do researchers do? Early career progression of doctoral graduates*

- Existing funding mechanisms: Respondents to the consultation recognised that the funding mechanisms for postgraduate research across the UK are complex. 28 respondents described how current funding for postgraduate research derives from a diverse range of sources and that public as well as industry funding are essential. Respondents valued funding from the Research Councils and felt that any loan funding for postgraduate research should complement existing mechanisms.
- Partnerships with industry and charities: 27 respondents favoured developing and encouraging partnerships with industry and charities. University respondents believe there should be better linkages with industry to promote investment. Specifically, Research Council UK CASE studentships⁸ were considered to be important mechanisms of support for the individual, and the wider partnership between universities and industry.
- Funding barriers: 19 respondents highlighted funding barriers. The high costs associated with studying were seen as major barriers to meeting the demand for postgraduate research skills and qualifications.
- Widening access to postgraduate research: Respondents cited better information, advice and guidance targeted towards underrepresented groups as ways to strengthen support for postgraduate research students, as well as improving flexibility in the loan system for distance learners and part-time students.
- Subject/discipline: 16 respondents suggested that support should cover a range of subject areas and that Research Council funding should be protected and expanded for doctoral scholarships. Some felt that the availability of loans to enable self-financing would make a substantial difference to increasing participation in Humanities and Social Sciences.
- Stipends: Respondents viewed stipends for postgraduate research as important to attract the best students to the UK. Respondents also noted that stipend levels vary considerably across disciplines. 52 respondents discussed the issues around the availability and level of individual stipends, which they see as a major deciding factor for students in undertaking postgraduate research.
- Attracting international students: 37 respondents cited the importance and value of attracting international students to the UK.
- Careers: Supporting career progression, the transition from doctoral study to employment, and the need to work with employers to better understand the research needs of industry were collectively mentioned by 25 respondents as important areas for improving support. Respondents described the need for better awareness of employment opportunities and closer relationships between public sector organisations, charitable bodies and prospective employers.

b) Income contingent loans

- Support: There was strong support from respondents for income contingent loans for postgraduate research. 98 respondents considered that new loan funding would encourage postgraduate research study. Respondents felt it would be most useful for those who are already self-funded or partially funded. A new loan could, for example, reduce the time needed for students to search for other forms of funding or undertake part-time work.

⁸ CASE studentships (Collaborative Awards in Science and Engineering) are collaborative training grants that provide students with a challenging research training experience, allowing top quality graduates to undertake research, leading to a PhD, within the context of a mutually beneficial research collaboration between academic and partner organisations.

- Respondents emphasised the value of existing funding mechanisms, including from Research Councils and via quality related funding, and that postgraduate research loans should complement existing sources of funding. There was strong support for the provision of loans across all disciplines with an emphasis on quality research. Over half of respondents to this question (115) described how loan support should cross all subject areas and be provided without prioritisation.
- Loan size: There were different opinions on the size of the loan. The main issue was concurrent repayment with undergraduate loans: 37 respondents considered that the loan might not be attractive for students who have already accrued a sizeable debt from undergraduate studies. 20 respondents felt that the proposed maximum loan amount of £25,000 would not cover the costs of postgraduate research study and would leave a funding gap.
- Devolved administrations: Responses highlight the need to work closely with the devolved administrations to ensure that postgraduate research students domiciled in these nations are not disadvantaged.

c) Partnering to support postgraduate research

- Support: there was strong support for enhancing partnerships between universities, industry and charities. 27 respondents viewed developing partnerships with industry and encouraging the private sector to fund postgraduate research as important. CASE studentships were described as excellent ways of linking industry and researchers.
- Leverage: 24 respondents described how loan funding could be matched with externally leveraged support through industrial and business partners. 20 respondents suggested that providing financial incentives, tax breaks and creating tax efficient schemes are ways to encourage employers to financially support postgraduate schemes.
- Improved links with industry and charities: Respondents felt that universities should engage directly with charities and cited examples of projects already funded by those such as the Wellcome Trust. Respondents believed more could be done to encourage charities to support the postgraduate sector and that existing partnerships should be better utilised and new relationships developed.
- Crowd funding: 8 respondents discussed crowd funding as a source of funding for postgraduate research.

3.3 The Government's response

6. The Government is grateful for the responses to the consultation and the wide range of perspectives represented. These responses provide evidence of the positive value of postgraduate research to employers, in addition to a high demand from individuals for postgraduate research places. This supports the Government's ambition to expand opportunities for postgraduate research study to support the development of a highly skilled workforce and increase opportunities for individuals.
7. Responses to the consultation underscored the differences between types of postgraduate programme. The individual nature of a doctoral research programme, involving longer commitment and investment from prospective students, requires support that is appropriately tailored. Respondents to the consultation highlighted the complexity of funding for postgraduate research in the UK. Funding for university research is provided

by way of “Dual Support”, where the Research Councils provide competitive project/programme funding to institutions for projects, fellowships and studentships; while the national Funding Councils provide a block grant to institutions to invest strategically and to maintain their research capacity. The importance of existing funding mechanisms and the need to develop postgraduate research loans that work with the existing “Dual Support” system was emphasised by respondents to the consultation.

8. The Government welcomes the support from respondents for the introduction of income contingent loans to support postgraduate research. As discussed in section 2, we have included research Master’s (on entry) in the scope for the new postgraduate Master’s loan. The Government is also committed to the introduction of income contingent loans for Doctoral study. As set out in the consultation, our intention is to offer these loans in addition to grant funding, not as a replacement.

Annex 1. Consultation respondents

A total of 465 responses to the Consultation on Support for Postgraduate Study were received, of which 411 were identified by Pye Tait as valid for analysis. These were comprised of responses from the 127 organisations named below and responses from individuals.

Aberystwyth University	Jaguar Land Rover Ltd
Academy of Social Sciences'	Junior Lawyers Division of the Law Society
AgriFood Advanced Training Partnership	King's College London
Association of Taxation Technicians (ATT)	Kingston University
Association of the British Pharmaceutical Industry	Lancaster University
Bar Council of England and Wales	Leeds Beckett University
Barclays Bank PLC	London School of Economics Students' Union (LSE SU)
Birkbeck, University of London	London South Bank University
Bishop Grosseteste University	Loughborough University
Bournemouth University	Members of the Arts and Humanities Alliance (10 organisations)
British Academy	National Film and Television School
British Medical Association	NatureConsult
Brunel University London	Nazarene Theological College
Cambridge University Students' Union	Newcastle University
Campaign for Science and Engineering	Newnham College MCR, University of Cambridge
Cardiff University	NUS
Chartered Association of Business Schools	Office for Fair Access (OFFA)
City University London	Open University Students Association (OUSA)
Coventry University	Queen Mary University of London
Cranfield University	Queen's Foundation for Ecumenical Theological Education
EEF the manufacturers' organisation	Regents Theological College
Engineering Professors' Council	Research Councils UK
English Association	Rolls-Royce plc
General Council of the Bar of England and Wales (the Bar)	Royal Academy of Engineering
Guild HE and CREST	Royal Astronomical Society
Guildhall School of Music & Drama	Royal College of Art
Heads of University Centres of Biomedical Sciences (HUCBMS)	Royal College of Midwives
HEFCE PSS PGT Widening Access to Postgraduate Study and the Professions-University of Sheffield led	Royal Historical Society (on behalf of 9 other societies)
Higher Education Commission	Royal Society
IFS University College	Royal Society of Chemistry
Imperial College London	Royal Society of Edinburgh
Imperial College Union	Royal Town Planning Institute
Institute for Fiscal Studies	Royal Veterinary College, RVC
Institute of Mathematics and its Applications	Sheffield Hallam University
Institute of Physics	Society of Biology
	Socio-Legal Studies Association

Soroptimist International of Rugby
Spurgeon's College, London
St Mellitus College
Staffordshire University
Student Funder
The Chartered Institute of Payroll
Professionals
The Low Incomes Tax Reform Group
The Open University
The Russell Group
The Science Council
The Society and College of
Radiographers
The Wellcome Trust
UCL
UCML
UKCGE
UNISON
Universities Association for Lifelong
Learning
Universities Scotland
Universities UK
Universities Wales
University Alliance
University and College Union
University English
University of Bath
University of Birmingham
University of Bradford
University of Brighton
University of Bristol
University of Cambridge
University of Central Lancashire
University of Cumbria
University of East London
University of Exeter
University of Greenwich
University of Hertfordshire
University of Huddersfield
University of Kent
University of Leeds
University of Leeds -First Great Western
University of Leicester
University of Liverpool
University of Manchester
University of Oxford
University of Portsmouth
University of Reading
University of Southampton
University of St Andrews
University of Stirling
University of Strathclyde
University of Sussex Students' Union
University of Warwick
University of Wolverhampton
University of York
University of York Graduate Students'
Association
University Partnerships Programme
Vitae

Annex 2. Summary of postgraduate Master's loan terms and conditions

Eligibility Criteria: All the following eligibility criteria must be met in order to qualify for the postgraduate Master's loan.

1. Loan Amount

- 1.1 Individuals will be able to borrow up to £10,000 for the purpose of completing an eligible postgraduate Master's qualification.

2. Purpose

- 2.1 The Master's loan is intended to be a *contribution to the cost* of an eligible postgraduate Master's qualification. The borrower will use the loan according to their individual circumstances as a contribution towards the cost of the Master's course tuition fees and/or any other costs associated with study, including their living costs.

3. Individual Eligibility Criteria

- 3.1 Borrowers must be a UK National, or have settled status in the UK, and have been ordinarily resident in the UK for three years on the first day of the academic year of their course start date. This must have most recently been resident in England and borrowers must not have moved there from elsewhere in the UK and Islands solely for the purposes of attending the course.
- 3.2 Individuals may be eligible if they are an EU national or family member of an EU national, or if they have the residency status of refugee, humanitarian protection, EEA migrant worker, child of a Swiss national or child of a Turkish worker.
- 3.3 Individual eligibility will not be based on a means test.

Individuals out of scope

- 3.4 Postgraduate Master's education provision is a devolved matter for Scotland, Wales and Northern Ireland and therefore UK nationals, or individuals with settled status in the UK, ordinarily resident in the Devolved Administrations will not be eligible for the loan.
- 3.5 Individuals already holding a Master's qualification, an equivalent level qualification or a higher level qualification will not be eligible for the loan. Qualifications obtained outside the UK will be taken into account in determining an individual's eligibility for the Master's loan.
- 3.6 Individuals aged 60 and above will not be eligible for the loan.

4. Course Eligibility Criteria

- 4.1 *Course coverage:* The type of postgraduate Master's course eligible to attract the loan will result in a Master's qualification (taught, research or professional) in any subject. Postgraduate Master's courses for which the loan will be available are those at Level 7, typically attracting 180 credits with 150 of these at level 7⁹; and culminating in a postgraduate Master's qualification for example MA, MSc, MRes, MBA, MEd and LLM.
- 4.2 *Course intensity:* Eligible postgraduate Master's courses must be either 1 or 2 years full-time in duration. The loan will be available for postgraduate Master's courses on a part-time study basis. Part-time study must be at a minimum 50% intensity. Part-time course duration may be up to 4 years when studied part-time for equivalent 2 year full-time courses.
- 4.3 *Mode of Study:* Eligible postgraduate Master's courses may be delivered through distance learning or on site at an eligible institution (see Institutional Eligibility).

5. Institutional Eligibility Criteria

- 5.1 The loan may be used to undertake an eligible postgraduate Master's course at an Authority Funded¹⁰ Institution or Alternative Provider¹¹ with Degree Awarding Powers in the UK.

6. Repayment Terms

- 6.1 The loan interest will be calculated at RPI+3% and interest will accrue from the date the first loan instalment is paid by the SLC to the borrower.
- 6.2 Repayment of the Master's loan will be contingent upon and commence once the borrower has an annual income of £21,000 or more.
- 6.3 The £21,000 annual income threshold will be initially frozen until 2021 and subject to review.
- 6.4 Master's loan repayment will be calculated at 6% of income above the income threshold. Repayments will be made concurrently, alongside repayment of any outstanding undergraduate student loan.
- 6.5 Loan repayments will be due in the April after course completion, subject to meeting the annual income threshold.

⁹ Higher education credit framework for England: guidance on academic credit arrangements in higher education in England (August 2008), and The framework for higher education qualifications in England, Wales and Northern Ireland (August 2008)

¹⁰ Funding Authorities in the UK are: the Higher Education Funding Council for England; the Higher Education Funding Council for Wales; the Scottish Funding Council and the Department for Employment and Learning or Department for Agriculture and Rural Development in Northern Ireland.

¹¹ 'Alternative Provider' means any provider of higher education courses that is not in direct receipt of recurrent funding from HEFCE or from equivalent funding bodies in the Devolved Administrations; or does not receive direct recurrent public funding (for example, from a local authority, or the Secretary of State for Education); and is not a Further Education College.

- 6.6 There will be a one year delay in loan repayment for courses undertaken in academic year 2016/17, for which repayments will commence from April 2019. Borrowers will be able to make voluntary repayments ahead of April 2019 should they wish.
- 6.7 Any outstanding postgraduate Master's loan balance will be written off 30 years after the date the borrower's loan balance becomes due for repayment.
- 6.8 The Master's loan will attract better than commercial interest rates; or match commercial interest rates with better terms. The repayment terms will be monitored and be subject review to ensure compliance with the Consumer Credit Directive.

7. Administration of the loan

- 7.1 The Master's loan will be issued by the Student Loans Company, directly to the borrower.
- 7.2 The borrower will receive the Master's loan in three instalments across the academic year, during the period of study. The first loan instalment will be released when the Higher Education Institution has confirmed the student's attendance or participation on the course to the Student Loans Company.
- 7.3 A student will not be entitled to receive subsequent tranches of the loan if they change to a course which is not eligible or withdraw from study. Higher Education Institutions will be expected to inform the Student Loans Company if the student is no longer in attendance. The student will be liable for the Master's loan and make repayments if they withdraw or do not complete their course.
- 7.4 The loan will be recovered by Her Majesty's Revenue and Customs (HMRC). The SLC will recover loans directly from borrowers who are outside of the UK and its tax system.



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