



Department
for Business
Innovation & Skills

Higher Education

**Student Finance Equality
Analysis – The Education
(Student
Support)(Amendment)
Regulations 2015**

NOVEMBER 2015

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Executive summary

Introduction

Under the Equality Act 2010, the Department for Business Innovation and Skills (BIS) is legally obliged to give due regard to equality issues when making policy decisions. This document sets out the analysis and available evidence considered by Ministers to inform their decision to move from a system of maintenance grants to loans for students, as well as other changes to the student financial support system. This executive summary is an addition for the published version.

Student financial support

The Government provides financial support to undergraduate students for living and tuition costs to ensure that affordability is not a barrier to entry into higher education. To put higher education funding onto a more sustainable footing, the Government is asking future graduates to meet more of the costs of their studies. The proposed student funding changes will make a significant contribution to the Government's principal fiscal objective of eliminating the budget deficit by 2019-20.

Widening access remains a priority for this Government. The reforms in this equality analysis should therefore be considered in the context of the broader steps the Government is taking to ensure progress continues to be made:

- Established a stronger framework with increased responsibility placed on providers to widen access and to invest significant funding to improve access through their mandatory access agreements.
- Lifted the cap on aspiration: for 2015 entry publicly funded universities can choose to recruit as many students as have the ability and wish to apply.
- Set out challenging goals to double the proportion of people from disadvantaged backgrounds entering higher education by the end of this Parliament.
- Announced further measures in the Green Paper, 'Fulfilling Our Potential: Teaching Excellence, Social Mobility and Student Choice'¹ aimed at building on the progress made.
- Plans to introduce income-contingent loans for those wishing to go on to postgraduate Master's study and consulting on introducing full-time equivalent maintenance loans alongside the tuition fee loans we introduced for part-time students in 2012.

¹ The Green Paper can be accessed on the gov.uk website at: <https://www.gov.uk/government/consultations/higher-education-teaching-excellence-social-mobility-and-student-choice>

Policy proposals

The policy changes considered within this equality analysis are:

Full Time Fee and Fee Loans for new and continuing students

- Maximum fees and fee loans for full-time courses, sandwich courses and full time distance learning courses starting on or after 1 August 2016 will be maintained at 2015/16 levels in 2016/17.
- Maximum fees and fee loans for full time courses, sandwich courses and full time distance learning courses starting on or after 1 September 2012 will be maintained at 2015/16 levels in 2016/17.

Maintenance Support for New Students

- Increased loans for living costs will replace maintenance grants for new full-time students and also special support grants for new full time students entitled to benefits.
- Increased loans for living costs will replace special support grants for new full-time students aged 60 or over at the start of their course.

Maintenance Support for full time students continuing their courses from 1 August 2016 onwards

- Maximum Maintenance Grants and Special Support Grants will be maintained at 2015/16 levels in 2016/17.
- Maximum loans for living costs will be increased by forecast inflation (2.41%) in 2016/17.

Targeted Grants

- Maximum Grants for full-time students attending courses with dependants (Childcare Grant, Adult Dependants Grant and Parents Learning Allowance) will be maintained at 2015/16 levels in 2016/17.
- Maximum Disabled Students' Allowances for full-time, part-time and postgraduate students will be maintained at 2015/16 levels in 2016/17.

Equality analysis

The equality analysis examines the available data and evidence on the participation in and outcomes of higher education for students with protected characteristics. As different participation rates are still apparent in connection to family income and economic status we also look at the potential impact on individuals from lower income groups. The conclusions to this analysis are presented on pages 81-85 setting out the potential impacts of the policy changes and how we expect these to be mitigated, for example by higher education remaining a good investment and there being payment protection for low earning graduates. We have assessed that there will be differences in the potential impacts across protected groups. These conclusions are summarised below.

Low income groups

The two changes that will affect the most students from low income backgrounds are the switch from grants to loans and, where they are charged at the maximum tuition fee, the freezing of the current fee cap (for 16/17). For both changes, these will only significantly affect students from low income backgrounds if they then go on to have high average lifetime earnings such that their lifetime loan repayment rises. Those students earning below the loan repayment threshold, currently £21,000, will not have to make any additional repayments. Our modelling suggests that only those graduates whose average annual lifetime earnings are £30,000 or more will face higher repayments across their lifetime. The evidence from past reforms suggests that overall participation has been fairly insensitive to changes in student fee levels and greater debt, though there are limits to its direct applicability. Attitudinal research also points to such changes having a limited impact on students' decision making, and any increase in lifetime cost needs to be put against much higher average returns from higher education. Overall we expect any downward effect on participation to be small, though subject to uncertainty. A number of low income students will also be affected by freezes to dependant grants, though this impact is expected to be small and mitigated to some extent by the increase in loan for living costs.

Disability

The evidence suggests that the impact of converting maintenance grants to loans will fall equally upon those with and without a disability. As for all students from low income backgrounds we expect the risk to participation of low income disabled students from the grants to loans switch to continue to be mitigated by the high average returns to HE investment and the repayment protection for low earning graduates. However it is acknowledged that disabled people will be disproportionately affected by the decision to not protect the real terms value of Disabled Students Allowances, but the view is that the additional impact of this specific proposal on the participation of disabled people will be small.

Gender

Overall, although the size of the financial impact is similar between genders, we conclude that the proposed changes are more likely to impact female students. The available evidence indicates that they are more likely to be debt averse than their male counterparts and also more likely to be single parents, who tend to be both more debt averse and more restricted in their ability to take up part-time employment as a way of overcome any funding shortfall. Females are also more likely to receive childcare support and be affected by changes to dependant grants. This means that their participation decisions are more likely to be affected by financial considerations. Thus, there is a chance that the policy could result in a small decrease in female participation though it is difficult to predict exactly what behavioural responses will be.

Age

Mature students will be disproportionately impacted by the policy proposals to remove the full maintenance grant and replace with additional loan as well as the freezing of targeted grants. The proportion of students aged 21 and over that claim maintenance grant support is significantly higher than their representation in the population of all student support claimants. The available evidence points to the cost sensitivity and debt averseness of this group. The policy change presents a risk for the participation of older students in higher education.

Ethnicity

We believe that the proposed changes will disproportionately affect people from ethnic minority backgrounds. This is based on evidence of debt aversion in this group and the increased likelihood for these students to receive the full maintenance grant. We have assessed that there is a small risk to the participation of students from ethnic minority backgrounds given that participation rates for these students, both from high and low socio-economic backgrounds are high (and continuing to grow), as are aspirations². Additionally, there is risk to the outcomes of these students if they choose not to take out the additional loan available.

Religion and Belief

There is evidence to suggest that there are groups of Muslim students whose religion prohibits them from taking out an interest bearing loan. This means that this group of students will no longer have access to funding for living costs as non-repayable finance is no longer available. This could lead to a decline in the participation of some Muslim students. For other changes to student financial support we have no evidence to suggest that students of a particular religion or belief will experience a disproportionate impact.

Cumulative impact of the proposals and other changes to the student finance environment (including the proposed repayment threshold freeze)

On 25 November 2015 the Government published its response to its consultation on freezing the repayment threshold for student loans issued after 2012 (plan 2 loans). It announced its decision to freeze this at £21,000 for all existing and new plan 2 borrowers. This was subject to a separate equality analysis. It is not expected that the decision to freeze the threshold will significantly change the conclusions set out above.

The effect of the repayment freeze will be to bring some people into repayment whose earnings would have stayed below the threshold had it instead increased in line with earnings growth. Also to increase the lifetime repayments made by those who otherwise

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/474269/BIS-15-462-understanding-progression-into-higher-education-final.pdf

would have not paid off their loan within its 30 year lifetime. Those with sufficiently high earnings to have repaid off their loan anyway will now do so more quickly. The added effect of the repayment freeze will therefore predominately fall on those with low to middle incomes, who are more likely to be women, ethnic minorities, mature students and the disabled. This means the risks identified above are likely to be higher for these groups under a repayment freeze, but still low given the evidence on individuals' decisions not being sensitive to changes in financial factors, the income contingent nature of repayments and the average high returns from partaking in higher education.

The additional changes to Disabled Students Allowances announced in November 2014 could have a disproportionate impact on disabled students, although we do not believe that these impacts represent a significant risk to their participation in higher education.

Introduction

An Equality Analysis was prepared in July 2015 to allow ministers to consider impact ahead of the announced changes in the Budget. This updated analysis takes account of the effect of policy decisions taken in the intervening time and new evidence that might either affect the previous analysis or the cumulative impact of changes to the student support system.

Under the Equality Act 2010, the Department for Business Innovation and Skills (BIS), as a public authority, is legally obliged to give due regard to equality issues when making policy decisions - the public sector equality duty, also called the general equality duty. Analysing the effects on equality of these amendment regulations through developing an equality analysis is one method of ensuring that consideration of equality issues feeds into policy formation, and informs Ministers' decision making.

BIS, as a public sector authority, must in the exercise of its functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
- Advance equality of opportunity between people who share a protected characteristic and those who do not; and
- Foster good relations between people who share a protected characteristic and those who do not.

Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, to the need to:

(a) remove or minimise disadvantages suffered by persons with protected characteristics;

(b) take steps to meet the needs of persons who share a relevant protected characteristic; and

(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The general equality duty covers the following protected characteristics: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

As disadvantage in higher education is still apparent in connection to family income and economic status we will also look at the impact on individuals from lower income groups. We will use the terms protected and disadvantaged groups as well as protected characteristics. Protected groups are a reference to people with protected characteristics, and disadvantaged groups refer to low income groups and groups with low participation rates more widely.

Any queries and comments about this Equality Assessment should be addressed to: Linda Brennan, Department for Business, Innovation and Skills, 1 Victoria Street, London W1H 0ET, linda.brennan@bis.gsi.gov.uk .

Overview of the proposed policy changes

1. Introducing a new living costs support package for eligible new full time students.
2. Introducing a new living costs support package for eligible new full time students who qualify for benefits.
3. Introducing a new living costs support package for eligible new full-time students who are aged 60 or over on the first day of the first academic year of their higher education course.
4. Increasing the maximum loan for living costs for full-time students continuing to attend their courses in 2016/17.
5. Increasing the maximum long-courses loan and reduced rate loan for living costs for new and continuing full-time students in 2016/17.
6. Increasing maximum fee loans for full-time students who started their courses before 1 September 2012 at institutions in Northern Ireland.
7. Preventing a student from receiving childcare grant in an entitlement period where that student or student's partner has made a valid declaration of eligibility under the Childcare Payments Act in relation to Tax Free Childcare.
8. Allowing an electronic signature to be used where a student is required to sign a contract for a loan for fees or living costs.
9. Requiring publicly funded institutions, including further education colleges and private institutions, to register their students with the relevant awarding body at the start of their course before confirming with the Student Loans Company (SLC) that students are attending or undertaking their courses.
10. Ensuring that recovery procedures relating to overpayment of grants and loans for fees and living costs are consistent for all grants and loans.

The following maximum grants and loans for living and other costs will be maintained at 2015/16 levels in 2016/17:

- a) Maintenance Grants and Special Support Grants for continuing full-time students.

- b) Dependants Grants (Adult Dependants Grant, Childcare Grant and Parents' Learning Allowance) for new and continuing full-time students.
- c) Disabled Students Allowance for new and continuing full-time, full-time distance learning, part-time and postgraduate students.
- d) Reduced rate, non-income assessed loans for living costs for full-time students undertaking NHS bursary years.

Background

The overall intention of support for living and tuition costs is to ensure that finance is not a barrier to entry into higher education. The intention is that no eligible student in England should be deterred from attending higher education on the grounds of affordability; that attendance in higher education is based on the ability to learn, not the ability to pay; and that spending power is placed in the hands of students.

This has and continues to be a guiding principle for the Government's reforms to the Higher Education student funding system, reforms that have aimed to expand and widen participation in Higher Education, ensure that the Universities in England have the funding they need to remain world class, whilst ensuring financial sustainability for the taxpayer

The Government is committed to maintaining the UK's world class higher education system while living within its means. Graduates generally earn considerably more than people without a degree. To put higher education funding onto a more sustainable footing, the Government is asking future graduates to meet more of the costs of their studies. That is why under the proposal announced at the Budget in July 2015, maintenance grants and special support grants would be replaced by loans for living costs for full-time students starting full-time courses in 2016/17. Students from disadvantaged backgrounds would still be able to access greater funding under the new student support living costs arrangements than students from wealthier backgrounds, and the total amount of funding they can access will be greater than without the introduction of these reforms.

Under the proposal announced at the Budget, these grants would be paid as a loan for students entering higher education from August 2016. This represents a substantial saving on BIS spend that affects the deficit on public sector net borrowing (PSNB). We estimate the grants savings to be around £2.3 billion in 2019-20, subject to student demand. This estimate does not factor in additional savings due to the Exchequer from Devolved Governments through the Barnett formula or the additional interest income that is charged on student borrowing. This therefore makes a significant contribution to one of the Government's principal fiscal objectives, to help eliminate the budget deficit by 2019-20.

It is recognised that the provision of more generous loans instead of grants will increase public sector debt in the short-term, and this increase will initially be greater than the savings generated by ceasing to provide maintenance grants to new students. However, as a large portion of these loans will be repaid, it will lead to a significant long-term reduction in public sector debt and hence an overall saving to the taxpayer.

Current Student Support Package for Living Costs

Under the current student funding arrangements for 2015/16, eligible full-time students aged under 60 at the start of the first academic year of their course can apply for means-

tested maintenance grants (maximum £3,387 in 2015/16) and loans for living costs, 35 per cent of which are based on the income of a student's household, and which vary depending on whether the student is studying in London or elsewhere, or is living at home. The greatest support is targeted at students from low income backgrounds who need the most help and who are underrepresented in higher education. For most students the household income is based on the income of their parents, or the parent with whom they normally live and where applicable their partner. Students on household incomes of £42,620 or less qualify for a full or partial maintenance grant. Maintenance grants and loans for living costs are a contribution towards a full-time student's living costs while they are attending university. The loan for living costs is paid at four different rates, depending on where the student is living and studying while attending their higher education course. A minimum non-income assessed loan is paid to all eligible full-time students regardless of income. Table 1 below summarises the current loan for living costs package available for new full-time students in 2015/16.

Table 1:

Loans for living costs in 2015/16 academic year - full-time students who started their higher education in 2015/16.

| Rate of loan | Maximum Loan (£) | Minimum non-income assessed loan (65% of maximum loan) (£) |
|--|-------------------------|---|
| Student living in parental home. | 4,565 | 2,967 |
| Student living away from home and studying in London. | 8,009 | 5,205 |
| Student living away from home and studying outside London. | 5,740 | 3,731 |
| Student studying overseas as part of their UK course. | 6,820 | 4,433 |

Full-time students eligible for benefits aged under 60 at the start of the first academic year of their course do not qualify for a maintenance grant in 2015/16. They instead qualify for a means-tested special support grant which is paid at the same rate as the maintenance grant. However, unlike the maintenance grant, the Department for Work and Pensions (DWP) do not take into account the special support grant as student income when calculating a student's means-tested benefits. This ensures that this group of students do not lose benefits support if they wish to attend a full-time higher education course.

Full-time students aged 60 or over on the first day of the first academic year of their course do not qualify for loans for living costs in 2015/16. However they do qualify for a means-tested special support grant which is disregarded by DWP when calculating benefits.

Targeted support

Targeted support is the additional funding awarded to students with specific needs. It includes Childcare Grant (CCG), Parental Learning Allowance (PLA), Adult Dependent's Grant (ADG) and Disabled Students Allowances (DSAs).

Childcare Grant

Childcare Grant (CCG) is one of the Grants for Dependants available to student parents undertaking full time higher education study. Students can apply for a childcare grant if they have children in Ofsted (or equivalent) registered childcare. The grant helps with childcare costs for children under the age of 15, or under 17 if they have special educational needs. The CCG is means tested and non-repayable. Payment covers up to 85per cent of childcare costs with a registered provider throughout the academic year, i.e. during term time, short vacations and the longest vacation, up to a maximum amount. (Currently up to a maximum of £155.24 per week for one child or £266.15 per week for two or more children).

Parental Learning Allowance

Parental Learning Allowance (PLA) is available to full-time students with children to cover some of the additional costs incurred by students with dependent children, such as higher travel costs, and books. PLA is non-repayable. Entitlement depends on household income, and students can receive up to a maximum of £1,573 a year.

Adult Dependant's Grant

Adult Dependents' Grant (ADG) is available to full-time students in higher education with an adult who depends on them financially. ADG is non-repayable. Entitlement depends on household income, and students can receive up to a maximum of £2,757.

Disabled Students Allowances

Disabled Students' Allowances (DSAs) are available to assist with the additional expenditure that a disabled student is obliged to incur whilst attending a higher education course because of their disability (including a long-term health condition, mental health condition or specific learning difficulty, e.g. dyslexia). DSAs are non-repayable, and are available to full-time and part-time undergraduate or postgraduate students, as well as to some distance learning students. How much a student gets does not depend on household income. Details of the maximum amounts available are set out in Table 2 below:

Table 2

| Allowance | Maximum Amount |
|--------------------------------------|----------------|
| Non-medical personal helper | £20,725 |
| Major items of specialist equipment | £5,212 |
| Other disability related expenditure | £1,741 |

Note: The equipment allowance is for the duration of the course. The other two allowances are annual amounts.

Widening participation

In the last Parliament the Government established a stronger framework with increased responsibility placed on providers to widen access. As part of this framework, the Director for Fair Access has agreed 183 Access Agreements for 2016/17 with plans for providers to spend more than £745 million on measures (up from £395m in 2009/10) to improve access and success while at university for students from disadvantaged backgrounds.

In April 2014, BIS published a national strategy for widening access, developed in partnership with HEFCE and OFFA. This was an important repositioning of the work on supporting students from disadvantaged backgrounds, to cover the whole student life cycle through to graduation, not just initial admissions.

For entry in 2015 the Government lifted the cap on aspiration and publicly funded universities can choose to recruit as many students as have the ability and wish to apply. Data published so far for entry in 2015 shows accepted applicants are at a record high at this point in the cycle. The latest data also shows record acceptance rates at this point in the cycle for 18 year olds from disadvantaged backgrounds.³

³ www.ucas.com/sites/default/files/ucas-entry-year-acceptances-day28-2015.pdf;
www.ucas.com/sites/default/files/28-aug-polar3-uk-ex-x1.pdf

Real progress has been made, with the entry rate of disadvantaged 18 year old domiciled English students at record levels.

Widening access remains a priority for this Government. The Prime Minister has set out challenging goals to double the proportion of people from disadvantaged backgrounds entering higher education by the end of this Parliament, from 2009 levels, and to increase the number of BME students going into higher education by 20per cent by 2020.

The Government announced further measures in the Green Paper aimed at building on the progress made⁴.

The Government have asked Universities UK to set up an expert advisory group on social mobility to provide advice to the Universities Minister in this area including on meeting the goals set by the Prime Minister, the progression of white boys from disadvantaged backgrounds, and reducing barriers for students with disabilities.

The Government have extended the term of office for the Director of Fair Access and will be issuing new guidance shortly.

The Prime Minister also recently announced that a range of organisations would recruit on a “name blind” basis to help address any potential discrimination. As part of this initiative, UCAS are consulting on our proposal for name blind applications to higher education. This will help to ensure that everyone - from whatever background - is treated equally when they apply to higher education through UCAS, building on the progress that Universities have already made on the progression of students from BME backgrounds to higher education sector. At the Autumn Statement, the Chancellor announced the government will provide new financial support through new loans for postgraduate Master’s degrees; and consult on maintenance loans for part-time undergraduate students.

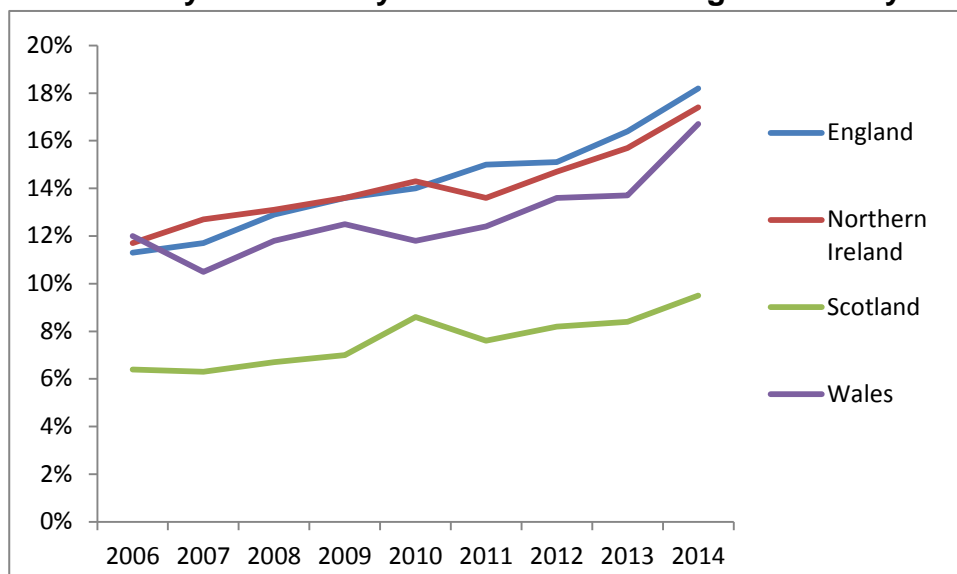
Evidence on participation in higher education shows good representation from groups such as women and those from minority ethnic communities. In absolute terms, women are more likely to go university than men. However, BIS research⁵ finds that males are slightly more likely than females to go to university once prior attainment is taken into account; they are also more likely to attend high tariff institutions. The latest evidence from UCAS also shows that more and more young people from disadvantaged backgrounds are going on to Higher Education whilst the proportion of students with a declared disability is increasing year on year. These groups have been traditionally thought as under-represented in Higher Education.

⁴ www.gov.uk/government/consultations/higher-education-teaching-excellence-social-mobility-and-student-choice

⁵ Socio-economic, ethnic and gender differences in HE participation (BIS, 2015)

In England the entry rate for disadvantaged 18 year olds increased by 1.7 percentage points (11 per cent proportionally) to 18.2 per cent between 2013 and 2014. Disadvantaged young people in England are now a third more likely to enter university in 2014 than five years ago (Chart 1).

Chart 1: 18 year old entry rates for disadvantaged areas by country of domicile



Source: UCAS

Description of proposed changes to the student support package for new students

1. Introducing a new living costs support package for eligible new full time students

Eligible new full-time students entering higher education from 1 August 2016 onwards, who are under the age of 60 on the first day of the first academic year of their course, in households with incomes of £42,620 or less, will no longer qualify for maintenance grants in the 2016/17 academic year. They will instead qualify for additional support for living costs through an extension to existing loans for living costs rather than through a grant. However, the existing system will continue to be available for full-time students continuing their courses in 2016/17.

For every £1 of maintenance grant a student qualifies for in 2015/16 will, for 2016/17, be paid as a loan for living costs. In addition, eligible new full time students with a household income of £25,000 or less will receive a 10.3 per cent increase in living costs support in 2016/17 compared with the 2015/16 living costs support package. For students living away from home and studying outside London this is an increase from £7,434 in 2015/16

to £8,200 in 2016/17, an increase of £766. The same percentage increases will apply in 2016/17 to living costs support for low income students living away from home and studying in London or overseas and those living in the parental home.

All eligible new full-time students will receive at least an inflationary increase (2.41 per cent) to their living costs support in 2016/17, when compared with 2015/16 regardless of income. Table 3 below illustrates this.

Table 3

Comparison of Living Costs Support for full-time students in 2015/16 and 2016/17

(Students aged under 60 at the start of the first academic year of their course who are not eligible for benefits and living away from home and studying outside London. Students on incomes of £42,620 or less in 2015/16 have some of their support paid as maintenance grant.)

| Household Income (£) | Total Living Costs Support in 2015/16 (£) | Total Living costs Support in 2016/17 (£) | Increase for 2016/17 (£) |
|-------------------------|---|---|--------------------------------|
| <25,000 | 7,434 | 8,200 | 766 |
| 25,000 | 7,434 | 8,200 | 766 |
| 30,000 | 6,961 | 7,612 | 651 |
| 35,000 | 6,487 | 7,023 | 536 |
| 40,000 | 6,014 | 6,434 | 420 |
| 45,000 | 5,519 | 5,845 | 326 |
| 50,000 | 4,998 | 5,256 | 258 |
| 55,000 | 4,476 | 4,667 | 191 |
| 60,000 | 3,955 | 4,078 | 123 |
| 62,180 | 3,731 | 3,821 | 90 |
| >62,180 | 3,731 | 3,821 | 90 |

2. Introducing a new living costs support package for new full-time students aged under 60 at the start of the first academic year of their course who qualify for benefits

The 2011 Regulations stipulate that full time students on household incomes of £42,620 or less who are eligible for certain benefits qualify for a means-tested special support grant instead of a maintenance grant in the 2015/16 academic year. The special support grant is not taken into account as student income by the Department for Work and Pensions when calculating a student's means-tested benefits. This means students eligible for benefits (mainly lone parents but also student couples and some disabled students) do not have their benefits reduced because they are receiving grant through the student support system. Full time students who qualify for special support grant are also entitled to more loan for living costs than other full time students in 2015/16.

New full-time students eligible for benefits entering higher education from 1 August 2016 onwards who are under the age of 60 on the first day of the first academic year of their course, in households with incomes of £42,620 or less, will no longer qualify for special support grants in the 2016/17 academic year. They will instead qualify for an increased loan for living costs which for new full-time students eligible for benefits on household incomes of £25,000 or less will be 2.41 per cent higher (forecast inflation)⁶ than the maximum special support grant and loan package available for low income students who are eligible for benefits in the 2015/16 academic year.

The maximum loan for living costs in 2016/17 for new full-time students who are eligible for benefits and are living away from home and studying outside London will be £9,347; for students living away from home and studying in London, £11,671; for students living in the parental home, £8,144 and for students studying overseas as part of a UK course, £10,453.

⁶ The 2.41% figure is derived from RPIX figures published by the Office for Budgetary Responsibility in March 2015 and was used when Ministers announced changes to student support in July 2015. Student support figures where relevant have been updated using this figure in the 2016/17 Student Support Regulations to be laid on 2 December.

Table 4**Loans for living costs for new students eligible for benefits in 2016/17 – maintenance and special support elements**

| Rate of Loan | Maximum special support element (£) | Maximum maintenance element (£) | Maximum loan for living costs (£) |
|---|--|--|--|
| Student living in parental home. | 3,469 | 4,675 | 8,144 |
| Student living away from home and studying on London. | 3,469 | 8,202 | 11,671 |
| Student living away from home and studying in London. | 3,469 | 5,878 | 9,347 |
| Student studying overseas as part of their UK course. | 3,469 | 6,984 | 10,453 |

For new full-time students eligible for benefits, the Department for Work and Pensions (DWP) take into account loans for maintenance as student income when calculating means-tested benefits (apart from a £110 a month disregard during term time). This means that DWP will reduce a student's benefits if they are receiving a loan for living costs where that loan is for maintenance. To minimise any effect on students' eligibility for DWP benefits, it has been agreed with DWP that part of the loan for living costs for students eligible for benefits will be treated as a special support loan (towards the costs of books, travel, equipment and childcare) and disregarded by DWP as student income when calculating benefits. Table 4 (above) sets out the maximum loans for living costs for students eligible for benefits and the maximum maintenance and special support elements of the loan for living costs.

DWP will take into account the maintenance element of the loan for living costs as student income when calculating benefits (apart from a £110 a month disregard during term-time). Eligible students on low incomes who qualify for additional loan for living costs above the maximum maintenance element will receive additional loan as a special support element up to a maximum of £3,469 for students on incomes of £25,000 or less. DWP will disregard the £3,469 special support element of the maximum loan for living costs when calculating benefits. This extends the existing arrangement with DWP to disregard the special support grant as student income when calculating a student's benefits. This is to minimise any effect on students' eligibility for DWP benefits.

3. Introducing a new living costs support package for new full-time students who are aged 60 or over on the first day of the academic year of their higher education course

The 2011 Regulations stipulate that full-time students aged 60 or over on the first day of the first academic year of their higher education course on household incomes of £42,620 or less qualify for special support grant in 2015/16 which is not taken into account as student income by the Department for Work and Pensions for students in receipt of means-tested benefits. However, this group of students do not qualify for loans for living costs in 2015/16.

New full-time students aged 60 or over on the first day of the first academic year of their higher education course in 2016/17, '2016 cohort students', will not qualify for special support grant in 2016/17. Those students on household incomes of £43,668 or less will instead qualify for an increased means-tested loan for living costs.

New full-time students aged 60 or over on the first day of the first academic year of their higher education course that are on household incomes of £25,000 or less will qualify for a maximum loan for living costs of £3,469 in the 2016/17 academic year, 2.41 per cent higher than the maximum special support grant available in 2015/16. Students with household incomes above £25,000 lose £1 of every loan for every complete £5.46 of income above £25,000 until a household income of £43,668 is reached where a minimum £50 loan is paid. Students on incomes above £43,668 do not qualify for a loan for living costs.

The loan for living costs for new full-time students aged 60 or over on the first day of the first academic year of their course will be paid as a special support loan rather than a maintenance loan. This is to ensure that the loan for living costs for this group of students is not taken into account as student income by DWP when calculating a student's means-tested benefits.

Changes to Maintenance Grants and Loans for continuing students

4. Increasing the maximum loan for living costs for full-time students continuing to attend their courses in 2016/17

The maximum loan for living costs for full-time students entering higher education on or after 1 September 2012 but before 1 August 2016 will be increased by forecast inflation 2.41 per cent for 2016/17 to £5,878 for students living away from home and studying outside London, £8,202 for students living away from home and studying in London, £4,675 for students living at home and £6,984 for students attending an overseas institution or an overseas period of study or work placement in an Erasmus year.

The maximum loan for living costs for eligible full-time students who entered higher education on or after 1 September 2009 but before 1 September 2012, will be increased by 2.41 per cent for 2016/17 to £5,292 for students living away from home and studying outside London, £7,404 for students living away from home and studying in London, £4,101 for students living at home and £6,299 for students attending an overseas institution or an overseas period of study or work placement in an Erasmus year.

5. Maintaining the maximum Maintenance Grant for eligible full-time students

The maximum Maintenance Grant for eligible full-time students continuing their higher education course in 2016/17 will be maintained at 2015/16 levels in 2016/17. The maximum Special Support Grant which is paid to low income full-time students eligible for benefits instead of Maintenance Grant will also be maintained at 2015/16 levels in 2016/17 for continuing full-time students eligible for benefits.

6. Increasing the maximum long-courses loan and reduced rate sandwich student loan for living costs for new and continuing full time students in 2016/17

The 2011 Regulations increase the maximum long-courses loan by forecast inflation, 2.41 per cent for new and continuing full-time students in 2016/17. For students living away from home and studying outside London the maximum long-courses loan will be £88 a week; for students living away from home and studying in London, £113 per week; for students living in the parental home, £57 a week and for students studying overseas as part of a UK course, £122.

Full-time students undertaking a work placement year of a sandwich course do not qualify for the full maintenance support package unless they are undertaking an unpaid placement in the public sector, as defined in the 2011 Regulations. Instead, most students undertaking work placement years qualify for a reduced rate, non-income assessed loan for living costs.

The 2011 Regulations increase the maximum reduced rate loans for living costs by forecast inflation, 2.41 per cent for full-time students undertaking a work placement year in 2016/17. For students living away from home and studying outside London, the maximum reduced rate loan for living costs will be £2,483; for students living away from home and studying in London, £3,487; for students living in the parental home, £1,863 and for students studying overseas as part of a UK course £2,970.

Full-time students attending courses that are longer than 30 weeks and 3 days in length during the academic year qualify for a means-tested long courses loan for each additional week or part week above 30 weeks and 3 days. Students attending their courses for 45 weeks or more in the academic year qualify for the same amount of long course loan as students attending for 52 weeks.

7. Preventing students from receiving childcare grant where that student or student's partner has a valid declaration of eligibility under the Childcare Payments Act 2014

Full time students who are eligible for student support and who have dependent children may apply for childcare grant (CCG) which provides an income assessed contribution of up to 85 per cent of the actual childcare costs subject to a maximum grant of £155.24 per week for one child or up to £266.15 per week for two or more children. These figures apply for the 2015/16 and 2016/17 academic years.

The Government is introducing Tax Free Childcare (TFC) for working families from autumn 2015. The Government will pay 20 per cent of childcare costs up to a maximum of £10,000 – up to £2,000 for each child up to the age of 12. Both parents must be in work and earning under £150,000. It is unlikely that many students in higher education will be entitled to Tax Free Childcare; however, there is a possibility that a small number of full time students on lower household incomes could be double funded through Tax Free Childcare and Childcare Grant.

The Government is amending the 2011 Regulations to prevent a student from receiving Childcare grant where that student or the student's partner has made a statement that they are eligible for Tax Free Childcare for a three month entitlement period.

The Evidence Base

Introduction

For this equality analysis the primary sources of data are:

- Higher Education Statistics Agency (HESA) student record data for all UK domiciled students at UK institutions.
- Student Loan Company (SLC) data on the characteristics of English domiciled student support recipients studying at UK institutions;
- Wider research undertaken by stakeholders, other organisations and BIS

These data sources allow us to examine the participation in and outcomes of higher education for students with protected characteristics of age, ethnicity, disability and gender and identify any potential impacts of the proposed student support policy changes. We have also looked at religion.

To date we are yet to find evidence to suggest that the characteristics of gender reassignment, pregnancy and maternity and sexual orientation have an impact of the likelihood of a student to receive certain student support products beyond the assumption that pregnant or maternal women would be more likely to receive or go on to receive certain targeted grants designed to support those with dependents or childcare.

As different participation rates in Higher Education are still apparent in connection to family income and economic status we will also look at the potential impact on individuals from lower income groups.

Our analysis of the evidence base is structured as follows:

- A) It first reviews the participation in higher education of groups that share a protected characteristic, and students from disadvantaged backgrounds. Participation is at the core of our analysis as without participating in higher education individuals may not go on to achieve the outcomes later discussed.
- B) Secondly it examines for each element of the student financial support system take-up among current full time English domiciled claimants compared to the wider student support population to ascertain whether there is over or under representation amongst protected groups. We also look at the characteristics of groups we know will be particularly affected by specific policy changes, e.g. students who receive benefits and students over 60 years old. SLC data tells us the average levels of support these groups received in 2013/14.

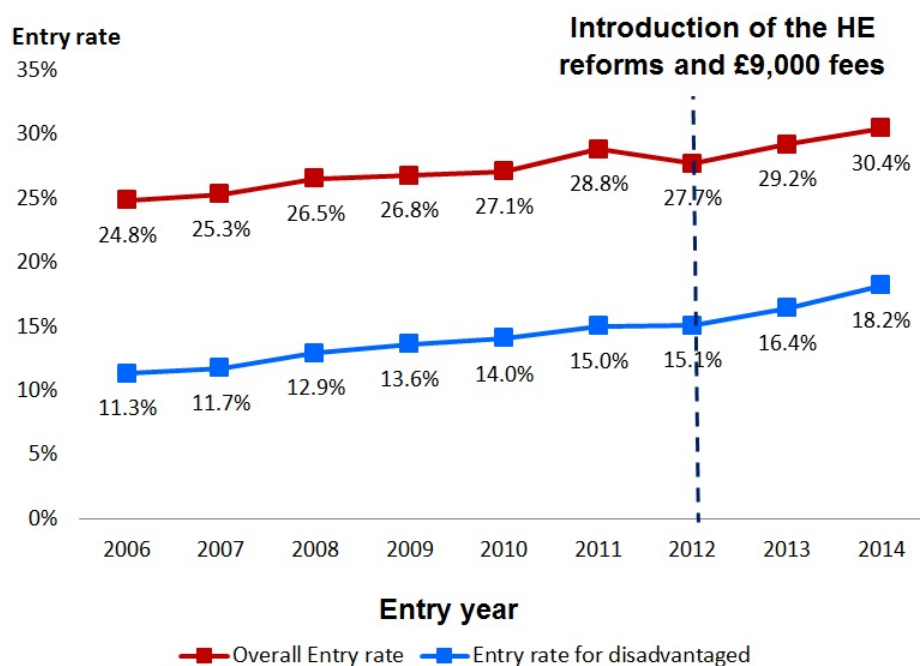
- C) Thirdly it reviews the evidence around the impact of different financial factors on participation in higher education. We review evidence on the impacts of previous reforms to student finance, attitudes to debt and individual decision making as well new research on the decision making of applicants to higher education in 2015.
- D) We then analyse evidence on other financial impacts beyond participation. In particular, we look at whether changes to the student finance package could potentially have an effect on student decisions of where to study, whether to take up paid work and whether to progress onto further study.
- E) Finally, the evidence base concludes with analysis on the outcomes of higher education. There is evidence of high returns at an aggregate level, but we also assess differences in student success by characteristic.

Later, as part of the equality analysis, we will analyse the nature and scale of potential impact on different protected groups and those from disadvantaged backgrounds based on the aforementioned evidence base. This includes a consideration of the cumulative impact of the different changes to the student financial support package, as well as the impact when combined with the Government's recent announcement that it will freeze the loan repayment threshold for five years from April 2016, with arrangements to be reviewed by April 2021.

A) Trends in higher education participation

Demand for full-time undergraduate degrees as measured by UCAS applications has continued to increase following the introduction of £9,000 tuition fees for 2012 entry. In 2014/15 over half a million people were accepted onto full-time undergraduate courses⁷. Data published by UCAS for entry in 2015 shows that applications were at a record high.⁸

Chart 2: Young Entry rates to higher education 2006-2014



Source: UCAS entry rates pre and post reforms⁹

Disadvantaged

There has been a dramatic improvement in the participation rate for disadvantaged young people. With an entry rate of 18.2 per cent, disadvantaged 18 year olds (POLAR2 Q1¹⁰) were 60 per cent more likely to enter in 2014 than they were in 2006. Since 2006 the entry rate from the most advantaged areas divided by the entry rate for the most disadvantaged areas has reduced from 3.8 to 2.5. For 2015 entry the application rate for 18 year olds from disadvantaged backgrounds is at a record level (21.0 per cent). UCAS also report that in 2004, 18 year olds in advantaged areas were 6 times more likely to apply to higher

⁷ UCAS 2014 End of Cycle report www.ucas.com/sites/default/files/2014-end-of-cycle-report-dec-14.pdf

⁸ www.ucas.com/corporate/news-and-key-documents/news/2015-cycle-applicant-figures-june-deadline

⁹ UCAS define disadvantage using the POLAR measure, see below footnote.

¹⁰ POLAR2 was developed by HEFCE and classifies small areas across the UK into five groups according to their level of young participation in HE. Each of these groups represents around 20 per cent of young people and is ranked from quintile 1 (areas with the lowest young participation rates, considered as the most disadvantaged) to quintile 5 (highest young participation rates, considered most advantaged).

tariff institutions than those from disadvantaged areas. By 2013 this ratio has reduced to 4.3 times demonstrating the progress that is being made in this area.

Table 5: Application rates for English 18 year olds to higher tariff institutions by POLAR2 quintiles

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Q1 (most disadvantaged) | 6.09% | 6.74% | 6.48% | 6.75% | 6.87% | 7.23% | 7.81% | 7.79% | 7.82% | 8.45% |
| Q2 | 11.10 % | 11.60 % | 11.30 % | 11.60 % | 11.40 % | 11.60 % | 12.40 % | 12.30 % | 12.20 % | 12.90 % |
| Q3 | 16.40 % | 16.70 % | 15.80 % | 16.20 % | 15.90 % | 16.40 % | 17.10 % | 16.80 % | 16.60 % | 17.40 % |
| Q4 | 23.50 % | 24.20 % | 22.60 % | 23.20 % | 23.10 % | 23.40 % | 24.20 % | 23.90 % | 23.20 % | 23.80 % |
| Q5 (most advantaged) | 36.50 % | 37.30 % | 35.70 % | 35.90 % | 35.80 % | 36.40 % | 37.00 % | 37.20 % | 36.10 % | 36.50 % |

Table 6: Entry rates for English 18 year olds

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|------|------|------|------|------|------|------|------|------|
| Entry rates for 18 year olds from the most disadvantaged areas (POLAR2 Q1) | 11.3 | 11.7 | 12.9 | 13.6 | 14.0 | 15.0 | 15.1 | 16.4 | 18.2 |
| 18 year old entry rate ratios, most advantaged areas relative to most disadvantaged areas | 3.83 | 3.67 | 3.43 | 3.23 | 3.14 | 3.11 | 2.89 | 2.74 | 2.53 |

Source: UCAS end of cycle report 2014

Gender

Entry rates for 18 year olds have been increasing for both men and women. Young women in 2014 were around a third more likely to enter higher education than men in 2014 (a similar proportional difference to other recent cycles). Disadvantaged 18 year old women were around 50 per cent more likely to enter than disadvantaged men in 2014.

Ethnicity

The entry rates for all ethnic groups increased in 2014, reaching the highest levels recorded for all groups, except the Chinese ethnic group. For the White ethnic group the entry rate was 27.2 per cent, Asian ethnic group 38.7 per cent, Black ethnic group 34.3 per cent, Mixed ethnic group 30.6 per cent, Chinese ethnic group 56.1 per cent and for the 'Any other' ethnic group it was 33.4 per cent. Young people from the Black ethnic group

have the largest increase in entry rates between 2006 and 2014, a proportional increase of 64 per cent¹¹.

Age

In England, the vast majority of people applying to university are aged 18 or 19. Amongst those aged 20+ application rates have generally been on an upward trend, although this has fallen back in the most recent year for which we have data (2015). According to the latest SLC data, there were only 524 students aged 60 or over receiving some form of financial support (out of a total of 959,000 students receiving support).

Table 7 below shows entrants to higher education by age at start of academic year.

Table 7: English domiciled entrants by age at the start of the academic year UK Higher Education Institutions, Academic Years 2008/09 to 2013/14

| Age at start of Ac Year | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Under 18 | 790 | 805 | 735 | 710 | 560 | 545 |
| 18 years | 142,770 | 148,280 | 148,735 | 165,135 | 153,635 | 160,480 |
| 19 years | 70,740 | 73,810 | 75,430 | 79,210 | 60,490 | 76,265 |
| 20-29 years | 67,815 | 70,430 | 67,685 | 69,205 | 63,045 | 67,900 |
| 30-59 years | 18,005 | 18,905 | 17,905 | 19,930 | 19,115 | 19,310 |
| 60 years & over | 205 | 160 | 170 | 115 | 95 | 140 |
| Age unknown | 10 | 5 | 5 | 10 | 5 | - |
| Total | 300,340 | 312,395 | 310,665 | 334,315 | 296,940 | 324,640 |

Source: Higher Education Statistics Agency (HESA) Student Record¹²

Disability

Data from the Higher Education Statistics Agency (HESA¹³) shows that the proportion of UK domiciled entrants to HE Providers declaring a disability has risen in recent years from 8.2 per cent in 2010/11 to 10.2 per cent in 2013/14. However, it is unclear whether this is solely an improvement in disabled student numbers or if it reflects an increase in the proportion of disabled students choosing to make a declaration.

¹¹ www.ucas.com/sites/default/files/2014-ucas-end-of-cycle-report-v2.pdf

¹² Figures are rounded to the nearest 5 so may not add to totals.

¹³ HESA Student Record 13/14

B) Characteristics of full time undergraduate student support claimants

Table 8 shows the profile of student support claimants by type of student support product. This compares the protected characteristics profile of maintenance grant claimants to the wider population of student support claimants to examine whether some groups are under; over or proportionately represented in the population of maintenance grant claimants. This is also compared to the wider full time student population as recorded in the HESA student record.

The definition of the student support claimant population, for the purposes of this analysis, is English domiciled full-time undergraduate students awarded at least one student support product (excluding tuition fee loans) by the SLC in academic year 2013/14.

The data shows that in 2013/14:

- The number of students awarded any form of student support (excluding tuition fee loans) from the Student Loans Company, including loans for living costs was 960,000.
- 567,000 English undergraduate students were awarded a full or partial maintenance or special support grant for full time study.
- 88.9 per cent of students were awarded a loan for living costs.
- 45 per cent of students who started after 2012 were awarded a full maintenance grant of £3,387 a year.
- A further 14 per cent of students currently were awarded a partial grant on household incomes of between £25,000 and £42,620.

Table 8: Profile of 2013/14 full time undergraduate student support claimants by product

| Student Support product[1] | No. of claimants (rounded to nearest 100) | Disability status | | Gender | | Age [3] | | Ethnic group[3] | |
|--|---|--|---|------------|------------|------------|------------|-----------------|---------------------|
| | | Receiving Disabled Students Allowances | Not receiving Disabled Students Allowances[2] | Male | Female | Under 21 | 21 + | White[4] | Ethnic minority [5] |
| Maintenance Grant – Full Grant | 379200 | 6% | 94% | 48% | 52% | 55% | 45% | 66% | 34% |
| Maintenance Grant – Partial Grant | 151300 | 6% | 94% | 47% | 53% | 69% | 31% | 82% | 18% |
| Special Support Grant – Full Grant | 35800 | 13% | 87% | 14% | 86% | 5% | 95% | 59% | 41% |
| Special Support Grant – Partial Grant | 600 | 42% | 58% | 35% | 65% | 35% | 64% | 76% | 24% |
| Loan for Living Costs | 959800 | 6% | 94% | 47% | 53% | 62% | 38% | 75% | 25% |
| Childcare Grant | 16200 | 10% | 90% | 11% | 89% | 5% | 95% | 55% | 45% |
| Parents' Learning Allowance | 46800 | 9% | 91% | 23% | 77% | 3% | 97% | 58% | 42% |
| Adult Dependants Grant | 13300 | 8% | 92% | 49% | 51% | 1% | 99% | 55% | 45% |
| Disabled Students' Allowances | 61500 | 100% | N/A | 41% | 59% | 52% | 48% | 82% | 18% |
| All student support claimants [6] | 959800 | 6% | 94% | 47% | 53% | 62% | 38% | 75% | 25% |

Notes:

[1] Source: Student Loans Company records: English domiciled full time undergraduate students awarded student support (excluding tuition fee loans) in 2013/14.

[2] This group will include students who declare a disability who are not eligible for Disabled Students Allowance. Not all students with a disability will have one that impact on their ability to study in HE.

[3] Age at start of course

[4] White group includes British, Irish and Other White

[5] Ethnicity data is provided voluntarily and is available for only 14% of all student support claimants, with coverage differing across each type of student support product. Data not disaggregated further due to poor coverage of ethnicity data in SLC dataset.

[6] All English applicants awarded student support for full-time study. Awards do not necessarily translate into payments. An awarded applicant will only receive payments once SLC have received confirmation from the student's provider at the start of the academic year that the student has been registered on the course.

[7] 88.9% of the estimated Loan for Living Costs eligible population at Public Providers of Higher Education receives at least one form of student support, including loans for living costs and therefore this is a suitable approximation of the total English domiciled full time undergraduate population.

[8] Data may not sum to 100% due to rounding.

Disability

Table 8 shows the proportion of disabled and non-disabled students awarded different types of maintenance support compared to their representation in the overall student support claimant population.

It is important to note that the SLC does not require a student to declare whether or not they have a disability, we have therefore used as a proxy students applying for Disabled Students Allowances (DSA). It should be noted, however, that we would expect this to be a subset of the total number of students with a disability as eligibility requires that the disability impacts on their ability to study, which will not always be the case.

The SLC's data in Table 8 shows that DSA claimants are:

- Proportionately represented in the full and partial maintenance grant and loan for living costs populations;
- Significantly over represented in SSG population, particularly in the partial grant population, compared to their representation in the total student support claimant population;
- Over represented in the dependants related grant allowances (CCG, PLA and ADG).

Gender

The data in Table 8 shows that:

- The gender profile of the sub populations claiming maintenance grants, both for full and partial grants, and loans for living costs are broadly similar to that of the total student support population;
- Female students are overrepresented in both the full and partial SSG populations;
- Female students are significantly over-represented in the population of childcare grant and parents' learning allowance claimants;
- Female students are more modestly over represented in the DSA claimant population;
- Males are over-represented in the adult dependants grant.

Age

SLC data in Table 8 shows the percentage of young and mature students (defined here as being 21 years of age or over **at the start of their course**) awarded different types of student support. The data shows that **mature students** are:

- Over-represented in the full maintenance grant claimant population and under-represented in the partial grant claimant population. This is likely to reflect the fact that some mature students are more likely to be assessed as independent students with eligibility based on their individual household income (and where applicable, their partner's income) rather than on the household income of their parents¹⁴;
- Significantly over represented in the special support grant claimant populations, both for full and partial grants and in the dependants related grant populations;
- Over represented in the DSA claimant population.

Ethnicity:

It is important to note that there are significant limitations on ethnicity data as reported by the SLC, as students are not required to declare their ethnicity, with 86 per cent of student support claimants electing not to do so. This makes drawing firm conclusions difficult.

The available data (based on a 14 per cent declaration rate) suggests:

- Ethnic minority students are over-represented in the full maintenance grant and the full special support grant claimant populations;
- White students are over-represented in the partial maintenance grant populations;
- The ethnic profile of the population claiming loans for living costs is the same as that of the total student support population;
- White students are over-represented in the DSA claimant population;
- Ethnic minority students are over-represented in the in the dependants related grant populations compared to their representation in the total student support population.

As mentioned above, we are aware that ethnicity data from the SLC is limited so have considered a range of other sources in order to assess whether it is appropriate to assess impact on the basis of the SLC data. We have done this in the following way:

¹⁴ Mature students aged 25 or over on the first day of an academic year and certain other categories of student – e.g. married or in civil partnership – have their income assessment based on their own and where applicable their partner's taxable income. Not all students aged 21 or over at the start of their course will be treated as independent for student support purposes

1. Assessed HESA student record data for the 2013/14 academic year (see Table 2) to see if this and the overall SLC population have a similar representation in terms of ethnic minority groups, which they do at around a quarter being black or of another ethnic minority. While this does not prove that the SLC ethnic minority breakdown for each type of financial support is representative, it does suggest that there is not a systematic bias at the total population level.

Table 9: Disadvantage and protected characteristics profile of all English domiciled students at UK institutions in 2013/14

| Disability Status | | Ethnicity | | Gender | | Age | |
|----------------------------|---|-----------|-------------------------|--------|--------|----------|-------------|
| Known to have a disability | In receipt of Disabled Students Allowance | White | Black & Ethnic minority | Male | Female | Under 21 | 21 and over |
| 13% | 7% | 74% | 26% | 45% | 55% | 63% | 37% |

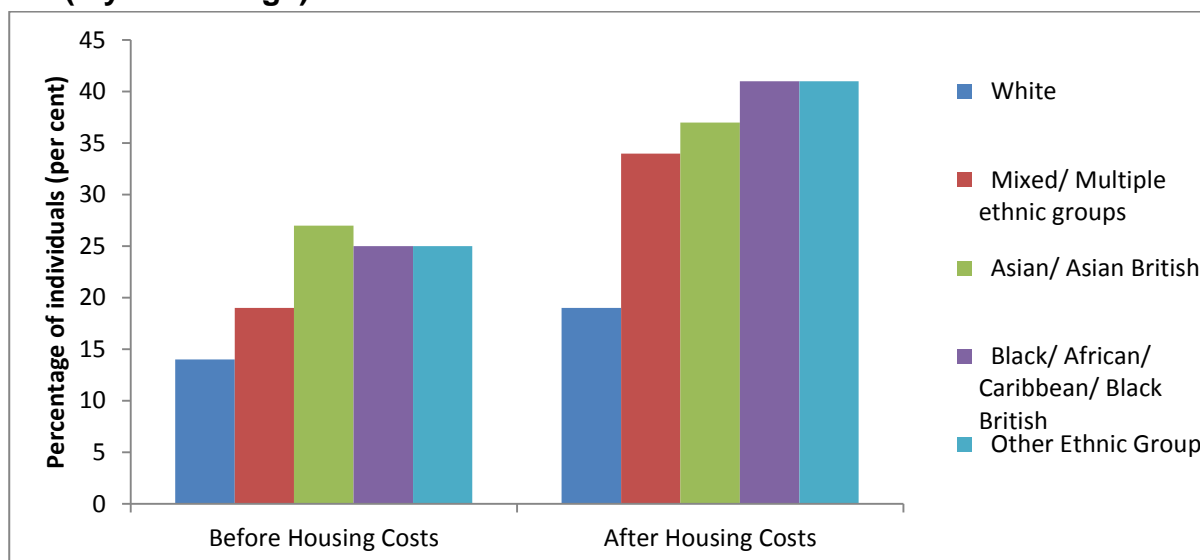
Source: HESA student record 13/14, based on 977,259 observations

2. Analysed the relationship between being from an ethnic minority background and low income status. A link would strengthen the assertion that those from ethnic minority backgrounds are over represented in the maintenance grant population

Evidence from DWP¹⁵ finds that individuals living in households headed by someone from an ethnic minority were more likely to live in low income, as demonstrated in chart g, and supports the suggestion that students from ethnic minority backgrounds are more likely to receive maintenance grants.

¹⁵ www.gov.uk/government/uploads/system/uploads/attachment_data/file/437246/households-below-average-income-1994-95-to-2013-14.pdf

Chart 3: Percentage of individuals in relative low income¹⁶ by ethnic group, 2013/14, UK (3-year average)



Source: DWP – Households below average income publication

3. Explored the differences in ethnic groups in terms of other income differences using the Student Income and Expenditure Survey, a representative survey of English HEI students.

The Student Income and Expenditure Survey (2012) showed that Black students tend to have lower incomes on average than white students when controlling for all other factors. Black/black British students were found to rely more heavily on other sources of student support compared with students from white and other backgrounds. They tend to receive very little on average from their families in terms of contribution to student costs compared with other students.

Asian and Asian British students had lower total income on average than white students, however when controlling for all other factors (such as family type and whether they lived away or at home) being Asian/Asian British was not found to be significantly associated with level of total income. Instead the differences in incomes between these two ethnic groups were more likely to reflect their different profiles – particularly in terms of other factors found to be significantly associated with total income. Notably Asian and Asian British students were much more likely than white students to be living at home with the parents/family (61 per cent compared with 19 per cent).

Our conclusion is that the data sources examined are broadly consistent with the SLC data.

¹⁶ Relative low income is based on 60 per cent of median income

Average amounts of student support awarded

Table 10: Average levels of undergraduate student support by claimants' characteristics

| | Average partial grant (£) | Average grant amount (£) [partial and full] |
|------------------------|---------------------------|---|
| Female | 1561 | 2768 |
| Male | 1552 | 2787 |
| | | |
| 21 and over | 1478 | 2847 |
| Under 21 | 1592 | 2728 |
| | | |
| White | 1494 | 2684 |
| Minority Ethnic | 1673 | 2986 |
| | | |
| DSA | 1578 | 2820 |
| Non-DSA | 1556 | 2774 |

Source: SLC

In terms of the average amounts of partial grants awarded and average grant amount overall (across claimants of both full and partial grants) analysis of SLC data (Table 10) shows that there is very little variation across protected groups. The most notable difference is between the average partial and average overall grant amount awarded to White and Non-white groups, around £179 and £300 respectively. The larger difference in the overall amount of maintenance grant awarded in part reflects minority ethnic groups being over-represented in the full grant population.

New students aged 60 years old and above

It is proposed that new full time students aged 60 or over on the first day of the first academic year of their higher education course in 2016/17, will no longer qualify for a special support grant. Those students on household incomes of £43,668 or less will instead qualify for a means-tested loan for living costs. The current characteristics of student support claimants aged 60 years old and above at the start of their course are shown in Table 11.

Table 11: Characteristics of student support claimants in 2013/14 aged 60 and above at the start of their course compared to the total student support claimant population

| | 60 and above | Total Student Support |
|--------------------------------------|---------------------|------------------------------|
| White | 74% | 75% |
| Ethnic Minority | 26% | 25% |
| Female | 48% | 53% |
| Male | 52% | 47% |
| Non - DSA | 81% | 94% |
| DSA | 19% | 6% |
| Full Maintenance Grant | 15% | 40% |
| Full Special Support Grant | 67% | 4% |
| Partial Maintenance Grant | 1% | 16% |
| Partial Special Support Grant | 3% | 0% |
| Childcare Grant | 0% | 2% |
| Adult Dependants Grant | 7% | 1% |
| Parental Learning Allowance | 4% | 5% |

Source: SLC

By definition this group of claimants share the protected characteristic of age. Table 11 also shows that:

- The ethnic profile of student support claimants aged 60 or above on the first day of their course is similar to that of the overall student support population.
- The aged 60 and above population are slightly more likely to be male than female, this is a reversal of the situation in the student support population.
- The aged 60 and above age group are significantly more likely to be disabled than the overall student support population.

Students eligible for benefits

Most full-time higher education students do not qualify for benefits. However certain groups of students such as lone parents and some disabled students who qualify for disability benefits are entitled to support under both the BIS student support and DWP benefits systems. This group of students qualify for a special support grant (SSG) under

the 2011 Regulations for their full-time higher education course which is paid instead of the maintenance grant.

In 2013/14, around 36,000 full-time students attending their courses received special support grant, around 6.3 per cent of the 567,000 full-time students awarded maintenance grant or SSG in 2013/14.

C) The impact of different financial factors on participation in higher education

In theory, student finance can influence student decisions in the following ways:

- By providing students with access to funds to cover their tuition and maintenance costs during their period of study. Without the provision of government finance many students would not be able to afford University, with imperfect capital markets and insufficient personal savings and/or family resources unable to fill the gap. Increases in the size of financial support would be expected to have an upward effect on participation.
- By influencing the cost of, and hence returns, from studying. This will depend both on the nature of the finance – a loan would ordinarily be more expensive than a grant as there is usually an underlying expectation that it will be repaid – as well as the terms on which it is offered e.g. interest rate. If the cost of finance increases then this may have a downward effect on participation, though if the overall expected return to Higher Education is expected to be high then this effect is likely to be more muted.
- Individual students' decision making behaviour. Both the extent to which financial factors feature in their decision framework compared to other things and their willingness to accumulate debt.

This section considers the key available evidence in relation to how changes in financial support might affect students' decision making and outcomes from Higher Education.

Impact of past reforms

Over the last decade or so a number of reforms have been made that have seen a greater share of the cost of higher education moving towards the student rather than the taxpayer. While care is needed in extrapolating patterns observed in the past, they generally suggest that the crucial driver of student participation is the ability to access sufficient support to cover their costs, rather than the form in which that support is given.

Research by the Institute for Fiscal Studies showed that increases in grants and loans have had a similar sized impact on participation¹⁷. The main finding is that a £1,000 increase in upfront tuition fees reduces degree participation by 4.4 percentage points, while a £1,000 increase in loans increases participation by 3.2 percentage points and an increase in maintenance grants increases participation by 2.1 percentage points. This research finding suggests that an increase in loans for living costs can to some extent offset the negative impact on participation of a reduction in maintenance grants. However, it is difficult to be certain with this statistical modelling whether such an impact could be fully offset.

At an aggregate level there is currently no evidence that the 2012 reforms, which saw a significant increase in HE fees and associated student debt levels has had a significant impact in deterring the participation of young students from low income backgrounds. Instead, following the 2012 reforms entry rates to HE for young people in the most disadvantaged groups have risen to the highest levels on record (see chart 1). Initial concerns that the increase in the tuition fee cap to £9,000 would deter students from under-represented groups have not emerged. While there was a short term effect in terms of a large drop in entrants in 2012, the evidence suggests this was largely driven by a change in deferral behaviour¹⁸. UCAS data has since indicated that deferrals have returned to normal.

Analysis of HESA student record data also suggests that the diversity of the full time first degree entrant population in 2013/2014 has not been significantly affected by the major reforms of 2012.

- Improvements were reported for the sector wide widening participation performance indicators on the representation of lower socio-economic groups and students from low participation neighbourhoods in the 2013/14 population of young full time first degree entrants (see Table 12).
- The proportion of student entrants aged over 21 in 2013/14 at 19.7 per cent was similar to 2010/11 (19.8 per cent).
- Females remained over-represented, increasing slightly to 55.4 per cent of full time first degree entrants in 2013/14, compared to 54.1 per cent in 2010/11.
- The proportion of disabled full time first degree entrants increased from 9.4 per cent in 2010/11 to 11.6 per cent in 2013/14.
- Ethnic minorities' representation within the full time first degree entrant population increased to 27.1 per cent, from 24.3 per cent in 2010/11.

¹⁷ The Impact of Higher Education Finance on University Participation in the UK, Dearden et al, BIS 2010.

¹⁸ Higher Education in England: Impact of the 2012 reforms, HEFCE, March.

Table 12: Proportion of under-represented groups amongst UK-domiciled young, full-time first degree entrants at English HEIs

| | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|---|---------|---------|---------|---------|
| State school pupils | 88.7% | 88.9% | 89.3% | 89.7% |
| Lower socio-economic groups (NS-SEC classes 4,5,6 and 7) | 30.6% | 30.7% | 32.3% | 32.6% |
| Low participation neighbourhoods (POLAR3 quintile 1) | 10.0% | 10.2% | 10.9% | 10.9% |

Source: HESA, Widening Participation table T1a

Further data monitoring the outcomes of the 2012 reforms is provided in **Annex 2**

Impact of financial factors on decision making

When it comes to students' individual decision making, the research (again prior to the 2012 reforms) shows that aspirations for higher education amongst many higher education applicants and students appear not to be dented by financial factors¹⁹. When student focus groups were asked about their decision making process, finance was often described as playing a minor role in institution and course choices. Where financial factors were mentioned, these were often in relation to costs such as accommodation, rather than directly comparable course and institution considerations such as fees and bursaries.

Research undertaken more recently (post the 2012 reforms) has shown that student loans are becoming more acceptable than previously anticipated. Research conducted in 2015²⁰ has found that many undergraduate students from lower social-class backgrounds showed "positivity about debt as a means of enabling them to access higher-level careers". The study found that "more generally, the mainstream of student attitudes appears to fall between the 'debt-savvy' and 'debt-resigned' types, with students being relatively well-informed about repayment terms and accepting large-scale indebtedness as normal". Another study²¹ using data from students in year 13 found that the primary response to study-related debt is that "there is no point worrying". This is because a higher education degree was considered vital to securing employment in a competitive labour market.

Other research, however, suggests that attitudes to debt are not uniform across the student population. Students from lower social classes and mature are more debt averse and more concerned about the costs of HE and this (alongside other factors) can play into decisions about participation in HE²². Survey data from the NUS (2012) shows older

¹⁹ "The role of finance in the decision making of Higher Education applicants and students", IES, BIS research paper no.9 January 2010.

²⁰ What do we know about the impact of financial support on access and student success? (OFFA, 2015)

²¹ ESSON, J. and ERTL, H., 2015. No point worrying? Potential undergraduates, study-related debt, and the financial allure of higher education.

²² For example Access for All: An investigation of young people's attitudes to the cost of higher education using the Longitudinal Study of Young People in England (Strategic Society Centre, 2013)

higher education students are more likely to worry about their financial situation²³. BIS research finds that some mature students in particular have a preference for a smaller financial support package made up of non-repayable grants and bursaries when compared with a larger package made up of loans – again indicating their preference for lower indebtedness²⁴. Additionally, a further finding from Universities UK²⁵ is that single parents are more likely to be debt averse. As single parents are more likely to be female than male, this suggests that debt aversion is more likely to be an issue for female students.

Some Muslims believe that charging interest (riba) is forbidden under Sharia principles and could potentially deter some Muslim students from taking out interest bearing loans. Interpretations of Sharia principles differ widely within the UK Muslim population, and some interpretations indicate that it is only forbidden if it leads to profit for the lender. However, other interpretations of Sharia consider all interest to be forbidden.

The Government has made significant strides in designing a Sharia-compliant student finance product. In April 2014 BIS conducted a consultation on a Sharia-compliant alternative finance product for undergraduate students. Upon review of consultation responses, the Government supported the introduction of a Sharia-compliant Takaful Alternative Finance product available to everyone and pledged to work on its development. This work is ongoing, and subject to Parliament, the Government hopes to introduce the system through new legislation.

Decision making of 2015 HE applicants

Forthcoming BIS research on the influence of finance on higher education decision making²⁶ is broadly in line with evidence obtained pre-2012. This research shows that post the 2012 reforms, financial factors continue to play a secondary role in the participation decision for both high and low socio-economic groups. Where 100 represents the average importance of a factor being influential on their decision, “wishing to improve job opportunities/salary prospects”, “achieve the qualification”, “to pursue an interest in the subject” and “getting the course I want” were all more than twice as likely than average to be rated as important to their decision (i.e. had index scores of 200 or more) regardless of socio-economic group. Financial factors such as living costs, tuition fees, and access to loans, grants and bursaries were all rated as below average factors affecting their decision. Although low socio-economic groups placed more importance on financial factors

<http://strategicsociety.org.uk/wp-content/uploads/2013/07/Access-for-All1.pdf>, C. Callender and J. Jackson, (2005), “Does the fear of debt deter students from higher education?”, *Journal of Social Policy*, Vol 34, No 4. This study was based on a survey of 1,954 prospective HE students studying in 82 FECs, schools and sixth form colleges. In addition Gorard S, Smith E, May H, Thomas L, Adnett N and Slack K (2006). *Review of Widening Participation Research: Addressing the Barriers to Participation in Higher Education: A report to HEFCE by the University of York, Higher Education Academy and Institute for Access Studies.*

²³ The Pound in Your Pocket Summary Report, NUS, 2012

²⁴ The role of Finance in the Decision Making of HE Students and Applicants, BIS, 2010

²⁵ Universities UK – Attitudes to debt

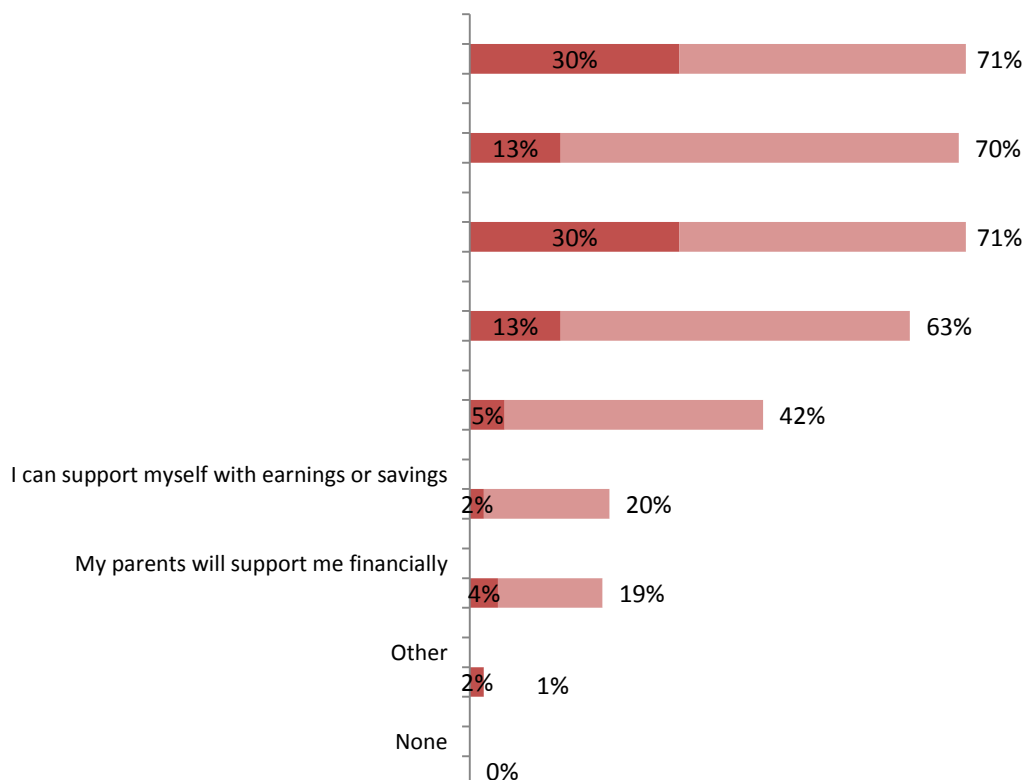
²⁶ “Influence of finance on HE decision-making”, Youthsight, BIS research paper (forthcoming)

than high groups these factors firmly remained a secondary factor in the participation decision.

It also shows that around three quarters of applicants in 2015 agree or strongly agree with the statement “I am comfortable with taking out a loan in order to invest in my future”. Around 12 per cent disagreed or strongly disagreed. However some groups were less comfortable including non-white applicants, those that declared a disability and females (seven in ten agree or strongly agree compared to three quarters overall). Despite indications that low socio-economic groups are more inclined to worry about debt than more advantaged groups they were slightly more likely to agree that they “would rather have access to loans to comfortably support me through university” than high groups (78 per cent vs. 76 per cent respectively).

However costs continue to be a cause of concern. The new BIS study found that over half (54 per cent) of applicants say they felt put off by the cost of university. Exploring which elements of the current finance offer were the most important in helping to overcome the cost deterrent, the most frequently cited elements were the availability of loans (for fees and living costs) and the repayment threshold. Applicants from lower socio economic groups, females and applicants aged over 21 were groups that were most likely to cite the repayment threshold as important in helping persuade them to apply to university despite the costs – around seven in ten in each case, and around three in ten considered it to be the most important factor. Figure 4 below provides the figures for poorer applicants (socio-economic groups C1-E) and shows that tuition fee loans and the income contingent repayment threshold were most important in persuading them to apply despite the costs. One in seven felt that access to maintenance loans and grants towards living costs were the most important aspects of the funding package (13 per cent in each case). There was a large difference by socio-economic group regarding the importance of grants – just 26 per cent of higher groups thought they are important (compared to 63 per cent of lower groups) and 5 per cent the most important. Non-white applicants were also more likely to cite the importance of maintenance grants in overcoming their concerns about costs, as were those planning to attend universities outside the top third selective institutions.

Figure 4: Which aspects of funding were important (and most important) in helping to alleviate concerns about costs of university – C1-E SEG group Applicants only



Source: Influence of finance on higher education decision making, BIS research (forthcoming)

Base: All English applicants surveyed who are members of the C1-E socio-economic group and put off by the cost of university (n=376)

The new BIS study also shows that student finance factors (e.g. bursaries, tuition fees, and living costs) are among the least frequently cited major influences on where to study for applicants, although lower socio-economic groups are more likely to consider financial factors such as living costs and local earnings opportunities than more advantaged applicants do. Around a quarter of applicants from poorer backgrounds considered a location where they could continue to live at home as being a major influence on their decision, compared to one in ten more privileged applicants. However it is not clear whether the importance of this factor is linked directly to concerns about financial factors and UCAS entry data suggests it has not had an impact on applications. A study (under the previous funding regime) found that the proportion of students who lived at home who had been influenced by consideration of the cost of living and course fees/bursaries was relatively low²⁷.

²⁷ Learning from Futuretrack: studying and living at home”, HECSU, BIS Research paper no 167, March 2014

The forthcoming research for BIS on the influence of finance on higher education decision making explored with 2015 HE applicants how their participation decisions could be changed by changes in the student support offer, including the effects replacing maintenance grants with loans for living costs would have on their participation decisions. The study finds this has only a small impact on hypothetical stated intentions to go on to University. A small proportion (5 per cent of applicants) say that they would no longer apply to university. This response was more common amongst those from lower socio-economic groups, with 8 per cent indicating they would no longer apply compared with 3 per cent of respondents from higher socio-economic groups.

It is important to note that these are self-reported intentions, and it is not clear that they would always translate in to actions. This is a common issue with such attitudinal research. For example, LSYPE analysis (see footnote 20) shows that amongst Level 2 qualifiers at KS4 who had expressed a motivation to go to university, approximately one third (36 per cent) of them felt deterred by costs. In actuality, two thirds of these individuals eventually went on to apply. We have also seen that raising tuition fees in 2012 did not translate into the reduced demand from lower socio-economic groups that may have been anticipated. It should also be noted that respondents to the survey did not necessarily consider the availability of additional loan amounts to over and above the recompense of their loss of grant.

D) Financial impacts beyond participation

Living costs and student success

The Student Income and Expenditure Survey 2011/12 showed that living costs constituted the largest category of spending for students (48 per cent of spending for full time students) whilst housing costs accounted for a further fifth of expenditure. Evidence from an NUS report showed that 48 per cent full time undergraduate students reported that they regularly worry about not having enough money to cover basic living expenses. Around a third of students indicated that they felt unable to concentrate on studies without worrying about finances²⁸, however only one in ten seemed to strongly indicate that they felt this way²⁹. The Student Income and Expenditure Survey³⁰ and the NUS Accommodation Survey³¹ highlight the increasing costs in accommodation for students. These affect students, particularly in London and the South East. An increase in maintenance loan for those from the poorest backgrounds will look to alleviate these concerns.

²⁸ The Pound in Your Pocket Summary Report (NUS, 2012)
www.nus.org.uk/PageFiles/12238/2012_NUS_PIYP_Interim_Survey_Results.pdf

²⁹ The Pound In Your Pocket: Survey Results Interim Report
www.nus.org.uk/PageFiles/12238/2012_NUS_PIYP_Interim_Survey_Results.pdf

³⁰ Pollard et al Student Income and Expenditure Survey 2011/12 (BIS Research Paper No 115).

³¹ Accommodation Costs Survey, (NUS, 2013)

Paid work

Many students expect to work whilst studying and commonly undertake some paid work during the academic year. Whilst this is primarily for financial reasons students recognise there are benefits for longer-term employability and graduate opportunities³². The 2012 Student Income and Expenditure Survey reported that 52 per cent of all full time HE students³³ undertook some paid work during the academic year earning on average £3,200. Working was most common among female students, those married or living with a partner, those living with their parents during term-time, and students of independent status. Women were significantly more likely than men to undertake paid work during the academic year (55 per cent compared with 49 per cent). There were no differences in socio economic groups in the propensity to undertake paid work during the academic year.

The BIS Futuretrack report on working while studying showed that the number of hours that students work during term-time were relatively low, with around 70 per cent of respondents working for less than 15 hours per week. Respondents from lower socioeconomic backgrounds are more likely to work longer hours during term-time than those from higher socio economic backgrounds. Those working longer hours are more likely to say it was for financial necessity. Mature students (those who were aged over 21 years when they entered university) also tended to work longer hours than younger respondents as did those from minority ethnic groups³⁴.

It is unclear what effect changes to the student finance package will have on their decision to work. On the one hand where more funding is made available, it could reduce the need to work. On the other, where the terms are seen as less preferable it may encourage people to work to reduce the amount of debt they accumulate.

While the evidence on the impact of part-time working on student outcomes is mixed it would seem to suggest that some level of part-time employment can be beneficial, but beyond a certain level it can have a detrimental effect on student outcomes.

BIS research on working while studying showed that those working particularly long hours reported being exhausted and it having an impact on the quality of their work³⁵. Research from CHERI³⁶ reported that term time working is negatively associated with degree

³² Working while Studying: a follow-up to the Student Income and Expenditure Survey, 2011/12. BIS Research No 142.

³³ Unweighted sample size for all full-time students – n=2982.

³⁴ Learning from Futuretrack: the impact of work experience on student HE outcomes, HECSU, BIS Research No 143.

³⁵ BIS qualitative study with students 'Working while studying: a follow up to the Student Income and Expenditure Survey, 2013).

³⁶ Survey of higher education students' attitudes to debt and term-time working and their impact on attainment

A report to Universities UK and HEFCE by the Centre for Higher Education Research and Information (CHERI) and London South Bank University.

outcomes even after taking into account other factors (institution attended, qualification on entry, gender, subject of study, age on entry). For example, “For a student working 16 hours a week the odds of getting a good degree to not getting a good degree are about 60 per cent of the odds for a similar non-working student.” However, other studies have shown that gaining work experience whilst studying has a positive impact on employment and degree outcomes. The BIS Futuretrack report showed that respondents who had undertaken both work-based learning and paid work tended to have the most positive outcomes whilst those who had undertaken no work had the least positive outcomes. For example respondents who had no work experience at all had the highest proportion of those who felt their job was inappropriate for them and were also more likely to be in non-graduate or unpaid work.³⁷

Institution and course choice

The research prior to 2012 has shown that while financial factors may not significantly impact on students’ aspirations for HE they can affect the students’ decisions regarding where to study, in particular choosing to study locally in order to live at home and reduce costs³⁸. One study showed that fear of debt constrained the choices of lower socio-economic groups and significantly influenced decisions (i) to apply to university with a low cost of living and (ii) to apply to a university located in an area with good employment opportunities for term time work. The alternative to the traditional model of HE such as part-time and studying close to home were more likely to be favoured by those who were the most debt averse and those from less advantaged backgrounds³⁹. Whilst financial concerns are influential it is not clear whether they are the most significant factor influencing students’ decision to live at home whilst studying. Statistical modelling has shown that a range of other factors are significantly associated with staying at home. There are also cultural factors at play. Notably Asian and Asian British students are much more likely than white students to be living at home with their parents/family (61 per cent compared to 19 per cent).

More recent evidence however, from UCAS on the impact of the 2012 reforms analysis shows that there had been no substantial changes in the proportions of applicants planning to live at home, and no substantial move towards or away from higher fee courses⁴⁰.

³⁷ Learning from Futuretrack: the impact of work experiences on student HE outcomes, HECSU, BIS Research No 143.

³⁸ “The role of finance in the decision making of Higher Education applicants and students”, IES, BIS research paper no.9 January 2010.

³⁹ The role of finance in the decision making of HE applicants: findings from the Going into HE study, BIS RP9, Jan 2010, BIS <http://dera.ioe.ac.uk/489/> C. Callender and J. Jackson, (2008), “Does the fear of debt constrain choice of university and subject of study?”, Studies in Higher Education, Vol 33, No 4.

⁴⁰ How have applications for full-time undergraduate higher education in the UK changed in 2012? https://www.ucas.com/sites/default/files/ucas_how_have_applications_changed_in_2012.pdf

Progression to Postgraduate study

There have been concerns that the increased student debt on graduation may dissuade the 2012 system graduates from progressing at a young age to postgraduate study. In their recent study of 2012 system students graduating in summer 2015, the NUS asked these students for their thoughts on postgraduate study. The study found that 60 per cent of those graduating under the post-2012 system of fees and loans were considering postgraduate study.

Of the 40 per cent that were not thinking of postgraduate study, the most common reasons for not continuing study were: they had had enough of studying (25 per cent), they had already got a job lined up (19 per cent), that they would not be able to afford the fees and/or living costs (16 per cent), or that study was too expensive (12 per cent). A further 10 per cent said that they either didn't want to get into further debt or they were too concerned about their current levels of debt to take on postgraduate study.

Historically students from disadvantaged backgrounds have been less likely to go into postgraduate study. The new NUS study showed that amongst the 2015 graduating cohort recipients of grants were considerably more likely to consider postgraduate study, by 67 per cent to 54 per cent and that they were also more likely to know about, and consider taking out, a new postgraduate student loan from government.

The report concludes that the results appear to indicate that perceptions about the cost of study and access to funding are a considerable factor in non-transition from undergraduate to postgraduate and that this appears to be a greater barrier than the attitudes towards student debt.

E) The outcomes of higher education

Student Success: Employment and further study outcomes

The available evidence shows that there are differences in degree employment outcomes across disadvantaged and protected groups during graduates' early careers. However the evidence shows that some differences between groups persists, whereas others diminish.

BIS statistics show that 68 per cent of young graduates with parents in the lowest 6 occupation groups are working in top 3 occupations groups (professional or managerial level jobs) six months after graduating⁴¹. This compares to 74 per cent for young graduates with parents in the highest 3 occupation groups; the gap between the two groups has increased from three percentage points for 2008/09 graduates to six percentage points for 13/14 graduates.

⁴¹ Widening participation in higher education 2015, BIS Official Statistics
<https://www.gov.uk/government/statistics/widening-participation-in-higher-education-2015>.

Analysis by HEFCE⁴² compares outcomes across different groups (gender, POLAR3 classification and ethnicity) for the 2006-07 student cohort with their sector adjusted average. The sector adjusted average takes account of a student's characteristics to calculate the expected performance outcome for a particular group. The outcomes examined are: (i) Degree and employed or studying and (ii) Degree and graduate job or studying.

- For POLAR3, quintile 1 and 2 areas outcomes are significantly below the sector-adjusted average. Those from quintile 5 have performed significantly above the sector average. The greatest difference is in the percentage of the cohort who achieved a degree and continued to graduate employment or further study.
- Women have performed significantly above what would be expected for their student profile in both outcome measures, whereas men are below the sector-adjusted averages.
- Black students are significantly below the sector-adjusted average for both outcomes, the greatest difference being 14.3 percentage points below the sector-adjusted average for those who achieved a degree and continued to employment or further study.
- Chinese students have performed significantly below the sector-adjusted average in the percentage of the cohort who achieved a degree and continued to employment or further study and also below the sector-adjusted average in the percentage that achieved a degree and continued to professional or managerial employment or further study.
- Indian students have performed significantly above the sector-adjusted average in achieving a degree and professional or managerial job or study whilst White students perform significantly above the sector adjusted average on both outcomes.

New analysis by HEFCE⁴³ which examines the employment outcomes of UK-domiciled students who qualified from a full-time first degree course at a publicly funded English higher education institutions in the academic year 2008-09 at six and forty months after graduation. It identifies differences in employment outcomes for different protected groups among those qualifying from, and examines whether differences seen in a graduate's early career persist into the medium term.

In general the report shows that there is a substantial improvement in graduate outcomes between six and 40 months after leaving HE. The proportion of qualifiers employed in professional and managerial roles or in further study 40 months after leaving HE was 77.8 per cent: this 'professional employment rate' was 13.7 percentage points higher than the equivalent figure six months after leaving.

⁴² HEFCE 2013/15 Higher education and beyond; Outcomes for full-time first degree study. The report focuses on four outcomes; Achievement of degree qualification, Degree classification, Employment circumstances, Graduate outcome.

⁴³ HEFCE 2015/23 Differences in employment outcomes: Equality and diversity characteristics.

In addition the report shows:

- **Female qualifiers have higher employment rates across their early careers, but male qualifiers make considerable gains to catch them up.** At six months, the employment rate for female qualifiers was 5.1 percentage points higher, but by 40 months the difference had reduced such that female qualifiers had a rate that was only 1.7 percentage points higher.
- **Higher professional employment rates among mature qualifiers do not persist.** Mature students had the highest rates for all age groups, but the differences between all age groups narrow considerably between six and 40 months.
- **Lower professional employment rates among disadvantaged students persist across their early careers.** Six months after leaving HE, professional employment rates ranged from 59.7 per cent among the most disadvantaged qualifiers to 67.4 per cent among the least disadvantaged qualifiers (a difference of 7.7 percentage points). These differences remain largely unchanged in outcomes observed 40 months after graduation. While the most disadvantaged qualifiers saw professional employment rates increase by 14.4 percentage points across their early careers (to 73.1 per cent), the least disadvantaged qualifiers saw a similar increase of 15.1 percentage points (to 80.5 per cent).
- **Ethnic groups see differences in their professional employment rates widen.** Black Caribbean qualifiers had the lowest rate of professional employment six months after graduation, of 55.4 per cent. This was 9.3 percentage points lower than the highest rate of 64.7 per cent, observed among White qualifiers. Forty months after leaving HE the difference between the highest and lowest professional employment rates had widened to 13.2 percentage points. Black African qualifiers had the lowest rate at this stage of graduates' early careers (65.9 per cent), while Asian Indian and White qualifiers had the highest rates (79.1 per cent and 78.7 per cent respectively).
- **Similarities in the professional employment rates of male and female qualifiers diminish as careers develop,** with a higher proportion of male qualifiers in professional employment or further study. The professional employment rate of male qualifiers increased relative to female qualifiers between six and 40 months after leaving HE. While male qualifiers had a professional employment rate only 0.3 percentage points higher than female qualifiers six months after graduation, the male qualifiers' rate was 1.9 percentage points higher 40 months after graduation.

Returns to the higher education investment

There is good evidence that higher education presents high returns on average for students. Research consistently estimates that over a life-time graduates will earn, on average, comfortably over £100,000 more than those who did not enter higher

education. BIS' latest research estimates⁴⁴, show the net lifetime benefits for an individual from gaining an undergraduate degree to be in the order of approximately £170,000 for men and £250,000 for women, net of tax and other costs and in today's value, compared to someone with 2 or more A Levels who did not attend higher education. Where students do not earn a high income on graduation (above £21,000), they do not have to repay their student loan and after 30 years any outstanding loan balance is written off.

These changes mean that while the overall costs of HE will rise for some students, HE will remain a good investment for most students. It also means that for those students who receive the lowest returns from going to HE, in terms of lifetime earnings, they will not experience the full effect of the rise in costs.

Additionally, Dearden et al⁴⁵ provide evidence that returns from HE for men from lower socio-economic classes (SEC) are around double of that for men from higher SEC. Earnings for lower SEC men without HE qualifications are substantially lower than for their peers from higher SEC. Although women generally have higher returns than men, there is no differential effect related to SEC.

⁴⁴ Impact of University Degrees on the Lifecycle of Earnings: Some Further Analysis. Walker, I. and Y. Zhu (2013) BIS) Research Paper No 112.

⁴⁵ Returns to Education for the Marginal Learner: Evidence from the BCS70, 2004, Dearden et al.

Equality Analysis

The following section considers the equality impacts of the proposed changes to the student support regulations. We analyse the nature and scale of potential impacts on different protected groups and those from disadvantaged backgrounds. To begin with we look at the changes to the regulations in isolation and then provide a cumulative analysis of the interaction between the individual changes.

Next, we assess the effects of these changes with policy proposals to freeze the repayment threshold (covered in more detail in a separate equality analysis), as well as other changes to the student finance environment. We then conclude our analysis of what the overall impacts of the policies discussed might be.

Changes to the student support package for new students in 2016

1. Maintaining Fee Caps and Tuition Fee Loans
2. Living costs support package for new full time undergraduate students under the age of 60
3. Freezing DSAs and Dependant Grants at 2015 levels
4. Replacing the Special Support Grant (SSG) with a Special Support Loan
5. New living costs support package for 2016 students aged 60 or over

1. Maintaining Fee Caps and Tuition Fee Loans

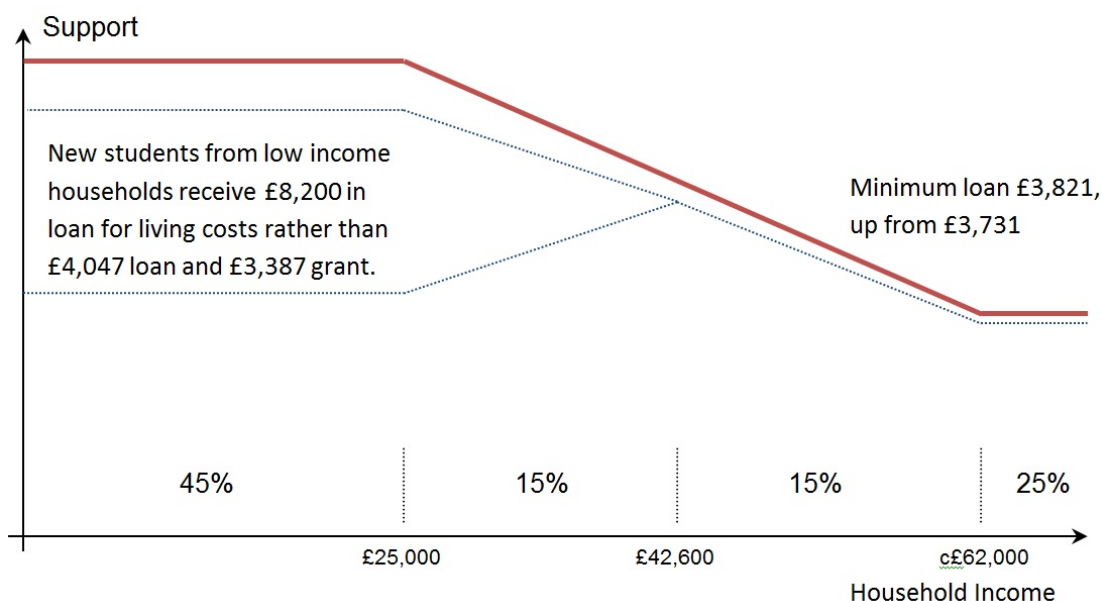
Maintaining fee caps at their current level in 2016/17, and the loan available to cover them, represents a marginal benefit for students who pay their fees upfront and for students who go on to fully repay their student loans. We do not consider this change to have a disproportionate impact on disadvantaged or protected groups.

We consider the impacts of allowing those institutions whose fees are currently at the cap and who can demonstrate high quality teaching to raise their tuition fees in line with inflation from 2017/18 (alongside other measures announced at the summer budget) in the 'cumulative impacts' section of our analysis.

2. Living costs support package for new full time undergraduate students under the age of 60

For eligible new full-time students entering higher education from 1 August 2016 onwards there will be a 100 per cent maintenance grant to loan switch. This means that every £1 of maintenance grant a student qualifies for in 2015/16 will, for 2016/17, be paid as loan for living costs.

Chart 4: Change in amounts of maximum student support for new full-time students in 2016, living away from home and studying outside London



At the same time, the Government will increase the maximum loan for living costs to the benefit of new eligible full-time students in 2016/17, with the greatest effect felt by those from lower income households. Taking for example new full-time students who are living away from home and studying outside London; those with household incomes of £25,000 or less (i.e. entitled to the maximum living costs package) will see their maximum living costs support increase by £766 to £8,200 (an increase of 10.3 per cent compared with the maximum grant/loan support in 2015/16). The £8,200 will be paid as loan for living costs in 2016/17 rather than £4,047 loan and £3,387 grant in 2015/16.

Students with household incomes of £42,875 will see their maximum living costs support increase by £355 to £6,095 (an increase of around 6.18 per cent); those with household incomes of £62,180 or more will see their loan amount increase by £90 to £3,821 (an inflationary increase of 2.41 per cent). All eligible full-time students will receive a cash increase in living costs support in 2016/17 with disadvantaged students receiving the highest increase in living costs support in percentage terms in 2016/17.

Students from low income backgrounds:

By design, the current system of maintenance grant is provided only to students from lower income backgrounds, reflecting their more limited access to financial support to fund the cost of living whilst studying. The effect of the proposed policy change to replace the maintenance grant with an increased loan will therefore be limited to those students in this group.

The net effect of these changes on different groups will depend upon:

- The extent to which access to greater financial resources helps students in both deciding that they can afford to enter Higher Education and allows them to focus on their studies (if otherwise they would have found it necessary to combine study with levels of part-time work);
- The extent to which they change the financial incentive to undertake Higher Education;
- The degree of debt aversion within different groups.

It is anticipated that the uplift in loans for living costs will have a positive impact on students from low income backgrounds by potentially easing financial worries, reducing the need to work excessive hours during term time and supporting students in their studies. At the margin, for some students, it might make the difference between attending University or not.

At the same time, the provision of maintenance support exclusively through loans will also increase the average loan balance a student from a low income household has upon graduation. As illustrated in Table 12 (below), the 10.3 per cent increase in the maintenance income to students from lower income households to help them meet their living costs, translates as an increase in the overall level of debt for this group. In terms of the headline figures, for a lower income students studying a 3 year course full time and living away from home outside London will now have £15,274 more debt upon graduating, an increase of 35 per cent.

However, student loans are not like bank loans, the repayment of these loans will depend on future earnings levels. If the earnings threshold (currently £21,000) is not met the student will not have to pay anything back. Thus those students who experience the lowest lifetime incomes will pay back the least and potentially nothing at all, while those students who earn the most (and so might be considered to have gained the most from attending higher education) will either payback more of their loan or repay in full more quickly.

Table 12: Comparison of maximum student loan debt that can be accrued under the current and proposed systems

| Based on 2015/16 figures | <i>Current system</i> (3 yrs/Full Time/Away from Home/Outside London): | <i>Proposed system</i> (3 yrs/Full Time/Away from Home/Outside London): |
|----------------------------|---|--|
| Max. tuition fee loan | £27,000 | £28,215 |
| Max. loan for living costs | £12,141 | £24,600 |
| Max. maintenance grant | £10,161 | £0 |
| Interest accrued | £4,400 | £6,000 |
| Graduates debt | £43,541 | £58,815 |

Source: Internal BIS Analysis

As Chart 5 and Table 13 below shows, it is only where an individual earns the equivalent of around £30,000 per year on average during their working life that they would see their lifetime repayments impacted by this change. For graduates earning less than this, there would be no impact.

Chart 5: NPV of Lifetime Loan Repayments – 2016 Starters – All Loan Borrowers

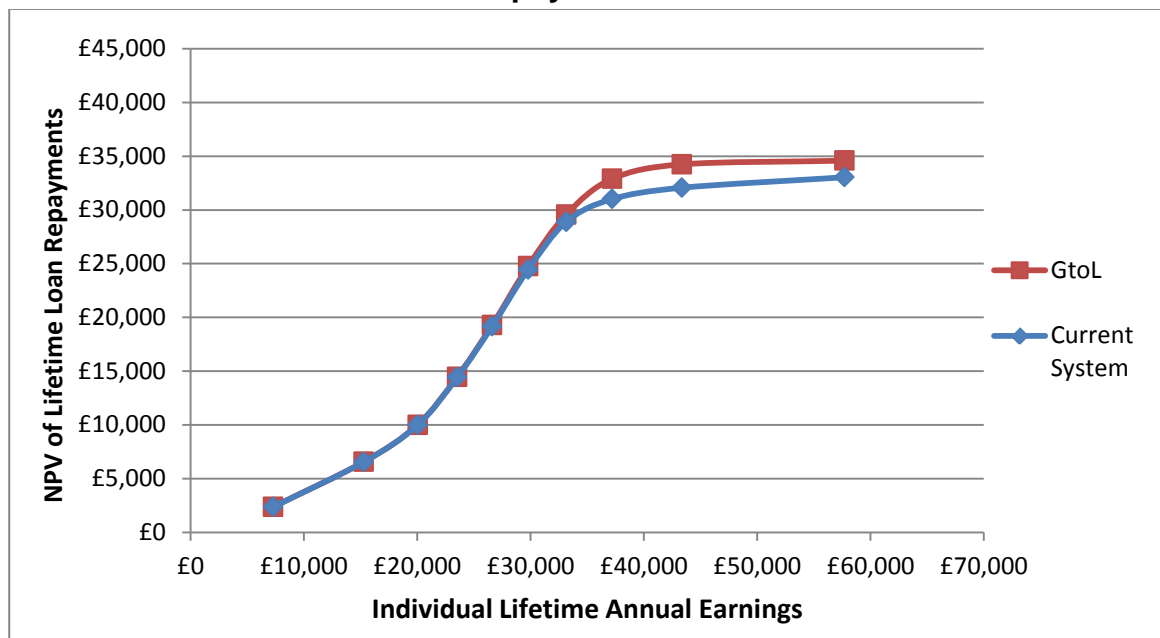


Table 13

| Deciles | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | |
|--|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------------------------|
| Average Annual Lifetime Earnings | £7,269 | £15,267 | £20,023 | £23,514 | £26,599 | £29,774 | £33,135 | £37,184 | £43,332 | £57,683 | |
| NPV of Lifetime Loan Repayments | | | | | | | | | | | Overall Average |
| GtoL | £2,362 | £6,549 | £9,995 | £14,461 | £19,277 | £24,751 | £29,555 | £32,889 | £34,240 | £34,584 | £20,866 |
| Current System | £2,353 | £6,540 | £9,980 | £14,413 | £19,162 | £24,441 | £28,883 | £31,010 | £32,065 | £33,041 | £20,189 |
| Difference as a result of change | £9 | £10 | £15 | £48 | £115 | £309 | £672 | £1,879 | £2,175 | £1,544 | |
| % Difference as a result of change | 0.38% | 0.15% | 0.15% | 0.33% | 0.60% | 1.26% | 2.33% | 6.06% | 6.78% | 4.67% | |

We have also considered the possibility that some students may be averse to taking on higher levels of debt, especially if they see their future outcomes as more uncertain than the strong returns seen on average. Some of the evidence reviewed earlier suggests that students from disadvantaged backgrounds may be more debt averse than average, suggesting a greater risk to the participation of such students. Alternatively, it may also affect where or what they choose to study, for example providing a stronger incentive to study near to home or enrol on a cheaper course even if this meant having to study at an institution or a subject that was sub-optimal in terms of their future economic prospects. This risk, however, needs to be put against the evidence that even with recent student finance changes (and the greater student debt and overall cost of obtaining a degree this has led to), participation rates amongst those from disadvantaged groups have continued to rise and there has been no substantial changes observed in applicants' institutional choices.

Our assessment of the evidence base suggests that what matters most is the level of upfront support students receive, rather than whether it is in the form of a grant or a loan. Previous analysis of the impact on participation of different types of student support has suggested that any negative impacts on participation from reductions in maintenance grant can be offset by commensurate increases in loan for living costs. However, that analysis was based on relatively small changes associated with the previous fees system and it may not necessarily apply in the current context, i.e. at the higher levels of debt now involved.

New research commissioned by BIS to try and gauge the likely response of applicants to the change suggests that overall a switch from grants to loans will have little overall impact on entrant numbers, with a slightly more negative impact amongst those from disadvantaged backgrounds. However, this research did not look at whether higher funding support might encourage take-up, and is based on stated intentions which can often differ from actual behaviour, as the trends post 2012 would suggest. We therefore believe that if anything this research might slightly overstate the risk to participation.

Overall, our assessment is that while the change from grants to loans to provide additional maintenance support for those from low income grounds does present some risk to participation, it is subject to considerably uncertainty and most likely to be relatively small. This reflects the evidence of past reforms, student attitudes to financial issues and the high average returns from going to HE.

Disability

Table 8 shows the percentage of student support claimants by product type who are disabled and non-disabled. The SLC does not require a student to declare whether or not they have a disability, we have therefore used as a proxy students applying for Disabled Students Allowances (DSA). It should be noted, however, that we would expect this to be a subset of the total number of students with a disability as eligibility requires that the disability impacts on their ability to study, which will not always be the case.

The SLC's data in Table 8 shows that 6 per cent of student support claimants are also DSA claimants and that DSA claimants are proportionately represented in the full and partial maintenance grants population. This suggests that the effect of switching maintenance grants to loans will not fall disproportionately to students with disabilities: students awarded DSAs are just as likely as their non-DSA peers to be affected by the policy proposal. In terms of the average size of full and partial grant to be converted to additional loan Table 10 suggests that both DSA and non-DSA students on average will be financially impacted to same extent in terms of the increased indebtedness arising from this proposal.

DSA claimants are proportionately represented in the overall loan for living costs population. Students from households with incomes over £25,000 will at least receive a 2.41 per cent increase in their loan support, at a minimum (at the lower end of the income taper) maintaining the real terms value of the loan in 2016/17 (See Chart 4). The evidence in Table 3 on the average amount of partial grant received and evidence from previous equalities analysis of DSA changes⁴⁶ points to the socio-economic profile of disabled and non-disabled students being similar, suggesting no significant inequality inherent in the proposal for differential increases in the loan for living costs support across the partial grant taper.

We therefore conclude that in isolation disabled students are unlikely to suffer a disproportionate impact from the grants to loans switch.

⁴⁶ In terms of measures of disadvantage based on socio-economic class and on neighbourhood participation rates the profile of students is similar with around two thirds of entrants are from the top three socio-economic groups (managerial, professional and associate technical groups) and only around one in eight students (12-13%) are from low participation neighbourhoods. P32, Disabled Students' Allowances: Equality Analysis, BIS December 2014

www.gov.uk/government/uploads/system/uploads/attachment_data/file/392610/bis-14-1108-higher-education-disabled-students-allowances-equality-analysis-revised-16-12-2014.pdf

Gender

The data in Table 8 shows that the overall gender profile of maintenance grant claimants, both full and partial, is similar to that for the wider student support population. In terms of the average size of grant to be converted to additional loan Table 10 suggests that both male and female students on average will be financially impacted to the same extent in terms of the increased indebtedness arising from this proposal.

Therefore we conclude that the proposed removal of the maintenance grant offer will not disproportionately fall on male or female students. They are also equally likely to benefit from the loan for living costs being at least maintained in real terms, with above inflation increases for those from lower income households allowing them to address concerns about living costs. However, the evidence that females might be more debt averse means that the risks to participation are likely to be greater, albeit low given the high average returns to HE investment on average and the repayment protection for low earning graduates and subject to quite a high degree of uncertainty.

Age

Analysis of SLC data shows mature students (defined as being 21 years of age or over at the start of their course) are over represented in the full maintenance grant population compared to the total student support claimant population. Table A1 Annex A shows that mature students are a third more likely to be awarded a full grant (46 per cent compared to 35 per cent for young students). This is likely to reflect mature students being assessed for a maintenance grant on the basis of an individual rather than (parental) household income. 13 per cent of mature students are awarded a partial grant compared to 18 per cent of younger student support claimants, reflecting the fact that more mature students are awarded the full grant. Therefore the decision to switch maintenance grants to loans is likely to fall disproportionately on mature students.

The evidence suggests that attitudes to debt are different across different groups, with mature students in particular more likely to worry about finances than younger students, and more likely to say that they are deterred by the costs and the prospect of debt⁴⁷. More recent research finds that mature students in particular have a preference for a smaller financial support package made up of non-repayable grants and bursaries when compared with a larger package made up of loans – again indicating their preference for lower indebtedness⁴⁸. Additionally, survey data from the NUS in 2012 further accentuates these points; older higher education students are found to be more likely to worry about their financial situation⁴⁹. In terms of participation post the 2012 reforms there appears to have been a dampening of demand for full time undergraduate study amongst this group (as measured by application rates), though this is against a backdrop of unusually high

⁴⁷ For example C. Callender and J. Jackson, (2005), "Does the fear of debt deter students from higher education?", *Journal of Social Policy*, Vol 34, No 4, Connor et al, 1999; Connor et al, 2001; Ross et al, 2002.

⁴⁸ The role of Finance in the Decision Making of HE Students and Applicants, BIS, 2010.

⁴⁹ The Pound in Your Pocket Summary Report, NUS, 2012.

applications in 2009 and 2011⁵⁰. Entrant numbers have recovered recently, but we conclude that on balance the evidence points to the grants to loans switch posing a greater risk to mature students' participation than young students.

In terms of the scale of the financial impact of the proposals to replace the maintenance grant with additional loan on Table 10 suggests that the difference between age groups in the average amount of maintenance grant support that will be replaced by loan finance is small, at around £115 per annum.

Mature students are proportionately represented in the overall loan for living costs population and are therefore equally likely to benefit in general from the uplift to the loan for living costs amount. Students from households with incomes over £25,000 will at least receive a 2.41 per cent increase in their loan support, at a minimum maintaining the real terms value of the loan in 2016/17. Despite young students being over represented in the partial maintenance grant group to a small extent (Table 8), the similarity in the average amount of partial grant received by young and mature groups (Table 10) suggests that the average financial impact of the loan uplift for young and mature students on household incomes of above £25,000 and below £62,000 will be similar.

In conclusion, there is likely to be a disproportionate negative impact on mature students. We have come to this conclusion based on their over representation in the maintenance grant population as well as evidence which points to higher levels of debt aversion amongst this group. This means that there is a risk to the participation of mature students in higher education as a result of switching from grants to loans.

Although additional loan should help alleviate cost concerns, mature students may choose not to take up the additional loan available and decide to take up additional part-time work or study at an institution closer to home. In this case, there is mixed evidence on what the impacts might be; some paid work can be beneficial. However, past a certain point it appears to negatively affect outcomes.

Ethnicity

It is important to note that there are significant limitations on ethnicity data as reported by the SLC, as students are not required to declare their ethnicity, with 86 per cent of student support claimants electing not to do so. This makes drawing firm conclusions difficult. However, we have a reasonable level of confidence in the finding that students from ethnic minority backgrounds are more likely to receive a maintenance or special support grant. This is due to the existence of evidence (included in the evidence base) to show that households headed by an individual from an ethnic minority background are more likely to be in relatively low income.

⁵⁰ UCAS.

The SLC data in Table 8 suggests that ethnic minority students are over represented in the full maintenance grant population and under-represented in the partial grant population compared to their representation in the overall student support population. Table A1 in Annex A shows that over half (56 per cent) of ethnic minority students are awarded a full grant and 11 per cent a partial maintenance grant compared to 38 per cent and 18 per cent respectively for White students. This suggests that overall a higher proportion of ethnic minority students are awarded a maintenance grant (full or partial) compared to White students.

Table 10 shows that the average amount of partial grant awarded by ethnic minority students is around £179 higher than the average amount for White students. Overall the average total amount of grant awarded for ethnic minority students is around £300 higher, suggesting that ethnic minority students are more concentrated in the lower end of the household income distribution. This suggests that ethnic minority students are more likely to be affected by the proposal to replace maintenance grants with loans and the financial impact in terms of increased indebtedness could be higher, but only by a relatively modest amount. However it is difficult to be certain given the data limitations. In terms of their decision making, the evidence suggests that students from ethnic minority backgrounds do tend to be more debt averse so this increased indebtedness is more likely to factor into their decision to participate in higher education.

Ethnic minority groups are proportionately represented in the overall loan for living costs population and are therefore equally likely to benefit financially from the uplift to the loan for living costs amount. Students from households with incomes over £25,000 will at least receive a 2.41 per cent increase in their loan support, at a minimum maintaining the real terms value of the loan in 2016/17. Although ethnic minority students are under-represented in the partial maintenance grant group (Table 8), the higher average amount of partial grant received (Table 10) suggests that the average positive financial impact of the loan uplift for the ethnic minority group on household incomes of above £25,000 and below c£62,000 could be higher than the average for the White group.

In conclusion, we have assessed that there is a risk of a negative impact on students from ethnic minority ethnic backgrounds. There is uncertainty, however, as to the size of this impact, which will ultimately depend on individuals' specific circumstances, expectations regarding future wage returns, attitudes towards debt and whether greater availability of funding makes higher education more affordable. We also expect this potential impact to be mitigated the repayment protection for low earning graduates.

Beyond participation, there are also risks of other negative impacts. Although additional loan should help alleviate cost concerns, students from ethnic minorities may choose not to take up the additional loan available and decide to take up additional part-time work or study at an institution closer to home. In this case, there is mixed evidence on what the impacts might be; and some paid work can be beneficial. However, past a certain point it appears to have a negative impact, this could be through poor employment outcomes or

degree outcomes. With regards to choice of institution, evidence from the most recent reforms suggests that increasing the cost of HE has not led to a change in behaviour.

Religion and Belief

There is evidence to suggest that there are groups of Muslim students whose religion prohibits them from taking out an interest bearing loan. This means that this group of students will no longer have access to funding for living costs as non-repayable finance is no longer available.

The Government has made significant strides in designing a Sharia-compliant student finance product. In April 2014 BIS conducted a consultation on a Sharia-compliant alternative finance product for undergraduate students. Upon review of consultation responses, the Government supported the introduction of a Sharia-compliant Takaful Alternative Finance product available to everyone and pledged to work on its development. This work is ongoing, and subject to Parliament, the Government hopes to introduce the system through new legislation.

3. Freezing DSAs and Dependant Grants at 2015 levels

Students from low income backgrounds:

Students from low income backgrounds will be able to access DSA at same level in cash terms but may be disproportionately affected by the freezing (real terms reduction) of DSAs and dependants grants. Analysis of the SLC data shows that 96 per cent of Adults Dependants Grant (ADG) claimants are awarded a full grant (92 per cent maintenance grant, 3 per cent SSG), 96 per cent of Parents Learning Allowance (PLA) claimants (29 per cent maintenance grant, 67 per cent SSG) and 97 per cent of Childcare Grant claimants (22 per cent maintenance grant, 75 per cent SSG) compared to 43 per cent of the entire student support population (40 per cent maintenance grant, 4 per cent SSG).

In reality the impacts of the freezes will only be felt by those claiming the maximum amounts. For PLA and ADG claimants this is likely to be a large group, these grants are income assessed and as shown above, the vast majority of recipients qualify for either a maintenance or special support grant, indicating low income. CCG and DSAs claimants are less likely to receive the maximum amounts and are therefore less likely to be impacted by the freeze.

However for all new students who would have otherwise been eligible for the full maintenance grant in 2016/17 (close to 100 per cent of this group) this real terms reduction in these targeted grants will be mitigated to some extent by the 10.3 per cent increase to the maximum loan for living costs. We therefore don't believe this policy change in isolation represents a risk to participation or outcomes.

Disability

All students affected by the proposed freeze to DSAs will be disabled. By maintaining the maximum DSA grant at 15/16 levels for 16/17 some recipients will not see the support they receive increase. Those claiming the maximum, or close to the maximum amount, will be most likely to be affected.

Table 14: Number of full-time students in 2012/13 in receipt of the maximum or higher amount of DSA support⁵¹.

Full-time students

| Type of support | No. of maximum awards | Total recipients | % of total recipients |
|-----------------|-----------------------|------------------|-----------------------|
| Equipment | 27 | 25568 | 0.11% |
| NMH | 34 | 29501 | 0.12% |
| General | 60 | 9126 | 0.66% |

Source: SLC

SLC data from 2012/13 shows that very few DSA recipients received the maximum awards. Table 14 shows that less than 1 per cent of recipients of each of the types of DSA support receive the full amount (DSAs also funds travel but there is not a limit on this form of award).

Table 15 below sets out the characteristics of DSA recipients who receive high levels of each award, compared to the characteristics of all of the recipients of that award. Those who are receiving high levels of awards are most likely to be affected maintaining the levels of maximum awards at 2015/16 levels. Recipients of high levels of Equipment and Non-Medical Help support are more likely to be male, over 21 and in receipt of the full maintenance grant or student support grant. Recipients of General DSA support are more likely to be male, 20 and under, and less likely to be in receipt of the full maintenance grant or student support grant.

⁵¹ The General Allowance can be used to contribute more to Equipment and NMH allowance.

Table 15: Proportion of protected characteristics by receipt of type of DSA and high levels of each type of DSA

| | Female | 20 and under | 21-24 | 25 and over | Full MG/SSG |
|--------------------------|--------|--------------|-------|-------------|-------------|
| All Equipment recipients | 58% | 61% | 19% | 20% | 45% |
| Equipment over £4,750 | 46% | 50% | 20% | 30% | 52% |
| All NMH recipients | 58% | 61% | 20% | 19% | 44% |
| NMH over £18,000 | 44% | 46% | 24% | 29% | 59% |
| All General recipients | 64% | 53% | 20% | 26% | 48% |
| General over £1,600 | 41% | 76% | 18% | 7% | 36% |

Source: BIS analysis of SLC data

Note: Students can be in receipt of multiple types of DSA support so the same student may be included in multiple of the above groups. These proportions are based on small numbers of students in receipt of support in 2012/13 and are only an indication of the characteristics of students receiving DSA in 2016/17.

Table 8 shows that DSA recipients are also over represented in the dependants' grant populations. However, Table A1 in Annex 1 shows that proportion of students affected will be small, as will be the percentage point differential in the likelihood of being affected by the proposed policy change across the protected characteristics of disability, with only 3 per cent of DSA claimants also claiming CCG compared to 2 per cent of non-DSA students, 7 per cent PLA (5 per cent non-DSA) and 2 per cent ADG (1 per cent non-DSA). For the sub-groups of disabled and non-disabled students with dependants the proposals to freeze dependants' grants will reduce the student support resources available to these students. However the size of the financial impact in percentage terms of these proposals will be the same for disabled and non-disabled people.

Gender

Female students will be particularly affected by the freeze to childcare grants, parents' learning allowances and DSAs given their significant over representation in these populations, while males will be particularly affected by the freeze to the adult dependants' grant. The percentage point differentials in the likelihood of being affected by the proposed policy changes across the protected characteristics of gender are expected to be fairly modest. Table A1 in Annex 1 shows that proportion of students affected will be small with

only 2.8 per cent of females and 0.4 per cent of males respectively claiming CCG, 7.1 per cent and 2.4 per cent PLA and 1.1 per cent and 1.7 per cent ADG. For these sub-groups of students the proposals to freeze dependants' grants will reduce the student support resources available to these students. The size of the financial impact in percentage terms will be similar for male and female students.

Age

The proposal to freeze DSAs and dependants' grants will particularly affect mature students as they are significantly over represented in all targeted grant populations. Of particular importance to mature students is the Parent's Learning Allowance which 12 per cent of mature student support claimants are awarded, compared to 0 per cent of those under the age of 21 at the start of their course (Table A1, Annex 1). However, this specific small decrease in the amount in real terms is expected to have only a small impact on the participation decision making and participation rates of mature students.

Ethnicity

Ethnic minority groups are overrepresented in the dependants' grants populations, whereas White students are overrepresented in the DSA population compared to their representation in the overall student support population. Both groups will have access to some grant in cash terms but will be negatively affected by the proposed freeze to these respective grants which represents a real terms decrease in the financial resources for those receiving the maximum amounts available. However, the size of the financial impact in percentage terms is expected to be the same for ethnic minority students and White students. In isolation we don't believe these changes will result in an effect on the participation in HE or outcomes of this group.

4. Replacing the Special Support Grant (SSG) with a Special Support Loan

The Special Support Grant is being replaced in the 16/17 academic year with an increased loan for living costs for new students from lower income backgrounds who are eligible for certain benefits⁵². £3,469 of the maximum loan for living costs will be disregarded by DWP as student income when calculating benefits. This is to ensure that students will not lose overall DWP benefits and student support as a result of the removal of Special Support Grant.

The real effects of this policy change are similar to the maintenance grant to loan switch. Students will not have access to any less funding than they would under the current arrangements, as the maximum loan for living costs will be increased by forecast (RPI-X) inflation (2.41 per cent) in 2016/17 compared to the maximum grant/loan entitlement in

⁵² A student must be eligible for Income Support, Income-related Employment and Support Allowance, Housing Benefit, Universal Credit, Disability Living Allowance or Personal Independence Payments to qualify for a Special Support Grant in 2015/16.

2015/16. The amount these students can borrow will increase meaning that the maximum loan debt that this group can accrue will increase.

The increase in the maximum loan for living costs will benefit, in cash terms, all new full-time students eligible for benefits in 2016/17, both from lower and higher income households. Taking for example new full-time students who are living away from home and studying outside London; those with household income of £25,000 or less (i.e. entitled to the maximum living costs package) will see their maximum living costs support increase by £220 to £9,347 (an inflationary increase of 2.41 per cent compared with the maximum grant/loan support in 2015/16). The £9,347 will be paid as loan for living costs in 2016/17 rather than £5,740 loan and £3,387 grant in 2015/16.

Students with household incomes of £42,875 will see their maximum living costs support increase by £138 to £6,095 (an increase of around 2.40 per cent); those with household incomes of £62,182 or more will see their loan amount increase by £90 to £3,821 (an inflationary increase of 2.41 per cent). All new full-time students eligible for benefits will receive a cash increase in living costs support in 2016/17 at or close to the forecast rate of inflation.

From Table 8 we know that DSA recipients, females and students from ethnic minorities are over represented in the Special Support Grant population. This suggests that this policy proposal is more likely to fall on these groups.

As discussed in the previous section, the impact of the change will depend on factors such as the debt aversion of protected groups and the extent to which the policy changes their financial incentive to undertake higher education. The group of students affected by this policy change are some of the most disadvantaged students and although specific evidence does not exist for this group, it is likely that they are some of the most debt averse. There is also some evidence to suggest that those from ethnic minority backgrounds are more debt averse than their White counterparts⁵³. With this in mind, we conclude there is an increased risk to participation of those students eligible for benefits, particularly for females, those with disabilities and those from ethnic minority backgrounds.

There is no robust data collected on religion or belief at undergraduate level and so there are limitations in assessing the effect of the policy on different religious groups. However,

⁵³ C. Callender and J. Jackson, (2005), "Does the fear of debt deter students from higher education?", *Journal of Social Policy*, Vol 34, No 4. C. Callender, (2003), "Attitudes to debt: school leavers and further education students' attitudes to debt and their impact on participation in higher education", London: Universities UK.

there is evidence to suggest that there are groups of Muslim students whose religion prohibits them from taking out an interest bearing loan. This means that this group of students will not access funding for living costs.

The Government has made significant strides in designing a Sharia-compliant student finance product. In April 2014 BIS conducted a consultation on a Sharia-compliant alternative finance product for undergraduate students. Upon review of consultation responses, the Government supported the introduction of a Sharia-compliant Takaful Alternative Finance product available to everyone and pledged to work on its development. This work is ongoing, and subject to Parliament, the Government hopes to introduce the system through new legislation.

5. New living costs support package for 2016 students aged 60 or over

New full-time students aged 60 or over on the first day of the first academic year of their higher education course in 2016/17, '2016 cohort students', will not qualify for special support grants in 2016/17. Those students on household incomes of £43,668 or less will instead qualify for a means-tested loan for living costs. The loan for living costs for new full-time students aged 60 or over on the first day of the first academic year of their course will be paid as a special support loan rather than a maintenance loan. This is to ensure that the loan for living costs for this group of students is not taken into account as student income by DWP when calculating a student's means-tested benefits.

New full-time students aged 60 or over on the first day of the first academic year of their higher education course that are on household incomes of £25,000 or less will qualify for a maximum loan for living costs of £3,469 in the 2016/17 academic year. Students with household incomes above £25,000 lose £1 of every loan for every complete £5.46 of income above £25,000 until a household income of £43,668 is reached where a minimum £50 loan is paid. Students on incomes above £43,668 do not qualify for a loan for living costs.

The rationale for older students receiving a less generous loan package in 2016/17 than students under 60 is that they are much less likely to return to work than younger students and are therefore less likely to repay their loans after completing their courses. Fewer than a thousand students aged 60 or over at the start of their full-time course claimed fee loans in 2013/14, so numbers of new students aged 60 or over qualifying for the means-tested loan for living costs in 2016/17 will be small.

This group of claimants will be disproportionately affected by the proposed policy change. SLC data presented in Table 11 also suggests that this population are more likely to receive DSAs and ADG, and are more likely to be male than the overall student support population. Thus, the policy is likely to have a disproportionate impact on both males and disabled students whilst there is potentially a small negative impact of freezing the targeted grants mentioned.

Evidence points to mature students in general being more concerned about the costs of HE and having a greater level of debt aversion, so there is a risk that the policy proposal could negatively affect the participation rates of people aged 60 and over. However, we expect that this risk to be counterbalanced by the high repayment protection for low earning graduates, especially as this group of students will almost certainly not go on to repay their student loans.

There is no robust data collected on religion or belief at undergraduate level and so there are limitations in assessing the effect of the policy on different religious groups. However, there is evidence to suggest that there are groups of Muslim students whose religion prohibits them from taking out an interest bearing loan. This means that this group of students will no longer have access to funding for living costs as non-repayable finance is no longer available.

The Government has made significant strides in designing a Sharia-compliant student finance product. In April 2014 BIS conducted a consultation on a Sharia-compliant alternative finance product for undergraduate students. Upon review of consultation responses, the Government supported the introduction of a Sharia-compliant Takaful Alternative Finance product available to everyone and pledged to work on its development. This work is ongoing, and subject to Parliament, the Government hopes to introduce the system through new legislation.

Changes to the student support package for continuing students in 2016

1. Maintaining Fee Caps and Tuition Fee Loans.
2. Living costs support package for continuing students including freezing DSAs and dependants' grants.

1. Maintaining Fee Caps and Tuition Fee Loans

Maintaining fee caps and tuition fee loans at 15/16 levels means that there will be a small real-terms reduction in the maximum fee and the loan available to cover it. We don't believe that this reduction is significant enough to influence participation decisions.

We expect that maintaining the fee cap at 2015/16 levels in 2016/17 will provide a small financial benefit to those who pay their fees upfront. In addition there will be a small financial benefit in the future for students who go on to fully repay their student loans. Those who don't go on to fully repay will be unaffected by this change.

2. Living costs support package for continuing students including freezing DSAs and dependants' grants

The freezing of the maximum maintenance grant at 2015/16 levels in 2016/17 for continuing students will mean the value of the maximum grant is not being maintained in real terms. This represents a small real terms reduction in non-repayable student support for claimants in 2015/16. By definition, the maintenance grant is provided only to students from lower income backgrounds so this group will be disproportionately affected by the change.

To mitigate the real terms reduction in maintenance grant the maximum loan for living costs will be increased by forecast inflation (2.41 per cent) and maintained in real terms. Analysis of SLC data shows that over 99 per cent of maintenance grant claimants also receive a loan for living costs.

The increase in the maximum loan for living costs will benefit, in cash terms, all continuing full-time students in 2016/17, both from lower and higher income households. Taking for example students who started their courses in 2015/16 who are living away from home and studying outside London; those with household income of £25,000 or less (i.e. full maintenance grant claimants) will see their maximum loan amount increase by £138 to £4,185 and total grant/loan support increase by the same amount (£138) to £7,572 (an increase of around 1.85 per cent); those with a household income of £42,875 who are not entitled to a maintenance grant but are entitled to a full loan for living costs, will see their maximum loan amount increase by £138 to £5,878 (an increase of around 2.40 per cent); those with a household income of £62,143 or more will see their loan amount increase by £89 to £3,820 (65 per cent of the full loan for living costs, an increase of around 2.38 per cent). While all students will receive a cash increase in living cost support in 2016/17 and students with household incomes of £25,000 or less will continue to receive the most living costs support overall, disadvantaged students will receive the lowest increase in living costs support in percentage terms in 2016/17 because the maximum grant has been frozen at 2015/16 levels in 2016/17. However there is more funding available overall.

Students from low income backgrounds

Students from low income backgrounds will be disproportionately affected by the freezing (real terms reduction) of DSAs and dependants grants. Analysis of SLC data shows that 96 per cent of Adults Dependants Grant claimants are awarded a full grant (92 per cent maintenance grant, 3 per cent SSG), 96 per cent of Parents Learning Allowance claimants (29 per cent maintenance grant, 67 per cent SSG) and 97 per cent of Childcare Grant claimants (22 per cent maintenance grant, 75 per cent SSG) compared to 43 per cent of the entire student support population (40 per cent maintenance grant, SSG 4 per cent).

As previously discussed, impacts of the freezes to the targeted grants are only felt by those who claim the maximum amounts. PLA and ADG grants are income assessed so the group claiming the maximum amount is likely to be high (almost all PLA and ADG

claimants are entitled to full maintenance / special support grants). DSA and CCG claimants are less likely to receive the maximum amounts and are therefore less likely to be impacted by the freeze.

We conclude that for students from low income households the impacts of the proposed changes will be a small reduction in maintenance income, particularly for those low income students entitled to the maximum amounts of DSAs and other targeted grants. We have sought partially to offset the small negative impacts of a freeze on maintenance grant levels by providing additional finance to protect the real terms value of the loan for living costs. For students from low income backgrounds the proportion of the student support available, that is non-repayable, will stay the same in cash terms but will decrease slightly in real terms in 2016/17 and the relative size of the benefit in percentage terms from the living cost loan increases will be lower than for their more financially advantaged counterparts. However, we expect these decreases in the total student support available to low income continuing students not to have a significant impact on their participation and success in higher education.

Age

Mature students are over-represented in the full maintenance grant population and under-represented in the partial grant population relative to the total student support population. We conclude that any impact of the freezing of maintenance grants for continuing students may fall disproportionately on older students but any impacts on participation and student success are not likely to be significant.

Similarly, mature students make up around half of the population of loan for living costs recipients and will therefore be just as likely as younger students to benefit from the positive impacts of maintaining the loans' real terms value. However, as mentioned above it is recognised that the percentage increase in overall living costs (grant and loan) support in 2016/17 is lower for students from low income households, and as mature students are over represented in the sub group of student support claimants that are awarded the full maintenance grant they will likely derive, on average, less benefit in percentage terms from changes to living costs support in 2016/17 compared to their younger counterparts.

Analysis of the SLC data in Table 8 also suggests the policy to freeze DSAs and other targeted grants will disproportionately impact mature students. As previously discussed, impacts of the freezes to the targeted grants are only felt by those who claim the maximum amounts.

Overall it is our conclusion that for the protected characteristic of age the overall policy changes will particularly affect mature students. While young and mature students are equally likely to be affected by the changes to loans for living costs, it is recognised that mature students will likely receive on average less benefit in percentage terms from changes to overall living costs (grant and loan) support in 2016/17, as they are more likely to be affected by the real terms reduction in the maintenance grant value.

The reduction in the real terms value of dependants' grants and DSAs will disproportionately fall on mature students, although the size of the impact in percentage terms will be the same for all age groups. Overall we expect these relatively small decreases in the real terms value of the total student support available not to have a significant impact on mature student's participation and success in higher education.

Gender

The freezing of the Maintenance Grant for 2016/17 will not disproportionately affect either gender as the gender representation in the Maintenance Grant population (and in the sub group receiving the full grant) is similar to that in the wider student support population. The same holds true for the real terms protection of the loan for living costs (see Table 8). The average size in percentage terms of the impacts stemming from these policy changes is expected to be similar for both males and females.

The real terms reduction of the Adult Dependents Grant will disproportionately fall on males. Compared to the wider population of student support claimants male students are over-represented in the Adults Dependents Grant subgroup constituting 59 per cent of claimants compared to 47 per cent of the student support population. The real terms reduction of the maximum amounts available for DSAs, Childcare Grant and Parents Learning Allowance will disproportionately fall to women as the vast majority of the claimants are female.

Overall, we conclude that the proposed changes to the student support offer have a similar financial impact on both men and women. However, we acknowledge that the cumulative impacts of changes to the targeted grants are more likely to affect females than males, although overall the proportion of people affected in this way will be relatively small. We expect these relatively small decreases in the real terms value of the total student support available not to have a significant impact on female students' participation and success in higher education.

Ethnicity

It is important to note that there are significant limitations on ethnicity data as reported by the SLC, as students are not required to declare their ethnicity, with 86 per cent of student support claimants electing not to do so. This makes drawing firm conclusions difficult, but other data, as well as additional evidence, can provide an indication of potential impacts on minority ethnic groups

Table 8 suggests that students from ethnic minority groups are over-represented in the dependants grant population (CCG, ADG and PLA). Therefore the impact of not uprating these awards in line with expected inflation will disproportionately fall to this group of students, that being said, impacts of the freezes to the targeted grants are only felt by those who claim the maximum amounts. White students are marginally over represented

in the DSA claimant group; 4 per cent of White students are awarded DSA compared to 3 per cent of ethnic minority students.

Data suggests that the small impact from the real-terms cut in Maintenance Grant is more likely to affect students from ethnic minority groups than the student support population as a whole, as ethnic minority students are more likely to be Maintenance Grant claimants compared to their White British counterparts (see Table A1 Annex 1).

Analysis of SLC data suggests that students from all ethnic groups are equally likely to be affected by the uprating of the loan for living costs. This change represents a benefit to students by protecting the real terms value of the loan. However, as mentioned previously, students from lower income households will likely receive less benefit in percentage terms from changes to overall living costs (grant and loan) support in 2016/17 (see p.12). As ethnic minority students are over-represented in the full maintenance grant award group and are therefore more likely to come from lower-income household groups (a finding supported by wider evidence), the average benefit in percentage terms to changes to living costs support in 2015/16 will likely be smaller for ethnic minority students than for their white counterparts.

Based on the available evidence we expect that the small negative impacts from proposed changes to maintenance grants and dependants' grants may affect students from ethnic minority backgrounds slightly more than the population as a whole. We expect these relatively small decreases in the real terms value of the total student support available not to have a significant impact on continuing student's participation and success in higher education.

Disability

Based on the analysis of SLC data, as outlined above and set out in Table 8, we do not expect students with disabilities to be disproportionately affected by the proposed changes to the Maintenance Grant and Loan.

Disabled students may be impacted slightly negatively by the real-terms reduction in the maximum Disabled Students' Allowances (those students at or near the maximum are most likely to be affected by this, whereas those claiming small amounts are unlikely to be affected by the cap).

Table 8 shows that DSA recipients are also over represented in the dependants' grant populations. However, Table A1 in Annex 1 shows that proportion of students affected will be small, as will be the disparities in the likelihood of being affected by the proposed policy change across the protected characteristics of disability.

Overall we conclude that the impact is similar for both people who are disabled and people who are not disabled. Students with disabilities will not be disproportionately affected by the changes being made to the mainstream student finance package of maintenance

grants and loans. By definition, they will be disproportionately affected by the decision to not protect the real terms value of Disabled Students Allowances. As with other protected groups we expect these relatively small decreases in the real terms value of the total student support available not to have a significant impact on disabled student's participation and success in higher education.

Other proposed regulatory policy changes

Increase maximum fee loans for students who started their courses before 1 September 2012 at institutions in Northern Ireland

The maximum fee loan for English domiciled full-time students who started their courses before 1 September 2012 at universities and colleges in Northern Ireland will be increased by 3.19 per cent for 2016/17 to £3,925 in line with an equivalent increase to maximum fees for this group of students in Northern Ireland.

We anticipate that the affected group of this policy change will be very small. Research shows that the negative impacts on participation of an increase in fees can be ameliorated by an increase in fee loan. We expect this change to have no significant impact on the participation of disadvantaged or protected groups.

Preventing students from receiving childcare grant where that student or student's partner has a valid declaration of eligibility under the Childcare Payments Act 2014

This policy will only impact childcare grant claimants. The SLC data shows that female, mature (defined as 21 years of age and over at the start of their course) and ethnic minority students are over-represented in the population of childcare grant claimants. Disabled students (approximated as students receiving Disabled Students Allowances) are also slightly over-represented in the group of childcare grant claimants.

Therefore we can conclude that any changes to childcare grants will have a disproportionate impact on students from these protected groups. However, this change will not prevent students who wish to apply for childcare support from doing so, either through Childcare Grant or Tax Free Childcare. It merely aims to prevent any student from being double funded for childcare. We therefore cannot conclude that anyone will be worse off as a result of this change.

Allowing Electronic Signatures to be used where a student is required to sign a contract for a loan for fees or maintenance

Since the regulatory change will clarify that students are able to, but not mandated to, sign a loan contract by an electronic signature, we do not expect a negative impact on any of the protected groups.

Requiring publicly funded institutions, including further education colleges, and private institutions to register their students with the relevant awarding body at the start of their course before confirming with the Student Loans Company (SLC) that students are attending or undertaking their courses

This change applies to all new full time or part-time students starting a higher education course from 1 August 2016 onwards. It provides an additional safeguard for students as institutions will be required to register students with the relevant awarding body at the start of their course before confirming with the SLC that the student is attending or undertaking their course and requesting payment of fee loans. The change does not affect student entitlement to financial support and we therefore do not expect a negative impact on any of the protected groups.

Ensuring that recovery procedures relating to overpayment of grants and loans for fees and living costs are consistent for all grants and loans

We do not expect this policy to have a disproportionate impact on any of the protected groups as there is no reason to suggest that any of the groups are more likely to receive overpayment than the overall student support population.

Equality Analysis: Cumulative Impacts

Cumulative impact of changes to student financial support package

Given the range of changes considered within this Equality Analysis, in this section we look at their potential cumulative impact on those in protected groups or from disadvantaged backgrounds.

Low income backgrounds

The two changes that will affect the most students from low income backgrounds are the switch from grants to loans and, where they are charged at the maximum tuition fee, the freezing of the current fee cap (for 16/17). For both changes, these will only significantly affect students from low income backgrounds if they then go on to have high average lifetime earnings such that their lifetime loan repayments rise. However, these individuals are the ones most likely to have benefited from higher education and so overall it is likely that it will have still represented a good investment. The evidence suggests that overall participation has been fairly insensitive to changes in student fee levels and greater debt. A number of low income students will also be affected by freezes to dependant grants, though this impact is expected to be small and mitigated to some extent by the increase in loan for living costs.

Disability

As identified in the previous section there is a risk to participation of low income students from the grants to loans switch, although based on the available research and current participation rates we expect on balance the impact to continue to be mitigated by the on average high returns to HE investment and repayment protection for low earning graduates. We expect this impact to hold true for students who receive DSAs too as this group will not be disproportionately affected by the package of changes being made to the student maintenance grants and loans. However it is acknowledged that disabled people will be disproportionately affected by the decision to not protect the real terms value of Disabled Students Allowances, but the view is that the additional impact of this specific proposal on the participation of disabled people will be small.

Gender

Overall, although the size of the financial impact is similar between genders, we conclude that the proposed changes are more likely to impact female students. This is in part due to the fact evidence indicating that they are more likely to be debt averse than their male counterparts and also more likely to be single parents, therefore being unable to take up employment to overcome a funding shortfall. Females are also more likely to receive childcare support and be affected by changes to dependant grants. We recognise that these further financial impacts (which will only be felt by a small proportion of female students) could, at the margin, impact on the decision to participate in HE but we consider, on balance, that this potential impact will be mitigated by the on average high returns to HE investment and the repayment protection for low earning graduates.

Age

Overall we conclude that the package of policy changes presents a risk for the participation of older people in higher education that do not have sufficient access to other sources of funding. SLC data tells us that this protected group will be disproportionately impacted by the policy proposals to remove the full maintenance grant and replace with additional loan as well as the freezing of targeted grants, whilst the available evidence points to the cost sensitivity and debt averseness of this group. However, on balance we expect this potential impact to be mitigated by the high average returns to HE investment and the repayment protection for low earning graduates.

Ethnicity

Based on the available evidence we believe that the proposed changes to the student support package for new students will disproportionately affect people from ethnic minority backgrounds. As described above, however, there is uncertainty as to how this will impact on individuals' decisions to participate in Higher Education, depending on individuals' specific circumstances, expectations regarding future wage returns, attitudes towards debt and whether greater availability of funding makes it more affordable. However, on balance we expect the impact on the participation of people from ethnic minority backgrounds to be small. Participation rates for these students, both from high and low socio-economic backgrounds is high (and continuing to grow), as are aspirations⁵⁴. We also expect this potential impact to be mitigated by the low repayment protection for low earning graduates. Beyond participation, there are also risks of other negative impacts. Although additional loan should help alleviate cost concerns, students from ethnic minorities may choose not to take up the additional loan available and decide to take up additional part-time work or study at an institution closer to home. In this case, there is mixed evidence on what the impacts might be; some paid work can be beneficial. However, past a certain point it

⁵⁴ www.gov.uk/government/uploads/system/uploads/attachment_data/file/474269/BIS-15-462-understanding-progression-into-higher-education-final.pdf

appears to have a negative impact, this could be through poor employment outcomes or degree outcomes. With regards to choice of institution, evidence from the most recent reforms suggests that increasing the cost of HE has not lead to a change in behaviour.

Cumulative impact of the proposed policy change to the repayment threshold

In July 2015 Ministers consulted on options to freeze the threshold at which students start to repay their loans and are now considering their response. Two options were considered⁵⁵:

Option 1: The Government's preferred option is to freeze the threshold at its current level of £21,000 for all new and existing borrowers from April 2016, for five years before being reviewed in April 2021.

Option 2: Freeze the threshold for new borrowers only from the point it reaches in April 2020 for five years.

A separate Equality Analysis will be prepared to support Ministers in making a final decision between these options. However, given the potential interactions between changes in the student financial support package and changes to the repayment threshold, we use the section below to consider their potential cumulative impacts on protected groups and from disadvantaged backgrounds. Since the Grants to Loans switch can only affect new borrowers, this cumulative analysis only considers the effect on new borrowers, which is the population of borrowers who enter higher education in 2016.

In our earlier analysis we saw that the grants to loans policy will only change lifetime repayment figures for those students who over their lifetime have average annual earnings equivalent to around £30,000 or more. This is on the basis of the repayment threshold going up in line with earnings inflation. Implementing either of the threshold freezes alongside the grants to loans conversion would both bring more graduate borrowers into repayment but also increase their annual repayment. The chart below shows the impact of this. It can be seen that:

- (i) The repayment freeze has a bigger impact on lifetime loan repayments than the grant to loan switch and that it is more evenly spread across the distribution of lifetime earners, although those with the lowest earnings are affected the least.
- (ii) The similar nature of both threshold policy options means that there is little difference to lifetime loan repayments for new borrowers between freezing the threshold in 2016 and doing so in 2020.

⁵⁵ On 25 November 2015 the Government published its response to this consultation announcing its decision to implement Option 1.

- (iii) That the repayment threshold does have a compounding effect, but that this effect is concentrated amongst those students who came from low income households who go on to earn higher incomes across their lifetimes. For those graduates who experience lower lifetime earnings they are more likely to either spend significant periods of time under the repayment threshold or to have not fully repaid their loan anyway (in which case the value of debt would be written off). We do not think that the additional size of repayments that come from the cumulative effect of these policies are significant to change our broad conclusion that for most students Higher Education will remain a good investment.

The table below considers the approximate proportion of loan borrowers by age and gender that fully repay their loan under the current system, the maintenance grants to loans conversion policy and also the two threshold freeze options on top of the grants to loans policy. Applying the maintenance grants to loans policy as a replacement for the current system will lower proportion of people that fully repay, as students who previously had a grant are now likely to graduate with an increased loan balance. Applying Option 1 or 2 of the proposed threshold freeze as well as the maintenance grants to loans policy increases the proportion of people fully repaying as more students are brought into repayment. This can be read in the context of proposals in the HE Green Paper to incentivise high quality teaching and sharpen the focus on employability in higher education, and to help all graduates into well paid jobs.

Chart 6: NPV of Lifetime Loan Repayments – 2016 Entrants – All Loan Borrowers

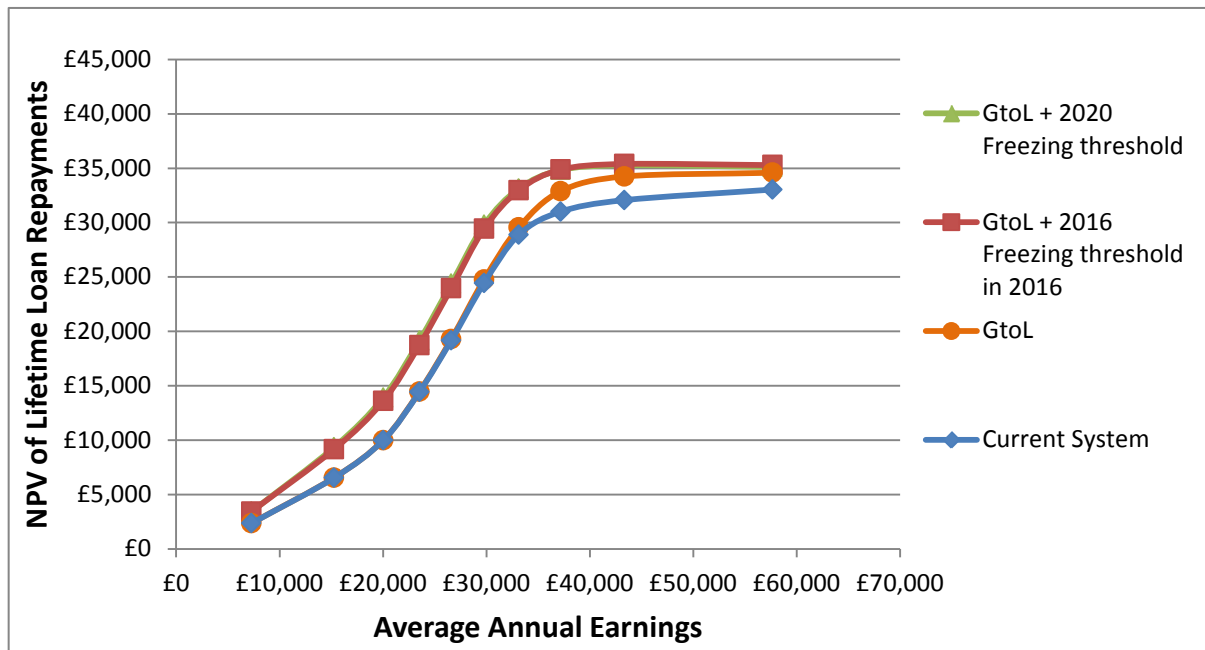


Table 16

| Decile | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | |
|---|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------------|
| Average Annual Lifetime Earnings | £7,269 | £15,267 | £20,023 | £23,514 | £26,599 | £29,774 | £33,135 | £37,184 | £43,332 | £57,683 | |
| NPV of Lifetime Loan Repayments | | | | | | | | | | | Overall Average |
| Current System | £2,353 | £6,540 | £9,980 | £14,413 | £19,162 | £24,441 | £28,883 | £31,010 | £32,065 | £33,041 | £20,189 |
| GtoL | £2,362 | £6,549 | £9,995 | £14,461 | £19,277 | £24,751 | £29,555 | £32,889 | £34,240 | £34,584 | £20,866 |
| GtoL + 2016 Threshold Freeze | £3,424 | £9,162 | £13,593 | £18,732 | £23,964 | £29,433 | £32,979 | £34,872 | £35,391 | £35,286 | £23,684 |
| GtoL + 2020 Threshold Freeze | £3,423 | £9,342 | £13,909 | £19,138 | £24,377 | £29,801 | £33,124 | £34,839 | £35,267 | £35,124 | £23,834 |

Table of Differences using Current System as Baseline

| | | | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|------------------|
| GtoL % Difference | £9 0.38% | £10 0.15% | £15 0.15% | £48 0.33% | £115 0.60% | £309 1.26% | £672 2.33% | £1,879 6.06% | £2,175 6.78% | £1,544 4.67% | £678 3.36% |
| GtoL + 2016 Threshold Freeze % Difference | £1,072 45.55% | £2,622 40.10% | £3,613 36.20% | £4,318 29.96% | £4,801 25.06% | £4,992 20.42% | £4,096 14.18% | £3,863 12.46% | £3,326 10.37% | £2,245 6.80% | £3,495 17.31% |
| GtoL + 2020 Threshold Freeze % Difference | £1,071 45.50% | £2,802 42.85% | £3,929 39.37% | £4,725 32.78% | £5,215 27.21% | £5,359 21.93% | £4,241 14.68% | £3,829 12.35% | £3,202 9.99% | £2,084 6.31% | £3,646 18.06% |

Table 17**Approximate proportion that fully repay**

| Sample | Sample size | Current System | GtoL | GtoL & 2016 Threshold Freeze | GtoL & 2020 Threshold Freeze |
|---------------|--------------------|-----------------------|-------------|---|---|
| All | 10000 | 0.38 | 0.34 | 0.39 | 0.40 |
| Males | 10000 | 0.52 | 0.49 | 0.53 | 0.54 |
| Females | 10000 | 0.28 | 0.23 | 0.29 | 0.29 |
| Age < 21 | 7604 | 0.41 | 0.37 | 0.43 | 0.43 |
| Age 21-24 | 1336 | 0.40 | 0.35 | 0.40 | 0.40 |
| Age 25-30 | 520 | 0.26 | 0.22 | 0.26 | 0.26 |
| Age 31-40 | 355 | 0.15 | 0.12 | 0.14 | 0.14 |
| Age 41+ | 185 | 0.01 | 0.00 | 0.01 | 0.01 |
| Age 21+ | 2396 | 0.30 | 0.26 | 0.30 | 0.30 |

Earnings of graduates with a protected characteristic

Freezing the threshold will have the largest nominal impact on those with earnings paths that give average lifetime annual earnings of between £20,000 and £35,000. The next part of our analysis identifies what groups of people, specifically protected groups, are likely to fall into these income groups and therefore be disproportionately impacted by the introduction of both policy proposals.

Gender

BIS student loan repayment modelling, evidence from the Labour Force Survey and wider evidence from the IFS and NUS shows that on average, female graduates earn less than their male counterparts throughout their lifetime and are therefore more likely to earn 'low to middle incomes' and experience the largest impact under the policy options.

Disability

Evidence from the Labour Force Survey indicates that students with a disability earn less over their lifetimes than their peers who don't have a disability. This suggests that this group of students are more likely to be among the 'low to middle earners' who will experience the largest impact under the policy options.

Ethnicity

Analysis from the Labour Force Survey and wider evidence from HEFCE and the NUS indicates that students from minority ethnic backgrounds earn less over their lifetimes than

their white peers. This suggests that this group of students are more likely to be among the 'low to middle earners' who will experience the largest impact of the policy options.

Age

BIS student loan repayment modelling, evidence from the Labour Force Survey and wider evidence shows that students who start their degree when they are younger, on average, have higher lifetime graduate earnings.

We have not found any evidence to suggest that individuals of a certain religion or belief, individuals experiencing pregnancy or maternity, transgender individuals or individuals of a particular sexual orientation are more likely to fall into this income group than the overall graduate population and are therefore not likely to be disproportionately impacted by the policy changes.

Other impacts

There is a possibility that the policy proposals may have impacts other than participation amongst disadvantaged and protected groups. In our previous analysis we noted that a change from grants to loans could reduce the need for students to work part-time by easing affordability though in the opposite direction it might increase the desire to work in order to limit borrowing. The freezing of the repayment threshold may increase the likelihood of part-time work. If mature students, women and students from ethnic minority backgrounds respond to the removal of non-repayable support by taking up significant levels of part-time employment or choosing to study at an institution in closer proximity to their parental home their outcomes from higher education could be negatively affected. However, this will depend upon the extent to which greater part-time working impinges on their hours of study and whether a choice to study from home means they are unable to choose the course or institution that best meets their career aspirations. These are not inevitable consequences.

Other changes to the student finance environment

Increasing tuition fees by inflation from 2017/18

The Government will put in place a mechanism enabling an inflation linked increase in the fee cap for institutions that demonstrate high quality teaching.

This won't affect the conclusions of this analysis as rising fees over the period are factored into the modelling of future student loan repayments and is unlikely to lead to a significant change in behaviours as it does not represent a change in the real cost of a higher education. However, we are aware that increasing tuition fees increases the headline levels of debt for all students. This could potentially have a negative impact on participation, but the evidence on balance suggests this will not happen as long as tuition fee loans are increased to cover the fees.

Requirement for DSA recipients to self-fund up to a maximum of £200 for computer costs

Changes to the funding for computers affects disabled students as the funding is targeted at this group by nature of the policy. Analysis⁵⁶ suggests that these changes will not disproportionately fall to the protected groups defined by age and gender. However, there is evidence that students from lower socio-economic groups are more likely to experience a negative impact from this policy. These students are more likely to be from ethnic minority backgrounds and older.

Self-funding £200 represents an additional financial impact for students from ethnic minority backgrounds and older students. We have recognised that these groups are likely to be impacted by the switch of maintenance grants to loans and the options to freeze the repayment threshold. An additional financial impact feeds in to the decision making process of this group and represents an increased risk to their participation in higher education. However, we expect that the increased levels of financial support, continuing substantial returns to investing in higher education and the repayment protection that continues to exist for low earning graduates should mitigate any negative impacts.

Withdrawal of the National Scholarship Programme

The National Scholarship Programme (NSP) has been withdrawn with NSP awards no longer available for students starting higher education in 2015-16 and beyond. By definition the award was only available to students from low income backgrounds (residual household income of below £25,000) so the withdrawal impacts this group.

In addition, young students, female students and those from ethnic minority backgrounds are overrepresented in the NSP population so will experience a disproportionate impact.

However, evaluation has found that the programme has limited impact on student access to higher education and more generally that the possibility of receiving institutional financial support has little influence over decision-making for the majority of students. For this reason we conclude that the withdrawal of the NSP, alongside other proposed changes to the student support system and repayments mechanism will not impact upon the participation of these groups.

⁵⁶ See other equality analysis DSAs.

Consideration of the Family Test

The Family Test was introduced on 31 October 2014. The objective of the test is to introduce an explicit family perspective to the policy making process, and ensure that potential impacts on family relationships and functioning are made explicit and recognised in the process of developing new policy.

We do not believe that the changes proposed are likely to have a significant effect on family formation, but we have considered evidence regarding the relationship between student loan debt, repayments and the maintenance or future formation of strong, stable and nurturing relationships. Where the policy may have an impact it is likely to be through:

- Where a low income household has a member commencing higher education these changes will provide them with increased financial resources to meet the cost of living, which would be expected to reduce the likelihood of financial pressures affecting the stability of the family relationship.
- Where a household has a member entering student loan repayment these changes will decrease immediate financial resources. However, on a weekly basis the increases in repayments are minimal so it would not be expected to increase the likelihood of financial pressures affecting the stability of the family relationship.
- A consequence of the combined proposals is that the effective long-term price of higher education has increased for those who go on to earn low to middle incomes. This is also true for those from low income backgrounds but for whom more loan support is now available. This is likely to be perceived as an increased debt burden. Evidence shows that increased student debt decreases the chance of marriage and could potentially reduce chances of having children. Additionally, a study shows that increased debt decreases the chances of graduates purchasing their own home; this could have potential implications for family formation. However, this must be balanced against the earnings and job prospects attained by graduates. The evidence suggests a correlation between parents' educational achievements and the formation of stable relationships. To the extent that the changes may influence the decision to undertake Higher Education, and an individual's outcome, there is a potential route to influence future family formation. However, the net effect of these changes on future participation in Higher Education is uncertain, but likely to be small.

We do not expect the freezing of dependant's grants to have a significant enough impact on financial resources to influence family formation.

We are unable to say which of these potential effects will predominate, but in any case would expect the net effect to be small and the negative impacts to be mitigated by the continuing substantial returns to investing in higher education and the repayment protection that continues to exist for low earning graduates.

Conclusions

We have assessed the impact of the changes on protected and disadvantaged groups, on the basis of available evidence.

We have considered the public sector equality duty to ‘eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act’ in relation to the proposed changes. S13(1) Equality Act 2010 defines direct discrimination as follows: “A person (A) discriminates against another (B) if, because of a protected characteristic, A treats B less favourably than A treats or would treat others”. This policy change will not discriminate against students with protected characteristics. Rather, students eligible for maintenance and special support grants have been treated more favourably than those who were ineligible by receiving an element of non-repayable support. That provision is being changed, but these students will still be eligible to receive higher levels of financial support.

We have considered the public sector equality duty to ‘foster good relations between people who share a protected characteristic and those who do not’ in relation to the proposed changes. Fostering good relations involves having due regard to the need to tackle prejudice, and promote understanding. Whilst the policy change may not have the effect of actively fostering good relations between those who have a protected characteristic and those who do not, we do not consider that it does anything to harm relations between these sections of society. We do not consider that any frustration felt by students with protected characteristics who will now receive a grant rather than a loan would affect relationships with peers without protected characteristics.

We have considered the public sector equality duty to ‘advance equality of opportunity between people who share a protected characteristic and those who do not’ in relation to the proposed changes and concluded that this is the most relevant part of the duty. Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to;

- a) remove or minimise disadvantages suffered by people who share a relevant protected characteristic that are connected to that characteristic
- b) take steps to meet the needs of people who share a relevant protected characteristic that are different from the needs of people who do not share it
- c) encourage people who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such people is disproportionately low

Changes to Grants and loans for living costs

These changes, by their nature, focus on students from low income households. Those affected will no longer receive additional grant funding to help meet maintenance costs, but instead receive this additional support through access to greater loan support. The total amount of funding available to low income households previously eligible for grant support will increase.

As a consequence of these changes, the lifetime cost of Higher Education will rise for those who eventually earn an income level that triggers repayment of the loan. For those earning below this, the cost of Higher Education will be unchanged as they will not be required to make repayments. We do not anticipate that this will change the picture that undertaking Higher Education will remain a good value investment for most of those individuals affected, though we cannot be definitive in this conclusion given the large number of individual specific factors this it will depend upon. Hence it is possible it may lead to some small reduction in participation.

It is possible that the prospect of increased debt will deter some lower income households from undertaking Higher Education, which the evidence suggests are on average more likely to be debt averse. Against this, the availability of greater funding might help to make it more affordable to those students with limited access to other means of funding living costs e.g. higher income parents. We do not know which of these effects will predominate. However, the improvement in participation rates amongst disadvantaged groups to past changes in student financing suggests that if there is any downward effect it is likely to be small, although there are limits to which this evidence is directly relevant to the current set of proposals (e.g. we cannot factor in the cumulative impact of debt). We also know that average returns from Higher Education continue to be high and loan repayments will continue to be on an income-contingent basis.

Looking at specific groups for which we have data:

- We expect women to be disproportionately impacted by the changes. There is evidence that single parents are more likely to be debt averse and single parents are more likely to be female. This means that their participation decisions are more likely to be affected by financial considerations. Thus, there is a chance that the policy could result in a small decrease in female participation though it is difficult to predict exactly what behavioural responses will be.
- We expect there to be a disproportionate impact on mature students; the proportion of students aged 21 and over that claim maintenance grant support is significantly higher than their representation in the population of all student support claimants, whilst there is evidence of increased debt aversion in this group. The policy change presents a risk for the participation of older students in higher education.

- We have identified a potentially disproportionate effect on students from ethnic minority backgrounds. Again, this is based on evidence of debt aversion in this group and the tendency for these students to be from low income backgrounds. This is against a background of Ethnic Minorities being more likely to participate in Higher Education than White British peers. We have assessed that there is a small risk to the participation of students from ethnic minority backgrounds. Participation rates for these students, both from high and low socio-economic backgrounds are high (and continuing to grow), as are aspirations⁵⁷. Additionally, there is risk to the outcomes of these students if they choose not to take out the additional loan available.
- We expect the impact of converting maintenance grants to loans to fall equally upon those with a disability and those without a disability. The proportion of Disabled Student Allowance claimants impacted by the change to student support measures is broadly in line with their representation in population of all student support claimants. There is likely to be a risk to participation of disabled students who are particularly debt averse, but this impact could be felt by any student regardless of their protected characteristic. However, we also expect any downward effect of the proposal to be also mitigated by the high average returns to HE investment and the repayment protection for low earning graduates.

There is evidence to suggest that there are groups of Muslim students whose religion prohibits them from taking out an interest bearing loan. This means that this group of students will no longer have access to funding for living costs as non-repayable finance is no longer available. This could lead to a decline in the participation of some Muslim students. The Government has made significant strides in designing a Sharia-compliant student finance product. In April 2014 BIS conducted a consultation on a Sharia-compliant alternative finance product for undergraduate students. Upon review of consultation responses, the Government supported the introduction of a Sharia-compliant Takaful Alternative Finance product available to everyone and pledged to work on its development. This work is ongoing, and subject to Parliament, the Government hopes to introduce the system through new legislation.

Cumulative impacts of proposed policy changes – including the proposal to freeze the repayment threshold for student loans

On balance we expect the potential impacts of the policy changes to be mitigated by the high average returns to investing in higher education and the repayment protection that continues to exist for low earning graduates. However, we have assessed that there will be differences in these potential impacts by the characteristics below.

⁵⁷ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/474269/BIS-15-462-understanding-progression-into-higher-education-final.pdf

Gender

Female students are more likely to be debt averse⁵⁸, so therefore, even though the financial impacts are similar for men and women, the policy changes are more likely to lead to a decline in female participation. Also, women are more likely than men to be single parents and therefore less likely to be able to make up a financial shortfall through additional employment. This could impact on their wellbeing and higher education outcomes.

Disability

We have assessed that disabled and non-disabled students will be affected by the grants to loans switch in the same way. Additional proposals to freeze the repayment threshold, as well as changes to Disabled Students Allowances could have a disproportionate impact on disabled students. We do not believe that these impacts represent a significant risk to the participation of disabled students in higher education.

Ethnicity

Students from ethnic minority backgrounds will experience a disproportionate impact from the policy proposals. They are more likely to be affected by the conversion of grants to loans and the proposal to freeze the repayment threshold. At the same time, evidence suggests that this group are more likely to be debt averse. For this reason, we believe the policy proposals present a risk to this group's participation in higher education. Additionally, the policy proposals could result in a negative impact on outcomes for this group (such as a worse degree result, job on graduation). The HE Green Paper sets out new proposals to improve outcomes for BME students.

Age

We have assessed that the policy proposals discussed are more likely to impact mature students. In particular, the conversion of maintenance grants to loans (and special support grants to loans for students over the age of 60) is a risk to the participation of mature students because they are more likely to be debt averse. Additional policy changes such as changes to dependant grants and freezing the repayment threshold are also more likely to have a financial impact on mature students, which can have a negative impact on their participation decision.

Religion and Belief

There is evidence to suggest that there are groups of Muslim students whose religion prohibits them from taking out interest bearing loans. This means that this group of students will no longer have access to funding for living costs as non-repayable finance is no longer available. This could lead to a decline in the participation of some Muslim

⁵⁸ This is based on the finding that single parents are more likely to be debt averse and single parents are more likely to be women.

students. For the other policies discussed we have no evidence to suggest that students of a particular religion or belief will experience a disproportionate impact.

Monitoring and review

We will look for suitable opportunities, including through existing stakeholder forums, to monitor developments and feedback.

We shall continue to monitor Higher Education Statistical Agency data and SLC data to determine the participation, retention and outcomes for disabled students and applicants with protected characteristics, but particularly in relation to the following characteristics: gender, ethnicity and age.

In addition we are taking steps to improve the quality of data for the ethnicity of student support recipients to ensure we continue to comply with the Public Sector Equality Duty. Plans are in place to link SLC data with HESA student record data. Work is also being done to change the optional nature of the ethnicity question on the SLC application form.

Annex 1

Table A1: Proportion of student support claimants by protected group and type of student support awarded in 2013/14

| Student Support product[1] | Disability status | | Gender | | Age [8] | | Ethnic group[3] | |
|---------------------------------------|--|---|--------|--------|----------|-------------|-----------------|---------------------|
| | Receiving Disabled Students Allowances | Not receiving Disabled Students Allowances[2] | Male | Female | Under 21 | 21 and over | White[4] | Ethnic minority [5] |
| Maintenance Grant – Full Grant | 39% | 40% | 40% | 39% | 35% | 46% | 38% | 56% |
| Maintenance Grant – Partial Grant | 14% | 16% | 16% | 16% | 18% | 13% | 18% | 11% |
| Special Support Grant – Full Grant | 7% | 3% | 1% | 6% | 0% | 9% | 3% | 7% |
| Special Support Grant – Partial Grant | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Childcare Grant | 3% | 2% | 0% | 3% | 0% | 4% | 2% | 5% |
| Parents' Learning Allowance | 7% | 5% | 2% | 7% | 0% | 12% | 4% | 11% |
| Adult Dependents Grant | 2% | 1% | 2% | 1% | 0% | 4% | 1% | 3% |
| Disabled Students' Allowances | 100% | 0% | 6% | 7% | 5% | 8% | 4% | 3% |

Notes:

[1] Source: Student Loans Company records: English domiciled full time undergraduate students awarded student support in 2013/14.

[2] This group will include students who declare a disability who are not eligible for Disabled Students Allowance. Not all students with a disability will have one that impact on their ability to study in HE.

[3] Ethnicity data is provided voluntarily and is available for only 14 per cent of all student support claimants, with coverage differing across each type of student support product

[4] White group includes British, Irish and Other White

[5] Data not disaggregated further due to poor coverage of ethnicity data in SLC dataset – see [4]

[6] Includes all student support claimants who do not claim Maintenance Grants or Special Support Grants

[7] All English applicants awarded student support for full-time study (excluding tuition fee loans). Awards do not necessarily translate into payments. An awarded applicant will only receive payments once SLC have received confirmation from the student's provider at the start of the academic year that the student has been registered on the course.

[8] Age is age at start of course and unknown for 198 students.

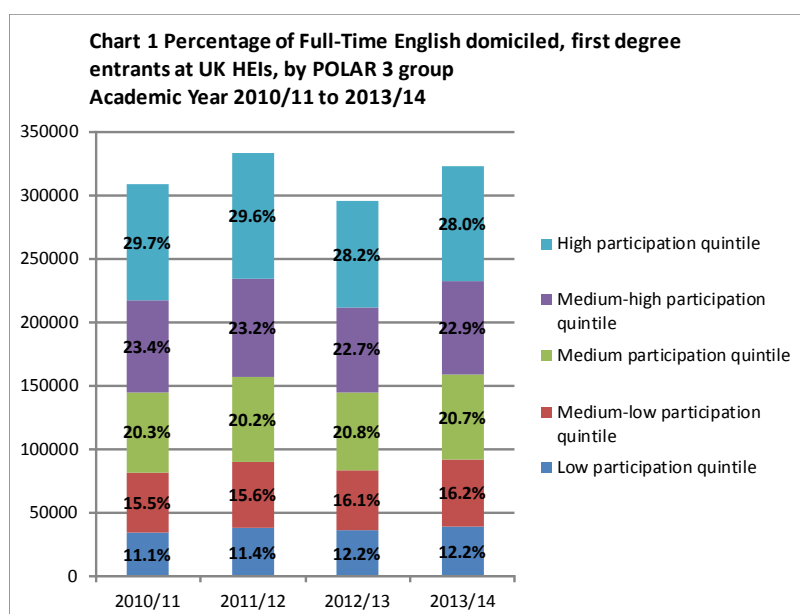
Data may not sum to 100 per cent due to rounding.

Annex 2

Entrants: the profile of the 2013/14 new system full time first degree population at English HEIs

Entrants from disadvantaged backgrounds

For those English domiciled full time first degree entrants at UK HEIs from the lowest participation quintile, their percentage share has increased by 1.1 percentage points since 2010/11. Conversely, the proportion from the highest participation quintile has decreased by 1.7 percentage points. This confirms the potential outcomes suggested by the UCAS lead indicators.



Source: HESA student record

HESA Widening Participation Indicators

Population

- Young
- Full-Time
- First Degree
- Entrants

Table A2 shows the **HESA Widening Participation Indicators** on the proportion of young, full-time first degree entrants from state schools, lower socio economic and lower participation groups. These figures are shown for **UK domiciled students in UK Higher Education Institutions**.

Since 2010/11, the proportion has risen year on year for students from state schools and lower socio-economic groups. The indicator on low participation neighbourhoods also showed a consecutive increase until 2013/14 when the percentage rate stayed at 10.9 per cent.

Table A2: Proportion of under-represented groups amongst UK-domiciled young, full-time first degree entrants at UK HEIs

| | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|--|---------|---------|---------|---------|
| State school pupils | 88.7% | 88.9% | 89.3% | 89.7% |
| Lower socio-economic groups (NS-SEC classes 4,5,6 and 7) | 30.6% | 30.7% | 32.3% | 32.6% |
| Low participation neighbourhoods (POLAR3 quintile 1) | 10.0% | 10.2% | 10.9% | 10.9% |

Source: HESA, Widening Participation table T1a

There was also a 1 percentage point improvement in the proportion of mature full time first degree entrants who had no previous HE qualifications and were from low participation neighbourhoods from 10.9 per cent in 2010/11 to 11.9 per cent in 2013/14 (**Table A3**).

Table A3: Proportion of under-represented groups amongst UK-domiciled mature, full-time first degree entrants at UK HEIs Academic Year 2010/11 to 2013/14

| | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|---|---------|---------|---------|---------|
| No previous HE <i>and</i> from low participation neighbourhoods (POLAR3 quintile 1) | 10.9% | 10.9% | 11.6% | 11.9% |

Source: HESA Summary of UK performance indicators 2013/14

Other measures of widening participation

BIS also produce their own measures of widening participation in their annual July report entitled “**Widening Participation in HE 2015**”. Similar to the HESA measures, they are to inform our understanding of widening participation by measuring participation in HE and the most selective universities tariff score. The measures describe:-

- the percentage of free school meal students aged 15 from state schools who progress to Higher Education by age 19; and
- the proportion of A level students who progress to selective HE institutions from state schools and compares this to the access rate achieved by their independent school peers.

The percentage of free school meal students entering HE by age 19

The percentage has increased from 20 per cent in 2010/11 to 23 per cent in 2012/13. This has coincided in a 1pp fall in the gap between –FSM and non-FSM pupils from 18pp to 17pp.

Table A4**Estimated percentage of 15 year old pupils from state-funded English schools by Free School Meal status who entered HE by age 19 in UK HEIs and English Further Education Colleges**

| Entered HE by age 19 in academic year | Estimated percentage who entered HE | | | |
|---------------------------------------|-------------------------------------|------------|-----|-------------|
| | FSM[1] | Non-FSM[1] | All | Gap[2] (pp) |
| 2010/11 | 20 | 38 | 35 | 18 |
| 2011/12 | 21 | 39 | 36 | 18 |
| 2012/13 | 23 | 40 | 37 | 17 |

(pp percentage point)

[1] FSM and Non-FSM refer to whether pupils were receiving Free School Meals at age 15 or not.

[2] Gap is the difference between FSM and non-FSM expressed in percentage points. Percentage figures are rounded; gap figures are calculated from un-rounded data and therefore may not correspond to the gap between rounded percentages.

Progression rates to the most selective HEIs

Table A5 shows a smaller percentage of A level students from State schools (23 per cent) progress to the most selective institutions compared to students from the Independent sector (63 per cent) – a 40pp gap that has remained broadly unchanged since the 2010/11 academic year. A level students from Selective State schools fare much better with 3 in 5 A level students from this type of school progressing to selective institutions by age 19.

Table A5**Estimated number and percentage of A level students by age 19 in English schools who progressed to the most selective HE Institutions by school type**

| School College Type | 2010/11 | 2011/12 | 2012/13 |
|-------------------------|---------|---------|---------|
| Independent | 64 | 62 | 63 |
| Selective | 58 | 59 | 60 |
| Other | 20 | 19 | 19 |
| Total State | 24 | 23 | 23 |
| All | 28 | 27 | 26 |
| Independent / State Gap | 40 | 39 | 40 |

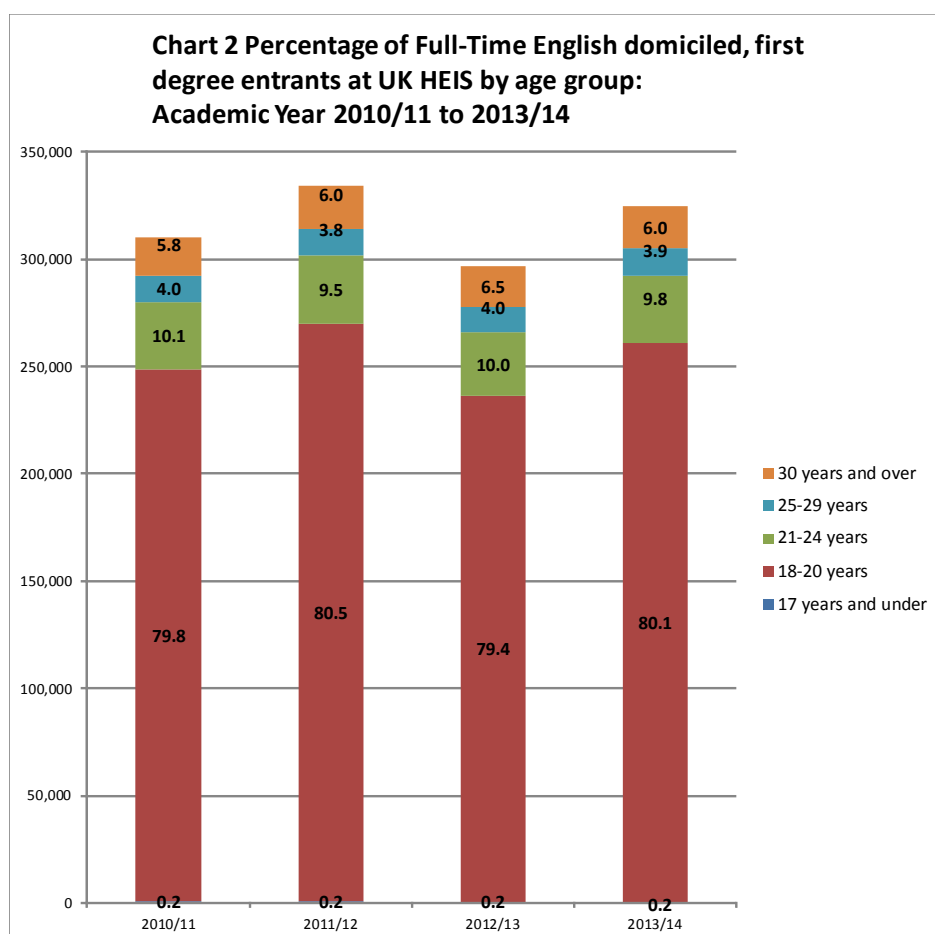
The measures reported in Table A4 and A5 do not account for Prior attainment. Many pupils will not continue their education; therefore may not hold the qualifications to progress to Higher Education.

HESA Equality characteristics data

Charts 2 to 4 show the percentage of full-time first degree English entrants in UK HEIs by age, ethnicity, gender and disability derived from the HESA student records.

Age group

The number of entrants to full time first degrees in every age group fell in 2013/14 except the 18-20 age group who saw their share rise from 79.4 per cent to 80.1 per cent (**Chart 2**).



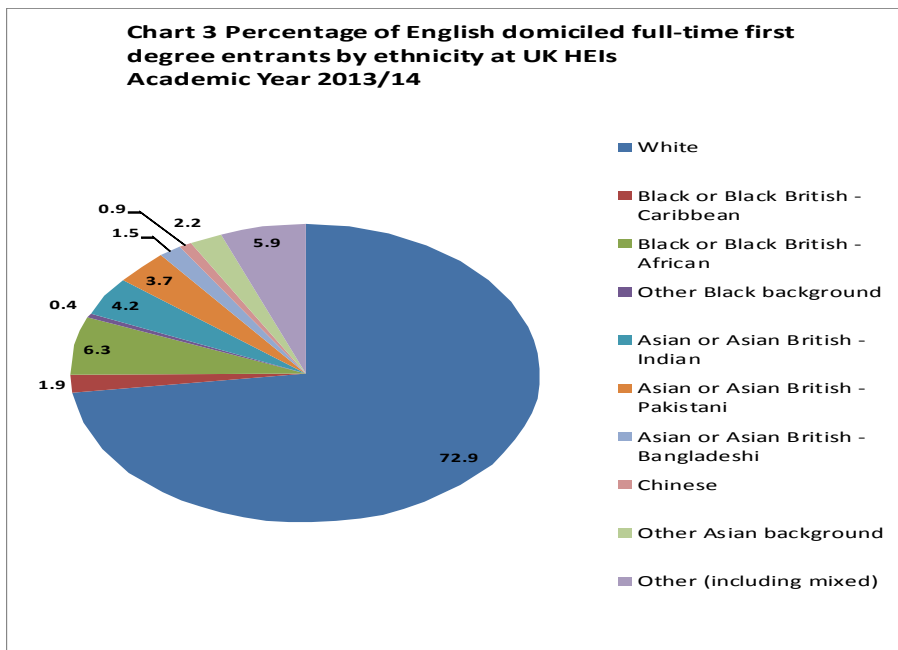
Source: HESA student record

Ethnicity

Over the past decade, the proportion of UK-domiciled students who are from ethnic minority backgrounds has risen gradually⁵⁹. In English HEIs, the proportion of ethnic minority entrants to full time first degrees increased following the reforms. This reflects a trend of rising participation by ethnic minority groups, with Black 18 year olds showing the

⁵⁹ Equality Challenge Unit, *Equality in higher education: statistical report 2013*, p. 60

largest increase in entry rates. Consequently, all ethnic minorities have a higher HE entry rate than White 18 year olds⁶⁰ (see Chart 3).

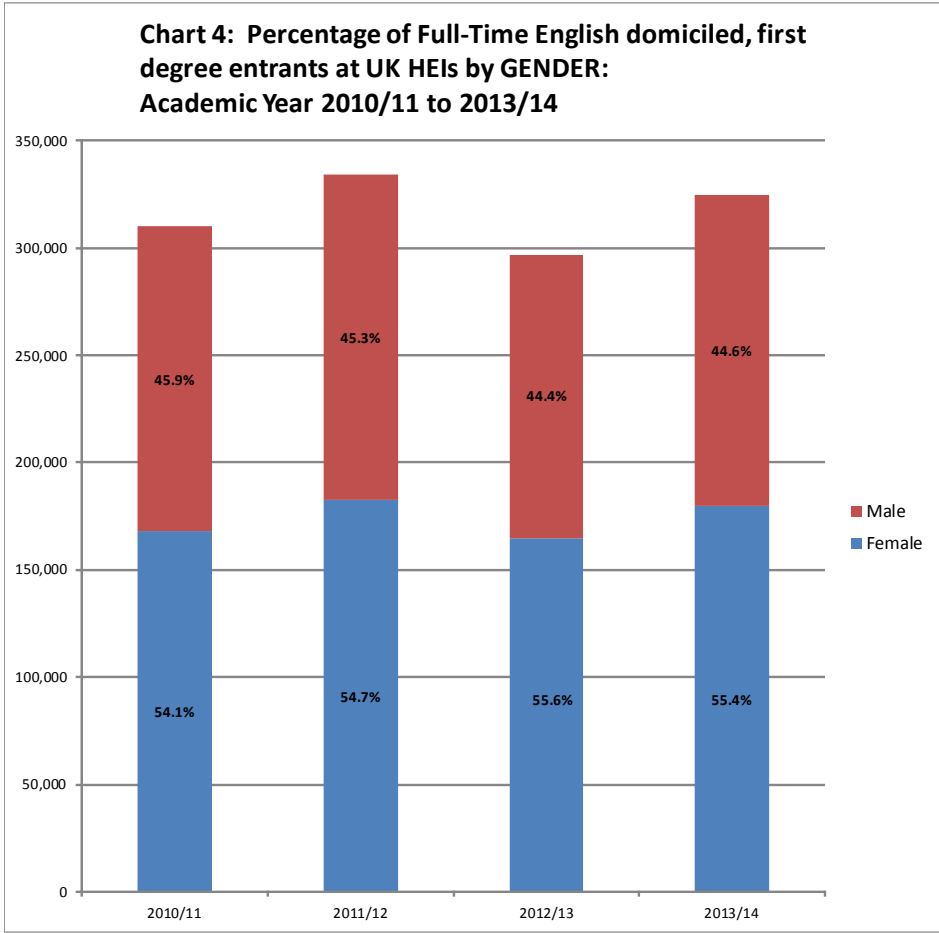


Source: HESA student record

Gender

Over the past decade there were consistently more female students than male students at UK universities. In 2013/14 the proportion of female entrants to full time first degrees at UK HEIs rose slightly (see Chart 4).

⁶⁰ As reported in UCAS, End of cycle report (2013), figure 69. The ethnic minority groupings are Asian, Black, Mixed, Chinese and Any Other

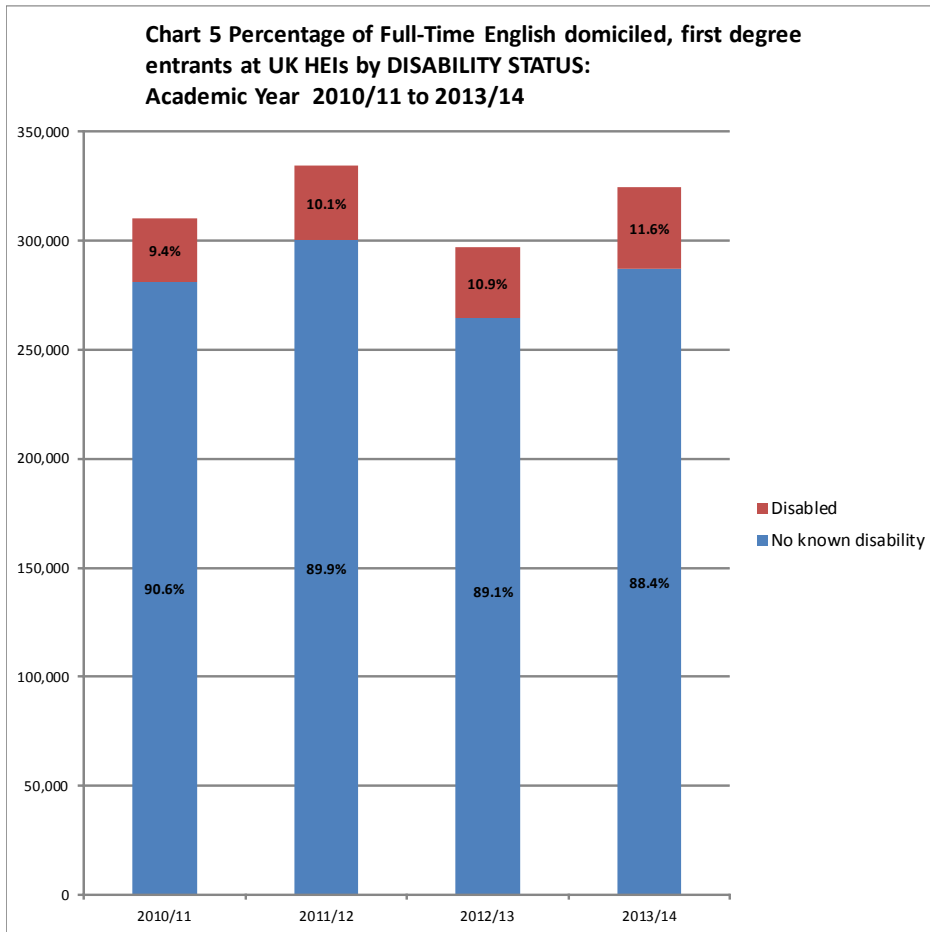


Source: HESA student record

Disability

The proportion of disabled students in the overall student population has risen gradually over the past ten years⁶¹. It increased again in 2013/14 (see Chart 5), suggesting the reforms did not disproportionately impact disabled students.

⁶¹ Equality Challenge Unit, *Equality in higher education: statistical report 2013*, p. 98



Source: HESA student record

One of HESA's Widening Participation Performance Indicators is on the participation of disabled students as measured by the proportion of Disabled Students' Allowance recipients. The PI confirms the trend found above: a gradual improvement in the representation of disabled students over recent years which has continued into the first year of the HE reforms.

Table A6: Proportion of Disabled Students' Allowance recipients amongst UK-domiciled, full-time first degree students in UK HEIs

| | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|-----------------------|---------|---------|---------|---------|
| DSA recipients | 5.3% | 5.9% | 6.5% | 6.9% |

Source: HESA, Widening Participation table T7



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Department for Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET
Tel: 020 7215 5000
Email: enquiries@bis.gsi.gov.uk

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