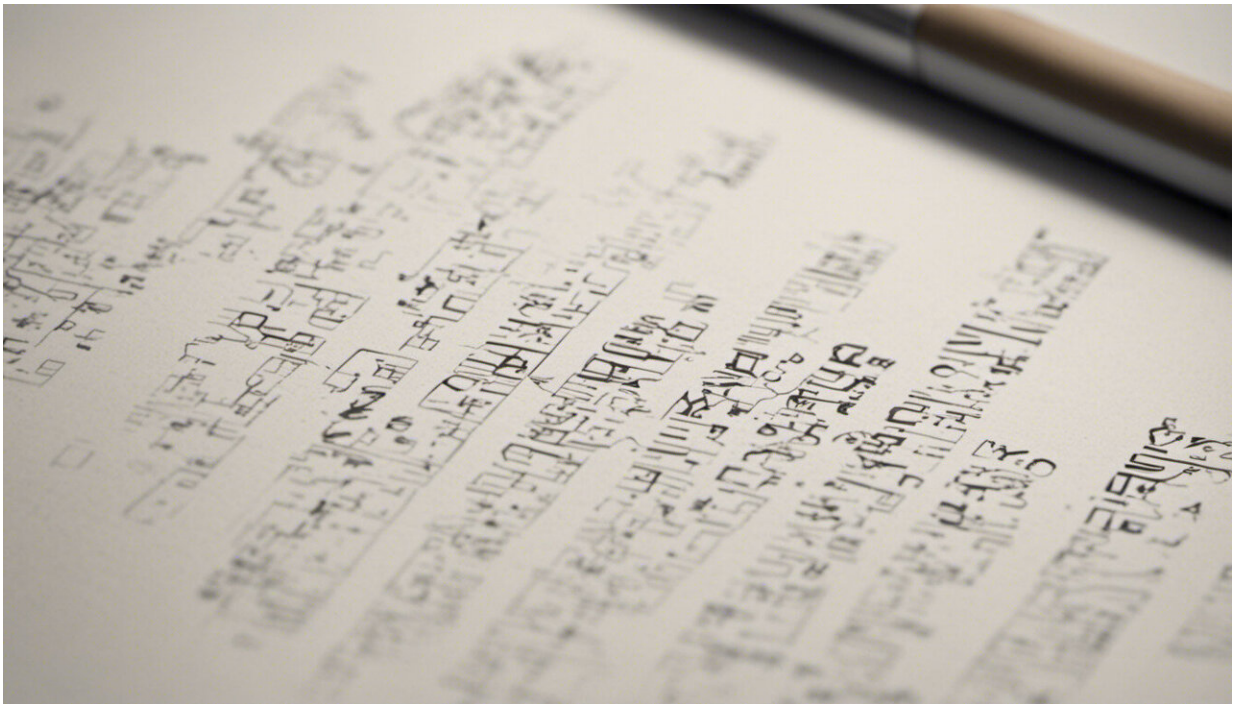


Most graduates will never pay off their student loans

July 7 2017, by Andrew Gunn



Credit: AI-generated image ([disclaimer](#))

New findings show that more than 70% of students who left university last year are never expected [to finish repaying their loans](#). The report by the [Institute for Fiscal Studies](#) (IFS) shows that many of these graduates – the first cohort to pay the higher £9,000 fees – will be making repayments for 30 years. This means that a large number of graduates

will be paying back their loans well into their 50s – and a growing proportion of the money lent out will never be repaid.

This is because, under the current system in England, when graduates earn over £21,000 they start making repayments of 9% of their salary above that threshold. And if the loan isn't repaid within 30 years, the outstanding balance is written off.

These new findings add to concerns the current policy of lending large sums to students to pay for their degree – rather than funding universities directly – [is not sustainable over the long-term](#). There have been calls by members of the Conservative party for a rethink over [fees policy](#) – and some have suggested that the [end of tuition fees](#) could be on the horizon.

The political debate

Student fees were already back on the agenda as a result of the recent election after Labour took the lion's share of student votes with their promise of wiping out [tuition fees](#) altogether.

[Analysis by YouGov](#) has also shown that the electorate is deeply divided by age and level of education: younger and more educated people are found to be less likely to vote Conservative. Understandably, the Conservative party is now concerned it could cost them an election in future.

This has led to Damien Green, the first secretary of state – and effectively Theresa May's deputy – saying that a "national debate" on [student fees may be needed](#). Green also added that the Conservatives will have to "change hard" to entice young educated voters away from Labour.

In response, universities minister [Jo Johnson is doubling down](#) on current policy, arguing disadvantaged young people are now [43% more likely to go to university](#) than in 2010 and that abolishing tuition fees would cost taxpayers an additional £100bn by 2025. He also points to the fact that many loans are not fully repaid, which he argues shows the government is subsidising the lowest-earning graduates.

The realities of fees and funding

What Johnson says is correct, there has been a big increase in the number of disadvantaged students going to university. But one of the main reasons for this is because at the same time as increasing fees, the government also sought to remove the "cap" on student numbers – so there is no longer a limit to the total number of places on offer.

Prior to the cap being removed in England, [undergraduate education](#) was paid for through taxes – as is still the case in Scotland – meaning the number of places had to be capped because the government only has so much money to spend.

So removing the cap in England has enabled universities to make more offers to young people from disadvantaged backgrounds. This has been mainly through "[contextual admissions](#)" – which is where information including school performance data and socioeconomic markers are used to provide background to an application.

Indebted graduates

The proportion of [young people](#) entering undergraduate education has [grown massively over time](#) (student numbers have almost doubled since 1992) meaning those educated at university are no longer considered to be an "elite" group. In real terms this means that, as a group of voters,

the student population expands every year – making them more influential. This is not just an electorate with more graduates, but one with more indebted graduates.

Last year maintenance grants were replaced with maintenance loans – which has increased [student](#) borrowing further. And, as the [IFS report](#) shows, this decision means students from the poorest backgrounds will now have debts of on average £57,000 after a three-year degree – as these students will need to take out the maximum loan amount.

Then there is also the issue of the interest rate charged on the loans and how much graduates earn [before they start paying it back](#). In recent years students have taken on ever-larger loans – and this, combined with [rising interest rates](#), is making it more expensive for graduates and [undermining confidence in the system](#). As the [IFS reports](#), this has hit poorer students and middle-earning graduates the hardest.

Despite this, the policy on fees isn't about to change just yet. The Conservatives are currently occupied with dealing with consequences of some their more [unpopular policies](#) – such as abandoning the creation of [new grammar schools](#) and considering what to do with their proposals for technical education.

But sooner or later the Conservatives will need to produce another manifesto. And the current debate, along with lessons learnt from the last election, may mean they revise their electoral offer to students and graduates – as all political parties look to adjust to this new electoral reality.

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