

K11 Denbigh 2 Thursday 6 December 11.30 -12.00

Who is Taking Student Loans in England? Determinants of Student Loan Take-Up. (0286)

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Background and Context

Recent policy changes in England regarding the financing of higher education – including tuition fees hikes, changes in student loans eligibility criteria, and the abolition of grants – have fuelled students' increasing reliance on student loans. The number of borrowers alone grew from 240 700 in the 2008 repayment cohort to 367 400 in the 2018 repayment cohort – a 52 per cent increase over 10 years. As the number of borrowers grew so did the levels of their loans: average debt at graduation increased from £10,870 for the 2008 repayment cohort to £34,800 for the 2018 repayment cohort – a 220 per cent rise (Student Loans Company, 2017).

While taking out student loans is becoming a norm in England, little is known about the characteristics of those who take out student loans and those who do not. The limited available evidence for full-time students who were subject to fees of £3,000 suggests that those less likely to take out loans were aged 25 and over and came from higher social classes – although the difference in take up between students from highest and lowest classes was only 5 percentage points, lower than the researchers expected (Purcell et al., 2008). More recent evidence, for full-time students liable to tuition fees of £9,000 and part-time students liable to fees of up to £6,950, suggests that part-time students are less likely to take student loans (Maher et al., 2018).

In the United States, student loan take up has been most notably associated with parental income, parental education, institutional characteristics, and race (Cunningham & Santiago, 2008; Houle, 2014).

The study and its approach

The aim of this research paper is to assess which young people in England take out student loans and which do not. In 2015/16, 90 per cent of the eligible population in public higher education institutions took a maintenance loan, while 93 per cent took out a tuition fee loan (Student Loans Company, 2018). Although both these shares have been increasing compared to previous years, there is a consistent small proportion of students who manage to fund their degree without taking any student loans. Another small share of students choose to only take loans to cover their tuition fees and thus self-fund all their living costs while in higher education.

We are interested in knowing what determines students' loan choices in England – whether they take out any loans and, if they take out loans, which loans they take out. This is important for understanding students' financial choices when deciding to pursue higher education; the student experience while studying; the longer-term implications of student loan debt on post-graduation experiences, choices and behaviour; and the design of student loan policies.

To answer this question, we use data from the Next Steps longitudinal study, formerly known as the Longitudinal Study of Young People in England (LSYPE), which follows the lives of a representative sample of around 16,000 people born in 1989-90 from the age of 13. Between the ages of 13 and 19, the respondents were surveyed annually, and in the first four waves, their parents also were

interviewed. The sample analysed includes all respondents to wave 7, i.e. at age 19, who enrolled in higher education.

Several logistic models were designed using this dataset to determine the role of the parental background and students' own characteristics on their propensity to take out student loans, take out a tuition fees loan, and take out a maintenance loan. Parental characteristics in our models include parental SES and parental wealth. Student characteristics include their demographic characteristics, attitudes to debt, their living arrangements while studying, and whether they engage in paid work during term time.

Findings

Preliminary results show, perhaps surprisingly, that taking out student loans is not a social class issue. It seems, however, to be dependent on family wealth, as proxied by parents' highest qualification, housing tenure, private school attendance, and the deprivation score of the area where the respondent lived at age 13.

Gender and ethnicity also play a role. Females have lower odds than males of taking out any type of student loan while Pakistani and Bangladeshi students tend to have higher odds than Whites. A positive outlook on student debt is unsurprisingly related to higher odds of taking student loans. Living at home while studying is, conversely, associated with lower odds of loan take-up.

Discussion

The results of this paper help fill a significant gap in our knowledge about the take-up of student loans in England. They are important in understanding students' decision making processes around student loans. Some of the determinants of student loans take-up are related to students' backgrounds and therefore set by the time they enter higher education, including parental wealth and demographic variables. While parental wealth is understandable, the role of gender and ethnicity is more difficult to explain and requires further study and exploration.

It seems that students also adopt strategies to avoid taking out loans by living at home and doing paid work during term time. These decisions and strategies are likely to shape different, and potentially unequal, student experiences while studying and once individuals have left higher education.

The differences in student loan take up by students' characteristics, therefore, point to the ways in which the student loan system in England helps to perpetuate existing inequalities with the wealthiest students leaving university with no student loan debt, and some of the most disadvantaged with higher debts.

These findings also have implications for government student funding policies and the design of a fair and progressive student loan system that optimises the college choice process and helps ensure optimal study conditions.

References

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