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Title Does fear of debt deter higher education participation? New evidence from England

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Background and Context

Research conducted in 2002 among prospective UK undergraduates found that students from low social classes were deterred from applying to university because of their fear of debt (Callender and Jackson 2005). This paper investigates whether this is still the case in England. It compares findings from a 2015 survey of prospective undergraduates with those from the 2002 study. The paper considers whether students' attitudes toward student loan debt have changed since 2002 and how their attitudes may contribute to differences across social classes in their intention to participate in HE.

Prospective HE students' attitudes towards student loan debt are not well understood while existing research is limited. For instance, many UK and US studies on loan aversion are conducted among current students (e.g. Bachan 2014; Goldrick-Rab and Kelchen 2015; Harrison et al 2015a; 2015b) so can tell us nothing about how student debt influences prospective students' decisions regarding HE. The most comprehensive UK studies exploring prospective students' attitudes towards debt and higher education participation are based on data which are at least a decade old (Davies and Lea 1995; Callender and Jackson 2005; Bates et al 2009).

Since these studies were undertaken student funding policies have changed dramatically bringing into question the findings' relevance for today's students and public policy. Between 2002 and 2015, the policy changes have led to a 553% (after allowing for inflation) rise in tuition fees and an increase of debt on graduation of 256% (after allowing for inflation). Consequently, if students want to go to university, they have to borrow. In 2015, 93 per cent had taken out loans for fees and 89 per cent for maintenance (SLC, 2016).

At the same time HE participation has continued rise alongside governments' commitments to increase, and a stated desire to widen, HE participation within the context of a strengthening of the cost-sharing 'ideology' and the marketization of HE.

The study and its approach

We surveyed a nationally representative sample of 1,116 prospective HE students in 2002 and 1,544 in 2015 in England. All surveyed students were: aged 17-21 years old; studying towards an HE entry-level qualification; and in their final year of a state or independent school or Further Education College. The survey used a mix of online and paper questionnaires and several questions in the 2015.

We tested three hypotheses using data from our 2002 and 2015 surveys. First, in the light of continued growth in HE participation in England at a time of rising tuition and increases in student borrowing following the extension of income-contingent loans, alongside the policy rhetoric informing these changes, we proposed that:

Hypothesis 1: Young people's attitudes to taking out student loan debt were more favourable in 2015 than in 2002.

Next, motivated by the cross-national evidence on debt aversion, social class and HE participation, we tested two further hypotheses:

Hypothesis 2: Where debt aversion exists, it is still higher among lower-class students than it is among students from other social classes.

Hypothesis 3: All else being equal, debt aversion still contributes to lower university applications from lower-class students compared to students from other social classes.

Findings

We found strong support for hypotheses 1 & 3 and some evidence to support hypothesis 2.

Prospective students' attitudes to taking on student loan debt were more relaxed in 2015 than in 2002. Some 76% of students in 2015 agreed with a statement that 'borrowing money to pay for a university education is a good investment' compared with 53% in 2002.

This higher level of support for borrowing partly reflects growth in the proportion of students who agree with a statement that 'Students do not worry about their debts while at university because they will get well-paid jobs when they graduate'.

So students today are more likely to believe that borrowing money for a university education is a good investment which will boost their earnings prospects when they graduate.

Nonetheless, about a third of students surveyed in 2015 strongly agreed with the statement: 'I would worry a lot if I ever got into debt'. A sizeable minority of students show signs of aversion to debt in general.

Specifically, lower class students are still more debt averse than upper class students, and much more so than in 2002. But, middle class students are not more debt averse than lower class students, unlike their peers in 2002. So some class differences in debt aversion appear to have grown over time in England.

Debt aversion still contributes to lower university applications among lower-class students compared to students from other social classes. Lower class students are far more likely than students from other social classes to be deterred from applying to university because of fear of debt. And this fear of debt was more likely to deter poorer students' HE participation in 2015 than in 2002. In 2015, upper class students were 4 percentage points more likely than lower class students to apply to university, even after controlling for a wide range of variables including debt aversion and prior academic attainment.

Discussion

Our findings are a useful reminder that prior academic attainment alone cannot explain socio-economic differences in HE participation and that student funding and student loan debt aversion play a role. This is important because prior academic attainment as the key determinant of HE

participation has become a 'received wisdom' among HE policy makers and HEIs. This is seen as largely outside of their control and so relieves them of taking remedial action.

HE participation rates have continued to grow, despite rises in tuition and student loan debt, but policy makers need to recognise that such changes do influence HE enrolments, especially among under-represented groups. Our findings imply that widening participation policies are potentially undermined by a student funding system predicated on debt accumulation. Our findings also suggest that income-contingent loans are not necessarily seen by potential students as affordable, or as a safety net against an uncertain future, or contrary to government policy, as a protection against student loan debt aversion.

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