General Election 2019
An analysis of manifesto plans for education

Priority 7: Post-18 education

Jon Andrews, Emily Hunt, Bobbie Mills and Felix Bunting

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Poor outcomes for young people impose economic and social costs not just on students but wider society. Skills shortages hamper UK competitiveness, productivity and wage growth.[1] There is a particular challenge with basic literacy and numeracy skills among young people, as well as shortages in digital skills, intermediate skills, and higher technical skills.**Error! Bookmark not defined.**

Together these point to an education system that is not necessarily equipping workers with the skills required by the labour market. Research consistently indicates several key challenges for post-18 education: the balance of routes across further and higher education; funding; participation and access; quality and value for money.

The current landscape

Balance of routes

In 2014/15, there were eighty times more undergraduate, first time degrees awarded than technical qualifications at higher levels, with technical education struggling with a steep decline in numbers.[2] W**here these Level 4 and 5 qualifications are being delivered, they are not always in subjects that meet the needs of the UK economy**. Only a small minority are in STEM, where skills gaps are most acute, reflected in high wage returns to these qualifications relative to many degree holders.[3] There has also been a sharp decline in the proportion of post-19 students at GCSE and lower levels over the last 15 years, as well as falls in apprenticeship numbers. These qualifications outside of the traditional GCSE-A-level-degree pathway lack a clear, transparent structure that is easy for students and employers to navigate.

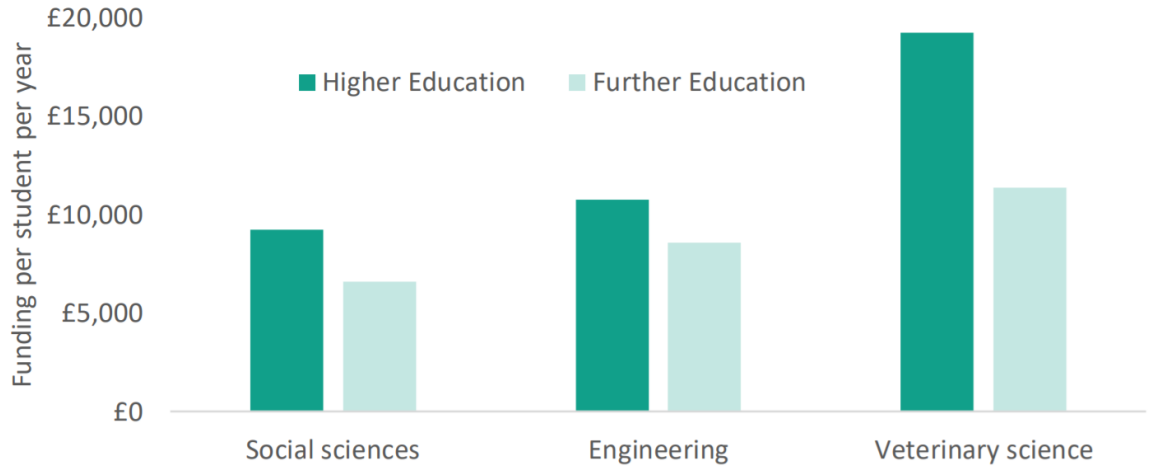
It is not obvious that the structure of the UK economy demands this focus on degrees over other provision, with the UK having a high level of mismatch between workers' skills and those required by employers. The OECD finds around 40 per cent of all UK workers are over- or under-qualified for their job, among the highest mismatch of the countries analysed.[4] There is also some evidence that skills mismatches will widen in future, linked to major labour market changes including greater automation and IT within jobs.[1]

[1] Industrial Strategy Council, '*UK Skills Mismatch 2030*', (October 2019)
[2] Alison Wolf, Gerard Dominguez-Reig, and Peter Sellen, '*Remaking Tertiary Education: Can We Create a System That Is Fair and Fit for Purpose?*', (November 2016)
[3] Héctor Espinoza and Stefan Speckesser, '*A comparison of earnings related to higher level vocational/technical and academic education*', (April 2019)
[4] OECD, '*Getting Skills Right: United Kingdom*', (November 2017)

Funding

The imbalance between academic and other provision directly reflects post-18 funding arrangements. In February 2018, the government announced the Independent Review of Post-18 Education and Funding, led by Philip Augar. This highlighted the marked funding gap between Higher Education (HE) and Further Education (FE): HE is the highest funded phase in England, while FE has seen sustained funding reductions.[5] This has been exacerbated by differential rates of funding for similar qualification types in FE and HE (Figure 7.1), and is likely to have had a disproportionate impact on disadvantaged learners, who are more likely to participate in FE. Total spending on adult education (excluding apprenticeships) has fallen by nearly two-thirds since 2003–04.

Figure 7.1: Funding per student in higher education and further education by subject 2018/19[6]



Rapidly changing employment patterns with shorter job cycles and longer working lives require many people to reskill and upskill. The Augar review notes that the post-18 funding system must respond to this need for flexibility, accommodating full and part-time students at different levels who may want to learn in a modular way across their lifetimes and across different institutions. Almost 40 per cent of 25-year-olds do not progress beyond GCSEs as their highest qualification, despite these higher skills being in demand by employers and providing wage gains to individuals. Living costs are often cited as a barrier to further learning. Unlike those in HE, those studying intermediate qualifications in FE are not eligible for full maintenance loans.

The current post-18 funding system also creates perverse incentives *within* the HE sector towards providing particular courses. With nearly all universities charging the top level of fees for most or all of their subjects, the cheapest-to-teach subjects have expanded far more rapidly than the most expensive subjects.[7]

[5] Department for Education, '*Independent Panel Report to the Review of Post-18 Education and Funding*', (May 2019)

[6] ESFA, *'Maximum loan amounts for advanced learner loans designated qualifications 2018 to 2019'* (March 2018) and OfS, *'Guide to funding 2018-19'*, (May 2018)

[7] Dearden et al, '*Higher Education Funding in England: Past, Present and Options for the Future*', (July 2017)

Participation and access

The participation of young people in HE has increased rapidly; nearly 29 per cent of 18 year olds participate in higher education each year, up from 21 per cent a decade ago.[8] However, there has been a marked decline among part-time students. This has occurred across all UK nations since at least 2010, with the largest drops seen in Wales (46 per cent fall) and England (63 per cent).[9] The shared trend suggests the fall in English part-time numbers is not solely attributable to higher tuition fees introduced from 2012, though researchers from The Sutton Trust have estimated this may be responsible for 40 per cent of the overall fall in England.[10]

There are also concerns about participation among mature students, some postgraduate students, overseas students from certain countries, and ethnic minority groups.[11] This includes not only under-representation but mismatching between some students' prior attainment and their university courses. New research shows that disadvantaged students and women attend courses that are below the level expected, given their prior attainment ('undermatching').[12]

No progress has been made on narrowing the HE disadvantage gap, despite overall participation among disadvantaged groups hitting record levels and significant resources being spent by universities on widening participation activities.[13] This is explained almost entirely by prior attainment in school, making investments in the school system to close this gap potentially a fruitful approach to improving access. Participation gaps raise several concerns around fairness, loss of human capital, risks to the financial sustainability of providers and the foregone economic and wider contribution that graduates make to the UK economy, culture and society.

A related concern around fair HE access is the use of predicted grades and unconditional offers, particularly among disadvantaged students. For example, disadvantaged students with high prior attainment are predicted lower A level grades than their better off peers.[14] This is important because under-predicted candidates are also more likely to apply to, and to be accepted on to, a university course for which they are overqualified. This could in turn affect their future labour market outcomes. The share of unconditional offers has also increased dramatically in recent years, attributed to greater competition for attracting students and rising tuition fees. Unconditional offers are more common at universities with lower entry requirements and among older students. The key concern is that they may be demotivating for students and lead to educational under-achievement.[15]

Quality and value for money

[8] Department for Education, '*Participation Rates in Higher Education: Academic Years 2006/2007 – 2017/2018 (Provisional)*', (September 2019)
[9] David Robinson and Daniel Carr, '*Post-18 education and funding: Options for the government review*', (May 2019)
[10] Claire Callender and John Thompson, '*The lost part-timers: The decline of part-time undergraduate higher education in England*', (March 2018)
[11] Higher Education Statistics Agency, '*Higher Education Student Statistics: UK, 2017/18 - Student Numbers and Characteristics*', (January 2019)
[12] Campbell et al, '*Inequalities in Student to Course Match: Evidence from Linked Administrative Data'*, (August 2019)
[13] Social Mobility Commission, *'State of the Nation 2018-19: Social Mobility in Great Britain'*, (April 2019)
[14] Gill Wyness, '*Predicted grades: accuracy and impact*', (December 2016)
[15] Office for Students, 'D*ata Analysis of Unconditional Offers: Update*', (October 2019)

A key consequence of the imbalance in post-18 routes on offer – a long-term expansion of three-year degrees alongside declines in other routes – is a relatively expensive post-18 system. HE funding was radically reformed in 2012, partly aimed at shifting the cost burden from the state to the student, as the primary beneficiary. The impact has been a marked increase in university funding alongside graduate debt, with graduates and taxpayers now roughly evenly sharing the costs of higher education.

Whilst HE continues to provide a sizeable labour market return on average, this varies considerably by subject and institution attended, with similar variability within the returns to vocational qualifications.[16, 17] It also means the biggest state subsidies go to the HE courses whose graduates earn the least, via unpaid student loans. These may nevertheless be socially valuable courses (such as nursing), though assessing the social value of different courses – as opposed to their narrower impact on students' earnings – is challenging.

What should a new government do?

Education research suggests that policies should:

- expand and improve the quality and accessibility of vocational and technical education to lessen skill gaps and improve learner outcomes;
- offer clear, connected pathways with employer buy-in and better careers advice to make the value of vocational and technical education clearer and easier to navigate for students, their families and employers; and
- carefully consider the implications of any reforms to university funding and admissions for creating a more equitable higher education system.

Manifesto commitments

There are contrasts in the parties' approach to university tuition fees; Labour proposes their abolition while the Conservatives and Liberal Democrats appear more inclined towards the current system. Several parties also plan to restore maintenance grants to provide support towards students' living costs. There are also proposals which are specifically focused on university admissions and fair access to address underrepresented groups.

The need to reform and improve funding for further and adult education is another common manifesto thread. This is welcome in the context of addressing national skills shortages and the marked funding gap with higher education. The main parties have all pledged significant support for lifelong learning which should directly benefit older learners wanting to learn new skills or retrain. Given the evidence on previous adult education programmes, how these policies are actually designed, monitored and regulated will be key to their success and final cost.

Higher Education

[16] Britton et al, '*How English Domiciled Graduate Earnings Vary with Gender, Institution Attended, Subject and Socio-Economic Background*', (April 2016)

[17] Steven McIntosh and Damon Morris, '*Labour Market Returns to Vocational Qualifications in the Labour Force Survey*', (October 2016)
Battiston et al, '*Labour Market Outcomes disaggregated by subject area using the Longitudinal Education Outcomes data'*, (August 2019)

Labour and the Green Party plan to abolish tuition fees. The Liberal Democrats do not commit to any specific fee announcements, instead planning a further review of HE finance in the next Parliament. This would follow the recent, comprehensive Augar report which provided an independent and evidence-based assessment of post-18 education funding. Its focus would be on making the HE finance system more progressive and reviewing alternatives to a loans-based system such as a graduate tax.[18]

Proposals to abolish fees are hugely costly and result in the burden being shifted from graduates towards taxpayers, making the system less progressive. The policy favours high-earning graduates by reducing their lifetime repayments substantially, whilst low and middle earners would see little benefit as most do not currently fully repay their student loans. There is also little evidence that abolishing fees would encourage more school leavers from disadvantaged backgrounds to access higher education, as the chief barrier they face is lower attainment in secondary school. There are, however, some sub-groups for whom the tripling of fees since 2012 has adversely affected participation – namely part-time and mature students.[19] Lower, or zero, fees could be one way to counter the sharp fall in demand among these students, though if this is the policy goal, it could be better met by more targeted investments to boost part-time and mature student participation.

Where a new government opts to offset lower, or zero, tuition fees through increasing teaching grants, this would have the benefit of providing more flexibility over how funds are targeted. By allocating teaching grants to better reflect course costs and their social and economic value, this would help remove the current perverse incentives for universities to recruit students on the basis of profit margins and cross-subsidise other courses.

Labour, the Liberal Democrats and the Green Party all plan to restore maintenance grants for disadvantaged learners, which were abolished in 2016. The Institute for Fiscal Studies (IFS) estimates that the Liberal Democrat policy would cost around £600m per year whilst Labour's plans would be more costly still, as the grants would extend not only to full-time undergraduates but to part-time students, and HE students at below degree level too. [20] The combined cost of abolishing fees, and restoring and extending grants, under Labour's proposals is estimated to increase the total government subsidy to HE by around £7 billion.

The IFS cautions, however, that the true cost of the policy could turn out to be higher still, if more generous financial support for HE students boosts demand to study at university. The IFS costings assume constant student numbers, whereas Labour is projecting HE student numbers to rise which would presumably further increase the IFS's estimated costs. None of the manifestos have suggested reintroducing student number controls in England and Labour has confirmed it will not be doing this.[21] Student number controls could be one way to limit the financial exposure of taxpayers. It is also worth noting that recent ONS accounting changes mean around half of the outlay on student

[18] Confirmed in correspondence by the Liberal Democrats on 26th November 2019.
[19] David Robinson and Daniel Carr, '*Post-18 education and funding: Options for the government review*', (May 2019)
[20] Jack Britton, Laura van der Erve and Ben Waltmann, '*Higher Education Funding: more change to come?*', (November 2019)
[21] Confirmed in correspondence by the Labour Party on 27/11/2019.

loans counts as current public spending. This means zero-fee and grant-restoration policies appear to add less new public spending than at the 2017 election.

Restoring maintenance grants – like abolishing fees – reduces students' notional debt on graduation and students from disadvantaged backgrounds currently accumulate the largest debts. However, it makes no actual difference to the financial support that students receive during their study. And like abolishing fees, it benefits higher-earning graduates because the bottom 60 per cent of graduate earners do not pay off their student debt before it is written off. There is no clear evidence that replacing maintenance loans with grants would boost the participation of disadvantaged students. If this is the policy aim, there are better ways to provide support for disadvantaged students. This includes targeting support at earlier ages.

The Conservatives pledge to 'look at' the interest rates on student loan repayments with a view to reducing student debt, whilst the Brexit party pledges to abolish interest altogether. Currently students incur an interest rate of 3 per cent plus the Retail Prices Index (RPI) while they are studying and a variable rate thereafter, depending on earnings. Abolishing interest on student loans would make little or no difference to the most disadvantaged and the most advantaged students. The lowest earning graduates do not currently earn enough to repay their loan with interest, whilst the wealthiest students who do not take-out loans pay no interest at all. The graduates who stand to benefit most are the higher earners who currently incur the largest interest charges, shifting the cost burden towards taxpayers and making the current system less progressive. The IFS estimates that fully abolishing interest on loans in-line with the Brexit Party proposal would cost about £3.5bn, increasing the government contribution to HE by more than 40 per cent.

The Green Party has previously pledged to fully cancel outstanding student debt, though this is not mentioned in their manifesto. The IFS estimates that this would come at a one-time cost of £70 billion. Addressing existing student debt is something that the Labour party has also previously indicated it would tackle but, again, this is not mentioned in its manifesto. Partially or fully cancelling student debt is again costly depending on exactly how it is done and, under the current income-contingent loans system, such a policy would benefit higher-earning graduates the most and be at the expense of taxpayers.

The Conservatives, Labour and the Liberal Democrats aim to widen access to higher education among disadvantaged and underrepresented groups. The Conservatives will 'improve the application and offer system' and require the Office for Students to 'look at' universities' success in increasing access, whilst the Liberal Democrats will require transparency about selection criteria. Labour reforms appear to go further and are more specific, proposing post-qualification admissions (PQA) and use of contextual admissions across the system.

There is a case for PQA to support wider participation, as young people from disadvantaged backgrounds are more likely to have their actual grades underpredicted. Giving young people longer to consider their choices should help them make more informed choices and could reduce the HE drop-out rate. However, there may also be downsides for some students. The compression of key activity into the summer period may mean applicants are not supported by teachers and advisers at the point when most advice would be required. This would deepen the divide between those who are well supported and those who are not. It could also require significant shifts to school and

university timetabling, potentially either shortening either study for exams, or the first term at university.

Whilst there may be a case for PQA, it comes with uncertainties about the overall impact on widening participation. Labour's proposal to implement contextualised admissions could be a better way to account for under-prediction of disadvantaged young people's grades without any other associated logistical difficulties. The most significant cause of the participation gap is due to the difference in prior attainment at GCSE and A level (or equivalent), rather than the HE admissions process itself. Whilst contextualising HE admissions could help mitigate this under-achievement among disadvantaged pupils, a greater focus should be given to narrowing those gaps *before* entry to HE to help address the underlying cause.

On international students, the Conservatives state: 'our student visa will help universities attract talented young people and allow those students to stay on to apply for work here after they graduate'. The Liberal Democrats also plan to support these students, through a two-year work visa after graduation. The Labour position is less clear and depends on the outcome of Brexit: 'If we remain in the EU, freedom of movement would continue. If we leave, it will be subject to negotiations, but we recognise the social and economic benefits that free movement has brought both in terms of EU citizens here and UK citizens abroad – and we will seek to protect those rights'. The economic impact of international students will depend on wider decisions taken about HE funding – which are not yet clear under the Conservatives and Liberal Democrats – as well as migration policy. One recent estimate of the net positive benefit to the UK economy per cohort of international students puts this figure at over £20 billion, [22] indicating any reductions to international student numbers could be economically costly.

Both Labour and the Liberal Democrats aim for 3 per cent of GDP to be spent on research and development – the former by 2030 and the latter, stating an interim target of 2.4 per cent by 2027 which is consistent with the 2019 Spending Round. The Conservatives also pledge 2.4 per cent of GDP but with no timescales, committing instead to 'the fastest ever increase in domestic public R&D spending, including in basic science research'. It is worth noting that the outlook for international students directly affects the research potential of UK universities due to the substantial cross-subsidy from international students' fees to research.

Lifelong learning

The Conservatives, Labour and the Liberal Democrats have all pledged significant financial support for adult education. The Conservatives propose a right to retrain fund worth around £600m per year from 2021-22 (or £580m in 2019-20 prices). Details are lacking but it aims to provide 'matching funding for individuals and SMEs for high-quality education and training', with a proportion reserved for further strategic investment in skills. Labour's plans involve a free lifelong entitlement to training up to level 3 and six years at levels 4-6, with maintenance grants for disadvantaged learners. Labour will also restore funding for learners with English as a second or other language and provide 'additional entitlements for workers in industries that are significantly affected by industrial transition'. Together, these are much more costly then the Conservative's adult education plans, at £3.3bn in 2023-24 (or just over £3bn in 2019-20). The Liberal Democrats propose a lifetime grant

[22] Gavan Conlon, Maike Halterbeck and Jenna Julius, *'The costs and benefits of international students by parliamentary constituency*', (January 2018)

worth £10,000. This is not tied to learning at specific levels but has restrictions on the ages at which adults can access the funding: £4,000 at age 25, £3,000 at age 40 and £3,000 at age 55. The estimated cost of the Liberal Democrat's 'Skills Wallet' is £1.6 billion in 2024/25 (almost £1.5 billion in 2019-20) – much less costly than the Labour policy but considerably more so than the Conservatives.

All proposals carry uncertainties which will ultimately affect their final cost, including how many learners actually take up the opportunities. With almost half of adults qualified only up to GCSE level reporting cost as a barrier to undertaking further learning, proposals should go some way to redressing the fall in take up of intermediate qualifications. However, it is unclear whether maintenance support is available under any party for adult learners accessing level 3 qualifications. Currently, these learners, unlike those in HE, are not entitled to maintenance support, despite level 3 tuition itself being free of charge and generally conferring good wage returns.

The value for money of all adult education schemes will also depend on exactly which qualifications are undertaken at various levels, their deadweight and the extent to which they genuinely improve learners' long-term outcomes.[23] Where adults improve their basic literacy and numeracy skills, the returns are likely to be positive for both individuals and wider society. However, existing evidence shows there is marked variation in the returns to both HE and FE courses. There is also a risk that additional courses taken by adults meet personal, rather than labour market needs, and at a substantial cost to taxpayers. Any new government must carefully monitor the uptake of qualifications and consider whether subject restrictions would be beneficial, if the goal is to align adults' skills development with labour market demands. It is feasible that uptake is strongest among those learners who are already the most qualified which could widen, rather than narrow, the skills gap.

It will also be critical to have strong regulation of the eligible courses under any adult skills policy. The Liberal Democrats will place this responsibility with the Office for Students. This is less clear under Conservatives and Labour, though Labour is planning a single regulatory body across further and adult education. The risk of fraud is a serious consideration for adult education; a similar 'Individual Learning Accounts' scheme had to be abandoned in 2001 for this reason, after just one year.

To support lifelong learning, both Labour and the Liberal Democrats plan to reform careers advice. Details are light but Labour will work towards an integrated information, advice and guidance system covering all stages of education, whilst the Liberal Democrats will give individuals access to free careers guidance. Currently qualifications outside of the traditional GCSE-A-level-degree pathway lack a clear, transparent structure. To the extent that better careers advice makes the value of vocational and technical education clearer and easier to navigate for learners and employers, this is a welcome development.

Overall assessment

The Conservative party policy is notable for its lack of detail on any of the pressing priorities facing the Higher Education sector. Its focus instead is on improving adult skills, which is in any case a

[23] Deadweight refers to the extent to which learners would have paid for the courses themselves, in the absence of government funding.

higher priority than reducing tuition fees if the objective is to improve education and skills. This is by far the single biggest resource cost in the Conservative manifesto after NHS commitments, yet remains a less generous lifelong learning policy than either that pledged by the Liberal Democrats and especially Labour.

The Labour party's single most costly education policy is to abolish tuition fees and restore maintenance grants. Given that higher-earning graduates would be the main beneficiaries and that HE participation has continued to rise despite the tripling of tuition fees in 2012, this appears to be a poorly targeted policy which would have no impact on education quality. It could, however, help address the steep decline in part-time student numbers. Labour's plans to reform admissions could hold more promise in improving access, whilst acknowledging most of the HE participation gap is explained by prior attainment in school.

Like the Conservatives, the Liberal Democrats plans in relation to HE are scant on detail, with the exception of restoring maintenance grants. This suffers from the same issues as Labour. The proposal is less costly as it does not include part-time and below degree-level students, though these are groups whose numbers have sharply declined in recent years and for whom more targeted support could be beneficial. But along with the Green Party's pledge to abolish fees and restore grants, all three parties' HE plans could, in reality, turn out to be far more costly if they cause a spike in student numbers.

The Conservatives, Labour and the Liberal Democrats all pledge more funding for further and adult education. This is welcome in the context of pressing skills shortages at intermediate and higher technical levels, and the marked funding gap with higher education. Given the evidence on previous adult education programmes, how these policies are actually designed, monitored and regulated will be critical in determining their success and final cost. The institutional capability must also be there: provision must be high quality, delivered by institutions which can respond effectively to changing labour markets, and serve a highly diverse population. The overall impact on the skills gap is hard to predict. If uptake is strongest among those adults who are already the most qualified, this risks widening, rather than narrowing, the skills gap.

The Brexit party's one post-18 commitment is to abolish interest on student loans. This would not support the lowest earning graduates who do not currently earn enough to repay their loans with interest, whilst shifting the cost burden towards taxpayers.