

NUS Research Brief

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International Update: English Student Loans, Corbyn and Free Education Realised in New York

The recent English election, with the Jeremy Corbyn-led Labour Party campaigning on a platform of free university education, has renewed interest in what is happening with the income contingent student loans system operating in England. The English tuition fee system, was inspired by Australia's HECS system but differs on some central factors. Meanwhile, across the Atlantic the massive New York State University network has just announced that it is abolishing its \$A8000 tuition fees for students from low-middle income backgrounds;

Time-Line of English Student Loans Changes

- Before 1998 – Free Education;
- 1998: Tuition Fees of £1000 introduced, no loans scheme but fee waivers for poor. Maintenance grants (similar to YA or AUSTUDY) replaced with loans;
- 2006: Tuition fees raised to £3,000 per year, loans introduced for tuitions fees but maintenance grants reintroduced;
- 2012: Tuition fee cap raised to £9,000 (\$A15,108) a year, nearly all universities raised fees to the cap, repayment threshold increased from £15,000 (\$A25,170) to £21,000 (\$A35,238), real interest rate of 3% above CPI charged while studying, interest rate of 0-3% above CPI charged after completion of study depending on income; Repayment rate is a flat 9% of income above the threshold;
- 2016: Maintenance grants abolished and replaced with loans, repayment threshold frozen in cash terms for five years;
- 2017: Tuition fee cap raised to £9,250 (\$15,521) a year, Labour campaigns on platform of returning to free education. Andrew Adonis, former Education Minister who introduced loans for the £3000 fees under Blair campaigns to abolish all tuition fees and the £50,000 study debts faced by average students

Since the 2012 changes England has the most expensive average domestic student fees for public universities in the OECD. In contrast Scottish students effectively have free education, domestic students are charged £1820 but the charge is normally fully paid for by the Student Awards Agency for Scotland. In Wales and Northern Ireland students normally receive a grant of around £5,000 and take out a student loan for the other £4,250.

Comparison of Annual Tuition Fees In High-Medium Fee Countries Based on Latest (2014) OECD Data (expressed in \$A)

England \$15,108
USA \$10,348
Japan \$6, 500
South Korea \$6,022

Canada \$6, 006
Australia \$5, 643
New Zealand \$5,568
Israel \$3,730
Netherlands \$2,902
Italy \$2,021

The other 80% of OECD countries either have no tuition fees or charge a low fee of less than \$2000 annually.

There are several significant differences with the Australian HECS system. There is no equivalent to HECS differentiated by course (HECS fees have been differentiated by subject since 1997). English students also repay only the amount above the threshold, English students and ex-students since 2012 debts are indexed at 0-3% real interest above CPI, since 2016 student income support is also treated as a loan rather than a grant.

Under the 2017 arrangements English students on average will graduate with a debt of £50,000 (\$83, 515). Students on lower incomes (the bottom 40%) of incomes are estimated to graduate with a higher debt of £57,000 (\$95, 207) because income support is now in the form of a loan. Students in the richest 30% by contrast have average debts of £43,000, as they generally are not eligible for maintenance loans. Low income students may also be eligible for small bursaries (scholarships) typically worth a few hundred pounds.

The key difference under the current arrangements is that low income students now receive less than 10% of the income in the form of grants compared to more than 50% under the 2012 arrangements.

Another difference with HECS is that the debts are written off after 30 years. HECS debts usually are written off only by death, there is some debate in Australia whether or not outstanding HECS debt should be taken from the post-humous estate. According to modelling by the Institute of Fiscal Studies over three quarters of English students (77%) will not have fully repaid their debts within the 30 years.¹

In Australia the Commonwealth provides at least some funding for all Commonwealth Subsidised Places (nearly all domestic undergraduate places) although the subsidy may be only around 15% for courses such as law). In England since 2012 the public subsidy for courses is mainly focussed around high cost courses such as medicine, science and engineering. Lower cost courses such as humanities, business, social sciences and mathematics receive no public subsidy and are funded entirely out of tuition fees.

The British populace have not meekly accepted what has been happening to their higher education system. For the 2017 election the British Labour Party adopted a policy to abolish tuition fees and reintroduce maintenance grants:

“Labour believes education should be free, and we will restore this principle. No-one should be put off education themselves for lack of money or through fear of debt. There is a real fear that students are being priced out of university education. Last year saw the steepest fall in applications for 30 years. Since the conservatives came to power university tuition fees have trebled to over £9000 a year, and maintenance grants have been abolished and replaced with loans. The average student now graduates and starts their working life, with debts of £44,000. Labour will reintroduce maintenance grants, and we will abolish university tuition fees. University tuition is free in many northern European countries and under a Labour government it will be free here too.” (Labour Party Manifesto, 2017) ²

¹ Belfield C. et al, *Higher Education Funding in England: past, present and options for the Future*, Institute for Fiscal Studies, Briefing Note BN211, United Kingdom, July 2017,

² “For The Many, Not The Few”, The Labour Party Manifesto 2017

Labour nearly pulled off an improbable win in the snap general election with a large increase in young people's vote largely attributed to the free education policy.

Across the Atlantic Bernie Sanders, campaigned on a free education in his Presidential bid and has more recently introduced a bill to the US Senate earlier this year to abolish tuition fees at public universities for students households making less than \$US125,000 (\$A157,713) a year. While the legislation will not pass the Republican controlled Senate this model is based on the new arrangements that have already been passed for New York's State University network's two year and four degree universities and colleges. It is the largest network of universities, colleges and community colleges in the USA and has 450,000 students at 64 campuses (this is about half the size of entire Australian higher education system). The annual \$US6740 (\$A8,163) tuition fees at the university will be abolished and replaced with free education for students from households earning under \$US125,000 a year.³

About 80% of students will be eligible for free education (Excelsior Scholarships), the first of tuition-free students are being admitted now (July 2017). The new arrangements will be phased in over 3 years as new students are admitted. The Governor of New York explains:

"Governor Andrew M. Cuomo today announced that the Excelsior Scholarship, a first-of-its-kind in the nation program will provide tuition-free college at New York's public colleges and universities to families making up to \$125,000 a year, and is included in the FY 2018 Budget agreement. The Excelsior Scholarship was the Governor's first proposal in his 2017 State of the State. The Budget additionally includes \$8 million to provide open educational resources, including e-books, to students at SUNY and CUNY colleges to help defray the prohibitive cost of textbooks.

With this budget, New York has the nation's first accessible college program. It's a different model," said Governor Cuomo. "Today, college is what high school was—it should always be an option even if you can't afford it. The Excelsior Scholarship will make college accessible to thousands of working and middle class students and shows the difference that government can make. There is no child who will go to sleep tonight and say, I have great dreams, but I don't believe I'll be able to get a college education because parents can't afford it. With this program, every child will have the opportunity that education provides."

*Under the Excelsior Scholarship, nearly 80 percent, or 940,000 middle-class families and individuals making up to \$125,000 per year, would qualify to attend college tuition-free at all CUNY and SUNY two- and four-year colleges in New York State."*⁴

New York's shift to free education for low and middle income students and the massive electoral support for Corbyn's attempts to abolish tuition fees in England can be game changers here. Free education is no longer a Whitlamite nostalgia trip. As mentioned before 80% of the OECD already free education or low fees. Now there is popular support and a new existing practice from the two counties with the highest tuition fees.

This has implications for the current government's attempts to increase student fees through Simon Birmingham's higher education review. It also has implications for what the ALP will offer as an alternative in next year's federal election - will Bill Shorten just oppose the latest government fee increases or instead look to Corbyn and New York and put up a real alternative.

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<http://college.usatoday.com/2017/04/17/heres-how-much-bernie-sanders-free-college-for-all-plan-would-cost/>

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<https://www.governor.ny.gov/news/governor-cuomo-announces-first-nation-excelsior-scholarship-program-will-provide-tuition-free>