Attitudes to debt

School leavers and further education students’ attitudes to debt and their impact on participation in higher education
This study aimed to investigate the impact of debt and perceptions of debt on participation in higher education (HE). It was commissioned by Universities UK and the Higher Education Funding Council for England (HEFCE) and undertaken by Professor Claire Callender of South Bank University and the Centre for Higher Education Research and Information (CHERI) at the Open University.

The findings are based on a survey of a nationally representative sample of just under 2,000 UK school leavers and FE college students in their final year of study, all of whom were working towards an HE entry qualification. The survey was undertaken between March and July 2002 and the response rate was 55 per cent.

**Decisions about HE entry**

Of the respondents surveyed:
- 15 per cent had decided not to enter HE;
- 12 per cent were still undecided; and
- 73 per cent of respondents had applied or intended to apply to university.

**Non-entrants**

Those most likely to reject HE were:
- white - they were 8.5 times more likely to reject HE compared with black and minority ethnic respondents;
- from lower social classes;
- women;
- aged over 21;
- studying at an FE college rather than an independent or state school; and
- held anti-debt attitudes.

**Undecided**

Those most likely to be still undecided about HE entry were:
- white - they were over 2.5 times more likely than black and minority ethnic respondents to be in doubt;
- from lower social classes;
- women;
- aged 21 and over;
- studying at an FE college rather than an independent school;
- had a partner or a sibling who had been to university - they were nearly 2.5 times more likely to be ambivalent than those with a partner who had not been to university and 1.5 times more likely to be undecided than those with a brother or sister who had not experienced university; and
- agreed that the worst aspects of university life were being in debt and having little money and that student debt was a deterrent – they were over 1.5 times more likely to be uncertain than those disagreeing with these statements.

**Entrants**

Those most likely to enter HE were:
- attending an independent school - they were 20 times more likely to enter HE than those in the FE sector;
- studying at a state school – they were 1.5 times more likely to go to university than those in the FE sector;
- aged under 21 – they were 2.5 times more likely to go to university than those aged over 21;
- from the highest social classes – they were twice as likely as those from the lower social classes to opt for HE;
- from a black or minority ethnic group;
- held debt tolerant attitudes – they were 1.5 times more likely to enter HE than those with anti-debt attitudes; and
- rejected rather than accepted that the worst aspects of university life were being in debt and having little money and that student debt was a deterrent.
Factors influencing respondents’ HE entry decision

Prospective students’ values as well as economic considerations influenced the way they framed and made their educational decisions.

Attitudes to debt in general
Prospective students with tolerant attitudes towards debt were one and quarter times more likely to go to university than those who were debt averse, all other things being equal. Debt aversion deterred entry into HE but was also a social class issue. Those most anti-debt are the focus of widening participation policies and include:

- those from the lowest social classes;
- lone parents;
- Muslims, especially Pakistanis; and
- black and minority ethnic groups.

The least anti-debt were:
- attending independent schools;
- from the highest social classes; and
- men.

Attitudes to the labour market
The pull of the labour market, getting a job and earning a wage were the most common reasons for not going to university, mentioned by 70 per cent of non-entrants. Non-entrants were five and half times more likely to express such views compared with those who had decided to enter HE (66 per cent compared with 12 per cent). The need to earn money was the most common reason the undecided gave for their indecision about university. This was mentioned by nearly three-quarters of them, especially those from the two lowest social classes. Unlike non-entrants, the indecisive stressed the need to earn money rather than just a desire for a job. They were three times more likely than entrants to say that they wanted to earn money rather than go university (37 per cent compared with 12 per cent).

Attitudes towards HE
Non-entrants were unconvinced of the benefits of HE, unlike entrants. Nearly four times fewer non-entrants believed in the need for a degree to get a decent job (16 per cent compared with 61 per cent). Nearly half as many non-entrants as entrants subscribed to the promise of the financial returns of HE (41 per cent compared with 74 per cent) and thought that university was a worthwhile experience (56 per cent compared with 96 per cent). Non-entrants rejected the culture and values of HE, entrants embraced them. Well over half of non-entrants felt university was not for them and a third thought the student lifestyle was not for them, compared to hardly any entrants. The undecided held ambivalent attitudes to HE.

Finances and financial barriers to HE entry
These barriers were particularly marked among those undecided about HE entry. Both a lack of money and concerns about accumulating debts contributed to their indecision. Not being able to afford university was the second most common reason for their ambivalence about HE entry. This was mentioned by over a half, but by three-quarters from the lowest social classes. The undecided were the most likely to think that poor student finances and student debt were negative features of university life. Those believing this were one and half times more likely to be ambivalent about HE entry compared with those rejecting these views. Although this group were not debt averse per se, half cited not wanting to build up debt as a reason for being unsure about HE entry, rising to over three quarters from the poorest households.

Views on student financial support arrangements
Non-entrants were far less likely than either entrants, or the undecided, to view student financial support as a long-term investment in their future. Nearly three times as many non-entrants as entrants thought it was not worthwhile getting into debt to get a degree. A third of non-entrants felt that borrowing money to pay for a university education was a good investment compared with half of entrants. Entrants had more contradictory views. They were more likely than either non-entrants or the undecided to also believe that student funding and debt were deterrents to HE entry. Entrants were more worried than non-entrants
about accumulating debts at university (86 per cent compared with 75 per cent non-entrants). Entrants were more likely than non-entrants to think that the re-introduction of grants would facilitate HE participation (81 per cent compared with 60 per cent), especially those from low-income families.

**Awareness, knowledge and understanding about HE student finances and funding**
All prospective students had unrealistic expectations about the actual financial situation of HE students. They under-estimated both HE students’ income and expenditure and over-estimated students’ final debt. A minority of all prospective students said they were well informed about student funding arrangements and the costs of going to university, but even a smaller proportion of non-entrants and the undecided reported that they were well-informed. The undecided were most likely not to have looked for information. They were three times more likely than entrants not to have done so. A minority of all respondents found it easy to access information on financial support for HE students and the costs of HE. Potential widening participation students found it the most difficult while the groups most likely to attend university the easiest.

**Encouragement to enter HE and financial support from family**
Non-entrants received far less encouragement from their wider network of friends and family to apply to university compared with either entrants or the undecided. The amount of financial support anticipated was strongly associated with respondents’ HE entry decision with entrants expecting the most, and non-entrants the least. Non-entrants could not rely on financial support from their family, had they chosen to go to university, unlike entrants and the undecided.

**HE choices and paying for HE**
Entrants, especially from low-income families, adopted a range of strategies to minimise HE costs and debt, and to save money, all of which limited their HE choices such as which university to attend, and what course to take. Entrants’ intentions about paying for HE varied considerably by social class. Wealthier entrants anticipated relying on their family and commercial credit to help pay for their time at university while poorer entrants were more likely to depend on student loans and paid employment. Prospective students’ religion and attitudes to debt were the most important factors predicting likely student loan take-up. Non-Muslims were three and half times more likely than Muslims to anticipate taking out a loan while those with tolerant attitudes to debt were two and half times more likely to take one out.

The amount of savings and parental support entrants had or could expect, and payment of tuition fees were the most significant factors predicting likely non-student loan take-up, suggesting they did not need the money from loans.

**The impact of HE costs and the student financial support system on HE entry and widening participation**

**The costs of HE**
The costs of HE and financial concerns affected participation, especially of those from low-income families. The costs were a barrier to HE entry, especially among those ambivalent about HE. For non-entrants, the overall costs of HE - both the direct costs and the opportunity costs of participation - outweighed the benefits of HE including its long-term returns.

**Debt aversion**
Debt aversion deterred entry into HE, especially for the very groups the government most wants to attract. Debt aversion was also the key determinant
of potential student loan take-up. Debt averse entrants were intending to trade off term-time employment against debt accumulation through student loans, once at university, which is likely negatively to effect their academic achievement.

**Adequacy of provision in the student support system**

The level of funds available to HE students through the student financial support system were a barrier to participation. The funds were considered insufficient, and were a major contributor to the indecision of those ambivalent about HE. The current funding led HE entrants to compromise and limit their educational choices. They opted for financial security at the expense of their human capital, which can reproduce status differentiation and the polarisation of HEIs along class and ethnic lines. Lack of certainty about which discretionary funds might be received by potential students also acted as a hindrance.

**Information gap and complexity of student financial support**

The lack of information on student financial support and poor dissemination of the information were obstacles to entry. The complexity of student funding arrangements impeded entry and made the interpretation of information difficult, especially for older low-income prospective students with children.

**The impact of non-financial factors on HE entry and widening participation**

The notion of the ‘poverty of aspirations’ is unhelpful in explaining peoples’ rejection of HE. It individualises non-participation, assumes the individual is lacking, and fails to locate individuals in a world shaped and influenced by structural, social, and cultural forces. Prospective students’ decisions were structured both by the culture and values informing their schooling and family environment and by different opportunity structures, including their cultural and social capital. These influenced their attitudes towards HE and the way they framed and made their educational choices. Non-entrants, by rejecting the values and culture of HE, rebuffed a student identity. They did not buy into the whole idea of HE, what it stood for, or what it offered, and devalued its benefits. Instead, they opted for the identity, social status, and income derived from employment. Non-entrants lacked self-esteem and faith in their ability to succeed in HE. Their wider network tended to reinforce this, and their rejection of HE. In contrast, entrants’ social capital strengthened their decision to enter HE.
The following recommendations are biased towards HE student funding in England.

To government and funding bodies

Financial levers

1. Introduce economically efficient funding policies which cross-subsidise students and are redistributive in effect.
2. Change current student financial support arrangements because they undermine widening participation policies.
3. Devise student funding policies to reduce student debt because those based on the accumulation of debt deter participation among those who are the focus of widening participation policies.
4. Formulate student funding policies that act as an incentive to enter HE, rather than a disincentive such as Educational Maintenance Allowances (EMAs) for low-income 16-19 year olds. Those in receipt of EMAs should be guaranteed automatically a grant in HE.
5. Meet the target of 50 per cent of 18-30 year olds participating in HE by 2010 by encouraging those undecided about university to enter HE. Most of the undecided want to go to university and with the appropriate policies they could resolve their indecision.
6. Reduce the price of HE because it is a barrier to HE entry, especially among those ambivalent about HE and introduce more up-front financial support to make the undecided feel more financially secure and believe HE is a less risky investment and an affordable choice.
7. Re-introduce grants to attract more students from under-represented groups into HE.
8. Raise the levels of funding available to HE students so they have enough money to meet essential needs and so their ability to undertake their course is not compromised by having to do excessive amounts of paid work to the detriment of their studies, or from excessive financial stress.
9. Reject implicit or explicit assumptions in the student funding system that HE students augment their income by undertaking paid work while studying.
10. Reduce the price of HE so those low-income entrants can maximise their academic potential and do not have to limit or compromise their educational choices, so that, in turn, a socially and ethnically diverse student population is maintained and the HE sector does not become differentiated and polarised.
11. Convert discretionary student support to mandatory funds so that prospective students know their potential income in advance of HE entry. This change would also help to simplify the system and to make it cheaper and easier to administer.
12. Reduce the complexity in the provision of student support.

Non-financial levers

13. Prioritise the dissemination of information on student finances and funding to teachers, FE lecturers and parents as they are the most influential in young peoples’ decision making about HE entry and ensure that all of them have a clear and accurate understanding of HE students’ income, expenditure and likely debt and the general costs of going to university so that media ‘myths’ are not perpetuated.
14. Provide more information on student loan repayments to help alleviate the fears of some prospective students about debt accumulation.
15. Target more information on student support at groups under-represented in HE and disseminate this to all prospective students, not just to those more likely to enter HE.
16. Create information products for groups with particularly complicated financial situations such as potential students with children and those in receipt of social security benefits.
17. Present information in ways that are more imaginative. For example, develop an interactive ‘ready-reckoner’ so prospective students, parents, teachers, FE lecturers, careers advisors can assess the potential income from student support and other potential sources of income.
along with likely expenditure and debt and make this available through the DfES website and on disk and distribute it to schools, FE colleges, careers advisors, Connexions and prospective students.

18 Extend and broaden the remit of current widening participation initiatives such as the Excellence Challenge and AimHigher.

**To higher education institutions**

19 Play a more central role in the distribution of information on student support and the costs of HE, for example, by supplying prospective students at open days and other events with such information and by giving them access to institutions’ student support services and student funding specialists and advice workers.

20 Include in open days and other events informal discussions between prospective students and current students and be more proactive in arranging for current students or ‘university ambassadors’ to talk in schools and colleges about their experiences of HE.

21 Target such events at pupils in disadvantaged areas who are less likely to know people who have been to university so they can have a better understanding about what universities are like.

22 Aim widening participation events at the parents of potential students so they are well informed and understand the benefits of university so they can help encourage their children to enter HE.

23 Nurture and maintain more links with schools and FE colleges especially in disadvantaged areas and provide as much access as possible to resources, facilities and staff to help demystify universities and to help to develop students’ predisposition towards entering HE.

24 Expand existing widening participation strategies to help individuals reconsider HE and its potential role in their lives, including mentoring programmes and disseminate more widely good practice in the provision of information and widening participation strategies.

**To schools, colleges and others**

25 Initiate awareness events for pupils and students and their parents aimed at explaining the longer-term benefits of successfully completing school, college and higher education courses and the role of qualifications in their future.

26 Distribute information on the benefits of HE and student finances and funding through events aimed at the parents of potential students so that they are well informed and can help encourage their children to enter HE.

27 Expand existing widening participation schemes that actively encourage pupils and students to enter HE and provide support and information to all pupils and students taking relevant qualifications, irrespective of their plans on leaving school or college.

28 Ensure that all staff who provide careers advice to pupils and students are well informed about HE student finances and funding and rely on appropriate and reliable sources of information.

29 Distribute and disseminate information on student finances and funding more widely to pupils and students so that its receipt does not depend on staff judgements of higher education potential.

Please see the postscript in the main report for a discussion of the White Paper *The Future of Higher Education* proposals in light of the issues outlined in this executive summary and the main report.
The full report and supplementary material can be viewed and downloaded from the Universities UK website at: [www.UniversitiesUK.ac.uk/studentdebt](http://www.UniversitiesUK.ac.uk/studentdebt)