

Platform

A good deal for all the family

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Universities, parents and poorer students will all benefit under the Government's plans for top-up fees, writes Nicholas Barr

Lurid coverage of top-up fees gives the impression that parents will have to find £3,000 in fees for each year each child goes to university, and that each child will end up with £15,000 of credit-card debt.

If that were true, I would join the rebels on the barricades. It is not true. The Higher Education Bill helps universities, who get more money to improve quality, and helps families because of its emphasis on improving access.

Promoting access has two ingredients. The first is to make sure that people get A-levels. Irrespective of background, 90 per cent of young people who get respectable A-levels go to university. Thus what matters is to increase the staying-on rate post-16. Programmes like AimHigher and education maintenance allowances are designed to do exactly that.

The second ingredient is that university should be free, or largely free, for students. That is not true at present. Many students or their parents have to pay tuition fees of £1,125 per year, there are virtually no grants, and the loan to cover living costs is too small, forcing students to rely on a mix of parental contributions, credit-card debt, overdrafts or long hours.

If the Bill goes through in broadly its present form, what will things look like for someone starting university in 2006 or later?

University will be largely free for students. The present upfront fee disappears. Fees will vary from zero to a maximum of £3,000, but students and parents will not pay; instead, the Student Loans Company pays on the student's behalf. It also pays money into the student's bank account for living costs.

Thus students benefit because upfront fees disappear, and because the Bill increases the loan for living costs to a much more realistic level.

Students from poor backgrounds benefit even more because the Bill brings in grants of £1,500 per year. They will also be let off the first £1,200 of any tuition fee, though there is talk of converting that fee remission into an additional grant, in which case the grant will be £2,700 per year.

Parents also benefit because the abolition of upfront fees sharply reduces the parental contribution, leaving them, at most, to contribute towards living costs.

These benefits are financed, first, by taxpayers, who will continue to pay some five-sixths of the higher education budget. The rest will come from graduates through their loan repayments.

Loan repayments are a payroll deduction, not credit-card debt. At present, loan repayments are 9 per cent of each graduate's earnings above £10,000 per year. Under the Bill, repayments will be 9 per cent of earnings above £15,000. Thus someone earning £18,000 will repay £270 per year, or £5.19 per week, a deduction on his or her payslip alongside income tax. This point is clear to anyone who graduated in 2001 or later.

A credit-card debt of £15,000 is seriously scary. A student loan debt of £15,000 is not. Over a working life a typical graduate will hand over about £850,000 in income tax and national insurance contributions. His or her food bill will be about £500,000 (and we do not even mention drink). Parents do not lose sleep over their children's future tax bills. Nor should they over their student loan repayments.

Compared with present arrangements, all graduates gain because the increase in the repayment threshold from £10,000 to £15,000 reduces their monthly repayments. Low-earning graduates gain because nobody earning below £15,000 has to pay anything, and also as any loan not repaid after 25 years will be forgiven.



The only people who will, over time, pay more than now are higher-earning graduates, whose loan repayments will cover higher fees than at present. This is right. They are among the better-off; their repayments are related to their earnings; and nobody repays more than he or she has borrowed. Furthermore, improving access means helping people in school and pre-school to maximise their chances of staying on till A-level.

The bottom line is that university is largely free for students; it is graduates who make repayments. Those who campaign for university to be "free", that is, entirely paid out of taxation, are campaigning to benefit tomorrow's better-off graduates. This is puzzling.

These arrangements apply to all students, including people doing degrees en route to becoming teachers. There are additional benefits for potential teachers. Most people doing a postgraduate certificate in education get a training bursary of £6,000. On completing their induction year, teachers in some subjects (maths, science, modern languages, technology and English) receive a "golden hello". Under a further useful innovation, a pilot scheme allows the student loans of new teachers in shortage subjects to be written off over time (10 per cent for each year in the state system, so that after 10 years' teaching the loan has been forgiven).

Unsustainable claims by politicians are not unusual. But when the Government claims that the Higher Education Bill is a good deal for universities and for families, it is right.

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