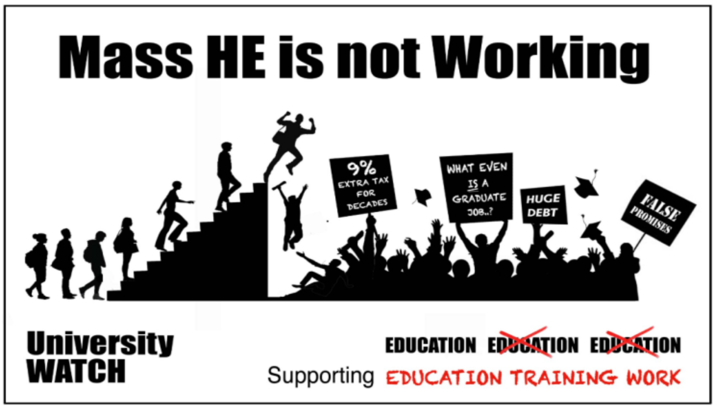

The Graduate Debt Trap & Lower Academic Entry standards

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Date: 21st October 25

Subject Matter: HE% participation has risen drastically over the last 30 years, inevitably drawn from those with lower prior academic attainment. What are the outcomes for these extra graduates with regards to whether they are more likely to fall into the Graduate Debt trap? How has today's Govt White Paper of Post 16 Education affected the issue?

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1 - Introduction:

The Govt has today released a White paper on Post 16 Education. Various statements about HE participation levels, duration & level of courses and new V-level qualifications have been announced that will replace BTEC's.

https://assets.publishing.service.gov.uk/media/68f518ee06e6515f7914c7ce/Post-16_Education_and_Skills_white_paper_Accessible_Version.pdf

The %HE participation rate has risen from around 25% up to 50% (dependent on how it is measured) in little over a generation, and the extra candidates will inevitably have been made up of those with increasingly lower relative prior academic attainment. The recent party conference season gave rise to an apparent political mood shift in that both the Conservative and Labour party made statements indicating policies about the level of University participation, which is in direct contrast to the prevailing policy of the last 30 years of encouraging the drastic expansion of HE.

The Labour Party announced that they were dropping the 50% target for University attendance, and the Conservatives stated that too many degrees have become debt traps and that the number of student places should drop by 100k. The Reform policy document states that we should restrict student numbers well below the current level and introduce a minimum entry standard.

This is consistent with the public mood which is showing concerns that too many are attending University as demonstrated in a recent You.gov poll.

"Our poll finds that almost half of Britons now think that too many young people go to university (45%), with only 23% considering the number to be about right, while 10% don't think enough do so"

https://yougov.co.uk/society/articles/53165-almost-half-of-britons-think-too-many-young-people-go-to-university

This report focuses on the prior academic attainment of the candidates themselves as the potential dominant indicator and predictor of likely poor graduate outcomes, rather than the quality or subject of the course itself. It does this by exploring student loan debt repayments that have been made, comparing the differing outcomes for graduate's dependent on levels of prior academic attainment.

NB. As there are different Student Loan regimes within the nations of the UK, this report deals with the Plan 5 Loan system in England only.

2 - Graduate Debt Trap - What is it? And what are the consequences to the Graduates who fall into it, and the general taxpayer?

2i - Definition of Graduate Debt Trap

In the context of Graduates, then the below recent quote from Laura Trott, shadow Education minister, is a useful indicator of how best to define a Graduate Debt Trap: -

"In a statement, Laura Trott, said Labour has axed almost all higher-level apprenticeships, and warned that too many university courses leave students with "little face-time, poor job prospects, and ***saddled with debts they can never repay". "That is a shoddy deal for young people****, and for the taxpayer who ends up footing the bill."*

https://www.timeshighereducation.com/news/badenochs-number-caps-plan-would-cut-100000-university-places

For the purpose of this report, a Graduate Debt Trap is most usefully defined as: -

<u>Definition</u>: 'The **Graduate Debt Trap** is where the Graduate takes out a loan but they never earn enough to be able to repay in full, so they can't escape from being subject to a 9% repayment levy' i.e. They are trapped with a 9% deduction from earnings above £25k for the whole 40 years but during this time their loan balance gets higher due to interest payments (or at least never comes down sufficiently to be re-paid off in full)

Justification for this Definition:

a - Those within this definition will have levels of repayments at the maximum that can be levied under the terms of Plan 5. If it is accepted that the notion of a Graduate Debt trap does exist, then this definition is the narrowest that it could be, because this is the worst possible scenario that any graduate will have to endure.

b - Some will say that within this definition there will be some who don't ever pay anything at all - i.e. Those who never earn above the equivalent of £25k for the whole 40 years - so how can people who make no (or very little) repayments be considered within the debt trap? Well, the number of people who pay nothing at all will be very small (Plan 5 Loan reduced the threshold to £25k which is barely above the minimum wage and made the term longer to 40 years from 30 previously). Furthermore, just because they haven't earned over £25k in say the first 10 years, doesn't mean that they will never earn more than £25k. So, no matter what their pay over the whole 40 years turns out to be, they will still have this debt looming over them for 40 years which they can't escape; so, it is still a trap no matter how little a small number of them may repay.

2 ii - Number predicted to fall into the Graduate Debt trap

According to the latest data from the Student Loan Company, it is estimated that 44% of English students are destined to not pay their loans in full, so will fall within this definition of the Graduate Debt Trap. For academic year 23/24, according to UCAS, there were 423,820 entrant English undergraduates; so, 186,000 of these each year are predicted to end up falling into the Graduate Debt trap.

A simple exercise whereby English HEP's are put into order of their Average UCAS entry level tariff points, and adding up the number of graduates enrolled at each HEP until you reach the 44% of the whole HE population level, shows an indicative cut-off point where graduates from Universities with less than 117 UCAS points * (3 B's at A-level is 120 points) are highly likely to fall into the Graduate Debt trap.

* See Data Table in Section 3 below, that shows the strong correlation that exists between the prior academic attainment of graduates - as measured by Average entry UCAS tariff points - and the amount that the average graduate from any given HEP has paid back in Student Loans. This is the justification of this indicative method of estimating the relationship between UCAS points and the debt trap

https://explore-education-statistics.service.gov.uk/find-statistics/student-loan-forecasts-for-england/2024-25

https://www.ucas.com/data-and-analysis/undergraduate-statistics-and-reports/ucas-undergraduate-end-cycle-data-resources-2024

2 iii - Societal Danger of not properly considering the consequences of the Graduate Debt trap

There is a societal danger that we are being too blasé about the serious consequences of student loans (given the ensuing graduate debt trap that awaits so many) that are being taken out by up to half of our young adults. The most high-profile commentary on the subject is below: -

Money Saving Expert
*"What you repay solely depends on what you earn after university. In effect, this is (financially at least) a **'no win, no fee'** education. Those who earn a lot after graduating or leaving university will repay a lot. Those who don't gain too much financially from going to university **will repay little or nothing**."*

https://www.moneysavingexpert.com/students/student-loans-tuition-fees-changes/

I would contest the somewhat flippant statements of *'no win, no fee'* & *'will repay little or nothing'*. Below are listed the four serious real-life consequences for those caught by a more aptly named *'No win debt trap'*

<u>*'No win debt trap'* - Reality of being caught in the graduate debt trap - four main issues</u>

i/ The Graduate may not be earning a great deal above the threshold of £25k (where they have to start paying 9%). This represents a **financial failure of gaining a degree** - i.e. The degree has resulted in only relatively low career earnings. And that even if the career pay improves later in life, it will likely be nothing to do with the degree, and it will be too late to have any chance of paying the loan off in full. This is likely to leave many Graduates feeling disillusioned.

ii/ The Graduate will have to make repayments at 9% of income over £25k for 40 years. i.e. virtually their whole working lives. So, it becomes a **'life sentence' of high marginal 'tax' rates**. Only a very small proportion will fall into the category *'will repay little or nothing'* i.e. These will be graduates who never earn much more than the equivalent of £25k their whole career (so hardly a good outcome). Whereas in reality, the majority of those who fall into the Graduate Debt Trap will make significant repayments over the 40-year period; dependent on the level of initial debt, some of them earning say up to £45 or £50k pa as their career progresses and will be paying back £2k or even £3k per year, yet it will just never be enough to get on top of the debt to give themselves a chance of paying it off.

iii/ I am not aware of any studies that have attempted to quantify this issue, but it stands to reason that there must be a significant **economic drag factor** that depresses GDP associated with burdening half of the population with an extra 9% 'tax' to pay for most of their lives. This could be considered as similar to the Fiscal Drag that has brought more people into the higher tax bands - "*Fiscal drag slows GDP growth by increasing the government's tax revenue while reducing households' real disposable income, which lowers consumer spending"*

iv / The Graduate Debt trap means that the **general taxpayer is having to pay for a high student loan write-off**, so it is misleading to give the impression that there are no consequences if the graduate doesn't end up repaying the loan. It is correct that the size of the write-off doesn't affect the graduate themselves directly; but they are all general taxpayers like everybody else and there is a significant reckoning stacking up with £50-£60k+ to write-off (along with all the rolled-up interest) for degrees that didn't prove a financial success for the graduate themselves, so it seems hardly value for money for the taxpayer.

3 - Comparing Student Loan Repayments to Prior Academic Attainment of graduates

The Student Loans Company (SLC) publishes many forms of annual statistics, but a freedom of information request was made (by the Times newspaper) to the SLC in 2024 to request a further data breakdown of certain data by Higher Education Providers (HEP).

https://www.gov.uk/government/publications/student-loan-repayment-data-by-higher-education-provider-attended

The FOI 247-24 data show the following: -

i / **Total loan repayments** made since the major changes to student loans in 2006 for each HEP.

ii / The **Total No. of students** who have passed their Statutory Repayment Due Date (SRDD) (i.e. Those now due to start paying back their loan) for each HEP.

iii / The **Average repayment to date** made per student by dividing the Total repayments by No. of students. This Average repayment figure is then a useful indicator of whether the loan is ever going to be repaid for graduates from each HEP. i.e. It is highly indicative of the chances of graduates from that HEP falling into the Graduate Debt Trap.

NB. The average HEP figure is prone to a certain amount of distortion as follows:-
a/ If a University has expanded rapidly in recent years then it will have relatively lower debt repayments per student as on average they would have had less time to pay off their loan because there will be a higher proportion of more recent graduates compared to other Universities who may have had a more stable population levels throughout the time period.
b/ As participation has risen over the last 20 years, then increasingly it has been made up of Graduates with lower prior academic attainment. These extra graduates will earn less and repay less than the existing graduates. This change in demographic is not fully represented in the repayment figures as the graduates will be relatively newer and their higher propensity to make less repayments will not yet show fully.
c/ There will be regional variations of repayments dependent on the where the graduates live. eg. Graduates from Manchester Universities, who may live more locally to Manchester in their subsequent careers will earn less (and have made less repayments) compared to Universities whose catchment area is from areas in the South East where pay will be higher.

For the purpose of this analysis, which is designed to be indicative rather than definitive, these distortions will not alter the validity of the findings. However, for the purpose of detailed policy formation, then these distortions (and some others mentioned in the full FOI release) would have to be understood and isolated.

Certain of the findings of the FOI data were reported in two Times articles below: -

https://www.thetimes.com/uk/education/article/the-universities-where-99-percent-havent-repaid-their-student-loan-check-yours-hw0tz0pw8

https://www.thetimes.com/uk/education/article/universities-where-students-are-worst-and-best-at-paying-debts-9bl6hdzj7

“At university level the figures appear to show a big discrepancy between institutions”

“Some have argued that universities should scrap courses that do not guarantee students a well-paid job”

Like most of media and political discourse on the issue of poor graduate outcomes, as can be seen from the above quotes, The Times articles focus on low quality courses / and poor universities as being the reason for lower levels of repayments, but fails to consider if it could be that the pre-existing attribute of lower prior levels of academic attainment that is the more the dominant factor rather than the courses / universities themselves.

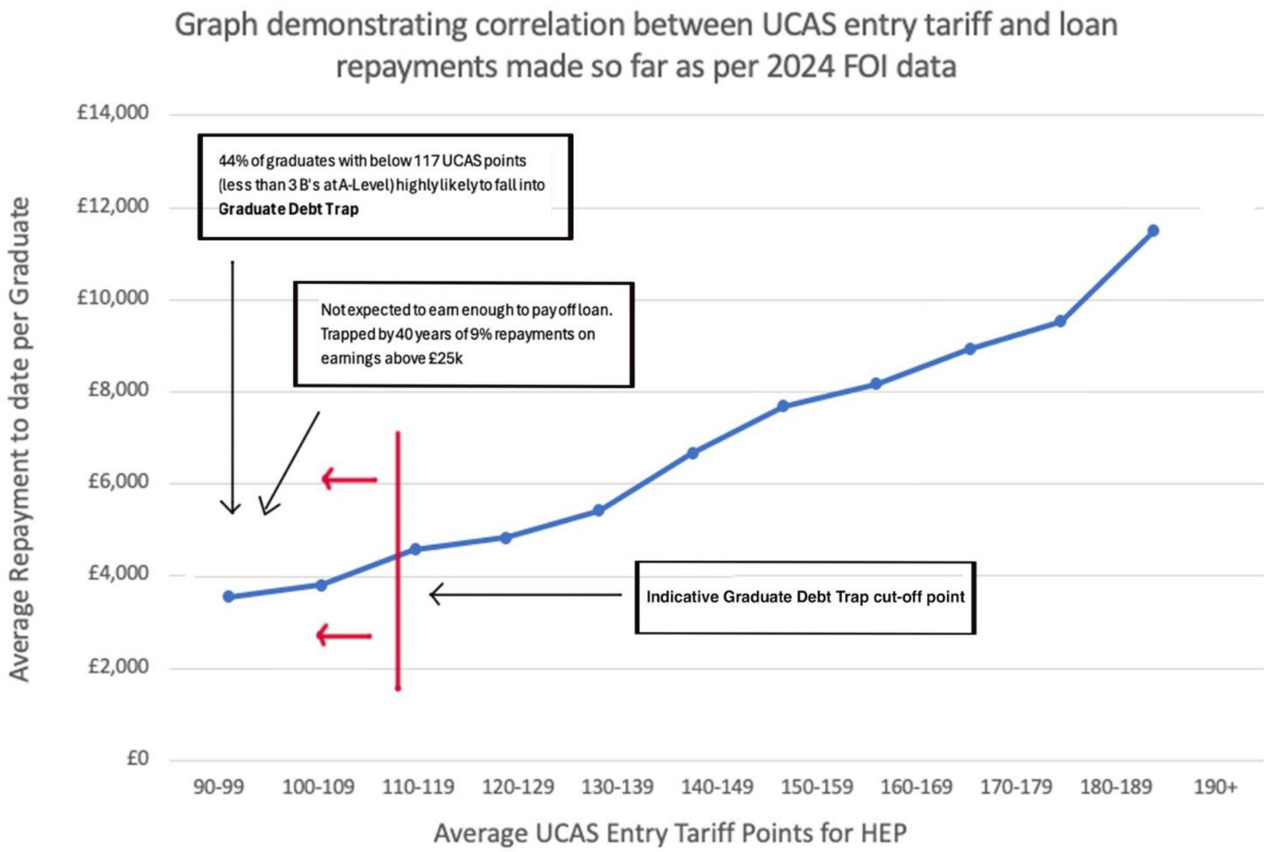
This below table instead explores the correlation that exists between prior academic attainment and average loan repayments to date; and to do so compares the average UCAS points entry tariff for each university (as per Guardian University League Tables) against the average loan repayments. These are shown in the table and graph below for English Universities: -

English University	Number of first degree English Undergraduates on Roll per HESA	Average UCAS Points Entry Tarriff	Average Loan Repayments per Graduate who have reached SRDD	Weighted Average per UCAS Tariff Band
		<u>90 to 99</u>		
London Met	9,225	93	£3,665	
Roehampton	4,765	94	£4,364	
Bucks New University	16,300	97	£3,339	
Anglia Ruskin	20,715	98	£3,411	
Birmingham Newman	3,285	98	£3,338	
Northampton	9,990	98	<u>£3,833</u>	£3,562
		<u>100 to 109</u>		
De Montfort	13,145	100	£4,266	
Bath Spa	20,900	102	£3,271	
Bedfordshire	5,925	102	£3,150	
Leeds Trinity	13,100	103	£3,388	
Middlesex	7,960	103	£4,132	
London South Bank	10,005	106	£3,741	
Suffolk	12,080	106	£2,127	
Wolverhampton	11,205	106	£3,308	
Bournemouth	12,060	108	£5,818	
Canterbury Christ Church	33,065	108	£3,621	
Cumbria	5,355	108	£3,945	
East London	9,550	108	£3,482	

Greenwich	14,465	108	£4,341	
St Mary's, Twickenham	3,590	108	£5,023	
Hull	8,015	109	£5,114	
Winchester	5,645	109	<u>£3,956</u>	£3,810
		<u>110 to 119</u>		
Derby	11,345	110	£3,683	
Solent	6,345	110	£4,947	
Westminster	12,285	110	£4,727	
Gloucestershire	4,995	111	£4,641	
Lincoln	11,650	111	£4,326	
West London	10,935	111	£2,902	
Oxford Brookes	16,115	112	£5,585	
Liverpool Hope	3,380	113	£3,697	
Portsmouth	13,410	113	£5,696	
Teesside	8,550	113	£3,591	
Brighton	11,140	114	£5,301	
Brunel	6,545	114	£6,730	
Nottingham Trent	26,435	114	£5,131	
Coventry	11,815	115	£3,876	
Greater Manchester (Bolton)	6,700	115	£2,501	
Leeds Beckett	14,580	115	£4,676	
Worcester	5,165	115	£3,205	
York St John	5,960	115	£3,609	
Sheffield Hallam	20,800	116	£4,997	
Kent	11,855	117	£5,829	
Kingston	11,205	117	£5,777	Indicative
University for the Creative Arts	8,805	117	£3,297	44% Line
Edge Hill	13,130	118	£3,376	Based on
Huddersfield	9,130	118	£3,903	Number of
Central Lancashire	9,355	118	£3,849	Graduates
Chester	6,130	119	£3,616	On roll
Hertfordshire	9,000	119	£5,279	
Keele	8,400	119	<u>£5,613</u>	£4,585
		<u>120 to 129</u>		
Staffordshire	12,805	120	£4,237	

Chichester	4,455	121	£4,185	
Reading	10,715	121	£6,695	
Goldsmiths	3,320	122	£4,392	
Sunderland	7,985	122	£3,377	
UWE Bristol	18,160	122	£5,367	
Birmingham City	20,300	123	£3,469	
Salford	16,665	123	£3,551	
Liverpool John Moores	16,550	124	£4,459	
Norwich University of the Arts	2,525	124	£2,690	
Aston	11,905	126	£6,365	
Leicester	11,610	126	£6,518	
SOAS	3,320	126	£5,383	
Manchester Met	27,850	127	£4,320	
Plymouth	12,180	127	£5,173	
Bradford	6,710	128	£4,356	
Northumbria	16,665	128	£4,997	
Royal Holloway	8,730	128	£6,689	
UEA	10,645	128	£5,888	£4,841
		130 to 139		
City St George's	9,950	130	£6,537	
Essex	6,685	130	£4,596	
Sussex	10,715	130	£5,790	
Falmouth	5,870	131	£2,525	
Surrey	9,695	133	£6,230	£5,430
		140 to 149		
Liverpool	16,265	141	£6,725	
University of the Arts London	8,480	141	£4,236	
Newcastle	16,855	143	£7,373	
Lancaster	10,115	144	£6,619	
Arts University Bournemouth	3,040	147	£3,832	
York	13,160	148	£6,674	
Queen Mary (Uni of London)	13,455	149	£7,213	
Southampton	12,475	149	£7,492	£6,676
		150 to 159		

Nottingham	23,225	151	£7,866	
Birmingham	18,405	152	£7,533	
Exeter	17,755	153	£7,222	
Loughborough	12,915	153	£8,589	
Leeds	20,110	156	£7,400	
Sheffield	15,565	157	£7,852	£7,701
		160 to 169		
Manchester	19,880	160	£7,635	
King's College London	13,390	164	£8,280	
Bristol	16,710	168	£8,748	£8,180
		170 to 179		
Bath	11,080	171	£9,264	
Warwick	13,865	171	£8,568	
UCL	11,560	172	£9,055	£8,933
		180 to 189		
Durham	12,115	180	£8,921	
London School of Economics	2,880	185	£12,165	£9,544
		190+		
Imperial College	6,540	196	£13,826	
Oxford	9,135	197	£10,425	
Cambridge	9,785	210	£10,951	£11,501
TOTAL	1,140,275			



As can be seen from the table & graph, there is a strong correlation between prior academic attainment and the rate at which student loans are being paid back. This is consistent with existing data available from the LEO Graduate outcomes that shows that career pay outcomes are correlated to prior academic attainment (see Section 4 below).

So it could be reasonably argued that this data shows that whilst course choice will matter to a certain extent, the likely career pay outcome and whether you are going to fall into the Graduate Debt Trap is more pre-determined by your level of prior academic attainment (which is a factor of pre-existing attributes such as innate academic ability, ambition, work ethic etc) and far less on the quality of teaching and/or whatever course subject or university choice the school leaver makes.

4 - Corroborating Evidence regarding correlation between Career Pay outcomes and Prior Academic Attainment

The LEO Graduate and Postgraduate Outcomes report has data that breaks down graduate pay outcomes by prior academic attainment. The table below shows very clearly that that there is a strong correlation between graduate pay and prior academic attainment.

LEO Graduate Outcome Data. Median earnings by graduates prior attainment band, UK-domiciled young (under 21 at start of course) first degree graduates, five years after graduation, in the 2022-23 tax year				
`	**No. Graduates included in earnings figures**	**Lower quartile of earnings of graduates**	**Median earnings of graduates**	**Upper quartile of earnings of graduates**
Total	162,935	£24,800	£32,100	£43,100
4 As or more	5,655	£36,900	£51,100	£66,800
360 points	14,135	£32,100	£44,200	£58,800
300-359 points	37,835	£27,400	£35,400	£47,100
240-299 points	32,710	£24,800	£31,400	£39,800
180-239 points	15,360	£23,400	£29,600	£37,600
Below 180 points	1,965	£22,600	£29,200	£36,900
1 or 2 A level passes	13,050	£22,600	£28,800	£36,100
BTEC	25,630	£21,200	£27,000	£34,700
Other	7,345	£23,000	£30,700	£41,200
Not known	9,245	£23,700	£31,000	£41,600

Conversion between A level grades and point scores

A level grade	Point Score
A or A*	120
B	100
C	80
D	60
E	40

https://explore-education-statistics.service.gov.uk/find-statistics/leo-graduate-and-postgraduate-outcomes/2022-23#dataBlock-9d5ba308-f588-4d3e-b80d-7698e16d39b0-tables

5 - Post 16 Education White Paper - Participation rates & New V-levels

5 i - Participation & type of courses

The Govt has published a new White Paper of Post 16 education today. Below are some relevant extracts :-

"There is a disconnect between what individuals choose to study and the needs of the economy, which limits people's earning potential. There are not enough individuals choosing to study qualifications at a higher technical level (levels 4 and 5), despite their positive economic returns and increasing demand in the economy for workers with these skills. ***We strongly support expanded participation in higher education, but the traditional 3-year degree is not the only option."***

"To address this we have set a bold new target of two-thirds of young people participating in higher-level learning – academic, technical or apprenticeships – by age 25"

https://assets.publishing.service.gov.uk/media/68f518ee06e6515f7914c7ce/Post-16_Education_and_Skills_white_paper_Accessible_Version.pdf

It appears then that the Govt is attempting to get more people studying for one and two year (Level 4 & 5) Higher level courses as opposed to so many completing the full 3 year Hons Degrees (Level 6). They do though remain committed to the expansion of HE participation.

5ii - New V-Levels replacing BTECs

BTEC's have become a common route into University but are due to be phased out and replaced with V Levels. The Office for Students analysed the previous numbers of Graduates with BTEC's as follows : -

"Of young, UK-domiciled entrants in 2016-17, 72 per cent of students entered with three A-levels. **A further 19 per cent of students entered with three BTEC qualifications, 8 per cent of students entered with a combination of A-levels and BTECs**"

https://www.officeforstudents.org.uk/news-blog-and-events/blog/richer-data-tells-us-more-about-students-in-higher-education/#:~:text=Of%20young%2C%20UK%2Ddomiciled%20entrants,D*D*D*).

Early responses to the Govt White Paper on Post 16 education issued today indicate that like BTEC's before them, the new V Levels are likely to be perceived as positive agents of Social Mobility :-

"V levels are a promising step forward, with big potential opportunities ***to promote social mobility.*** *We particularly welcome enabling students to follow vocational and academic routes in tandem, giving young people more time to explore their options. But their ultimate success will depend on their implementation."*

https://www.smf.co.uk/post-16-white-paper-has-potential-to-improve-social-mobility-but-must-be-accompanied-with-additional-measures-on-careers-guidance-and-family-support-says-think-tank/

However, the median pay outcomes after 5 years for those Graduates with BTEC's is £27k which is the lowest cohort of prior academic attainment compared to those with A-levels and compares to the overall median of £32.1k (as shown in Section 4 above). This would indicate that those currently going to University with BTEC's are almost certain to end up in the Graduate Debt trap and would surely be better to enter the workplace or take shorter vocational courses instead. It would appear to be a mis-guided notion of Social Mobility if school leavers with the new V-levels use them as a way to attend University, given that they will be highly likely to have the same poor detrimental outcomes (as with BTECs) associated with the Graduate debt trap.

6 - Summary & Recommendations

Falling into the Graduate debt trap has serious life-long detrimental consequences. 44% of graduates (which represents 186k of English students due to start in year 24/25) are expected to fall into the Graduate Debt trap under Plan 5 loans i.e. whereby Graduates never earn enough to pay off their loans and have to endure 40 years of 9% repayments on earnings over £25k. Yet despite this, the White Paper on Post 16 education is positive about increasing levels of HE participation.

There is a strong correlation between a Graduate's prior academic attainment (as measured by A-level results / UCAS points), and how likely you are to pay off their student loan. Students entering University with lower prior academic attainment, indicated to be approx. 117 UCAS points (i.e. less than 3 x B grades at A-level) & also students with BTECs are highly likely to end up in the Graduate Debt Trap.

Govt and wider society need to be far less flippant about 'marching-off' less academic school leavers into three more years of academic study given that we can reasonably accurately predict the life harming Graduate Debt trap that awaits those with lower prior academic attainment. Going to University is clearly not a failsafe social mobility opportunity if it is ending in a near certain Graduate debt trap.

The Govt need to take the focus away from putting all the blame for poor outcomes on isolated poor-quality courses, and deal with the general issue of low academic entry standards that is leading to poor outcomes no matter what the quality of course, by implementing the below practical policies. The combination of these policies will result is a target of far less than the 2/3 of 25-year-olds in higher Level training as is the declared aim in the White Paper, and far more of them instead in employment.

- Establish Minimum Academic Entry standards for 3-year academic degrees, with approx 120 UCAS points as the cut-off (gained from A-levels not V-levels) dependent on the course subject.
- Encourage Employers to give far more 18-year-old school leavers opportunities to enter the workplace as trainees/juniors and simply learn on the job. Employers may need to be incentivised to break the deeply ingrained discriminatory habits whereby entry-level job opportunities are being exclusively available to graduates-only. This is having the effect of forcing young adults into significant debt in order to be considered as suitable candidates. (Refer to my previous report 'Discrimination & Pretence of Graduate-only jobs' - universitywatch.org)
- Establish more one and two-year Higher Level 4 &5 vocational courses (as is advocated in the White Paper) specifically designed for V-level candidates and those with a lower entry level UCAS points in accordance with specific job market requirements.

- Whether a graduate is paying back their loan can be perceived as the acid test of the financial success of the HE system. The SLC should then develop this FOI information broken down by Higher Education Provider & individual graduates into its annual data release so that the findings of this report can be explored more fully.