



Department
for Business
Innovation & Skills

Higher Education

**Consultation on Support for
Postgraduate Study**

MARCH 2015

Content

1. Executive Summary	5
2. About the Consultation	6
2.1 How to respond	6
2.2 Confidentiality & data protection	6
2.3 Devolved Administrations	7
2.4 How responses to this consultation will be used.....	7
2.5 What happens next.....	7
3. About Postgraduate Master’s Education	8
3.1 The postgraduate education landscape.....	8
3.2 Recent trends in participation in postgraduate taught Master’s study	9
3.3 Characteristics of students most likely to progress onto postgraduate taught Master’s study.....	10
3.4 Barriers to pursuing postgraduate taught Master’s study	11
3.5 The financial circumstances of postgraduate taught Master’s students	12
3.6 Rationale for government intervention	13
4. Key principles for the postgraduate taught Master’s loan	14
5. The postgraduate taught Master’s loan proposal and consultation questions.....	16
5.1 Policy objective	16
5.2 Loan amount.....	17
5.3 Contribution to costs	17
5.4 Individual eligibility	18
5.5 Institutional eligibility	19
5.6 Fee inflation	20
5.7 Course eligibility.....	21
5.8 Course intensity	22
5.9 Loan distribution	22
5.10 Repayment terms	23
5.11 Timetable for loan issuance and repayment.....	24
5.12 Other wider implications	24
5.13 Impact on employers and business	25
6. The postgraduate research proposal and consultation questions	27
6.1 About postgraduate research.....	27
6.2 Review of support for postgraduate research students	29
6.3 Partnering to support postgraduate research students.....	29
6.4 Income contingent loans to support postgraduate research students	30

7. Annexes

Annex 1: Consultation principles31

Annex 2: List of stakeholders31

Annex 3: Description of postgraduate taught Master’s course eligibility32

Annex 4: Illustration of student loan repayments.....33

Annex 5: Evidence related to age eligibility criteria34

Annex 6: Consultation response form34

Foreword

UK universities are among the best in the world and it is strongly in our national interest for more of our citizens to have access to that excellence. As a result of the reforms that this Government made to student finance we have been able to remove the cap on student numbers. In Autumn 2014 more students were admitted to university than ever before in our history, with the biggest increase coming from students from the most disadvantaged backgrounds.

As the OECD have made clear, our student finance system is good for students, good for universities and good for the taxpayer. In fact they said that the UK is *“one of the few countries to have figured out a sustainable approach to higher education finance.”*

We are determined to build on this success. Just as undergraduate degrees boost earnings; contribute to higher employment; provide a well-educated and trained labour force that attracts employers; and increases tax revenues for the Exchequer, so does postgraduate study. And this is in addition to the incalculable personal, social and cultural benefits that education brings.

However, the number of UK-domiciled Master’s students has been declining relative to our overseas competitors. In part this is because funding for the costs of study has not been widely available. Yet the benefits to individuals, to employers and the taxpayer are even more marked than for undergraduates. Master’s graduates typically earn on average £5,500 a year more throughout their career than graduates. And, as a matter of principle it is right that talented British students should be able to access our excellent universities at postgraduate, as well as undergraduate, level.

The proposals in this consultation represent a huge breakthrough for students, universities and the country. They provide, for the first time, guaranteed financial support of up to £10,000 repayable - as with the undergraduate loan system- when, and at a rate that, graduates can afford it.

The proposal made at the time of the Autumn Statement in December 2014 was focussed on taught Master’s programmes, but we are proposing, through this consultation, to extend support to postgraduate research students, where there is a similar benefit to individuals, universities and the economy. We intend to offer loans in addition to grant funding, not as a replacement, as part of on-going effort to broaden and strengthen support for postgraduate research.

These proposals will contribute further to the transformation of opportunities for students, universities, businesses and the economy that has taken place under this Government and I urge you to respond to this consultation on a vitally important set of policies.

Rt Hon Greg Clark MP
Minister for Universities, Science and Cities

1. Executive Summary

At Autumn Statement 2014, Government announced its intention to introduce a new loan system for postgraduate taught Master's students. For the first time, anyone under age 30 who is eligible and accepted to study a postgraduate taught Master's course, in any subject, will be able to access an income contingent loan of up to £10,000.

The Government's objective is to stimulate increased take-up in postgraduate Master's study by providing access to finance where the evidence shows it is a barrier to progression. We believe there are clear and recognised benefits to the economy from increasing the supply of workers with the high level skills needed to meet demand from employers and stimulate an innovation led economy.

The Chancellor set out a proposal at Autumn Statement 2014 underpinned by a number of key principles, which were that the new postgraduate taught Master's loan delivers a scheme whereby, on average, individuals will repay in full; provides individuals with a contribution to the cost of postgraduate study at the time they need funding; and with the safeguard that they will only repay once they are earning a salary above £21,000. The proposed loan is not intended to be a universal offer available to all postgraduate students, but targeted towards those who face the greatest barriers to accessing finance without duplicating the provision of support available through existing funding mechanisms.¹ The evidence points to those under age 30 as being that target group.²

This consultation invites views on the specific details of the proposal, for example definitions of the target group and on various eligibility criteria. Responses will contribute to the evidence for a final loan design that meets the Government's policy objectives.

The Government does not intend to use the introduction of this loan to increase regulation on the higher education sector, and wishes to keep the introduction of new regulation to a minimum. The Government is therefore interested in understanding any potential unintended consequences associated with this proposal, and what it might do to mitigate them to inform the final design features of the loan. Views are also invited on how this new loan scheme interacts with the existing funding landscape for other learners, including in relation to borrowers of Professional and Career Development Loans. This will help Government think more broadly about how best to maintain support and encourage participation in education and the acquisition of high level skills.

At Budget 2015, the Government announced its intention to review how to broaden and strengthen support for postgraduate research. The review will look at how to further develop partnerships with industry and charities, and examine whether to introduce income contingent loans to support postgraduate research degrees. The second part of this consultation seeks views and evidence to support this review.

¹ Government does not want to duplicate existing funding provisions, for example, undergraduate fees supporting integrated master's; research councils support for postgraduate research; employer support and other finance available for other postgraduate courses.

² See Annex 5 for evidence related to age eligibility criteria

2. About the Consultation

2.1 How to respond

This is a public consultation and is open to anyone to respond. We would particularly welcome views from Students, Higher Education Institutions, the research community and their representative bodies, Employers and their representative bodies.

A list of stakeholders from whom we would welcome views is set out in Annex 2. We would welcome suggestions of others who may wish to be involved, and we would be happy for you to draw their attention to this consultation.

When responding, please state whether you are responding as an individual or representing the views of an organisation or a group. If you are responding on behalf of others, please make it clear who the response represents, and where appropriate how the views of members have been assembled.

Your response should be submitted only once using any one of the following formats.

You can respond to this consultation online at:

<https://bisgovuk.citizenspace.com/digital/pglconsultation> until the last date for responses.

Alternatively responses using the Consultation Response Form (see annex 6) can be submitted by email or by letter to the address below:

Postgraduate Consultation
Abbey 1, 5th Floor
1 Victoria Street
London
SW1H 0ET
E-mail: pgl.consultation@bis.gsi.gov.uk

If you have a question about this consultation or how to complete it, or are unable to use the online or written format, please use the above contact details for further assistance.

You may make printed copies of this document without seeking permission.

Consultation opens on: 23/03/2015

Last date for response is: 29/05/2015

Topic: Support for postgraduate study

Geographical scope: England only

Issued by: Department for Business Innovation and Skills

2.2. Confidentiality & Data Protection

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004). If you want information, including personal data that you provide to be treated as confidential, please be

aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

2.3 Devolved Administrations

Postgraduate taught provision is a devolved matter in Scotland, Wales and Northern Ireland. Where this consultation relates to postgraduate taught provision, this is in relation to Higher Education policy in England only, as will the Government response. The consultation does not commit any of the Devolved Administrations of the United Kingdom to any UK-wide actions or a policy position in this respect. Where the stated actions have implications for UK-wide delivery bodies, this is without prejudice to the individual policies of the devolved administrations of the United Kingdom.

This consultation will inform policy on support for postgraduate research across the UK, and we will work closely with the devolved administrations on implementation. The Research Councils provide funding across the UK. The Higher Education Funding Council for England and the Higher Education funding bodies in Northern Ireland, Scotland and Wales provide support for postgraduate research training as part of the Quality Related Research allocations to their respective Higher Education Institutions.

2.4 How responses to this consultation will be used

A wide range of views from stakeholders and interested parties are being sought through this consultation process. We are also inviting stakeholders to share any evidence or research undertaken and published which you consider relevant to the issues raised and to your response. Responses to this consultation will contribute to the evidence and advice that informs the final design decisions for postgraduate taught Master's loans, and on advice on how we can strengthen support for postgraduate research students.

2.5 What happens next

The consultation will close on 29/05/2015. The Government will issue a response within 12 weeks of the consultation closing date.

3. About Postgraduate Master's Education

3.1 The postgraduate education landscape

In the UK there are broadly three types of postgraduate study - Postgraduate Research, Postgraduate Taught and Other Postgraduate Courses, with a range of available financial support mechanisms.

Postgraduate taught study is classified as Level 7 qualifications and postgraduate research study is classified as Level 8 qualifications in the Quality Assurance Agency for Higher Education's Framework for Higher Education Qualifications second or third cycle in the Framework for Qualifications of the European Higher Education Area.³

Postgraduate Research (PGR) involves significant independent study and the development of research and analysis skills. Examples of postgraduate research qualifications are PhD and MPhil. Postgraduate research is financed through core funding to higher education institutions from the Higher Education Funding Council for England (HEFCE)⁴ and by the UK Research Councils, whose funding includes studentships.⁵

Postgraduate Taught courses (PGT) are largely taught but can involve research elements, and include programmes aimed at extending knowledge in a particular area or converting to a new discipline. Examples of postgraduate taught qualifications include MA, MBA and MRes.⁶

Other Postgraduate courses (OPG) generally involve teaching aimed at employment in a particular profession. These courses include regulated provision such as Postgraduate Certificates of Education (PGCE) and professional courses in health, social care and architecture; and non-regulated study towards postgraduate certificates and diplomas. Other postgraduate courses will not be eligible for the proposed Master's loans, neither will individual postgraduate modules or studies that lead solely to institutional credit. In addition, the proposed loans will not be available for courses that are already supported by the undergraduate student loans system, such as integrated master's and Postgraduate Certificates in Education (PGCE)s, which are funded by the Department for Education.

Professional and Career Development Loans

Professional and Career Development Loans (PCDL) are commercial bank loans supported by Government, and used by postgraduate taught Master's students. PCDLs were not designed specifically for postgraduate students. Borrowers undertaking a postgraduate Master's course currently account for approximately 75% of take-up.⁷ The approval of a loan is a decision for Banks. Some students have reported they are put off by the fact that PCDLs are not income contingent and repayments commence four weeks after course completion, making

³ Quality Assurance Agency, 'The framework for higher education qualifications in England, Wales and Northern Ireland', August 2008, available at www.qaa.ac.uk/Publications/InformationAndGuidance/Pages/Theframework-for-higher-education-qualifications-in-England-Wales-and-Northern-Ireland.aspx.

⁴ Further information can be found at: <http://www.hefce.ac.uk/whatwedo/rsrch/howfundr/researchdegree/>

⁵ Further information can be found at: <http://www.rcuk.ac.uk/>

⁶ Following HEFCE guidance we include MRes within the PGT category, but some institutions may regard these students as research students.

⁷ Figures supplied by the Skills Funding Agency. Figures reflect academic year 2013/14.

affordability of repayments a key concern. Further details about PCDLs, including key eligibility criteria can be found at www.gov.uk/career-development-loan.

Course Fees

Fees for postgraduate study are unregulated - unlike those for undergraduate study. Institutions are therefore free to set their own postgraduate course fee levels and these vary widely. Research commissioned by BIS⁸ reveals that postgraduate research fees are the lowest (on average), followed by other postgraduate courses, and postgraduate taught Master's programmes. Fee costs also differ according to subject of study. Focusing on full time postgraduate taught Master's courses, the highest fees are charged for social science programmes, for physical sciences and engineering programmes, followed by biomedical sciences, biological sciences and education; the lowest fees are charged for arts and humanities courses.

Figure 1: Average annual fees by study level and mode (£)⁹

	PGT		PGR		OPG		
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time	Total
Fees for current year							
Mean	8,010	3,587	5,259	2,502	7,634	2,874	4,945
Median	6,061	3,000	3,921	2,016	9,000	2,400	3,900
5% percentile	3,000	900	0	1200	0	500	795
95% percentile	16,750	9,000	14,100	4500	10,000	7,450	12,800
<i>Un-weighted bases</i>	<i>1,284</i>	<i>1,806</i>	<i>825</i>	<i>448</i>	<i>878</i>	<i>1,538</i>	<i>7,365</i>
<i>Weighted bases</i>	<i>1,854</i>	<i>2,105</i>	<i>1797</i>	<i>635</i>	<i>831</i>	<i>506</i>	<i>6,456</i>

The Government does not intend to use the introduction of the proposed Master's loan to increase regulation on the higher education sector. It wishes to keep the introduction of new regulation to a minimum by implementing the proposed new loan arrangements within the existing legal framework. The 'contribution to costs' principle in practice means that the Government will not seek to regulate the fee levels for eligible courses to attract these loans, unlike the system in place for undergraduate fees set out in the Higher Education Act 2004.

Disability Student Allowance

Disabled students' allowances (DSAs) are non-repayable grants from Student Finance England that assist with essential additional costs that a disabled student incurs in relation to their study in higher education. The support is not means tested and is available for eligible full-time and part-time students, including at postgraduate level. A postgraduate student can get a single allowance of up to £10,362 a year towards costs. Students cannot get DSAs from Student Finance England if they are getting equivalent support from another funding source, e.g. from a university or a social work bursary. This grant will continue to be available to those also eligible for the proposed postgraduate taught Master's loan.

3.2 Recent trends in participation in postgraduate taught Master's study

HESA data shows that the number of postgraduate taught Master's entrants grew by 7% between 2008/9 and 2010/11 and then fell by 17% over the next three years. As a result there

⁸ BIS commissioned research forthcoming

⁹ *Ibid*

are fewer students starting a postgraduate taught Master's course in 2013/14 than there were in 2008/9¹⁰.

In addition, 60% of full-time taught Master's entrants at UK institutions are from outside of the European Union (EU); and only around one quarter are UK domiciled. As a result of these patterns in domestic student participation, there are now significantly more full-time international students than those from the UK.¹¹

Taken together, the evidence demonstrates a clear downward trend in full-time and part-time postgraduate taught Master's course enrolment for UK (and other EU) students. Some other postgraduate courses have also witnessed a decline but this has occurred in specific disciplines.¹² In contrast, postgraduate research enrolment figures have remained broadly flat.

Research has shown that individuals with a Master's degree earn on average £5,500 more a year than an undergraduate, which corresponds to around £200,000 over the course of their career. Postgraduate taught Master's students' have better employability prospects than undergraduates over both the short and long term.¹³

Given the significant individual returns to a postgraduate degree, and the importance of the skills it offers to support the economy, it is of concern that UK student enrolments on Master's courses have declined over recent years.

3.3 Characteristics of students most likely to progress onto postgraduate taught Master's study

There are differences in progression to postgraduate study by socio-economic background, age, gender and ethnicity where data is available. We have little or no data against all the protected characteristics which include age, gender, gender reassignment, disability, race, marriage and civil partnerships, pregnancy and maternity, sexual orientation, religion and belief. We are therefore interested in gathering evidence against all the protected characteristics and invite views, supported by evidence.

The 2012 Alan Milburn independent review on social mobility¹⁴ concluded that the absence of a funding framework similar to other areas of education for postgraduate Master's students is having a negative impact on social mobility. It highlighted that many professional careers now require postgraduate qualifications, and that the ability to pay up front, rather than an individual's potential, risks becoming an increasingly strong factor in determining who can access postgraduate education. The report observed that it is increasingly the better off who engage in postgraduate study at Master's and/or research level, and the reducing numbers of students from poorer backgrounds undertaking postgraduate courses is perpetuating social exclusivity in the UK's most highly paid professions.

¹⁰ English and EU domiciled students – HESA Student Record Data

¹¹ HESA Student Record Data

¹² Universities UK report (2014) 'Postgraduate Taught Education: The funding challenge' highlighted particular drops in courses aligned to education.

¹³ 'The social composition and future earnings of postgraduates', Centre for Economic Performance, London School of Economics, available at www.suttontrust.com/research/the-social-composition-and-future-earnings-of-postgraduates/

¹⁴ Alan Milburn Report (2012) University Challenge: How Higher Education Can Advance Social Mobility: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/80188/Higher-Education.pdf

HEFCE analysis in 2013¹⁵ supported this observation by identifying that disadvantaged students¹⁶ are less likely to progress to postgraduate taught Master's and/or postgraduate research study. The data shows that even where students achieve the same undergraduate degree classification, being from a disadvantaged background has an effect. Research undertaken in 2014¹⁷ shows that only around 3% of 33/34 year olds from the lowest income quintile had a postgraduate qualification, compared to 13% from the highest income quintile.

With regards to age, HESA data shows that 66% (53,395) of postgraduate taught Master's students were 30 and under in 2012/13. The number of students reached its peak of 63,830 in 2007/08 and has since declined.¹⁸ Students with other background characteristics also have lower progression rates. Women have lower rates of progression than men and there are differences between ethnic groups, with progression by Bangladeshi and Black Caribbean students being particularly low.¹⁹

3.4 Barriers to pursuing postgraduate taught Master's study

The postgraduate student population is heterogeneous. Participation and transition into postgraduate study is complex, individual and dependent on personal career pathways. There are differences in the financial circumstances and patterns of funding differ by age group.

HEFCE recently introduced the Intentions after Graduation Survey as an extension to the National Student Survey. This study revealed that financial considerations were the most common factors affecting the decision whether or not to study, in particular course fees and the overall cost of living. However, the first cohort of students captured by the survey entered higher education before the 2012 fee reforms²⁰ and were in their final year in 2012-13.

BIS research has also found that financial concerns are the most significant and commonly reported barrier for progression into postgraduate taught Master's study. Significantly, it is younger postgraduate taught Master's students' who are more likely to be in a financially weaker situation, with typically lower earnings, fewer savings and a lack of credit history compared to older students. For these younger students, access to sources of finance - whether family or external institutions such as Banks, Universities and/or Research Councils - is an enabler for pursuing study at this level.²¹

The financial and household circumstances of younger students are very different to older postgraduate students:

- Half (52%) of younger(aged 25 and under) postgraduate taught Master's students' were in paid employment compared to four fifths (80%) of older students;
- Of all the postgraduate programme types (PGT, PGR, Other PG) younger postgraduate taught Master's students were the most likely to report that they were struggling to cope

¹⁵ Hefce (2013) "Trends in transition from first degree to postgraduate study"

¹⁶ Disadvantage as measured by POLAR

¹⁷ 'University Challenge: How Higher Education Can Advance Social Mobility: a progress report by the Independent Reviewer on Social Mobility and Child Poverty', Milburn, October 2012; and 'The social composition and future earnings of Postgraduates', London School of Economics for the Sutton Trust, March 2010

¹⁸ HESA Data Student Records 2012/13

¹⁹ 'Transitions to higher degrees across the UK: an analysis of national, institutional and individual differences', Higher Education Academy, available at www.heacademy.ac.uk/resources/detail/Research/Postgraduate_transitions

²⁰ See www.hefce.ac.uk/pubs/year/2013/201334/name_85246_en

²¹ BIS commissioned research forthcoming – data provided at Annex 5

financially; 42% compared to 22% of younger postgraduate research students, and around one third of older students across the programme types;

- Among older postgraduate taught Master's students' the likelihood of reporting financial concerns diminished with age.

The evidence suggests that younger individuals are more likely to take out additional borrowing to finance their studies at this level. Over 80% of Professional and Career Development Loan borrowers undertaking a postgraduate Master's are under the age of 30 and studying full-time. However the decline in postgraduate taught Master's entrants' over the years and the relatively low take-up of Professional and Career Development Loans compared to postgraduate taught Master's numbers overall, show that commercial finance is not the optimal solution and cannot reverse the downward trend in enrolments.

BIS research also revealed that there are other different non-financial issues that can act as a barrier to an individual's transition into study at this level, particularly for older people. The most commonly cited reasons given by older students for barriers to entry relate to the 'fit' of study such as course structure, institutional choice and confidence issues rather than finance. Reported barriers for this group include difficulties in fitting the course around existing work commitments (49%); and concerns about committing to a number of years of study (38%).²²

3.5 The financial circumstances of postgraduate taught Master's students

The financial position of students will be affected by whether they study full-time or part-time. However, regardless of mode of study the most common situation observed is that postgraduate taught Master's students' self-fund. Analysis of the HESA student record data on the source of tuition fees shows:²³

- Around one third (31%) of younger (aged 25 and under) postgraduate taught Master's students had an annual household income of up to £10,000 compared to 9% of older (over 25) postgraduate taught Master's students. Around one third (32%) of older students had a household income of £30,000 or less²⁴;
- Overall 72% of all first year UK domiciled postgraduate Master's students are recorded as receiving no financial award or backing to meet tuition fee costs;
- Around 5% of students are recorded as in receipt of funding from UK central government bodies and Local Authorities. Only 2.5% receive financial backing from UK industry/commerce or the student's employer.

As illustrated above, postgraduate taught Master's students receiving financial awards are in the minority. This is an area where there has been withdrawal of support for full-time postgraduate taught Master's students by the UK Research Councils in recent years. In recent years the number of new part-time UK domiciled postgraduate Master's students receiving funding support from employers other than government has decreased - the number has fallen in recent years by nearly 4,000, a drop of 41%. More generally, analysis of the HESA student record data shows that over the last decade there has been a significant increase in the number of students self-financing. HEFCE report that the growth in self-funding is around 60% across the decade.²⁵

²² *ibid*

²³ "Postgraduate Taught Education: The funding challenge", Universities UK, 2014

²⁴ BIS commissioned research forthcoming

²⁵ HEFCE (2013) Postgraduate Education in England and Northern Ireland Overview Report

We have drawn on evidence about people who have successfully transitioned to postgraduate taught Master's study. We do not have evidence of those who did not apply nor were unable to enrol due to the lack of finance. A 2014 survey of Universities UK members investigated the extent to which students applied for a Master's course, tried and failed to secure funding and then went onto decline their place as a result. The study suggests that the costs of postgraduate study as being the main reason for why some students do not take up their place on a Master's course. The Universities UK membership also reported that full-time students, particularly young students, were a group they identified as having particular difficulties accessing finance.

3.6 Rationale for government intervention

Changes in technology are increasing the demand for high skilled workers in the UK and internationally. The proportion of the UK workforce with a degree has increased significantly and the demand for graduates and postgraduates continues to be high and rising. The UK Commission for Employment and Skills estimates that by 2022 over half of jobs will require higher education (51.3%), with one in seven jobs (14.1%) requiring postgraduate qualifications.²⁶

A postgraduate qualification benefits the individual student, intellectually, through personal stimulation, and instrumentally, through enhanced skills and employment prospects. Postgraduates are vital to the higher education sector, through their contribution to current research and as researchers of the future. Outside academia, postgraduates provide employers with the highest levels of knowledge, innovation and technical skills.

Employers remain a small contributor in this landscape, public funding is a minority element and whilst some innovative lending products are developing this remains a minority source of finance.

In order to secure the advanced levels of skills and knowledge attributable to postgraduate taught Master's qualifications for the benefit of individuals, for society and the economy as a whole, the Government is intervening to stimulate the market and remove barriers to progression. The intervention is not intended to be a universal offer. It is targeted at providing support to those who face the greatest barriers to accessing finance.

²⁶ UKCES, *Working Futures 2012–2022, Evidence Report 83*, 2014. UKCES estimate that by 2022, 51.3 per cent of all jobs will require higher education (defined as qualifications at Level 4 in the National Qualifications Framework and above – meaning all more advanced qualifications than A-levels) and 14.1 per cent will require postgraduate qualifications (defined as qualifications at Level 7 in the National Qualifications Framework and above)

4. Key principles for the new postgraduate taught Master's loan

There are five key principles which underpin the rationale for intervention.

1. The policy objective: The Government's objective is to support the highest levels of skills to support the UK economy by enabling those who cannot afford or delay study at taught postgraduate level to take up places. The Government does not wish to duplicate the provision of support available through existing funding mechanisms.
2. Individuals will, on average, repay in full: An individual's rate of return for gaining a postgraduate taught qualification is high.²⁷ The proposed loan has been designed to ensure the majority of borrowers repay in full, while recognising the personal benefits that most will accrue. To achieve this principle, the proposed loan must be re-paid concurrently with any outstanding undergraduate student loan.
3. Income contingent: As a safeguard for individuals and to ensure repayments are achievable and affordable, repayments must be based on income - similar to the principle applied in the undergraduate student loan model. The income contingent threshold principle meets the recommendation to the Government made in Lord Browne's 2010 report: Independent Review of Higher Education Funding and Student Finance, on the future of fees policy and financial support for full and part-time undergraduate students.
4. Contribution towards costs: The intention is to make finance available as a contribution to the costs of pursuing postgraduate taught Master's study. The Government does not seek to provide finance to cover all the associated costs. We consider this balances the incentives to ensure students will continue to make considered and informed decisions about pursuing education at this level. In practice this principle means that the Government will not seek to regulate postgraduate taught Master's tuition fee levels. The Government also wishes to reduce the risk that employers will withdraw existing support from their employees wishing to study at this level.
5. Better than commercial rates or on better terms: The proposed loan must comply with European Legislation for Consumer Credit, including the Consumer Credit Directive which is implemented by various pieces of domestic legislation. The Government wants the loans to be exempt from consumer credit regulation. Where the loan is made in accordance with regulations under Section 22 of the Teaching and Higher Education Act 1998, they will be exempt from regulation under the Consumer Credit Act 1974 and the Financial Services and Markets Act 2000 pursuant to section 8 of the Sale of Student Loans Act 2008. According to Section 22, loans must have an interest rate which falls below those prevailing on the market, or no higher than those prevailing on the market but with more favourable terms for the borrower. The undergraduate student loans are calculated to fall within this exemption. The terms for this proposed loan will have to be designed to ensure it also adheres to this exemption. This will also secure compliance with the United Kingdom's obligations under the Consumer Credit Directive.

²⁷. The average wage premium for a Master's degree is £5,500 more a year – or £200,000 over a 40 year working life - than someone only holding a undergraduate degree. 'The social composition and future earnings of Postgraduates', London School of Economics for the Sutton Trust, March 2010

The Government wishes to develop a postgraduate loan model that meets all these principles. It is against that backdrop, that we are asking for respondents views. The consultation seeks to provide sufficient information, through this and other sign-posted documents referenced within it, to allow respondents to provide considered and informed views.

5. The postgraduate taught Master's loan proposal and consultation questions

The consultation questions have been designed to invite views on the specific detail of the loan proposal whilst recognising Government's aim of developing a loan model that meets all of the key principles and is focused on addressing financial barriers.

Respondents should note that amending one eligibility criterion of the proposed loan may need to be balanced by making at least one other criterion or term less favourable to the borrower. For example, widening individual eligibility and not targeting those individuals who face the greatest financial barriers to accessing finance may require a reduction to the maximum loan amount available and/or a lower income-contingent threshold.

There are a number of uncertainties which could influence the take-up of this new loan proposal. For example, they could include:

- A shift in the proportion of those who select full-time study over part-time;
- Whether individuals will delay entry into postgraduate taught Master's study until they are older given the buoyant graduate employment market; and
- Whether there could be a short term deferral of entry while prospective postgraduate taught Master's students wait for the new loan to become available.

The evidence and responses from this consultation will be used to inform the final design and terms of the proposed postgraduate taught Master's loan scheme.

5.1 Policy objective

The Government's objective is to support the highest levels of skills to support the UK economy, and increase participation at postgraduate taught level, by enabling those who cannot afford or delay study at this level to take up places.

Postgraduate taught Master's entrants have declined by 17% in the last four years. Currently, around 72% of those who pursue taught Master's study receive no financial award or backing and self-finance due to the absence of a funding framework similar to other areas of higher education.²⁸

Q1. Do you believe that access to finance is a significant barrier to progression into postgraduate taught Master's study? Please provide evidence to support your response.

Q2. Are there other barriers, other than access to finance, which in your view prohibits progression into postgraduate taught Master's study? Please provide reasons/evidence to support your response.

²⁸ HESA Student Record Data

5.2 Loan amount

The maximum total loan amount an individual can borrow for a postgraduate taught Master's course is up to £10,000.

£10,000 is the maximum loan amount any individual can borrow for an eligible postgraduate taught Master's course. The loan amount is intended to be a 'contribution towards costs' and not intended to cover all costs associated with studying at this level. The Government believes £10,000 will encourage individuals to make informed decisions about whether to pursue this level of education. The maximum amount offered through Professional and Career Development Loans is £10,000.

Q3. Do you believe the availability of up to a £10,000 income contingent loan will increase an individual's likelihood to pursue postgraduate taught Master's study? If No to Q3, please provide reasons/ evidence to support your response.

Q4. Do you think £10,000 is the right amount to support individuals in undertaking study, while ensuring they have a stake in deciding whether studying a Master's degree is the right path for them? If no, what do you think the maximum loan amount should be and why?

Q5. If yes to Q4, what proportion of £10,000 do you think an individual would seek to borrow, and why? Please provide reasons/ evidence to support your response.

- Less than 50%
- More than 50%

Q6. Do you believe the availability of a £10,000 income contingent loan will have an impact or influence on the following:

- Propensity to study a postgraduate taught Master's course over Other Postgraduate courses?
- Propensity to study full-time over part-time?
- Propensity to study part-time over full-time?
- Rise in the level of postgraduate taught Master's course fees?

5.3 Contribution to costs

The loan amount is intended to be a contribution towards the costs of pursuing postgraduate taught Master's study. It is not intended to provide finance to cover all the associated costs of studying at this level.

The contribution to costs principle means that the Government will not seek to regulate fee levels for courses that will be eligible to attract the loan finance. The proposed loan will be paid directly to the borrower who will decide on the allocation of the loan to meet their individual needs. We consider this balances the incentives to ensure students will continue to make considered and informed decisions about pursuing further study at this level.

Q7. Do you think the proposed loan should be paid directly to the borrower, and the borrower should decide the balance they allocate between fees and maintenance? Please provide reasons/ evidence to support your response.

Q8. If No to Q7, do you think a proportion of the loan should be limited to a fee loan which is paid directly to the course provider? Please provide reason/ evidence to support your response.

Q9. If Yes to Q8, how much of the £10,000 loan should be limited for the purpose of a fee loan? Please provide reasons/ evidence to support your response.

- Less than 50%
- More than 50%

Q10. What other sources of finance might an individual need or reply upon, as well as the proposed loan, to meet all the costs of pursuing postgraduate taught Master's study? Please provide details/ evidence to support your response.

5.4 Individual eligibility

Individual eligibility will align with Part 2 - Schedule 1 of the Student Support Regulations 2011. Individuals will be English domicile and/or EU nationals, and must demonstrate that they have been resident in England and/ or in the European Union for a minimum of three years prior to attending a postgraduate taught Master's course. The loan will not be available to non-EU nationals unless specified under the Student Support Regulations. Individuals will be under age 30 on 1st of August as the start of the academic year in which they attend the first year of an eligible postgraduate taught Master's course.

This proposal is applicable to individuals who are English domiciled and/or EU nationals and must demonstrate that they have been resident in England and/ or in the European Union for a minimum of three years prior to attending a postgraduate taught Masters course. An individual's eligibility will comply with Part 2 - Schedule 1 of the Student Support Regulations 2011, including European Union (EU) citizens who are nationals of other EU states, who will be eligible for the loan on the same terms as English domiciled individuals. The loan will not be available to non-EU nationals unless they are exempt (consistent with the undergraduate system). For the avoidance of doubt, tier 4 students are not eligible students for the purpose of student support.

European law sets out that an EU or European Economic Area citizen who is lawfully residing in another Member State must not be discriminated against on the basis of their nationality. The Government considers that a three-year residence requirement is justified and proportionate. All borrowers, including EU borrowers, will be subject to the same loan offer including repayment terms as domestic borrowers. All borrowers will be under an obligation to repay the loan if they move overseas. Individual eligibility based on residency criteria is not open for consultation.

Postgraduate taught provision is a devolved matter and Scotland, Wales and Northern Ireland will have the option to develop their own scheme.

The Government proposes that those under age 30 are eligible for the loan because evidence suggests this group face the greatest barriers to accessing finance to pursue postgraduate taught Master's study. In addition, those who have obtained an equivalent level qualification will not be eligible for the proposed loan.

The Equality Act 2010 prohibits direct discrimination on the grounds of age (section 13(1) EA 2010). However, a person (A) does not discriminate against another person (B) on the grounds

of age if A can show that treating B less favourably than others is a proportionate means of achieving a legitimate aim (section 13(2) EA 2010).

Evidence shows that the access to finance barrier is strongest for those under age 30 for the purpose of pursuing postgraduate taught Master's study. The evidence indicates that older learners tend to be better able to secure and access finance through other means compared to younger individuals. Older learners, i.e. those age 30 and over are more likely to have a proven track record as the basis on which, for example banks can make a credit assessment and are therefore able to secure commercial finance more readily. They are also more likely to find alternative ways to fund their studies - either through personal savings, or through support from their employer. For older learners the more common barriers relate to the 'fit' of study such as course structure, institutional choice and confidence issues rather than finance.

Annex 5 highlights the evidence for targeting loan eligibility by age.

Q11. Which groups of individuals, in your view, experience finance as the main barrier to pursuing postgraduate taught Master's study? How best might they be defined and/or identified? Are the proposed eligibility criteria appropriate or should they be refined? Please provide reasons/ evidence to support your response.

There are potentially other ways of identifying financial need - for example, using means testing as a proxy. Means testing, as applied for undergraduate student maintenance purposes is based on an individual's parental/ spouse income, for example where someone is the dependent in the family; or on an individual's own circumstances where they are independent and support themselves. Postgraduate study is usually undertaken several years beyond the point that students were financially the responsibility of their parents, and so it would seem unreasonable to consider parental income.

We would welcome views on alternative methods to age based eligibility, for example using 'time' as a proxy – i.e. eligibility based on graduation within a number of years from an undergraduate degree. Currently there is no definition of defining under-represented or disadvantaged postgraduate Master's students. This is because the measures of deprivation that are widely accepted at undergraduate level, particularly indicators associated with the student's place of residence at the point of entry into higher education, may be just one determinant of under-representation later in life. Any criteria would need to set a universally applicable standard, be valid and independently verifiable as a proxy for assessing financial need.

Q12. Are there other ways of identifying individuals with financial need for the purposes of pursuing study at this level? Please provide details and evidence to support your response.

5.5 Institutional eligibility

Subject to meeting the individual eligibility criteria, individuals are eligible to undertake study at a Higher Education Funding Council for England (HEFCE) fundable institution or any Alternative Provider who has obtained Degree Awarding Powers.

The Government proposes to make institutional eligibility consistent with those who have already met and continue to maintain the standards required to hold Degree Awarding Powers.

Holding the power to award the postgraduate taught Master's qualification will be an important quality criterion. Only eligible postgraduate taught Master's courses at HEFCE fundable institutions,²⁹ and Alternative Providers who have obtained Degree Awarding Powers will qualify for the loan.

Q13. Do you think that institutional eligibility should be restricted to HEFCE fundable institutions and Alternative Providers who have obtained Degree Awarding Powers?

Q14. If No to Q13, which other institutions and providers should be additionally included for eligibility? Please provide reasons/ evidence to support your response.

Q15. What quality and assurance arrangements should be put in place for institutions and providers who are not HEFCE fundable institutions, or Alternative Providers without Degree Awarding Powers, to ensure standards and quality? Please provide reason/evidence to support your response.

5.6 Fee inflation

Postgraduate course fees are unregulated and vary significantly by institution and subject area.³⁰ It is possible in theory that institutions could seek to respond to the availability of this proposed loan by increasing their postgraduate taught Master's course fees. This would not be in the best interest of students as fee payers and borrowers, or the Government who would be underwriting the loan arrangements. Some variation in the cost of delivering a course is to be expected and an unregulated system such as postgraduate taught Master's education will yield different fees. The Government believes it is right to establish safeguards against rapid and excessive fee inflation as a result of this new loan proposal.

The Government does not intend to use the introduction of postgraduate taught Master's Loans to increase regulation of the higher education sector. The Government wishes to keep the introduction of new regulation to a minimum and implement the proposed loan arrangements within the existing legal framework. In practice this means that the Government does not propose to seek to regulate the fee levels for the courses that will be eligible for these loans, unlike the system in place for undergraduate fees set out in and under the Higher Education Act 2004.³¹

We are therefore interested in understanding the impact on postgraduate tuition fees as a result of this proposal, and what could be done to address these concerns - for example through the process of designating institutions for access to the loans - and thereby avoiding fee inflation through the final design features of the scheme.

Q16. Do you believe the availability of up to a £10,000 loan would result in excessive course fee inflation? Please provide reasons/evidence to support your

²⁹ A description HEFCE fundable institutions can be found at: <http://www.hefce.ac.uk/whatwedo/reg/of/gatewaysforproviders/>

³⁰ BIS commissioned research forthcoming

³¹ see Part 3 of the HEA 2004 and for example, the Higher Education (Higher Amount) (England) Regulations 2010, SI 2010/3020 and the Higher Education (Basic Amount) (England) Regulations 2010, SI 2010/3021

response.

Q17. If Yes to Q16, do you agree that the Government should look at mechanisms to safeguard against rapid and excessive course fee inflation, and how should it be assessed? Please provide reasons to support your response.

Q18. If Yes to Q17, what safeguards should be applied against rapid and excessive fee inflation, and how should this be monitored? Please provide reasons to support your response.

5.7 Course eligibility

Loans can be used to support individuals undertaking a postgraduate taught Master's course in any subject.

The postgraduate education landscape is diverse, offering a range of different programmes leading to different qualifications, and different routes to study. This diversity can be broadly split into the following categories:

- Postgraduate taught Master's degrees - such as MAs and MSc
- Other postgraduate courses - such as certificates and diplomas, including PGCE's
- Postgraduate Research degrees - such as PhD's and MPhils.
- Integrated Master's - an additional year following undergraduate study resulting in a Master's degree being awarded.

Of these, postgraduate taught Master's study is the most common type of postgraduate study.

The Government proposes that the proposed loan should be made available to students on postgraduate taught Master's courses to secure the advanced levels of skills and knowledge attributable to Master's qualifications for the benefit of individuals, for society and the economy as a whole; as well as to address the particular cost imperatives of this length and intensity of study. Eligible institutions will confirm which postgraduate taught Master's courses are eligible for the loan, based on the set eligibility criteria.

Loans will not be available to students on other postgraduate courses such as certificates and diplomas. Loans will not be available for distance learning courses. In addition, the loans will not be available for courses that are already supported by the undergraduate student loans system, such as Integrated Master's; and Postgraduate Certificate in Education, which is funded through the Department for Education. In addition, individuals who have already secured an equivalent level postgraduate taught Master's qualification, including an Integrated Master's, will not be eligible for the loan, regardless of where the qualification was awarded.

A description of course eligibility can be found in Annex 3.

Q19. Do you agree with the description of postgraduate taught Master's courses provided? If No to Q19, please give reasons/evidence for your response.

Q20. Are there any other postgraduate courses, particularly professional qualifications, that you feel would be excluded from the description of eligible

courses which you think are particularly important to the economy? If Yes to Q20, please provide reasons/evidence to support your response.

5.8 Course intensity

Postgraduate taught Master's courses must be either full-time or 2 years part-time, whereby part-time must be a minimum of 50% intensity at the start of the course, compared to the duration of the equivalent full-time course per academic year.

Most postgraduate taught Master's courses are 1 year full-time in duration, but there are some postgraduate taught Master's courses which are 2 years full-time in duration. The loan will be available for postgraduate taught Master's courses up to 2 years in duration. Individuals can only receive up to the maximum £10,000 loan amount in total.

Research shows that access to finance is not a universal barrier to all individuals wishing to pursue postgraduate taught Master's study. Part-time study allows individuals a range of flexibilities including the potential for an employer to support study and hence combine study with employment. 80% of mature postgraduate taught students are in paid employment. This mode of study also allows individuals to, for example, pursue a personal interest whilst maintaining other responsibilities and commitments.

Research shows that the likelihood of reporting financial concerns diminished with age. Older students studying at less than 50% in intensity in any academic year compared to a 1 year full-time course are far less likely to face access to finance as a barrier to undertake and complete their studies.³² Instead they are faced with different barriers including difficulties in fitting in the course around existing personal and work commitments. Where employment is a key enabler to self-financing study, this is made more difficult if the intensity of study is greater than 50%, reducing an individual's ability to raise sufficient income to also support their studies.

Q21. Are there instances where a further reduced study period - of less than 50% intensity - should be considered for pro-rata loan eligibility? Please provide reasons/evidence to support your response.

5.9 Loan distribution

For 1 year full-time courses, the loan is paid to the borrower in 3 tranches across the academic year, subject to the institutions confirmation of attendance.

For 2 year full-time and 2 year part-time courses, the loan is split and paid £5,000 per academic year over the two years of study, paid in 3 tranches in each academic year, subject to the institutions confirmation of attendance.

The proposal is for loans to be distributed in similar equal tranches per academic year, subject to confirmation of attendance at the beginning of each term to ensure a student's continued enrolment on the course. To illustrate, the loan finance will be issued in a 33%-33%-34% split for a 1 year full-time course. For 2 year full-time and 2 year part-time courses, the loan is split into £5,000 per academic year over the two years of study, resulting in a total of 6 instalments.

³² BIS commissioned research forthcoming

This approach is important to reduce exposure to fraud and error, by ensuring that payments are only made to students who are actually studying. This is phased to align with standard HEI terms as recovery of overpayments is time consuming, costly and of limited effectiveness. Confirmation of registration for example would only take place at the beginning of each academic year and would allow payments to be made to students who had not notified the organising issuing the finance of their withdrawal.

Q22. Do you agree that the loan should be paid to the borrower in instalments across the academic year? Please give reasons/evidence to support your response.

Q23. Do you think confirmation of attendance is an appropriate trigger to release the loan to the borrower? Please give reasons/evidence to support your response.

5.10 Repayment terms

- £10,000 maximum loan amount;
- Borrowers are charged at RPI+3% with a repayment income threshold of £21,000, frozen for five years;
- Repayment is 9% of salary above the income threshold;
- Repayments will begin when the income threshold is met;
- Payments will be made concurrently alongside any outstanding undergraduate repayments;
- Any outstanding postgraduate loan debt will be written off after 30 years from the date at which the interest started accruing.

The repayment terms have been modelled and chosen based on a number of key principles, one of which includes that on average, individuals will repay in full. Another key principle is that the loan must be income-contingent. This will ensure repayments are always achievable and affordable. Unlike Professional and Career Development Loans, repayments will be made through the tax system, and adjusted accordingly. For example, if an individual's earnings decreased or they stop work, repayments will be reduced or stopped as appropriate. An individual who is earning £21,000 or above, and who also has an undergraduate loan, would pay 18% of their salary above the proposed thresholds because the repayment of any outstanding undergraduate loan is 9% and would be paid in parallel to the new postgraduate Master's loan. Both loans would be held as separate accounts and operate as unrelated schemes. An illustration of student loan repayment can be found at Annex 4.

There is more than one combination of repayment terms which could achieve the same key principles. It is possible to make any one of the repayment terms more generous – for example lowering the repayment percentage, but only if another repayment term is made less generous – for example lowering the £21,000 income repayment threshold, or introducing an early repayment fee.

The repayment terms in this consultation will be confirmed with the final loan design terms, and must comply with European and domestic consumer credit law. The Government will configure the loans to be within Section 22 of the Teaching and Higher Education Act 1998, so that they are exempt from consumer credit regulation by virtue of section 8 of the Sale of Student Loans Act 2008.

Q24: Do you think this is the right balance of repayment terms to achieve an affordable scheme for borrowers whilst also meeting the principle of individuals repaying in full? Please provide reasons/evidence to support your response.

Q25. If No to Q24, which repayment terms would you recommend be made more generous, and which less generous in order to offset this? Please provide reasons/evidence to support your recommendations.

5.11 Timetable for loan issuance and repayment

Government is targeting issuing the new loans beginning academic year 2016/17. Repayment will commence in April of the following financial year dependent upon withdrawal or course completion, and subject to reaching the relevant income threshold. Repayments will be collected directly if the borrower resides outside of the UK.

The timetable and delivery mechanism for issuing loans and collecting repayments is not open for consultation, and will be confirmed post-consultation.

5.12 Other wider implications

a. Public Sector Equality Duty

The proposed loan does not make any distinction regarding the Public Sector Equality Duty protected characteristics, with the exception of age in determining eligibility. The protected characteristics include: age, gender, gender reassignment, disability, race, marriage and civil partnerships, pregnancy and maternity, sexual orientation, religion and belief. It is possible the terms will not be acceptable to some individuals, for example on the basis of their religion or belief. In April 2014 BIS launched a consultation on a Sharia-compliant alternative finance product for undergraduate students. The purpose of the consultation was to obtain views from the Muslim community, and the wider public, on the acceptability of an alternative finance product based upon the Takaful model.³³ The Government is interested in gathering evidence against all the protected characteristics and would welcome your views, supported by evidence.

Q26. Are there other issues Government should be aware of, which would impact on the take-up of this proposed loan by those with any of the protected characteristics, and what steps might Government take to mitigate any negative impact? Please give reasons/evidence for your response.

b. Professional and Career Development Loans

Professional and Career Development Loans (PCDL) have financed less than 10 per cent of postgraduate students over the last 10 years. On average, over the last 5 years, approximately 6,300 individuals have taken out a PCDL per year for the purposes of undertaking a postgraduate taught Master's degree, in a landscape where there are approximately 80,000 UK postgraduate taught students. Approximately 85% of PCDL borrowers are postgraduates, however despite the availability of PCDLs there has been a 17% decline in overall postgraduate taught entrants.

³³ The Government response can be found at: <https://www.gov.uk/government/consultations/sharia-compliant-student-finance>.

A factor in the low take-up is due to banks having to make responsible lending decisions based on each application, and a common issue is that students may have limited credit history or lack of an asset base on which Banks can assess an individual's eligibility for a commercial loan. The availability of the proposed postgraduate taught Master's loan may mean those who may have accessed a Professional and Career Development Loan in the past will choose the proposed new income contingent loan scheme in the future.

Level	Current English Students	PCDL take-Up
PGR	c16,000	c150
PGT	c65,000	c6,300
OPG	c65,000	c1,000
FE & HE: Level 5/6 (HND's)	c45,000	c250
FE: up to level 4	c3m	c700

Q27: What other sources of support could be offered to learners who would not be eligible for the new postgraduate loan?

5.13 Impact on employers and business

This section has been specifically designed for views from employers and business.

One of the key principles is that the loan will be income-contingent. Due to this, the Government recognises that employers and business will have a role to play in ensuring postgraduate taught Master's loan repayments can be made through payroll. This will place a requirement on employers to familiarise themselves with any new scheme and respond via their payroll systems. Employers currently apply one repayment rate to employee salaries over the income threshold for individuals with an undergraduate student loan. In the future, it is possible an employee could have an undergraduate student loan and a separate postgraduate taught Master's loan account. Deductions for both loans would be made through payroll and employers would be required to administer both. We would welcome views from employers and business on the best way of designing the scheme and arranging the repayments through payroll in order to minimise burdens on employers and business.

a. Course eligibility

Q28. Are there any other postgraduate courses, particularly professional qualifications, that you feel would be excluded from the definition of eligible courses which you think are particularly important to the economy? If Yes, please list them and provide reasons/evidence to support your response.

b. Contribution to costs

Q29. Based on the contribution to costs principle, are there features of the proposed loan scheme that you feel could be changed or enhanced that would encourage you as an employer or business to meet and/or contribute to your employees undertaking a postgraduate taught Master's course?

Q30. If Yes to Q29, which of the following features would you change/enhance: Please provide reasons to support your response.

- Loan amount
- Contribution to costs

- Age eligibility
- Course eligibility
- Institutional eligibility
- Repayment terms
- Income contingent repayment
- Other things

c. Balance of benefits

Q31. Do employers agree, that given the access to skills that employers tell Government they need, this new loan proposal offers advantages to not only individuals but also to employers? Please provide reasons/evidence to support your response.

Q32. Do employers think that making changes to payroll systems to deduct postgraduate loan repayments will cost their business?

Q33. If yes to Q32, is the impact to the changes required likely to be in the following areas: Please provide further details/ information to support your response.

- Payroll and HR staff time on operating the system
- Dealing with employee queries and preparing guidance
- Correcting errors resulting from increased volumes and extra complexity,
- Upgraded software
- Other things

d. Repayments

Q34. What new challenges, if any, do employers think administering this new loan scheme would present for them, and how might Government mitigate these?

6. The postgraduate research proposal and consultation questions

6.1 About postgraduate research

The UK research base is highly productive and internationally competitive.

- The UK's research base is the most efficient and productive in the G8, in terms of number of citations and publications per pound invested³⁴.
- The UK remains first or second in the world in terms of research excellence in most disciplines, despite growing international competition.

The UK supplies a high number of PhDs.

- In 2011, amongst the G7 countries and China, the UK produced the second highest global number of new PhD graduates per 100,000 population. Only Germany (33.4 per 100,000) beat the UK (32.5). The USA and France produced 23.4 and 20.6 respectively³⁵.
- In 2013/14, 57% of people completing postgraduate research degrees in the UK were UK domiciled³⁶.

Government has taken action to support postgraduate research.

- Funding for research has been protected throughout this Parliament and is £4.6 billion per annum. Doctoral Training Centres have been created to provide high level training in partnership with industry³⁷.
- Between 2009/10 and 2013/14, the number of UK domiciled postgraduate students at UK universities fell by 12%. However this was largely due to a drop in the numbers entering postgraduate taught degrees. UK domiciled entrants to postgraduate research degrees rose by 3% over the same period.

Figure 2: Entrants to postgraduate research degrees (flow)

Level	Domicile	2009/10	2010/11	2011/12	2012/13	2013/14
Postgraduate Research	UK	19,110	19,860	19,980	19,260	19,645
	Other					
	EU	4,350	4,580	4,435	4,530	4,930
	Non-EU	9,525	9,960	10,365	10,785	11,670
	Total	32,990	34,400	34,780	34,575	36,240

³⁴ Elsevier, International Comparative Performance of the UK Research Base – 2013

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263729/bis-13-1297-international-comparative-performance-of-the-UK-research-base-2013.pdf

³⁵ Elsevier

³⁶ Higher Education Statistics Authority (HESA):

https://www.hesa.ac.uk/images/stories/hesa/pubs_intro_graphics/STUDENT_1314/student_1314_table_K.xlsx

³⁷ Engineering and Physical Sciences Research Council and Royal Academy of Engineering, *Assessing the Economic Returns of Engineering Research and Postgraduate Training in the UK* - March 2015 <http://www.epsrc.ac.uk/newsevents/pubs/econreturnsengresreport/>

Evidence suggests high demand for postgraduate level skills.

- The earnings premium for doctoral graduates compared to those with a Master's degree is estimated to be around 9%³⁸ and the differential between doctorate and Master's earnings appears to have been increasing over time³⁹.
- The estimated net lifetime benefit to an individual from possession of a doctoral degree, relative to the possession of an undergraduate degree, stands at approximately £76,000 for men and £36,000 for women. This figure is net of the cost of attainment of the degree, foregone earnings whilst studying and the additional tax incurred due to higher earnings.
- There are also significant returns to the Exchequer associated with doctoral qualifications, estimated to be £90,000 for men and £41,000 for women⁴⁰.

The market for postgraduate skills has become increasingly international.

- Among OECD countries, around one in five tertiary students graduating from doctorate programmes in 2012 was an international student.
- The UK has the largest net outflow as a proportion of total researchers of comparator countries, including Germany, US and China⁴¹.

Funding sources for postgraduate degrees vary.

- 37% of postgraduate research students self-fund. This varies by subject: STEM disciplines have a lower proportion of self-funded study⁴².

*Figure 3: Source of tuition fees by type of study
UK and EU postgraduate entrants to English HEIs in 2013-14*

Source of tuition fees	Postgraduate research	
	Number	%
Charity / British Academy	480	2%
Institution	4,710	23%
Local government	45	0%
Self-funding	7,535	37%
Other	1,465	7%
Other government	790	4%
Overseas	345	2%
Part student, part SLC	5	0%

³⁸ This is a mid-point estimate of earnings premium from BIS research by Conlon, G and Patrignani, P (2011), ['The Returns to Higher Education Qualifications' BIS Research Paper Number 45](#) (2011 prices) and research by Lindley, J and Machin, S (2011), *Rising Wage Inequality and Postgraduate Education* <http://cep.lse.ac.uk/pubs/download/dp1075.pdf>

³⁹ Lindley, J and Machin S (2011), p 38

⁴⁰ Conlon, G and Patrignani

⁴¹ Elsevier

⁴² HEFCE Analysis of HESA data, 2013/14

Research council	4,080	20%
UK industry	1,015	5%
Total	20,475	100%

The UK crowd funding market is growing rapidly, and has more than doubled in size year on year from £267 million in 2012 to £666 million in 2013 and to £1.74 billion in 2014⁴³. There are a number of crowd funding platforms in the UK and the US, and they are increasingly becoming a source of income for research projects. There are two primary models currently in use: donation-based, in which crowd contributes money to specific projects; and equity-based, in which investors buy a monetary stake in a company⁴⁴. This consultation seeks input on how these or other innovative finance platforms could be supported by government to further support research proposals.

6.2 Review of Support for Postgraduate Research Students

The Government will review how we can both broaden and strengthen support for postgraduate research students and excellent postgraduate research. The Review will cover all postgraduate research degrees, including PhDs, research master's, Engineering Doctorates and other professional doctorates. It will not examine support for postdoctoral research.

Q1. How can we broaden and strengthen support for postgraduate research students and excellent postgraduate research? Please give specific examples and evidence where possible.

Q2. Is there unmet demand for postgraduate research skills and qualifications amongst employers and potential students? If so, please provide evidence.

Q3. How can we attract and retain top research talent in the UK? What is the impact of the availability and level of individual stipends, and other factors such as postdoctoral opportunities? Does this vary across subjects? Please provide evidence.

6.3 Partnering to Support Postgraduate Research Students

The Review will examine how to leverage Government funding through partnerships with industrial and charitable partners, including exploring options for widening participation in the funding of research for example via crowdfunding platforms.

⁴³ Nesta, University of Cambridge, Understanding Alternative Finance: The UK Alternative Finance Industry Report 2014, <http://www.nesta.org.uk/sites/default/files/understanding-alternative-finance-2014.pdf>

⁴⁴ Wellcome Trust, 'Shaping the future of open innovation' September 2014 http://www.wellcome.ac.uk/stellent/groups/corporatesite/@policy_communications/documents/web_document/wtp057218.pdf

Q4. How could the Government further develop partnerships with industrial and charitable partners to leverage public sector funding to support postgraduate research? Please give specific examples and evidence where possible.

Q5. How could the Government link with existing funding mechanisms and finance platforms and/or support new or innovative approaches? Please give specific examples.

6.4 Income contingent loans to Support Postgraduate Research Students

The Review will consider whether to broaden support for postgraduate research students by introducing income contingent loans of up to £25,000 over the lifetime of a postgraduate research degree. The intention is to offer loans as an addition to the present system of grant funding, not as a replacement, widening access to postgraduate research degrees by offering support to those unable to obtain grants under the current system. The loans would be designed to avoid deadweight. There is a trade-off between overall number and level of loans and the level of public subsidy. If the subsidy were higher, we would have to consider for example capping the total number of loans, or restricting to specific subjects.

Q6. Would the availability of a £25,000 loan influence a student's decision to pursue postgraduate research study or the location of study? Please give your views on the loan amount and any other factors that may influence a student's decision.

Q7. Should we prioritise specific subjects where the scientific and economic case is strongest, or instead provide broad support to all subjects, even if this means capping the total number of loans or offering them on less generous terms? If we prioritise certain subjects, how should we go about it?

Q8. How can we ensure loans complement existing funding mechanisms, maintaining a focus on the most excellent research and on linking with external funding?

Q9. How can we minimise complexity for Higher Education Institutions and for employers?

Q10. Is there anything else we should take into consideration? Please provide evidence.

Annexes

Annex 1: Consultation principles

The principles that Government departments and other public bodies should adopt for engaging stakeholders when developing policy and legislation are set out in the consultation principles.

<http://www.cabinetoffice.gov.uk/sites/default/files/resources/Consultation-Principles.pdf>

Comments or complaints on the conduct of this consultation

If you wish to comment on the conduct of this consultation or make a complaint about the way this consultation has been conducted, please write to:

Postgraduate Consultation
Abbey 1, 5th Floor
1 Victoria Street
London
SW1H 0ET
E-mail: pgl.consultation@bis.gsi.gov.uk

Annex 2: List of stakeholders

A list of stakeholders whom we would welcome views from is set out below. We would welcome suggestions of others about who may wish to be involved, and we would be happy for you to draw their attention to this consultation.

- Research Councils
- Research Institutes
- Public and Private Research Bodies
- University representative groups
- Confederation of British Industry
- Universities
- Industry
- SMEs
- Students
- Student representative bodies
- Individual researchers from universities, research institutes or industry

All other individuals and organisations are welcome to respond.

Annex 3: Description of postgraduate taught Master's course eligibility

Loans will be available to support individuals undertaking a postgraduate taught Master's course in any subject. Master's are classified at level 7 as qualified in the Quality Assurance Agency (QAA) for Higher Education's Framework for Higher Education Qualifications.

QAA guidance further outlines that Master's degrees are achieved on the basis of study equivalent to at least one full-time calendar year (typically 180 credits) and are taken by graduates with a bachelor's degree with honours (or equivalent achievement).

Master's degrees are often distinguished from other qualifications at this level by an increased intensity, complexity and density of study. Master's degrees - in comparison to postgraduate certificates and postgraduate diplomas - typically include planned intellectual progression that often includes a synoptic/research or scholarly activity. The Higher Education credit framework advises

Due to the vast range of eligible postgraduate taught Master's courses and institutional discretion in how these courses are classified, it is not possible to list them all here. As a guide we have provided an overview of courses types which would be eligible under the Higher Education Statistical Analysis (HESA) course aim definitions:

HESA Course Code	Course Aim – HESA Classification	Guidance
M00	Master's degree obtained typically by a combination of coursework and thesis/dissertation, that does not meet the criteria for a research-based higher degree	Typically a MA or MSc.
M01	Taught Master's degree designed specifically as a training in research methods and intended as a preparation for advanced supervised research	MRes- Master of Research in a specific academic discipline.
M02	Master's in Teaching and Learning (MTL)	MTL - A new professional qualification for teachers.
M10	Post-experience taught Master's degree	Post-experience implies a period of at least two years relevant work experience as a pre-requisite for entry to the programme leading to the qualification. For example MEd.
M11	Master of Business Administration (MBA)	MBA.
M72	Pre-registration Master's degree leading towards obtaining eligibility to register to practice with a health or social care or veterinary statutory regulatory body	Degrees in medicine, dentistry and Veterinary science comprising an integrated programme of study and professional practice.

Annex 4: Illustration of student loan repayments

The tables provide an illustration of what monthly repayments would look like using the repayment terms described in section 5 for postgraduate taught Master's loans compared to Professional and Career Development Loans. We have included an illustration of what the total repayments for both undergraduate and the proposed loan monthly repayments would look like based on the Pre-2012 and Post-2012 student loan thresholds with a postgraduate taught Master's loan issued in academic year 2016/17 and repayments commencing in April 2018.

Table 1 - Post-2012 undergraduate income threshold

Annual Salary	Monthly earnings after tax ⁴⁵	Monthly UG loan repayments	Current system		New system	
			Monthly PCDL repayments ⁴⁶	Monthly PCDL + UG repayments	Monthly Income contingent PG loan repayments	Monthly Income contingent PG + UG repayments
£20,000	£1,380	£0	£212	£212	£0	£0
£25,000	£1,663	£20	£212	£232	£30	£50
£30,000	£1,946	£57	£212	£269	£68	£125
£35,000	£2,230	£95	£212	£307	£105	£200
£40,000	£2,513	£132	£212	£344	£143	£275
£60,000	£3,495	£282	£212	£494	£293	£575

N.B Illustrative repayment comparisons are based on the undergraduate loans on the post-2012 threshold (£22,370 – updated based on growth projections from the OBR) current Professional and Career Development Loan terms, and the proposed income contingent postgraduate taught Master's loan (£21,000 threshold frozen until 2022/23). The repayment rate is 9% each for both loans.

Table 2 – Pre-2012 undergraduate income threshold

Annual Salary	Monthly	Monthly UG loan repayments	Current system		New system	
			Monthly PCDL repayments	Monthly PCDL + UG repayments	Monthly Income contingent PG loan repayments	Monthly Income contingent PG + UG repayments
£20,000	£1,380	£10	£212	£222	£0	£10
£25,000	£1,663	£47	£212	£259	£30	£77
£30,000	£1,946	£85	£212	£297	£68	£152
£35,000	£2,230	£122	£212	£334	£105	£227
£40,000	£2,513	£160	£212	£372	£143	£302
£60,000	£3,495	£310	£212	£522	£293	£602

N.B Illustrative monthly repayment comparisons based on the undergraduate loans on the pre-2012 threshold (£18,725-updated based on RPI projections from the OBR), current professional and career development loans terms, and the proposed income contingent postgraduate taught Master's loan scheme based on £21,000 threshold frozen until 2022/23. The repayment rate is 9% for both income-contingent loans.

⁴⁵ Based on 2013-14 tax system

⁴⁶ PCDL Repayment Terms: Illustrative payments are based on a loan value of £10,000 with repayments made over 60 months after a student finishes their course. The applied interest rate is 9.9%

Annex 5: Evidence related to age eligibility criteria

Attached separately. You can access this document at:

<https://www.gov.uk/government/consultations/postgraduate-study-student-loans-and-other-support>

Annex 6: Consultation response form

The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

Respondents are asked to complete the online questionnaire which is available at:

<https://bisgovuk.citizenspace.com/digital/pglconsultation>

The closing date for this consultation is 29/05/2015.

This form can be submitted by email to:

pgl.consultation@bis.gsi.gov.uk

or by post to:

Postgraduate Consultation
Abbey 1, 5th Floor
1 Victoria Street
London
SW1H 0ET

Your details

Name:

Organisation (if applicable):

Job title (if applicable):

Email Address:

Telephone number:

Please tick a box from the list of options below that best describes your role or organisation:

Role or Organisation			
<input type="checkbox"/>	Business representative organisation	<input type="checkbox"/>	
<input type="checkbox"/>	Charity or Social Enterprise	<input type="checkbox"/>	Research Council
<input type="checkbox"/>	HE Policy Organisation	<input type="checkbox"/>	Small Business (10 to 49 people)
<input type="checkbox"/>	Individual	<input type="checkbox"/>	Student
<input type="checkbox"/>	Large Business (Over 250 staff)	<input type="checkbox"/>	Student Representative Body
<input type="checkbox"/>	Legal Representative	<input type="checkbox"/>	University
<input type="checkbox"/>	Local Government	<input type="checkbox"/>	University Staff

	Medium Business		Other
	Micro Business (up to 9 staff)	Please Describe:	

Government Loans for Postgraduate Taught Master’s Study

Policy Objective

Q1. Do you believe that access to finance is a significant barrier to progression into postgraduate taught Master’s study?

Yes No

Please provide evidence to support your response:

Q2. Are there other barriers, other than access to finance, which in your view prohibits progression into postgraduate taught Master’s study?

Yes No

Please provide reasons/ evidence to support your response:

Loan amount

Q3. Do you believe the availability of up to a £10,000 income contingent loan will increase an individual’s likelihood to pursue postgraduate taught Master’s study?

Yes No

If No to Q3, please provide reasons/ evidence to support your response:

Q4. Do you think £10,000 is the right amount to support individuals in undertaking study, while ensuring they have a stake in deciding whether studying a Master’s degree is the right path for them?

Yes No

If no, what do you think the maximum loan amount should be and why?

Q5. If yes to Q4, what proportion of £10,000 do you think an individual would seek to borrow, and why?

Less than 50% More than 50%

Please provide reasons/ evidence to support your response:

Q.6 Do you believe the availability of a £10,000 income contingent loan will have an impact or influence on the following:

Propensity to study a postgraduate taught Master's course over Other Postgraduate courses.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Propensity to study full-time over part-time?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Propensity to study part-time over full-time?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Rise in the level of postgraduate taught Master's course fees?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Please provide reasons/ evidence to support your response:

Contribution to costs

Q7. Do you think the proposed loan should be paid directly to the borrower, and the borrower should decide the balance they allocate between fees and maintenance?

Yes No

Please provide reasons/ evidence to support your response:

Q8. If No to Q7, do you think a proportion of the loan should be limited to a fee loan which is paid directly to the course provider?

Yes No

Please provide reasons/ evidence to support your response:

Q9. If Yes to Q8, how much of the £10,000 loan should be limited for the purpose of a fee loan?

Less than 50% More than 50%

Please provide reasons/ evidence to support your response:

Q10. What other sources of finance might an individual need or rely upon, as well as the proposed loan, to meet all the costs of pursuing postgraduate taught Master's study?

Please provide reasons/ evidence to support your response:

Individual eligibility

Q11. Which groups of individuals, in your view, experience finance as the main barrier to pursuing postgraduate taught Master's study? How best might they be defined and/or identified? Are the proposed eligibility criteria appropriate or should they be refined?

Please provide reasons/ evidence to support your response:

Q12. Are there other ways of identifying individuals with financial need for the purposes of pursuing study at this level?

Please provide reasons/ evidence to support your response:

Institutional eligibility

Q13. Do you think that institutional eligibility should be restricted to HEFCE fundable institutions and Alternative Providers who have obtained Degree Awarding Powers?

Yes

No

Q14. If No to Q13, which other institutions and providers should be additionally included for eligibility?

Please provide reasons/ evidence to support your response:

Q15. What quality and assurance arrangements should be put in place for institutions and providers who are not HEFCE fundable institutions, or Alternative Providers without Degree Awarding Powers, to ensure standards and quality?

Please provide reasons/ evidence to support your response:

Fee inflation

Q16. Do you believe the availability of up to a £10,000 loan would result in excessive course fee inflation?

Yes No

Please provide reasons/ evidence to support your response:

Q17. If Yes to Q16, do you agree that the Government should look at mechanisms to safeguard against rapid and excessive course fee inflation, and how should it be assessed?

Please provide reasons/ evidence to support your response:

Q18. If Yes to Q17, what safeguards should be applied against rapid and excessive fee inflation, and how should this be monitored?

Please provide reasons/ evidence to support your response:

Course eligibility

Q19. Do you agree with the description of postgraduate taught Master's courses provided?

Yes No

If No to Q19, please give reasons/evidence for your response:

Q20. Are there any other postgraduate courses, particularly professional qualifications, that you feel would be excluded from the description of eligible courses which you think are particularly important to the economy?

Yes No

If Yes to Q20, please provide reasons/evidence to support your response:

Course intensity

Q21. Are there instances where a further reduced study period - of less than 50% intensity - should be considered for pro-rata loan eligibility?

Yes No

Please provide reasons/ evidence to support your response:

Loan distribution

Q22. Do you agree that the loan should be paid to the borrower in instalments across the academic year?

Yes No

Please provide reasons/ evidence to support your response:

Q23. Do you think confirmation of attendance is an appropriate trigger to release the loan to the borrower?

Yes No

Please provide reasons/ evidence to support your response:

Repayment terms

Q24: Do you think this is the right balance of repayment terms to achieve an affordable scheme for borrowers whilst also meeting the principle of individuals repaying in full?

Yes No

Please provide reasons/ evidence to support your response:

Q25. If No to Q24, which repayment terms would you recommend be made more generous, and which less generous in order to offset this?

Please provide reasons/evidence to support your recommendations:

Other wider implication

Q26. Are there other issues Government should be aware of, which would impact on the take-up of this proposed loan by those with any of the protected characteristics, and what steps might Government take to mitigate any negative impact?

Yes No

Please provide reasons/ evidence to support your response:

Q27: What other sources of support could be offered to learners who would not be eligible for the new postgraduate loan?

Please provide reasons/ evidence to support your response:

Impact on employers and business

a. Course eligibility

Q28. Are there any other postgraduate courses, particularly professional qualifications, that you feel would be excluded from the definition of eligible courses which you think are particularly important to the economy?

Yes No

If Yes, please list them and provide reasons/evidence to support your response:

b. Contribution to costs

Q29. Based on the contribution to costs principle, are there features of the proposed loan scheme that you feel could be changed or enhanced that would encourage you as an employer or business to meet and/or contribute to your employees undertaking a postgraduate taught Master’s course?

Yes No

Q30. If Yes to Q29, which of the following features would you change/enhance:

	Loan amount		Repayment terms
	Contribution to costs		Income contingent repayment
	Age eligibility		Other

	Course eligibility	Please describe	
	Institutional eligibility		

Please provide reasons to support your response:

c. Balance of benefits

Q31. Do employers agree, that given the access to skills that employers tell Government they need, this new loan proposal offers advantages to not only individuals but also to employers?

Yes No

Please provide reasons/ evidence to support your response:

Q32. Do employers think that making changes to payroll systems to deduct postgraduate loan repayments will cost their business?

Yes No

Q33. If yes to Q32, is the impact to the changes required likely to be in the following areas:

	Payroll and HR Staff time on the operating system
	Dealing with employee queries and preparing guidance
	Correcting errors and resulting from increased volumes and extra complexity
	Upgraded software
	Other things (please describe below)

Please provide further details/ information to support your response:

d. Repayments

Q34. What new challenges, if any, do employers think administering this new loan scheme would present for them, and how might Government mitigate these?

Please provide further details/ information to support your response:

Review of Support for Postgraduate Research Students

Q1. How can we broaden and strengthen support for postgraduate research students and excellent postgraduate research?

Please give specific examples and evidence where possible:

Q2. Is there unmet demand for postgraduate research skills and qualifications amongst employers and potential students?

If so, please provide evidence:

Q3. How can we attract and retain top research talent in the UK? What is the impact of the availability and level of individual stipends, and other factors such as postdoctoral opportunities? Does this vary across subjects?

Please provide evidence:

Partnering to Support Postgraduate Research Students

Q4. How could the Government further develop partnerships with industrial and charitable partners to leverage public sector funding to support postgraduate research?

Please give specific examples and evidence where possible:

Q5. How could the Government link with existing funding mechanisms and finance platforms and/or support new or innovative approaches?

Please give specific examples:

Income contingent loans to Support Postgraduate Research Students

Q6. Would the availability of a £25,000 loan influence a student's decision to pursue postgraduate research study or the location of study? Please give your views on the loan amount and any other factors that may influence a student's decision.

Please provide further details/ information to support your response:

Q7. Should we prioritise specific subjects where the scientific and economic case is strongest, or instead provide broad support to all subjects, even if this means capping the total number of loans or offering them on less generous terms? If we prioritise certain subjects, how should we go about it?

Please give specific examples and evidence where possible:

Q8. How can we ensure loans complement existing funding mechanisms, maintaining a focus on the most excellent research and on linking with external funding?

Please provide further details/ information to support your response:

Q9. How can we minimise complexity for Higher Education Institutions and for employers?

Please provide further details/ information to support your response:

Q10. Is there anything else we should take into consideration?

Please provide evidence:

Do you have any other comments that might aid the consultation process as a whole?

Please use this space for any general comments that you may have, comments on the layout of this consultation would also be welcomed.

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply

At BIS we carry out our research on many different topics and consultations. As your views are valuable to us, would it be okay if we were to contact you again from time to time either for research or to send through consultation documents?

Yes



© Crown copyright 2015

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available from www.gov.uk/bis

Contacts us if you have any enquiries about this publication, including requests for alternative formats, at:

Department for Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET
Tel: 020 7215 5000
Email: enquiries@bis.gsi.gov.uk

BIS/15/185