

## Policy options for the post-18 review: a priority occupation loan reimbursement scheme

### Summary

1. The post-18 education and funding review provides an opportunity for policymakers to consider innovative ways of supporting graduates through their studies and afterwards. As well as addressing concerns around affordability and fairness of the current system, the Government could look at measures that, at the same time, would also support other key policy objectives – such as around the public-sector workforce.
2. With pressure on public services increasing, there is a need to ensure we have a well-equipped and highly-skilled workforce so these services can continue to deliver for taxpayers. Introducing a targeted loan reimbursement scheme could support recruitment and retention in priority occupations while also reducing graduate repayments. For instance, such a scheme might guarantee to pay a graduate's Student Loan Company (SLC) payments for a period of up to ten years after graduation as long as they remained within one of the designated priority occupations.
3. The priority occupations would need to be determined by Government but this could, for example, apply to all graduates entering teaching, nursing or social work. We estimate the cost of a ten-year loan reimbursement scheme to be around £98m in total per cohort if it applied to these three professions<sup>1</sup>.
4. To offset some of this cost, we can expect the Government to secure a financial benefit through reduced turnover of staff in these professions. Whilst expected impact is difficult to model, even a small improvement of about 1 percentage point in the retention rate for nurses, for example, is likely to save the Exchequer approximately £9m per cohort through reduced reliance on agency staff and other recurring recruitment costs.

### Recruitment and retention in key public-sector professions

5. The public sector faces ongoing recruitment and retention issues, but it is possible that changes to the SLC system could be made that would have a positive impact on key professions. Combined with other policies linked to pay, progression and wellbeing, an SLC loan reimbursement scheme could help support graduates pursuing vocations which may have relatively lower pay but high social value.
6. Applications for nursing courses have fallen by around a third since the removal of bursaries for nursing and midwifery in England<sup>2</sup> – although course places are still being filled, improving perceptions of affordability could help arrest the decline in applications.
7. A reimbursement scheme could also encourage recruitment and retention in areas where there are known skills shortages. For example, official figures on teacher numbers show that 21% of newly qualified entrants to the state sector in 2014 had left two years later, with the rate of turnover for those starting in 2011 standing at 31%<sup>3</sup>. Of NHS Provider Trusts, 93% had nursing workforce shortages in a recent survey and more registered nurses are now leaving than joining the profession<sup>4</sup>. In addition,

<sup>1</sup> The Office for National Statistics is in the process of conducting a review on the treatment of student loans in the Government accounts. Whilst the outcome of the ONS review may affect the viability of the current system, this paper assumes the continuation of the current system for accounting tuition fee and maintenance loans.

<sup>2</sup> UCAS 2018

<sup>3</sup> [researchbriefings.files.parliament.uk/documents/CBP-7222/CBP-7222.pdf](https://researchbriefings.files.parliament.uk/documents/CBP-7222/CBP-7222.pdf)

<sup>4</sup> <https://www.nhsemployers.org/-/media/Employers/Publications/Workforce-Supply/NHS-registered-nurse-supply-and-demand-survey-findings-Dec-2015-FINAL.PDF>

according to local authorities, the ability to recruit and retain high-quality social workers is one of the most serious risks they face.<sup>5</sup>

8. The Government is already piloting a student loan reimbursement scheme with teachers<sup>6</sup>, so we have modelled what this might look like if extended to cover all graduates entering teaching, nursing or social work (based on the latest available data on cohorts entering these professions):

*Table 1: Costs and changes to repayment totals for a 10-year loan reimbursement scheme (England only)*

	Female		Male		Total cost/cohort
	Cohort size (%)	Change in lifetime repayments	Cohort size (%)	Change in lifetime repayments	
<b>Teachers</b>	18,529 (76%)	- £1,700	5,851 (24%)	- £6,600	£70.1m
<b>Nurses</b>	21,057 (87%)	- £100	3,147 (13%)	- £5,600	£19.7m
<b>Social workers</b>	5,056 (84%)	- £500	964 (16%)	- £2,800	£7.6m

### Financial implications for Government

9. The total cost of reimbursing the student loan repayments of graduate nurses, teachers and social workers for a period of ten years is estimated to be £97.5m per cohort.<sup>7</sup> A combination of varying salary levels, gender split, pay progression and total numbers mean that costs for each profession differ significantly – of the £97.5m figure, £70.1m would be spent reimbursing teachers, £19.7m for nurses and £7.6m for social workers.<sup>8</sup>
10. The reimbursement scheme would also affect the RAB charge (the estimated cost to Government of borrowing to support the SLC system, expressed as a percentage of loans that the Government would expect to write off): increasing between 0 and 3 percentage points for women and 6 to 12 percentage points for men given current gender pay differentials in each profession. However, there would also be some savings to be made over time from better retention and recruitment if such a scheme could be designed to influence graduate behaviour in positive ways. We estimate a 1 percentage point reduction in turnover amongst new starter nurses alone could be worth £9.1m per cohort.

### Financial implications for graduates

11. A loan reimbursement scheme would reduce total lifetime repayments for eligible graduates: paying the graduate's loan contribution for a limited time while they worked, though not writing off the loan in full. The benefit for an individual in terms of their repayments would vary significantly by gender and profession. If current gender pay gaps continue, men would benefit from reductions in loan repayments several multiples larger than their female colleagues (although we would expect this gap to narrow with time).
12. The recent increase in the repayment threshold also means many new starters would not receive any loan reimbursements for their first few years at work. With the threshold for making repayments now at £25,000, those starting on the basic salary for their respective careers (around £22,000 for teachers, nurses and social workers<sup>9</sup>) would not make repayments anyway and so would receive no reimbursements until their pay progressed. It may therefore be necessary to consider other incentives in these first years to support retention early on, and to communicate these effectively.
13. On its own, a student loan reimbursement policy may have only a modest effect on recruitment and retention, particularly for women in nursing and social work given their low levels of average loan repayment. However, it could make a difference in combination with other policies designed to make key public-sector roles more attractive.

<sup>5</sup> <http://www.communitycare.co.uk/2017/08/04/social-worker-recruitment-retention-among-biggest-risks-facing-childrens-services-say-leaders/>

<sup>6</sup> <https://www.gov.uk/guidance/teachers-student-loan-reimbursement-guidance-for-teachers-and-schools>

<sup>7</sup> All cost modelling undertaken for the Russell Group by London Economics, 2018

<sup>8</sup> By comparison, a reimbursement period of fifteen years would cost around £188m per cohort as average salaries increase later in graduates' careers meaning they would be making higher loan repayments.

<sup>9</sup> All starting salaries quoted are for roles outside of London