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Enterprise and Lifelong Learning Research Programme

Higher and Further Education Students' Income, Expenditure and Debt in Scotland

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This report is about the income, expenditure and debt of full time students in higher education (HE) and further education (FE) in Scotland in 2004/05. It is based on research, commissioned by the Scottish Executive, conducted by Professor Claire Callender of London South Bank University, the Policy Studies Institute, and NOP Research Ltd. While studies in the past have examined the finances of undergraduates attending Higher Educational Institutions in Scotland, this is the first study also to explore in-depth the finances of FE college students taking undergraduate and non-advanced courses.

The main aims of the study were to collect comprehensive data on full time students' income, expenditure and debt, and to identify any differences by students' socio-economic and institutional characteristics. The interviews with students were conducted between January and May 2005.

Main findings

- Over half HE students and FE students had not thought about the costs of going to university or college before they started their course, nor sought information or guidance about these costs. By contrast, the vast majority had obtained information about financial help with the costs of studying.
- The total average income over the 2004/05 academic year (i.e. excluding the summer vacation) of HE students was £5,795 and among FE students it was £4,377.
- The total average expenditure over the 2004/05 academic year of HE students was £6,604 while for FE students it amounted to £5,320.
- By the end of the 2004/05 academic year, 79 per cent of HE students and 18 per cent of FE students anticipated being in debt. The average expected debt of HE students was £4,653 while for FE students it was £109. Within HE, this figure rose to £5,580 for those studying at HEIs and fell to £2,125 for those at FECs.
- 86 per cent of students graduating in 2005 from an HEI anticipated leaving university with debts, the vast majority of which consisted of student loan debt. Their average debt on graduation amounted to £7,561, but a quarter owed over £12,000.
- The average income, expenditure, and debt of students studying at HEIs in Scotland in 2004/05 were lower than that of their counterparts in England and Wales in 2002/03. Despite longer courses in Scotland, Scottish students graduating in 2005 had £2,740 less debt than English and Welsh students graduating in 2003, after controlling for inflation. This was mostly because of the different student funding systems and students' different patterns of living arrangements.
- The vast majority of students were convinced of the economic and social returns of HE. Roughly 80 per cent of HE and FE students thought that in the longer term they would benefit socially from their education while three-quarters thought they would benefit financially.

Student incomes in 2004/05

Forty per cent of HE students' total income was derived from the student support system, 29 per cent from paid work, 23 per cent from students' family, and five per cent from social security benefits. For FE students, a similar proportion of their income came from student support, but 22 per cent came from paid work, 18 per cent from their family, and 17 per cent from social security benefits.

The family and student support were the two most common sources of income with nearly four out of five of HE students and roughly seven out of ten non-advanced FE students receiving money from these sources.

There were considerable variations in students' total average income depending on their characteristics. The greatest income disparities among both HE and FE students were associated with their living arrangements, the presence of dependent children in the household, and their age, all of which were inter-related. These three factors were the most important in explaining the differences in students' total income

Students with the highest incomes:

- had dependent children;
- lived with a partner and/or children; and
- were aged 25 and over at the start of their course.

Students with the lowest incomes:

- were younger – HE students were aged under 25 and non-advanced FE students were aged 16 or 17;
- lived at home with their parents;
- did not have term-time jobs; and
- among HE students only, had not taken out a student loan.

Student support

71 per cent of HE students had taken out a student loan in 2004/05, and 79 per cent had taken one out at some point while at university/college. Students in their final year at university along with parent students and those living with a partner/children were most likely to have taken out a student loan – between 88 and 86 per cent had done so. The lowest student loan take up rates were amongst undergraduates at FECs and students living at home with their parents where between 63 and 68 per cent had taken one out.

The average value of the student loan was £2,267, but the means-tested nature of loans and the different rates depending on where students live and study, affected the

size of a student's loan. Low-income students with dependent children were eligible for and received the largest student loans and the most from other state-funded sources of student support. Those living at home received the smallest student loans because of both the lower loan rates for such students, and their lower student loan take-up rates.

Two-thirds of FE students received student support, worth an average of £2,013. Students living independently of their family received the highest levels of support, and those living with their parents the lowest.

Family

HE students received an average of £1,348 from their family over the academic year. Their family's generosity varied considerably with contributions ranging from an average of £630 for students living with their parents, to £2,704 for students living with a partner/and or children. Aside from those students who could call upon a share of their partner's income, the greatest disparities were linked to students' family background. Students from the highest social classes obtained £1,804 over the year, while students from the lowest social classes received £797.

FE students received an average of £803 from their family over the academic year. Like HE students, their family contributions varied ranging from £448 for students aged 16-17 to £2,343 for those living with a partner/child.

Paid work

HE students earned an average of £1,693 from paid work over the academic year. Students living with their parents had the highest earnings at £2,066 because they were the most likely to work during term-time while those with dependent children were the least likely to work (80% compared with 43%), and consequently had the lowest earnings at £1,064.

Two-thirds of HE students had term-time jobs working an average of 15.7 hours a week in the weeks they worked, and earning a net average of £5.77 an hour. However, 45 per cent worked over 16 hours a week.

FE students earned an average of £948 during 2004/05 with their earnings ranging from £125 for students with children to £1,621 for students aged 18-24.

A third of FE students were employed during term-time but this figure rose to 47 per cent for students from the highest social classes and dropped to five per cent for students with children. Employed FE students worked an average of 16.7 hours a week in the weeks they worked, and earned a net average of £5.45 an hour.

Social security benefits

Social security benefits were particularly important for FE students. Although only 17 per cent obtained them, the average amount of £4,285 received by each claimant was considerable compared with other income sources.

Students' expenditure in 2004/05

Sixty-eight per cent of HE students' total expenditure was spent on living costs, 18 per cent on housing, and 13 per cent on the costs of participating in their course. FE students' living costs absorbed a slightly higher proportion of their expenditure at 72 per cent while they spent 15 per cent on housing, and 12 per cent on participation costs.

Students' expenditure also differed depending on their characteristics. These variations were most often linked to students' living arrangements, the presence of children in the household, and their age.

Students with the highest expenditure:

- had dependent children;
- were aged 25 and over;
- lived with a partner and/or child; and
- lived independently of their parents.

Students with the lowest expenditure:

- lived at home with their parents;
- were younger – HE students were aged under 25 and non-advanced FE students were aged 16 or 17;
- among FE students only, they came from the highest social class; and
- among HE students only, they were in their 2nd year of study.

Living costs

HE students spent an average of £4,515 on living costs over the academic year while FE students spent £3,836. Over three-quarters of this was absorbed by three areas of expenditure: entertainment (37%), food (22-23%) and personal expenses (28-29%). Entertainment, which included sports, hobbies, cultural activities and spending on alcohol, was the most costly element of students' living costs and average expenditure on it was £1,662 over the academic year for HE students and £1,419 for FE students.

HE students studying at a FEC in their 2nd year and above had the highest living costs at £5,300 while among FE students those with term-time jobs had the highest.

Housing costs

HE students' housing costs amounted to an average of £1,197 over the academic year and FE students' to £785. However, only 71 per cent of HE students and 51 per cent of FE students incurred any housing costs because most of those living at home with their parents paid nothing. So, the average housing costs of HE students living at home were just £275, and for FE students they were £243. By contrast, students living independently spent £1,821 and £1,935 respectively on their housing.

HE students living independently had the highest housing costs of £1,821 while among FE students, those with dependent children had the highest at £1,971.

Participation costs

HE students spent an average of £824 on participation costs over the academic year while FE students spent £639. The most expensive item was students' travel costs to and from their place of study. This absorbed 57 per cent of HE students' total participation costs and 70 per cent of FE students'.

Among HE students, it was differences in these travel costs that accounted for the greatest variations in their total participation costs. In turn, their travel costs were related to: their living arrangements; the distances they had to travel; and their mode of transport. HE students living with their parents or a partner/child travelled much further to their place of study than students living independently and consequently used more expensive modes of transport.

Student debt

By the end of the 2004/05 academic year, 79 per cent of HE students anticipated being in debt compared with 18 per cent of students. Within HE, 83 per cent of students attending an HEI expected to be in debt as did 69 per cent attending a FEC. HE students expected to owe an average of £4,653 and FE students £485 but within HE, students at HEIs anticipated owing £5,580 and those at FECs £2,213.

On average, 84 per cent of HE students' borrowings was money owed to the Student Loans Company, so debt levels were closely associated with the student loan rates and levels of take-up. Consequently, those with the highest debts of £9,192 were students attending HEIs aged 25 and over because they were eligible for highest student loan rates, followed by students in their 4th year attending an HEI who owed an average of £8,084 because they had accumulated several years worth of student loans.

Inevitably, HE students who had not taken out a loan were the least likely of all students to have debts - only 27% did - and they owed the smallest sums, just £69 on average. They were followed by HE students attending an FEC not in their final year who had the second lowest take-up rate of 61 per cent and owed £1,620 on average.

Among FE students, most of their borrowing was from commercial sources of credit. Those living independently and with children were most likely to be in debt and had the highest debts.

About the Student Income and Expenditure Survey in Scotland

The study was based on a survey of nationally representative samples of Scottish domiciled full time HE and FE students drawn from 15 Higher Education Institutions (HEIs) and 20 Further Education Colleges (FECs) across Scotland. Face to face interviews were conducted between January and May 2005 with a total 1,317 students, consisting of 832 undergraduates studying at both HEIs and FECs, and 485 students studying at FECs taking a variety of non-advanced courses.

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