Deserving poor? Are higher education bursaries going to the right students?

Gill Wyness

Department of Quantitative Social Science
Working Paper No. 15-09
October 2015
Disclaimer

Any opinions expressed here are those of the author(s) and not those of the UCL Institute of Education. Research published in this series may include views on policy, but the institute itself takes no institutional policy positions.

DoQSS Workings Papers often represent preliminary work and are circulated to encourage discussion. Citation of such a paper should account for its provisional character. A revised version may be available directly from the author.
Deserving poor? Are higher education bursaries going to the right students?

Gill Wyness¹

Abstract

After the abolition of student maintenance grants in 2016, higher education bursaries will be the major source of non-repayable aid for poor students in England. But are bursaries going to the students most likely to benefit from them – the bright poor – or are they simply subsidising low ability students? Using data collected from 22 universities, I show that, as a direct consequence of the decentralized nature of the bursary system, there are vast inequalities in aid receipt among poor students. Nevertheless, I find that the brightest, poorest students tend to receive the most bursary aid, suggesting the system is working efficiently. My analysis also shows that the students most likely to drop out or perform poorly in their degrees are those from disadvantaged backgrounds, with weak A-levels. This suggests that these students could gain more from bursary aid if it was coupled with academic support.

JEL codes: I21, I22, I28

Keywords: Widening Participation; Higher Education Funding Policies; Higher Education Bursaries; Decentralisation

Contact Details: Gill Wyness (g.wyness@ioe.ac.uk) UCL Institute of Education and Centre for Economic Performance, London School of Economics.

Acknowledgements: The author thanks participants of the AEFP 2014 Texas and RES 2014 conferences, the Russell Sage Foundation, and the CEP, LSE Education workshops. Also thanks to Richard Murphy, Sandra McNally and John Micklewright for valuable feedback, and Prasanthi Ramakrishnan and Claudia Hupkau for their excellent work cleaning the data. Funding provided by ESRC (ES/L000105/1). All errors the author’s own.

¹ UCL Institute of Education and Centre for Economic Performance, London School of Economics
1. Introduction

Attending university has become increasingly costly in England, with the much-discussed tuition fee cap rising first to £3,000 per year in 2006, and more recently to £9,000 per year in 2012\(^2\). In response to controversy surrounding this system of fees, and in particular, fears that low-income students would be put off from applying to university (Barr, 2004), the government mandated that universities would have to give away at least 10% of their fee income in the form of non-repayable cash bursaries to low income students from 2006 onwards. The minimum bursary rule has since been abolished, but these higher education bursaries (known henceforth as “bursaries”) remain an important element of financial aid.

Bursaries are important for several reasons. First, from September 2016, maintenance grants, which are currently the main source of non-repayable student aid, will be abolished. This vastly increases the importance of bursaries as a source of aid for poor students. Second, spending on bursaries is big. Around 40% of students receive a bursary, and the most recent projections show that over £300m per year will be spent by English institutions on bursaries and scholarships in 2015\(^3\), a figure that has remained roughly constant for several years. Third, bursaries are the sole element of means-tested financial aid in England that varies at the institutional level (after the abolition of grants, the other main forms of student support will be maintenance loans – which are administered nationally), making them an important and unique example of decentralisation of aid within the sector. Indeed, bursaries were also introduced to provide an element of consumer choice and competition among universities (Callender 2010), alongside variable tuition fees (the latter proving a fruitless attempt; there was almost no variation in fees between 2006-2011, and even at the higher rate of £9,000 per year from 2012, little variation has emerged\(^4\)). This decentralization gives rise to huge variation in the generosity and targeting of bursary spending by institution. For example, recent projections for steady state spending on bursaries and scholarships for 2015 students ranged

\(^2\) Both sets of figures in nominal terms

\(^3\) See OFFA (2015): Table 1e. Note that published figures do not provide a split of spending on bursaries and scholarships separately but it is widely known the bursary spending constitutes the vast majority of this spending.

\(^4\) In practise the vast majority of universities charge the full £9000 per year, and the average fee stands at £8,830 in 2015 (See OFFA (2015): Table 2)
between 0% and 91% of universities' total access agreement expenditure\textsuperscript{5}, while bursary spend per student varied between £0 and £6,000 per year\textsuperscript{6}. This reflects the different strategies employed by universities in their approaches to widening participation, but also the lack of knowledge of the most effective way to use this type of financial aid, and the lack of guidance given to institutions by the government or its fair access watchdog, the Office for Fair Access (OFFA), the non-government body tasked with monitoring university spending on widening participation.

Given the amount of spending, and the wide variation in spending, it is important to understand how universities are using bursaries and which types of students benefit the most from these forms of aid. A common concern in the student aid literature (Bettinger, 2004; Dynarski, 2003) is that student aid merely subsidizes low ability students, who may lack the skills to perform well at university, and for whom a college degree may not improve earnings. In other words, are bursaries going to the students most likely to benefit from them – high ability students from poor backgrounds – or are they simply subsidizing low income, low ability students?

To explore this question, I make use of a unique administrative dataset collected from 22 English universities. This dataset comprises individual-level data on UK and EU undergraduate students (i.e. those eligible for bursaries) for students enrolling between 2006-2011, including the university and course each student attends, the bursary they are awarded each year, their background characteristics and prior academic attainment, and their outcomes at university.

I show that, as a direct consequence of the decentralized nature of the bursary system, there are vast inequalities in aid receipt among poor students. With universities compelled to award bursaries to the poorest students (those receiving full maintenance grants), those universities with high numbers of poor students have to spread their limited resources more thinly. Hence students attending these universities – usually less elite, non-Russell Group institutions – get less than their (often better off) counterparts at more prestigious universities.

Nevertheless, I find that the bright poor tend to receive the most bursary aid.

---

\textsuperscript{5} Authors’ own calculations based on OFFA (2015) Table 3a. Institutions charging fees above the basic level of £6,000 per year for a full-time undergraduate programme are required to produce an OFFA access agreement. These detail fee limits and describe how institutions will promote fair access and improve retention and success through financial and non-financial support, including bursaries and scholarships as well as other forms of access spending.

\textsuperscript{6} See http://www.theguardian.com/education/2015/jun/10/which-universities-offer-the-best-bursaries?CMP=share_bin_tw for details
This is because such students are more likely to gain access to wealthier, more elite institutions. To the extent that we believe that these students stand to benefit the most from bursary aid, this suggests the system is working efficiently.

However, the system could potentially be made more efficient: my analysis also shows that the students most likely to drop out or perform poorly in their degrees are those from disadvantaged backgrounds, with weak A-levels. Presumably these students suffer both from lack of preparation for university, and liquidity constraints. Thus, these students could potentially benefit from a combination of bursary aid and academic support during their studies.

This research builds on a small body of work focusing on higher education bursary spend in the UK. A first strand of such work examines institutional spending on bursaries across the sector, investigating the implications for inequality and widening participation.

Hills and Richards (2012) study the bursary rules published by universities in 2012, and find that “cliff edges” in bursary support mean that a small difference in parental income can mean several thousand pounds’ less support within institution, compounding already existing inequalities caused by the national tax and benefits system. Chowdry et al (2012) examine the now defunct National Scholarship Programme (NSP), which was introduced in 2012 and used to provide financial support to disadvantaged students in the form of fee waivers, cash bursaries, and subsidised goods and services. They calculate the average level of bursary support for 90 UK universities using publically available data on university bursary rules alongside simulated data on the parental income profile of students within each university. Their investigation reveals that high status universities such as those in the Russell Group contribute more of their own resources to fund student support activities than lower status universities do, leading to students at high status universities enjoying more generous total support packages (including bursaries) than those at lower-ranked institutions. The result is wide inequalities in bursary receipt among disadvantaged students, depending on the university attended. My paper confirms the findings of Chowdry et al, but also builds substantially on this.

7 To determine the amount of financial support each student is eligible for, Chowdry et al assign each student a parental income that is loosely related to their total earnings as a graduate (based on a set of graduate earnings simulations). To determine which university students attend, they assign each student to an HEI on the basis of that HEI’s ranking, assuming that students from more affluent backgrounds or with higher future earnings are slightly more likely, on average, to attend higher-status universities.
work by using administrative data on actual student family incomes, bursaries received and university attended, rather than simulations. Thus my work is also able to reveal which types of students (in terms of background characteristics and academic performance) are particularly affected by bursaries.

A second strand of work attempts to investigate students’ understanding and perceptions of bursaries. Callender and Wilkinson (2010) survey around 4,800 undergraduate students entering HE in the UK in 2008 and find that around a quarter of them were unaware of bursaries, and that most did not become aware of them until after they had enrolled in a particularly university. They conclude that other than the most cost-conscious, most do not think their choice of institution was affected by bursaries. This is perhaps an unsurprising result since (due to the complex nature of the system, and the lack of transparency in university bursary offerings) students are unlikely to be aware of the particular bursary they qualify for prior to university entry (Chowdry, 2013). Hence, my study focuses on performance whilst at university. I also build on the work cited above by looking at student behaviour, rather than perceptions.

A third strand attempts to relate bursary spend to student behaviour and outcomes. Corver (2010) looks at the impact of bursaries on participation whilst a study by OFFA (2013) examines the impact of bursaries on student retention. These papers find no impact of bursaries on either student participation at university, or retention in the first year of study. My study is also able to link bursary spend to student outcomes, and I offer a potential means of improving the targeting of bursaries, namely by coupling them with academic support.

The remainder of the paper is structured as follows. Section 2 provides background information on the bursary scheme and associated legislation. Section 3 goes on to describe the data that will be used in the remainder of this paper. Section 4 contains the main analysis and results, and Section 6 concludes.

2. The English Higher Education Bursary System, 2006-present

The UK higher education system is characterised by high tuition fees (at £9,000\(^8\) per year they are the highest in Europe and on a par with many US institutions\(^9\)) but a

---

\(^8\) All figures expressed in this section are in nominal prices

\(^9\) Whilst tuition fees are decided at the institution level, in practise the vast majority of universities charge the full £9000 per year, and the average fee stood at £8,830 in 2015 (See OFFA (2015): Table 2)
generous national system of financial support. The latter consists of means-tested fee and maintenance loans (the latter of up to £5,740 per year in 2015\textsuperscript{10}, repayable after graduation once the graduate is in employment and earning above the median wage) and non-repayable maintenance grants for students with parental incomes of less than £3,387 per year. However, grants will be abolished from September 2016 (with maintenance loans increased to make up the difference\textsuperscript{11}), meaning higher education bursaries will become the sole non-repayable form of student financial aid\textsuperscript{12}. Bursaries also represent the sole form of aid which is governed at an institutional rather than a national level.

As described in Section 1, the system of higher education bursaries was introduced by the UK government in 2006. At that time, the upfront means-tested tuition fee of £1,200 per year, which had been in place since 1998, was abolished and replaced with a deferred tuition fee of up to £3,000 per year\textsuperscript{13} backed by a tuition fee loan as described above. English institutions were required to offer a bursary to all disadvantaged students (defined as those in receipt of a full maintenance grant, £2,700 at that time; note there are no other requirements, such as prior academic attainment or academic performance whilst at university, though the student has to be registered each year to receive their bursary). The minimum bursary that institutions could offer was set to be the difference between full fee charged and the maintenance grant received by the student. Thus, the minimum bursary at the time was £300 per year (£3,000 in fees minus £2,700 grants). From 2010 onwards, the rules were redefined so that the minimum bursary became 10\% of fee charged. Since fees at the time were around £3,200 per year, the minimum bursary remained around £320 per year. Since 2012, no minimum bursary requirement has been in place\textsuperscript{14}. In practise, the bursary offered across institutions has varied considerably.

\textsuperscript{10} For full-time undergraduates living away from home and studying at English universities outside London. Different rates apply for those living at home or studying in London. See https://www.gov.uk/student-finance/loans-and-grants for full details.
\textsuperscript{11} See http://www.ifs.org.uk/publications/7905 for more details.
\textsuperscript{12} There are other forms of non-repayable aid – mainly merit based scholarships and hardship funds, but these are generally restricted to a small number of students per institution; to the author’s knowledge, no published data exist on the total value of these.
\textsuperscript{13} Again the tuition fee was intended to be decided at institution level but in practise, all institutions charged £3,000 per year.
\textsuperscript{14} In 2012, the bursary system was supplanted by the National Scholarship Programme (NSP) in which universities were allocated a set amount of money to distribute among their disadvantaged students in the form of bursaries, fee waivers or other benefits. The NSP has since been disbanded.
The most recent figures indicate that around 9% of tuition fee income is currently spent on bursaries\(^\text{15}\). This will be discussed in more detail in Section 4.

An interesting feature of the bursaries system concerns their delivery. Although each individual institution designs its own bursary scheme (including the income thresholds for bursary receipt and the amount of bursary on offer), the Student Loans Company (SLC) administers the bursary payment for the majority of schemes\(^\text{16}\). The procedure for the first year of entry and every subsequent year a student attends university is as follows\(^\text{17}\):

i. Upon application to university (and each subsequent year) students complete a student finance form in order to apply for the national system of tuition fee loans, maintenance loans and maintenance grants. The latter two elements of the system are means tested, thus students must divulge their parental income. They also have to consent for this information to be shared with their institution (of which 98% do).

ii. The SLC then verify the students’ parental income with the help of HMRC (the department of the UK Government responsible for the collection of taxes, the payment of some forms of state support, and the administration of other regulatory regimes including the national minimum wage).

iii. The university supplies the SLC with the bursary eligibility rules it has chosen for that year. The SLC thus calculate bursary due to every student based on their parental income.

iv. The SLC inform the university of which students will receive a bursary and how much they should be paid. The university then has to decide whether to approve, modify or cancel a student’s bursary. The vast majority of bursaries are approved (some 98%). Students who do not take up their place, or who drop out of study before the bursary payment is due will not be approved for payment. Occasionally, modifications are made, such as if a student switches institutions, or their income changes.

\(^{15}\) Authors calculations based on total bursary spend of £316m in 2015, and total fee income of £3,532m in same year (based on average tuition fee of £8,830 and cohort of 400,000 UK/EU students in 2015 – see UCAS, 2015)

\(^{16}\) Universities can opt to administer their own scheme but the majority choose to do so through the SLC

\(^{17}\) The information that follows was provided to the author by the Student Loans Company in conversation – therefore no citations are available
v. Prior to their arrival at university that year, the SLC send every eligible student a letter which appears to be from the university informing them that they are eligible for a bursary, and the amount they are eligible for.

vi. Finally, the SLC makes the payment to the student – at the same time the SLC debits the money from the institution’s bank account.

A number of pertinent issues arise from this process. First, note that students do not have to apply for bursaries in order to receive them. Thus, there is no possibility of a student choosing not to take up their bursary (or forgetting to do so). As long as the student has applied for other forms of student support through the SLC\textsuperscript{18} (which include the £9,000 annual fee loan – meaning the vast majority of students apply for this support) and choose to declare their parents’ income, and are eligible for a bursary, they will receive it. Second, there is very little possibility of non-compliance on the part of the university, since they have minimal involvement in the administration of the bursary payment system, beyond designing the rules. A third outcome of this system is that if the student is not eligible for a bursary, the SLC discards their parental income data before returning the information to the university. Since the data in my sample is collected from universities, the unfortunate consequence is that I only hold parental income data for bursary holders.

3. Data and methods

Data

This paper makes use of a unique administrative dataset collected from 22 UK universities. The data comprise the entire undergraduate population of UK and EU students from 8 Russell Group institutions, and 14 non Russell Group institutions, for between 1-5 cohorts of students beginning their studies between 2006 and 2011. This is a total of 153,538 students.

In each case I have information on the university attended (though for the purposes of this study, this is anonymised) and the subject studied.

Bursary/finance data

\textsuperscript{18} In 2011, 88% of eligible students took up maintenance loans (see www.parliament.uk/briefing-papers/sn01079.pdf)
As described above, bursaries are administered through the Student Loans Company, then details of the bursaries paid out are returned to the university. The result is that the dataset contains full information on the bursary each student received each year, but parental income data only for those students in receipt of a bursary (since the Student Loans Company only returns data on those who were deemed eligible for a bursary). In the case of 12 universities full parental income data is provided for bursary eligible students. In the case of 10 universities only parental income bands were made available, in which case I have imputed parental income as the mid-point of these bands. 4 out of the 8 Russell Group institutions (50%) provided parental income data, whilst 8 out of the 14 non-Russell Group institutions (57%) provided parental income data.

Because university bursary eligibility rules are published online\(^\text{19}\) it is possible to check whether the bursary received corresponds to the published university rules – i.e. where parental income is available, does the bursary received by the student correspond with that described in the OFFA guidelines, given the parental income of the student? Reassuringly, I find non-compliance levels of just 1.05-2.7% among those with actual (rather than imputed) parental income data, depending on the year in question.

**Background information**

The dataset also holds information on the student background characteristics, such as their parental occupation, parental socio-economic status, their age at the point of entry, ethnic group, gender, disability status. Crucially, the dataset also contains information on the students’ prior academic attainment, in terms of their qualification types, subjects and grades. Again there were many hundreds of qualification types among the dataset. For simplicity I have therefore augmented the dataset with the corresponding UCAS points assigned to this particular qualification. To explain in greater detail, UCAS, or the University and College Admissions Service, is the centralised university entry board to which students must apply to gain entry to university or college. All UK qualifications are awarded UCAS points, with a top scoring A-level (the standard qualification taken at age 18 to gain entrance into university) worth 140 points. Universities normally require 3 or more A-levels to gain

\(^{19}\) These are available from OFFA access agreements, which are published annually by institution, available at: http://www.offa.org.uk/access-agreements/
entrance to university, though their standards vary greatly. A sum total of UCAS points has been calculated for each student.

**Outcomes**

The dataset tracks students throughout the course of their degree. Therefore I have information on each students final outcome, including whether they dropped out and their final degree classification where applicable.

In Tables 1-2 I present some descriptive statistics on the universities and individuals in my sample. Of course, my sample is a selection of those universities willing to participate in the study, rather than a representative sample of institutions. My sample is over-represented in terms of the Russell Group\(^{20}\), who have stricter entry requirements and tend to attract richer students.

Over 40% of students in my sample are eligible for a bursary. Russell Group universities have fewer bursary eligible students than non-Russell Group students in the sample (28% v 57%) as a consequence of their high ability, wealthier intake. Not surprisingly then, Russell Group bursaries are twice as generous, at roughly £1250 on average per bursary holder\(^{21}\), versus £680 in non-Russell Group institutions.

Table 2 presents characteristics of the individuals in my sample. 45% are male, whilst 89% are of traditional age (18-21) and 82% are white British\(^{22}\). They have an average of 289 UCAS points and household income (of bursary holders only) is around £21,000.

In terms of outputs, the dropout rate is 11%, and of those who successfully completed their studies, 68% achieved a first class or an upper second (2:1) degree.

4. **Institutional approaches to bursary spending**

As described in Section 2, universities were compelled, between 2006-2011, to ensure that all students in receipt of a full grant were also eligible for a bursary. They were also compelled to give out a minimum of 10% of tuition fee income as a bursary. Of course, the system had some autonomy built in. Universities could

\(^{20}\) There are 20 Russell Group universities in England (and a further 2 in Scotland, and 1 each in Wales and Northern Ireland), out of 130 universities in total.

\(^{21}\) All prices are henceforth expressed in 2013 prices (RPI)

\(^{22}\) According to the most recent Higher Education Statistics Agency (HESA) statistics (HESA, 2015: Table 6a), 45% of full-time undergraduates are male, 61% are under 22, and 60% are white. My sample is therefore representative in terms of gender, but is younger and whiter than the UK undergraduate population – reflecting the disproportionate amount of Russell Group universities in the sample.
choose to be more generous, by giving bursaries to a wider range of students (i.e. not just the poorest) and to give out more generous bursaries than the minimum.

What might be the consequences of a system in which the amount of bursary a student receives is determined by both his/her parental income and the university he/she chooses to attend? Figure 1 illustrates, showing the relationship between the proportion of students in each university receiving a bursary, and the average bursary received per bursary holder (over the entire sample period 2006-2011). Each university is the sample is represented by a point. Transparent points represent the elite, Russell Group institutions; solid points represent non-Russell group institutions.

There is a clear negative relationship between the proportion of poor students in a university and the amount of bursary each student receives. Universities with high proportions of bursary-eligible students tend to give out lower average bursaries. Conversely, universities with fewer bursary-eligible students give out higher average bursaries. It is easy to see why this might be the case. With universities compelled to give out bursaries to low-income students (those on full-grants), those universities with high numbers of poor students have to spread their resources among more students, and so students attending these universities get less. Conversely those universities with only a small proportion of poor students can give out more to the lucky few disadvantaged students they have enrolled. It is perhaps unsurprising that the latter institutions tend to be from the Russell Group. Poor students are less likely to gain access to these academically elite universities since they do not possess the A-levels required for entry (the correlation between parental income background and A-level attainment is widely documented, e.g. Chowdry et al, 2013). Moreover, these institutions tend to put more money into their bursary schemes (see Chowdry et al, 2012). Hence, disadvantaged students that do get in will enjoy significant financial benefits whilst at university.

Figure 2 now illustrates institutional spending on bursaries in more detail. It shows average bursary paid by student income background. Within each household income bracket, each point again represents a university. Two things are evident from this chart. Firstly, for students of similar income backgrounds, there is a substantial range of bursaries on offer, depending on which university the student attends. For example, students with parental incomes of less than £10,000 per year could receive as little as £350 and as much as £2,800 per year depending on the university attended. The second point is that, somewhat paradoxically, some
students from relatively wealthy backgrounds can end up with more bursary money than those from poorer backgrounds, simply because of the institution they attend. For example, at one university, students with parental incomes over £50,000 per year are eligible for over £1,000 per year. This is substantially more than many poorer students at other universities receive. There many other instances of this in the data.

How can such a situation come about? Simply because students from wealthier backgrounds (who are often better qualified) tend to congregate at more elite institutions. These institutions in turn give out higher bursaries (because they have fewer students to give them to, and more money to give), at higher income thresholds.

Of course, these findings are based on the 2006-2011 bursary system. But work by Chowdry et al, 2013, who look at the 2012 system of bursaries (under the remit of the National Scholarship Programme) drew similar conclusions. Moreover, most recent data for 2015 entrants shows the Russell Group universities again offering the most generous awards, with Imperial, Cambridge, LSE and Oxford (among other Russell Group universities) offering the top amounts to their poor students23.

This is the first of my key findings in this paper – simply that, as a direct consequence of the decentralized nature of the bursary system, there are vast inequalities in aid receipt – and that the poorest students do not necessarily always receive the highest bursaries.

However, it is a common concern among policy makers and in the literature (Bettinger, 2004; Dynarksi, 2003) that means-tested forms of aid may simply subsidize marginal students. Therefore, whilst bursaries are not uniformly given to the poorest students, it is of interest to know whether they go to the poorest brightest students. This is the question that I turn to next.

In Table 3 I present average bursary received per bursary holder, according to both quartile of student ability (as proxied by their A-level or equivalent scores) and household income. The columns group students by ability, ranging from the most able (column 1) to the least able (column 4), whilst the rows indicate students from different household income quartiles, from the richest to the poorest. A number of

23 See footnote 4 for details
things are evident from this table. First, within every ability grouping (i.e. looking within each of the 4 columns), it is not always the case that the poorest students receive the highest bursaries. In the lowest two quartiles of ability, students from the second quartile of income get slightly more than the poorest. This supports the previous findings, that the poorest students do not always get the most. Second, however, within every income group, the highest ability students always receive more than those from lower ability groups. Third, the most able, poorest students do indeed get the most bursary aid; they receive £1,692 per year – significantly more than the £417 per year received by the richest, least able students, who get the least.

This situation comes about, of course, because more able students, by virtue of their strong A-level qualifications, are more likely to attend Russell Group institutions. And Russell Group institutions can afford to give out bigger bursaries, since they have smaller proportions of poor students to support financially.

This evidence suggests the English bursary aid system is working efficiently – to the extent that we believe that low income, high ability students benefit the most from higher education.

However, this analysis cannot confirm that these high ability low income students stand to gain the most from their degrees, and therefore are the group that we should target our resources towards. To fully understand this we would need to observe their labour market outcomes. Whist I cannot track my sample of students into the labour market, I am at least able to observe their outcomes whilst in university – in terms of their dropout rates and degree performance. In tables 4 – 5 I therefore present dropout rates and degree performance (in terms of the proportion of students gaining a first or upper second) again according to household income and ability.

These tables highlight two main points:

a) prior attainment is a key driver of success at university. Among almost every household income group, those with the strongest A level scores are least likely to drop out and most likely to attain good degrees. This could be because such students are academically better prepared for university, or simply because their ability levels are higher.

---

24 It is noteworthy that only 16% of the poorest students in my sample gain the best A-levels, versus 46% gaining the worst A-levels.
b) disadvantage nevertheless plays an important role in success at university. Even after controlling for their prior attainment, poor students are always more likely to drop out and less likely to gain a good degree than richer students. Since students from low income backgrounds are less likely to be able to access financial support from other sources (other than maintenance grants and loans to which they are entitled) such as parents, this could be evidence of liquidity constraints.

What conclusions should be drawn from this evidence? Firstly, it seems evident that the bright poor are among the most promising students. Of course, we cannot untangle this from the effect that bursary aid might be having on their outcomes. Bursaries are the highest for this group of students, so it could be the case that part of their success is due to their increased financial aid. On the other hand, it could be suggestive that bursary money is wasted on these students, and that they would have succeeded even in its absence. Nevertheless, the other take-out message from this table is that economic disadvantage is a factor in degree outcomes. Even among those with the best A-levels, those from poorer backgrounds do worse. This strongly supports the role of bursaries as a tool to assist the poorest students.

A final issue is evident from this table. The group of students likely to perform most badly at university are disadvantaged students with weak prior attainment. One could argue that such students should not be admitted to university, and that bursaries are simply acting as subsidies for these marginal students. An alternative suggestion is that financial aid is insufficient as a tool to help these students. Instead, a more effective means of support would be to couple bursaries with academic support, such as remedial classes, for these most vulnerable students.

5. Conclusions and discussion

With the abolition of maintenance grants in 2016, higher education bursaries will become the major form of non-repayable student aid in England. Thus, it is important to increase our understanding of this form of aid. This paper studies the bursary system using data collected from a set of universities between 2006-2011, exploring how universities use bursaries, and which students gain the most from the current system.
I find that the decentralised nature of the bursaries system creates income inequalities in bursary receipt. Bursaries are a means-tested benefit, directed at poor students. But poor students are not equally spread out across institutions. Instead, they congregate at particular types of institution, usually less elite non-Russell Group institutions. The result is that students at non-Russell Group institutions receive less, on average, than their counterparts at more elite universities. By the same token it is possible that students from relatively well-off backgrounds can get more bursary money than those from poorer backgrounds simply because of the institution they attend. This conclusion suggests that the abolition of maintenance grants in 2016 – the country’s only national source of non-repayable aid – will result in inequalities in non-repayable aid receipt.

Nevertheless, I also find the English system to be operating efficiently in that the bright poor receive, on average, the highest amounts from the system. This does not mean that it works well for every student, though. Those bright students who end up at less elite institutions will receive lower bursaries on average.

My analysis also shows that the students most likely to drop out or perform poorly in their degrees are those from disadvantaged backgrounds, with weak A-levels. This suggests that a more powerful means of support would therefore target such students with financial aid through bursaries, and more practical academic support throughout their time at university.
6. References


Chowdry et al (2012) ‘Fees and student support under the new higher education funding regime: what are different universities doing?’ IFS Briefing Note BN134, Institute for Fiscal Studies, London


7. Tables

Table 1: Characteristics of participating universities

<table>
<thead>
<tr>
<th></th>
<th>All universities</th>
<th>Russell Group</th>
<th>Non-Russell Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of universities</td>
<td>22</td>
<td>8</td>
<td>14</td>
</tr>
<tr>
<td>UCAS tariff points (best 3 qualifications)</td>
<td>289.85 (85.91)</td>
<td>315.49 (71.05)</td>
<td>242.09 (90.68)</td>
</tr>
<tr>
<td>Proportion in bottom quintile of household income</td>
<td>0.24 (0.42)</td>
<td>0.31 (0.46)</td>
<td>0.1 (0.29)</td>
</tr>
<tr>
<td>Proportion of students awarded any bursary</td>
<td>0.41 (0.49)</td>
<td>0.28 (0.45)</td>
<td>0.57 (0.5)</td>
</tr>
<tr>
<td>Average bursary awarded per year (£)</td>
<td>368.73 (599.43)</td>
<td>350.76 (689.62)</td>
<td>390.81</td>
</tr>
<tr>
<td>Average bursary awarded per holder per year (£)</td>
<td>894.56 (633.504)</td>
<td>1250.34 (633.504)</td>
<td>680.21 (633.504)</td>
</tr>
</tbody>
</table>

Notes: all data based on individuals in the sample
Standard errors in parenthesis
Table 2: Characteristics of students

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>all students (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awarded a bursary</td>
<td>0.41 (0.492)</td>
</tr>
<tr>
<td>Average bursary awarded</td>
<td>368.73 (599.427)</td>
</tr>
<tr>
<td>Average bursary awarded (of bursary holders)</td>
<td>894.56 (633.504)</td>
</tr>
<tr>
<td>Male</td>
<td>0.45 (0.497)</td>
</tr>
<tr>
<td>Age 18-21</td>
<td>0.89 (0.307)</td>
</tr>
<tr>
<td>White</td>
<td>0.82 (0.383)</td>
</tr>
<tr>
<td>Household income (£)</td>
<td>20776.93 (14000)</td>
</tr>
<tr>
<td>UCAS tariff points (best 3 qualifications)</td>
<td>289.85 (85.913)</td>
</tr>
<tr>
<td>Attending a Russell Group university</td>
<td>0.55 (0.498)</td>
</tr>
<tr>
<td>Drop out of degree</td>
<td>0.11 (0.316)</td>
</tr>
<tr>
<td>Awarded a first or 2.1 (if dropout==0)</td>
<td>0.68 (0.467)</td>
</tr>
<tr>
<td>N</td>
<td>153,538</td>
</tr>
</tbody>
</table>

Notes: all data based on individuals in the sample
Standard errors in parenthesis *p < 0.1. **p < 0.05. ***p < 0.01
Table 3: Bursary awarded, by prior attainment and parental income

<table>
<thead>
<tr>
<th></th>
<th>best A-levels</th>
<th>Q3</th>
<th>Q2</th>
<th>worst A-levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>richest</td>
<td>£638.85</td>
<td>£446.84</td>
<td>£498.62</td>
<td>£417.74</td>
</tr>
<tr>
<td>Q3</td>
<td>£958.04</td>
<td>£906.85</td>
<td>£821.84</td>
<td>£667.29</td>
</tr>
<tr>
<td>Q2</td>
<td>£1508.6</td>
<td>£1368.15</td>
<td>£1302.19</td>
<td>£1123.33</td>
</tr>
<tr>
<td>poorest</td>
<td>£1692.12</td>
<td>£1514.92</td>
<td>£1295.52</td>
<td>£1107.41</td>
</tr>
</tbody>
</table>

Notes: Prior attainment measure includes A-levels and equivalent qualifications

Table 4: Dropout by prior attainment and parental income

<table>
<thead>
<tr>
<th></th>
<th>best A-levels</th>
<th>Q3</th>
<th>Q2</th>
<th>worst A-levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>richest</td>
<td>0.05</td>
<td>0.05</td>
<td>0.07</td>
<td>0.12</td>
</tr>
<tr>
<td>Q3</td>
<td>0.04</td>
<td>0.05</td>
<td>0.07</td>
<td>0.11</td>
</tr>
<tr>
<td>Q2</td>
<td>0.04</td>
<td>0.05</td>
<td>0.06</td>
<td>0.09</td>
</tr>
<tr>
<td>poorest</td>
<td>0.07</td>
<td>0.08</td>
<td>0.11</td>
<td>0.14</td>
</tr>
</tbody>
</table>

Notes: Prior attainment measure includes A-levels and equivalent qualifications

Table 5: Degree performance by prior attainment and parental income

<table>
<thead>
<tr>
<th></th>
<th>best A-levels</th>
<th>Q3</th>
<th>Q2</th>
<th>worst A-levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>richest</td>
<td>0.82</td>
<td>0.80</td>
<td>0.71</td>
<td>0.47</td>
</tr>
<tr>
<td>Q3</td>
<td>0.81</td>
<td>0.79</td>
<td>0.69</td>
<td>0.41</td>
</tr>
<tr>
<td>Q2</td>
<td>0.82</td>
<td>0.80</td>
<td>0.69</td>
<td>0.48</td>
</tr>
<tr>
<td>poorest</td>
<td>0.70</td>
<td>0.72</td>
<td>0.62</td>
<td>0.42</td>
</tr>
</tbody>
</table>

Notes: Prior attainment measure includes A-levels and equivalent qualifications
Degree performance measured as proportion of students gaining a first class or upper second degree, of those completing their degrees
8. Figures

Figure 1: Proportion receiving a bursary and bursary spend per holder

Notes: 2 universities are excluded from this chart since they only provided data on bursary holders
Figure 2: Variation in bursary by household income bracket / institution