

Response to today's NUS and Research Fortnight Press Releases

17 November 2010

We note the press release published by the NUS today citing the publication "Research Fortnight" and would like to clarify that we have not been deliberately misled by the Government.

The analysis published by the IFS last Thursday (<http://www.ifs.org.uk/publications/5354>) attempted to provide the first comprehensive quantitative assessment of the Government's proposals announced on 3 November. After this was published, we learned that our modelling was based on an incorrect understanding of the Government's proposals. In particular our analysis assumed that:

- the value of the £21,000 and £41,000 earnings thresholds were in 2012 prices; we have since learned that these thresholds are in 2016 prices (which was apparently also the case with the Browne Review).
- both thresholds would be increased annually in line with earnings. In fact, these thresholds will only be increased every five years (and be fixed in cash terms in between). The Browne Review and the Government's proposals did not specifically mention annual indexation.
- loans accrue interest at 2.2% above inflation while the student is at university; we have now learned that the correct interest rate to apply to loans during university is 3% above inflation, which is a change from the Browne Review.

As with all quantitative policy analysis, the findings are contingent upon the initial assumptions and forecasts that underpin it; when the latter are updated, so should be the former. We will therefore shortly release an updated version of the same analysis, based on these new assumptions.

An earlier piece "Higher education reforms: progressive but too complicated", which provides a qualitative assessment of the reforms (<http://www.ifs.org.uk/publications/5342>), is unaffected by the different assumptions and therefore will not be revised.