



# Student Financial Support

A wicked problem



national union of students



# Student Financial Support: a Wicked Problem

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## Grappling with the issues

Before we go into the report proper, we want to invite readers to consider student financial support through a particular conceptual lens. This is because we think it may be helpful when digesting the material we have produced to have a 'toolkit' for working with it, not least because there is so much of it to work with. Since we began work on the *Pound in Your Pocket* programme eighteen months ago, it has become clear to us that researching in this area involves trying to understand a wide range of deep and complex issues that are all inter-connected. Whenever we have made an attempt to go into the detail of public and institutional policies and their impact on people, we have very quickly had to say 'there is just too much to grapple with here', often narrowing the scope or utilising a straw model to allow us to make progress. How can it be that after commissioning a literature review that ran to some sixty pages and carrying out a survey that gathered more than a million units of data, we are still not totally confident that our view of the landscape is completely comprehensive? We think it is because student financial support represents the perfect 'wicked problem'.

First theorised within the field of urban studies by Rittel and Webber (1973), the 'wicked problem' is a social or public problem that meets some particular characteristics in relation to complexity and the difficulty in formulating solutions. The model has been applied to education issues before (see, for instance, Watson 2000, Bore & Wright 2009, Trowler 2012). But we cannot find an example of its application specifically to student maintenance support in further and higher education. This is perhaps all the more surprising because it so closely meets the key criteria for recognition of a wicked problem (as outlined by Rittel and Webber). For example:

*There are no fixed criteria for judging when the 'problem' is fixed. Should we consider that the system is doing what it should when every student has all they need to sustain themselves (at all levels, and in all modes)? If so, how should this be financed? The cost of doing this on a non-repayable basis would easily run into many tens of billions, implausible even in a sound economic climate. What then should be considered an 'adequate' solution and why? It is a judgement call.*

*All judgements as to success or failure are at least partially subjective. When judgements are made, they are made in the context of an enormous range of possible priorities. Different interests are in play and they demand that different groups of students are helped. Policy makers may succeed or fail in different peoples' eyes by choosing particular policy option. Increasing the amounts that students can borrow from the government for living costs could be part of the solution to students working excessive hours, but the consequence is increased student debt. Is this success or failure?*

*Every policy change impacts both widely and deeply on people (no room for trial and error, because all actions have significant consequences). Experimental policy implementation is used widely in many policy contexts, though pilot schemes and trial schemes. But here we are dealing with a policy ecosystem in which large numbers of people have to be accorded fair treatment under an established set of rules and practices (however extensive). This scale and its limits on pilots and trials means that changes to policy and practice – for instance on entitlements, means testing, interaction with welfare benefits, payment structure, and so on, must usually be implemented for a whole cohort. The consequences of making mistakes may be serious and widespread.*

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*It is essentially unique.* No other policy issue presents similar challenges, focused around the need to sustain the expenses of a very large number of people from across the social spectrum, often for years, in a highly heterogeneous structure, where most have few alternative sources of support. Heterogeneity is critical – it is necessary to fund students doing many different subjects in different durations, modes and at different ages. International comparisons may be inappropriate for the same reason – no other territory will have a similar enough mix of student and subject profiles to take meaningful lessons.

*It appears as a symptom of wider problems.* Student financial support is an essential dimension of several much wider, more complex and arguably ‘wicked’ problems – the transition to and continuing development of a mass system of higher education, the endless structural and funding regime changes around provision of further education, and tension in the (increasingly important) relationship between the two sectors. For forty years we have discussed ‘problems in the transition from elite to mass higher education’ (following Trow 1973). Perhaps the focus now turns to ‘problems in the transition from mass to universal higher education’, and the way that as this occurs higher education activity increasingly ‘flows into’ further education and vice-versa. Because of this, we view student financial support in 2012 as an essentially ‘tertiary’ problem, requiring ‘tertiary’ solutions.

## Means and needs

The examples we have given so far all involve looking at the big picture. We want to illustrate the impact at the personal scale by looking at how one particular aspect of student financial support policy, and iterative reforms made to it over the years, has followed other social and political trends, has proven extremely tricky to ‘fix’, and has no wholly objective measure of success. The archetypal example of the ‘wicked problem’ at work can be most easily seen by considering our treatment of means and needs.

Despite the name, when the mandatory grants system were first introduced in 1962, there was a system of

means-testing – even if it wasn’t until 1963 that applicants were asked to provide evidence of the income stated. Most support since that time has been subject to some form of the same, with a few exceptions such as nursing and midwifery students undertaking diploma-level study, and Care to Learn grants for childcare in further education.

More recently, the move in further education away from support with defined entitlements to discretionary support means it is left largely to the education provider to determine how funds should be apportioned. There is far greater demand than supply, and although different approaches are taken, many providers have put in place an income cap or other mechanisms that act as proxies for more defined means testing. In higher education, the allocation of fee waivers and bursaries is often related to a means test at some level, but the exact terms are widely variable across the sector and different amounts may be allocated to students with similar socio-economic backgrounds, spread differently across the period of study and awarded in different forms. As our literature review has shown, the impact of this is quite poorly understood – we have a poor overview of where help is being directed and it is therefore very hard to make even subjective judgments about performance.

As society has changed, so have the rules around means testing student support. Most obviously, less traditional family configurations have been recognised as forming the ‘household’ to be assessed. The definition of income and what is and is not included has evolved. The means-testing thresholds have also changed over time to adjust to budgetary pressures, or a political impetus to offer certain groups greater support. The result of all of these changes has been to make for a far more complex set of rules around means testing, and a system far more opaque than would be desirable. There are a number of areas, which either cause concern, or which can be amended if it were thought this could improve the performance or the fairness of the system. We will discuss some of these areas below.

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## Parents, partners and the household

One of the more unusual features of student support is the definition of the 'household' for the purposes of the means test, and most particularly the inclusion of parents for most students under the age of 25 at the start of the academic year.

In higher education the definition of a household has shifted over the years: at first this was defined as the student and where appropriate either that of their natural or adoptive parents, or of their spouse; a married student was and is deemed independent of their parents regardless of age. The definition was expanded to incorporate cohabiting partners of the opposite sex for students over 25 in 2000, then civil partners and same-sex co-habiting partners in 2005. These changes were largely uncontroversial except insofar as the recognition of same-sex relationships has been in general (one letter of complaint received by NUS before 2005 protested that same-sex couples were being given preferential treatment by virtue of not being recognised in the means test).

More contentious was a change in the definition relating to parental support. When parents separate or divorce, only the natural or adoptive parent that the student lives with has their income included in the household assessment. If the student lives with neither, then whichever is regarded as most 'appropriate' by Student Finance England is assessed. In 2004, the new, cohabiting partners of natural parents were added to the definition of the household, and their income taken into account. This has caused some issues with students whose relationship with their step-parent is strained, or non-existent, or where that the step-parent does not feel a sense of financial responsibility for the student concerned and refuses to give financial information that allows for means-tested support to be calculated, or assists the student if their income reduces the amount the student can receive.

In addition, the fact that only one natural parent is assessed if parents separate or divorce can cause situations that can be regarded as unfair. Most students

will have heard (possibly apocryphal) tales of students who get full student support because the assessed parent has little income, yet is simultaneously funded generously by the other parent who is well off, the perception being that they are somehow 'gaming' the system. The irony here is that this 'unfairness' also arose in the days before stepparents were included in the calculation, when only one natural parent was included in the means test and some would receive generous support from their stepparents as well as or instead of their other natural parent. Here we have a powerful example of subjectivity: what is 'fair' depends very much on your perspective.

Perhaps as controversial is the very fact parents of any sort are included in the means test. Many learners in receipt of EMA before its abolition felt that eligibility based on parental income was unfair at age 16; many of those in higher education feel no less aggrieved. For most purposes, a citizen is regarded as an autonomous adult by age 18, but the student support means test regards you as dependent until age 25. For NHS bursary recipients there is no upper age limit at all, and all students must prove their independence.

Even within these terms, there are difficulties. There was once a concept of an assumed family 'contribution' to student support, but this has now largely disappeared from the means test, there has never been a legal compulsion for parents to provide support to those who do not receive the maximum levels. Whilst those who are estranged from their parents can be assessed as independent, those whose relationship is maintained but poor must rely on discretionary support or other sources of income to make up any difference. The previous split in total expected contribution between two or more students in the same family has also been removed for the purposes of maintenance grants and loans for living costs, so that such families end up with much lower support than was previously the case. This move has not been made on the basis of any overt policy rationale but most probably to keep within budget limits.

The concept of a parental means-test has endured for fifty years and in the absence of far greater investment

in student support it remains the only feasibly way of apportioning income. Meanwhile, the definition of a household and the categories of person included when making calculations has grown in the last 12 years, in part reflecting recognising a greater diversity in the definition of 'family' than would have been the case in the 1960s. To change this definition again to solve one perceived or actual unfairness would likely be to cause another. However, there may be some ways of better accounting for large families that can reduce one unfairness in the system in a way that is affordable and does not result in too many unintended consequences.

### Expenditure and 'needs' testing

To speak of 'means testing' in student support is in fact to use a misnomer for the process. In most respects what may be considered a means test is in fact only an income assessment, with very little family expenditure taken into account when determining the entitlement of a student or learner. There are a few minor exceptions to this: standard assessments for the Access to Learning Fund, for example, take into account both income and expenditure, and entitlement to grants for dependents for HE undergraduates will take expenditure into account. Elsewhere certain income disregards can apply, such as pensions contributions, or an allowance for other dependent children – but in broad terms, household expenditure does not ordinarily affect the level of support a student receives.

At one stage only income net of income tax was included in the undergraduate assessment, and there was a long list of items of disregarded income and expenditure which could be offset, ranging from the mundane (child benefit income) to the more unusual ('any bounty received as a reservist with the armed forces') to items which reflect a different sort of society (the cost of 'domestic assistance' for a divorced or widowed parent). Notably, however, housing costs and other standard items of family expenditure were absent. The 'disregards' and 'offsets' available were largely scrapped in the 2004–05 academic year and gross taxable income replaced net income as the figure used to calculate support. This had the effect of simplifying the definition of income for applications and later

allowed a relatively straightforward transfer of income data from HM Revenue and Customs to replace the requirement for paper evidence on the majority of application forms.

Nevertheless, there have been criticisms that this is too simplistic and a high income figure does not necessarily translate to capacity within the family budget to support a student to a given level, especially once mortgage, rent and other housing costs are taken into account. As such it is argued that to make the system more equitable it should allow for certain costs to be accounted for. Clearly, certain disregards and offsets can form part of any such system. The question would be which disregards, and to what level. Housing costs are possibly those most commonly mentioned and indeed likely do form a large part of family expenditure.

But the wide variation in housing costs between different groups makes this extremely difficult to account for in a way that does not create significant distortion. Those from better-off families likely live in larger, more expensive housing and a straightforward disregard would benefit such families more. Those in the south of England generally live in more expensive property than those in the north and a further effect would be to transfer funding to that part of the country. The same discussion could be rehearsed in relation to other costs that might be accounted for – utilities, transport and so on. Different situations mean higher or lower costs and a disregard means shifting money from one group to another.

Whatever the potential disregard considered, the debate ultimately centres on choice. Within limits, households make a range of different choices about their expenditure. The size and cost of a property is one such example, as would be the type and cost of various forms of transport. In some instances, the choice may be fairly restricted for a variety of factors and higher expenditure than would otherwise be necessary may be unavoidable.

The question, then, is whether – and if so, in what form – a mean-test can take these choices into account without adding significantly to the system's complexity

and paperwork, diverting funds to those who do not in fact need them, or opening up opportunities for creative accountancy. As with other potential changes, where the intention is to reduce unfairness in one sense, it may create unfairness in another.

# Conclusion

We have introduced the concept of ‘wicked problems’ and explained why we see student financial support through that lens. We have attempted to illustrate, using an in-depth account of the issues involved in means testing, how the problems of this policy area are indeed marked by a gigantic complexity and are deeply embedded and integrated with changing social norms and other areas of public policy. In no way want to suggest a move away from means testing; it remains an imperative when we are operating in an environment with limited resources and – more importantly – significant underlying inequality that justifies unequal levels of support. However, there is surely a case for a root-and-branch review of how means testing operates, what it influences, and how it is related to alternative measures of different peoples’ needs. The same case, we believe, can be made for many other aspects of student financial support that we have considered during our work on *Pound in Your Pocket*.

In due course, NUS will make its own proposals for reform. But we are conscious that the risks involved in proposing solutions to a wicked problem are high. We keep foremost in our mind one of the reasons we defined student financial support as a wicked problem in the first place: every policy change impacts both widely and deeply on people – *there is no room for trial and error, because all actions have significant consequences*. Responsible policy-making first requires having an appreciation for this hazard and second obliges us to tread carefully in negotiating it. There are real people involved here who have a lot at stake, and to paraphrase a notable British politician, we must be wary of playing politics with people’s lives and people’s services.

Ultimately, the aim of a successful student financial support regime must be to ensure that when a student embarks on a programme of study in a particular subject, in a particular mode, they can access the resources they need to stay the course and succeed.

This support may come from a reasonable balance of government sources (repayable loans, non-repayable grants, or welfare benefits), institutional sources, paid work, and family help. Our research shows in depth how the balance is not working for a large number of students, and is now in need of major reform. The challenge we must try to meet is how to get the balance right for as many people as we can, while avoiding the many traps and pitfalls associated with attempting to solve a long-term ‘wicked problem’.

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