Acknowledgements and notes on the literature

1. This assessment has been undertaken by Professor David Robertson with the support of Josh Hillman, Research Fellow at the Institute for Public Policy Research. They were assisted in discussions with the financial services sector by Brian Stevens, Director of Finance & Education Services Ltd; supported by individual consultations; and informed by a Technical Working Group of the National Committee of Inquiry into Higher Education. Details are included as Appendix A.

2. For colleagues interested in learning about the background to the ideas assessed in this report, the following sections provide a brief guide to some relevant literature.

3. The discussion of ILAs takes place against a background of well-informed analysis of the importance of an equitable loan facility for higher education. This part of the debate was initially taken forward in the UK by Glennerster (1968; 1991) and latterly has been led by Barnes & Barr (1988), Barr (1989; 1993), Barr & Falkingham (1993), Barr et al (1994) and Barr & Crawford (1996). The principal objective has been to persuade policy makers of the case for a student contribution to the costs of higher education based on an equitable, income contingent loan scheme. A comparison of this model with alternatives has been presented by London Economics (1993) and NUS (1995). In Australia, this case has been carried forward by Chapman (1996), while Chapman & Smith (1994) provides an initial review of the Australian HECS model, and Creedy (1995) gives a general theoretical background.

4. Many of these proposals have been debated over the years in the USA (Clotfelder & Rothschild, 1993; Gladieux & Hauptmann, 1995; Hauptmann, 1990; Quigley & Rubinfeld, 1993). No consensus has yet emerged from these debates on the most suitable option for funding students in higher education, although popular opinion may at last be turning towards an income contingent loan solution (Aizenman, 1997).
5. Although a ‘loan bank’ for higher education was first proposed in the USA during the 1950s, and a ‘training bank’ was first mooted within the Employment Department during the 1980s, the concept of Individual Learning Accounts within the context of a Learning Bank first emerged formally as a proposal in the report of the Commission on Social Justice (1994). This report was heavily influenced on matters of higher education funding in the context of lifelong learning by Miliband (1990), Finegold (1992), Finegold et al (1992) and Robertson (1994).

6. Subsequent discussion of the ILA and Learning Bank concept can be found in Robertson (1995a) which was the first attempt to build on the work of the Commission of Social Justice. Robertson (1996c) provides a full background to the present discussion; while the concept of the Learning Bank as a mutual association was initially set out in Robertson (1996b). Common ground between incomecontingent loans and individual learning accounts is explored in Robertson (1996a; 1997a).

7. Proposals for a system of ILAs within a Learning Bank have subsequently emerged in policy papers from political parties in the UK, notably from the Labour Party (1996a; 1996b) and the Liberal Party (1996). The idea has now been taken up in Australia as an item for policy discussion by the opposition Labor Party (Baldwin, 1997). However enthusiasm has been tempered by less favourable comment on the utility of such instruments, at least for the youth and lifelong training markets (Coopers & Lybrand, 1995; DfEE, 1995; 1996a).

8. Moreover, some scepticism has been expressed by Corney & Robinson (1995) on the appropriateness of emergent proposals from the Labour Party for a compulsory system of ILAs - since modified by the Labour Party to embrace a voluntary scheme. And the consultancy, Full Employment UK (1994; 1995) has raised important criticisms of the likely take-up and impact of employment-based ILAs. Latterly, Smith & Spurling (1997) have attempted to invigorate the concept of employment-based ILAs by tying their development and success to the introduction of ‘smart card’ technology.

9. Finally, the case for the introduction of an income contingent loan scheme linked
to a system of ILAs is supported by diverse data on the state of student finances (Callender & Kempson, 1996), on the private returns to graduation (Dolton & Makepeace, 1990; Dolton & Vignoles, 1996; IFS, 1997), and on the social returns to higher education (DfEE, 1996b).