Chapter 2

Individual Learning Accounts – an assessment of their potential and limitations

2.1 A system of ILAs offers a number of advantages which appear to commend it as an option for the reshaping of higher education and lifelong learning in the UK. A national system of ILAs could:

- allow higher education to take its place in a unified framework of lifelong learning, connecting post-school education and training with learning throughout a lifetime;
- become a personal focus for individual commitment to sustained learning careers, improving aspiration and motivation, and establishing education and training as a key element in individual prosperity into the 21st century;
- establish a substantial and durable investment partnership between individuals, employers and the state in the use of public and private resources for lifelong learning;
- sharpen the awareness of individuals in the quality and character of learning opportunities, building their confidence in pursuing learning needs, and encouraging responsiveness from providers of learning;
- produce a ‘step increase’ in learning gain which might substantially offset the costs of introducing a system;
- provide an ideal presentational vehicle and a suitably flexible instrument for the achievement of multiple policy objectives over time.

The scope of an ILA - what is the 'account'?

2.2 An Individual Learning Account has four inter-related functions. It serves as:

- an accumulation fund: providing opportunities for investment by allowing individuals, their families, the state and/or employers to deposit cash sums into the ILA with a view to accumulating funds for the purchase of lifelong learning and to
meet the repayment of outstanding loans and overdrafts;

- **a distribution fund**: providing a facility for individual discretionary control of funds by permitting individual access to, and control over, the distribution of funds within the account, circumscribed by the purchase limitations and other rules governing the account;

- **a loan/overdraft facility**: allowing individuals access to loans from public or private sources with which to meet the costs of tuition fees and/or personal maintenance when purchasing a course or learning opportunities;

- **a repayment mechanism**: providing for secure and equitable repayments of loans, debts, overdrafts and so forth.

2.3 Each of these elements, taken separately, could probably be met by existing arrangements. Taken together, they promise a unique solution. It is the view of this assessment that a principal strength of a system of ILAs lies, not just in the prospects it offers for new sources of investment, but in the totality of the package. Savings, loans and resource distribution are brought together in an instrument which encourages individuals to manage rights and responsibilities in lifelong learning. A new partnership can be constructed in which the state, individuals and employers place their resources at the disposal of individual learners in order to encourage individuals to value as never before a personal engagement with a learning career.

**The ILA as a savings and investment fund**

2.4 Private financial markets already provide numerous savings instruments whereby individuals with the means to do so may save to meet future spending plans - for example, to meet school fee payments. This assessment has explored whether it would be appropriate to conceive of a fiscally protected savings instrument as a means to stimulating individual investment in higher education and more widely.

*Incentivising individual contributions*

2.5 To this end, a key test of an ILA is the extent to which it can assist the incentivisation of individual investment. For a start, if individuals anticipate debt, they are much more likely to save - where they have the means to do so, and/or
where the inclination to invest has been stimulated (cf private housing). It may take years for individuals and families fully to adjust to the debts to be incurred by attendance in higher education, but it is reasonable to anticipate that individuals and their families will continue to place a high value on obtaining advanced credentials. Similar arguments apply to investment in lifelong learning. The inclination to save prior to participation is likely to grow as exposure to future debt repayment increases, at least amongst those who have the means to save. To that end, opening an ILA in early years, tied perhaps to a financial services saving ‘wrapper’ (e.g., a savings plan, TESSA, PEP or bond) could be one way of addressing the problem.

2.6 A system of ILAs might also be the means by which inter-generational investments could be made available to individuals. In these circumstances, death duty or inheritance taxes might need to be adjusted to encourage deposits of this kind. Furthermore, investments of this kind could perhaps be protected from an element of taxation, such as obtains within the rules of charitable donations.

**Problems with fiscal incentives for saving**

2.7 The use of the ILA as an investment fund has been described above in terms of individual deposits levered into the account via fiscal incentives. This analysis is based on the assumption that individuals and their families will not invest in the account in preference to any other investment vehicle unless there are financially attractive reasons for doing so. To invest in an ILA, or any other savings plan ‘ring-fenced’ for a specific purpose, is to commit private cash against an uncertain purchasing future. For this to be financially sensible, the investment has to generate a competitive return over time. Otherwise, the private cash would be better placed in a less restricted investment vehicle where it can be accessed for multiple purposes in the future.

2.8 Problems of this nature point to some arguments against fiscal incentivisation for the purpose of securing investment in higher education specifically. When public spending priorities are uppermost in the mind of Government, fiscal incentives become a subject for scrutiny and review. Some arguments against them are:
• fiscal incentives extend protection from taxation to those social groups already able to take advantage of existing tax shelters: they would be another middle-class ‘perk’;
• incentives would incur significant Treasury costs and would add considerably to the taxation deadweight of higher education and lifelong learning;
• savings plans dedicated specifically to higher education, for example, would need to offer incentives above those available from alternative investment vehicles in order to compensate for the constraints on access to the funds;
• fiscal incentives still might not be sufficient to produce the necessary cultural and behavioural changes anyway.

2.9 Moreover, when savings plans offer tax breaks which can be enjoyed only if the funds from the plan are put to the intended purpose, the individual’s investment decisions will be determined by the probability that the intended outcome will be realised. In this respect the forward ‘purchase’ of higher education is unlike, say, private housing or pensions. Whereas individuals know they will need a pension, and can always choose to buy a house, eligibility for entry to higher education cannot by its nature be guaranteed that far in advance. For some individuals therefore, savings will have been committed over a potentially long period, under conditions of tax protection, to a higher education investment plan the benefits from which can be realised only on the successful entry of the account nominee to higher education. This seems to impose a risk on this kind of savings vehicle which would need to be costed into the incentives package if such a scheme were to be viable.

A way forward?

2.10 One way forward might be to define the ILA as a vehicle to which individuals can couple a variety of existing, more flexible savings plans (PEPs, TESSAs etc). Under these conditions, individuals who possess the means to save for higher education and lifelong learning would retain flexibility over access to the private funds of the account without placing at risk the tax protection they have earned. Under these arrangements, there would be little need for the Exchequer to provide additional fiscal incentives to save via an ILA, since instruments already exist which individuals can tie to an ILA if they choose.
**Saving and investment by the less well-off**

2.11 Defining an ILA as a means by which individuals can accumulate funds leaves open the question of how individuals and their families without marginal disposable cash can be encouraged to use an ILA for private investments from whatever source.

2.12 There is no simple answer. One possibility would be to use fiscal incentives and other subsidies to target low income individuals and families in order to encourage the habit of 'saving for learning' kick-starting the use of ILAs in sections of the community where a commitment to invest in future learning has yet to be established. This would incur Treasury costs as indicated above, but at least public money would not be used to substitute for private funds in the same way. Indeed, taxation incentives might be an efficient use of public expenditure if they succeeded in drawing in private funds over time from sources which would otherwise not have contributed.

2.13 Perhaps too much should not be expected of ILAs as a savings vehicle. It would not be reasonable to expect an ILA, however useful it may prove to be on a number of fronts in the longer term, to redress the paucity of individual investment hitherto. For low income individuals and families, expecting long term investment to substitute for immediate expenditure requirements may be unrealistic.

2.14 Moreover, participation in higher education needs to be decoupled as far as possible from ‘front-end’ costs. Family and parental means should not define the ability to participate in higher education or lifelong learning generally. To that end, solutions probably need to be sought in adequate access to finance for low income groups through the establishment of equitable loan facilities.

2.15 Alternatively, for some low income groups, employment-based investment into ILAs might be another possible way forward. Working individuals might be able to set aside part of their wage and/or bonus settlements as contributions to an ILA, matched possibly by contributions from employers. Indeed, wages/bonuses foregone in favour of a contribution to an ILA might be a basis upon which the state could fiscally incentivise both individuals and employers to make contributions without significant additional cost to the Exchequer. That is to say, the taxation which would be foregone in such an arrangement would nevertheless be directed to the supply of additional learning opportunities.
Incentivising employer contributions

2.16 Providing incentives for employer contributions to ILAs is not a straightforward matter either. Employers are generally reluctant to invest in general employee education and training, preferring instead to prepare employees in specific training skills. Employers generally fear that non-investing competitors will 'free-ride' on their investment and subsequently poach their trained employees.

2.17 Second, employers are wary of committing to arrangements which may impose additional bureaucratic burdens on them. As the CBI has pointed out, if a system of ILAs were to have a chance of success with employers, they would need to be protected from new administrative costs. This would apply particularly to small and medium-sized employers.

2.18 Third, employers are often reluctant to substitute their own financial resources for those of the individual or state. There are exceptions to this of course: some firms do invest extensively in employee training, supporting students on part-time degree courses and postgraduate programmes in higher education, while sponsoring individual and block release for vocational qualifications. However, these examples are not sufficient to constitute a comprehensive commitment amongst employers to education and training.

Case Study 1: individual investment

Felicity comes from a well-provided family. Both parents are graduates and working professionals; they expect their daughter to go to university one day; and they are fully informed of the likely debt burden she will incur. To ensure she does not begin working life in debt, they invest now in fiscally privileged financial instruments to establish a fund from which their daughter and her siblings may draw when the time comes. In due course Felicity goes to university.

Oliver also comes from a comfortable background. His parents have taken the same course of action as Felicity's. However, as the years pass, Oliver's father is made redundant and the parental marriage ends. The dissolution of the marriage yields a settlement in which continued investment in Oliver's future education is no longer possible. However, Oliver has diligent grandparents and a doting great...
no longer possible. However, Oliver has diligent grandparents and a doting great aunt. They are concerned for his future and are prepared to make bequests to secure it.

**Andrew** comes from a family of average means. He does not expect to go to University - no one in his family ever has - but increasingly he finds his school friends discussing their plans. He is disturbed by talk of loans and debt but puts them to one side. Andrew's father tell him to forget about fancy ideas of university, and anyway it is too expensive. His mother however decides to seek advice. She discovers that if you open an ILA with the Learning Bank, whether you have the funds or not, the Government will put resources into the ILA when Andrew gains a place at university, or when he takes up another 'approved' learning opportunity. She asks if Andrew has to go to university when he is 18 to qualify and is told that this is not at all necessary - many students enter university as adults these days. Perhaps, she reasons, Andrew can get a job for a year or two, and then go to college or university.

**Darren** comes from a poor family background with no experience or expectation of qualifications. However Darren is bright and able, does well enough at school and enters college to follow a vocational course. Later he leaves with an NVQ2 and takes a job. After a few years and having started a family, Darren is made redundant. At the local careers office, he hears of something called an 'ILA' and a 'passport to success'. He inquires and finds that, if he deposits a part of his redundancy fund in an ILA, the Government will match it '£-for-£' to purchase further education and training. He decides to take up the offer and enters the local community college to follow a course for which his NVQ2 counts as credit. Achieving an 'associate degree' in Applied Technical Subjects, he returns to the labour market and finds a job - but his aspirations have now changed. Armed with an NVQ2 and an 'associate degree', and watching his young daughter grow beyond infancy, he decides to press on and one day enter university to gain a full honours degree. He discovers that the Government will give him a 'free' grant as part of his ILA because of his limited means. Meanwhile, his wife has started on a part-time day course at the local college, and has opened two ILAs: one for herself, and one for her daughter just in case.
herself, and one for her daughter just in case.

For both Felicity and Oliver, the future looks bright. Inherited family resources of one kind or another will protect them from debt burdens incurred by participation in higher education. Public subsidies do not need to be used to encourage participation in higher education and lifelong learning, but they may be used to stimulate prior investment as a means of encouraging early debt repayments. In Andrew’s case, it will be crucial to prevent the ILA from looking merely like a debt repayment vehicle. In presentational terms, it will be important to ensure that the ILA is perceived to hold funds (or the promise of funds), albeit supplied by the state, in order that Andrew should ever believe there is any purpose in directing personal or employers’ funds into it at some stage in his life.

Darren presents the most difficult case. Lacking family resources or a culture of aspiration, it is not easy to see how individual investment could ever be incentivised. Cases of this nature provide a good example of where public subsidies - in the form of grants or fee waivers - should be targeted. The key to Darren’s success lies in ensuring that he is able to participate in the learning market in the first place. Left to his own or his family resources alone, neither he, nor his wife, nor his daughter in due course will be able to enter the market for learning opportunities, and will therefore be denied access to those segments of the labour market which will make it possible for him to assemble learning investment coalitions.

Compulsory or voluntary employer contributions

2.19 One way to approach the problem might be to mandate compulsory employer contributions to training and lifelong learning. Since all employers would be affected, this would avoid the ‘free-rider’ problem. An employer contribution could be deposited, in cash or in a proxy for cash (such as ‘credit’), within employee ILAs. Additionally, employer contributions could be matched by individual contributions, and/or by fiscal incentives, so that a fund could be accumulated by the individual for use in the purchase of learning. Employee access to the funds within the ILA could be circumscribed so that individuals could draw down only limited amounts,
for the purchase of specified learning, over fixed periods while employed.

2.20 Objections to a compulsory system of ILAs are numerous, and employers’ representative bodies are strongly opposed to the levies that would need to be imposed. They claim such an approach would undermine flexibility, penalise small companies, produce a ‘deadweight’ effect on company finances, yield no greater individual commitment to training, and still expose companies which behave wisely to the predations of unscrupulous competitors.

2.21 A voluntary system of ILAs, established in partnership with willing employers, might yield better prospects of long term success, particularly if ILAs were seen to produce beneficial competitive performance and employee loyalty. Under these circumstances, competitors might be forced to join the system in order to protect their market positions. There are some signs that a voluntary system could work, especially amongst larger companies in the first instance, but also more widely:

- some companies are beginning to treat investment in Human Resource Development as a balance sheet item, recognising its consequences for corporate profitability;
- a system of ILAs could contribute effectively to wage-bargaining: employers and trade unions could reach agreements whereby part of a wage settlement is reached by employers making deposits in employee ILAs;
- employers could open up a secondary market in ILAs, attracting ‘high-flyers’ or scarce skills by offering to invest in an ILA or by paying off all or part of the ‘overdraft’ on an existing ILA;
- employers might welcome the potential of ILAs to encourage ‘partly trained’ employees to return to learning in order to enhance their credential gain; this might become attractive as the passage through higher education, for example, becomes a more interrupted or fragmented process.

2.22 Each of these voluntary instruments could be fiscally incentivised by a willing Government. The purpose would be to supply sufficient subsidies in the form of fiscal inducements to encourage the development of a system of ILAs. Once a pattern of wise behaviour amongst employers, individuals and their representatives had been established, the subsidies could be phased out at a later date.

*Are employment-based ILAs a funding solution for lifelong learning?*
2.23 This part of the assessment raises the question of whether ILAs can prosper principally in an employment-based context. Clearly, ILAs have the potential to play an important role in bringing together individuals and employers in a new investment partnership for lifelong learning. To this end, they could provide a novel means of supporting students in higher education as well.

2.24 But it is important to be realistic on this matter also. We can find no obvious reason why individuals or employers should put their cash at risk in a learning account if the state will not reciprocate with public funds. To this extent, a system of ILAs is unlikely to be sustainable if it is restricted only to those in employment. The individual-employer nexus alone is altogether too brittle to sustain a comprehensive system of ILAs without the active involvement of public money from the state. In addition, the entire enterprise might come to be perceived as a cynical exercise by the state to extract private funds from individuals and employers with no Government commitment to the investment partnership.

2.25 Then there is a danger that, by raising expectations of the durability of the individual-employer nexus, public confidence in the usefulness of ILAs might be undermined if the employment connection does not prove as viable as anticipated. By adding the state to the individual-employer partnership, a significantly more robust coalition of interests can be established.

Case Study 2: employer investments

ProPrint is a medium-sized commercial design and publishing enterprise; it employs 75 people, most of whom possess lower level vocational qualifications. It is ambitious and far-sighted. As part of a modest growth strategy, the company takes on three new members of staff.

Emma is recently qualified in Design and Business Skills, a new two-year 'associate degree'. She plans to return to university one day to complete an honours degree in either Design Studies or Business Studies - she is not sure which at this stage - but has decided to interrupt her progress through the university in order to gain work experience and earn some money to pay off the overdraft on her ILA. ProPrint employs her to assist in the design and marketing of some new products. Some of her time is also spent in managing the in-house training programme. Victoria has seven GCSEs and is awaiting the results of her Advanced National Diploma which has combined two A levels (Maths and
Advanced National Diploma which has combined two A levels (Maths and Economics) with an Advanced GNVQ in Financial Studies. She plans to defer an application to university for a year or two, earn some money to go to Australia next year and, if her results are good enough, she may think about doing a degree after she returns. ProPrint employs her to work in the Accounts section; she also doubles as PA to the General Manager. Melissa has no qualifications but is widely experienced in administration. She is separated from her husband, has two children at secondary school, and is doing part-time evening courses at the local further education college with a view to going to university 'maybe one day'. ProPrint employs her as an office administrator and training officer in IT skills.

The new members of staff find ProPrint an attractive place to work. Emma soon settles in and after a time decides she would like to stay for a while. She reaches an agreement with the company that, instead of taking her performance bonuses in full, ProPrint will deposit part of the settlement into her ILA. After a year, she has reduced the ILA overdraft considerably and plans to return to university. Keen to retain an energetic employee, ProPrint offers to meet 75% of the costs of the final year of Emma's degree, provided she finds a place at her local university (rather than her initial institution 200 miles away) so that she is available to undertake modest duties (during vacations and so forth). As part of the deal she agrees to remain with the company for a year or so after graduation.

In the case of Victoria and Melissa, the company offers to open ILAs, registered with the Learning Bank in keeping with company training policy. Victoria quickly realises that the company deposits into the ILA will soon start to accumulate as a fund with which to support her through university. But if she leaves for Australia as planned, this may lapse. She is faced with an awkward choice. Meanwhile Melissa finds the idea of an ILA strange indeed. This was not how it used to be when she was younger. But the company makes it clear that it values education and training for all its employees. So she uses the resources in the ILA to pay the fees of her part-time courses at the local college. At the end of their first year with ProPrint, Victoria and Melissa make up their minds. Victoria
their first year with ProPrint, Victoria and Melissa make up their minds. Victoria will now go to university, using her ILA to help her through the first two years. Having spoken to Emma, she decides to take an 'associate degree' as well, deferring her trip to Australia until two years hence. She soon realises that her ILA will be the means by which the state will make deposits into her account for the purchase of her learning programme. She sets about deciding precisely what she wants to do, and where. Melissa has by now caught the 'learning bug' as well. She negotiates a deal with the company whereby, if she works one day at the weekend (while her husband has the children), ProPrint will pay her double-time (instead of time-and-a-half) and place the cash inside her ILA. She cruises through her part-time courses and sets about the troublesome task of arranging childcare support for the following year, so she can start on a university entrance programme. At this point, the company steps in... we'd like to get you started on your own training programme, they say. There's this new idea just started - the University for Industry. You do it from your own home if you want. We'll supply the technology and pay the fees. You just need to design an appropriate learning package - something combining IT, financial management and HRM should fit the bill. What do you say? Melissa is a little confused, but with assistance from the local guidance centre and support from her ILA, she gets started on a customised learning programme, put together by the University for Industry and accredited by her local university as equivalent to first year academic achievement.

Two years into its growth strategy, ProPrint has full order books, low staff turnover, an increasingly multiskilled and adaptable workforce, and is looking to take on another five employees.

The ILA as a distribution fund

2.26 This assessment so far has concentrated on the prospects for incentivising individual and employer contributions to ILAs as a means of off-setting the likely burdens to be incurred by the need to repay loans (for maintenance and/or tuition fees). While this trade-off arrangement is understandable, it does not capture the
full potential of the ILA.

_Improving individual choice and institutional responsiveness_

2.27 The potential of an ILA is fully realised when the mechanism is used to place in the hands of individuals real discretion over the distribution of resources within the account. This may be largely unproblematic where resources for maintenance are concerned, but it has considerable significance if the distribution of all, or a significant part of a tuition fee is involved.

2.28 One point should be made at the outset. The use of the ILA as a means of allowing individual discretion over the distribution of the tuition fee does **not** imply that individuals are required to repay any or all of the fee. **That is a separate policy option**, although if the decision were taken to require students to repay an element of fees, an ILA would be a suitable vehicle for this.

2.29 If an ILA were to be used as a vehicle for individual fee distribution in the manner proposed, what differences if any would exist between proposed arrangements and those which currently occur through the Funding Bodies? No convincing case can be made if the ILA were used simply to pass public funds for fees from the ILA to the institutions **under the same conditions that apply today**. If it is believed that students will continue to behave wisely by signing up for one continuous full-time course at a single institution for the duration, accepting the impediments to individual mobility and transfer which currently obtain, then the Funding Bodies may just as well continue to act as proxy for consumers in the learning market. For we shall be assuming that students are content to meet new repayment responsibilities (for maintenance at least, and perhaps tuition fees) without being concerned to differentiate too closely on the basis of quality, or product, or labour market prospects - and that this will remain the case for the foreseeable future.

2.30 On the other hand, it is quite possible to conceive a future in which students will not be content with the conventional pattern of course attendance. Changing circumstances are likely to increase the fragmentation and interruption of the conventional learning experience. These may include the need to ease personal debt burdens through employment; changes to personal circumstances caused by greater social and labour market mobility; the need to adjust initial learning choices in favour of new preferences; and changes in the technology of learning which may
enable students to build new kinds of programme from a variety of institutional and non-institutional providers.

2.31 Moreover, a more fragmented and competitive labour market seems likely to increase the attention students need to pay to employment prospects. This factor alone may make students much more willing to adjust their initial preferences in the light of emerging labour market information.

2.32 To date, the welfare of students has been defined in terms of a continuous pattern of attendance at one institution, based on an initial choice often made at a young age and on the basis of superficial information. Thereafter, organisational structures and administrative protocols make it difficult for students to exercise the flexibility and choice within and between institutions and other providers which they may need. Placing fees in the hands of students through the ILAs could be one important means of incentivising institutional providers to respond flexibly to changes in student preferences. Students themselves could become more discerning ‘purchasers’ in the learning market with beneficial consequences long-term for efficiency and quality.

2.33 However, it must also be said that even if individuals are able to access personal learning resources through the ILA, the impact on institutional behaviour is likely to be marginal unless there are significant shifts of Funding Bodies resources into the ILAs. Placing, say, 20 per cent of current tuition fees in ILAs would have little impact and would make the exercise questionably worthwhile. Shifting an element of the recurrent grant into fees, and then 100 per cent of the fees into the ILA would produce a much more significant impact on institutional responsiveness to individual choices.

2.34 Above all, placing significant sums of public money in an ILA, alongside private cash and any loan capital, makes the ILA an instrument of considerable personal worth to any student in higher education. It would impose considerable duties on students to manage their ILA wisely and may have far-reaching consequences for responsible learner behaviour.

**Ensuring system stability**

2.35 This assessment is not concerned to advance a model for ILAs which makes a system of higher education and lifelong learning so responsive to individual choice
that it is unable to respond to anything else. In the arrangements under consideration here, we believe that there should not be so radical a shift to fees within an ILA that individual choices, albeit when aggregated, would materially destabilise institutional providers. A proper balance will need to be achieved between the dynamics of individual choice and the stability essential for institutions to be able to conduct the full range of their functions. Therefore there will always be a need to retain and strengthen many of the key functions of the Funding Bodies:

- to reflect the interests of government; maintain accountability for the use of public funds; and secure the quality of learning purchased with public funds;
- to determine the number of places/ILAs it will fund; to determine the balance between teaching and research; and to ensure equal opportunity and a range of provision across the country;
- to act as a strategic broker between stakeholders in higher education and lifelong learning.

2.36 To this end, this assessment concludes that there will be a need to establish a public authority to describe and oversee a system of ILAs, and to ensure that the operation of the ILAs delivers intended outcomes - namely, wider participation, greater individual choice, better institutional responsiveness and effectiveness in the use of public and private funds.

**Case Study 3: incentives and commitment through choice**

Carol enters university in a distant town. Her chosen subject turns out not to be what she thought. She thinks for a minute of 'dropping out' in her first year; her exams go poorly and she is facing mounting debts. Should she just cut her losses? She edges through into the second year and, persistent, she struggles on but the academic side is not improving. She tries to switch programmes but is told she lacks the 'prerequisites'; she tries to switch universities but is told the course is full; she tries again but is put off by the prospect of more administrative hurdles. Shrugging her shoulders she battles on, no longer enjoying the course, surviving but not thriving, and turns her attention to other things. Finally, at some point in her third year, something snaps and she walks off the course and leaves the university (or alternatively, she ploughs on and ends up with a sub-optimal performance in her degree).
Meanwhile, Laura goes to university in a distant town with funds drawn from her ILA. She too finds her initial course preference not as she wished. She instructs the Learning Bank to halt payments of the tuition fee from her ILA while she negotiates a course switch. At the same time, she assesses the burden on her ILA of residential maintenance costs and decides to consider a switch of institution to her home town where costs are cheaper. The institution of her initial choice is keen to assist her to find a suitable programme (not least to retain the fee income), while her home town institution also seeks to accommodate her (not least to acquire the fee income). Meanwhile, Laura decides to take time out to think again, suspending payments from her ILA for a year.

Simon begins his higher education in the local community college. Thriving academically, and able to reduce costs by living at home, he plans to spend his final year away from home at a university. He discusses this with his wife and they reckon that the sacrifices will be worthwhile if he is able to graduate from a university high in the reputational range. The final credential will improve his prospects of achieving premium labour market placement in his competitive field. Simon uses his ILA to meet the additional costs he will incur (in maintenance and possibly in fees) by seeking to qualify from a prestigious university.

In Carol’s case, the inability to manipulate resources in ways which increase her welfare contributes to an unsatisfactory outcome (in either variant of the case). For Laura, she appears to be in some control of her destiny and the ILA increases her awareness of how she can shape the pattern of provision to meet her needs. One key difference between Carol and Laura is that the latter is able to exercise the power of ‘exit’ in the market, something which the control of funds within an ILA makes possible. On the other hand, Simon enjoys the power of market repositioning. He is able to consider the prospect that careful financial management of his ILA resources will both protect his family from debt burden but also allow him to cap a promising learning career with an excellent qualification from a high quality university.